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COMMUNICATION FROM THE COMMISSION

**FROM GUIDELINES TO ACTION: THE NATIONAL ACTION
PLANS FOR EMPLOYMENT**

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Commission Communication

I. The Luxembourg process: towards a more effective and focused European Employment Strategy

Following the agreement at the Amsterdam Summit to make certain provisions of the new Treaty regarding employment immediately effective and the Luxembourg Jobs Summit in November 1997, the Council adopted the first Employment Policy Guidelines for 1998 on 15 December 1997. A common structure for the National Action Plans was agreed at the end of January and the Member States agreed to submit their Plans by mid-April. In order to support the Member States in their preparations a series of working meetings between the Commission and the national authorities in each of the fifteen Member States was held between January and March this year.

The objective of this Communication is to examine what the Member States have **committed themselves to doing** in their National Action Plans and whether these commitments are in line with the contents and objectives of the 1998 Employment Guidelines, and to provide the basis for a discussion at the Cardiff Summit of the progress underway.

Following Cardiff, it is foreseen that the employment situation in the Community will be discussed at the European Council in Vienna in December 1998 as well as the lessons which can be drawn from the current exercise. This will also provide the opportunity for assessing, on the basis of information provided by the Member States, whether they have **followed up their commitments** by translating their Plans into actions, whether such actions adequately address their problems and needs, and whether there is, therefore, real recognisable progress in attaining the objectives of the Guidelines.

II. The 1998 National Action Plans (NAPs): overall assessment

The fact that all fifteen Member States, in spite of the very tight time-frame of only four months, have prepared, adopted and delivered their National Action Plans by the end of April must be regarded as a major political achievement.

An encouragingly positive response...

The responses of Member States as set out in the NAPs demonstrate that there is now a shared commitment to making progress on employment. The new impulse to employment policies generated by the Luxembourg process has been welcomed in all Member States and implementation of the process is underway, indicating a shared commitment to a more transparent and politically-driven implementation of the commonly agreed employment policy objectives.

This progress can be identified in terms of process as well as content. As regards the process, it is clear that:

- **There is a move towards a comprehensive and multi-annual programme approach.** All Member States have undertaken a comprehensive and, in some cases such as the UK and the Netherlands critical, self-assessment of present problems, needs and policies in their labour market. They have broadly adapted all nineteen Guidelines to their specific national conditions and have initiated a multi-annual programme approach to address them.
- **Member States are pursuing an inclusive strategy.** The preparation of the National Action Plans has involved the key actors at national and, in some cases, regional levels, as well as social partners, in accordance with different national circumstances. In particular, the working meetings between the Commission and the national authorities brought together representatives of all the Ministries concerned, other relevant bodies and in some cases representatives of the social partners. In the UK, Portugal, Austria and Ireland, the consultations with the social partners have led to the inclusion of text which has been agreed with the relevant social partners.
- **The NAPs embody a more transparent and politically-driven policy approach open to scrutiny.** The NAPs have been officially adopted by the government of each Member State and, in many cases, have been discussed in the national Parliament, thereby enhancing their political status. The NAPs are open to scrutiny in the country concerned as well as by the other Member States, thereby increasing the degree of political accountability for the commitments set out in them.
- **The NAPs build on existing employment policy foundations.** While innovative in many respects, the Plans do, of course, build upon the array of labour market measures and policies already in place for some time. The new policy impulse is reflected in terms of coverage, by including problems and policy areas not addressed hitherto, intensity, by enlarging those measures and schemes proving to be effective, and partnership, with a closer and more active involvement by social partners and others in the strategy.

The Commission considers that the main criterion for determining the relevance of a policy initiative is not the date of its enactment but whether it is proving successful in attaining the objectives set in the Employment Guidelines. This points to the need to find the correct balance between preserving 'well-performing' policies and introducing 'innovative' measures as part of an ongoing process. Experience shows

that progress in addressing unemployment implies maintaining a consistent strategy over a number of years. Examples of this are the Netherlands, Ireland, Denmark and, more recently, Spain and Finland.

In terms of content, the following positive elements can also be discerned:

- **All Member States declare their political commitment to an active employment policy.** Many Member States declare their intention to initiate, or to pursue, reforms in order to make work more attractive and jobs worth taking. Measures focus on improving incentives, developing skill levels and providing job opportunities. A comprehensive approach is seen to be essential in any strategy addressing the causes rather than merely the consequences of unemployment. Some Member States are undertaking an in-depth review of tax and benefit systems to ensure that their impact is employment-friendly and conducive to entrepreneurship, job creation, and active participation in working life (UK, Spain, Denmark, France, Belgium).
- **There is a clear recognition of the need for a stronger local dimension in employment policy.** Progress towards decentralisation and more autonomy at the local level is recognised as essential, while maintaining a common national policy framework. In some cases (Spain, Italy), reforms move towards more responsibility for regional and local authorities as well as social partners for the delivery of customer-tailored services closer to the needs of the unemployed and enterprises. Such reforms draw from the positive experience in countries with a long history of labour market policy devolved to regional and local levels (Austria, Germany, Belgium, Denmark, Finland, and Sweden). Moreover, some NAPs (Italy, Greece, Portugal) mention the territorial pacts as instruments for involving all actors at the local level.
- **The need to develop and modernise the Public Employment Service (PES), including bringing its capacity and resources into line with the new challenges, has attracted new attention.** The NAPs confirm that the PES is seen as a key delivery mechanism for an active and preventive strategy. Even though they are mentioned mainly in relation to the employability pillar, the PES can, often in partnership with other actors, play an important role in implementing measures under the other three pillars. However, the NAPs are not always explicit on concrete measures envisaged to strengthen the PES. In many Member States, this will imply a global review of working procedures, budget and staffing resources, and management of their PES. Some NAPs indicate the intention to commit further resources for the PES (Germany, Finland, France, Portugal, Spain).
- **All Member States recognise the importance of improving knowledge and skills levels.** Many of the NAPs specify areas of knowledge and skills which are considered to be highly relevant for reinforcing employability and adaptability, e.g. basic skills of literacy and numeracy, ICT competence and mastering foreign languages. More generally, most of the plans emphasize the need to strengthen the link between education, training and working life. In this context, apprenticeship and traineeship are seen as playing a major role.

- **One of the major achievements has been the enhanced involvement of the Social Partners.** The NAPs have offered the Social Partners the opportunity to contribute to employment policy. They have, by and large, demonstrated a clear willingness to observe the spirit of the Guidelines and, in some countries, have committed themselves to open negotiations on specific issues. Furthermore, the fact that the NAPs process has been used to enable the social partners to enrich their dialogue in countries and fields where it has been on hold, should not be underestimated.

...but there are also a number of shortcomings

The examination of the NAPs reveals a number of shortcomings as well. This is to be expected in a process which is still in its early stages. However, these shortcomings need to be addressed to provide further impetus to the Luxembourg process. They include the following:

- **The principal focus in the Plans is on the first two pillars "employability" and "entrepreneurship".** This may reflect specific national priorities but also the fact that the "employability" pillar contains the three EU-wide operational targets which require more detailed assessment. Furthermore, it reflects the fact that the pillars of "adaptability" and "equal opportunities" require, either a broad involvement of social partners and others, or a set of flanking policies which will take more time to develop. Yet, the Employment Guidelines are based on an integrated approach: the employment challenge cannot be tackled in a sustained way, if all the pillars are not addressed in an integrated, mutually supportive way.
- **In some areas the Plans are vague or consist of a mere list of initiatives.** The lack of details makes it difficult to assess whether the package of measures is underpinned by an integrated strategy. It is also not always easy to establish a clear indication of priority among the measures, or to identify which are the measures implemented to provide immediate effects, and which are undertaken to provide an impact over the medium term. Moreover, there is a real risk that a plethora of measures may fail to achieve the required "critical mass" and there is also the risk of dispersion of efforts.
- **There is insufficient information and clarity about the total resource and budget implications.** Such information would enable the budgetary cost and eventual employment effects to be evaluated, in order to assess whether each measure will prove to be efficient and deserve to be retained. Furthermore, the NAPs do not enable one to assess whether the present favourable economic climate in the Union is being used to pursue a real and sustained shift in public spending on employment in favour of activation measures, compatible with the continued fiscal consolidation. This would be understandable to the extent that the present Plans have been prepared after the national budgets for 1998 had been adopted.
- **Striking a balance between reinsertion of the excluded and preventing the drift into long-term unemployment has proved difficult.** The majority of the measures included in the Action Plans tend to focus on those already unemployed for a long

time (the stock) rather than the inflow into long-term unemployment. As some countries have a much larger backlog of long-term unemployed than others, there is also a difference in approach as to how to bring the high levels of unemployment down. Although measures to achieve a rapid decrease in the stock of unemployment are necessary and welcome, sole reliance on them risks perpetuating the problem.

- **In most of the NAPs, the link between the ESF and individual policies and programmes is not sufficiently developed.** In general terms, the overall contribution of the ESF is acknowledged. However, most Member States do not present a systematic breakdown, both quantitatively and qualitatively, of the ESF supported interventions under each of the four pillars, although countries like France, Italy, Greece, Ireland and Finland provide some information in this respect. Making this link more explicit would serve to improve the effectiveness of ESF support.
- **The lack of appropriate indicators for national employment policies is among the least satisfactory aspects of the NAPs.** The majority of the Plans have fallen short of defining quantified or precise policy objectives and statistical indicators which will underpin the evaluation of progress and outcomes. Employment indicators are often vaguely defined, just mentioned or missing. This affects, for example, the identification of target groups for each measure, potential indicators to measure policy effort (in terms of financial resources, staff and technical support), or benchmarks for comparison of policy outcomes. The shortcomings are particularly inconvenient in the case of the three EU-wide operational targets.

III. The National Action Plans 1998: thematic overview

The European Union is experiencing a return to a period of sound and sustained economic growth. In the NAPs, Member States have committed themselves not only to pursuing the macroeconomic strategy set out in the Broad Economic Policy Guidelines, but also to taking effective further action to improve the functioning of markets for goods, services, capital and labour. Furthermore, the Member States reaffirm that structural reforms and the policy objectives as set out in their Plan are necessary to the success of the overall economic strategy and that the Broad Economic Policy Guidelines and the Employment Policy Guidelines are mutually consistent and supportive.

While countries have common concerns, the NAPs present divergent policy responses which reflect differences of their present economic situation and their national labour market structures as well as the specificities of their labour markets. Yet, the present upbeat economic climate has influenced the optimistic tone of the Plans and has heightened expectations regarding job growth which, in turn, explains the priority being given to measures oriented towards labour supply. Member States differ in their starting point concerning policy implementation, with some countries finding it necessary to start major reforms in some areas whereas others confine themselves to 'fine tuning' their policies to improve efficiency.

From the preliminary examination of the NAPs it emerges that those submitted by France and Spain have come closest to the standards of transparency and articulation required in

this exercise in terms of identification of the problem, quantification of the effort, resourcing and specification of the priorities, in particular in so far as the EU-wide operational targets are concerned. The NAPs of Member States such as Luxembourg, Ireland, Finland, Belgium and the UK, although less quantified, also reflect a considerable effort towards specificity.

The main results of the examination of the NAPs are as follows:

III.1 Employability

This pillar of action calls Member States to undertake concrete action to attain the following objectives:

- **Implementing a preventive approach so as to reduce significantly the inflow of young and adult unemployed persons into long-term unemployment (guidelines 1 and 2).**
- **Shifting people from welfare dependency to work and training, namely through a more active labour market policy (guideline 3).**
- **Developing partnership as a framework for the provision of training and lifelong learning (guidelines 4 and 5).**
- **Facilitating the transition from school to work (guidelines 6 and 7).**

⇒ **Although all Member States have endorsed the key policy objectives under this pillar, and provide more or less coherent sets of actions to address them, there are differences as regards the degree of commitments to introduce changes in domestic policy to meet in particular the three EU-wide operational targets.** In general terms, it emerges that the majority of NAPs have been drafted as documents formulating general policy orientations rather than as operational instruments. On several key aspects, such as the time horizon, resources, monitoring indicators and articulation between existing and planned measures, there is insufficient information. This leaves considerable uncertainty as to the extent to which the policy objectives may be reached within the agreed five-year period. Although the progress is very substantial when compared with the “multi-annual programmes” established under the Essen process, there is still a need for further refinement of the NAPs as operational instruments in order to increase the credibility and effectiveness of the whole process.

⇒ **Progress is still to be made in terms of prevention of long-term unemployment in order to comply with the Guidelines.** Most Member States committed themselves, in particular through the first two guidelines, to a common European preventive approach. This requires addressing the inflow into long-term unemployment over the period of 5 years, by designing the policy mix in such a way that job seekers are not required to wait until de-skilling and exclusion sets in. Such a preventive approach will, in the medium-term yield a more sustainable and cost-effective reduction of unemployment rates than the mere reliance on reinsertion of those who are already excluded. Four Member States (France, Spain, Luxembourg, UK) have announced a clear shift of their policy in this direction, underpinned by quantified targets and a

description of measures, whereas five others (Ireland, Finland, Belgium, Germany, Netherlands) while moving in the same direction provided less detailed quantification. Countries with a traditional emphasis on a preventive approach (Denmark, Sweden), while restating their support for the overall policy objective, did not mention how to achieve future targets. It should be noted that Sweden is moving towards targets which are stricter than the EU-wide operational targets. Furthermore, while a number of countries announce specific measures for job seekers at or immediately after the point when the unemployment spell has reached 6 months for young people and 12 months for adults, these measures do not yet reach the benchmark established by the Employment Guidelines.

- ⇒ **The establishment of an Individual Action Plan emerges as the starting point of a preventive labour market strategy for a large number of Member States.** As a first step to addressing the inflows, a number of countries have made the Individual Action Plan the cornerstone of their preventive strategy. This represents a move towards an individualised case management, a tailor-made approach, which enables an early identification of those at risk, and also more sustainable job access as such an approach can be based on the needs of both the individual and the labour market. Such an approach may also avoid using scarce resources on those unemployed who will by themselves find work. Individual action plans are necessary but not, however, sufficient. They require a strengthening of the Public Employment Services as well as an identification of the concrete action which can have a measurable impact on reinsertion of unemployed job-seekers. This aspect is not always covered sufficiently.
- ⇒ **There is wide agreement among Member States on the need to strengthen active policies but insufficient specification of the efforts required to achieve the EU-wide target.** All Member States endorse the objective to increase training and other active measures for the stock of unemployed, in order to provide them with the necessary skills and incentives to re-enter employment. However, the identification of the point of departure in each country in relation to the European benchmark of 20% and subsequent evaluation of the policy effort required to reach it, was not undertaken by many Member States. Six Member States (Austria, France, Finland, Luxembourg, Spain and Portugal) establish targets in line with the objective of reaching at least 20% of participants in training and active measures. Five countries (Denmark, Finland, Germany, Sweden and the UK) declare that they have already achieved such a target. Still others announce their intention to increase substantially the number of participants in active measures. However, in some cases, both the type of measures to be included and the target population need to be clarified further in order to ensure consistency of approach between Member States.
- ⇒ **Shifting from passive to active policies involves also a thorough review of the tax/benefit systems.** The NAPs reflect Member States' recognition that providing income support alone is not sufficient to tackle problems of unemployment and social exclusion. The need to give unemployed persons incentives and opportunities in order to enhance their employability is reiterated. However, most NAPs also show how difficult it is, for political and economic reasons, to achieve a sizeable shift from passive to active policies in terms of public expenditure. Progress in this direction has been very slow, and additional efforts are called for. Many NAPs also reveal concern

about levels of welfare dependency and announce efforts to move welfare recipients from inactivity into work in line with their capacities, as well as to ensure that more elderly workers retain a link with employment before legal retirement age. Moreover, there is a need to ensure improved co-ordination between the delivery of active measures and the social security systems, so that a greater number of benefit claimants will have better incentives to get back to work or participate in training.

⇒ **Improving training and education systems and providing skills relevant to the labour market needs is the most effective way of preventing unemployment.** The NAPs show a common concern about the quality of general education and vocational training which is seen as a decisive factor for ensuring that young people secure access to the world of work. Most Member States report on on-going reforms designed to improve quality and/or expand the capacity of the national training and education systems. This general concern is also reflected in the emphasis given to the increase of the overall level of educational qualifications when addressing the problem of drop-outs, although the definition of this target group tends to vary in accordance with national circumstances.

III.2 Entrepreneurship

This pillar of action calls Member States to undertake concrete action to attain the following objectives:

- **To reduce overhead costs and administrative burdens for business (guideline 8);**
- **To promote the development of self-employment (guideline 9);**
- **To promote job creation in the social economy and at local level (guideline 10);**
- **To reduce the tax burden on labour (guideline 11);**
- **To examine ways of reducing VAT in some labour-intensive sectors (guideline 12).**

⇒ **The inclusion of policy objectives pertaining to the development of a favourable business environment is seen as a positive step towards a closer inter-action with employment and labour market policy.** The NAPs display a wide variety of policy measures being undertaken or planned, some of them in line with the suggestions made by the Commission in the recent Communication on "Fostering Entrepreneurship"¹. There appears to be scope for interesting exchange of experience on some of the most innovative measures. One may refer, in this context, to the proposals for the creation of a single registration form (Finland), the one-day procedure for the registration of new businesses (France), the introduction of entrepreneurship courses in the education curricula (Denmark), the fiscal incentives to the hiring of the first employee (Spain, Belgium) and "Business Angels" (Austria, Germany). Improved conditions for job growth include, for some Member States, a favourable environment for effective competition, access to venture capital, structural changes and the liberalisation of the markets for goods and services, while others stress the importance of promoting high-tech, future-oriented industry sectors, like information technology or environment-friendly industries, where potential for job creation remains largely unexploited.

¹ COM(98)222.

⇒ **Member States increasingly recognise the potential for employment creation in, the social economy, local activities and the importance of new activities which meet unfulfilled social demands.** Many Member States have announced the commitment to develop action in these fields but only a few provide concrete and relevant examples of measures and pilot projects. The French programme for the creation of jobs for the young should be highlighted in this context. The contribution of the social economy, in the majority of NAPs, tends to focus on the reintegration of disadvantaged groups, whereas its role in creating jobs and supporting the emergence of new forms of services does not get the attention it deserves. The specific role of co-operatives and mutual societies is recognised in the NAPs of Belgium, Spain, Italy, Finland, Sweden and Germany. In some cases the public sector is called on to play a directly active role; in others more indirect support is provided through fiscal and administrative incentives. Efforts are required to demonstrate the scope for sustainable employment in the social economy and the encouragement of job creation in meeting emerging needs.

⇒ **Most Member States opted not to set fiscal targets, but important tax reforms are being pursued in some.** With a few exceptions (Netherlands, Denmark, Ireland) Member States did not set concrete targets for either reducing the overall burden of taxation or reducing the fiscal burden on labour. The fact that the budget decisions for 1998 had already been taken by the time the NAPs were prepared, the present policy of continued budgetary consolidation and the difficulties to find alternative stable sources of financing social security systems, explain the apparent lack of ambition in this domain. However, in recent years, several Member States have taken significant steps towards reducing non-wage labour costs, in particular for low-income workers. Lowering non-wage labour costs at the bottom end of the wage range can foster sizeable job creation, especially in low productivity sectors. In addition, some Member States have reformed tax systems by reducing marginal income tax rates and introducing tax credits, which should have a positive effect in removing disincentives to taking up low-paid jobs and avoiding poverty traps.

III.3 Adaptability

This pillar of action calls Member States to undertake concrete action to attain the following objectives:

- **Social partners are invited to negotiate agreements to modernise the organisation of work. These can cover different expressions of working time and forms of work. Flexibility and security should be balanced in these agreements (guideline 13).**
- **To respond to the increasingly diverse forms of employment, Member States will seek to introduce more adaptable types of contracts, while providing adequate levels of security (guideline 14).**
- **Member States will encourage the development of in-house training and investment in human resources (guideline 15).**

- ⇒ **Social partners will need to shoulder their own responsibility for supporting the employment guidelines.** This would involve a comprehensive approach integrating all the necessary elements of adaptability: modernisation of the legislative framework, updating collective agreements and bargaining, new forms of work organisation and the management of working time. The limitations of time, combined with the extensive nature of adaptability, has left this pillar underdeveloped in most contributions. Formalised agreements (at national level) on the range of adaptability issues have been rare. However, even in the short time allowed for the preparation of the plans a few initiatives could be detected. In Luxembourg, the partners participated directly in establishing the NAP. In other countries, like Belgium and Portugal, a new impulse was given which may bear fruit in subsequent negotiations.

- ⇒ **The dynamic of developing the NAPs has raised awareness of the need to have an integrated and comprehensive approach to adapting the reorganisation to structural change.** Yet, concrete measures supporting new forms of work organisation have not been clearly set out in the NAPs. A few initiatives could be detected - social partners in Portugal, Ireland, Austria and the UK have signed joint declarations aimed at addressing the modernisation of work organisation. Modernisation of the contractual framework, particularly for part-time work, is progressing but the impact of totally new forms of work, e.g. telework, is still being considered.

- ⇒ **Approaches to reorganisation of working time reflect the different roles of the State and the social partners.** For a number of Member States (France, Italy, Belgium, Luxembourg) the modernisation of work organisation is linked to wider labour market policies on reduction/redistribution of working times, lifelong learning and the social security system. In these countries, an integrated approach to legislative change has been instigated, often leaving the social partners to negotiate aspects of implementation. Other countries (Ireland, UK) believe that the role of the State is to provide fair minimum standards, leaving the social partners themselves the task of agreeing on flexible working arrangements. For those countries with firmly established tripartite traditions (Denmark, Finland, Austria, Netherlands, Sweden) the various aspects of adaptability are being negotiated through already established bodies.

- ⇒ **Training is generally considered as a powerful force for adaptation to change.** Across most of the Plans, policies combining education, training, taxation, and legal reform aspects with the aim of improving the skills of the workforce are present. In all Member States, tax incentives for training operate, either at the level of the individual or the level of the company. In some cases (UK, Ireland, Denmark, France), specific new and targeted measures for promoting investment in training are announced. The contribution of the ESF (Objective 4 and ADAPT) to promoting adaptability has generally not been acknowledged.

III.4 Equal opportunities

This pillar of action calls on Member States to undertake concrete action to attain the following objectives:

- **Tackling gender gaps in employment and unemployment (guideline 16);**
- **Reconciling work and family life (guideline 17);**
- **Facilitating reintegration into the labour market (guideline 18);**
- **Promoting the integration of people with disabilities into working life (guideline 19).**

⇒ **Preparing the NAPs has raised awareness of the importance of equal opportunities policies, both with respect to gender and disability.** All Member States have taken the issue on board in their NAPs and intend to take new action or have already proposed new policy measures. Concrete steps forward were taken, particularly in the area of childcare, which will contribute to the overall goal of employment growth by increasing labour supply.

⇒ **The content of the NAPs addressing the issue of equality between women and men appears modest and insufficiently detailed.** Strengthening equal opportunities is still a relatively new component of European employment strategy. This is probably one of the reasons why the approach to equality-driven policies in many National Action Plans is less developed than that to other policy areas. This is reflected in the relatively limited number of new measures proposed, the small budgets attributed (if mentioned), and the limited number of quantitative targets envisaged. Without concrete and quantified targets, an assessment of the policy initiatives undertaken under the NAPs is difficult. Also the internal coherence of the action plans could be improved by integrating the equal opportunities objective in the other pillars (mainstreaming) Although a growing number of Member States (Greece, France, Italy, Spain, Austria, UK, Sweden) have mentioned this concept, there is still little evidence of concrete applications of it.

⇒ **Providing more opportunities for people with disabilities is now a full component of the employment strategy.** Member States are firmly committed to getting more people with disabilities into jobs, and policy actions show interest in mainstreaming this issue into other policies in particular on employability. Some Member States draw attention to the specific problems of integration in the labour market of other disadvantaged groups such as ethnic minorities.

IV. From Cardiff to Vienna: mapping the way ahead

This first examination of the NAPs has revealed a lot of light and some shadows. It has also revealed scope for further work to consolidate the Luxembourg process.

This Communication will provide a basis for discussion at the Cardiff Summit and the Summit conclusions will represent a further impulse to the work already underway in Member States, and with the Social Partners, to put into place the actions in the NAPs.

The Joint Employment Report, established by the Commission and the Council, will play a key role in the follow-up process at the level of the Union. The Commission has already started to prepare for this Report, which will be presented in October. From July to September, the Commission will organise bilateral discussions with each Member State for the purposes of in-depth discussion of implementation measures and procedures and to gather detailed information on policy developments, the setting of indicators and planned time horizons, and the allocation of financial and technical resources.

These discussions will provide the framework for the examination of the action taken by the Member States to implement their Action Plan, an opportunity to provide missing information on envisaged measures, as well as the identification of innovative measures and best practices under each pillar which are the most promising for the further development of the European employment strategy.

With a view to these discussions with the Member States, the experience gained to date will prove useful in attending to some of the shortcomings which have been identified in the current set of Employment Guidelines.

The current four pillar structure has proved to be a valuable and comprehensive framework within which the European Employment Strategy can evolve and be developed. However, in the course of preparing their National Action Plans, several Member States have identified a number of policy issues which they feel must be addressed in order to meet the objectives of their employment strategies but which have been insufficiently covered to date. These issues include:

- Strengthening the shift from welfare to work, where Member States have committed themselves to reform the tax and benefit systems to encourage entrepreneurship, job creation, active participation in the world of work, and to prevent social exclusion; this shift has to be accompanied by improvement in the education and training systems as well as employment services;
- The mainstreaming of equal opportunities in future developments of the employment strategy, eg as concerns care for children and other dependants. Moreover, the equal opportunities dimension does not explicitly address certain areas of discrimination in the labour market, in particular on grounds of race or ethnic origin;
- The enhancement of employment opportunities for people with disabilities, as a key element in combatting long term unemployment and despite the considerable efforts made by Member States in this domain;
- The strengthening of the local dimension of the employment strategy, where the Member States need to integrate local initiatives and new sources of work in the social economy within an overall development strategy and the development of integrated and sustained development strategies at the local level by local actors;
- Tackling the challenge of ageing for labour market policy, to find solutions to pressures related to early retirement, the emergence of bottlenecks of labour supply, as well as ensuring sustainability of pension and health systems.

Within the context of the current four-pillar framework, therefore, the Commission, together with the Member States, will carry out preparatory work to underpin further policy development in order to enable the Employment Guidelines to better capture the diversity of the challenges the Member States face.

A successful continuation of the Luxembourg process is also dependent on decisive steps being taken without delay in the following areas, which require the joint commitment and collaboration of the Member States, the Commission, the Social Partners, and other actors concerned:

Translate the policy commitments into budgetary commitments. Implementing the NAPs will require budget and staffing commitments, reforms of institutions and services as well as a more effective delivery of education and training. This poses a key challenge to restructuring public expenditure on employment policy towards activation and prevention. The present favourable economic climate is a challenge and an opportunity. Member States should examine whether and how the current favourable economic prospects will allow, within the limits of budgetary consolidation, a decisive shift of resources towards meeting the objectives of the Employment Guidelines, in line with the Florence Summit conclusions in 1996. Because most NAPs were prepared after the national budget for 1998 had been adopted, Member States are expected to better incorporate the commitments in the NAPs in the national budget proposal for 1999. Where the Plan lacks clear orientation, targets and time horizons, the governments should take the opportunity offered in the next budgetary round to make the NAPs more operational and concrete.

Encourage the Social Partners to reinforce, implement and evaluate the impact of their contributions. Despite their willingness to respond to the Guidelines and despite their positive contribution to the preparation of many NAPs, their input needs to be reinforced at both national and European levels and its impact on employment duly evaluated. Although some agreements have been already concluded, for instance regarding work opportunities for young people and other target groups, negotiations in areas such as flexibility of working life, work organisation and working time, are still to be developed. The Social Partners, at national and European levels, have a great responsibility, as called for in the Guidelines, and should intensify their efforts to contribute to the modernisation of the contractual and institutional framework for reconciling flexibility and security, establishment of systems for life-long learning, and the promotion of new forms of work organisation and employment patterns such as job rotation systems. Within such a comprehensive approach, the social partners need, therefore, to make an independent and proactive contribution to the employment strategy.

Integrate the European Social Fund better into the mainstream labour market policies. The European Social Fund plays an important role in supporting national labour market policies and represents from one or two percent to more than half of the total spending on employment policy. The role of ESF can be particularly important in countries where regions have specific competences in policy implementation (Germany, Italy) and in the Cohesion countries (Spain, Portugal, Ireland, and Greece). Only a few NAPs (France, Greece, Ireland, Italy, Finland) present information on a breakdown of ESF-supported interventions under each of the Guidelines, their impact in preventing youth and long-term unemployment, and their role in supporting labour market policy. Beyond its quantitative impact, in most Member States the ESF experience has been

instrumental in developing certain policies and approaches. This includes the "pathways approach" to labour market integration, the creation of new guidance services, the provision of care services and the promotion of local development. The Member States should, therefore, take further steps to report, in a more systematic and accurate way, on the role of the ESF in underpinning the National Action Plans. The Social Fund can support both innovative action and the implementation of policy measures under each of the four pillars. A key issue will be the strengthening of the strategy of prevention of long-term unemployment in the ESF programmes.

The development of comparable employment indicators needs to be tackled urgently. Without precise and comparable indicators, the verification of progress at national level becomes difficult and the multilateral peer review risks losing much of its force and policy impact. This requires, in particular, agreement on a set of basic indicators of employment performance and especially those policy indicators related to the three EU-wide operational targets. Such indicators must provide the preliminary basis for monitoring whether Member States implement their NAP in compliance with the Guidelines. As regards the policy indicators measuring the effort required to attain the expected employment outcomes, transparency and common understanding of national indicators and methodologies must guarantee the appropriate identification of the starting point and trend values. To develop a complete set of such comparable indicators is more ambitious and will be the outcome of a medium-term process. As regards the evaluation of the policy effort, preparatory discussions have already started and the Commission has encouraged national authorities to strengthen their efforts to undertake the required joint technical work.

In conclusion, it must be recognised that the National Action Plans represent a significant step forward in the Luxembourg process, and the Member States must move on to the implementation phase now. It is important to consolidate the progress already achieved and, while respecting the principle of subsidiarity, it is also important to keep up the political momentum in carrying forward the employment strategy and the national objectives specified in the NAPs. This will not be without difficulty nor will it yield immediate results in all areas. The Commission encourages the Member States to continue to refine and clarify their intentions, to make the necessary policy shifts as announced, and to fill in any gaps which still remain in their Plans. The Commission is committed to continuing its efforts to support and facilitate this process.

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