



KEY CHALLENGES FACING EUROPEAN LABOUR MARKETS: A JOINT ANALYSIS OF EUROPEAN SOCIAL PARTNERS

I. INTRODUCTION

II. ANALYSIS

III. CHALLENGES

IV. RECOMMENDATIONS
OF SOCIAL PARTNERS

October 2007

The full version of the Joint Analysis Report on the key challenges facing
Europe's labour markets is available on:

www.buinesseurope.eu
www.ueapme.com
www.etuc.org
www.ceep.eu

I.

INTRODUCTION

—

INTRODUCTION

BUSINESSEUROPE, UEAPME, CEEP and ETUC reiterate their support for the Lisbon strategy aimed at turning Europe into the most competitive knowledge-based society in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion. Faced with the challenges of globalisation, technological progress and demographic ageing, the Lisbon strategy remains as valid and necessary as when it was adopted in 2000. Europe's weakness in terms of growth and jobs needs to be addressed.

The Lisbon strategy is about improving our competitiveness in high added-value products and services and more generally about securing Europe's place on world markets by moving up the ladder of innovation, technology and productivity. Europe cannot compete with low-wage countries for labour-intensive products.

In order to contribute to enhancing Europe's employment and growth potential and the impact of the European social dialogue, and as foreseen in the social dialogue work programme 2006-2008, the European social partners have undertaken the following joint analysis on the key challenges facing Europe's labour markets. This joint analysis will form the basis to decide appropriate joint recommendations to the EU and national institutions, define priorities to be included in a framework of actions on employment, negotiate an autonomous framework agreement on either the integration of disadvantaged groups on labour markets or lifelong learning.



For ETUC
John Monks
General Secretary



For BUSINESSEUROPE
Philippe de Buck
Secretary General



For UEAPME
Hans Werner Müller
Secretary General



For CEEP
Rainer Plassmann
Secretary General

II.

ANALYSIS

—

ANALYSIS

1. Growth

- Over the period 1996 to 2006, real GDP growth in the EU averaged 2.4%, in line with average rate of growth in the preceding decade. Despite the ongoing economic recovery, reaching the Lisbon target of 3% growth agreed in 2000 in coming years will only be possible provided that appropriate policies are put in place.
- Developments at European level hide marked differences across and within countries, with an overall catching-up trend in new member states benefiting the wider European economy, while some of the biggest continental European economies have been struggling with weak economic growth during the last decade.
- According to a growth-accounting exercise, a lack of demographic dynamism on the one hand and a fall in productivity gains on the other hand are coinciding with a growth rate that is insufficient in relation to the Lisbon target (see sections 2, 5 and 9).
- For instance, the differential in population growth between the US and the EU has reached 0.8% per annum over the last decade, with immigration traditionally making a higher contribution to the dynamism of the US labour market than it does in the EU. When allowance is made for these demographic differences, GDP growth per capita over the last decade has been broadly similar in the US and Europe, around 2%, while over the previous decade, GDP per capita growth in the EU was higher and above the US average.
- Labour productivity growth per hour worked has settled in the EU at around 1.5% over the last decade, in decline from 2.2% over the previous decade and below the performance registered in the US. Bearing in mind future demographic trends, productivity growth will become an even more important factor for economic growth looking forward.
- At the same time, there has been a shift in factors supporting growth over the last decade, with a gradual rise in the EU employment rate making a positive contribution to EU growth (0.8% per year in EU-15 and 0.5% in EU as whole). For instance, the EU-15 employment rate rose from 59.9% in 1994 to 65.4% in 2005. This improvement has been possible thanks to rising participation in the labour market and, to a lesser extent, to declining unemployment (see section 2).
- One important factor for developing productivity, employment and increasing potential growth is a supportive framework for investments in general and in innovation, research and education in particular.
- An adequate interplay between fiscal and monetary policies is also an important factor influencing growth, employment and productivity outcomes. Regarding fiscal policy, adhering to the principle of counter-cyclical budgetary policies around a sustainable long term path for public finances is a fundamental objective. In contrast with this requirement, fiscal policy in many EU countries has tended to be loosened in good times and tightened in the lower part of the business cycle. This is notably the case

among larger euro-area countries. In addition, public debt in a number of EU countries remains high in light of demographic ageing.

- Regarding monetary policy, inflation over the last decade at EU and euro-area wide level has been relatively stable and consistent with price stability. We observe a positive correlation (0.55) between short-term interest rates and cyclical conditions (as measured by the output gap), in the euro area, the UK or Sweden. Exchange-rate developments have varied across member states, with a general pattern of procyclical developments, and were in 2006 around 5% above their decade averages in a majority of EU countries. Another key factor in influencing employment and growth are wage developments, which should be autonomously set by social partners and be consistent with productivity trends.

Table 1: EU growth and main contributing factors over the last two decades

	EU-16		EU-26
	1986-95	1996-06	1996-06
Real GDP growth:	2.4	2.3	2.4
Contribution from			
1/ Labour productivity:	1.9	1.1	1.5
of which:			
hourly labour productivity	2.2	1.5	1.6
hours worked per person	-0.4	-0.4	0.0
2/ employment rate:	0.1	0.8	0.5
of which:			
unemployment rate	-0.2	0.2	0.2
labour force participation	0.3	0.6	0.3
3/ active age population:	0.4	0.4	0.4
memo: total population	0.4	0.3	0.2

Source: Eurostat and Groningen Growth and Development Centre

Table 2: EU -25 growth, period 1994-2004, different sub-regions and US

94-2004	GDP growth	Population growth	GDP growth per capita
EU-25	2.3	0.3	2
EU-10	3.5	-0.1	3.4
Euro Area	2.1	0.3	1.8
GB, SW,DK	2.2	0.3	1.9
United States	3.1	1.1	2

Source: Goldman Sachs Economic Research, European Weekly Analyst 06/02

Table 3: Average real GDP growth over 1996 – 2005

Country	average real GDP growth over 1996-05	Country	average real GDP growth over 1996-05
EU25	2.3	Luxembourg	4.6
EU15	2.2	Hungary	4.5
Euro area	2.1	Malta	1.2
Belgium	2.1	Netherlands	2.6
Czech Republic	2.6	Austria	2.2
Denmark	2.1	Poland	4.2
Germany	1.3	Portugal	2.4
Estonia	7.2		
Ireland	7.5	Slovenia	3.9
Greece	3.9	Slovakia	4.0
Spain	3.7	Finland	3.6
France	2.2	Sweden	2.8
Italy	1.3	United Kingdom	2.8
Cyprus	3.5		
Latvia	6.8	United States	3.3
Lithuania	6.2	Japan	1.2

Source: Eurostat

Chart 1



Chart 2



Chart 3

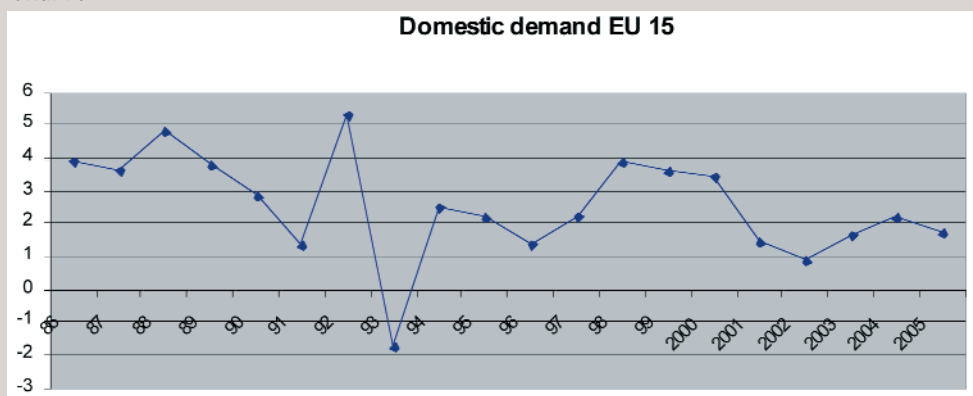
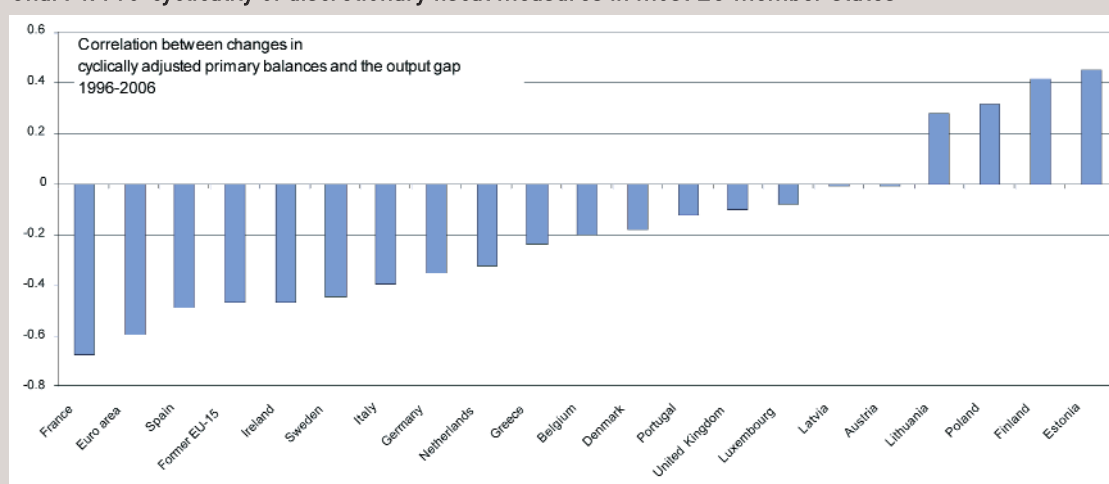
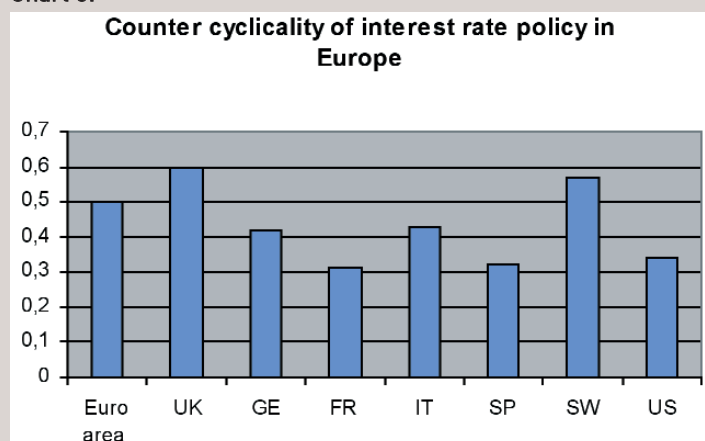


Chart 4: Pro-cyclicality of discretionary fiscal measures in most EU member states

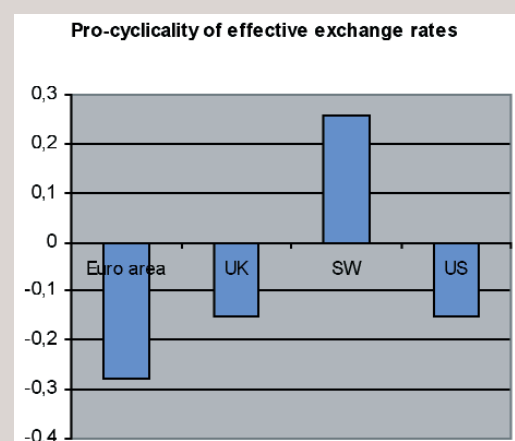


Source: EC Ameco database

Chart 5:

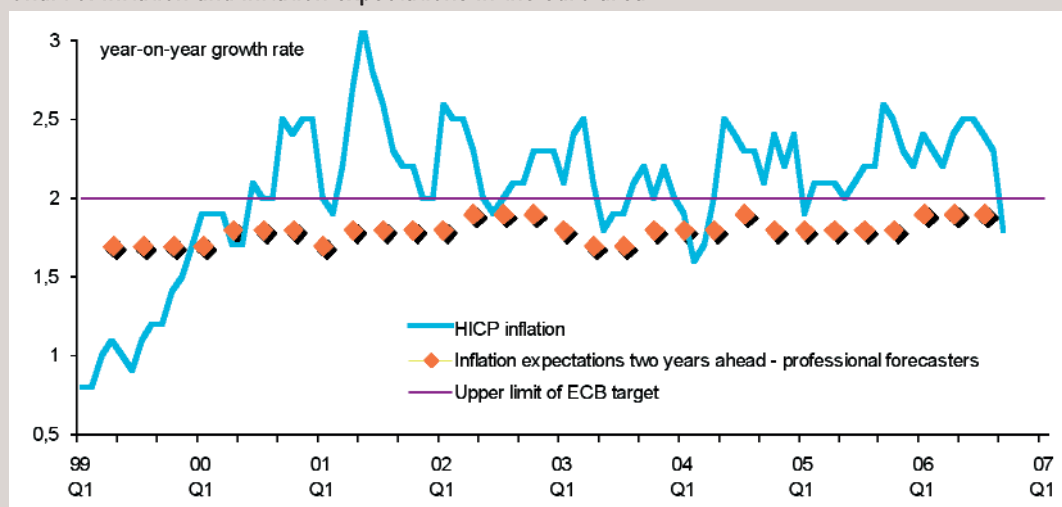


Source: OECD, period 1991-2007



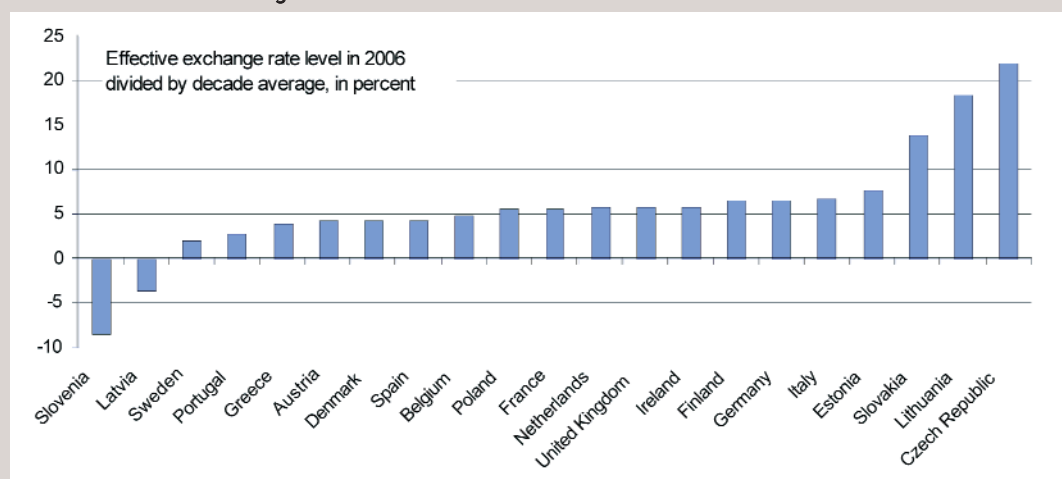
Source: OECD, period 1993-2007

Chart 6: Inflation and inflation expectations in the euro area



Source: ECB

Chart 7: Effective exchange rate across EU member states



Source: BIS

2. Employment, Unemployment and Productivity

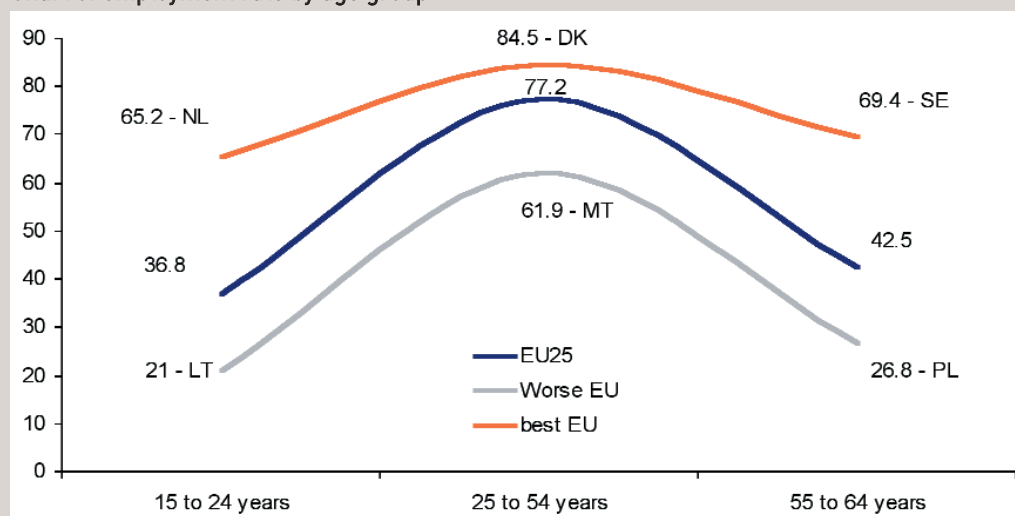
- Europe's labour market performance has improved gradually over the last decade as reflected in the increase in the employment rate which reached 64.4% in 2005, mainly driven by the increase in the employment rates of older workers and women. Unemployment decreased from 2005 to 7.9% in 2006, its lowest level since the beginning of the nineties.
- However, with 16 million unemployed in the EU and the employment rate well below the 70% target agreed in Lisbon, the employment situation remains unsatisfactory. Long-term unemployment remains worrying and certain groups are particularly affected. For example, youth unemployment remains twice as high as overall unemployment while the female employment rate remains 15% lower than that of men.
- While labour utilisation has risen in most parts of Europe, the performance in terms of productivity growth has been disappointing at 1.4% on average over the last decade in the EU. Across EU countries, there is a wide difference between productivity levels and trends. Productivity growth has been on average slightly weaker in the euro area which mainly stems from the relative deterioration in the position of Italy and, to a lesser extent, Spain. Among countries registering an improvement compared with the weak average performance of the EU, we find new member states but also Ireland the UK.
- These overall average European figures hide marked differences between and within countries as highlighted in table 6.
- In comparison with the US, the EU has created more jobs in sectors at the lower end of the productivity growth scale while employment in sectors experiencing high productivity gains has declined. This explains in large part the growing productivity gap between the two regions over the last decade.

Table 4: Recent developments in employment and unemployment rates

	EU-25							EU-27						
	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006
Employment rate (% population aged 15-64)	62.4	62.8	62.8	62.9	63.3	63.9	64.7	62.2	62.5	62.3	62.5	62.9	63.4	64.4
Male employment rate (% male population aged 15-64)	71.2	71.3	71.0	70.8	70.9	71.3	72	70.8	70.9	70.3	70.3	70.3	70.8	71.6
Female employment rate (% female population aged 15-64)	53.6	54.3	54.7	55.0	55.7	56.5	57.4	53.7	54.3	54.4	54.8	55.4	56.2	57.2
Unemployment rate (% labour force 15-74)	8.6	8.4	8.7	9.0	9.0	8.7	7.9	8.6	8.4	8.8	9.0	9.0	8.7	7.9
Long-term unemployment rate (% of total labour force)	3.9	3.8	3.9	4.0	4.1	3.9	3.6	4.0	3.9	4.0	4.1	4.2	4.0	3.6
Youth unemployment rate (% of labour force 15-24)	17.3	17.7	18.2	18.7	18.7	18.3	17.1	17.6	18.0	18.6	18.8	18.9	18.4	17.3

Source: Eurostat

Chart 8: employment rate by age group



Source: Eurostat

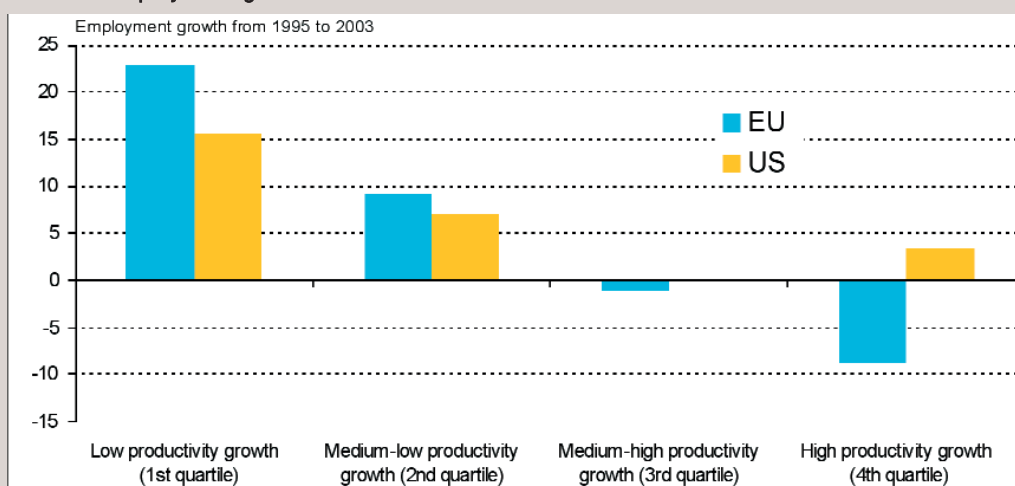
Note: EU27 aggregates not available for different age groups

Table 5: Productivity growth over period 1994-2004, EU-25, sub-regions and US

	GDP per hour	Contribution from employment rate
EU-25	1.8	0.6
EU-10	3.9	-0.9
Euro area	1.6	0.8
GB,SW,DK	2.2	0.3
United States	2	0

Source: Goldman Sachs Economic Research, European Weekly Analyst 06/0

Chart 9: Employment growth from 1995 to 2003



Source: Groningen Growth and Development Centre

Table 6: Key country indicators

	Productivity per employee			Productivity per hour			Employment rate			Unemployment rate			Regional employment rate			Job flow rates		
	1997	2005	change	1995	2004	change	1997	2005	change	1998	2005	change	1999	2005	change	creation	destruction	Net
EU (27 countries)	88	91	3	100	100	-4	60.6	63.4	-2.8	9.4	8.7	-0.7	13.3	11.9	-1.4			
EU (25 countries)	91	94	3	100	100	-4	60.7	65.2	4.5	9.3	7.9	-1.4	13.9	10.9	-3			
EU (15 countries)	100	100	-2	104	100	-4	58.6	63.5	4.9	10.0	8.6	-1.4	13.3	10.5	-2.8	5.6	3.7	1.9
Euro area	102	100	-2	104	100	-4	58.6	63.5	4.9	10.0	8.6	-1.4	13.3	10.5	-2.8	5.6	3.7	1.9
Belgium	117	121	4	129	130	0	56.8	61.1	4.3	9.3	8.4	-0.9	8.0	8.4	0.4	5.2	3.8	1.3
Bulgaria	26	32	6	44	51	8	-	56.2	-	-	10.1	-	-	-	-	-	-	-
Czech Republic	52	62	10	44	51	8	-	64.8	-	6.4	7.9	1.5	5.6	5.5	-0.1			
Denmark	94	99	5	104	101	-3	74.9	75.9	1	4.9	4.8	-0.1	-	-	-	6.2	3.3	2.8
Germany	97	96	-1	108	108	1	63.7	65.4	1.7	8.8	9.5	0.7	-	5.6	0.1	4.4	3.7	0.7
Estonia	33	55	22	41	41	0	-	64.4	-	9.2	7.9	-1.3	-	-	-			
Greece	80	95	16	60	71	11	55.1	60.1	5	10.9	9.8	-1.1	5.2	4.3	-0.9			
Spain	92	91	-1	92	87	-5	49.5	63.3	13.8	15.0	9.2	-5.8	10.8	8.3	-2.5	8.6	3.4	5.2
France	114	112	-2	114	116	2	59.6	63.1	3.5	11.1	9.9	-1.2	7.1	7.3	0.2	5.1	3.2	1.8
Ireland	111	122	10	96	119	23	57.6	67.6	10	7.5	4.4	-3.1	-	-	-	8.5	3.1	5.4
Italy	113	100	-13	102	90	-12	51.3	57.6	6.3	11.3	7.7	-3.6	17.4	16.0	-1.4	8.2	4.1	4.1
Cyprus	71	76	5	-	-	-	-	68.5	-	-	5.2	-	-	-	-	-	-	-
Latvia	31	44	14	30	35	5	-	63.3	-	14.3	8.9	-5.4	-	-	-	-	-	-
Lithuania	34	50	17	30	43	13	-	62.6	-	13.2	8.3	-4.9	-	-	-	-	-	-
Luxembourg	135	154	19	143	156	12	59.9	63.6	3.7	2.7	4.5	1.8	-	-	-	-	-	-
Hungary	54	67	13	-	-	-	52.4	56.9	4.5	8.4	7.2	-1.2	9.1	9.9	0.8			
Malta	77	77	0	71	71	0	-	53.9	-	-	7.3	-	-	-	-			
Netherlands	96	103	7	112	117	5	68.5	73.2	4.7	3.8	4.7	0.9	2.3	2.0	-0.3	6.5	4.3	2.2
Austria	-	-	-	99	98	-1	67.8	68.6	0.8	4.5	5.2	0.7	2.3	4.1	1.8	4.6	3.4	1.2
Poland	43	55	13	45	45	0	58.9	52.8	-6.1	10.2	17.7	7.5	4.8	5.6	0.8			
Portugal	64	62	-2	59	59	0	65.7	67.5	1.8	5.1	7.6	2.5	3.6	3.3	-0.3	4.9	3.5	1.5
Romania	-	37	37	-	-	-	67.2	58.7	-8.5	5.3	7.2	1.9	-	-	-			
Slovenia	61	74	12	67	67	0	62.6	66.0	3.4	7.4	6.5	-0.9	-	-	-			
Slovakia	46	61	15	38	55	17	-	57.7	-	12.6	16.3	3.7	8.1	9.8	1.7			
Finland	100	100	0	92	94	2	63.3	68.4	5.1	11.4	8.4	-3	6.7	5.5	-1.2	7.0	3.0	4.0
Sweden	97	99	2	98	101	3	69.5	72.5	3	8.2	7.8	0.4	4.8	3.0	-1.8	8.1	3.6	4.5
United Kingdom	94	102	8	89	98	10	69.9	71.7	1.8	6.1	4.8	-1.3	7.5	5.7	-1.8	6.6	4.4	2.3
United States	120	129	9	108	114	6	73.5	71.5	-2	4.5	5.1	0.6	-	-	-			
Japan	86	91	4	76	81	4	70.0	69.3	-0.7	4.1	4.4	0.3	-	-	-			

Source: Eurostat and Amadeus database

3. Demography

- Under current trends, increasing life expectancy and declining birth rates in the EU should result in an ageing population and declining workforce. Current demographic projections show that the working-age population (15-64 years) will decrease by around 15% in the EU over the next 50 years. This is particularly the case in some of the member states from Central and Eastern Europe and some bigger member states. As a result, Europe is expected to change from a society with four working-age people for each person over 65 towards a ratio of 2 to 1 in 2050.
- Many factors influence the demographic developments such as gender equality, work-life balance and labour market conditions
- Unless the appropriate measures are put into place, the combination of more pensioners and fewer contributors will have implications for the financial sustainability of pension and health care systems. Wider economic consequences could also be expected ranging from declining growth potential to a worsening skills gap as the process of renewing the workforce's skills through young people entering the labour market will slow down. Nevertheless, the average level of education will continue to increase, notably under the effect of older workers with relatively lower education leaving the labour market. The challenges are to widen the base for financing the social protection systems, increase employment rates, in particular for women and older workers, and stimulate productivity.
- Net migration flows have made a positive contribution to the EU's total population in the past and are likely to continue to do so. However, under the most likely scenario, this will not be sufficient to compensate fully the fall in the working-age population and therefore does not provide a long-term solution to demographic challenges. Furthermore, the skills and qualifications of the immigrant labour force is of crucial importance for European labour markets.

Table 7: Selected demographic and immigration indicators

	Total population (in millions)			(in % change)		Working age population (in millions)			(in % change)		Old-age dependency ratio (population aged 65 and above as % of those aged 15-64)					Net migration flows (as % of total population)	
	2004	2050				2004	2050				2003	2025	2050	change		2004	2050
EU-25	456.8	453.8		-1		306.8	259.1		-16		24	35	51	27		0.3	0.2
EU-15	382.7	388.3		1		255.1	221.3		-13		25	36	52	26		0.4	0.2
Euro area	308.6	308.4		0		206.5	174.2		-16		-	-	-	-		0.4	0.2
Belgium	10.4	10.8		4		6.8	6.3		-8		26	36	47	21		0.2	0.2
Czech Republic	10.2	8.9		-13		7.2	5.0		-31		20	35	55	35		0.1	0.2
Denmark	5.4	5.5		2		3.6	3.3		-8		22	34	42	20		0.1	0.1
Germany	82.5	77.7		-6		55.5	45.0		-19		26	38	52	26		0.3	0.3
Estonia	1.4	1.1		-17		0.9	0.7		-27		23	31	43	20		0.8	0.5
Greece	11.0	10.7		-3		7.5	5.9		-21		26	36	60	35		0.4	0.3
Spain	42.3	43.0		1		29.1	22.9		-21		25	33	66	41		1.2	0.2
France	59.9	65.1		9		39.0	37.4		-4		25	37	46	21		0.1	0.1
Ireland	4.0	5.5		36		2.7	3.2		16		16	25	45	29		0.4	0.2
Italy	57.9	53.8		-7		38.5	29.3		-24		28	39	62	34		0.3	0.3
Cyprus	0.7	1.0		34		0.5	0.6		19		14	29	43	30		0.0	0.2
Latvia	2.3	1.9		-19		1.6	1.1		-30		21	31	44	21		0.1	0.2
Lithuania	3.4	2.9		-16		2.3	1.7		-26		22	29	45	23		-0.2	0.2
Luxembourg	0.5	0.6		42		0.3	0.4		30		21	28	36	15		0.6	0.4
Hungary	10.1	8.9		-12		6.9	5.2		-25		22	34	48	26		-0.1	0.1
Malta	0.4	0.5		27		0.3	0.3		12		22	34	41	22		0.6	0.5
Netherlands	16.3	17.6		8		11.0	10.6		-4		20		41	20		0.1	0.2
Austria	8.1	8.2		1		5.5	4.7		-15		23	34	52	30		0.3	0.2
Poland	38.2	33.7		-12		26.7	19.4		-27		33	33	51	33		-0.1	0.1
Portugal	10.5	10.1		-4		7.1	5.5		-22		23	35	59	36		0.4	0.1
Slovenia	2.0	1.9		-5		1.4	1.1		-24		35	36	56	35		0.0	0.1
Slovakia	5.4	4.7		-12		3.8	2.7		-28		34	28	51	34		0.3	0.4
Finland	5.2	5.2		0		3.5	3.0		-14		23	41	47	24		0.1	0.1
Sweden	9.0	10.2		13		5.8	6.0		4		26	36	41	14		0.3	0.2
United Kingdom	59.7	64.2		8		39.2	37.8		-4		24	33	45	21		0.2	0.2

Source: Economic Policy Committee and European Commission (2006)

4. Job creation

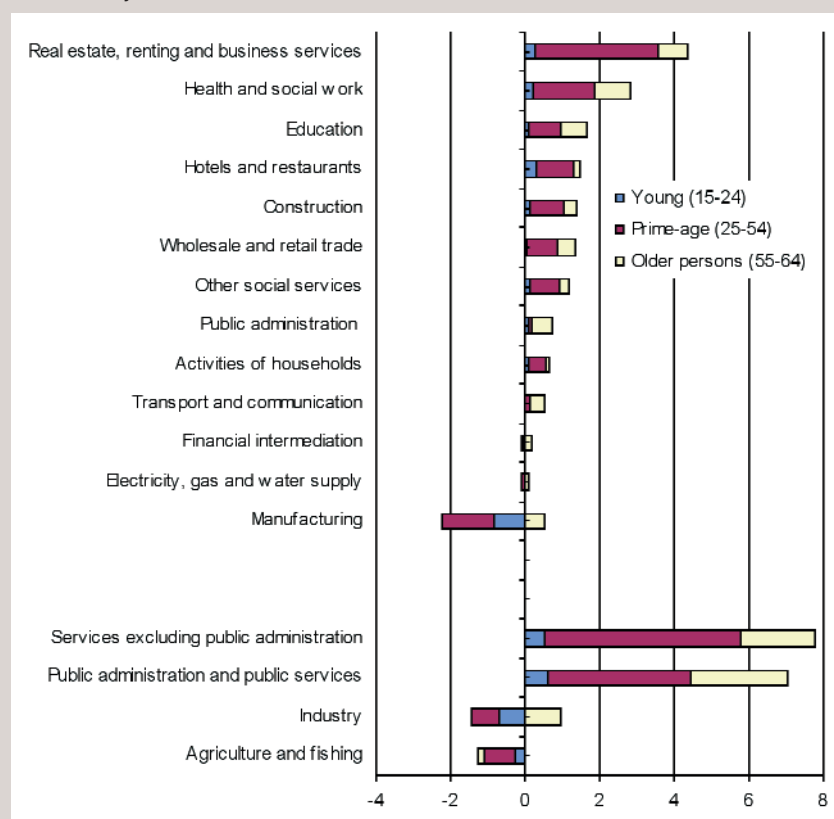
- Over the 1995-2005 period, EU-25 experienced a net expansion of employment with 18.5 million jobs created. Behind this aggregate development lies a dynamic of gross job creation and destruction: every year between 5 to 8 % of total jobs are newly created while between 3 to 4% of all jobs are destroyed. This illustrates that important re-allocations across sectors and companies have taken place.
- SMEs, in particular micro-enterprises, and young companies represent the highest rate of net job creation. It is also among these companies that job re-allocation rates are the highest. `
- The ongoing shift towards employment in services has continued/accelerated in recent years. Over the last five years, employment in services has increased by around 14 million. Employment creation has been particularly dynamic in business services, health and social work, education, and hotels and restaurants. On the other hand, employment in manufacturing declined by around 2 million in the same period.

Table 8: Average job flow rates in Europe by companies characteristics
(average % of total employment over the period 1992 to 2001)

	Job creation	Job destruction	Job reallocation	Net job creation
By company size				
1-19	10.7	3.5	14.2	6.9
20-49	7.8	3.8	11.6	3.8
50-99	7.4	3.8	11.2	3.3
100-249	7.0	4.0	11.0	2.9
250-499	5.8	3.4	9.2	2.2
500-999	5.7	3.6	9.4	2.0
1000-2499	4.8	3.7	8.5	2.2
2500 and more	3.7	3.8	7.5	-0.4
By age of company				
1 year old	8.9	3.7	12.6	5.2
2-5 years old	8.4	4.1	12.5	4.3
6-10 years old	7.6	4.0	11.6	2.6
more than 10	5.2	3.6	8.8	1.6

Source: ECB based on Amadeus database

Chart 10: employment change in EU25 from 2000 to 2005
(in million jobs)



Source: Eurostat

5. Contractual arrangements

- With a share of 85%, contracts of indefinite duration are the most widespread form of employment contract in Europe in 2005.
- At the same time, the share of employees with fixed-term contracts rose from around 12% in 1997 to close to 15% in 2005.
- The observed increase since 2000 can be traced to ten member states, with a striking contribution from Poland. The same number of countries have seen stable shares of fixed-term contracts, while five have experienced decreases. Besides heterogeneous developments in recent years, the incidence of fixed-term contracts also varies considerably across countries, ranging from 2.5% (RO) to 33% (ES) in 2005.
- According to labour force surveys, a large and growing proportion of these temporary contracts are of an involuntary nature, amounting to 48% in 2004, up from 37% in 2001.
- The share of part-time workers in total employment has also risen, especially between 2000 and 2005 from 16% to 18.4%, making an important contribution/impact to aggregate employment developments.
- The use of part-time work differs significantly across member states, ranging from 2.1% in Bulgaria to 46.1% in the Netherlands.
- According to labour force surveys, 80% of part-time workers are in these contractual arrangements either for family reasons, other personal responsibilities, being in education or training, due to health or other reasons or because they do not want a full-time job. 20% of part-time workers want to work full-time, up from 15% in 2002.
- In 2005, 32.3% of women in employment in the EU had a part-time job compared with only 7.4% for men, and for all member states this gender difference in employment is visible to varying degrees.
- The share of self-employment fell between 1997 and 2005 from 16.6% to 15.6% in the EU. The significance of self-employment as a proportion of total employment varies substantially across member states, ranging from 5% in Sweden to 44% in Romania.
- On a scale from 0 to 6, the average level of job protection for regular contracts in the EU is at 2.366 (simple average for 18 EU countries in table 11) compared with an indicator of 1.75 for 10 for non-EU OECD countries. The degree of employment protection legislation for regular contracts varies considerably between European countries, ranging from 1.1 (UK) to 4.2 in Portugal. These overall aggregate indicators also hide differences in the design and detailed characteristics of national employment protection legislation (EPL¹).
- This protection did not change between 1994 and 2003, with the exception of the Slovak republic where rules have been slightly relaxed

- The degree of protection of temporary contracts is also diverse between countries, ranging from 0.4 in the UK and the Slovak republic to 3.6 in France. Behind these aggregate indicators, there are also differences in detailed characteristics of EPL rules applying to fixed-term and temporary agency work. Here, the evolution has been more marked since 1994, with a significant relaxation of the rules governing the temporary work force in Germany, Greece, Denmark, Italy, Belgium, Netherlands, and Slovak Republic and a tightening in, Spain and Poland.
- The design of EPL and its interaction with ALMPs and other labour market institutions has an influence on labour market outcomes such as unemployment and employment rate of specific categories, unemployment duration, job tenure and stability, productivity but this relationship is complex.
- Estimating the incidence of undeclared work is most difficult, making comparisons between countries particularly uncertain. However, data available indicate that undeclared work is widespread in all member states. Undeclared work distorts competition and undermines the financing of social protection systems.

Table 9: Recent employment trends according to type of contractual arrangement

EU-25	1997	2000	2005
Indefinite duration contracts (% of total employees)	88.3	87.4	85.5
Fixed-term contracts (% of total employees)	11.7	12.6	14.5
Part-time work (% of total employment)	16.0	16.2	18.4
Self-employed (% of total employment)	16.6	15.9	15.6

Source: *Employment in Europe 2006 (annex)*

¹“The measurement of employment protection in this chapter is mainly based on legislative provisions, but it also incorporates some aspects of contractual provisions and judicial practices. Nevertheless, given that collective agreements and court decisions often refer to a wide range of rules set on a case-by-case basis, their role is likely to be somewhat understated in the information presented here.” OECD Employment Outlook 2004, page 64

Table 10: Country level data on fixed-term work, part-time work and self-employment

	<i>Fixed-term work</i> (% of total employees)		<i>Part-time work</i> (% of total employment)		<i>Self-employed</i> (% of total employment)	
	2000	2005	2000	2005	2000	2005
Belgium	9.1	8.9	18.9	22	17	16.2
Bulgaria	6.3 (2001)	6.4	3.2	2.1	-	-
Czech Republic	8.1	8.6	5.3	4.9	15	18
Denmark	9.7	9.8	21.3	22.1	6.6	6.3
Germany	12.7	14.2	19.4	24	10	11.2
Estonia	3	2.7	8.1	7.8	9	8.1
Greece	13.5	11.8	4.5	5	43.3	40.8
Spain	32.2	33.3	7.9	12.4	15.8	14.4
France	15.2	13.3	16.7	17.2	9.2	8.9
Ireland	5.9	3.7	16.4	16.8 (2004)	18.6	17
Italy	10.1	12.3	8.4	12.8	26.4	24.5
Cyprus	10.7	8.9	8.4	8.9	25.8	23.6
Latvia	6.7	8.4	11.3	8.3	14.9	11.6
Lithuania	4.4	5.5	10.2	7.1	20.1	16.9
Luxembourg	5.3	5.3	10.4	17.4	7.3	6.6
Hungary	7.1	7	3.5	4.1	15.1	13.8
Malta	4.1	4.5	6.8	9.6	11.8	11.7
Netherlands	13.7	15.5	41.5	46.1	14.2	13.7
Austria	8	9.1	16.3	21.1	20.5	19.9
Poland	5.8	25.7	10.5	10.8	37.7	28.8
Portugal	19.9	19.5	10.9	11.2	24.5	24.1
Romania	2.8	2.4	16.5	10.2	46.2	43.7
Slovenia	13.7	17.4	6.5	9	18	17.1
Slovak Republic	4.8	5	4.8	5	8.3	13
Finland	16.3	16.5	12.3	13.7	12.2	11.6
Sweden	15.8	16	19.5	24.7	5.4	4.8
UK	6.9	5.7	25.2	25.4	11.9	12.7

Source: *Employment in Europe 2006*, statistical annex

Table 11: Strictness of Employment protection legislation

(Index: from 0 for no restriction to 6)

(i)	Regular contracts			Temporary contracts		
	1994	2003	change	1994	2003	Change
Austria	2.4	2.4	0	1.8	1.5	-0.3
Belgium	1.7	1.7	0	3.6	2.6	-1
Czech Republic	3.3	3.3	0	0.5	0.5	0
Denmark	1.5	1.5	0	2.3	1.4	-0.9
Finland	2.3	2.2	-0.1	1.9	1.9	0
France	2.4	2.5	0.1	3.6	3.6	0
Greece	2.7	2.7	0	2.8	1.8	-0.8
Germany	2.3	2.4	0.1	4	3.3	-0.7
Hungary	1.9	1.9	0	0.8	1.1	0.3
Ireland	1.6	1.6	0	0.4	0.6	0.2
Italy	1.8	1.8	0	3.8	2.1	-1.7
Netherlands	3.1	3.1	0	1.9	1.2	-0.7
Poland	2.2	2.2	0	1.1	1.3	0.2
Portugal	4.2	4.2	0	3.1	2.8	-0.3
Slovak Republic	3.1	2.5	-0.6	0.8	0.4	-0.4
Spain	2.8	2.6	-0.2	3.3	3.5	0.2
Sweden	2.9	2.9	0	1.8	1.6	-0.2
UK	1	1.1	0.1	0.3	0.4	0.1

Source: OECD

Note: The strictness of employment protection legislation is derived from sub-indicators:

for regular contracts: difficulty of dismissal; notice and severance pay for no-fault individual dismissals; regular procedural inconveniences

For temporary contracts: strictness of regulations for fixed term contracts; strictness of regulations for temporary work agencies

Table 12: Country level data on undeclared work

	Data reported to eiro	Year	Data reported to Commission	Year
Austria	10	2003	1,5	1995
Belgium	20	2004	3-4	1999
Bulgaria	25		22	2003
Cyprus			4,2	2003
Denmark			5,5	2001
Estonia			8-9	2001
Finland	4-2		4,2	1992
France	10-20	2003	4-6,5	1998
Germany	17	2004	6	2001
Greece	24-40		Over 20%	1998
Hungary	25-35	2004	18	1998
Ireland	5-10	1998		
Italy	17	2000	16-17	2001
Latvia			18	2000
Netherlands	13,8	2002	2	1995
Norway				
Poland	27,4	2000	14	2003
Romania	20	2003	21	2000
Slovakia	18	2003	13-15	2000
Slovenia	17-25	1997	13-15	2000
Spain				
Sweden	4,6	1998	3	1997
UK	1,5	2003	2	2000

Source: Eiro thematic feature Industrial relations and undeclared work, 2005

6. Active Labour Market Policies

- Active Labour Market Policies involve a variety of instruments such as public employment services, in-work incentives, incentive to start up a business, job-sharing, job rotation, training, or special assistance for disadvantaged groups such as disabled workers. ALMPs are designed and implemented to support labour market mobility and integrate unemployed and inactive persons within the working population. The content of ALMPs varies from country to country.
- In 2004, average spending on ALMPs amounted to 0.5% of GDP compared with close to 1% in 1995. This was accompanied by a change in the composition of spending. Training accounted for almost 30% of spending, a proportion broadly unchanged compared with 1995. The two categories having seen an increase in their share of spending are public employment services on the one hand and job rotation, job-sharing and employment incentives on the other. This has been offset by a falling share of spending on direct job creation and programmes to integrate the disabled in employment.
- Spending on ALMP in 2004 shows a wide variation between countries, particularly when measured according to persons wanting to work. Most of the countries with low spending in 1995 increased their spending while spending in most of the countries with intermediate levels of expenditure fell. The picture is mixed for the highest spending countries.
- Besides the quantitative dimension of spending, the effectiveness and quality of ALMP is of utmost importance to facilitate transitions towards more and better jobs.

Table 13: Active spending, excluding PES (as % of GDP)

	1985	1990	1995	2000	2004
Austria	0.2	0.2	0.2	0.4	0.4
Belgium	1.1	1.0	1.1	1.0	0.9
Czech Republic	-	0.1	0.0	0.1	0.1
Germany	0.4	0.7	1.1	1.0	0.9
Denmark	-	1.0	1.8	1.7	1.5
Estonia	-	-	-	-	0.0
Spain	0.2	0.5	0.4	0.7	0.6
Finland	0.6	0.7	1.3	0.8	0.8
France	0.5	0.7	1.1	1.0	0.7
Greece	0.0	0.2	0.3	0.3	0.2
Hungary	-	0.5	0.3	0.3	0.2
Ireland	1.2	1.2	1.4	0.8	0.5
Italy	-	-	-	0.6	0.5
Lithuania	-	-	-	-	0.2
Latvia*	-	-	-	-	0.1
Luxembourg	0.2	0.2	0.1	0.1	0.2
Netherlands	1.0	1.0	0.9	0.4	1.1
Portugal	-	0.4	0.6	0.4	0.6
Sweden	1.9	1.5	2.9	1.5	1.0
Slovakia	-	-	-	-	0.1
United Kingdom	0.6	0.4	0.3	0.2	0.2
EU average**	0.7	0.6	0.9	0.7	0.5

Source: *Employment in Europe 2006*

*: 2003; **: Unweighted arithmetic average of countries for which data are available

Chart 11: Breakdown of active spending, including PES – EU average 1985-2004

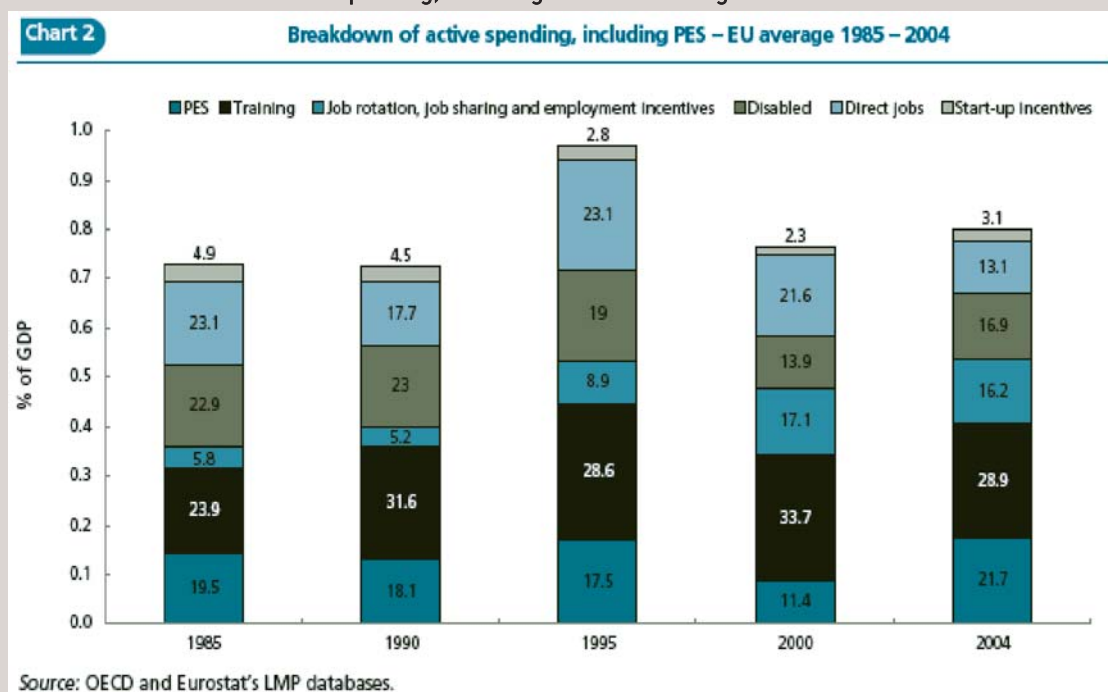


Table 14: Spending on ALMPs (expressed in PPP) divided by the number of persons wanting to work (a)

	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
AT	-	-	2.2	1.0	1.0	1.3	1.8	1.8	2.3	2.3	2.7	1.5
BE	2.8	5.3	4.0	4.5	3.6	3.7	4.9	6.3	5.7	4.8	4.9	5.1
CZ	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1
DE	1.9	5.3	5.1	4.9	3.2	3.8	4.4	4.4	4.2	4.4	3.6	3.2
DK	-	4.9	7.8	8.0	8.9	9.7	13.2	12.8	13.9	15.6	12.6	12.5
ES	-	0.8	0.3	0.3	0.3	0.5	0.8	1.0	1.1	1.1	1.1	1.2
FI	-	-	2.4	2.8	2.3	2.1	2.3	2.2	2.3	2.3	2.5	2.8
FR	1.5	2.8	4.2	4.3	3.4	3.5	3.9	4.5	4.8	4.8	4.2	3.6
EL	0.0	0.3	0.4	0.4	0.4	0.2	0.4	0.4	0.5	0.4	0.2	0.3
HU	-	-	-	0.0	-	-	-	-	-	-	0.2	0.2
IE	1.2	1.9	2.0	2.6	2.1	2.9	3.8	4.5	5.2	4.9	4.8	4.8
IT	-	-	-	0.5	-	0.8	0.9	1.0	1.4	1.5	1.7	1.3
LU	2.7	5.5	2.0	3.2	3.7	3.0	3.5	3.8	4.8	4.7	5.8	6.5
NL	2.8	3.9	2.3	3.1	2.3	1.6	2.5	4.0	7.2	7.4	8.0	6.5
PT	-	0.6	0.8	1.0	0.5	0.9	0.8	1.1	1.5	1.3	1.3	1.4
SE	-	-	13.3	-	9.7	10.8	11.7	12.0	11.5	12.0	13.0	10.8
UK	1.0	1.3	0.4	0.4	0.5	0.5	0.6	0.8	0.6	0.7	0.6	0.8
EE	-	-	-	-	-	-	-	-	-	-	0.0	0.0
LT	-	-	-	-	-	-	-	-	-	-	0.0	0.1
LV	-	-	-	-	-	-	-	-	-	-	0.0	-
SK	-	-	-	-	-	-	-	-	-	-	-	0.0

Sources: DG EMPL calculations based on data from the OECD, Eurostat and Ameco (DG ECFIN).

a) The sum of the unemployed plus labour reserve. Labour reserve is made of inactive persons who would like to work but do not qualify as unemployed.

Source: *Employment in Europe 2006*

Table 15: Spending on PLMPs (expressed in PPP) divided by the number of persons wanting to work (a)

	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
AT	-	-	13.6	5.6	5.2	5.9	6.1	6.0	6.6	7.3	8.8	5.3
BE	8.2	13.2	9.5	9.7	10.4	8.4	11.4	13.6	12.9	12.7	12.3	13.3
CZ	-	-	-	-	-	-	-	-	-	0.2	0.2	0.2
DE	5.9	7.2	10.8	10.3	9.3	9.0	9.1	8.8	9.0	9.4	9.1	8.8
DK	-	20.5	19.4	19.9	15.9	17.4	18.5	18.3	19.2	21.9	22.1	21.9
ES	-	2.6	1.8	1.7	1.7	1.8	1.9	2.1	2.5	2.8	2.9	3.2
FI	-	-	6.9	6.5	5.8	5.2	5.9	5.9	6.4	6.7	7.1	7.3
FR	6.9	7.6	6.6	6.5	5.6	5.8	6.0	6.3	7.4	8.4	8.9	8.6
EL	0.1	0.4	0.5	0.6	0.7	0.5	0.6	0.7	0.7	0.7	1.0	1.0
HU	-	-	-	0.1	-	-	-	-	-	-	0.2	0.3
IE	3.1	3.9	3.9	4.4	-	4.5	4.8	4.5	5.0	6.1	7.2	8.7
IT	-	-	-	1.5	-	0.9	1.1	1.0	1.4	1.5	1.7	1.8
LU	10.8	19.0	12.7	13.5	7.8	6.0	12.0	11.4	12.9	12.9	17.8	16.0
NL	10.0	9.2	6.8	8.5	7.6	7.8	8.1	13.3	15.4	14.4	14.3	13.8
PT	-	0.4	1.1	1.1	1.2	1.8	2.1	2.6	3.2	3.5	3.1	3.4
SE	-	-	14.3	-	10.4	10.7	11.5	11.8	9.2	9.7	15.3	14.2
UK	3.7	2.9	2.0	1.8	2.1	2.0	2.1	2.1	2.0	1.8	1.6	1.6
EE	-	-	-	-	-	-	-	-	-	-	0.1	0.1
LT	-	-	-	-	-	-	-	-	-	-	0.0	0.0
LV	-	-	-	-	-	-	-	-	-	-	0.1	-
SK	-	-	-	-	-	-	-	-	-	-	-	0.1

Sources: DG EMPL calculations based on data from the OECD, Eurostat and Ameco (DG ECFIN).

a) The sum of the unemployed plus labour reserve. Labour reserve is made of inactive persons who would like to work but do not qualify as unemployed.

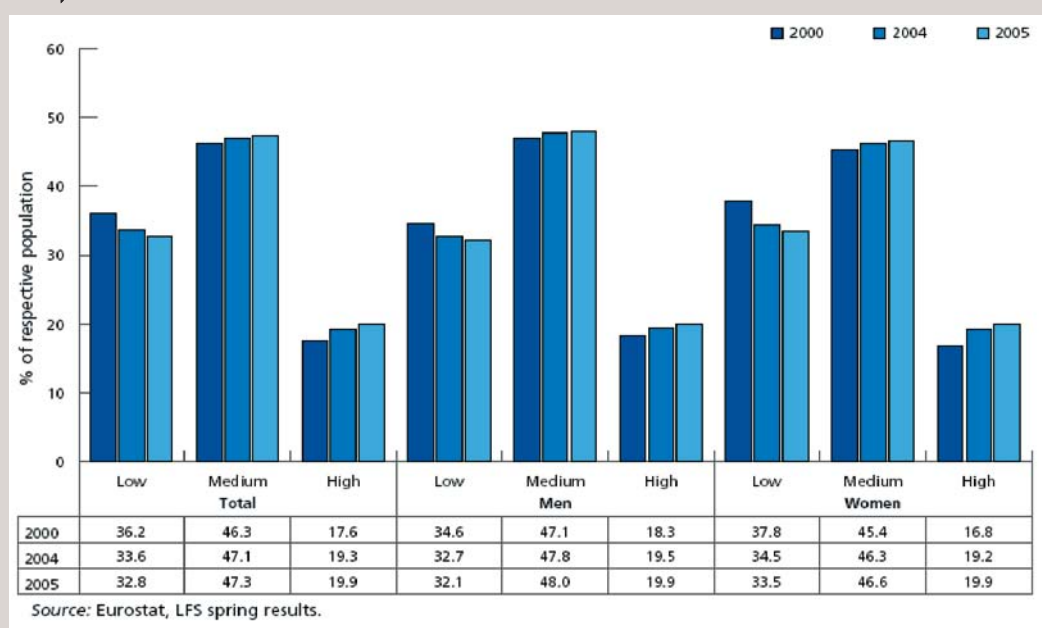
Source: *Employment in Europe 2006*

7. Education, training and lifelong learning

A. Education

- In 2005, of the EU working-age population only about 33% attained a low education level, 47% a medium level and 20% a high level of education. Since 2000, the share of the high educated in the working age population has increased whereas the share of low-educated has fallen. There is no marked difference across genders.
- Nearly 20% of European pupils younger than 15 years old have serious difficulties with reading, reflecting no progress since 2000 in achieving the EU E&T 2010 benchmark of 15%.
- Moreover, almost 16% of young people in the EU still leave school early, showing a gap with the EU-2010 benchmark of 10%. The number varies across member states and is particularly high among Mediterranean countries. By contrast, the Scandinavian countries and some of the member states from Central and Eastern Europe have the lowest share of early school leavers.

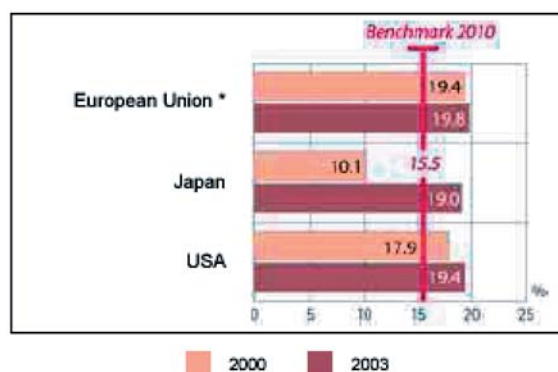
Chart 12: Share (as %) of the working age population (15-64) by educational attainment levels and gender in 2000, 2004 and 2005



Source: *Employment in Europe report 2006*

Chart 13: Low performers in reading- 15 years' old, EU-16

Indicator: Percentage of pupils with reading literacy proficiency level 1 and lower on the PISA reading literacy scale



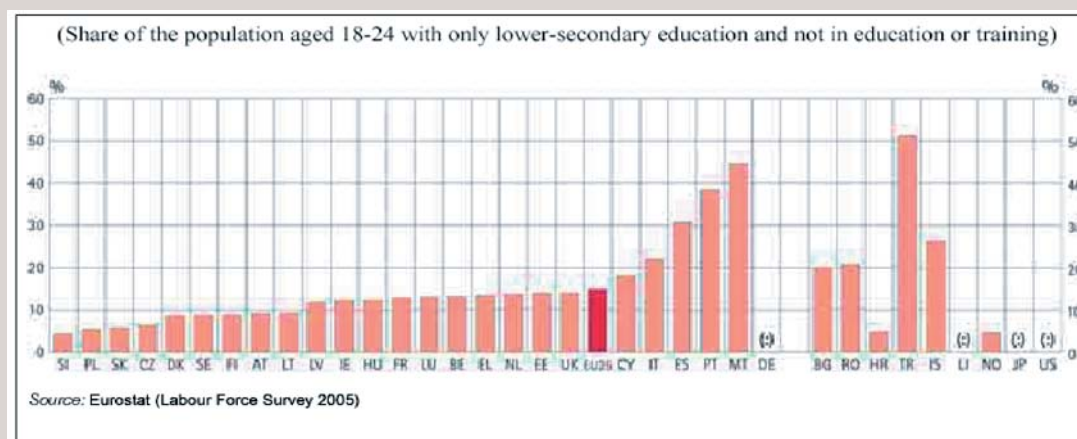
Data source: OECD, PISA 2003 and 2000 database.

Additional note:

* In 2000, in the 16 EU countries for which comparable data was available both for 2000 and 2003, the percentage of 15 years old in level 1 or below was 19.4. This implies a benchmark of 15.5 (-20%).

Source: Commission Staff working paper. Progress towards the Lisbon objectives in education and training. 2006 report. SEC (2006) 639

Chart 14: Early school leavers (2005, %)



B. Lifelong learning

- In 2005, the percentage of the adult population participating in education and training in EU-27 stood at 9.7%, up from 7.1% in 2000. Although a part of the increase has been due to methodological changes², there has been some progress towards reaching the 12% objective.
- Participation in lifelong learning is highest among younger age groups and decreases gradually for older age groups.
- Participation in lifelong learning varies considerably among EU member states. Scandinavian countries and the UK have the highest rate.
- Moreover, participation of adults in non-formal education was generally more than three times higher than in formal education.
- According to the European Working Conditions Survey, in 2005 27% of the workforce received training either paid for or provided by employers, or in the case of self-employed paid for by themselves in EU-25.
- While data for EU-27 are unavailable, data for EU-15 indicate a decrease from 2000 when the proportion was 30%. The average number of days per workers or self-employed in training decreased from 14.3% in 2000 to 11.2% in 2005.
- 6% of workers have attended training paid for by themselves. 27% of workers have received on-the-job training while 17% have received other forms of on-site training.
- According to the Fourth Working Conditions Survey of the Dublin foundation, employer-supported training was given to 32% of workers in open-ended contracts, 29% of fixed term workers and 18% of temporary agency workers, 10% of workers with a primary level education and 40% of tertiary education workers.

Table 16: Percentage of the adult population aged 25 to 64 participating in education and training

	1999	2000	2001	2002	2003	2004	2005	2006
EU-27	-	7.1	7.1	7.2	8.5	9.3	9.7	9.6
EU-25	-	7.5	7.5	7.6	9.0	9.9	10.2	10.1
EU-15	8.2	8.0	8.0	8.1	9.8	10.7	11.2	11.1

Source: Eurostat

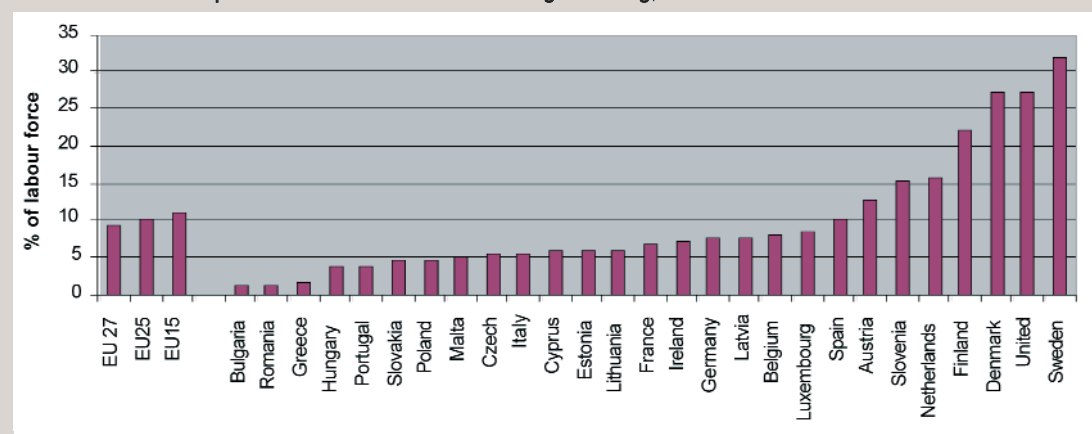
² Employment in Europe report 2005, page 113: "In the EU 25, this indicator has also improved in recent years increasing from 7.9% in 2000 to 9.9% in 2004. However, after correcting for some statistical breaks, the lifelong learning ratio is estimated to have increased by less than 1 percentage point since 2000". See also Commission Communication (2005) 549, page 14 "As regards lifelong learning, there have been many breaks in time series: some countries have revised their data collection methods between 2002 and 2003. The application of new methods led to higher results for 2003, and thus progress has been overstated between 2002 and 2003".

Table 17: Participation in lifelong learning by age groups, 2005, EU 25

Age group	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	Total	Target for 2010
Participation rate	21.4	13.3	11.5	10.5	9	7.5	6	3.6	10.7	12.5

Source: Cedefop, slideshow 'Four years on', Helsinki, 5 December 2006 (table based on Eurostat data)

Chart 15. A: Participation of labour force in lifelong learning, 2005



Source: Eurostat

Chart 15.B

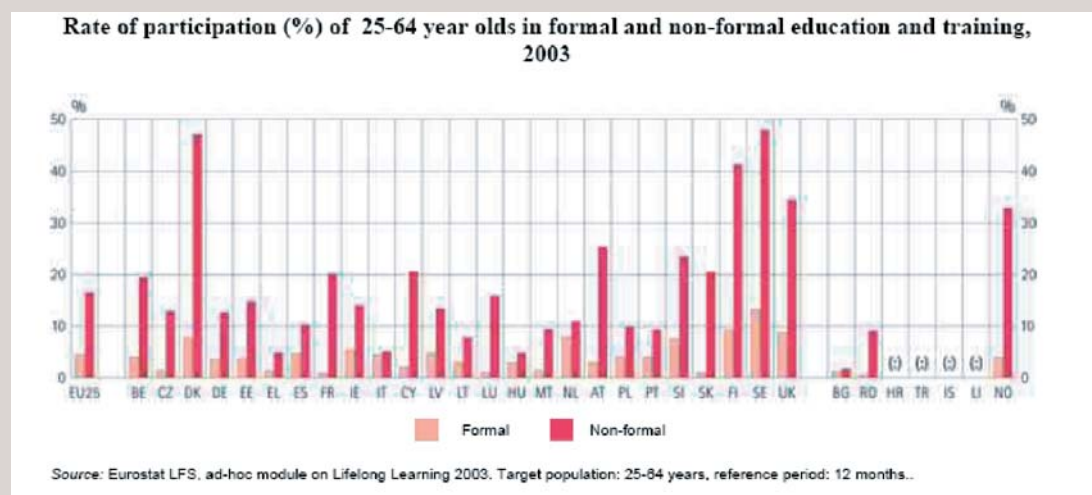


Table 18: Levels of training

<i>In the last 12 months, have you undergone...?</i>	1995	2000	2005	2005	
	EU15	EU15	EU25	(EU15)	(NMS)
Training paid for or provided by your employer, or by yourself if you are self-employed?	30.0%	30.6%	27.1%	27.3%	25.6%
Average number of days per worker	13.5	14.3	11.2	11.4	10.6
Training paid for by yourself	n.a.	n.a.	6.0%	6.0%	6.5%
Average number of days per worker	n.a.	n.a.	25.2%	25.9%	22.6%
On-the-job training (co-workers, supervisors, etc.)	n.a.	n.a.	27.1%	26.8%	29.0%
Other forms of on-site training	n.a.	n.a.	17.5%	17.0%	20.5%

Source: EWCS-Dublin Foundation

8, Social cohesion

- The population at risk of poverty in EU- 25 was stable between 2000 and 2005 at 16% representing 72 million people, with important differences between countries ranging from 9% in Sweden to 21% in Lithuania and Portugal. Social transfers play an important role in reducing at-risk of poverty rates: in the absence of social transfers excluding pensions, the poverty risk for the EU population would be 26% - up from 23% in 2000 - instead of 16% in 2005.
- The risk of child poverty in EU-25 remained stable around 20% between 2000 and 2005 but is higher than for adults. There is considerable variation between countries, ranging from 7% in Sweden to 27% in Poland..
- The distribution of income inequality (as measured by the Gini coefficient³) is estimated to be around a value of 31 in 2005, compared with a value of 29 in 2000, with wide country variations, ranging from 22 in Slovenia and 35 in the UK and Greece.
- In EU-25, social expenditure accounted for 27.3% of GDP compared with 26.6% in 2000, with significant country differences ranging from 13.4% in Latvia and Estonia to 33.5% in Sweden.
- In EU-15 (year 2000), 15% of workers are low paid⁴, with low pay defined as two thirds of the median wage. The share varies from 8.6% in Denmark to 19.4% in the UK (source: Employment in Europe 2004, page 168).

³ The Gini coefficient measures the distribution of incomes in a society with 0 standing for total income equality and 100 for total income inequality.

⁴ These figures do not include in-work benefits.

→ Tax and benefit systems vary across member states and their design has an impact on the labour market. This impact works through different channels: conditions, level and duration of benefits, efficiency of employment services. There are both positive and negative effects of unemployment benefit systems. On the one hand, they provide financial security for searching a job. On the other hand, they may create financial disincentives to take up a job. Different net effects on employment are observed from country to country depending on the interplay, in particular with active labour market policies. For EU-25, a person moving from unemployment benefit to a job on average loses around 75% of the increase in gross income through higher taxes and social security contributions and the withdrawal of unemployment and other benefits (is taxed away). Likewise, for low-wage earners, the proportion of gross earnings which is taxed away through the combined effect of income tax and social security contributions and benefits withdrawal when gross earnings increase from 33% to 67% of the average wage is around 50% for a single person and around 62% for a one-earner couple with two children. Looking at the overall burden of taxation on labour, it accounts for almost 40% of low-wage earners in EU-25. The tax rate varies considerably across member states, ranging from 49% in Belgium to less than 20% in Ireland, Cyprus and Malta.

Table 19: Selected poverty indicators

<i>At-risk-of-poverty rate after social transfers</i>	2000	2001	2002	2003	2004	2005
EU-25	16	16	-	15	16	16
			-			
<i>At-risk-of-poverty rate before social transfers</i>						
EU-25	23	24	-	25	26	26
			-			
<i>At-risk-of-poverty rate among less than 16</i>						
EU-25	20	20	-	19	20	-

Chart 16:

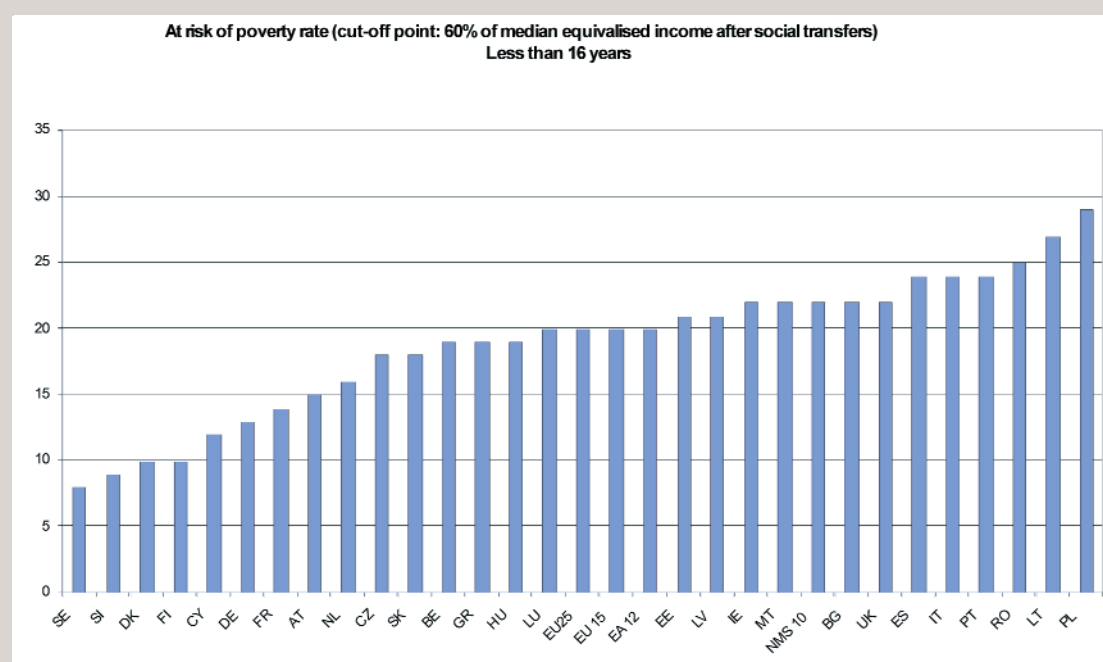


Table 20: Total expenditure on social protection (% of GDP) ⁵

	2000	2001	2002	2003	2004
EU-25	26.6	26.8	27.0	27.4	27.3
EU-15	26.9	27.1	27.4	27.7	27.6
Euro Area	26.7	26.8	27.4	27.8	27.7

Source: Eurostat

Chart 17: COUNTRY CHART ON CHILD POVERTY



⁵ Total expenditure includes social benefits, administrative expenditure and other expenditure incurred by social protection schemes. Social benefits are classified into the following branches: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion "not elsewhere classified". Tax benefits (tax reductions granted to households as part of social protection) are generally excluded.

Table 21: Tax rate on low wage earners: Tax wedge on labour costs⁶

	time	2005a	Change since 1996
geo			
be Belgium		49.1	-1,4
bg Bulgaria		36.3	-4
cz Czech Republic		42.1	0,7
dk Denmark		39.3	-2
de Germany (including ex-GDR from 1991)		46.7	0,2
ee Estonia		39.8	1,3
ie Ireland		19.9	-6,6
gr Greece		34.4	-0,5
es Spain		35.7	1,3
fr France		41.4	-2,9
it Italy		41.7	-6,6
cy Cyprus		19.1	3,1
lv Latvia		41.0	1,7
lt Lithuania		43.2	5,6
lu Luxembourg (Grand-Duché)		29.8	0,6
hu Hungary		42.9	-3,9
mt Malta		18.7	2,9
nl Netherlands		41.3	2
at Austria		42.5	5
pl Poland		42.4	-1,2
pt Portugal		31.7	1,1
ro Romania		42.4	-0,3
si Slovenia		36.4	-4,5
sk Slovakia		35.3	-5
fi Finland		39.5	-5,8
se Sweden		46.5	-2,1
uk United Kingdom		29.9	3,1

Source: Eurostat

⁶ Tax wedge on labour costs: defined as income tax on gross wage earnings plus the employee's and the employer's social security contributions, expressed as a percentage of the total labour costs of the earner, defined as gross earnings plus the employer's social security contributions plus payroll taxes (where applicable). This structural indicator is available only for single persons without children earning 67% of the Average Wage.

Table 22: Tax rate on low wage earners: percentage of gross earnings taxed away when an unemployed person returns to employment ⁷

	<> time 2005a00	change since 2001
Geo		
<i>be</i> Belgium	85.00	-1
<i>bg</i> Bulgaria	77.00	1,8
<i>cz</i> Czech Republic	66.00	-1
<i>dk</i> Denmark	90.00	-2
<i>de</i> Germany (including ex-GDR from 1991)	75.00	0
<i>ee</i> Estonia	65.00	16,8
<i>ie</i> Ireland	74.00	1
<i>gr</i> Greece	62.00	6
<i>es</i> Spain	80.00	0
<i>fr</i> France	82.00	1
<i>it</i> Italy	72.00	13
<i>cy</i> Cyprus	63.00	10,1
<i>lv</i> Latvia	87.00	1
<i>lt</i> Lithuania	56.40	2,3
<i>lu</i> Luxembourg (Grand-Duché)	88.00	0
<i>hu</i> Hungary	55.00	-12
<i>mt</i> Malta	64.00	-1,16
<i>nl</i> Netherlands	83.00	4
<i>at</i> Austria	67.00	0
<i>pl</i> Poland	81.00	7
<i>pt</i> Portugal	81.00	0
<i>ro</i> Romania	60.50	-15,6
<i>si</i> Slovenia	93.00	12,5
<i>sk</i> Slovakia	43.00	-30
<i>fi</i> Finland	77.00	-3
<i>se</i> Sweden	87.00	0
<i>uk</i> United Kingdom	68.00	0

⁷ Through higher tax and social security contributions and the withdrawal of unemployment and other benefits. This structural indicator is available only for single persons without children earning 67% of the average wage when in work.

Source: Eurostat

Table 23: Tax rate on low wage earners: Low wage trap (2005)⁸

	Single person without children, at 33% of the average wage	One-earner married couple, at 33% of the average wage, with two children
Belgium	57.00	45.00
Bulgaria	21.40	33.10
Czech Republic	34.00	59.00
Denmark	81.00	91.00
Germany	51.00	78.00
Estonia	26.00	22.00
Ireland	50.00	76.00
Greece	16.00	16.00
Spain	26.00	17.00
France	34.00	56.00
Italy	35.00	-7.00
Cyprus	6.00	125.00
Latvia	32.00	100.00
Lithuania	36.00	42.80
Luxembourg	55.00	110.00
Hungary	30.00	14.00
Malta	16.00	54.00
Netherlands	70.00	78.00
Austria	34.00	65.00
Poland	65.00	75.00
Portugal	20.00	76.00
Romania	30.30	17.00
Slovenia	30.00	73.00
Slovakia	23.00	27.00
Finland	64.00	100.00
Sweden	57.00	93.00
United Kingdom	58.00	84.00

Source: Eurostat

⁸ Low wage trap: Measures the percentage of gross earnings which is taxed away through the combined effects of income taxes, social security contributions and any withdrawal of benefits when gross earnings increase from 33% to 67% of Average Wage. This structural indicator is available for single persons without children and one-earner couples with two children.

9. Mobility

A. Geographical mobility within the EU

- The level of cross- country mobility in the EU is low. On average, the share of foreign-born workers from another EU member state relative to total working population is 1.5% (1.2% for citizens of an EU-15 country, 0.3% for citizens from new member states), compared with 3.4% for third-country nationals.
- While cross-country mobility is low, a recent survey indicates that 20% of the EU working-age population has moved in their lifetime, however mainly between regions in the same country. There are wide cross-country differences. The Nordic countries show the highest level with 40% of working-age population that has ever lived in a different region or country.

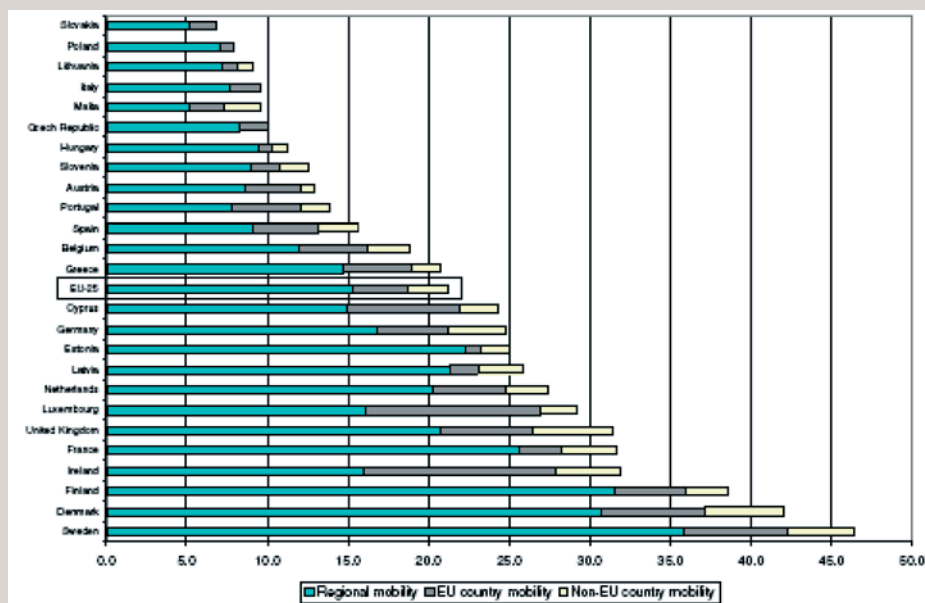
Table 24: Share of working age foreign nationals in the country of residence relative to total working age population, 2005 (in %)

Country of residence	Citizenship		
	EU-15	EU-10	Non-EU-25
Belgium	4.4	0.3	2.8
Czech Republic	(0.0)	0.3	0.4
Denmark	0.9	(0.2)	2.5
Germany	1.9	0.6	5.4
Estonia	-	-	8.4
Greece	0.2	0.4	5.3
Spain	1.2	0.2	8.4
France	1.8	0.1	3.6
Ireland	2.7	1.9	2.7
Italy	-	-	-
Cyprus	5.5	(0.3)	7.4
Latvia	-	-	(0.4)
Lithuania	-	-	(0.4)
Luxembourg	32.9	(0.2)	3.2
Hungary	(0.1)	-	0.5
Malta	1.1	-	1.7
Netherlands	1.3	0.1	2.6
Austria	1.7	1.4	7.1
Poland	-	-	0.1
Portugal	0.4	-	2.6
Slovenia	-	-	(0.4)
Slovak Republic	-	(0.1)	(0.1)
Finland	0.3	0.3	0.9
Sweden	2.0	0.3	3.1
UK	1.7	0.4	4.0
EU-10	0.1	0.1	0.5
EU-15	1.5	0.3	4.0
EU-25	1.2	0.3	3.4

Source: *Employment in Europe 2006*

Note: Data in brackets lack reliability due to small sample size. The symbol “-” is used when data is either not available or extremely unreliable.

Chart 18: Patterns of long-distance mobility in the EU

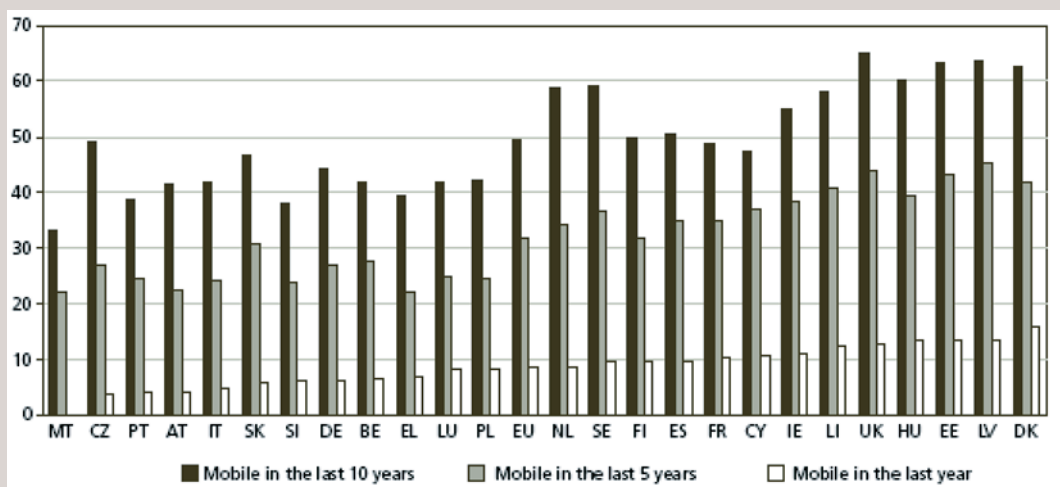


Source: Eurobarometer

B. Labour market mobility within the EU

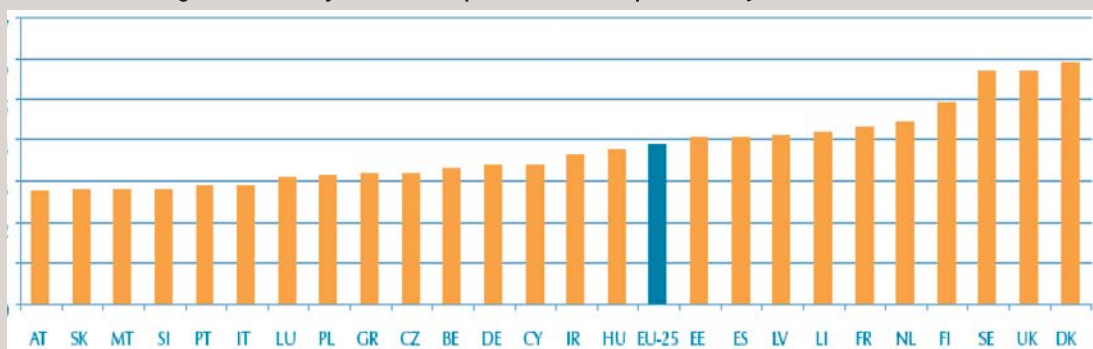
- Levels of job mobility vary across member states. Analysing the most recent change of employer, 8% of the currently working respondents have made this transition within the last year, while 33% have changed employers at least once in the last five years and 50% in the last ten years.
- In EU 25, the average number of jobs per worker to date was 3.9, ranging from 5 to 6 in Scandinavian countries to 2.9 in Austria, Slovakia, Malta, Slovenia.

Chart 19: Job mobility, by country (%)



Source: *Mobility in Europe*, Dublin Foundation

Chart 20: Average number of jobs to date, per worker and per country



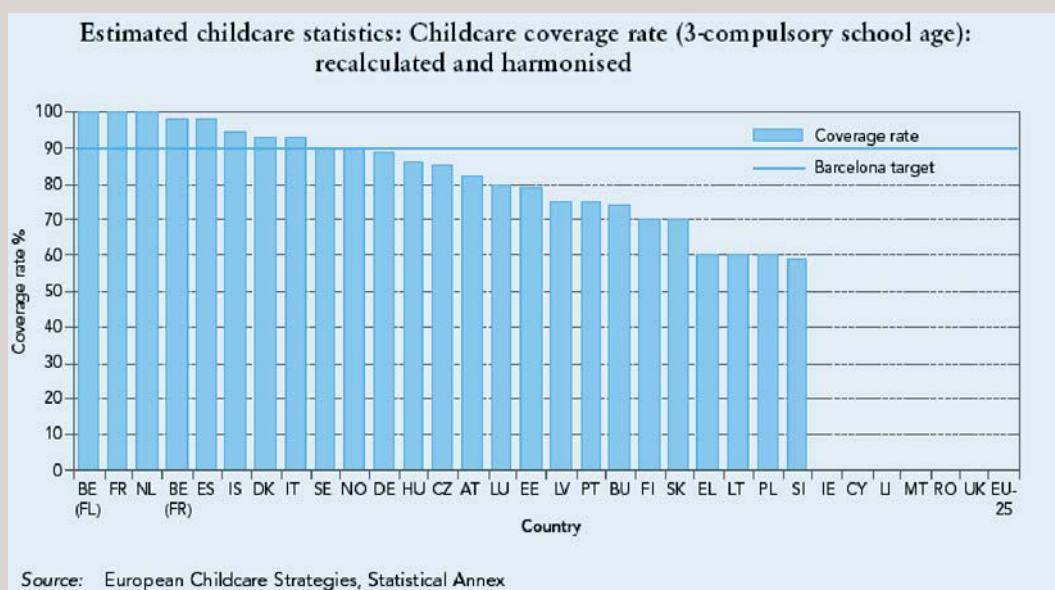
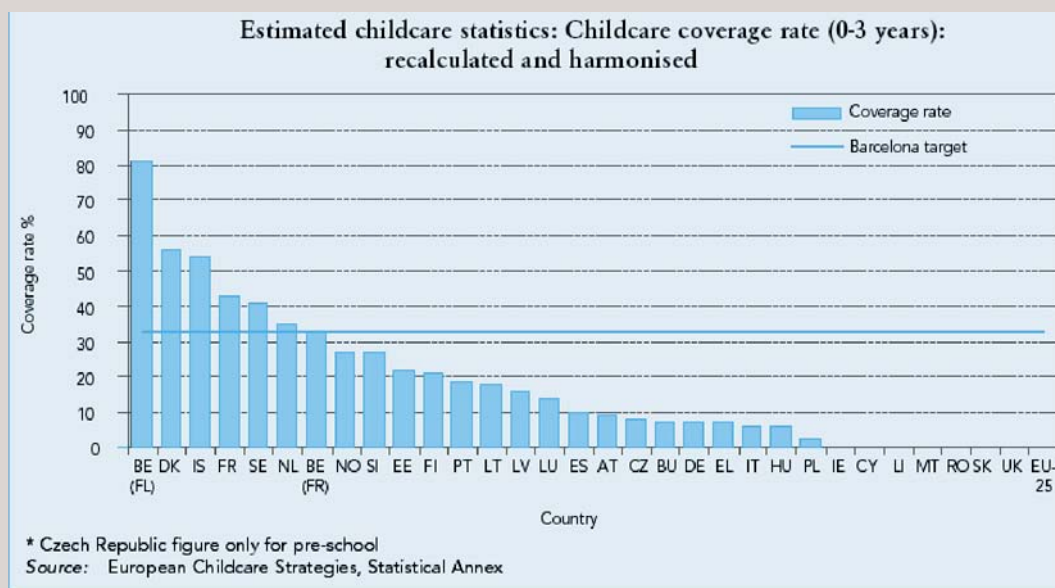
Source: *Eurobarometer (2006)*

10. Additional elements of job quality

- Between 2000 and 2004, both fatal accidents and non-fatal accidents have continuously decreased, respectively from 4.6 per 100,000 workers to 3.8 for fatal accidents and from around 4,000 to around 3,200 for non-fatal accidents, reflecting a long-term trend in this direction. However, behind these aggregate figures, progress remains uneven across countries and sectors. The total cost of accidents at work to the EU economy is estimated at around 55 billion euros, equivalent to 0.64% of GDP.⁹
- Access to childcare facilities for children aged between 0-3 years old and from the age of three to the compulsory school age is uneven in the EU. Many countries still have substantial efforts to make to reach the respective Barcelona targets of 33% and 90% childcare coverage rate.
- When comparing average pay levels of women and men, it appears that the gap for EU-25 has slightly declined. However, at 15% in 2004, this gap remains a cause for concern a symptom of labour market segregation. Behind this aggregate figure, there are marked differences between countries, below 5% for Malta and Portugal and above 20% for Germany, Estonia, Slovak Republic and Cyprus.
- After six years, the share of temporary workers that have found a permanent contract is 55%. However, 16% still have a temporary contract while 20% are not employed and 6.4% are self-employed. After six years, 76.7% of permanent workers are still in a permanent contract; 4% in temporary contracts, 3.1% are self-employed and 15.8% are no longer employed.
- The probability of exiting low-pay increases with time but at a decreasing rate. After seven years, 39.2% of low-paid workers have found a medium-pay job while 4.8% have found a high-paid job. However, 26.2% are still low-paid and 29.8% have no pay. In general, countries with the lowest incidence of low pay (DK, Italy, Finland, Portugal and Austria) also present the highest probabilities of exiting the low-pay stratum (see graph). Mobility out of low pay should be seen together with the other aspects of job retention and advancement to have a more complete assessment of national labour markets.
- Differences in collective bargaining coverage are significant across EU member states. This is due to different systems of industrial relations and the existence or otherwise of the possibility of legal extension of collective agreements.
- According to survey results, over 80% of workers say they are satisfied or very satisfied with working conditions in their job. Over 34% of workers report that they could cope with more demanding duties, whereas 52% reply that there is a match between their job and skills.
- Quality of jobs, productivity, innovation and labour market inclusion are mutually reinforcing.

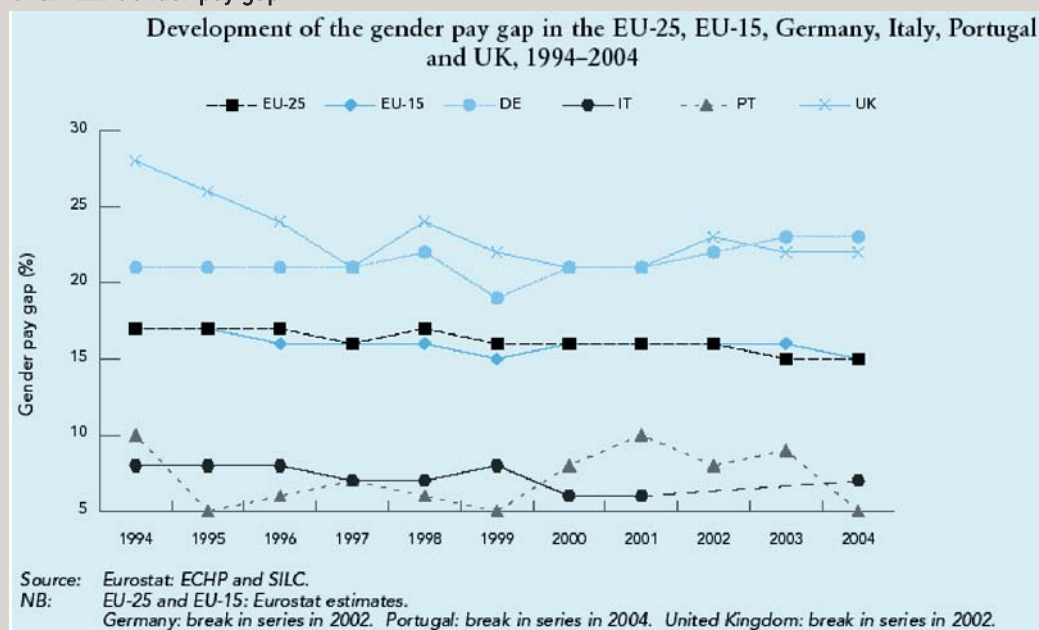
⁹ SEC(2007) 215/2 COMMISSION STAFF WORKING DOCUMENT Accompanying document to the Communication from the Commission Improving quality and productivity at work: Community strategy 2007-2012 on health and safety at work Most recent data available for EU-15 in 2000

Chart 21: Childcare facilities

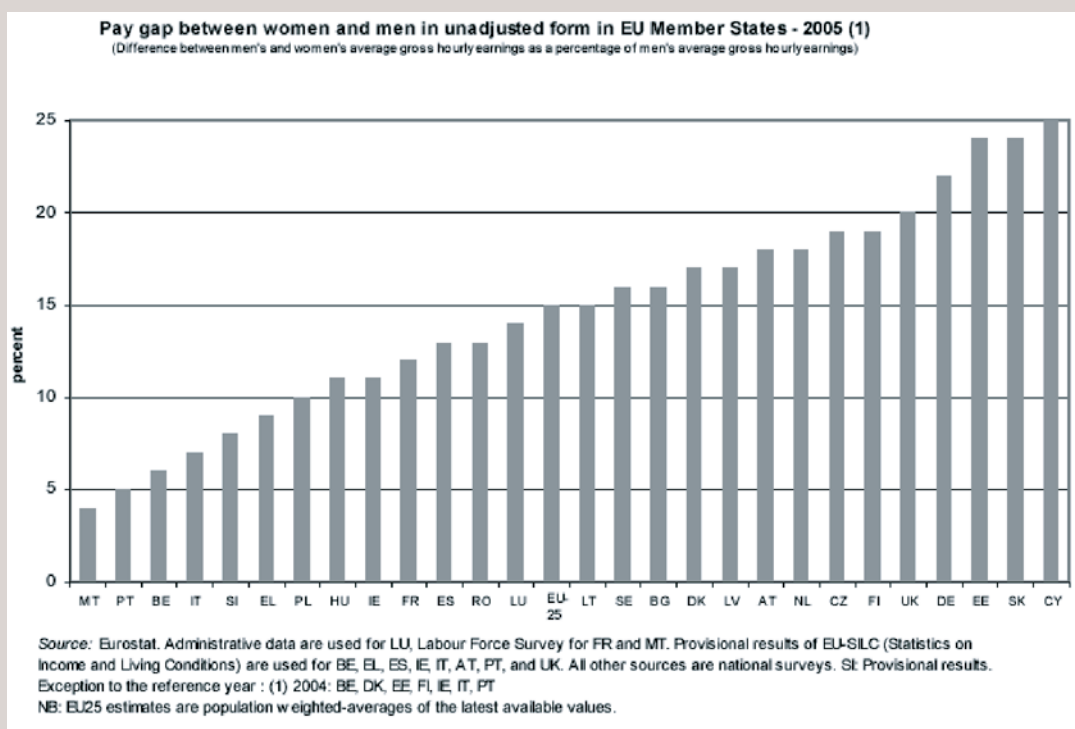


Source: European Commission "Reconciliation of work and private life A comparative review of thirty European countries" 2005

Chart 22: Gender pay gap

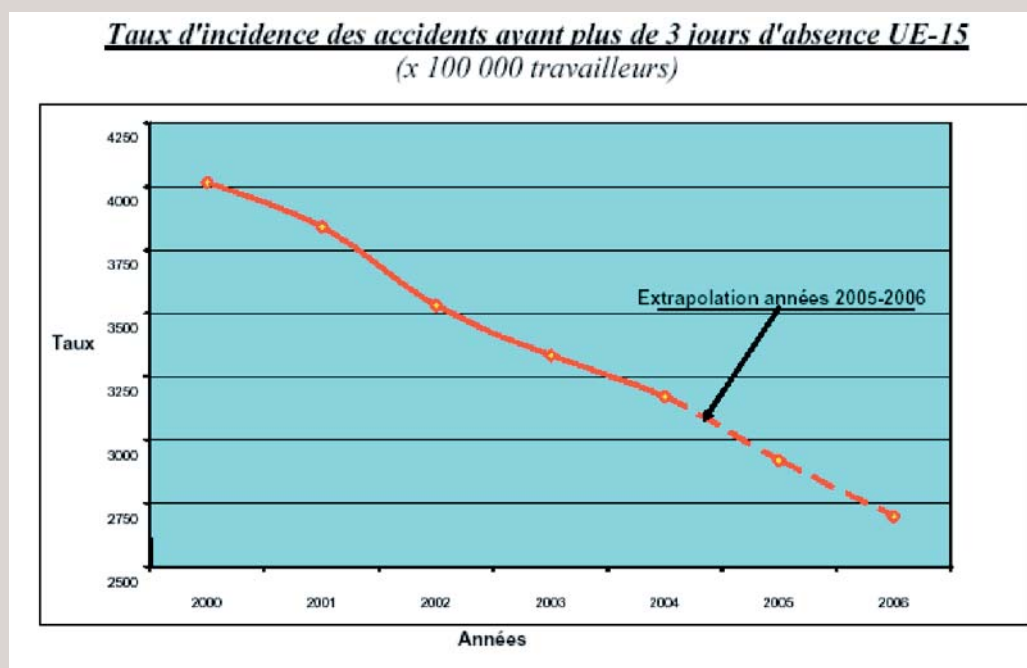
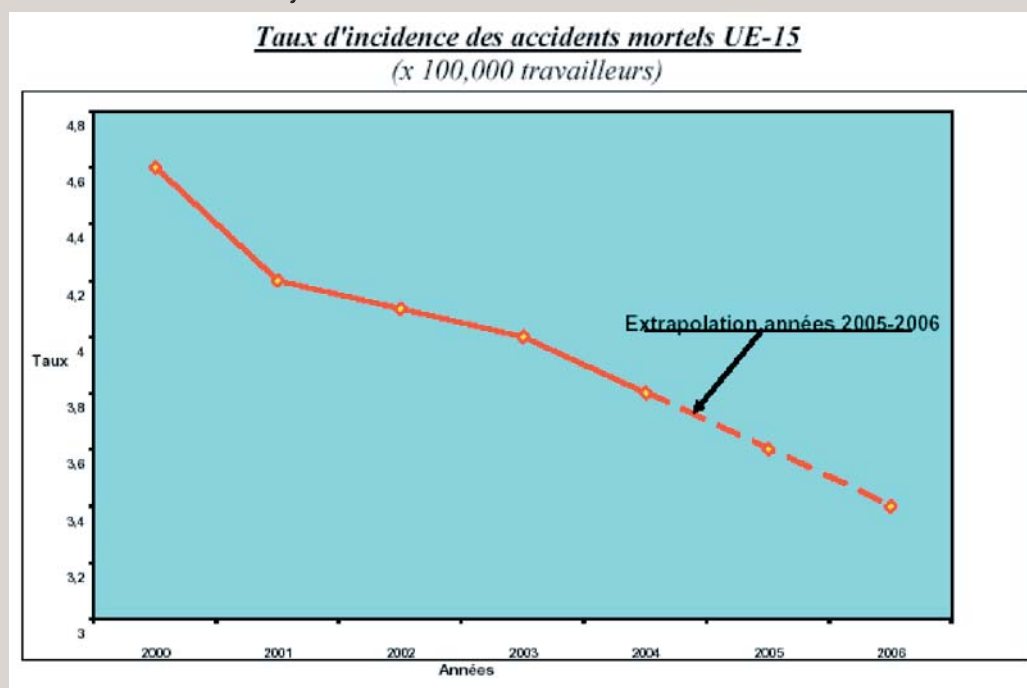


Source: European Commission "The gender pay gap - Origins and policy responses" (2007)



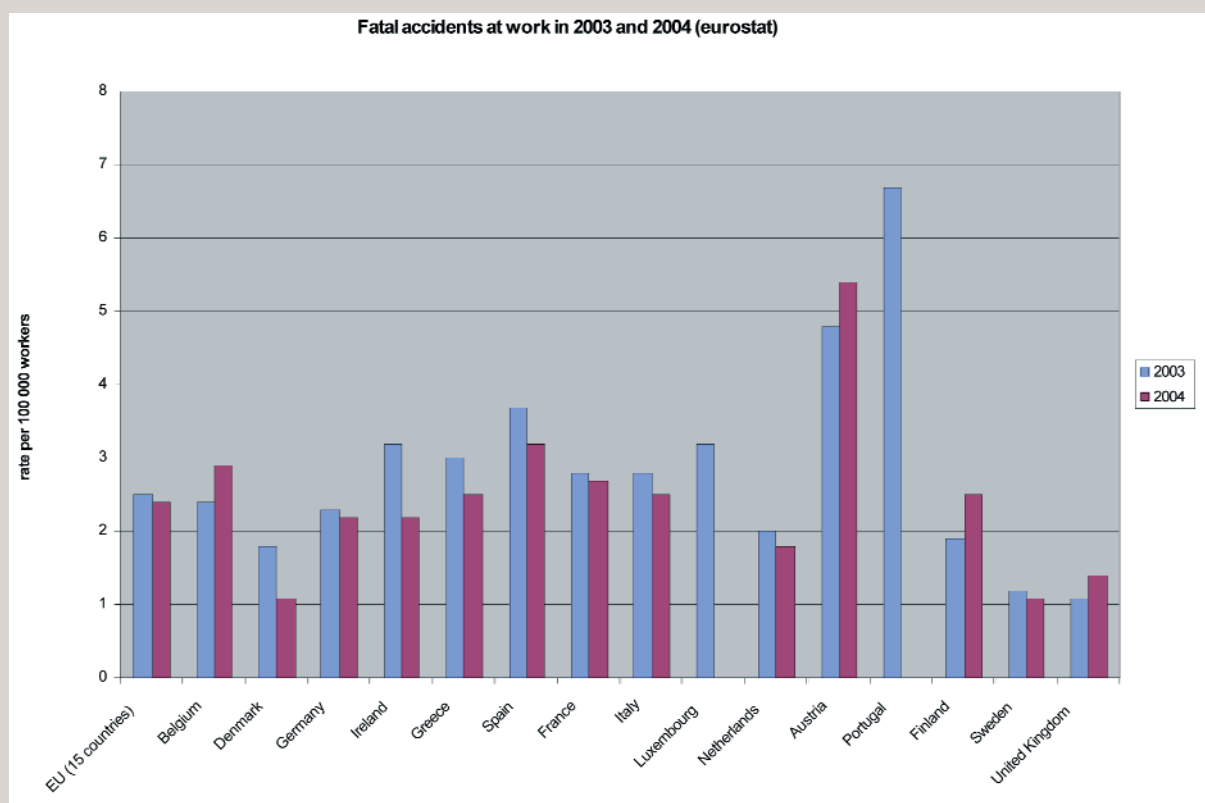
Source European Commission "Report on equality between women and men 2007" COM(2007)49 final

Chart 23: Health and safety



Source: SEC(2007) 214 Document de travail des services de la commission

Chart 24:



Source Eurostat

Table 25: Index of serious accidents at work per country (reference year 1998=100)

	1998	1999	2000	2001	2002	2003	2004
EU (25 countries)	100	100	99	95	88	83	79
Belgium	100	96	82	83	72	68	65
Bulgaria	100	84	100	90	84	65	58
Czech Republic	100	93	91	91	89	80	81
Denmark	100	95	89	90	82	76	79
Germany	100	99	96	88	82	74	73
Estonia	100	106	105	132	125	128	124
Greece	100	93	88	86	83	71	66
Spain	100	107	108	106	103	100	92
France	100	101	102	98	99	95	90
Italy	100	99	99	92	83	80	75
Cyprus	100	100	112	112	92	103	103
Latvia	100	75	66	116	108	84	79
Lithuania	100	97	94	85	86	82	82
Luxembourg	100	105	104	97	109	107	94
Hungary	100	93	94	86	84	83	79
Malta	100	113	77	94	91	90	83
Netherlands	100	108	105	92	100	82	73
Austria	100	99	92	83	84	79	79
Poland	100	78	85	78	76	82	84
Portugal	100	92	88	91	74	72	
Romania	100	100	106	113	104	111	103
Slovenia	100	102	98	94	94	98	98
Slovakia	100	92	88	84	77	68	54
Finland	100	91	89	87	85	83	83
Sweden	100	107	111	113	101	94	86
United Kingdom	100	106	106	110	108	107	88

Source Eurostat

Table 26: Transition rates out of a temporary job and out of a low pay job

Situation year t + 6	Permanent	Temporary	Self employed	Not employed	education
Temporary in year t	55	16.4	6.4	20.7	1.5

Situation t + 7	No pay	Low pay	Medium pay	High pay
Low pay in year t	29.8	26.2	39.2	4.8

Source: Employment In Europe report

Chart 25:

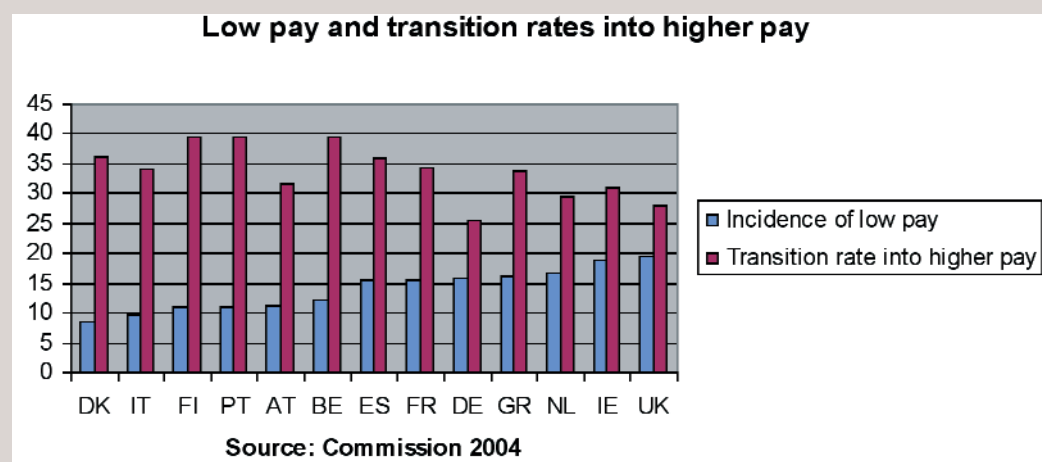


Chart 26:

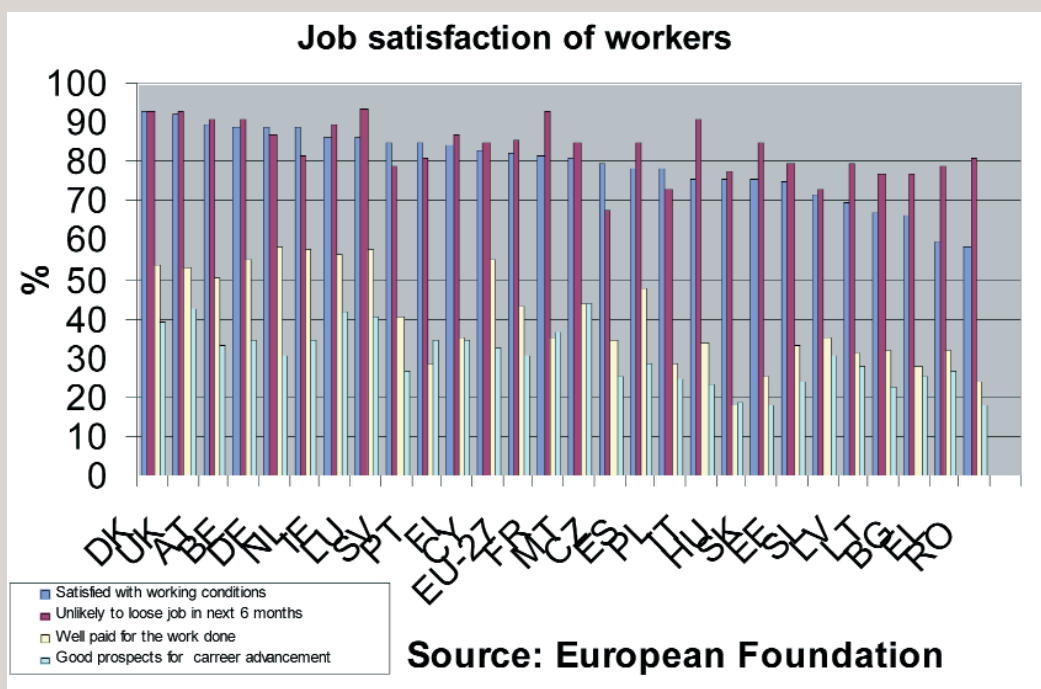


Chart 27:

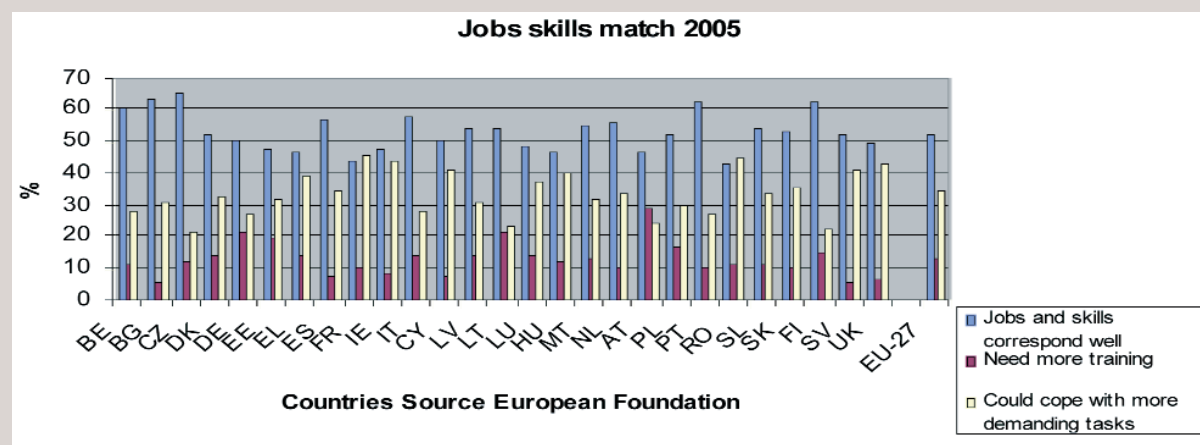


Table 27: Direct collective bargaining coverage in Europe, 2002

Country Coverage

Country	Coverage
Slovenia	100%
France	90%-95%
Belgium	90% +
Sweden	90% +
Finland	90%
Italy	90%
Netherlands	88%
Portugal	87%
Denmark	83%
Austria	78%
Spain	68%
Germany	67%
Ireland	66%
Cyprus	65%-70%
Luxembourg	48%
Slovakia	48%
Poland	40%
UK	36%
Hungary	31%
Estonia	28%
Czech Republic	25%-30%
Latvia	Under 20%
Lithuania	10-15%

* No data are available for Greece and Malta.

Note: figures represent % of total workforce directly covered by collective bargaining, and are not adjusted to exclude those groups of workers excluded by law from bargaining coverage; weighted averages produced by applying reported coverage rates to total employee figures as recorded in the Eurostat Labour Force Survey 2002.

Source Dublin Foundation

III. CHALLENGES

—

CHALLENGES

As chapter II has shown, some positive developments in the labour markets have been visible over the last decade but this is considered as insufficient by the European social partners. To foster the development of more and better jobs, Europe needs to enhance growth, productivity, employment and social cohesion. This requires economic and social policies that are mutually re-inforcing, putting the priority on the twin objectives of employment and productivity and takes into account the existing diversity between Member States. The right mix of policy measures should rest on the following:

A, Active labour market policies and economic policies

Active labour market policies and education and training

Europe needs to make a decisive choice in favour of active labour market policies which are ‘investing in people’ as well as in favour of linking these with sound macroeconomic policies.

In today’s labour market, it is more than ever necessary to make sure people possess the necessary skills and capacities to adapt to changes, to enter and remain on the labour market and grasp new employment opportunities.

One aspect of assuring higher employability is putting into place effective active labour market policies. This presupposes that the necessary budgetary conditions are created to allow such investment, and the existence of well functioning public employment services, including individual accompanying services. These are all key elements to facilitate the active search of jobs in order to better match labour supply and demand.

In order to achieve a well functioning labour market, the interaction of ALMP with well designed unemployment benefits systems, with rights and obligations for the unemployed is particularly important in order to facilitate reintegration into work.

Another element to improve employability is the promotion of lifelong learning in order to improve competences and qualifications.

A more and more developed knowledge- and service-based economy requires a more and more high qualified and high-skilled workforce. Consequently, Europe needs to increase both educational attainment levels and improve access to lifelong learning

The education and training systems need to be better adapted to the need of the individual and the labour market.

It must provide the individual with a set of necessary basic skills before leaving the education system, including social and entrepreneurial skills, and address the problem of early school leavers. It must also allow for permeability between the different educational routes and systems. This should go hand in hand with a better recognition and valorisation of initial vocational training.

The updating of skills is heavily depending on adequate investment in lifelong learning. The responsibility for investing in this needs to be shared between all interested parties involved, e.g. public authorities, enterprises and the individual, through real partnerships. Individuals need incentives to participate in Lifelong learning continuously updating their knowledge. Employers need facilitation in order to invest in skills development. Furthermore, in particular for SMEs there is a lack of adequate training offers which needs to be addressed. Together with the need to invest more, a stronger effort needs to be made to increase the effectiveness of spending

Against this background and in the light of future reduction of the workforce due to the demographic ageing, continuous training and skills upgrading is particular important for older workers. This however has to start early on and be part of a broad active ageing and lifelong learning strategy. Moreover, if Europe is to exploit its labour market potential fully, special attention should be paid to the access to training and learning needs of disadvantaged groups.

Sound macro-economic policies & favourable business environment

Sound macroeconomic policies are essential for an economy to realise its full potential growth potential and to ensure high standard of livings for its citizens. They must be conducive to achieve high and sustainable growth, with an adequate interplay between:

- 1 sound fiscal policies consistent with a stability and growth pact promoting counter cyclicalilty,
- 2 monetary policy primarily ensuring price stability and, without prejudice to this objective, supporting the general economic policies in the Community with a view to contributing to its objectives of a high level of employment and of social protection, sustainable non-inflationary growth, a high degree of competitiveness and raising the standards of living as stated in Article 2 of the EC Treaty,
- 3 wage policies autonomously set up by the social partners and with real wage developments consistent with productivity growth.

In addition, creating a better and more supportive business environment that stimulates entrepreneurship and innovation is key to boost job creation. Releasing Europe's entrepreneurial potential requires the right regulatory, financial and administrative conditions in order to facilitate the creation and expansion of businesses. This is particularly important in light of the fact that SMEs and young companies represent the highest rate of net job creation in the EU.

At the EU level, a complete and fully functional internal market is essential to foster economic growth, job creation and innovation. Internal market barriers for SMEs need to be removed as a matter of priority in order to enable them to take full advantage of the European Single Market. Ensuring a level playing field on the internal market, including in the social area and in access to public services, requires respect of principles and legislation. This is essential for the well functioning of the internal market and plays a central role in citizens' perception of and support for European integration.

A supportive business environment creates the framework conditions for research and innovation, but needs to be complemented by a strong and coherent innovation policy. A knowledge economy requires a substan-

tial investment in research and development. Therefore spending in research and development should be increased, meeting the Lisbon target of 3 percent of GDP, keeping in mind the balance between private and public spending.

B. Social protection and cohesion

Tax and social protection systems,

Well designed and well functioning tax and social protection systems are essential for effective labour markets, fostering more and better jobs in a competitive economy. One of the core features of European social systems is the provision of guaranteed income support in the event of unemployment, retirement or work incapacity, in particular against the background of an ageing society, a globalising economy and technological change. As a result of these developments, tax and social protection systems face various challenges:

- the challenge of providing the right incentives on the side of labour demand;
- the challenge of providing the right incentives on the side of labour supply;
- the challenge to combine competitiveness and social cohesion including a fair distribution of income;
- the challenge of ensuring the necessary financial basis for high quality and universal public services, education and labour market policies.

In a changing labour market with dynamic job flows and shrinking working-age population, tax and social protection systems should be designed in such a way that they facilitate activation, participation and re-integration into employment. In this respect, the active labour market policies and other labour market measures are of crucial importance. Promoting employment, facilitating mobility and helping workers to accept and be able to cope with change is all the more necessary in an environment in which people are more likely to change jobs.

Finally, Member States must take action to ensure the financial sustainability of their social protection systems.

A supportive public environment

High-quality public services play an important role in the development of effective labour markets and competitive economies. Cost-effective social protection systems; efficient public employment services, the quality of education in publicly-funded schools and universities; the availability of affordable and quality care services; and the effectiveness of public networks are all examples of how public services can underpin the competitiveness of the economy and help increase employment rates. There is a role for both public and private sectors in the provision of public services, with decisions being taken as close as possible to the point of delivery and underpinned by cost-effective private or public investments.

In addition, European social partners strongly support the Commission's efforts to improve legislation and hope that that genuine progress will be made towards reducing the costs of legislation and to achieve better regulation for growth and jobs in the EU. At the same time, the beneficial effects of regulation should be kept in mind.

Social cohesion

Social cohesion, high levels of employment and competitiveness are mutually reinforcing. European social partners consider labour market integration together with high quality and well designed welfare systems as essential in the fight against social exclusion and poverty.

The integration in the labour market of disadvantaged groups is vital for the economic development and social cohesion of both the EU as a whole and Member States. Ensuring equal opportunities for all is important for social cohesion and for mobilizing the full potential of the labour market

C. Labour regulation and industrial relations

Mobility

Geographical and professional mobility of workers is a necessary tool for a good labour market functioning and positively contributes to reducing the mismatch between labour demand and supply, decreasing bottle necks in specific sectors and professions. Geographic mobility can contribute to upwards convergence of working and living conditions. Furthermore, geographical and occupational mobility has also a significant impact on the growth and employment levels. In recent years, Member States with the highest overall levels of mobility have also registered strong economic growth and low – or significantly reduced - unemployment rates. This points to a relationship between mobility levels and strong economic and labour market performance.

The relatively low level of workers mobility across Europe can be explained by a multiplicity of factors cutting across the various European and national policy areas such as employment and social policies, internal market, education and training and fiscal policy.

Some of the more obvious barriers to cross-border mobility are the lack of language competences, problems with the recognition of qualifications and professional experience and fiscal problems. Furthermore, workers can also be discouraged from moving within their own country by the lack of adequate and /or affordable transport, housing and other key infrastructures. Additionally there are cultural, sociological and psychological barriers and overcoming them requires long-haul efforts at all levels.

That is why geographic and occupational mobility should be promoted through general labour market measures, respect for the principle of equal treatment as well as fiscal and regulatory instruments.

Undeclared work

European Social Partners are concerned about the high level of undeclared work in many Member States. Undeclared work is a complex phenomenon resulting from an interaction of multiple causes and is a worrying practice for all: employers, workers and the member states. It creates unfair competition for businesses in labour-intensive sectors. It places workers in insecure working conditions and undermines the financing of social protection and tax systems.

Undeclared work can only effectively be combated if actors at all levels are strongly committed to it. Combating undeclared is a shared responsibility of public authorities and social partners.

Social dialogue

Social dialogue is one of the main pillars of the social model in many Member States and at EU-level. It provides a platform for organising the collective voices for workers and employers, in particular setting the references for fair working conditions, contributing to social peace, social cohesion, contained wage inequalities and access to lifelong learning. Strong social partners at all levels play a key role in the smooth functioning of labour markets.

To answer the challenges of globalisation, climate and technological change and an ageing society, an effective social dialogue should also increase the adaptability of workers and employers and combine a high level of competitiveness for employers with the creation of a good working environment for workers.

At European level, social partners have adopted their second multiannual work program in view of tackling Europe's major economic and social challenges.

Labour law and contractual arrangements

Labour law, together with collective bargaining systems in their different forms and traditions, is vital to ensure the protection of workers individual security and collective rights and to provide legal certainty and transparency for employers.

The increasing pressure on workers and employers from globalisation and other economic and social changes requires that labour law responds to these new challenges. The priority is to review, and if necessary, adjust the role that job protection measures play in promoting productive and rewarding transitions into new or existing jobs.

Taking into consideration the different national institutional and socio-economic context, the need for labour law reforms varies in nature and extent.

Addressing the needs of employers and workers should allow them to adjust to changing economic conditions and to better reconcile work and private life. In this context, the availability of various contractual arrangements and the emergence of new forms of contracts need to be addressed.

In order to contribute to achieving a better balance between flexibility and security for workers, the European social partners concluded several framework agreements at European level on different forms of flexible work: on part-time work in 1997 and on fixed-term work in 1999, parental leave in 1995 and telework in 2002. The first three were subsequently implemented by European directives. The agreements illustrate the willingness of the social partners to establish a general framework for protecting the workers concerned against discrimination and to assist the development of opportunities for flexible forms of work on a basis acceptable to employers and workers in a context of mainstream employment.

D. Flexicurity

European Social Partners recognise that in today's labour market it is necessary to improve policy measures which address both the flexibility **and** security dimensions for workers and employers alike. Applied in the right way, the flexicurity approach can create a win-win situation and be equally beneficial for employers and employees.

European Social partners agree that there is no one single model applicable for all 27 Member States of the EU. While any approach of combining flexibility **and** security for workers and employers needs to address all of the following elements in a holistic and balanced way, the right balance between them needs to be decided at the appropriate level:

- **Labour law and contractual arrangements** facilitating the access to the labour market, the transitions into rewarding jobs, balancing between the need for protection of workers and flexibility for employers.
- **Effective and high quality active labour market policies**, investing in people and helping them to address change in a productive way
- **Lifelong learning policies** ensuring the employability of workers by improving competences and qualifications.
- **Efficient and sustainable social protection systems** providing guaranteed income support and fostering labour market integration
- **A social dialogue** contributing to a negotiated balance between flexibility and security, improving the smooth functioning of the labour market and the adaptability of enterprises and workers.

Important preconditions for flexicurity to work are sound macro economic policies and a favourable business environment realising and supporting the full growth potential and ensuring the necessary financial basis for public services and labour market policies.

Furthermore, flexicurity needs to be accompanied by the provision of good working conditions and quality of jobs as outlined below.

Quality of work has several dimensions: Ensuring career and employment security, maintaining and promoting the health and well-being of workers; developing skills and competencies; and reconciling working and non-working life. In addition, pay, equality and diversity at work are also important.

Quality of work is an important element in making the most of a society's potential and can be conducive to economic growth and productivity.

IV.

RECOMMENDATIONS OF SOCIAL PARTNERS

ACTIVE LABOUR MARKET POLICIES AND ECONOMIC POLICIES

Active labour market policies

Social partners call upon Member States to:

- create the necessary resources to develop high-quality active labour market policies aimed at an early activation of the unemployed so as to improve their skills and minimise unemployment spells;
- Provide additional tailor-made measures to prevent or curb long-term unemployment;
- strengthen efforts to address the needs of disadvantaged groups in order to promote their integration into the labour market;
- improve the quality of activation measures in order to maximise their efficiency and effectiveness.

Social partners call upon the Commission and Council to:

- Make recommendations for national policy changes using the instruments of the Growth and Jobs strategy and monitor their implementation.
- Ensure an improved peer review and follow-up, based on reliable and up-to-date statistics and organise exchanges of experiences on Member States' active labour market policies with a view to learn from country-specific practices;
- focus on quantitative targets, in particular in the field of activation, education and life long learning and gender equality.

Education and training

Social partners call upon Member States to:

- Make the education and training systems better adapted to the need of the individual and the labour market;
- Promote the parity of esteem and the permeability between vocational education and training and other forms of education, including higher education
- Enhance the active participation of adults in further education and training, independent of their previous educational attainments
- Support measures of recognising and validating qualifications and informal and non-formal learning/competencies

- Improve the availability and quality of adequate training offers for individuals and employers, in particular taking into account the needs of SMEs

Social Partner activities:

As shown by their framework of action on this issue, social partners should promote the notion of lifelong learning and ensure that the continuous development of competencies and the acquisition of qualifications are a shared interest by both enterprises and employees

European social partners indicated in their work programme 2006-2008 that would negotiate an autonomous framework agreement on either the integration of disadvantaged groups on the labour market or lifelong learning.

Macroeconomic policies, including demand management policies:

Social partners call upon Member States and EU institutions to:

- Foster sound and counter-cyclical macro-economic policies, in order to realise the full potential of active labour market policies.
- invest, together with the European central banks, even more in the quality of the EU Macro-economic Dialogue (Cologne Process).

European social partners confirm their commitment to the process of the Macro-Economic Dialogue and the importance of discussing an appropriate policy mix between monetary, fiscal, exchange rate, wage and structural policies.

Favourable business environment:

Member States and EU institutions must combine forces to:

- Pursue an ambitious research and innovation agenda, putting in place the framework conditions to reach the 3% of GDP target for R&D spending.
- Strengthen the innovation capacity of SMEs by facilitating access to technology and finance, providing innovation support services and supporting the development of networks and clusters
- Implement the better regulation agenda with an increased attention for simplification, impact assessments and administrative cost reduction, while taking the beneficial effects of regulation into account.
- Implement and enforce the principles and legislation of the internal market, ensuring a level playing field, including in the social area and in access to public services.
- Support effective and full use of Community instruments, be it to develop regional infrastructures or to support transitions in sectors and areas affected by structural changes, such provided by the European Social Fund (ESF) and the European Regional Development Fund (ERDF).

- Implement an efficient and sustainable energy market, promoting energy efficiency and guaranteeing the long-term supply of energy at competitive prices.

SOCIAL PROTECTION, COHESION, AND INCLUSION

Tax and benefit systems

European social partners call upon Member States to:

- maintain and strengthen the role and contribution of social protection systems to social cohesion, solidarity and fighting poverty by providing wide coverage against social risks in work and life, including protection against and during unemployment in a changing labour market;
- examine and, where needed, address the interplay between tax and benefit systems, also considering the link with wage policies, in order to encourage people to enter, remain and progress on the labour market;
- examine, and where needed, address the interplay between social protection systems, active labour market policies, lifelong learning and work-life balance policies;
- implement the necessary reforms to ensure the financial sustainability of social protection systems.

European social partners call upon the EU to:

Increase the effectiveness and coordination with the Lisbon Strategy of the streamlined OMC on social protection and social inclusion by stimulating an in-depth and critical analysis of national policies and promoting exchanges of good practices in order to achieve its objectives of social cohesion, equality between men and women and equal access for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies..

Supportive public environment:

Acknowledging the importance of public services in underpinning competitiveness and employment, social partners call on Member States and EU-institutions to combine forces to optimise:

- efficiency of public services
- universal and equal access
- continuity, affordability and solidarity
- a high level of quality, security and safety
- adaptability to change
- operation close to citizens, respect for consumers and users' rights, transparency and democratic control
- availability and sustainability of social and physical infrastructures.

Social cohesion and social inclusion

Social partners call upon Member States to:

- provide support and incentives for people furthest from the labour market to move from social benefits to work;
- provide support and incentives for employers to hire people furthest from the labour market;
- develop or upgrade skills and address educational disadvantages through tailored education and training;
- ensure equal access to health, education, housing and social security services as well as access to the basic utilities that play an important role in alleviating and addressing the impact of social exclusion;
- enforce European and national anti-discrimination legislation;
- make effective use of existing financial instruments, notably the European Social Fund, to promote and fund policies aimed at the integration of disadvantaged people in employment.

Social partners call upon the Council and Commission to:

- encourage the Member States to implement the Growth and Jobs strategy to integrate more people in the labour market by creating more and better jobs;

The European social partners:

- indicated in their work programme 2006-2008 that would negotiate an autonomous framework agreement on either the integration of disadvantaged groups on the labour market or on lifelong learning.

LABOUR REGULATION AND INDUSTRIAL RELATIONS

Mobility

The European social partners call upon Member States and EU institutions to:

- apply EU provisions relating to free movement of workers;
- improve the quality of cross-border co-operation between public authorities;
- avoid double taxation of supplementary pensions;
- improve the transparency and recognition of education and training qualifications at EU level;
- facilitate cross-border mobility of third-country nationals already legally residing and working in a Member State;
- work to establish equal access to health services;
- address non-competitive clauses and practices in order to promote voluntary mobility of workers;
- enhance the quality of transport services and infrastructures.

Some of these barriers can be addressed at European level while others need to be tackled at national, regional, local or cross-border level. The European social partners held a seminar to identify areas where joint actions by the social partners at EU level could help address obstacles to mobility and included this topic in their 2006-2008 work programme.

Undeclared work

European social partners call upon Member States to fight against undeclared work by:

- ensuring the respect of law and rights (administration, social inspection, courts);
- improving the cooperation between social administrations throughout the EU;
- deciding jointly with the social partners on joint initiatives depending on the national situation; including campaigns against undeclared work, starting in those sectors where abuse is the most prevalent.

The European social partners will continue to discuss further this issue in the context of their 2006-2008 work programme.

Social dialogue

European social partners recommend Member States to promote balance on the labour market and strongly support a climate of trust and social dialogue between employers and worker organisations by:

- respecting the autonomy of social partners, including their right to bargain and to organise;
- closely involving social partners in the governance of the labour market, including the design and implementation of national reform programmes with a view to achieving the Lisbon objectives;
- assisting and supporting social partners and associating them in decisions on how to spend capacity-building funds available notably under the European social fund.

EU institutions should:

- promote social dialogue based on a genuine respect of the autonomy of the (European) social partners, which means recognising that social partners are responsible for the organisation of social dialogue, both interprofessional and sectoral, within the framework of the existing Treaty provisions;
- when consulting social partners, leave them the necessary room to ensure they can contribute to the implementation of the Growth and Jobs Strategy.

Labour law and contractual arrangement:

European Social Partners call upon Member States to:

Review, and if necessary adjust, the design of labour law, job protection systems and, together with social partners, collective bargaining practice with a view to:

- ensuring an optimal balance between flexibility and security for all employment relationships. Provide adequate security for workers under all forms of contracts in order to tackle segmented labour markets;
- developing complementary employment security measures promoting transitions into productive and rewarding jobs;
- enhancing legal certainty and transparency for both employers and workers with regard to the scope, coverage and the enforcement of labour law;
- implementing and respecting at national level the principles and rules of European social directives, including those deriving from a framework agreement among European social partners, as well as the basic principles of equal treatment and non-discrimination;
- promote stable employment relationships and sustainable labour market practices;

- put in place the framework to develop workplace practices improving the work/life balance and in this way promote full use of the productive potential of the European labour force.

FLEXICURITY

Recommendations on Flexicurity

In view of creating more and better jobs

European Social Partners call upon Member States to:

- design a right mix of policy measures addressing flexibility and security dimensions (labour law and contractual arrangements, effective and high quality active labour market policies, lifelong learning policies, efficient and sustainable social protection systems, social dialogue) for workers and employers in a holistic and balanced way. Flexicurity policies must be accompanied by sound macroeconomic policies, favourable business environment, adequate financial resources and the provision of good working conditions.
- involve social partners in the design of policy measures and develop their capacity where needed;
- integrate the various policy measures in their National Reform Programme;
- strengthen efforts for a real and effective implementation of the various flexicurity measures at the appropriate level.

European social partners call upon the Commission and the Council to:

- involve the social partners in the ongoing debate on defining flexicurity principles at European level and take into consideration the present contribution.

Social partners must:

actively contribute to the design and implementation of policy measures addressing the flexibility and security dimensions.

