Employment: guidelines for Member States' policies, review. Employment package

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This draft Joint Employment Report (JER) is part of the "implementation package" and accompanies the Commission's 2005 Spring Report in view of the mid-term review of the Lisbon Strategy. It is in response to the invitation to the Council and the Commission by the 2004 Spring European Council to present a concise report on the implementation of the European Employment Guidelines and Council Recommendations for its 2005 meeting.

Past labour market reforms have strengthened the resilience of employment to the economic slowdown. Catching up factors has also played a role in raising labour productivity in some relatively poorer Member States. Otherwise, there has been recently little progress towards the three objectives of the European Employment Strategy (EES), namely: full employment; improving quality and productivity at work; strengthening social cohesion and inclusion.

- The overall employment rate has stagnated at 63%, despite continuing increases for women and recently also for older workers. The Lisbon target of 70% by 2010 looks increasingly challenging. The employment rate of older workers, which climbed to just over 40% in 2003 has the largest distance to bridge towards the 50% target for 2010, whereas progress towards the female employment rate target of 60% has slowed.

- Labour productivity growth has fallen dramatically. It is urgent to reverse this trend. Progress in improving quality in work is mixed. The synergies between quality in work and productivity are not fully exploited.

- The economic slowdown has raised the profile of social inclusion problems and enlargement has increased the complexity and diversity of situations across the EU, especially in national and regional employment and unemployment performances.

The ability of the EU to boost employment and productivity growth simultaneously will rely on further structural reforms not just in the labour market but also in the services, product and financial markets. It is currently constrained by low domestic demand and the macroeconomic adjustments relating to global imbalances.

As regards the labour market, accelerating labour productivity and raising, in particular, the employment rate of older workers are crucial. This report confirms the conclusions of the Employment Taskforce report that action must focus on four priorities: increasing adaptability of workers and enterprises; attracting more people to enter and remain in the labour market; investing more and more effectively in human capital and lifelong learning; and ensuring effective implementation of reforms through better governance.

An assessment of policy responses by Member States which were addressed specific recommendations is made. It does not reflect an assessment of the overall policies or systems in the relevant areas. In addressing the Employment Guidelines and Recommendations, the strongest policy responses by the Member States are:

- The financial incentives element of making work pay;

- Reforming public employment services;

- Designing and reviewing lifelong learning strategies;

- Facilitating business creation and development.

There are also significant responses to:

- Ensuring employment-friendly wages and other labour costs;

- Promoting flexibility combined with security in the labour market, although risks of segmentation are still present;

- Promoting childcare and other care services to increase female participation;

- Strengthening active labour market policies, although the efforts seem insufficient with rising unemployment, especially of young people;

- Addressing the situation of disadvantaged people in the labour market.

Much weaker policy responses are:

- Developing active ageing strategies;

- Improving the level, effectiveness and sharing of investment in human capital, including reducing early school-leaving and increasing participation in training of the low-skilled;

- Addressing the gender pay gap;

- Tackling undeclared work;

- Anticipating and managing economic restructuring.

The gap must be bridged between the employment priorities at EU level and implementation in the Member States. It is vital that governments share ownership of EU objectives and foster public conviction in the need to translate EU commitments into action at national and local level. Partnerships for reforms, national targets and appropriate financial backing are essential.

The National Action Plans for Employment (NAPs) must achieve greater political legitimacy and be an integral part of the decision-making process. The response of many new Member States is clearly encouraging. The transparency and visibility of the NAPs need to be enhanced further to serve mutual learning, both within Member States and across the EU.

The EES plays the leading role in the implementation of the employment objectives of the Lisbon Strategy. This needs to be made more visible. The mid-term review provides an opportunity to raise its profile at all levels, to simplify the coordination process and to achieve greater focus on implementation.