

# EXTRAORDINARY EUROPEAN COUNCIL MEETING ON EMPLOYMENT LUXEMBOURG, 20 AND 21 NOVEMBER 1997 PRESIDENCY CONCLUSIONS

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## Employment - Part I

1. The European Council held an exchange of views with Mr José María GIL ROBLES \_ GIL DELGADO, President of the European Parliament, who presented to it the Parliament's Resolution on an employment initiative. The European Council welcomed that substantial contribution by the European Parliament to the outcome of the extraordinary European Council meeting on employment and hoped that such cooperation by all institutions in action for employment would continue in future.

### THE EMPLOYMENT CHALLENGE: A NEW APPROACH

2. The issue of employment is central to the concerns of Europe's citizens and every effort must be made to combat unemployment, the unacceptable level of which poses a threat to the cohesion of our societies. In the face of that challenge, to which there is no easy answer, the European Council today, for the first time focusing entirely on the issue of employment, wishes to mark a new departure in the thinking and action upon which the Union's Member States have been embarked since the Essen European Council meeting.

3. The European Council has accordingly decided that the relevant provisions of the new Title on employment in the Treaty of Amsterdam are to be put into effect immediately. This decision makes it possible in practice to implement the provisions on coordination of Member States' employment policies in advance, as from 1998. Such coordination will be based on common lines of approach for both objectives and means, the "employment guidelines", drawing directly on the experience built up in the multilateral surveillance of economic policies, with the success observed in the case of convergence. The idea is, while respecting the differences between the two areas and between the situations of individual Member States, to create for employment, as for economic policy, the same resolve to converge towards jointly set, verifiable, regularly updated targets.

4. That ambition is the new factor in an overall strategy involving two other aspects.

5. The first is the continuation and development of a coordinated macro-economic policy, underpinned by an efficient internal market, which will lay the foundations for sustainable growth, new dynamism and a climate of confidence conducive to boosting employment.

6. The second is the harnessing in a more systematic, more deliberate way than hitherto of all Community policies in support of employment, both framework policies and support policies. All such policies must be implemented in accordance with the principles of the Treaty and must help unleash the potential for dynamism and enterprise to be found in Europe's economy.

7. The European Council appeals for the combined efforts of all concerned: Member States, regions, social partners and Community institutions, in order to take the unique chance now available to change the course of events by involving themselves in the new coherent, determined approach set out by the European Council in these conclusions.

8. As an immediate token of its resolve to move towards a more active policy backing up Member States' efforts, the European Council lends its support to two specific initiatives directly aimed at expanding employment. The first is an action plan by the European Investment Bank designed to find up to an extra ECU 10 billion for small and medium-sized enterprises, new technology, new sectors and trans-European networks, which sum will be able to generate a total volume of investment of ECU 30 billion. The second initiative stems from an agreement between the European Parliament and the Council on redeployment of appropriations and involves the creation of a new budget heading, intended in particular to help small and medium-sized enterprises create sustainable jobs ("European employment initiative"). It is planned to allocate ECU 450 million to this heading over the next three years.

## **A FAVOURABLE ECONOMIC ENVIRONMENT**

9. There is no real, lasting prospect of expanding employment without a favourable economic environment, which requires a sound macro-economic framework and a genuine internal market.

10. With regard to the macro-economic context, it is essential for the Union to pursue a policy of growth geared to stability, sound public finances, pay restraint and structural reform. To that end, Member States will step up the coordination of their economic policies. The policy implemented in recent years is beginning to bear fruit and growth prospects for 1997 and 1998 are looking up. It is imperative to take advantage of those brighter prospects and turn the present upturn in the economy into a longer-term surge of growth.

11. This trend will be strengthened by the changeover to the third stage of economic and monetary union and the introduction of the euro as from 1 January 1999, which will set the final seal on the efforts undertaken over a number of years and provide a permanent framework of stability conducive to growth and employment.

12. However, the encouraging growth results will not enable us to make up for the job losses suffered in the early 1990s or to achieve the rate of employment growth needed to get most of the unemployed into work. In spite of the efforts already made, Member States must continue to implement structural reforms required in all areas and must better coordinate their employment policies.

## **A COORDINATED STRATEGY FOR NATIONAL EMPLOYMENT POLICIES**

### **An innovatory method**

13. The coordinated employment strategy to emerge in particular from the future Article 128 of the Treaty draws, *mutatis mutandis*, on the method followed for economic convergence, while making allowance for the differences between the two areas and between the specific situations of individual Member States. It consists of establishing Union-wide "**employment guidelines**", based on a common analysis of the situation and of the broad lines of the policy to be followed in order to turn back the tide of unemployment on a lasting basis. On the basis of that analysis, the "guidelines" set specific targets, achievement of which is regularly monitored under a common procedure for assessing results.

14. The implementation of the "guidelines" may vary according to their nature, their impact on Member States and the parties to whom they are addressed. They must respect the principle of subsidiarity and Member States' responsibilities with regard to employment and must be compatible with the broad economic policy guidelines.

15. After being adopted by the Council on the basis of a proposal from the Commission, the "guidelines" will have to be incorporated into **national employment action plans** drawn up by the Member States in a multiannual perspective. This is how they will be given practical effect, in the form of national objectives which are quantified wherever possible and appropriate, followed by their transposition into national regulatory, administrative or other measures. The differing situations of the Member States in relation to the problems addressed by the "guidelines" will result in differing solutions and emphases, in line with individual situations. Member States will set themselves deadlines for achieving the desired result in the light, *inter alia*, of the administrative and financial resources which can be drawn upon. However, it is crucial for the coherence and effectiveness of the approach as a whole that all Member States make use of the "guidelines" in analysing their own situation and framing their policy and that they establish their attitude to each of them in their national employment action plan.

16. In a similar way to the multilateral surveillance principle applied in the economic convergence process, Member States will each year send the Council and the Commission their national employment action plan, together with a report on the manner of its implementation. On that basis, the Council will hold an annual review of the way in which Member States have put the "guidelines" into practice in their national policies and will submit a report to the European Council, which will establish the approach required in laying down the "guidelines" for the following year.

17. The European Council points to the importance of common indicators, based on comparable statistics, for the effective monitoring and assessment of employment policies and for the identification of good practices. The European Council has signified its agreement that the instruments and means proposed to that end should be rapidly adopted and implemented.

The European Council also invites the Commission to submit an annual update of the report on "Europe as an economic entity" in connection with the surveillance of employment policies.

18. As part of the necessary strengthening of the social dialogue, the social partners at all levels will be involved in all stages of this approach and will have their contribution to make to the implementation of the "guidelines". That contribution will be regularly assessed.

19. Regular contact with the Council will properly pave the way for the six-monthly meeting of the social partners with a troika at the level of Heads of State or Government and the Commission before the European Council meeting. In the course of such contacts between the Council and the social partners, a detailed exchange of views will in particular be held on the implementation of the 1989 Community Charter of the Fundamental Social Rights of Workers.

### **The "guidelines" for 1998**

20. In order to harness all resources available to combat unemployment, the European Council has decided to apply straight away in practice and by consensus the method provided for in the future Article 128 of the Treaty, as adopted in Amsterdam.

21. The European Council took note with interest of the joint report by the Commission and the Council on the employment situation in the Member States. That report highlights a number of "good practices" which have proved their effectiveness at national level. The Commission has drawn on them in its proposals for "employment guidelines".

22. The European Council welcomed the Commission communication on the "guidelines" for 1998 and noted with interest the contributions from the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Employment Committee, as well as the joint declaration by the social partners. On the basis of the Commission communication, the European Council has adopted the conclusions in Part II below, which centre on four main lines of action: improving employability, developing entrepreneurship, encouraging adaptability in businesses and their employees to enable the labour market to react to economic changes, and strengthening equal opportunities policy. The objective of these measures, which are to form part of the overall strategy for employment, is to arrive at a significant increase in the employment rate in Europe on a lasting basis. The European Council calls upon the Commission to submit every three years a report on the evolution of employment rates in Europe.

23. The European Council draws attention to the particular importance of preventive measures to reverse the trend of youth unemployment and long-term unemployment through early identification of individual needs and tailor-made responses systematically giving precedence to active employability measures rather than passive support measures.

24. The European Council invites the Commission to submit at an early date its draft "guidelines" for 1998 in accordance with these conclusions so that the Council can reach a decision on them before the end of the year. The national employment action plans based on these "guidelines" must be submitted to the Council for examination before the Cardiff European Council so that the European Council in December 1998 can set the "guidelines" for 1999.

## **COMMUNITY POLICIES IN SUPPORT OF EMPLOYMENT**

## **Internal market competition and competitiveness**

25. The growing integration of the markets has already made it possible to generate significant additional growth compared to the situation which would have obtained in the absence of the Single Market. We must, therefore, continue resolutely down this path and make every effort to ensure that the internal market operates in an optimum manner by remedying the lacunae and weaknesses which still exist in certain areas. To that end the European Council asks that all the deadlines laid down be met and all necessary measures adopted so that the priorities in the action plan recently submitted for the completion of the internal market can be implemented speedily and efficiently.

26. To ensure that these priorities are indeed implemented, the European Council approves the Commission's initiative providing for regular reports on progress in implementing the action plan priorities through the publication of a "single market log book".

27. As regards State aid, the European Council believes that it is important to focus on aid arrangements which favour economic efficiency and employment without causing distortions of competition. The Commission will ensure that the control of State aid does not constitute an obstacle to labour market policy measures compatible with the Treaty.

28. The European Council considers that particular attention should be given to sectors undergoing major industrial change. It calls upon a high-level expert working party operating under the Commission's authority to analyse likely industrial changes in the Community and to look into ways of anticipating them better so as to guard against their economic and social effects in a manner consistent with the principles of the Treaty. After consultation of the social partners a first report will be submitted to the Council for subsequent submission to the Cardiff European Council.

29. The European Council asks both the European legislator and the national legislators to press on with their efforts to simplify the regulatory and administrative environment for businesses and especially small and medium-sized enterprises.

30. Finally, the European Council acknowledges the importance of the role that large pan-European risk-capital markets can play in job creation and asks the Commission to report to the June 1998 European Council on barriers to the development of such markets in the Union.

## **Taxation**

31. The European Council confirms the need to reverse the trend towards increasing the tax burden and stresses in this context the importance of coordinated action by Member States. The European Council recalls its previously expressed concern to bring to an end unfair tax competition liable to harm employment. (See also points 66 to 68)

## **Research and innovation**

32. The Union's action through its various policies must supplement and support the Member States' employment efforts. This is true for research, which plays an important role in competitiveness and job-creation, in particular by disseminating innovation and the transfer of technologies towards small and medium-sized enterprises. In this connection the European

Council emphasizes the importance of the new research framework programme the priority approaches of which must be discussed and approved before the end of 1998.

### **Major networks**

33. The establishment of a trans-European transport network (TEN) remains one of the best ways of strengthening the competitiveness of the European economy and constitutes an essential complement to the Single Market. The European Council wants each of the priority projects under the trans-European transport network henceforth to follow a timetable and an appropriate financing plan, where appropriate with the cooperation of the various private and public partners and the active participation of the European Investment Bank. It accordingly approves the launching of the special action programme of the European Investment Bank, which makes provision for developing instruments to finance major infrastructures.

### **Structural Funds**

34. The European Council hopes that the forthcoming reform of the Structural Funds will be based on experience acquired hitherto so as to make optimum use of the Funds to serve employment needs wherever possible in the framework of the objectives assigned to them while respecting their primary purpose, which is to enable regions lagging behind to catch up.

### **Information society**

35. Given the potential impact on training \_ and hence employment \_ of the knowledge and information technologies, the European Council requests the Commission to report back to it before the end of 1998 on the results obtained and the prospects for electronic commerce, the development of open networks and the use of multimedia tools for education and teaching.

## **NEW INITIATIVES SPECIFICALLY GEARED TO DEVELOPING EMPLOYMENT**

### **The Action Programme of the European Investment Bank**

36. The European Council notes with satisfaction that the European Investment Bank has established an Amsterdam Special Action Programme (ASAP) to run to the end of the year 2000; its aim is to translate the guidelines of the Resolution of 16 June 1997 on growth and employment into concrete investment opportunities which can help create jobs in Europe.

37. The European Council notes that this programme involves three sets of complementary measures corresponding to the objectives of the Resolution:

38. \_ the creation of a "special window" designed to provide support for new instruments to help finance high-technology and high-growth small and medium-sized enterprises; this aid can be backed where appropriate by recourse to the annual surpluses of the Bank, up to a ceiling of ECU 1 billion. This action depends on close cooperation and complementarity with the banking and financial community and includes the European Investment Fund as a privileged partner of the European Investment Bank;

39. \_ the development and reinforcement of the Bank's financing in the areas of education, health, urban environment and environmental protection;

40. \_ giving a new impetus to the financing of trans-European networks and other large infrastructure networks to which the Bank grants substantial funding. Since the Bank is determined to give priority to sound projects, it is prepared to grant long grace periods and maturities adapted to the characteristics of the projects, which will facilitate tailor-made approaches, and to provide further support for the creation of appropriate public-private partnerships.

41. The European Council observes with particular satisfaction that the implementation of this programme is well under way, with a number of significant results, including:

42. \_ the establishment, by the Bank and the Fund, of a European Technology Facility (ETF), with funding up to a ceiling of ECU 125 million from the Bank's surpluses, to provide venture capital to SMEs in the high-tech sector. As a "fund of funds", the European Technology Facility could participate in a risk capital pool of over ECU 800 million;

43. \_ the definition of tailor-made schemes between the Bank and a number of financial institutions of the Union, which will involve a sharing of risk and provide various forms of equity or quasi-equity finance to small and medium-sized enterprises.

44. \_ the approval of long-term loans to investment projects in the health and education sectors, with a likely total amount of over ECU 1 billion by the end of 1997;

45. \_ the intensification of the Bank's long-term financing in favour of urban and environmental projects, as well as of trans-European networks and related infrastructures, with an approval since the Amsterdam European Council of over ECU 5 billion of loans in these sectors.

46. The European Council encourages the Bank to maintain and reinforce the momentum of this programme. Estimates over the next three years point to possible additional lending in the priority sectors identified in the Amsterdam Resolution, through this programme and related operations, of up to ECU 10 billion above the Bank's current activity. This could in turn support a total investment of over ECU 30 billion.

### **A European employment initiative**

47. The European Council welcomes the European Parliament's initiative providing for the strengthening of budgetary resources earmarked for employment, a move given a positive reception by the Council. It invites both Institutions to formalize their agreement and the Commission to make proposals, as soon as possible, for new financial instruments to support innovatory and job-creating small and medium-sized enterprises, so that the Council can adopt them speedily.

48. These new instruments must reinforce the European Technology Facility, financed by the European Investment Bank and administered by the European Investment Fund, by opening a "risk capital window", support the creation of transnational joint ventures and establish within the European Investment Fund a special guarantee fund to facilitate risk-taking by institutions providing finance for small and medium-sized enterprises. The European Council invites the

Commission to submit examples of good practice concerning the functioning of these measures, based on Member States' experience.



## **Employment - Part II Luxembourg 21/11/97**

### **PART II**

### **THE 1998 GUIDELINES**

#### **I. IMPROVING EMPLOYABILITY**

##### *49. Tackling youth unemployment and preventing long-term unemployment*

In order to influence the trend in youth and long-term unemployment the Member States will develop preventive and employability-oriented strategies, building on the early identification of individual needs; within a period to be determined by each Member State which may not exceed five years and which may be longer in Member States with particularly high unemployment, Member States will ensure that:

50. \_ every unemployed young person is offered a new start before reaching six months of unemployment, in the form of training, retraining, work practice, a job or other employability measure;

51. \_ unemployed adults are also offered a fresh start before reaching twelve months of unemployment by one of the aforementioned means or, more generally, by accompanying individual vocational guidance.

52. These preventive and employability measures should be combined with measures to promote the re-employment of the long-term unemployed.

##### *53. Transition from passive measures to active measures*

Benefit and training systems \_ where that proves necessary \_ must be reviewed and adapted to ensure that they actively support employability and provide real incentives for the unemployed to seek and take up work or training opportunities. Each Member State:

54. \_ will endeavour to increase significantly the number of persons benefiting from active measures to improve their employability. In order to increase the numbers of unemployed who are offered training or any similar measure, it will in particular fix a target, in the light of its starting situation, of gradually achieving the average of the three most successful Member States, and at least 20%.

##### *55. Encouraging a partnership approach*



The actions of the Member States alone will not suffice to achieve the desired results in promoting employability. Consequently,:

56. \_ the social partners are urged, at their various levels of responsibility and action, to conclude as soon as possible agreements with a view to increasing the possibilities for training, work experience, traineeships or other measures likely to promote employability;

57. \_ the Member States and the social partners will endeavour to develop possibilities for lifelong training.

58. *Easing the transition from school to work*

Employment prospects are poor for young people who leave the school system without having acquired the aptitudes required for entering the job market. Member States will therefore:

59. \_ improve the quality of their school systems in order to reduce substantially the number of young people who drop out of the school system early;

60. \_ make sure they equip young people with greater ability to adapt to technological and economic changes and with skills relevant to the labour market, where appropriate by implementing or developing apprenticeship training.

## **II. DEVELOPING ENTREPRENEURSHIP**

61. Making it easier to start up and run businesses by providing a clear, stable and predictable set of rules and by improving the conditions for the development of risk capital markets. The new facilities offered by the EIB combined with the Member States' efforts will enable new businesses to be set up more easily. The Member States should also reduce and simplify the administrative and tax burdens on small and medium-sized enterprises. To that end the Member States will:

62. \_ give particular attention to reducing significantly the overhead costs and administrative burdens for businesses, and especially small and medium-sized enterprises, in particular when hiring additional workers;

63. \_ encourage the development of self-employment by examining, with the aim of reducing, any obstacles which may exist, especially those within tax and social security regimes, to moving to self-employment and the setting up of small businesses, in particular for employed persons.

64. *Exploiting the opportunities for job creation*

If the European Union wants to deal successfully with the employment challenge, all possible sources of jobs and new technologies and innovations must be exploited effectively. To that end the Member States will:

65. \_ investigate measures to exploit fully the possibilities offered by job creation at local level in the social economy and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures.

66. Making the taxation system more employment friendly and reversing the long-term trend towards higher taxes and charges on labour (which have increased from 35% in 1980 to more than 42% in 1995). Each Member State will:

67. \_ set a target, if necessary and taking account of its present level, for gradually reducing the overall tax burden and, where appropriate, a target for gradually reducing the fiscal pressure on labour and non-wage labour costs, in particular on relatively unskilled and low-paid labour, without jeopardizing the recovery of public finances or the financial equilibrium of social security schemes. It will examine, if appropriate, the desirability of introducing a tax on energy or on pollutant emissions or any other tax measure;

68. \_ examine, without obligation, the advisability of reducing the rate of VAT on labour-intensive services not exposed to cross-border competition.

### **III. ENCOURAGING ADAPTABILITY IN BUSINESSES AND THEIR EMPLOYEES**

#### *69. Modernizing work organization*

In order to promote the modernization of work organization and forms of work:

70. \_ the social partners are invited to negotiate, at the appropriate levels, in particular at sectoral and enterprise levels, agreements to modernize the organization of work, including flexible working arrangements, with the aim of making undertakings productive and competitive and achieving the required balance between flexibility and security. Such agreements may, for example, cover the expression of working time as an annual figure, the reduction of working hours, the reduction of overtime, the development of part-time working, lifelong training and career breaks;

71. \_ for its part, each Member State will examine the possibility of incorporating in its law more adaptable types of contract, taking into account the fact that forms of employment are increasingly diverse. Those working under contracts of this kind should at the same time enjoy adequate security and higher occupational status, compatible with the needs of business.

#### *72. Support adaptability in enterprises*

In order to renew skill levels within enterprises Member States will:

73. \_ re-examine the obstacles, in particular tax obstacles, to investment in human resources and possibly provide for tax or other incentives for the development of in-house training; they will also examine any new regulations to make sure they will contribute to reducing barriers to employment and helping the labour market adapt to structural change in the economy.

## **IV. STRENGTHENING THE POLICIES FOR EQUAL OPPORTUNITIES**

### *74. Tackling gender gaps*

Member States should translate their desire to promote equality of opportunity into increased employment rates for women. They should also pay attention to the imbalance in the representation of women or men in certain economic sectors and occupations. Member States will:

75. \_ attempt to reduce the gap in unemployment rates between women and men by actively supporting the increased employment of women and will act to reverse the under-representation of women in certain economic sectors and occupations and their over-representation in others.

### *76. Reconciling work and family life*

Policies on career breaks, parental leave and part-time work are of particular importance to women and men. Implementation of the various Directives and social-partner agreements in this area should be accelerated and monitored regularly. There must be an adequate provision of good quality care for children and other dependents in order to support women's and men's entry and continued participation in the labour market. The Member States will:

77. \_ strive to raise levels of care provision where some needs are not met.

### *78. Facilitating return to work*

The Member States will:

\_ give specific attention to women, and men, considering a return to the paid workforce after an absence and, to that end, they will examine the means of gradually eliminating the obstacles in the way of such return.

### *79. Promoting the integration of people with disabilities into working life*

The Member States will:

\_ give special attention to the problems people with disabilities may encounter in participating in working life.