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***Promoting more and better Jobs***

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China and the European Union are both confronted with major strategic challenges concerning growth, competitiveness and employment, regional and social cohesion as well as sustainable development. To address these challenges, China and the EU are both designing and implementing new comprehensive strategies for development, where growth, employment and social cohesion play a central role.

Against this background, the strategic partnership under negotiation between the EU and China should put a stronger focus on the theme of growth, employment and social cohesion, deepening a cooperation along the possible following lines:

- exchange of experience regarding policy-making in these fields;
- convergence towards better social standards;
- exploring economic complementarities to foster growth and jobs for both sides.

This paper takes stock and puts into perspective the European experience with the aim of contributing for this stronger cooperation between EU and China.

## **1. *A Strategy for Growth and Jobs***

### **1.1 The major strategic challenges**

The European Union is engaged in a process of regional integration with three main goals:

- Increasing prosperity by renewing its development model;
- Enlargement and the political re-organisation of the Union;
- Enhancing the contribution of Europe to improve global governance.

Notwithstanding, several difficult challenges are being faced by the European Union to meet these goals:

- A. Globalisation and stronger competition by more diversified poles in the world economy are calling for a major redeployment of the European economy to new areas of investment and employment, with an intensification of the innovation and the restructuring process in many European regions;
- B. The economic performance of the EU remains quite disappointing: averaging only 2.2% per year for the EU25 between 1995 and 2005,

even if relevant differences exist among Member States, with the new ones performing better given their catching-up process. Between 1999 and 2004, the total employment in EU 15 increased by 7.5 million people, but more 20 million should be created by 2010 to make the best use of the European human resources;

- C. The European growth potential remains hindered by a quite low increasing trend of productivity as well as of the employed population. Moreover, the demographic projections are forecasting a fall in the total population by 2020, leading to the risk of major imbalances in the social protection and health systems;
- D. Besides ageing societies, there are other trends which are clearly not sustainable such as the issues of climate change and energy use, management of natural resources, land use and transport, threats to public health as well as poverty and social exclusion;
- E. The recent enlargement of the European Union from 15 to 25 Member States and subsequently to 27, presents an unprecedented challenge for the competitiveness and internal cohesion of the Union. The gap in the per capita GDP between the 10% of the population living in the most prosperous regions and the same percentage living in the least ones has more than doubled;

Finally, the current imbalances at world level regarding economic, social, environmental, security and political issues call for a better global governance and underline the greater responsibility to be taken by the European Union.

## **1.2 The Lisbon Strategy: priorities, trade-offs and synergies**

In the year 2000, with a European Council taking place in Lisbon, the European Union adopted an overall strategy to build a more competitive knowledge economy, capable of sustainable economic growth with more and better jobs, greater social cohesion and respect for the environment. The central idea of this strategy is that knowledge is now the key resource of nations, companies and people and that new competitive factors should be build based on knowledge and innovation in order to sustain the European social model. This one should also be reformed and put more in line with a knowledge-based society. Against this background, the priorities of the Lisbon strategy are threefold:

- A. Fostering knowledge for growth by ambitious policies of research, innovation, education and training;
- B. Improving the attractiveness of the European economy to invest and to work, by deepening the single market, improving the business environment and expanding the European infrastructures;

C. Creating more and better jobs, investing in people, modernising the European social model and combating social exclusion

More recently, in the European Council of March 2005, the Lisbon strategy was refocused on growth and jobs and coupled with a more growth-friendly Pact for fiscal policies, defining a new framework for the policy-mix to be adapted by each Member State according to its specificities.

**Lisbon strategy**

**Integrated guidelines for growth and jobs (2005-2008)**

**Macroeconomic guidelines**

- (1) To secure economic stability.
- (2) To safeguard economic sustainability.
- (3) To promote an efficient allocation of resources.
- (4) To promote greater coherence between macroeconomic and structural policies.
- (5) To ensure that wage developments contribute to macroeconomic stability and growth.
- (6) To contribute to a dynamic and well-functioning EMU.

**Microeconomic guidelines**

- (7) To increase and improve investment in R&D.
- (8) To facilitate innovation and the take up of ICT.
- (9) To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth.
- (10) To contribute to a strong industrial base.
- (11) To extend and deepen the internal market, including services.
- (12) To ensure open and competitive markets.
- (13) To create a more attractive business environment.
- (14) To promote a more entrepreneurial culture and create a supportive environment for SMEs.
- (15) To expand and improve European infrastructure and complete agreed priority cross-border projects.

**Employment guidelines**

- (16) To implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.

- (17) To promote a lifecycle approach to work.
- (18) To ensure inclusive labour markets for job-seekers and disadvantaged people.
- (19) To improve matching of labour market needs.
- (20) To promote flexibility combined with employment security and reduce labour market segmentation.
- (21) To ensure employment-friendly wage and other labour cost developments.
- (22) To expand and improve investment in human capital.
- (23) To adapt education and training systems in response to new competence requirements.

The implementation of the Lisbon strategy should therefore be comprehensive, balanced, based on the synergies, but also focused on clear priorities and adaptable to the diversity of situations. One can argue this seems close to squaring the circle, because there are too many trade-offs between these different objectives. There are certainly difficult trade-offs requiring difficult political choices on the short run. Nevertheless, it is important to learn with some success cases. The success often depends on the capacity to overcome a specific trade-off by developing a specific synergy. As presented more in-depth in the next pages, to overcome the trade-offs:

- between macroeconomic stability and growth, by creating some fiscal room of manoeuvre for key-public investments to enhance the growth potential;
- between productivity and employment, by fostering innovation in products and services and not only in technological process;
- between growth and cohesion, by shifting cohesion policies for equipping disfavoured people and regions with more capabilities;
- between flexibility and security in the labour market, by negotiating new kinds of “flexicurity”;
- between growth and environment, by turning sustainable development into new opportunities for investment and growth creation.

These examples show that a successful implementation of the Lisbon strategy requires a comprehensive approach with implications for both policies and governance\*.

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\* For a more general background on these issues, see Rodrigues, Maria João, *The New Knowledge Economy in Europe – A Strategy for International Competitiveness and Social Cohesion* (coord.) with the collaboration of Robert Boyer, Manuel Castells, Gøsta Esping-Andersen, Robert Lindley, Bengt-Åke Lundvall, Luc Soete, Mario Telò and Mark Tomlinson, Cheltenham, Edward Elgar, 2002; and Rodrigues, Maria João, *European Policies for a Knowledge Economy*, Cheltenham, Edward Elgar, 2003.

### **1.3 Combining instruments for implementation**

The renewed Lisbon strategy is now in implementation using enhanced political and financial instruments:

- the integrated guidelines for growth and jobs and the national reform programmes adapting them to the national specificities;
- the new guidelines for the regional policy and the national strategic frameworks for structural funds;
- the Lisbon Community programme encompassing the legislative and the political initiatives as well as the new generation of thematic Community Programmes, notably for research, competitiveness and lifelong learning;
- the revised Stability and Growth Pact and State aids as well as the new instruments launched by the European Investment Bank.

The implementation of the Lisbon strategy is being based on a wide range of policy instruments: European law, community programmes, structural funds, social dialogue, European guidelines and European objectives, to be translated and adapted to the national level in each Member State.

Nevertheless the mix of policy instruments is different according to each policy field (see Table 1 in annex): the single market policy is more based on directives of European law, whereas the research policy on a Community Programme and the social protection policy on the open method of coordination. Now, when most of the instruments are already defined, the priority should go to improve the consistency and synergy of the instrument mix in each policy field.

In employment policy, several instruments are being combined: the European employment guidelines (see Table 2 in annex), a common programme called Progress, the European Social Fund including the Globalisation Fund, the different mechanisms of social dialogue and last, but not least, a set of directives of European law covering the following topics:

- health and safety
- minimum protection system
- individual employment conditions,
- modernisation of work organisation
- work councils
- information and consultation
- working time and part-time work
- temporary workers
- fixed term work

- part-time work
- posting of workers
- collective redundancies
- corporate restructuring
- transfer of undertakings
- young people
- equitable wage
- parental leave
- antidiscrimination

#### **1.4 How can we get more and better jobs?**

Concerning employment, the central challenge in Europe remains: how can we get more and better jobs at the same time?

The European experience, notably in its more successful national cases is showing that a special policy mix should be developed combining the following orientations:

- macroeconomic policies (including monetary, fiscal and wage policies) achieving a better combination between macroeconomic stability and growth;
- active trade, industrial and innovation policies to support the redeployment of investment and jobs creation towards new sectors with more added value;
- strong regional policy to support the catching-up of the lagging behind regions in Europe;
- ambitious research, education and training policies to renew the knowledge base of growth and jobs;
- active employment policies aiming at strengthening the human capital, attracting more people into the labour market and improving adaptability;
- promoting social inclusion and modernising social protection in order to make it more adequate, adaptable and sustainable.

All this means that a central focus should be put in supporting people to move to new and better jobs. Nevertheless, these orientations involve quite rather complex changes and reforms. In the following sections we will refer more in-depth to some of them, notably:



- key-reforms for a sustainable European social model
- developing lifelong learning
- developing flexicurity in the labour market
- managing restructuring process and jobs creation

## **2. For a sustainable European social model**

The reform of the European social model is one of the most complex issues mentioned in the current debate over Europe. This model is the outcome of a long and complex historical process trying to combine social justice with high economic performance. This means that the social dimension should be shaped with the purpose of social justice but also with the purpose of contributing to growth and competitiveness. Conversely, growth and competitiveness are crucial to support the social dimension and should also be shaped to support it. This also means that there are different choices in both economic and social policies which evolve over time and must be permanently under discussion, political debate and social dialogue. This is the European tradition, highly valued inside and outside Europe as an important achievement to ensure prosperity and quality of life.

This tradition was translated into quite different national models and the most renowned typologies distinguish the Scandinavian, the Anglo-Saxon, the Continental and the South-European types. Nevertheless, in spite of these differences, some key components can be found in all of them, pointing out the contours of European social model:

- increasing general access to education and training;
- general access to social protection and health care;
- active policies for social inclusion;
- regulated labour contracts;
- social dialogue procedures;
- predominance of public funding via taxes or social contributions with a redistribution effect.

These components have been shaped in each historic period, depending on the existent institutional frameworks and actors as well as on their replies to the strategic challenges of their time.

### **2.1 Reforming the European social model to face new challenges**

Nowadays, it is clear that the European social model is facing new strategic challenges, which seem to be:

- globalisation and the new competitive pressures;

- the transition to a knowledge-intensive economy;
- the ageing trends;
- the new family models;
- the very process of the European integration, in its new stage.

The sustainability of the European social model depends on renewing its economic basis as well as on reforming its main components, in order to cope with these key strategic challenges. Against this background, we will identify some of the main priorities for these structural reforms (see Table 3 in Annex).

### **Education and Training**

The access to new skills will become crucial to get new and better jobs. The education and training systems should be reformed in order to better cope with the challenges of:

- **globalisation and the transition to a knowledge economy**, by a more dynamic identification of the skills needs and by the generalisation of the lifelong learning opportunities in schools, training centres, companies, public administrations and households, which should be underpinned by an universal pre-schooling education and the reduction of early-school leavers. New and more flexible ways to validate competences (such as the Europass) can also play an important role;
- **ageing trends**, by spreading new methods to assess, enhance and use the elderly workers competences;
- **new family models**, by providing equal opportunities to career choices and more flexible access to lifelong learning over the life-course;
- **European integration**, by adopting a common framework for key-competences and facilitating the recognition of qualifications and the labour mobility.

### **Social Protection**

Social protection systems seem to need structural reforms to cope with:

- **the transition to a knowledge economy**, by a more personalised approach in the active labour market policies, by creating learning

accounts with drawing rights and by providing more flexibility of personal choices in using the range of social benefits;

- **globalisation and new competitive pressures**, by giving a stronger priority to more effective active labour market policies; by a careful monitoring of the benefits in order to make work pay and to attract more people into the labour market, reducing unemployment and strengthening the financial basis of the social protection systems. A careful monitoring should also be made about the non-wage labour costs as well as the search of complementary (public and private) financial resources;
- **ageing trends**, by promoting active ageing, reducing early retirement, providing incentives to remain active, introducing more flexibility in the retirement age. Balancing the financial effort to be provided by different generations may also require a careful reconsideration of the balance between the three pillars of the social protection system;
- **new family models**, by spreading family care services and facilitating working time flexibility as important ways to reconcile work and family life;
- **European integration**, with a common legal framework required by the single market concerning minimum standards and portability, to be complemented with the open coordination of the social protection systems reforms.

## **Social inclusion**

The social inclusion policies should also be updated in order to cope with the challenges of:

- **the transition to a knowledge economy**, by putting more focus on developing new social and professional capabilities, beyond the simple income guarantee;
- **globalisation**, by better targeting social inclusion programmes and by strengthening the management of the industrial restructuring;
- **ageing**, by promoting active ageing and by designing target measures for the elderly poor;
- **new family models**, by developing family care services and by designing target measures for single parents;

- **European integration**, by an open coordination of the social inclusion policies complemented with European programmes for social inclusion.

## **Labour regulations**

The labour regulations and the human resources management should also evolve to meet the challenges of:

- **the knowledge economy**, by developing learning organisations in the work place, promoting learning careers and “learning first contracts” for young people, organising learning accounts and improving the working time flexibility for training;
- **globalisation**, by creating more internal labour flexibility (concerning work organisation, working time and wage setting), by combining new forms of external flexibility with security and by strengthening the management of industrial restructuring. The active promotion of better labour standards at international level can also play a crucial role;
- **ageing**, by encouraging new forms of work organisation, working time management and better working conditions;
- **new family models**, by facilitating working time flexibility, parental leave and career breaks;
- **European integration**, by the regular update of the European directives, by removing the obstacles to the mobility of workers at European level and by defining a European frame for economic migration.

## **Social dialogue**

Finally, social dialogue should itself evolve to cope with the same challenges of:

- **the transition to a knowledge economy** by negotiating learning agreements at company, sector and national levels;
- **globalisation**, by negotiating innovation agreements and the social management of the industrial restructurings at company, sector and national levels;
- **ageing**, by negotiating the conditions for active ageing in the collective agreements;

- **new family models**, by systematically introducing equal opportunities in the collective agreements;
- **the European integration**, by upgrading the social dialogue concerning the European strategy for growth and jobs.

The changes which are mentioned above are the outcome of an intensive experimentation, debate and negotiation which is already under way in Europe. Most of these changes are already pointed out by the integrated guidelines of the Lisbon strategy for growth and jobs after a very rich discussion which took place at the European level, involving all the European institutions and committing Prime Ministers and ministers of very different areas. These changes were subject to a larger discussion in Member States during the preparation of their national reform programmes for growth and jobs.

## **2.2. A re-interpretation of the basic values**

This larger discussion in the Member States should take into account this more general background of the European social model and the new strategic challenges it is facing nowadays. Moreover, its underlying basic values seem also to be under re-interpretation, notably when:

- it is said that security should be for change, and not against change;
- in providing security, the focus is put not only in income guarantee but also in enabling and building capabilities;
- the concern with social justice is putting more emphasis in equal opportunities, even if they should be combined with basic solidarity towards the weakest members of society;
- the individual responsibility is also highlighted by this concept of equal opportunities, also leading to more freedom of choice over the life course;
- the principles of sustainable development are taken into consideration in the re-conceptualisation of social justice; hence the contributions and benefits regarding social protection should be balanced across generations.

### 3. Developing Lifelong Learning

#### 3.1 To define the goals for lifelong learning

The goals of lifelong learning should be defined first of all in terms of education levels and educational attainments. The European Union has recently adopted a short list of common targets, assuming that the upper secondary level seems nowadays the minimal level to provide a solid foundation for lifelong learning. These targets (see Box 1) aim at focusing the investment in education and training in areas with clear value added, in terms of economic growth and employability. This additional effort should combine targeted public investments and higher private contributions.

#### Box 1

1	By 2010, an EU average rate of no more than 10% of early school leavers should be achieved;
2	The total number of graduates in mathematics, science, technology in the EU should increase by at least 15% by 2010, while at the same time the gender imbalance should decrease;
3	By 2010 at least 85% of 22 years old in the EU should have completed upper secondary education;
4	By 2010, the percentage of low-achieving 15 years old in reading, mathematical and scientific literacy will be at least halved;
5	By 2010, EU average participation in lifelong learning should be at least 12,5% of the adult working population (25 to 64 age group).

Moreover, according to the above presented analysis, two other targets should be added:

- a specific target concerning the education and training of the adult population who only has basic education;
- a general target concerning the pre-schooling education for all children, as it is proved it can play a crucial role in their cognitive development and their subsequent educational and professional performance; this target might be connected with the other already adopted, dealing with the generalisation of child care services.

In the meantime, the EU also agreed on a short list of basic skills which, in addition to literacy and numeracy, should include ICT skills, foreign language, entrepreneurship and social skills.

The goals of lifelong learning should also be defined in terms of occupational profiles and their specific competences. The purpose is not coming back to the traditional models of forecasting, setting a mechanical and

unidirectional relationship between the industrial pattern of growth on the one hand and the skills needs on the other. On the contrary, the purpose should be to develop a permanent interaction between skills and the growth pattern at European, national, sectoral and local levels, involving the relevant actors and taking into account both long and short term needs. The recently created *Skillsnet* should be enhanced in order to provide basic references for this process at European level, building on the already very diversified work across Member States, which combines very different techniques: enterprise and labour force surveys, case studies, expert inquiries, analyses of jobs advertisements, forecasting and scenarios, observatories on skills developments.

### **3.2 For a Strategic Management of Human Resources**

The strategic management of human resources becomes an important priority when:

- globalisation and European integration are redeploying investment and jobs creation to new sectors and areas;
- the transition to a knowledge-intensive economy is requiring new kinds of skills;
- the demographic trends is leading to labour shortages;
- increasing migration must be anticipated.

This is exactly the current situation in the European Union. That is why there is a increasing number of companies, regions and countries which are taking initiatives to enhance their instruments for a more strategic management of human resources. These instruments comprise:

- identifying skills needs;
- defining job profiles;
- setting qualification standards;
- developing new training programmes and curricula;
- improving vocational guidance;
- validating individual competences.

A regular foresight on skill needs is critical for a sound development of all other instruments. Specific skills needs can only be identified at company, sector and region levels, but a general and strategic framework can be provided not only at national but at European level, taking into account the global trends of trade, technologies, investment and jobs creation.

In a knowledge-based society, lifelong learning can play a central role in paving the way to new areas of jobs creation. Jobs creation is increasingly intertwined with innovation in all its dimensions: innovations not only in process but in products and services, not only in technologies but in organisation,



marketing and design. At the core of innovation there is the capacity to turn knowledge into more added value, and this requires skilled people with specific occupational profiles such as; designers, engineers, different specialists of marketing, management, logistics, telecommunications.

A permanent strategic exercise should be fostered involving the relevant actors at each level, based on partnerships for innovation, jobs creation and competence building. The critical path can be discovered by asking how is it possible to add more value building on the already existent competence. For instance, if we take the general human needs as a reference for associating clusters of economic activity (see Figure 1):

- competences in construction, furniture, electronics, urban management should be combined in order to develop the area of *habitat*;
- competences in clothing, footwear, new materials and design should be combined in order to develop the *fashion* area;
- competences in car industry, transports and logistics should be combined, in order to develop the area of *mobility*.
- competences in tourism should be combined with the competence in cultural activities, sport and environment in order to develop the area of *leisure*;

In the meantime, horizontal competences are required to develop all the clusters of activities: electro-mechanic equipment, information and communication activities and biotechnologies.

### **3.3. Strategies for Lifelong Learning**

The EU Member States are now committed to develop national strategies for lifelong learning. The experience of the most successful cases shows that the following priorities should be taken into account:

- to define the goals for lifelong learning in terms of not only educational levels but also new jobs profiles and competences;
- to develop a new infrastructure for lifelong learning;
- to create a diversified supply of learning opportunities able to provide more customised solutions:
  - to develop the new instruments of e-learning and to explore the potential of the digital TV
  - to turn schools and training centres into open learning centres
  - to encourage companies to adopt learning organisations
  - to shape the appropriate learning mode for each target group
  - to spread new learning solutions for the low skilled workers
- to foster the various demands for learning and to create a demand-led system:

- to improve the framework conditions for lifelong learning
- to develop a dynamic guidance system over the life course
- to renew the validation and recognition system
- to create compensations for the investment in learning
- to spread new financial arrangements in order to share the costs of lifelong learning;
- to improve governance for lifelong learning, involving all the stakeholders along the following lines (see Table 4 in Annex)

#### **4. Developing flexicurity**

Against this background concerning the reform of the European social model and the need to develop lifelong learning, we can now focus on another key issue of this reform which is flexicurity. Flexicurity refers to the different ways of combining flexibility and security, which can be provided by regulations of the labour market, active labour market policies, lifelong learning and social protection.

The method which can be used to deal with this issue is:

1. First, to identify the main types of flexibility in the labour market;
2. Secondly, to specify the measures that can provide security in each one of these kinds of flexibility;
3. Thirdly, to clarify which should be the roles and instruments to be developed at the European level and/or at the national level;
4. Fourthly, to elaborate on the general approach to labour market reforms

We will adopt a comprehensive approach to flexibility in the labour market and we will assume the main types of flexibility are:

- the transition from education to employment;
- the transition from household to employment;
- the transition from unemployment to employment;
- the functional flexibility inside companies;
- the working time flexibility;
- the wage flexibility;
- the transition between different types of labour contract;
- the transition from employment to unemployment;
- the transition from employment to retirement.

#### **4.1. Providing security for flexibility: some key measures**

According to this framework, we can specify some measures of security to be combined with the different types of flexibility which were already identified (see Table 5 in Annex).

##### **Regarding the transition from education to employment:**

- Financial incentives to the recruitment of young people
- Regional development
- Support to geographical mobility
- Skills needs foresight
- Partnership for innovation and jobs creation
- Vocational guidance
- Internships
- Ensuring the membership to the social protection system

##### **Regarding the transition from household to employment:**

- Parental leave
- Part-time parental leave
- Part-time care leave
- Catch-up training
- Progressive individualisation of social contributions and benefits

##### **Regarding the transition from unemployment to employment:**

- Decreasing non-wage costs for lower skilled jobs
- Non-discrimination measures
- Vocational and occupational guidance
- Education and training for unemployed people
- Enrolment of non-declared workers in social protection systems
- Universal minimum protection systems
- Adapting social contributions and benefits in order to make work pay
- Social inclusion measures

##### **Regarding functional flexibility:**

- Organised internal mobility
- Career and jobs design
- Access to modular lifelong learning
- Learning organisations
- Multiskilling
- Exchange of expertise between generations

##### **Regarding working time flexibility:**

- Negotiations on working time flexibility
- Time saving accounts

- Job rotation
- Learning accounts
- Training leave
- Social drawing rights

**Regarding wage flexibility:**

- Agreements on wages, productivity and jobs
- Agreements on wages and competence building
- Innovation agreements

**Regarding the transition between different types of labour contract:**

- Ensuring the membership to the social protection system
- Equalising social benefits between these different types of labour contract
- Equalising the access to lifelong learning

**Regarding the transition from employment to unemployment:**

- Ensuring adequate unemployment insurance
- Re-training during the unemployment period
- Active job search
- Restructuring management
- Regional development
- Partnerships for innovation and jobs creation

**Regarding the transition from employment to retirement**

- Flexible retirement age
- Part-time jobs
- Adapting working conditions
- New forms of work organisation
- Exchange of expertise between generations
- Reducing early retirements
- Adjusting pension calculation rules

**4.2 The paths for reform**

As we can see, the instruments which can be used to develop flexicurity are quite diversified. The political instruments range from directives, common guidelines, open method of coordination and social dialogue at European level to law, programmes, partnerships and social dialogue at national level. The financial instruments range from the macro-economic dialogue, the Community programmes and the structural funds at European level to the budgetary, tax and social protection policies at national level.

The paths for reform are to be defined at national level regarding the priorities, the trade-offs and synergies, the sequencing and the packaging of concrete measures. The same applies to the political method to design and implement these measures. Nevertheless, a common ground for reform and social dialogue should be enhanced building on the following principles:

- to put flexicurity mechanisms in the broader framework of the Social model. These mechanisms will be easier to implement if they are complemented by reforms of other components of the social model, notably social protection, active labour market policies and lifelong learning;
- to design the flexicurity mechanisms bearing in mind the transition to a knowledge intensive economy and a framework of sustainable development;
- to put flexicurity mechanisms in the broader context of implementing a strategy for growth jobs; they will be easier to implement if there is a trend for more and better jobs; this synergy between flexicurity and growth should be deepened;
- to make full use of social dialogue at the different levels and to strengthen the conditions to develop a long term partnership for change. A new social contract should be defined.

## **5. Managing Restructuring Process and Jobs Creation**

The restructuring processes underway in Europe should be placed in this broader context of redeploying the European economy to new activities with more added-value and providing new and better jobs. In order to be successful, this redeployment should be underpinned by a more strategic management of human resources, encouraging a more dynamic and future-oriented interaction between labour supply and demand. Otherwise there is the risk that bigger shortages, gaps and mismatches of skills will coexist with structural unemployment.

### **5.1 Improving the management of the restructuring process**

Improving the management of the restructuring process requires evolving (see Table 6 in Annex):

- from the traditional passive approach which puts the focus on reducing the social impacts of the restructuring process with social plans in the restructuring companies. This is necessary, but not sufficient;

- to the active approach, which involves various instruments of the active labour market policies and of the regional development policies to move workers to new jobs. This is also necessary, but not sufficient;
- and to a pro-active approach which mobilizes the several instruments of the innovation policy, in a good mix with the trade, competition, employment and training policies, in order to create stronger framework conditions for more and better investments and jobs. Taking into account the current trends for rapid change in the global economy, this approach should be urgently developed because it can prevent the tensions of a restructuring process which tends to be permanent.

## **5.2 Exploring new opportunities for growth and jobs creation in a globalized economy**

Globalisation is changing very fast the specialisation patterns of investment and jobs creation in each country, bringing about a new map of the international division of labour. The European Union should reposition itself into new areas in this map in order to create more and better jobs. For this, it is necessary to develop a more pro-active strategy to benefit from the opportunities of globalization.

The Lisbon Strategy aims at giving a positive answer to globalization by redeploying investment and jobs creation to new areas. Therefore, it is very important to target these new areas and their opportunities by an enhanced coordination of the policies concerning trade, competition, industry, innovation, education, training, and employment.

First of all we have the opportunities created by the **European integration**:

- Enlargement (catching up process, managing real and nominal convergence, inter-sectoral and intra-sectoral specialisation, foreign direct investment, capacity building, the European policies and standards as a leverage);
- Regional development (new priorities for economic and social cohesion policies);
- Internal market (opening the markets for goods and services, integrating the financial markets, managing restructuring process);
- Economic and Monetary Union (coordinating macroeconomic policies to promote sustainable growth and to enhance strategic priorities for public investment);
- European research area (networks for excellence, integrated projects and coordination of national initiatives, creating high skilled jobs).

The **external markets** can also provide a wide range of opportunities:

- the current WTO Round is supposed to create more opportunities for trade and foreign investment, not only among developed countries, but also with the developing countries (i.e. the “Development Round”). The reform of the international financial system can play a key role in order to underpin this process, which will also be shaped by the European capacity to have a more co-ordinated voice in these arenas. In spite of the current difficulties, it remains very important to develop the negotiations in the multilateral framework, overcoming the bottlenecks by negotiating more “win-win” trade-offs.
- with a good combination of the policies for international trade, cooperation and development aid it is possible to foster new opportunities for investment and jobs creation in Europe by exporting products and services to developing countries. This is already the case, for instance, of European companies specialised in providing these countries with tailor-made technologies, services and consultancy for sustainable development, health or telecommunications.

Opportunities are also created by a new economic dynamism based on **innovation** across all sectors in: new products and services, process technologies, business concepts, and management and organisation.

Finally, **societal changes** can also create new opportunities, where a wide range of combinations between private and public initiatives can be used. All these sectors are labour intensive and tend to be knowledge intensive:

- adapting to environmental concerns;
- developing of family care services;
- expanding pre-schooling education;
- spreading lifelong learning services;
- diversifying health services;
- diversifying social integration services;
- developing business services;
- regional development services;
- urban management services;
- cultural management services;
- external cooperation services.

## **6. Short conclusion**

China and the European Union are both confronted with major strategic challenges concerning growth, competitiveness and employment, regional and social cohesion as well as sustainable development. To address these challenges, China and the EU are both designing and implementing new comprehensive strategies for development, where growth, employment and social cohesion play a central role.

Against this background, the strategic partnership under negotiation between the EU and China, should put a stronger focus on the theme of growth, employment and social cohesion deepening a cooperation along the possible following lines:

- exchange of experience regarding policy-making in these fields;
- convergence towards better social standards;
- exploring economic complementarities to foster growth and jobs for both sides.

This paper has taken stock and put into perspective the European experience with the aim of contributing for this stronger cooperation between EU and China.



**TABLE 1  
POLICIES, MODES OF GOVERNANCE AND INSTRUMENTS**

Policies  Modes of Governance  Instruments		Monetary policy	Trade policy	Single market policy	Fiscal policy	Employment Labour Policies	Research Policy	Social Protection and Social Inclusion Policies	Education and training policies	Enterprise and innovation policies
		Single policy	Delegation in European bodies, laws	X	X	X				
Harmonisation of national policies	Framework laws			X		X				
Coordination of national policies	Framework laws, decisions				X	X	X		X	X
Open coordination of national policies	Decision on recommendations with monitoring and opinions						X	X	X	X
Cooperation of national policies	Recommendations						X	X	X	X
Supporting national policies	Community programs					X	X	X	X	X

## TABLE 2

### “The Employment Guidelines (2005-2008)

#### (Integrated Guidelines Nos 17-24)

- **Guideline No.17:** *Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion*
- **Guideline No.18:** *Promote a lifecycle approach to work*
- **Guideline No.19:** *Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive*
- **Guideline No.20:** *Improve matching of labour market needs*
- **Guideline No.21:** *Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners*
- **Guideline No.22:** *Ensure employment-friendly labour cost developments and wage-setting mechanisms*
- **Guideline No.23:** *Expand and improve investment in human capital*
- **Guideline No.24:** *Adapt education and training systems in response to new competence requirements*

#### **Guideline No.17: Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.**

Policies should contribute to achieving an average employment rate for the European Union (EU) of 70% overall, of at least 60% for women and of 50% for older workers (55 to 64) by 2010, and to reduce unemployment and inactivity. Member States should consider setting national employment rate targets.

#### **Guideline No.18: Promote a lifecycle approach to work through:**

1. a renewed endeavour to build employment pathways for young people and reduce youth unemployment, as called for in the European Youth Pact;
2. resolute action to increase female participation and reduce gender gaps in employment, unemployment and pay;
3. better reconciliation of work and private life and the provision of accessible and affordable childcare facilities and care for other dependants;
4. support for active ageing, including appropriate working conditions, improved (occupational) health status and adequate incentives to work and discouragement of early retirement;
5. modern social protection systems, including pensions and healthcare, ensuring their social adequacy, financial sustainability and responsiveness to changing needs, so as to support participation and better retention in employment and longer working lives.

*See also integrated guideline "To safeguard economic and fiscal sustainability as a basis for increased employment" (No.2).*

#### **Guideline No.19: Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive through:**

1. active and preventive labour market measures including early identification of needs, job search assistance, guidance and training as part of personalised action plans, provision of necessary social services to support the inclusion of those furthest away from the labour market and contribute to the eradication of poverty;
2. continual review of the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits and a significant reduction of high marginal effective tax rates, notably for those with low incomes, whilst ensuring adequate levels of social protection;

3. development of new sources of jobs in services for individuals and businesses, notably at local level.

### **Guideline No.20: Improve matching of labour market needs through:**

1. the modernisation and strengthening of labour market institutions, notably employment services, also with a view to ensuring greater transparency of employment and training opportunities at national and European level;
2. removing obstacles to mobility for workers across Europe within the framework of the Treaties;
3. better anticipation of skill needs, labour market shortages and bottlenecks;
4. appropriate management of economic migration.

### **Guideline No.21: Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners, through:**

1. the adaptation of employment legislation, reviewing where necessary the different contractual and working time arrangements;
2. addressing the issue of undeclared work;
3. better anticipation and positive management of change, including economic restructuring, notably changes linked to trade opening, so as to minimise their social costs and facilitate adaptation;
4. the promotion and dissemination of innovative and adaptable forms of work organisation, with a view to improving quality and productivity at work, including health and safety;
5. support for transitions in occupational status, including training, self-employment, business creation and geographic mobility.

*See also integrated guideline "To promote greater coherence between macroeconomic, structural and employment policies" (No.5).*

### **Guideline No.22: Ensure employment-friendly labour cost developments and wage-setting mechanisms by:**

1. encouraging social partners within their own areas of responsibility to set the right framework for wage bargaining in order to reflect productivity and labour market challenges at all relevant levels and to avoid gender pay gaps;
2. reviewing the impact on employment of non-wage labour costs and where appropriate adjust their structure and level, especially to reduce the tax burden on the low-paid.

*See also integrated guideline "To ensure that wage developments contribute to macroeconomic stability and growth" (No.4).*

### **Guideline No.23: Expand and improve investment in human capital through:**

1. inclusive education and training policies and action to facilitate significantly access to initial vocational, secondary and higher education, including apprenticeships and entrepreneurship training;
2. significantly reducing the number of early school leavers;
3. efficient lifelong learning strategies open to all in schools, businesses, public authorities and households according to European agreements, including appropriate incentives and cost-sharing mechanisms, with a view to enhancing participation in continuous and workplace training throughout the life-cycle, especially for the low-skilled and older workers.

*See also integrated guideline "To increase and improve investment in R&D, in particular by private business" (No.7).*

### **Guideline No.24: Adapt education and training systems in response to new competence requirements by:**

1. raising and ensuring the attractiveness, openness and quality standards of education and training, broadening the supply of education and training opportunities and ensuring flexible learning pathways and enlarging possibilities for mobility for students and trainees;

2. easing and diversifying access for all to education and training and to knowledge by means of working time organisation, family support services, vocational guidance and, if appropriate, new forms of cost sharing;
3. responding to new occupational needs, key competences and future skill requirements by improving the definition and transparency of qualifications, their effective recognition and the validation of non-formal and informal learning.”

In: Council of the European Union, Guidelines for the employment policies of the Member States, 10205/05, 2005.07.05.

**TABLE 3**

**Identifying reforms for the European social model**

Main strategic challenges  Main components of the European Social Model	Transition to a dynamic knowledge intensive economy	Globalisation and new competitive pressures	Ageing	New family models	European integration
1. Access to Education and Training	<ul style="list-style-type: none"> <li>• Anticipating skills needs</li> <li>• Generating access to lifelong learning in schools, companies and households</li> <li>• Personal competences portfolio (Europass)</li> <li>• Universal pre-school education</li> <li>• Reduce school leavers</li> </ul>	<ul style="list-style-type: none"> <li>• Anticipating skills needs</li> <li>• Generating access to lifelong learning in schools, companies and households</li> </ul>	<ul style="list-style-type: none"> <li>• New methods of assessing and using competences</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible access to lifelong learning</li> <li>• Equal opportunities for career choice</li> </ul>	<ul style="list-style-type: none"> <li>• European framework for lifelong learning opportunities</li> </ul>
2. Social Protection for all	<ul style="list-style-type: none"> <li>• Activating social protection</li> <li>• Priority to active labour market policies</li> <li>• Drawing rights for lifelong learning</li> </ul>	<ul style="list-style-type: none"> <li>• Controlling non-wage labour costs</li> <li>• Mobilizing new kind of financial resources</li> </ul>	<ul style="list-style-type: none"> <li>• Active ageing</li> <li>• Incentives to work</li> <li>• Reducing early retirements</li> <li>• Delay/flexibility in retirement age</li> <li>• 3 pillars and inter generations balance</li> </ul>	<ul style="list-style-type: none"> <li>• Reconciling work with family life by working time flexibility and family care</li> </ul>	<ul style="list-style-type: none"> <li>• Coordinated reforms of social protection systems</li> <li>• European directives on social protection</li> </ul>
3. Social inclusion	<ul style="list-style-type: none"> <li>• More flexibility of choices in the life course</li> <li>• Developing capabilities beyond income benefits</li> </ul>	<ul style="list-style-type: none"> <li>• To make work pay to increase the employment rates</li> <li>• Managing restructuring process</li> <li>• Targeted programme for social inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Active ageing</li> <li>• Larger measures for elderly poor people</li> </ul>	<ul style="list-style-type: none"> <li>• Target measures for single parents</li> <li>• Family care services</li> </ul>	<ul style="list-style-type: none"> <li>• European coordination for social inclusion</li> <li>• European programmes for social inclusion</li> <li>• European fund for social costs of restructuring</li> </ul>
4. Labour regulations	<ul style="list-style-type: none"> <li>• Learning organisations</li> <li>• Learning careers</li> <li>• Training leave</li> <li>• Learning accounts</li> </ul>	<ul style="list-style-type: none"> <li>• More internal labour flexibility (work organisation, working time, wage)</li> <li>• New forms of external flexibility with security</li> <li>• Managing restructuring</li> </ul>	<ul style="list-style-type: none"> <li>• New forms of work organisation</li> <li>• New working conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Working time flexibility</li> <li>• Parental leave</li> <li>• Career break</li> </ul>	<ul style="list-style-type: none"> <li>• European directives on working conditions</li> <li>• Removing obstacles for mobility of workers at European level</li> <li>• European frame for economic migration</li> </ul>
5. Social dialogue	<ul style="list-style-type: none"> <li>• Learning agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation agreements</li> <li>• Social plans in restructuring</li> </ul>	<ul style="list-style-type: none"> <li>• Active ageing in collective agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Equal opportunities in collective agreements</li> </ul>	<ul style="list-style-type: none"> <li>• European social dialogue on the strategy for growth and jobs</li> </ul>

**TABLE 4**  
**Sharing Responsibilities for Lifelong Learning**

MAIN ACTORS	PUBLIC AUTHORITIES	COMPANIES	INDIVIDUALS	SOCIAL PARTNERS	PUBLIC AND PRIVATE TRAINING SUPPLIERS
PRIORITIES FOR LIFELONG LEARNING DEVELOPMENT					
To define the goals for lifelong learning: new jobs profiles and competences	- Forecasting institutions - Partnerships for jobs creation	- Human resources management - Partnerships for jobs creation		- Innovation agreements - Partnerships for jobs creation	- Training development - Partnerships for jobs creation
To develop a new infrastructure for lifelong learning	- Telecommunications and TV regulation - Knowledge resource centres	- Digital equipment	- Digital equipment		- Broadband providers - Content providers
To develop e-learning activities					- e-learning products and services
To turn schools and training centres into open learning centres	- Education and training systems regulations	- New kinds of demand	- New kinds of demand		- Organisational development
To adopt learning organisations		- Organisational development		- Innovation agreements	
To shape the appropriate learning mode for each target group		- New kinds of demand	- New kinds of demand	- Negotiation of training in collective agreements	- Product development - Marketing
To spread new learning solutions for the low skilled workers	- To support new solutions - To ensure basic education for all	- Organisational development	- Stronger personal commitment	- Special conditions for training	- Specialised courses - Focus on new basic skills
To improve the framework conditions for lifelong learning: time management, care services...	- Family care services	- Family care services		- Negotiation of working time management - Time accounts and training leaves	
To develop a guidance system over the life course	- To provide guidance services		- To develop a personal development plan		- To provide guidance services
To renew the validation and recognition system	- To create centres of competence validation	- Intellectual capital reports	- To get a personal portfolio - Europass	- To create centres of competence validation	
To create compensations for investment in learning		- Productivity gains - Corporate assets	- Wage increases - Career improvements - Personal development	- Reciprocal compensations in the labour contracts and collective agreements	
To spread new financial arrangements to share the costs	- Basic education for all - Improving education of young people - Supporting target adult people by tax reliefs or direct incentives	- Funding job-related training	- Learning accounts or special entitlements for training	- Sharing costs in labour contracts or collective agreements	- Investment plans

**TABLE 5  
PROVIDING SECURITY FOR FLEXIBILITY**

<b>LEVELS OF GOVERNANCE</b>  <b>FORMS OF FLEXIBILITY</b>	<b>EUROPEAN</b>	<b>NATIONAL TO ENFORCE EUROPEAN INSTRUMENTS PLUS</b>
<b>Transition from education to employment</b>	6. European Employment Guidelines 7. European Youth Pact 8. Support to European mobility 9. Skills needs' foresight 10. Vocational guidance 11. Partnership for innovation and jobs 12. European Social Fund 13. Labour law for young people	14. Education planning 15. Internships 16. Financial incentives to recruitment of young people 17. Membership to social protection system
<b>Transition from household to employment</b>	18. European Employment Guidelines 19. Labour law on antidiscrimination, equitable wage and parental leave	20. Child and dependants care services 21. Catch-up training 22. Progressive individualisation of contributions and benefits
<b>Transition from unemployment to employment</b>	23. European Employment Guidelines 24. Broad economic policy guidelines 25. Labour law on universal minimum protection system	26. Strengthening employment services 27. Vocational and occupational guidance 28. Education and training 29. Decrease non-wage costs for lower skilled jobs 30. Enrolment of non-declared workers in social protection systems 31. Social inclusion measures 32. Adapting social contributions and benefits in order to make work pay
<b>Functional flexibility</b>	33. European Employment Guidelines 34. European law on health and safety, individual employment conditions, modernisation of work organisation, work councils, information and consultation	35. Programmes to spread best practices in work organisation and human resources management (learning organisation, multiskilling, careers and job design, modular lifelong learning)
<b>Working time flexibility</b>	36. European Employment Guidelines 37. Labour law on working time and part-time work	38. Negotiations on working time 39. Time saving accounts 40. Job rotation 41. Learning accounts 42. Training leave 43. Social drawing rights
<b>Wage flexibility</b>	44. European Employment Guidelines 45. Broad Economic Policy Guidelines 46. Macroeconomic dialogue	47. Agreements on wages, productivity, competence building and jobs 48. Innovation agreements
<b>Transition between different types of labour contract</b>	49. European Employment Guidelines 50. Labour law on fixed term work 51. Labour law on part-time work 52. Labour law on posting of workers 53. Labour law on temporary workers	54. Membership to social protection system 55. Equalising social benefits 56. Equalising access to lifelong learning
<b>Transition from employment to unemployment</b>	57. European Employment Guidelines 58. Labour law on collective redundancies 59. Labour law on corporate restructuring 60. Labour law on transfer of undertakings 61. Social fund 62. Globalisation fund 63. Common objectives for social protection	64. Raising unemployment insurance 65. Restructuring management 66. Regional development 67. Partnerships for innovation and jobs creation 68. Re-training during unemployment period 69. Active job search
<b>Transition from employment to retirement</b>	70. European employment guidelines 71. Common objectives for social protection	72. Adapting working conditions 73. New forms of work organisation Reducing early retirements 74. Flexible retirement age 75. Partial retirement 76. Pension calculation rules 77. Exchange of expertise between generations

**TABLE 6**  
**Managing Industrial Change – Levels and Stages**

Stages Levels	Passive	Active	Pro-active
<b>Company</b>	<ul style="list-style-type: none"> <li>• Lay-off process</li> <li>• Unemployment insurance</li> <li>• Early retirements</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate social plans for restructuring (CSR)</li> <li>• Competence report (“bilan des competences”) and personal plan</li> <li>• Outplacement services</li> <li>• Training for new jobs in the region</li> <li>• Incentives to geographic and occupational mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic management of innovation</li> <li>• Strategic management of human resources</li> <li>• Competence building</li> <li>• New models of work organisation</li> <li>• Innovation agreements</li> </ul>
<b>Sector/Regional</b>	<ul style="list-style-type: none"> <li>• Sectoral programmes of restructuring and downsizing</li> <li>• Social programmes with minimum income</li> </ul>	<ul style="list-style-type: none"> <li>• Rapid Response System and change managers</li> <li>• Sectoral/Regional programmes for labour force transfers between companies and sectors with specific training</li> <li>• Financial incentives for recruitment by new companies</li> <li>• Local employment initiatives</li> <li>• Incentives to new investments, both national and foreign</li> <li>• Local partnerships for growth and employment</li> </ul>	<ul style="list-style-type: none"> <li>• Clusters development</li> <li>• Networks and partnerships for innovation</li> <li>• Innovation poles</li> <li>• Plans for regional development</li> <li>• Learning regions</li> </ul>
<b>National</b>	<ul style="list-style-type: none"> <li>• Labour law on lay-off</li> <li>• Social protection regimes for unemployment and retirement</li> </ul>	<ul style="list-style-type: none"> <li>• Active labour market policies</li> <li>• Vocational guidance services</li> <li>• Training programmes to tackle labour market mismatches</li> <li>• Coordination of employment and industrial policies</li> <li>• Labour market regulations: flexibility with security</li> <li>• Social partners consultation</li> <li>• National Employment Observatories</li> <li>• Housing market and geographic mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Coordination of employment, industrial, innovation, education and trade policies</li> <li>• Partnership for change involving social partners</li> <li>• Foresight system for new sources of job creation</li> <li>• Pro-active programmes for education and training</li> <li>• Lifelong learning strategies</li> <li>• Labour market regulations: Transitions and competence building</li> </ul>
<b>European</b>	<ul style="list-style-type: none"> <li>• Directives (lay-off, information and consultation)</li> <li>• Social protection guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Coordination of employment, competition and industrial policies</li> <li>• European Employment Strategy</li> <li>• European Social Fund (ESF)</li> <li>• Directive on works Councils</li> <li>• Directive on portability of pensions</li> </ul>	<ul style="list-style-type: none"> <li>• Lisbon Strategy</li> <li>• Partnership for growth and jobs</li> <li>• European Social Dialogue (sectoral and cross-sectoral)</li> <li>• Community Programmes for R&amp;D, innovation, employment and lifelong learning</li> <li>• ESF+ERDF</li> <li>• European Monitoring Centre for Change</li> <li>• European foresight system for new sources of job creation</li> </ul>



FIGURE 1

FRAME TO EXPLORE NEW AREAS OF INNOVATION AND JOBS CREATION

