

REPORT

To: ECONOMIC DEVELOPMENT COMMITTEE		Subject: COSLA ISSUE BRIEFING - EUROPEAN COMMISSION POLICY PAPER "ACTION FOR EMPLOYMENT IN EUROPE"
From: DIRECTOR OF PLANNING & DEVELOPMENT		
Date: 30 JULY 1996	Ref: SC/MG/REPORT.053	

Background

COSLA's European and International Affairs Team have recently begun to produce issue papers. These are intended to be easy to read and designed to inform Councillors and Officers as to the importance and relevance of an EU policy or legislative proposal. Issue Paper 2 outlines the recent European Commission Policy proposal titled "Action for Employment in Europe: A Confidence Fact" (CSE(96)1). A copy of this paper is attached.

The policy has not yet been agreed. The response of Member States is not yet clear, but there are many actions outlined in the document which are the responsibility of the European Commission and which can be implemented by the Commission. The proposals contained in the full European Commission paper are expected to feed through into a number of policy fields of the European Union namely Regional Policy and particularly the next phase of the Structural Funds, Trans European Networks, European Information Society and SME policy.

A copy of the full European Commission report is held within the Economic Development Unit.

Summary of the Issues Paper

The following is a very brief summary of the Issues Paper. These points are expanded upon in the attached paper.

- Overall aim is to encourage employment growth.
- A stable macro-economic climate is linked to sustainable growth.
- The European Commission wants to go further in building a single market and develop some of the measures begun in the single European Act.
- Speed up the reform of national employment systems and put forward proposals to make these systems more active in improving employment opportunities.
- Increasing the employment impact of structural policies across Europe.
- Outline of implications for Scottish local government in terms of regional policy and structural funds.

Recommendation

That the Committee note the contents of this report.



S. Cook
Director of Planning and Development

For further information contact G Smith, Head of Economic Development and Property.



COSLA

EUROPEAN & INTERNATIONAL AFFAIRS TEAM

**Issues Paper
No.2**

**ACTION FOR EMPLOYMENT IN EUROPE - A CONFIDENCE PACT
(Ref: CSE(96) 1 Final)**

1. BACKGROUND

The above document was published on 5 June 1996 by the European Commission and it has been submitted to the European Summit at Florence. The "Confidence Pact" builds upon the work of the Delors White Paper on "Growth, Competitiveness and Employment" which was published at the end of 1993.

There are three objectives in the European Pack of Confidence for Employment:

- Full mobilisation of all the actors (national, regional and local authorities, the social partners and the Community institutions). The document accepts that the EU cannot solve the problem of unemployment alone but it can agree a general framework for the fight for jobs and launch a co-ordinated strategy.
- Make better use of the multiplier effect where more value can be added by co-ordinated actions. This is particularly important given the economic interdependence in Europe.
- To incorporate the fight against unemployment in a medium and long-term view of the society where European citizens look to governments to anticipate the changes that are confronting society.

2. CONTENT

There are five chapters in the Confidence Pact. These are:-

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|---------------|---|---|
| Chapter One | - | The Macro-Economic Level |
| Chapter Two | - | The Internal Market |
| Chapter Three | - | The Reform of Employment Systems |
| Chapter Four | - | European Structural Funds and Employment. |

The text below purely gives a summary of the proposals and the areas which interest local authorities. Scotland are outlined in the next section.

2.1 The Macro-Economic Level

The pact argues that sustainable growth is essential to job-creation and this must be linked to monetary stability and sound financial policies. This document reiterates much of the European Commission's previous work and the programmes intentions are to:

- stay on course for a stable and sound macro-economic policy (public authorities and social partners);
- give better explanations of the beneficial impact of EMU on a macro-economic strategy propitious for employment (Community institutions and Member States);
- accentuate the budgetary consolidation effort in compliance with the following recommendations:
 - prefer spending cuts to tax increases;
 - preserve expenditure on investment in human capital, innovation and infrastructure;
 - reorient passive spending (unemployment compensation) towards active measures;
 - shift the balance of taxation in favour of labour;
- update and reinforce Member States' convergence programmes;
- reinforce the multilateral surveillance procedure (Commission and Council);
- pursue an incomes policy conducive to competitiveness and employment (social partners).

2.2 The Single Market

The European Commission wants to go further in building a single market and develop some of the measures begun in the Single European Act. The paper proposes four types of action:-

Completing and implementing the internal market

- adopt a priority package of three measures by the end of 1996 European company statute, biotechnology inventions and electricity (Council and Parliament)
- secure an undertaking from the Member States that by the end of 1996 they will lay before their parliaments bills to incorporate into national law the measures adopted pursuant to the White Paper
- draw up a White Paper on markets in services (Commission)
- simplify legislation (the SLIM initiative)
- remove the remaining obstacles to the free movement of individuals and workers (the Community institutions and the Member States)

- adopt guidelines by the end of 1996 on the basis of a Commission reflection paper on taxation (European Council)

Enhancing the competitive environment in Europe

- regulate the question of supplementary financing for Trans European Networks (TENs) (Council and Parliament)
- make proper use of the Task Forces on Research and Industry (institutions and Council)
- draw up a plan of action to encourage further innovation (Commission)
- adopt a clear regulatory framework for the Information Society (Community institutions)

Helping firms to take advantage of the internal market

- adopt the new SME action plan by the end of 1996 (Council)
- examine how best state aids policies can, while ensuring a level playing field, contribute to the creation of sustainable employment (Community institutions and Member States)

Opening up further access to world markets

- strengthen the World Trade Organisation (WTO) and implement its disciplines (Council and Commission)
- dealing vigorously with third country tariff and non-tariff barriers (Council and Commission)
- step up action to combat intellectual piracy (Commission)
- adjust the common commercial policy to fit in with changing patterns of international trade (Intergovernmental Conference)

2.3 Speeding Up the Reform of Employment Systems

The aim behind this chapter is to build upon the work of the Essen and Madrid Councils. The conclusions on employment in these Councils are becoming increasingly important and have been used by the European Commission in their latest draft of the European Social Fund Objective Three programme for the United Kingdom. These objectives are as follows:

- Improving employment opportunities by promoting investment in vocational training, in particular the acquisition of vocational qualifications by the young.
- Increasing the employment-intensiveness of growth, in particular by the promotion of initiatives at regional and local level.
- Improving the effectiveness of employment policy, by moving from a passive to an active labour market policy.

- Improving measures to help groups which are particularly hard hit by unemployment.

These objectives were pursued at the Madrid Summit which stated:

- In the case of young people, Member States should ensure a proper pathway to their integration in the labour market. All young people should be provided with the level of education, training and work experience needed to make them employable.
- In the case of the long-term unemployed, Member States should engage in a more active policy for the prevention of long-term unemployment, and older members of the workforce should be given a chance to use fully their work experience and potential.
- In the case of women, an active policy of desegregation of the labour market should be pursued.

The European Commission would like to strengthen the monitoring procedures for national employment systems and institutionalise this monitoring as part of the Inter Governmental Conference. In addition the paper suggests the following actions:-

Activate national employment systems

reform of national employment administration systems (Member States)

- simplify recruitment and company-formation support schemes: one stop shops and re-employment vouchers
- personalised support for job-seekers by placement services

mobilization of local actors (European Commission, Member States, local authorities)

- decentralize employment systems
- promote local initiatives for development and employment

employability of young people

- joint initiative by social partners on integration of young people (social partners)
- development of schemes based on Youthstart and Leonardo (European Commission, Member States)

greater coherence between direct taxation and replacement income

- debate and common policy on the future of social protection (institutions, Member States, social partners)

Major projects on the future of work

new forms of work organisation

- commitment by social partners to establishing a Europe contractual framework for organisation of work and flexibility (social partners)
- structured debate on organisation of work and working time (institutions)
- Green Paper on social and societal aspects of information society (Commission)

education and training as keys to the door of employment

- proposal on lifelong access to and validation of skills
- development by social partners of a reference framework for access to skills (social partners)
- action plan on learning in the Information Society (European Commission)
- development of an Erasmus apprenticeship scheme (European Commission)
- development of a system of European articles of apprenticeship (European Commission, Council of Ministers, social partners)

2.4 European -Structural Policies and Employment

The document argues that European structural policies must be directed towards the creation of new jobs and new activities as a matter of urgency. It points out that there is a great deal of room for manoeuvre here because the decisions needed for the commitment of around 127.5 billion ECU still has to be taken by Member States and regions. Three quarters of the EU's structural fund resources are concentrated on regions where two-thirds of its unemployed live. "This clearly justifies an exceptional mobilisation effort by the political decision-makers" according to the document.

The document suggests the following action:

Increasing the employment impact of structural policies using the financial margin for manoeuvre

- Commitment by Member States to allocate the additional resources provided by the deflator effect (ECU 5.5 billion) a special employment support reserve fund which is assigned to high profile priority measures and not added pro rata to amounts already allocated since 1994.
- Commitment by Member States to give priority to employment in allocating the new programmable resources (ECU 8 billion) for objective 2 for 1997-99 (industrial regions undergoing conversion); The Commission will decide on new programmes on the basis of employment creation and other criteria presented to the informal Madrid Regional Policy Council (November 1995).
- July 1996: commitment by Member States to a mid-term review of objective 1, 3, 4 and 5b structural action programmes in the light of an assessment of their employment impact; The decision on the changes to the programmes to be taken early in 1997; The Commission will decide on changes to the programmes on the basis of the creation of new employment opportunities.

Selecting priorities in the service of employment

- Special consideration for innovatory measures for small and medium sized enterprises (SMEs) and stronger partnership between the Structural Funds and the European Investment Bank (EIB). A new programme for SMEs is currently being examined by the Council of Ministers.
- More thorough anticipation of industrial change and changing work patterns, with priority for the most vulnerable categories and innovatory measures.
- Promote local initiatives for development and employment.

The Commission will be particularly attentive to ensuring that these priorities are respected and that co-operation is established with the European Investment Bank in the new or revised programmes.

Promoting territorial pacts

- Political go-ahead for pacts at the appropriate territorial level following a process of selection each Member State of a significant number of pilot towns, regions or rural areas prepared to take part in them. There will be a confirmation by the Dublin European Council of the first territorial pacts presented by the Commission.
- Involvement of the Committee of the Regions in the territorial pacts approach.

3. **IMPLICATIONS FOR SCOTTISH LOCAL GOVERNMENT**

There are a number of significant implications for Scottish local government in the last two chapters of the pact. The last chapter looks at regional policy and structural funds.

(a) **Structural Funds**

The intention to make the new Objective Two programmes (1997-1999) more closely linked to employment creation has already been outlined at the informal meeting of Regional Policy Ministers held in Madrid at the end of November 1995.

The review of the Objective Three European Social Fund programme for the United Kingdom (1997-1999) is already under way but the review of the Objectives One and 5b programmes will have a significant affect on a number of Scottish local authorities. Speaking at the last Plenary Assembly of the Committee of the Regions, the President of the European Commission, Jacques Santer, stated that it was important that the structural funds were targeted more at employment creation while respecting the original Objectives of regional policy.

The deflator in the structural funds (money due to the programmes due to exchange rate fluctuations) has normally been allocated to programmes on a pro rata basis. This will no longer be the case and it is proposed to spend these "reserves" on a special employment support reserve fund. Details of this reserve fund will emerge later.

(b) **Territorial pacts for stronger partnership**

This proposal will be put to the Florence Summit later this month and pilot projects put to the Dublin Summit in December 1996. The European Commission has released very little detail about the nature of the pacts and their method of operation, but the idea behind the pacts is to bring interested agencies together in partnership.

The document lists successful experiments already organised in Ardenlusia (Spain), Deux-Sevres (France) and the Modena region (Italy). The LEADER and URBAN initiatives are also given as potential models for the territorial pacts. The aim of the pacts will be to generate and boost political momentum at territorial level by focusing on realistic, economic and job-creation objectives through the mobilisation of all local/regional actors in job creation.

The pacts could either be:

- a systemic approach covering the whole country initiated by national authorities;
- experimental approaches based on the selection by each Member State of the most suitable areas, regions or local authorities.

The Committee of the Regions are likely to be involved in the territorial pacts, but their role has not yet been determined.

(c) **Development of Small Medium Sized Enterprises (SMEs)**

The document states that there should be a special effort in the formation of SMEs, and the problems with access to risk capital are noted as a particular handicap to SMEs. The development of SMEs is also helped by research and technological innovation especially in the field of the environment.

The pact suggests:

- community financial constraints directed towards SMEs must be more greatly mobilised to deal with the above problems;
- a closer partnership with the European Investment Bank (EIB);
- greater political priority for support from SMEs in structural policies.

(d) **The Reform of Employment Systems**

The third chapter of the employment pact looks at the reform of employment systems and some of the proposed measures will interest local authorities:

- a renewed commitment by national Governments to local employment initiatives;
- "the development of instrument based on programmes such as Youthstart and Leonardo, offering brighter prospects to young people with no occupational skills";

- a White Paper will be published on the social and societal aspects of the Information Society in the autumn; and
- development of links between schools and firms.

4. FUTURE ACTION

The employment pact will be discussed by the European Council in Florence, and the European Commission will be hoping for the strong support of the Council. The response of Member States is not yet clear, but there are many actions outlined in the document which are the responsibility of the European Commission and which can be implemented by the Commission.

COSLA will follow the discussions in the European institutions about the document and advise member councils accordingly.

5. CONTACT OFFICERS

Contact Officers at COSLA for this document are Jon Jordan (0131-474 9259) and Adrian Colwell (0131-474 9260).

Jon Jordan/Adrian Colwell
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