



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

RESOLUTION

on

**Communication from the Commission to the European
Parliament, the Council, the European Economic and
Social Committee and the Committee of the Regions**

***TOWARDS A JOB-RICH
RECOVERY***

The 2012 action plan of the Economic and Social Council (ESC) envisions the elaboration of a resolution on:

The Commission Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: "*Towards a Job-Rich Recovery*"

ESC President – Prof. Lalko Dulevski, tabled for discussion in the Plenary Session a draft resolution adopted by the President Board.

At its meeting on 18 July 2012 the Plenary Session adopted the resolution.

1. INTRODUCTION

- 1.1. The Europe 2020 Strategy contains the primary objective of reaching 75% employment of people aged 20-64 by 2020. The European Union (EU) and the Member States have undertaken several actions and initiatives to achieve this primary objective, which requires an increase in the number of jobs in the EU by about 18 million as compared to their current number.
- 1.2. The continuing financial and economic crisis has not only delayed the process of growth that started in mid-2011 but also led to the formation of very serious challenges to the achievement of the employment objectives of the Europe 2020 Strategy. Unfortunately, ESC found that since 2008 to date the loss of jobs is about four times higher compared to the increase in employment over this period.
- 1.2.1. ESC notes with concern that the observed weak economic growth in 2011 does not provide the necessary employment growth. Moreover, in the context of the ongoing recession and national debt crisis in many EU Member States the findings of the Annual Review of Growth for the last decade become ever more realistic.
- 1.2.2. ESC also notes that against the background of increasing problems with employment, social inclusion and combating poverty, a particular increase in the differences between Member States is observed.
- 1.3. According to ESC, besides the crisis there is a negative impact due to a number of structural long-term challenges such as population ageing and the deterioration of the quality of human capital; the dynamic technological changes and the job restructuring related to them; not always favourable migration currents; globalisation and increasing international

competitiveness especially in the context of the fastest-growing large economies in the world, etc.

- 1.3.1. The observed dynamic structural changes and challenges will continue to affect differently individual Member States, but will generally influence strongly the structure of jobs and employment.
- 1.3.2. ESC believes that a serious direct consequence of these changes is the observed segmentation and structural problems in the development of the labour market which unfortunately does not have a positive impact on employment and at this stage even leads reverse trends.
- 1.4. In the context of the crisis and the emerging structural challenges the European Union and Member States have undertaken several actions to improve the quality of the workforce – essentially policies and measures aimed at improving the labour supply. According to ESC, much less has been done to promote the other main part of the labour market – labour demand.
- 1.5. In this regard, ESC welcomes the Communication of the European Commission (the Commission) "Towards a job-rich recovery" in which the proposed employment package presents in a balanced way policies and measures for improving both labour supply and labour demand.
- 1.6. ESC believes in the crucial importance of the Commission's understanding of employment policies not only as enhancing and improving labour supply, but also as conducive to job creation.
- 1.7. Furthermore, ESC strongly agrees that employment policies are part and parcel of desperately needed social investments which prevent the accumulation of larger social budget expenditures in the long run.

- 1.8. According to ESC, the necessary growth is to be generated by both appropriate macroeconomic, industrial and innovation policies, as well as by a very strong development of regional policy in Member States.
- 1.9. ESC assesses the desire of the Commission to present the main community instruments to support both the demand and supply on the labour market, which clearly outlines the commitment of the EU budget to support employment.

2. SUPPORT FOR THE CREATION OF JOBS

- 2.1. The main declared objective in Communication of the Commission is supporting the creation of jobs in sustainable areas, industries and enterprises in the process of growing, which together with the growth in employment should provide improved productivity. At the same time, improvement of the situation on the labour market of vulnerable groups, young adults, low-skilled persons, persons with minority backgrounds, etc. must be achieved within the envisaged measures in support of job creation.¹
- 2.2. ESC notes that the current use of employment subsidies is most often directed at mitigating the negative impact of unemployment among disadvantaged groups. The proposed measure for further use of subsidies for the recruitment of new staff again provides mainly targeting subsidies to the most vulnerable groups and creating jobs that employers would otherwise not maintain.
- 2.3. ESC draws serious attention to the fact that in this case there was no necessary development of a new type of policy through a balanced use of

¹ Communication from the Commission to the European Parliament, to Council, the European Economic and Social Committee and Committee of the Regions "Towards a job-rich recovery" ([COM \(2012\)173](#) final) On April 18, 2012

subsidies for vulnerable groups and the necessary incentives to create new jobs in other segments of the labour market. Moreover, with respect to the proposed measure the understanding of incentives is limited to grants for the creation and maintenance of jobs for vulnerable groups of persons, which would not exist without the aid of such subsidies.

- 2.4. In its acts ESC has repeatedly examined the problems of the main vulnerable groups in the Bulgarian labour market and agrees that, especially in the context of the current crisis and job restructuring, subsidised employment is probably the main means to alleviate the employment problems of such persons.
- 2.5. However, ESC proposes that the package of employment measures should include appropriate incentives to support job creation in sectors and activities with potential for sustainable development and increasing labour productivity.
- 2.6. The proposed measure to reduce the tax burden on labour without prejudice to the budget can be a very complicated and even impossible goal for many Member States, especially if we take into account the impact of the crisis on their national budgets as well as the particularities of their national fiscal policies. The proposal to offset the tax revenue as a result of this measure through a shift to environmental taxes, consumption taxes, or taxes on real property requires a careful estimate of the possible impact on individuals and businesses. In this regard, ESC believes that these issues of tax policy should be subject to prevailing national policy taking into account the peculiarities and problems of each Member State.
- 2.7. Encouraging and supporting self-employment is a measure of potentially serious effect that ESC supports in a number of its opinions. With respect to this, ESC feels that besides the professional and business skills of future

entrepreneurs, an essential condition for the realisation of such a measure are the available financial incentives and the improved access to financing. Moreover, one of the biggest challenges for potential candidates for self-employment is namely the lack of adequate and affordable financial resources to ensure the normal operation of such self-employment. Therefore, ESC believes that schemes to convert unemployment benefits in grants for setting up businesses alone are not sufficient to stimulate self-employment and job creation. Additional targeted financial incentives and measures are needed to encourage self-employment not only of the unemployed but also of a part of the employed and those outside the labour market with sufficient capacity and professional qualification.

- 2.8. ESC fully supports the understanding of the social economy and social enterprises as an important source of job creation and social innovation. In this regard, ESC adopted an opinion on the role of cooperatives in the development of the social economy and is in the process of elaborating a subsequent opinion on the topic of the social economy. At the same time, ESC finds that social economy enterprises need more specific support in relation to the social functions they perform. For example, in the conditions of a crisis cooperatives not only retain jobs for a significant number of people, but also provide services to the population in settlements where because of economic and financial reasons such services are not supplied by other types of businesses.
- 2.9. The transformation of informal or undeclared labour into regular employment is a priority for each Member State and the main social partners. ESC recognises, however, that in the conditions of a crisis this problem deepens and creates serious legal challenges to operational businesses and its employees. According to ESC the proposed measure in

this respect is more declarative in nature and does not represent a system of effective instruments for reducing informal or undeclared labour.

- 2.10. ESC views the increase in net earnings of lower skilled workers as a measure to combat poverty. However, the use of aid for workers with the lowest incomes to increase net earnings should be used subject to well developed regulatory system and control mechanisms. Otherwise, such a measure could potentially lead to a desire among some employers to maintain a low income among their employees or to increase unreported incomes to use the aid to offset some of their labour costs.
- 2.11. In connection with the proposed measure to increase the net wage of employees with the lowest incomes ESC proposes to evaluate the effect of a possible introduction or failure to implement the minimum taxable income in countries like Bulgaria, where a flat income tax system for individuals is introduced.
- 2.12. The modernisation of the remuneration systems in order to more adequately reflect the specificity of jobs and labour productivity is one of the priority areas for improving collective bargaining and labour pricing at company and branch level. According to ESC among the social partners there is a sufficient level of agreement on the necessity for implementing this objective principle, but practical problems result mainly from the methodological tools and approaches for assessing the growth of both indicators (wages and productivity) and the link between them at different levels: individuals, groups, corporate, branch. In order to overcome these difficulties ESC recommends holding tri- and bipartite debates with the participation of external experts, as well as information support for the process from the National Statistical Institute.

- 2.13. ESC fully shares the understanding that achieving the main objectives of the Europe 2020 Strategy while taking into account the increasing structural challenges facing Europe will lead to major changes in the structure of jobs. All this forms several key areas with significant growth potential and potential for job creation.
- 2.14. According to ESC the job growth in the green economy in a recession is a positive signal for the realisation of the forecast of the European Commission to create 5 million jobs by 2020 in the sectors of energy efficiency and renewable energy sources.²
- 2.14.1. The dynamic development of these two sectors will have an impact on the creation of additional jobs in other businesses such as construction, research and development, innovation, etc. A more precise assessment of the cumulative effect of the development of these two main sectors of the future green economy and supporting new direct jobs is needed.
- 2.14.2. However, ESC proposes that the timetable for the development of renewable energy sources by 2020 in Member States should be made consistent with the change of the energy mix of electricity prices in order to avoid some negative effects on individuals and businesses.
- 2.15. ESC recognises that the development of the green economy is a prerequisite for the development of new or substantially changed jobs in other sectors of the economy. For example, the transition towards a low carbon and more efficient use of resources will require a change in many jobs and creating new ones in sectors and activities that will undergo such change.
- 2.16. ESC believes that both at the European and the national levels, there are still no objective and realistic estimates concerning the additive effect of the

² Commission Staff Working Document "Exploiting the employment potential of green growth"

development of environmentally friendly economy, including the creation of new or restructuring existing jobs. The lack of such estimates does not provide an opportunity for determining more accurately the amount of necessary investments in sectors and regions to ensure the targets in the development of an environmentally friendly economy.

- 2.17. Such problems exist also with regard to determining more accurately the future needs of professionals in these sectors, whose preparation must begin at the present moment. Moreover, the most common expectations are that the development of the green economy will increase the demand for skilled workers, while the issue of future demand in sectors of workers with medium and low skilled remains open. And even though the Commission Staff Working Document³ indicates the need for a clear perspective on the necessary skills, the incomplete assessment of the effects of developing the green economy still makes this task very difficult.
- 2.18. Healthcare and social services are the sectors with the greatest potential for creating new jobs. In its opinions ESC has expressed its positions for the expected increase in jobs related to specific services for the elderly. The progressive ageing of the population and the expected developments in this regard are sufficient conditions for the need for more and new "white jobs" that correspond to the specific needs of the elderly.
- 2.19. With some concern ESC examines the estimate of the Commission in its working paper⁴ according to which the potential shortfall of about 1 million health workers will grow to about 2 million by 2020 – taking into account jobs that provide long-term care for the elderly.

³ Commission Staff Working Document "Exploiting the employment potential of green growth"

⁴ Commission Staff Working Document "*Action Plan for the EU health workforce*"

- 2.19.1. In this regard, ESC clearly highlights the development of a very serious twofold problem. On the one hand, the EU suffers a shortage of health workers to provide necessary health care to its citizens. On the other, another serious shortage of specialists in personalised care and professional social services is expected.
- 2.19.2. This problem is particularly acute in most new EU Member States due to the emigration of health professionals and the subsequently emerging deficit of such professionals, which already create actual practical problems in some regions and localities.
- 2.20. Recognising the importance of healthcare and social services, ESC calls for faster and more profound changes and reforms in the respective systems to overcome the emerging objective deficit of specialists.
- 2.20.1. Reforms in healthcare and social services should not only lead to higher attractiveness of labour but to significantly higher remuneration for such professionals.
- 2.20.2. ESC draws attention to the fact that the majority of health professionals and those in social services acquire their training in a learning process that lasts many years, and therefore short courses cannot solve this problem. In this regard, ESC proposes a significant increase in the number of students trained for healthcare professionals and those engaged in social work at the expense of students receiving training in other subjects for which the labour market shows less demand.
- 2.20.3. ESC fully shares the position expressed by the Commission in its Working Document that "maintaining an adequate supply and quality of health and

social services under increasing budget constraints is a key challenge faced by policy makers."⁵

- 2.21. ESC believes that the development of information and communication technologies (ICT) is crucial for enhancing the competitiveness of the economy and increasing employment. Estimates show that even under the conditions of economic crisis the employment of specialists in the ICT sector continues to grow as demand is exceeding supply.
- 2.22. Besides its direct effects, the development of ICT has an impact on the change of many other jobs that are not directly related to information and communication technologies. In this regard, the estimates of the European Commission show that by 2015 90% of jobs will require at least basic ICT skills.⁶
- 2.23. The expected increase in demand for ICT specialist and the acquisition of basic ICT skills among the majority of workers will present very serious challenges in the future. According to ESC this requires timely and objective assessment of the necessary educational and professional infrastructure and provision of the required number of teachers and trainers in information and communication technologies. Moreover, the ESC highlights the very high dynamics of change in the ICT sector and the need for reliable systems for continuous and advanced training in this area.
- 2.24. ESC deems that besides the examined three major sectors with high growth and employment potential, measures in support of job creation should be directed to other sectors and activities with a significant potential. For example, after the housing crisis the construction sector underwent a process of restructuring towards branches with expected high potential of

⁵ Commission Staff Working Document "*Action Plan for the EU health workforce*"

⁶ IDC White Paper "*Post Crisis: e-Skills Are Needed to Drive Europe's Innovation Society*" (November 2009)

development. The large-scale development in infrastructure as well as the expected expansion of the sectors of energy efficiency and renewable energy will have a stimulating effect on the development and restructuring the construction sector and the creation of new jobs in it.

2.25. Moreover, ESC reports the development of other key service sectors as a factor expected to create new jobs. Moreover, if in 1995 the share of services in the European Union economy is little more than two-thirds; in 2010 their share reaches about three-quarters.⁷ In this regard, ESC again underlines the need for further assessments of the opportunities for development and the creation of new jobs in other major service sectors such as education, tourism, cultural and sport activities, etc.

2.26. ESC welcomes the European Commission's desire to mobilise EU funds for job creation. ESC believes that only by sharing the main EU financial instruments it is possible to promote sustainable growth and job creation.

3. RESTORING THE DYNAMICS OF THE LABOUR MARKET

3.1. ESC accepts the definition of the the Commission for a dynamic labour market that provides increased productivity, job quality, necessary skills and workforce mobility. Achieving dynamic labour markets, however, is a difficult process that must overcome many challenges.

3.2. ESC believes that the principle of flexicurity is one of the leading elements to create dynamic labour markets. At the same time, ESC recognises that regardless of the actions taken, the progress in terms of flexicurity is still

⁷ Commission Staff Working Document "*Exploiting the employment potential of ICT*"

unsatisfactory, particularly in terms of flexicurity-related individual employment policies.

- 3.3. However, during the first stage of the crisis internal flexibility was more widely used as a means of preserving jobs. ESC recognises that the large number of actions undertaken to increase the internal flexibility during this period were supported by appropriate fiscal measures, and therefore led to definite results with respect to the maintenance of employment. The significant limitations of the respective fiscal measures at the present moment, however, call into question the possibility of a wider use of such forms of internal flexibility and the likelihood that without the necessary financial support only social dialogue will be a sufficient tool for the further development of internal flexibility in the conditions of an economic recession.
- 3.4. ESC shares the understanding that the minimum salary should be determined with the active participation of the social partners in terms of its impact on both the demand and the supply of labour. At the same time, the adoption of a mechanism for determining the minimum salary with clear principles for determining its forming factors provides an opportunity for a more effective and constructive social dialogue in this area. Furthermore, the careful survey of the practices of implementation of differentiated minimum salaries/wages in several Member States is another possibility for improving the procedures for determining the lower thresholds of remuneration.
- 3.5. In principle, the flexibility of the labour market should certainly imply more security in the transition from one status in the labour market to another. Reality, however, shows different security situations depending on the type of transition and the socio-demographic characteristics of the workforce. In this regard, ESC lays special emphasis on the problems of flexicurity in the

case of young workers which emerged with particular urgency in the context of the current crisis.

- 3.5.1. ESC shares completely the understanding of the major problems of young people in their transition from education to employment. In this context, quality apprenticeships and traineeships should be supported as a reliable tool allowing young people to enter successfully the labour market.
- 3.6. Special attention should be paid to the problems of transition of women to the labour market and especially during the period of raising and educating children in the family. In this regard, basic policies to reconcile work and family life which contribute to the necessary integration of women into the labour market should find more popularity and greater implementation.
- 3.7. Another important aspect is the developments in older workers with a view to extending their working life. The predominant use of increasing the retirement age as a tool for extending working lives is not the only approach to solving this problem accepted by older workers. In this regard, ESC welcomes the understanding of the Commission about the need for strong incentives to prolong working life in the form of tax relief, access to lifelong learning, flexible modes of operation and safe and healthy workplaces.⁸
- 3.8. ESC takes into account the current situation in terms of a continuing economic crisis and the reduced demand for labour in which a possible reduction in unemployment benefits will have little impact on reducing unemployment but will increase the risk of poverty. At the same time, a more active policy on the labour market should provide stronger incentives to work while ensuring income to prevent the risk of poverty.

⁸ Communication from the Commission to the European Parliament, to Council, the European Economic and Social Committee and Committee of the Regions "Towards a job-rich recovery" ([COM \(2012\)173](#) final) On April 18, 2012

- 3.9. The segmentation of the labour market is another issue that has shown a particular development during the crisis. In this context, ESC views the adopted directives on part-time work and fixed-term work under the principle of equal treatment as serious steps to address the segmentation of the labour market. However, more work is needed, including legislative action, to protect jobs and especially when using non-standard contracts and forms of employment.
- 3.10. ESC notes with concern that the current crisis and the ongoing structural changes led to a serious polarisation in the area of employment. There is some reduction in the demand of workers with medium qualification and medium wages, as well as an increasing risk that the labour market will be divided more and more tangibly between low-skilled and highly-skilled workers. This segmentation and polarisation creates big problems to occupational labour mobility and affects the overall level of employment. In this regard, the access to and the widespread use of lifelong learning is the most reliable instrument for overcoming the emerging segmentation and limited occupational mobility.
- 3.11. Unfortunately, the economic crisis and the problems on the labour market had their most negative impact on young people. And if in the last decade there has been an increase in employment of older workers, the employment situation of young people in the context of the continuing crisis has become critical. Moreover, the independent resources of most Member States have proved insufficient to deal with this enormous problem. In this regard, ESC welcomes the effort to mobilise available funding resources at the level of the European Union. Urgent and decisive actions are needed to ensure timely support for young people moving from education to work and for

returning to work with sufficient safeguards and measures of the labour market.

3.12. The current crisis has deepened substantially the polarisation of employment according to the basic education levels. The crisis has a particularly serious and lasting impact on people with primary or lower education.

3.12.1. By the end of 2011 of about 78 million people with basic and lower education in the EU approximately 41 million or about 53% have found employment.⁹At the same time, European Commission forecasts shows that in 2020 jobs for people with basic and lower education will be reduced by 12 million, which is about 30% of currently existing jobs for this kind of people.¹⁰

3.12.2. Problems in this regard are aggravated if age characteristics are also taken into account. The data show that employment rates of young people with primary or lower education is definitely lower than that of older people with such education. Unfortunately, low education is another serious problem facing young people when trying to return to active employment.

3.13. According to ESC the achievement of Europe 2020 Strategy targets concerning early school leaving should be considered in close relation with the other main target related to employment – because early school leaving and the subsequent formation of groups of people with basic and lower education may become a major obstacle to the achievement of 75% employment by 2020

3.14. ESC notes that the actions and measures proposed in the Commission Communication are aimed primarily at people in the labour market, i.e. at unemployed and employed persons. However, outside the labour market

⁹ Statistics from Eurostat

¹⁰ Commission Staff Working Document "Exploiting the employment potential of ICT"

remain a significant number of working-age persons, which are generally not covered directly by such policies and measures. The chances of these people to return on the labour market are becoming smaller and the risk that they will never rejoin the workforce increases, which forms another obstacle to the further growth of the active labour potential in Europe.

- 3.15. The current crisis has an additional negative impact on this process. Along with the expected transition from employment to unemployment, transition from employment to economic inactivity is often observed. Active policies and measures implemented so far on the labour market did not have the expected impact for the activation of economically inactive working-age persons. ESC finds that European and national policies on the labour market do not include sufficient targets and actions to maintain economic activity and its subsequent growth.
- 3.16. The formation of groups of discouraged persons as a result of their low education and vocational training and the lack of suitable jobs for such persons. Jobs created through subsidised employment are one possible response to the growing problems of this type of workforce. But this policy and measures provide only a temporary solution for merely a part of the people who remain outside the labour market. The crisis poses new challenges to Europe in connection with growing budget deficits and the need to ensure sufficient funds for subsidised employment, as well as for other key measures on the labour market.
- 3.17. ESC accepts the Commission's proposal for a reform of public employment services to carry out new active and passive functions and become agencies to manage the transition. At the same time, ESC notes that this type of development of public employment services requires additional personnel

and financial resources which should be provided in order to carry out the planned reforms.

- 3.18. ESC fully supports the Commission's assessment of the significant place and role of social dialogue and consensus in regard of the reforms. In this respect, further development of transnational collective bargaining agreements between companies is not only a coherent response but a further development of social dialogue at the European level.
- 3.19. The emerging shortages of skilled workforce in certain sectors and regions at a time of high level of unemployment is another challenge for dynamic labour markets. Addressing this structural problem depends very much on the more accurate forecasting and monitoring of vacancies and timely determination of the necessary skills and qualifications. Furthermore, ESC finds that the solution to this problem must be found in a more widespread recognition of skills and qualifications at the European level through the use of EU instruments such as the European Qualifications Framework.
- 3.20. ESC welcomes the Commission's desire for better interaction between the sectors of education and labour both at the political and the operational levels.
- 3.21. Moreover, ESC believes that part of the structural problems on the labour market can be solved by providing a much higher labour mobility within the European Union. Therefore, ESC views the restrictions to the free access to the labour markets of nine Member States for workers from Bulgaria and Romania as an obstacle to solving this problem.
- 3.22. ESC supports the Commission's opinion set out in the Report COM (2011) 729¹¹ that the mobility of workers from Romania and Bulgaria contributes to

¹¹ Report on the Functioning of the Transitional Arrangements on Free Movement of Workers from Bulgaria and Romania, COM (2011) 729 of November 2011

the increase of the European Union's GDP. National restrictions on mobility within the internal market may have short term impact on a national economy but limit the long term potential of the European economy.

- 3.23. ESC shares the opinion that achieving greater labour mobility within the EU requires addressing other additional problems related to the recognition of professional qualifications, maintaining social security and pension rights, the resolution of specific tax issues, etc.
- 3.24. ESC welcomes the Commission's intention to improve the management of the European Union. Particular appreciation is due to the understanding of the close interdependence of economies and labour markets in the EU, which requires enhanced coordination between employment policies and social policies in line with the European Employment Strategy. ESC also accepts the increased involvement of social partners in the overall management process of the EU as another feasible direction for its development and improvement.

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