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**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL, THE EUROPEAN PARLIAMENT,
THE ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS**

Employment and social policies: a framework for investing in quality

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Employment and social policies: a framework for investing in quality

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INTRODUCTION

Quality is at the heart of the European social model. It is a key element in promoting employment in a competitive and inclusive knowledge economy.

Quality reflects the desire, not just to defend minimum standards, but to promote rising standards and ensure a more equitable sharing of progress. It delivers results - embracing the economy, the workplace, the home, society at large. It links the dual goals of competitiveness and cohesion in a sustainable way, with clear economic benefits flowing from investing in people and strong, supportive, social systems.

Social Policy Agenda

In its Social Policy Agenda, the Commission set the overall focus as the promotion of quality as the driving force for a thriving economy, more and better jobs and an inclusive society: 'extending the notion of quality - which is already familiar to the business world - to the whole of the economy and society [to] facilitate improving the inter-relationship between economic and social policies'.

This Communication takes forward some of the key dimensions of the Social Policy Agenda, and some aims of the Lisbon strategy as reinforced by Nice and Stockholm, and provides a broad analytical basis and framework for the future.

Both the Social Policy Agenda and the Lisbon strategy emphasise the importance of ensuring a positive, mutually reinforcing interaction between our economic, employment and social policies. Hence, the Lisbon goal focuses on building a competitive, dynamic and cohesive knowledge-based economy. It also set the overall goal of moving to full employment through creating not only *more* but also *better* jobs.

Modernising the European social model and investing in people is one central part of achieving the overall Lisbon economic and social goals. Creating active welfare states is one element of this. As the Stockholm Council conclusions emphasised 'well designed and functioning welfare systems should be seen as productive factors by offering security in change. This requires continuous modernisation of the European social model on the basis of the European Social Agenda '.

Addressing the challenge

The focus on quality in the Social Policy Agenda is a means to underpin this modernisation, to ensure the dynamic positive complementarity of economic and social policy, and so to meet the challenges of globalisation, enlargement and rapid technological, social and demographic change. The Nice Council conclusions stated that 'to meet these new challenges, the (Social Policy) Agenda must place the emphasis on the promotion of quality in all areas of social policy. Quality of training, quality in work, quality of industrial relations and quality of social policy as a whole are essential factors if the European Union is to achieve the goals it has set itself regarding competitiveness and full employment'.

As the Social Policy Agenda states: 'quality of work includes better jobs and more balanced ways of combining working life with personal life. Quality of social policy implies a high level of social protection, good social services available to all people in Europe, real opportunities for all and the guarantee of fundamental and social rights. Good employment

and social policies are needed to underpin productivity and to facilitate the adaptation to change. They also will play an essential role towards the full transition to the knowledge-based economy'. This approach is vital in the context of the enlargement of the Union: the need for a modernised and improved social model is as important in the candidate countries as in the existing Member States

Framework for action

This Communication provides a broad framework for addressing quality within the context of the Social Policy Agenda, focusing here on the goal of promoting quality in work. The Nice Council conclusions called for a greater focus on 'attaining quality in work and its importance for growth as a significant attractive factor and as an incentive to work (in particular as regards working conditions, health and safety, remuneration, gender equality, balance between flexibility and job security, social relations)'. The Nice European Council also emphasised the need for wage developments to reflect productivity developments and to be consistent with price stability.

The quality dimension was also underlined by the Stockholm conclusions: 're-gaining full employment not only involves focusing on more jobs, but also on better jobs.... including equal opportunities for the disabled, gender equality, good and flexible work organisation permitting better reconciliation of working and personal life, lifelong learning, health and safety at work, employee involvement and diversity in working life'. The conclusions went on to call for quality of work 'to be included as a general objective in the 2002 employment guidelines' and stated that 'the Council together with the Commission will develop indicators on quality in work and will make quantitative indicators more accurate, to be presented in time for the Laeken European Council'.

This Communication aims to take forward the Social Policy Agenda commitment to promote quality in employment and social policy. In particular, it aims:

- To define a clear approach to the policy goal of improving quality of work (and to policy implementation).
- To establish a coherent, broad set of indicators on quality in work to reinforce the effectiveness and efficiency of policy in moving towards the goal of increasing quality in work. This work will draw both on existing indicators and will propose indicators to be further developed, which can be used within the framework of the European Employment Strategy. Gender equality is a basic horizontal principle in this approach.
- To ensure that the goal of improving quality is fully and coherently integrated in employment and social policy through a progressive series of quality reviews.

By promoting higher quality objectives, and by investing in better quality policies, the Commission aims to encourage and assist the Member States to improve the pace at which the quality of life is improved within the Union, inside and outside of work, and to provide appropriate aspirations for candidate countries.

The Communication first looks at the relationship between quality of work and the modernisation of the European social model. It then considers how to define quality and goes

on to consider the development of indicators of quality in work. It finally looks at applying and using these definitions and indicators through a process of quality reviews.

QUALITY IN WORK AND MODERNISING THE EUROPEAN SOCIAL MODEL

Promoting quality in employment and social policy is a key element in reaching the goals of building more and better jobs, creating a competitive and cohesive knowledge-based economy, and ensuring a positive mutual interaction between economic, employment and social policies. As such, quality can, and must, go hand in hand with improving efficiency, especially as far as public finances and labour market incentives are concerned.

Social policies¹ are not simply an outcome of good economic performance and policies but are at the same time an input and a framework. In this context, the modernisation of the social model means developing and adapting it to take account of the rapidly changing new economy and society, and to ensure the positive mutually supportive role of economic and social policies.

Many aspects of the modernisation of the social model can be expected to impact positively on the quality of work – including both social investments and social transfers. Hence the pursuit of more and better employment and higher levels of economic performance cannot be separated from the overall aims of the modernisation of the European Social model which, in its diverse forms within the Union, has played a crucial role in helping maintain continually rising productivity and living standards across the Union, while helping ensure that the benefits are widely shared.

The European social model is highly valued by the EU's citizens, and much admired by the rest of the world, including the candidate countries. It has facilitated the adaptation to change in the past, as it is now helping Europe make the transition to the knowledge-based economy. It should be noted too, that citizens from candidate countries who are undergoing the difficult process of transition, look to the European social approach as the most efficient way to build a modern, socially inclusive, society.

At the moment, various modernisation processes are under way in order to support and promote modernising the European social model, including the Luxembourg process on employment, the open co-ordination processes on social exclusion and social protection, the ongoing work on equal opportunities, and work on health and safety.

Characteristics of the European Social Model

The European social model is distinguished from others by its framework and design, and by the nature, focus and distribution of the policies. It is not distinguished from social systems in other countries by its levels of expenditure, but by its methods of funding. The main differences in social spending between developed countries, notably between Europe and the US, is that funding is mainly public in Europe, and much more private in the US, although part of private expenditure in the US is effectively mandatory. However, the benefits appear to be much more evenly spread in Europe than they are in the US, where, for example, 40 per cent of the population does not have access to primary health care, even though spending per head is actually higher as a proportion of GDP than it is in Europe.

¹ Covering expenditures on pensions, health and disabilities, family, unemployment, housing and inclusion policies, plus education and training.

Estimates of the real resource costs of social policies have frequently been distorted by failing to take account of such factors as whether transfers are taxed or not, or the existence of mandatory private spending on insurance and health. The evidence from recent detailed analyses of social expenditures² show that most developed economies – including most EU Member States and the US - spend very similar amounts (around 24 per cent of GDP in net terms) on social investments, savings and transfers (see graph 3) and something over 5 per cent on education (see graph 6)³.

Social policies perform economic as well as social functions with employment and incomes as the essential links between the two. Hence many social policies are in the form of social investments - notably education and health - which directly impact on and input into the economic system and employment. At the same time social transfers are important, not only in reducing the incidence and costs of social exclusion, but also in facilitating adaptability and responsiveness to change i.e. in allowing an effective combination of flexibility and security at the workplace and in the labour market generally. Modernising the way in which the social model delivers investments and passive support can therefore impact positively on the quality of work.

Well designed social investments can, like other forms of investment, contribute to rising productivity, rising living standards and growth. This is apparent at a macro-economic level where a positive correlation between investments in education and overall economic performance is well established⁴ and analytical work on the determinants of economic growth and rising living standards generally highlight the growing importance of human resource and knowledge investment⁵.

Basic and higher level skills are fundamental to the pursuit of quality in work, and productivity growth especially when they embrace modern labour market needs such as the capacity to undertake complex tasks in a flexible way in a modern work environment, not just the ability to perform routine machine-related tasks. Recent surveys of literacy – which seek to measure such capacities in a variety of ways - indicate substantial differences between OECD countries, not only in overall levels of achievement, but in the degree of literacy ‘inequality’ across the population⁶, with ‘inequality’ in the distribution of such skills being highly correlated with ‘inequality’ in the distribution of incomes⁷ – further evidence of the close relationship between skill levels and levels of remuneration (see graph 7).

The relation between low or no skills and job prospects, low pay and poverty is important. A shortage of highly skilled people tends to push up wages at the top end of the income scale, while a surplus of people with few or no skills tends to push down wages at the bottom. The result is to increase the scale of social transfers needed in order to bring low-wage household incomes up to minimum, socially accepted, levels.

² Net total social expenditure report, OECD 1999

³ Graphs in annexe I illustrate key points – see Conference proceedings, 'Social and labour market policies – investing in quality, February 22/23, 2001, Europa website.

⁴ The Well-being of Nations – the role of human and social capital – OECD 2001

⁵ As reflected in the Commission contribution to the Lisbon European Council – An agenda of Economic and Social Renewal – of 28 February 2000

⁶ OECD and Statistics Canada (2000). Literacy in the Information Age. Final report of the International Adult Literacy Survey.

⁷ The distribution of incomes is much wider in the US than in the EU, but there is evidence of a recent widening in several EU countries – Social Policy and Economic Performance, The Hague, 2000; forthcoming OECD Employment Outlook, 2001.

Despite the above evidence, and despite continued widespread popular public support for Europe's social systems, the benefits of Europe's high quality social policies and their relationship to quality in work are often taken for granted, or under-valued. In general there is a tendency to forget or overlook the 'counter-factual' alternative - the cost of not having such social policies in place. There is also a tendency to under-estimate the need for increased short-term social support and investment in times of rapid social, economic and industrial change, in order to avoid 'wastage' and under-use of human resource capacities – underlining, again, the potential benefits of the modernisation of social policies.

DEFINING QUALITY IN WORK

Quality in work – *better jobs* – means not only looking at, or taking account of, the existence of paid employment but also looking at the characteristics of that employment. It is a relative and a multi-dimensional concept. In its broadest definition, it involves taking into account:

- the objective characteristics related to employment, both the wider work environment and the specific characteristics of the job;
- worker characteristics - the characteristics the employee brings to the job;
- the match between worker characteristics and job requirements;
- and the subjective evaluation (job satisfaction) of these characteristics by the individual worker.

Hence, a broad approach to quality in work implies not only pay and minimum standards but rising standards generally. This encompasses both the characteristics of individual jobs and the characteristics of the wider work environment including how the labour market works as a whole - particularly with respect to movement between jobs, and in and out of the labour market. Given its relative and multidimensional nature, there can be no one single measure or index of employment quality. Moreover, the importance attached to different dimensions will vary according to circumstances and aspirations.

There is no standard or agreed definition of quality in work in the academic and expert literature. Given the lack of a single composite measure, most studies adopt and suggest various key dimensions of job quality. These frequently include a focus on both the specific characteristics of the job (e.g. pay, hours of work, skill requirements, job content) and on aspects of the wider work environment (e.g. working conditions, training, career prospects, health insurance coverage etc)⁸. Some studies focus entirely on subjective job satisfaction as summary measures of the overall job quality as perceived by the worker⁹.

Both national and EU policies do already take account of elements of the quality of work. But the goals of the Social Policy Agenda and of the Lisbon Strategy indicate the need to look for a more coherent approach and to obtain more consensus on the main elements of quality in work. This can then allow a coherent assessment of the extent to which both national and EU

⁸ Clark (1998), Measures of job satisfaction, What makes a good job? Evidence from OECD countries, OECD, Paris.

Leontaridi and Sloane (2000), Measuring the quality of jobs: Promotion aspects, career and job satisfaction, Centre for European Labour Market Research, University of Aberdeen.

⁹ Hamermesh (1999), The changing distribution of job satisfaction, National Bureau of Economic Research.

policies focus on, and contribute to, achieving quality goals together with an assessment of the economic and social impact of achieving different aspects of the quality goals.

It is proposed, in order to: provide a framework of analysis of quality in work, identify clear policy objectives and standards, and develop appropriate indicators to measure performance against those objectives, that the main elements of quality in work can be grouped under two broad dimensions:

Job characteristics: objective and intrinsic characteristics, including: job satisfaction, remuneration, non-pay rewards, working time, skills and training and prospects for career advancement, job content, match between jobs characteristics and worker characteristics;

The work and wider labour market context: gender equality, health and safety, flexibility and security, access to jobs, work-life balance, social dialogue and worker involvement, diversity and non-discrimination.

While some of these elements can be quite precisely assessed, others are more complex to evaluate. Moreover it is difficult to weight or balance the importance of the two dimensions and the elements within them. However, opinion survey evidence suggests that both dimensions are important. What this categorisation does allow is a coherent framework and approach. It is one that implies the use of a wide range of policy instruments and the participation of a wide range of actors in the development of a consensus on this framework.

The promotion of quality in work, the goal of better jobs, is not simply about aiming to increase positively all the above elements. It is about increasing quality in order to meet our intermediate and ultimate economic and social objectives. Thus, increasing quality in work by increasing skills and/or by increasing job satisfaction may increase productivity. Increasing quality by providing a better work-life balance, and by increasing the attractiveness of work, may contribute to increasing the overall employment rate and the employment rate of women and older workers. Increasing quality may contribute to increasing employability and adaptability, it may facilitate organisational change and increase access. In this way, increasing quality in work can form part of a virtuous circle of increasing productivity, rising living standards and sustainable economic growth.

QUALITY IN WORK: EVIDENCE AND INDICATORS

Measuring quality

Taking account of quality does not mean neglecting, or discounting, existing more conventional, methods of measuring success. Conventional economic statistics – such as productivity per hour or income per head – are widely used to measure economic and social outcomes and relative performance, as reflected in the Community's structural indicators.

However, concern about quality implies extending the range of elements taken into account – generally seeking to quantify, where possible, the more qualitative elements.

Although real, practical, difficulties remain, progress is being made. For example, it is now possible to modify national income accounting frameworks to some extent to take account of externality costs and benefits, notably in relation to sustainable development and the environment, and it is also possible to take better account of quality changes in products and services in order to improve the measurement of productivity.

Progress in improving quality in work

Recent years have shown a positive labour market performance not only in quantitative terms but also in qualitative ones, as analysis of labour force and household survey data shows¹⁰.

Improvements in the quality of the European labour supply have been met to a large extent by an increasing demand for high-quality jobs characterised by high educational and skill requirements, relative job security, better work-life balance, access to training and possibilities of career development, high productivity and relatively high pay.

Fears that trends of increasing employment in the service sector would lead to a proliferation of dead-end jobs of bad quality have not materialised. As in the case of the US, there is evidence for the creation of both high and low skill jobs¹¹, with 'non-standard' forms of employment, such as part-time work or fixed-term contract work, seeming to be - in many, but not all, cases - the outcome of individual choices¹².

Concerns about job quality and social exclusion persist, however. The increasing importance of new and flexible employment patterns may conflict with some of the main dimensions of job quality like job security, possibilities of further training and career prospects. The challenge is to combine flexibility with security in ways that benefit workers and companies alike. Appropriate training, lifelong learning and investment in human resources are central here. New forms of work can, where chosen voluntarily by workers, also offer positive and welcome flexibility in meeting individual and family needs and interests. However, in terms of working conditions in the workplace, notably health and safety, there is room for further improvement. While the overall risk to health and safety at work has declined in recent years, new risks and pressures related to changing forms of employment and ever tighter rhythms of work have emerged¹³.

Concerns about job quality are strongly related to concerns about labour market segmentation and social exclusion. While paid employment is the best safeguard against poverty and social exclusion, there is a close link between the level of job quality and social exclusion. Persons employed in jobs which combine low or no skills, with temporary or precarious work and lack of career development opportunities, are also at much higher risk of becoming unemployed or of dropping out of the labour force. Together with the ongoing loss of low-skilled, low-productivity jobs, this points to increasing difficulties of integrating individuals with low skills into the labour market at all.

A majority of Europeans report high levels of satisfaction with their work activity status in general, although almost one quarter of the European workforce considers itself to be in jobs of low quality. However, there is significant upward and downward mobility on the job quality ladder with, on average, one third of all persons employed in jobs of poor quality changing to a better job from one year to the next, although almost one in four also becomes unemployed or leaves the labour force.

¹⁰ Employment in Europe 2001 forthcoming, Low-wage and high-wage employment, earnings, mobility and job quality report. LoWER Network 2001

¹¹ See successive recent (annual) Economic Reports of the President (US), Employment in Europe, and forthcoming Employment in Europe 2001 and forthcoming OECD, Employment Outlook, 2001

¹² Employment in Europe report 2001 forthcoming

¹³ European Survey on Working Conditions (1990, 1995, 2000)

On the other hand, new technology appears to have contributed to making jobs intrinsically more interesting and satisfying with greater autonomy, and there is some evidence that women are beginning to achieve better access to more highly qualified jobs with, for example, similar levels of participation in appropriate training¹⁴.

Quality in work indicators

Various elements of quality are already included in the European Employment Strategy and a number of indicators that could be used to measure quality exist already. To address quality in work in a full, coherent and structured manner, however, it is necessary to establish an appropriate set of indicators within a framework based on consensus on our quality in work goals. This involves bringing together existing indicators with some indicators to be (further) developed. This will allow an assessment of the current degree of success in meeting policy objectives with respect to quality and of how, and whether, policy needs to change or develop.

The Commission therefore proposes a set of indicators covering 10 main elements of quality within two broad dimensions – the characteristics of the job itself; and the work and wider labour market context.

The role of the indicators is to allow an assessment of how successful Member States and EU policies are at reaching quality in work goals across these 10 areas. As the overall aim is to provide a more coherent approach to incorporating quality in employment and social policies through existing instruments and processes, this section also sets out, with the indicators, the most likely existing policy instruments for addressing the quality goals. This will ensure a structured, systematic approach to policy objectives, instruments and indicators.

While some of the indicators already exist – as both structural indicators and as existing employment guideline indicators – others need to be developed from existing data sources (see annex). The Commission underlines the importance of avoiding interpreting indicators in a simplistic way¹⁵ and of relating indicators clearly to policy objectives and standards, and to policy instruments.

Outside of these measures, however, macro-economic data remains important since the continuous upgrading of quality in work contributes to Europe's economic performance, productivity and dynamism. It is therefore reflected in the quality of goods and services produced within the Union. Hence improvements in quality in work will be measured alongside increases in numbers of people in employment, though conventional national income accounting as part of increases in GDP.

This reflects the positive, dynamic, inter-relationship between economic, employment and social policies – the Social Policy Agenda 'triangle'.

In all cases, a gender breakdown should be a standard feature of indicators as well as a regional breakdown where appropriate, and especially in relation to inclusion and access to the labour market, and to overall economic performance and productivity.

¹⁴ Eurobarometer data, 1996 and European Community Household Panel data.

¹⁵ Structural indicators, Commission 2000 (594 final) para. 8

Dimension I – Characteristics of the Job Itself

Intrinsic job quality

Key policy objectives and standards: To aim to ensure that jobs are intrinsically satisfying, compatible with persons' skills and abilities, and provide appropriate levels of income.

Main instruments: EU and Member State economic and social policies generally; Broad Economic Policy Guidelines; Employment Guidelines; social partners.

Possible indicators:

- Job satisfaction among workers, taking account of job characteristics, contract type and hours worked, and level of qualification relative to job requirement
- Proportion of workers advancing to higher paid employment over time
- Low wage earners, working poor and the distribution of incomes

Skills, life-long learning and career development

Key policy objectives and standards: to help people develop their potential abilities to the full through appropriate support for life-long learning.

Main instruments: education and life-long learning, legal framework, including mutual recognition of qualifications.

Possible indicators:

- Proportion of workers with medium and high levels of education
- Proportion of workers undertaking training or other forms of life-long learning
- Proportion of workers with basic or higher levels of digital literacy

Dimension II – The Work and Wider Labour Market Context

Gender equality

Key policy objectives and standards: To promote equality of opportunity between women and men in respect of equivalent value jobs, and in terms of life-time careers

Main instruments: EES, legislation, social partners, ESF, action programmes

Possible indicators:

- Gender pay gap, appropriately adjusted for such factors as sector, occupation and age
- Gender segregation – extent to which women and men are over or under-represented in different professions and sectors.
- Proportion of women and men with different levels of responsibility within professions and sectors, taking account of factors such as age and education

Health and safety at work

Key policy objectives and standards: To ensure that working conditions are safe, healthy and supportive – in both physical and psychological terms

Main instruments: new health and safety strategy, including legislation backed by monitoring and benchmarking, social partners.

Possible indicators:

- Composite indicators of accidents at work – fatal and serious – including costs
- Rates of occupational disease, including new risks e.g. repetitive strain
- Stress levels and other difficulties concerning working relationships

Flexibility and Security

Key policy objectives and standards: To encourage positive attitudes to change at the workplace and in the labour market generally and ensure there is appropriate support for those who lose their jobs or are seeking alternative. And to encourage full use of abilities and flexible career choices through appropriate support for occupational and geographical mobility, including within the new European labour markets.

Main instruments: open method of co-ordination, taxation, legislation, social partners; transferability of supplementary pension rights, information and agency support.

Possible indicators:

The effective coverage of social protection systems – in terms of breadth of eligibility and level of support – for those in work, or seeking work

- Proportion of workers with flexible working arrangements – as seen by employers and workers
- Job losses – proportion of workers losing their job through redundancies, and proportion of those finding alternative employment in a given period.
- Proportion of workers changing the geographical location of their work.

Inclusion and access to the labour market

Key policy objectives and standards : To increase access to and inclusion in labour markets, that is : the extent to which it is easy to enter and stay in the labour market, to re-join it after periods of absence, or use it to find alternative employment

Main instruments: European Employment Strategy (EES), Public Employment Services at EU level, European Social Fund (ESF), Communication on Corporate Social Responsibility as well as work on local development

Possible indicators:

- Effective transition of young people to active life

- Employment and long-term unemployment rates by age, educational level, region
- Labour market bottlenecks and mobility between sectors and occupations

Work organisation and work-life balance

Key policy objectives and standards: To aim to ensure that working arrangements, especially concerning working time, together with support services, allow an appropriate balance between working life and life outside work.

Main instruments: social partners, legislation, EES.

Possible indicators:

- Proportion of workers with flexible working arrangements
- Opportunities for maternity and parental leave, and take-up rates
- Scale of child-care facilities for pre-school and primary school age group

Social dialogue and worker involvement

Key policy objectives and standards: to aim to ensure that all workers are informed about and involved in the development of their companies and their working life.

Main instruments: social partners co-operation, legislation.

Possible indicators

- Coverage of collective agreements and number of EU-wide companies with EU works councils with employee representatives
- Proportion of workers with a financial interest/participation in the firms where they are employed
- Working days lost in industrial disputes

Diversity and non-discrimination

Key policy objectives and standards: To ensure that all workers are treated equally without discrimination in terms of age, disability, ethnic origin, religion, sexual orientation

Main instruments: EES, social partners, action programmes, ESF (Equal)

Possible indicators:

- Employment rates and pay gaps of older workers compared with average
- Employment rates and pay gaps of persons with disabilities, and persons from ethnic minorities, compared with average
- Information on the existence of labour market complaints procedures, and of successful outcomes

Overall economic performance and productivity

Key policy objectives and standards: to achieve high levels of labour productivity and high living standards across all regions of the Community.

Key instruments: economic policy and structural policies

Possible indicators

- Average hourly productivity per worker
- Average annual output per worker
- Average annual living standards per head of population – taking account of the rate of employment and the dependency ratio

The main sources of data from Eurostat are harmonised or standardised across Member States.

- The European Labour Force Survey
- The European Community Household Panel
- Other ad hoc surveys on health and safety, working conditions, etc. including Eurobarometer surveys.

In some cases, the indicators outlined above are already used within existing processes in the same, or similar, format although, in some other cases, the exact choice of statistics is still open, and some recourse to national data will be necessary (see annex on detailed data sources). The development of these indicators should take account of the need to avoid imposing additional administrative or financial burdens on Member States, notably applicant countries.

QUALITY REVIEWS IN EMPLOYMENT AND SOCIAL POLICIES

Quality goals, instruments and indicators are already, to some extent and in various ways, incorporated in the European Employment Strategy. This is most notable in relation to the employment guidelines. Promoting employability of individuals (pillar 1 of the guidelines) is about improving the prospects of finding a job and upgrading skills, while promoting adaptability (pillar 3) focuses on the modernisation of work organisation through a process of dialogue between the social partners and the government. Moreover the promotion of equal opportunities ('tackling gender gaps') had been one of the key dimensions (pillar 4) from the start of the Luxembourg process.

Strengthening the quality dimension does not imply any new processes, or even a radically new approach to policy, at European level. What it does require, however, is a broader, and deeper, policy development encompassing, not only the effectiveness of individual policy instruments in achieving their goals, but the *coherence*, in each policy area, between policy *goals*, the *instruments* that are available, and the *indicators* used to judge success in achieving the overall policy objectives.

In order to continue to improve policy performance within the employment and social policies fields, there is a need to address a series of basic questions :

- Is the mix of policies right across the full range of employment and social policies?
- Are all policies coherent with one another?
- Are resources allocated correctly across different policy areas?
- Are resources used as efficiently as possible within each policy area?
- Are issues being addressed at an appropriate level – the governance issue?

Such a systematic, cost-benefit, approach to employment and social policies will help focus the policy debate in these areas more clearly by better measuring the costs and consequences of different policy challenges – for example to addressing the problems of low pay and inclusion, or to ensuring gender equality in a rapidly changing economic, social and demographic environment – and by identifying better ways of strengthening policy co-operation between various departments of government at all levels, and between governments and other interested parties.

What the current analysis of quality in work dimensions and indicators allows is the establishment of an overall framework and toolset with which to undertake a full and coherent review of the focus on quality in employment policy. This will also meet the Stockholm objective of including the maintenance and improvement of the quality of work as a general aim in the 2002 employment guidelines. This approach, encompassing quality goals, instruments and indicators, provides a general means of pursuing the central focus of the Social Policy Agenda on quality in all areas of employment and social policy.

Hence, the Commission intends to pursue these concerns through a series of 'Quality reviews' which would be progressively undertaken, with appropriate pilot experiments, across the range of social policy areas addressed in the Social Policy Agenda, while taking due account of similar exercises in respect of related EU reform initiatives – notably the internal market, the quality of public finances and the economy – and to incorporate its conclusions in its inputs to the existing Europe-wide modernisation processes.

This work will help the Union pursue its goals of competitiveness and cohesion within a framework of sustainable development and good governance, taking particular account of the local and regional dimension – where the overall quality of life, and real differences between areas, are most visible.

All appropriate policy tools need to be considered. This includes the identification of good practice, benchmarking, legislation, social partner agreements, NGO contributions, and specific incentives. In this way the quality reviews – covering the *coherence* between policy objectives and standards, indicators, and instruments – will play a valuable role in helping define and implement the wide range of actions laid down in the Social Policy Agenda.

In support of this work, the Commission intends to encourage, and co-ordinate, further wide-ranging research on the measurement of quality factors in the employment and social field, paying particular attention to the dynamic benefits of a positive inter-action between social, economic and employment policies.

Such a horizontal 'quality approach' will ensure that all interested parties – notably governments and public authorities at all levels, but also social partners and NGOs – can play an active role, and be fully involved, in the development of this work. This should be a crucial dimension of new and improved governance in the European Union.

Taking the work forward

The Commission's proposed Quality in Work Indicators will form the basis for discussion and debate with the European Parliament, the Council and the Economic and Social Committee and the Committee of the Regions, as well as with the social partners, NGOs and other interested parties, in order that the Commission can finalise its presentation of indicators on quality in work as part of its input to the Laeken European Council.

The Commission will include maintaining and improving the quality of work in the draft employment guidelines for 2002, on the basis of the framework analysis of quality presented in this Communication.

With respect to the review of the quality dimensions in social policies generally, the Commission will incorporate its findings into its inputs to the various modernisation processes in place at the European level – including the Luxembourg process on employment, the open method of co-ordination on social protection, the on-going work on equal opportunities, the work on health and safety.

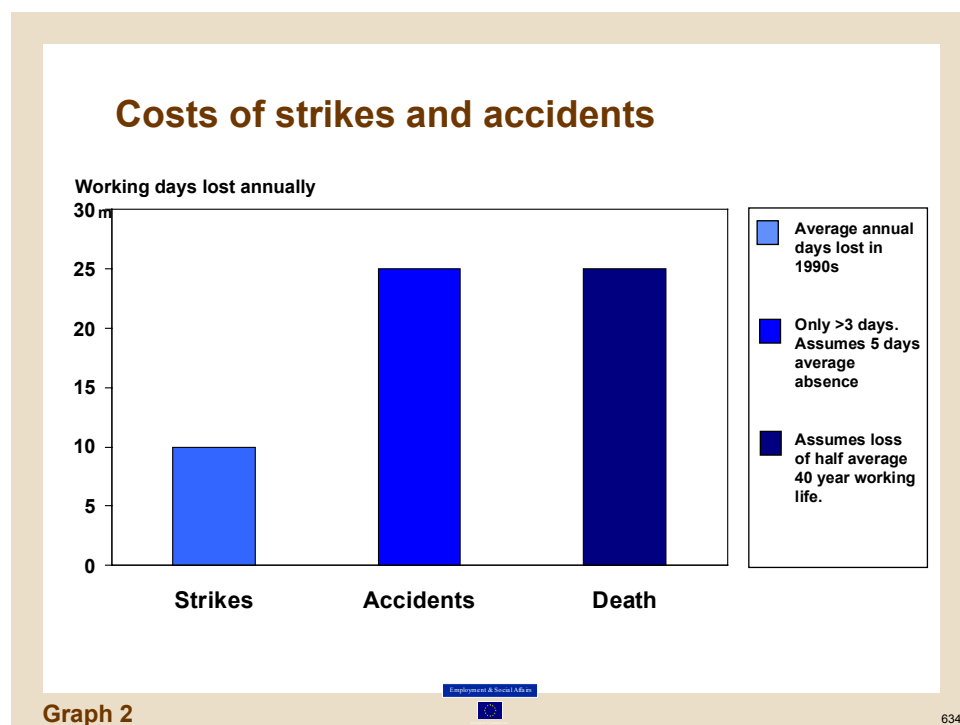
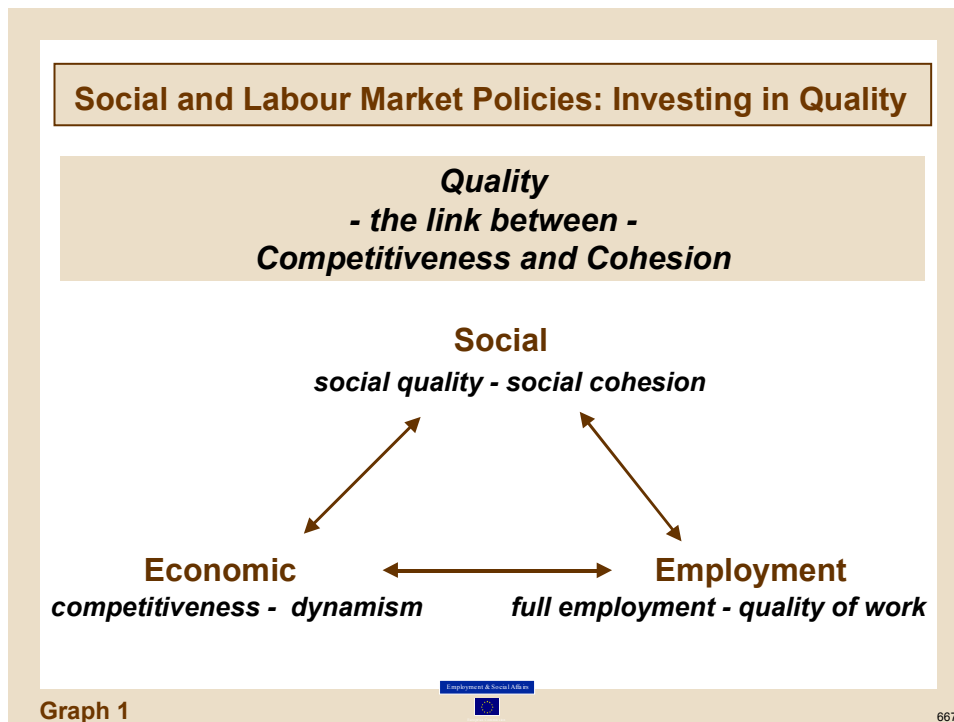
CONCLUSION

In the context of the new economic and social agenda in Europe, with the emphasis on more and better jobs, and on the modernisation of the European social model, the Commission:

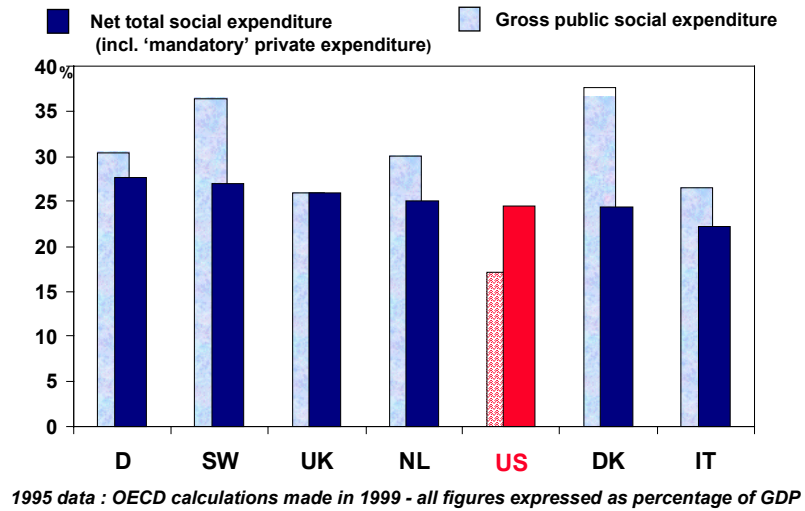
- proposes a framework for promoting the goal of improving quality in work, in particular through the establishment of a coherent and broad set of indicators on quality in work which can be used in order to strengthen the coherence between quality in work objectives and policy instruments within the context of the European employment strategy.
- aims to ensure that the goal of improving quality is fully and coherently integrated in employment and social policy through a progressive series of quality reviews for which the Commission will present initiatives at the appropriate time.

The Commission intends to ensure that work on quality indicators in the employment and social domain will continue to be developed and taken forward in the future, drawing fully on the capacities of the European agencies working in these fields, and in co-operation with the other institutions.

ANNEXE I – GRAPHS



Net social spending in Europe and the US

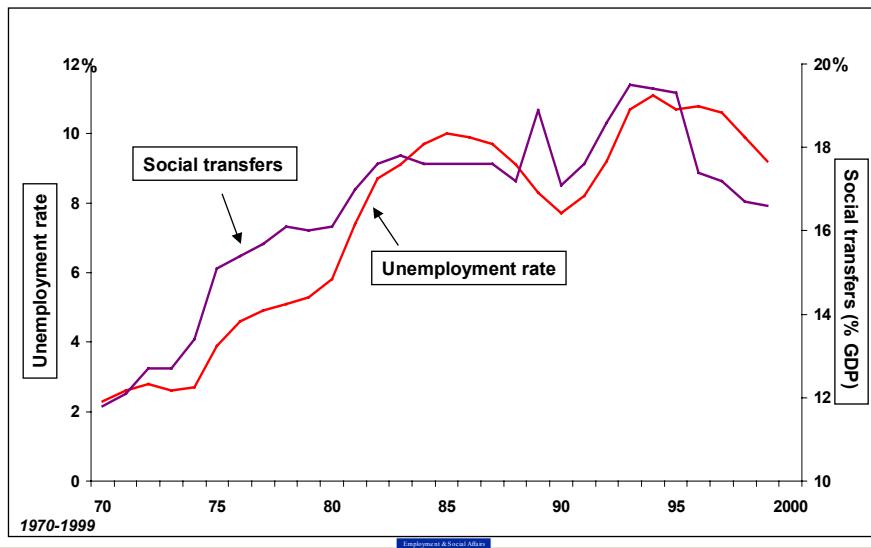


Graph 3

Employment & Social Affairs

637

Social transfers and unemployment

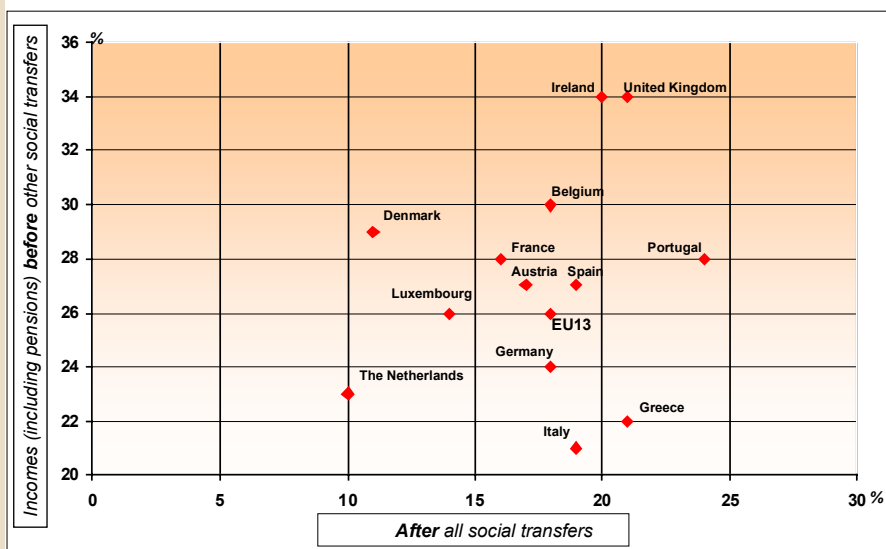


Graph 4

Source: Eurostat

640

Impact of social transfers



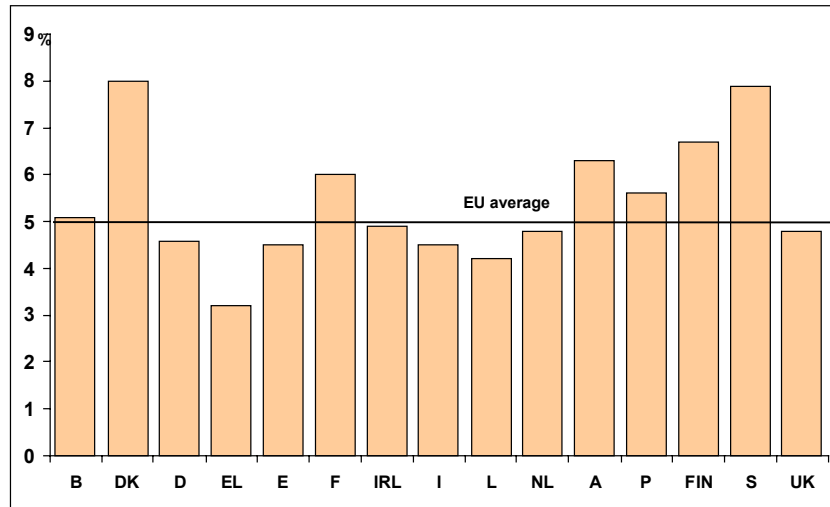
Percentage of population with incomes (including pensions) 60% or below, the national average

Graph 5

Source: Eurostat

639

Public expenditure on Education



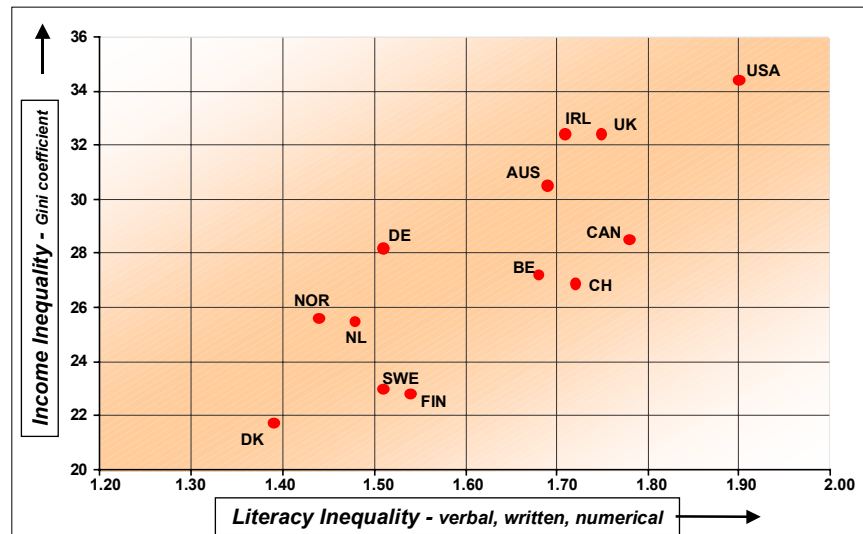
Total public expenditure on education as percentage of GDP 1997

Source: Eurostat-UEO (Unesco, OECD and Eurostat)

Graph 6

850

Literacy and income inequality

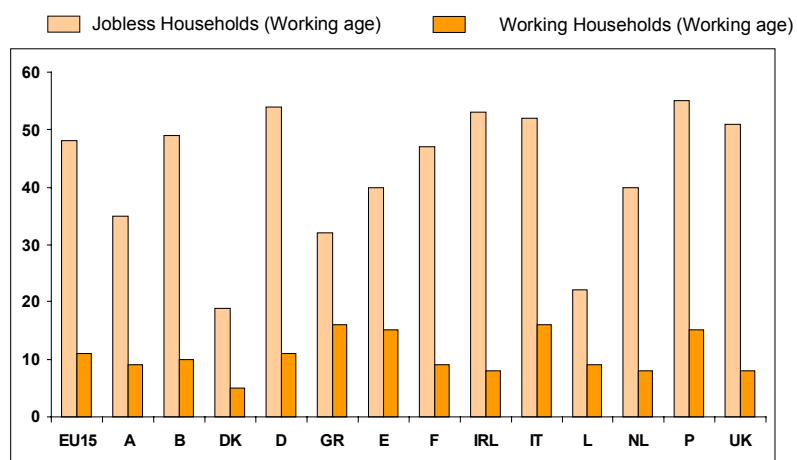


Source: International Adult Literacy Survey, 1994-1998; OECD, Trends in Income Distribution & Poverty in OECD Area 1999

Graph 7

672

Poverty rates in jobless and working households



Source: Eurostat Community Households Panel - 1996

Employment & Social Affairs

Graph 8

687

ANNEX II DATA FOR QUALITY INDICATORS

DIMENSION	SPECIFIC STATISTICAL SERIES	SOURCE, PERIODICITY, STATUS
<u>1. Intrinsic job quality</u>		
Job satisfaction among workers, taking account of job characteristics, contract type and hours worked, and level of qualification relative to job requirement	- Satisfaction with type of work in present job (PE033) - Skills need for current job given by a formal training or education (PE021) - Skills or qualifications to do a more demanding job than the current one (overqualified)(PE016)	- European Community Household Panel, but only for 1994-97 - European Community Household Panel, but only for 1994-97 - European Community Household Panel, but only for 1994-97
Proportion of workers advancing to higher paid employment over time	Current monthly wage net (PI 211M)	- European Community Household Panel, but only for 1994-97
Low wage earners, working poor, and the distribution of income	- Proportion of employees earning less than 60% of median income¹⁶ - Is the household able to make ends meet (HF002) - Income distribution as measured by S80/SS20 income quantile ratio	- European Community Household Panel, but only for 1994-97 - European Community Household Panel, but only for 1994-97 - European Community Household Panel, but only for 1994-97 - European Community Household Panel, but only for 1994-97
<u>2. Skills, life-long learning and career development</u>		
Proportion of workers with medium and high levels of education	Persons in employment with Medium and High educational attainment level (ISCED) as a percentage of their employed population	- Community Labour Force Survey, yearly
Proportion of workers undertaking training or other forms of life-long learning	- Participation rate in education and training' as defined by the percentage of population participating in education and training by sex, age groups (25-34, 35-44, and 45-64 years old) and working status employed, unemployed, inactive) - Percentage of population aged 25-64 participating in education and training,	- Community Labour Force Survey, yearly, approved by the EMCO Indicators Group - Community Labour Force Survey, yearly, used in both the Synthesis and the Joint Employment Report

¹⁶ To be developed in line with Eurostat definitions and usage in the Synthesis Report.

5. Flexibility and security

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • The effective coverage of social protection systems <ul style="list-style-type: none"> – in terms of breadth of eligibility and level of support – for those in work, or seeking work | <ul style="list-style-type: none"> - Coverage of employed by social insurance, as measured by the total net social/social insurance receipts in the year prior to the interview (as part of income) (PI 130) | <ul style="list-style-type: none"> - European Community Household Panel, but only for 1994-97 |
| <ul style="list-style-type: none"> • Proportion of workers with flexible working arrangements – as seen by employers and workers | <ul style="list-style-type: none"> - Satisfaction with working time in present job (PE035) - Type of employment contract, by categories: permanent, fixed-term or short-term, casual work with no contract, some other working arrangement (PE024) - Full-time/part-time (PE005C) | <ul style="list-style-type: none"> – European Community Household Panel, but only for 1994-97 – European Community Household Panel, but only for 1994-97 – European Community Household Panel, but only for 1994-97 |
| <ul style="list-style-type: none"> • Job losses – proportion of workers losing their job through redundancies, and proportion of those finding alternative employment in a given period. | <ul style="list-style-type: none"> - Reason for stopping in previous job (PJ004) - Main reason for leaving last job or business (Col. 71) | <ul style="list-style-type: none"> – European Community Household Panel, but only for 1994-97 - Community Labour Force Survey, yearly |
| <ul style="list-style-type: none"> • Proportion of workers changing the geographical location of their work. | <ul style="list-style-type: none"> - Data available through Eurostat but in need of analysis and presentation | <ul style="list-style-type: none"> National Data assembled by Eurostat from National administrative sources |

6. Inclusion and access to the labour market

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Effective transition of young people to active life | <ul style="list-style-type: none"> - Activity rate 15-24 as % of population of 15-24 - Youth unemployment ratio: unemployed aged 15-24 as a percentage of the population aged 15-24. | <ul style="list-style-type: none"> - Community Labour Force Survey, yearly, approved by EMCO Ad-hoc group and used in JER. - Community Labour Force Survey, yearly, approved by EMCO Ad-hoc group and used in JER. |
| <ul style="list-style-type: none"> • Employment and long-term unemployment rates by age, educational level, region | <ul style="list-style-type: none"> - Employment rate by main age-group (15-24, 25-54, 55-64, 15-64) and educational attainment levels (ISCED High, Medium and Low). - Total long-term unemployment rate | <ul style="list-style-type: none"> - Community Labour Force Survey, yearly - EUROSTAT harmonised series, yearly, used in the Synthesis Report |

• Employment rates and pay gaps of older workers compared with average	- Total monthly wages net (PI 211M)	- Could be constructed by using for employment rates the Community Labour Force Survey (yearly) and for pay gaps the European Community Household Panel (for 1994-97)
• Employment rates and pay gaps of persons with disabilities, and persons from ethnic minorities – compared with average	- None currently available but some employment data available concerning non-nationals.	- To be developed. Not available in the Community Labour Force Survey; national data.
• Information on the existence of labour market complaints procedures, and of successful outcomes	- None currently available.	- To be developed; national data.
• <u>10. Overall work performance</u>		
• Average hourly productivity per worker	- Average productivity per hour worked, calculated as the GDP divided by the total number of hours worked during the year	- OECD
• Average annual output per worker	- Annual labour productivity, calculated as GDP per person employed - GDP per head of population in purchasing power parities	- Eurostat; AMECO data base (DG ECFIN), twice a year - EUROSTAT, yearly or AMECO data base (DG ECFIN), twice a year
• Average annual living standards per head of population – taking account of the rate of employment and the dependency ratio	- Economic dependency ratio, calculated as not employed aged 15+ as a percentage of total employment	- EUROSTAT, yearly