



Brussels, 9 November 2009

**Eurogroup meeting of 9 November 2009
Labour market policies in face of the current crisis
Common policy lines**

The labour markets deteriorated considerably in the course of 2009 and in the euro area about 3.5 million jobs were lost compared to 2008. Yet, the increase in unemployment has been limited by the use of short-time employment schemes and other support measures foreseen in the European Economic Recovery Programme. However, a considerable part of the adjustment is still to come and the risks that prevail can hardly be underestimated. Due to the usual lags, unemployment is set to rise well into next year, reaching levels not seen for over a decade. These changes over the next year are to a large extent unavoidable as the economy adjusts and resources are reallocated across sectors and occupations.

For employment to increase again and unemployment to fall in the medium term, further structural reforms should play a significant role. The time has, therefore, come to strengthen the focus on the structural agenda and to resume a consistent strategy of labour market reforms, within a flexicurity context. This issue is of key importance for the euro area since flexible and efficient labour markets are important for adjustment of intra area imbalances which remain significant. Progress in making labour markets function more efficiently are needed to avoid a bleak outlook in terms of employment and for preventing short-term unemployment becoming long-term unemployment.

In particular, Ministers agreed on the following main priority areas for reforms:

- Addressing segmented labour markets, through reforms that focus on securing the employability of workers rather than on saving specific jobs and firms, while ensuring the provision of adequate income support where necessary.
- This should be done in parallel with the introduction of ambitious and effective activation and training measures aiming at improving skills, along with increased capacity and cost-effectiveness of public employment services.
- Reducing on the one hand benefit dependency, improving activation and on the other hand facilitating transitions. Measures supporting labour mobility across occupations and regions would also support transitions and the labour market adjustment.
- Countries should consider that wage formation processes allow relative wage flexibility and wage developments in line with productivity, competitiveness and local labour market conditions. This is particularly needed for countries with accumulated losses in external competitiveness.

In addition, with regard to the challenge of ageing populations, the need to increase labour supply and the necessity to return to sustainable public finances, countries should consider raising the effective retirement age reflecting gains in longevity.

Ministers agreed to develop, as appropriate, in consultation with social partners, comprehensive and coordinated long-term strategies to durably strengthen our labour markets. Ministers also agreed revisiting this issue on a regular basis to monitor progress and provide guidance.