ELGPN Policy Briefing 1

The Economic Crisis and its Implications for Guidance and for ELGPN Members

By

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Introduction

This Policy Brief covers the European Union’s response to the current economic crisis. It describes the current labour market situation, the European Union’s Recovery Plan anchored in the Lisbon Strategy, the European Employment Summit deliberations, the response of the Council of Education Ministers, and the positions of the European social partners. The implications of these policy positions for the work of ELGPN members and for lifelong guidance provision are elaborated.

The economic crisis affects different countries differently and likewise the citizens of each country. The particular negative effects that are common to most EU countries are those of unemployment and the further marginalisation of those at a distance from the labour market. So the main challenges at national and EU levels are:

- To mitigate the effects on individuals and families of unemployment induced by the crisis;
- To prevent cyclical unemployment becoming structural, for example through long-term unemployment, labour market rigidity, and a build up of skills gaps;
- To tackle discrimination and promote inclusion of the most vulnerable groups in society who are at risk of becoming more marginalised in this economic crisis.

1. BACKGROUND

1.1 The world is facing a financial and economic crisis unlike any seen before. The crisis which is impacting on the whole economy has dramatic consequences, in particular, in terms of unemployment in Europe. Latest data covering the period up to April 2009 show that EU labour markets continue to deteriorate in reaction to the economic crisis. The unemployment rate in the EU continued to rise in
March 2009, the pace of rising unemployment has increased since last September. Total unemployment rose to a seasonally adjusted 20.2 million, an increase of 626 000 (or 3.2 %) compared to the previous month and of 4.1 million (or 25 %) compared to the previous year.

Job vacancies are still falling and companies continue to announce substantial job reductions across several sectors. Job losses outweigh job creation. The ECB, OECD, and Business Europe, as well as the Commission are forecasting further deterioration of the labour market.

The latest Commission forecast expects EU employment to contract by 2.6 % in 2009 and by a further 1.4 % in 2010, involving about 8½ million job losses for the two years.

Young people aged under 25 are particularly affected by the downturn. The youth unemployment rate has been increasing since April 2008 leading to an unemployment rate of 18.3 % in March 2009 (an increase of 156 000 (or 3.2 %) compared to the previous month) and an increase of 1 million compared to March 2008.

Moreover, long term unemployment may be expected to rise in the months ahead.

1.2 Job losses affect mainly the manufacturing sector. Over the last five months, 175 000 jobs were lost in manufacturing, approximately half of total job losses. The specific sectors most affected were the automobile industry (3,600 jobs) and other transport equipment (1,700 jobs). Significant job losses were also announced in the financial services sector (3,000 jobs).

1.3 The shrinking labour market has consequences for social inclusion, poverty and living conditions across the EU and may seriously jeopardize social cohesion. The risk of poverty for unemployed people is 42 % in the EU against 15 % for the whole population. 16% of Europeans face the risk of poverty.

1.4 At the same time, positive employment prospects can be seen in some new sectors such as renewable energy sources and green jobs. Green jobs can be found in sectors reducing energy and water consumption. In 2005, this sector employed 21 million workers, equivalent to 10 % of the EU’s workforce.

Renewable sources of energy have a high potential to create jobs. In 2005, this sector employed 1.4 million people across the EU, i.e. 0.7 % of the total EU workforce. It could amount to 2.3 million jobs by 2020.
2. THE EUROPEAN UNION’S RESPONSE TO THE FINANCIAL AND ECONOMIC CRISIS: A “RECOVERY PLAN” ANCHORED IN THE LISBON STRATEGY FOR GROWTH AND JOBS

2.1 The European response has been devised within the framework of the Lisbon Strategy

The downturn coincides with the end of 2008-2010 cycle of the Lisbon Strategy. The reflection on the future of the Lisbon Strategy beyond 2010 had started at the 2008 Spring European Council. Since then however the financial crisis has focused attention on reducing its economic and social impact.

Therefore, the EU action in response to the crisis pursues a twofold goal:

- Short-term objectives: swiftly boost confidence and lessen the human cost of the economic downturn, particularly for the most vulnerable people
- Medium/long term objectives: pursue structural reforms, build a knowledge economy, support innovation and speed up the shift towards a low carbon economy to help European countries to meet future needs, in effect a continuation of the Lisbon Strategy.

Four Communications from the European Commission describe the recovery action plan:

- “From financial crisis to recovery: a European framework for action” - (29-10-2008) sets out a three part approach to the overall recovery action:
  - A new financial market architecture at EU level
  - Dealing with the impact on the real economy
  - A global response to the financial crisis
- “A European Economic Recovery Plan” (26 – 11- 2008) proposes the measures which were adopted by the European Council 11-12 December 2008.
- “Cohesion policy: investing in the real economy” - (16 –12-2008) has presented, in support of the European Economic Recovery Plan, a range of measures designed to accelerate the contribution of Cohesion Policy to boost the real economy.
- “Driving European recovery” (04-03-2009) contains an ambitious programme of financial sector reform and aims at boosting the implementation of the Recovery Plan, in particular:
  - Supporting the real economy
  - Supporting people through the crisis.
This has been endorsed by the 19-20 March 2009 European Council.

2.2 Addressing the Impact on Jobs: the EU Employment Summit, May 2009

A special Summit dedicated to employment as part of the EU response to the economic climate took place in Prague on 7 May 2009 attended by representatives of the present (Czech Republic) and future two EU Presidencies (Sweden and Spain), the EU social partners, and the EC. The Summit was preceded by a series of stakeholder workshops held in each of those countries which identified the following key issues for discussion at the Summit:
• **How to maintain employment and promote mobility**: measures need to retain people in employment (e.g. flexicurity strategies), to ease transitions between jobs, and to promote professional and geographical mobility;

• **How to upgrade skills, matching present and future labour market needs**: measures for retraining, for bringing young people into the labour market, and for ensuring a better match between skills and labour market needs;

• **How to increase access to employment**: measures to support the unemployed and people furthest away from the labour market to (re) enter the labour market to avoid long term unemployment and social exclusion. *The Public Employment Services have a key role to play, for example, by providing individualised advice to the unemployed.*

The Troika and the EC agreed the following ten concrete actions to be implemented at national and EU levels together with the social partners:

**At national level:**

1. Maintain as many people as possible in jobs for example through temporary adjustment of working hours combined with retraining and supported by public funding (including from ESF).
2. Encourage entrepreneurship and job creation.
3. Improve the efficiency of national employment services by providing intensive counselling, training and job search in the first weeks of unemployment, especially for the young unemployed.
4. Increase significantly the number of high quality apprenticeships and traineeships by the end of 2009.
5. Promote more inclusive labour markets by ensuring work incentives, effective active labour market policies and modernisation of social security systems that also lead to a better integration of disadvantaged groups including the disabled, the low-skilled and migrants.
6. Upgrade skills at all levels with lifelong learning, in particular giving school leavers the necessary skills to find a job.
7. Use labour mobility to match supply and demand of labour to best effect.

**At European level:**

8. Identify job opportunities and skills requirements, and improve skills forecasting so that training offers match labour market needs.
9. Assist unemployed and young people to start their own business.
10. Anticipate and manage restructuring through mutual learning and exchange of good practice.

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1 Just prior to the economic crisis, EU leaders, social partners and the European Commission adopted a flexicurity framework for action as a means of solving the EU’s employment problem. See Annex 1.
Implications for guidance policies and systems

1. Lifelong learning, workforce up-skilling, and transition management figure very strongly in flexicurity framework solutions. These are also mentioned in the Council Resolution on Better Integrating Lifelong Guidance into Lifelong Learning Strategies 2008. The provision of career guidance to support such solutions has not to date received a mention in EU flexicurity policy. Action is required of ELGPN to promote coherence between positions adopted by the ministries of education which see career guidance as central to lifelong learning, VET policies, and career transitions, and positions adopted by the ministries of labour which make no reference to the role that career guidance can play in assisting efficient lifelong learning and continue vocational training policies, and better and safer employment transitions. Some EU countries have made that link strongly in their workforce skills development policies e.g. Ireland, UK.

2. There is a clear recognition of the critical role of the national employment services in assisting unemployed persons to survive unemployment, particularly in ensuring individuals’ efficient investment in their own further education and training. There is also a recognition that the counselling capacity of the national employment services needs to be strengthened and expanded to cope with the growing demand. The crisis context highlights the need to revisit national lifelong learning strategies to see how the national employment services are included, and if they are not appropriately mentioned, to advocate for a place for them in the national strategy.

This is very relevant for WP2 on access.

3. There is a clear political concern for youth unemployment and the potential of drift into long-term unemployment. In past economic crises, participation in further education and training has acted as a pressure release valve or as a counter to youth unemployment. That has implications for policies for guidance provision in education and training, again to ensure efficient individual and taxpayer investment.

It is relevant to WP2 on access.

4. A key ingredient in guidance provision is good labour market information and good job opportunity and skills forecasting. The crisis draws attention to the need for efficient tools for labour market information and skills forecasting and for their links with guidance provision and career information at national level.

This issue should be of concern to WP4 on the quality of guidance provision.

5. There is a strong EU concern that school-leavers are equipped with the necessary skills to find a job. This requires an examination on how the current education and training curricula at national or regional level assist school-leavers to acquire these skills and what additional support schools and training institutions need in order to ensure that such a goal can be delivered by them and how.

Here is a clear link to WP1 on career management skills acquisition.

6. Attention should be paid to the danger of “blaming-the-victim” approach which may result from the focus on individual responsibility implicit in the career management skills approach at a time of high unemployment for young people (cf. Reflection Note by R. Sultana- 5-6 May 2009)
2.3 Using EU Tools to Tackle the Crisis

The Summit Communiqué identified existing EU tools which can be used to address the crisis:

- **The European Social Fund** is to be used to respond to crisis-driven needs e.g. to improve matching of labour demand and supply by providing appropriate training or career advice, support setting up one’s own business, or strengthen public employment services.
- **EURES** portal and network to support geographical mobility.
- **The European Employment Strategy (EES)** with its common EU objectives and priorities and the Renewed Lisbon Strategy for Growth and Jobs and its targets.
- EU mechanisms to coordinate national policies to tackle poverty and social exclusion.
- EU mechanisms to coordinate national policies on modernising social protection systems.
- **The New Skills for New Jobs Initiative** to help ensure a better match between skills and labour market needs in the EU and to more effectively analyse and predict which skills will be needed in tomorrow’s labour market. It is part of the flexicurity strategy.

In addition the following improvements to using EU financial tools have been adopted:

- **Increased EU funds resources**: resources from the ESF dedicated to improving human capital in 2007-2013 programming period have been increased to some EUR 25 billions. In addition EUR 13.5 billion from Cohesion policy is foreseen to support the adaptability of workers, enterprises and the development of systems for anticipating economic change and future requirements in terms of skills and jobs.

- **Accelerating the implementation of the structural funds**: the Commission will propose to increase its pre-financing of programmes to make up to EUR 4.5 billion available earlier in 2009.

- **Adapting the regulations of the European Social Fund Funds and European Globalisation Adjustment Fund (EGF) to make them more effective as policy levers**: New rules for both the European Social Fund and the European Globalisation Adjustment Fund have been proposed:

  - **European Social Fund**: the procedure to access it will be simplified and advance payments from early 2009 have been stepped up. As a result, Member States have earlier access to up to €1.8 billion to reinforce active labour market policies, refocus support on the most vulnerable, step up action to boost skills and where necessary opt for full Community financing of projects during this period.
  - **European Globalisation Adjustment Fund**: its scope is being broadened to support a wider range of people who lose their jobs to be helped back into work. Member States will also be able to use the Fund more easily for training and job placements and longer support will allow the best measures to assist workers.
Implications for guidance policies and systems

1. From past experience of national and regional economic crises, the European funds provide plenty of opportunity for enterprising individuals and businesses to provide career advice and training for the unemployed, in part to support the public employment and education guidance services. However the field of career guidance has not been controlled for quality assurance in many countries. The European Court of Auditors has a role in monitoring the quality of ESF funded actions. Nevertheless it is important to ensure that those who participate in services provided for citizens and with taxpayers funds receive a service of value against some recognised standard.

In a sense this adds urgency to the work of WP 4 to promote career guidance quality assurance criteria for services contracted out.

2. It is important that actions arising from additional European and national funding provided for strengthening guidance provision during the economic crisis form part of an overall long to medium term national strategic response to the priorities of the 2008 Council Resolution on lifelong guidance and to lifelong learning provision. There is a need for synergy between actions of the education, training and employment sectors and ministries as regards additional expenditure for guidance.

This is an issue that could be taken up by WP 3 and included in the review of the 2008 Resolution.

3. More attention needs to be paid to geographical and occupational mobility. Increased political prominence needs to be given to EURES and other networks that support geographical mobility. Occupational mobility is linked to workforce up-skilling, flexicurity, and increased access to guidance provision for employed persons, including the identification and validation of transferable skills.

This point needs to be taken up in WP 2 on access.

4. Structural Funds should be a strong support for lifelong guidance provision, particularly in the Objective 1 (Convergence) regions. Attention should be paid to the fact that education guidance services are rarely supported by Structural Funds but they can be. The opportunity is given through the Recovery Plan to use Structural Funds to reinforce technical means such as labour market information to improve the quality of services. A reflection and exchange of good practice on how to use European funds to develop national and regional guidance policies and systems should be part of ELGPN activities.
3. POLICY TOOLS IN EDUCATION AND TRAINING AREA TO ASSIST THE RECOVERY

3.1 The following Key Points for the Recovery of Europe have been adopted by the ministers responsible for education (informal meeting of Ministers of Education, Prague, 23 March 2009)

- Effectively using the existing resources and maintaining or increasing investments into education and training
- Focusing on skills and key competences supporting people’s employability, flexibility and adaptability
- Fostering entrepreneurship and promoting creativity and innovation
- Developing dialogue and cooperation with social partners, particularly with employers and enterprises
- Strengthening the role of education from the perspective of the knowledge triangle and its connection to research, development and innovation
- Promoting lifelong learning and supporting further education and retraining.
- Supporting social cohesion, active citizenship and the sense of social responsibility
- Promoting European cooperation in education and training

3.2 These actions should be undertaken with reference to the new “Strategic Framework for European Cooperation in Education and Training” (ET 2020) which was adopted at the 11-12 May 2009 Council of Education.

The ET framework is intended to address four strategic objectives for the period up to 2020 which corresponds to the long-term goals of the Lisbon Strategy:

- Making lifelong learning and mobility a reality
- Improving the quality and efficiency of education & training
- Promoting equity, social cohesion and active citizenship
- Enhancing creativity and innovation, including entrepreneurship at all levels of education and training.

The ET priority areas during the first cycle 2009-2011 are particularly relevant to the Recovery Plan: validation of non-formal and informal learning, guidance, expanding learning mobility, improve basic skills in reading, mathematics and science for young people and adults, ensure that future skills requirements are adequately taken on board in education/training processes, promote creativity and innovation, and develop partnerships between education/training institutions and business area.

3.3 VET policies have a crucial role to guarantee employability: the implementation of the Bordeaux Communiqué priorities “Improving links between VET and the labour market” is a very pertinent response to the crisis.

3.4 Higher Education: the Communiqué of the conference of European ministers for Higher Education (Louvain, 28-29 April 2009) highlights priorities for the decade to come which constitute
a strong contribution to the Recovery Plan: equitable access, implementation of lifelong learning policies in partnership with employers and employees including recognition of prior earning, employability, and research and innovation.

**Implications for lifelong guidance policies and systems**

1. The Key Points for Recovery stress the policy importance of lifelong learning, flexicurity, employability, entrepreneurship, social dialogue and social cohesion. Guidance has been singled out as a priority area in the strategic priorities of first cycle of ET 2020, in particular the need to increase the quality of guidance systems (WP 2 and WP 4).
2. There is a need to take account of the Bordeaux Communiqué on European Cooperation in VET (2008): VET policies have a crucial role to guarantee employability: the implementation of the Bordeaux Communiqué priorities “Improving links between VET and the labour market” is a very pertinent response to the crisis. It emphasises the role of guidance.

**4. THE EUROPEAN SOCIAL PARTNERS PERSPECTIVES**

It is important to note that the European social partners who attended the Employment Summit on 7 May 2009 refused to sign the final document. On the occasion of the Summit, the European social partners issued joint recommendations on the use of ESF to address the economic crisis which included:

- support for young people (school, university) entering the labour market to improve guidance provision for young people and provide them with better information about skills needs and job opportunities
- other measures to support young people’s education to work transitions, to provide training opportunities, and to reduce early school-leaving.
- support for employers to up-skill their workforce.
- support for disadvantaged workers to improve work-related skills and experience.

The CEEP which represents public employers or providers of services of general interest, almost a quarter of the EU workforce, (and includes publicly funded career guidance services) referred to:

- the double challenge to such services to face the economic crisis while preserving the accessibility, the high quality, the affordability and the continuity of services of general interest
- the need to keep a long-term focus by strong investments in physical and social infrastructures
- “the core of the public employers response will be built around the concept of employability, the anticipation of new skills needs and the skills upgrading”.

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With the support of the Lifelong Learning Programme of the European Union
The European Trade Union Confederation (ETUC) called for a new Social Deal for Europe designed by Social Dialogue which would:

- strengthen and broaden unemployment benefits
- invest in skills and lifelong learning as well as in direct job creation in the social sector
- offer young people entering the labour market a guarantee of a job or training
- increase European social spending to enlarge ESF activities (capacity building which includes training, network actions, strengthening social dialogue and joint actions of social partners).

It also drew attention to

- the importance of regional planning to help people prepare and adapt to economic change, and;
- active and inclusive labour market policies to be defined with the social partners that require the definition of an enhanced career long policy linked to lifelong learning.
Implications for lifelong guidance policies and systems:

1. It is important to note the nuances of perspectives of the European social partners. This will provide for a framework of understanding of their national level stances which may be quite different from that agreed at EU level. They are important national actors and should be taken into account in the WP activities and in the national networking. One recommendation here is that at EU level the ELGPN coordinator should arrange meetings with the leaders of the European social partners and take advantage of the economic crisis to press home the need for career guidance provision to be part of EU and national employment and workforce up-skilling strategies, including flexicurity. Action at national and regional levels should include social partners.

2. Both employers and trade unions acknowledge the importance of guidance provision but seem to stress this more for young workforce entrants than for employed, unemployed, older workers, and those in transition. In discussions with the social partners, there is a need to stress the lifelong or career long provision of guidance to support the majority of the workforce particularly in a flexicurity paradigm.

3. In tight labour markets, employers are often tempted to select those with the highest qualifications even where such are not really demanded by the actual job opportunities themselves. This has a knock-on effect on the job prospects of those less but adequately qualified jobseekers. Attention should be paid to this phenomenon.

4. Finally attention needs to be paid to the issues raised by CEEP which represents public service employers and publicly funded services. At times of economic crises in the past, some governments have cut back the provision of guidance services to save public money and at the same time have scape-goated such services for inadequately preparing youth and unemployed with the skills to find a job when the real problem was a scarcity of jobs. The double challenge to face the crisis and preserve the quality of the public services and to keep a long-term focus, mentioned by CEEP, are very pertinent to the present and future development of lifelong guidance provision in the EU and to the work of ELGPN.

5. THE KEY ROLE OF LIFELONG GUIDANCE

Lifelong guidance is a cornerstone of the short-term Recovery Plan and of the medium/long term Lisbon Strategy objectives as part of lifelong learning strategies.

5.1 Lifelong guidance policy should help people to anticipate and to prepare transitions.

- For the employees in non-risk sectors: the implementation of activation measures and flexicurity strategy should help to maintain as many people as possible in jobs. It implies personalised counselling to be guided towards meaningful training to maintain /improve competences.

- For the employees in job losing sectors: reintegration into the labour market will be supported by
- taking stock of one’s professional life (assessment of competences, validation/recognition of experiential learning outcomes, capacity to change),
- preparation for job search
- information and guidance to encourage professional and/or geographic mobility towards new job opportunities
- professional coaching for self-employment and business start-up.

- For the low-skilled and disadvantaged groups, improving employability implies information on new jobs and guidance to plan a vocational training and occupational pathway.
- For young people:
  - Information and guidance for apprenticeships
  - Specific identification of young people at risk of school leaving
  - Active guidance and counselling within universities
  - Counselling and preparation for mobility in training and in work life
  - Systematic follow-up during the first year after leaving school/university.

5.2 What kind of “emergency” LLG services should be foreseen?

- Use ESF to strengthen and improve the efficiency of National Employment Services through specific crisis training of counsellors
- Planning integrated action of the different actors and networks through multi-services platforms
  - Paying particular attention to the guidance support needs of those who are already disadvantaged by barriers to the labour market and who become even more vulnerable in a very tight labour market
- Planning systematic information gathering and dissemination on local, regional, national and European job prospects by sectors
- Use ESF to reinforce occupational forecasting on the renewable energy sector and “green jobs”
- Ensure better links between labour market forecasting and lifelong guidance services to support matching supply and future demand of the labour market.
ANNEX 1 EUROPEAN UNION’S FLEXICURITY POLICY

The EC’s Communication: Towards Common Principles of Flexicurity: More and Better Jobs through Flexibility and Security (June 2007) defines the flexicurity concept as:

“an integrated strategy to enhance, at the same time, flexibility and security in the labour market. Flexibility is about successful moves (‘transitions’) from school to work, from one job to another, between unemployment or inactivity and work, and from work to retirement. Security is not only the security to maintain one’s job; it is about equipping people with the skills that enable them to progress in their working lives, and helping them find new employment”.

The Communication describes some components of successful flexicurity policies which can be incorporated into any country’s labour market policy, namely:

- Flexible and reliable contractual agreements;
- Comprehensive lifelong learning;
- Effective active labour market policies; and,
- Modern social-security systems.

It provides a typology of four different challenges that labour markets in different countries may be facing, leaving it up to governments to decide which recommendations apply to them and provided a pathway out of each:

1. **Key challenge – contractual segmentation** (permanent contracts versus short-term contracts with low levels of social protection).
   **Pathway** – promote a more even distribution of flexicurity and security for new entrants to the labour force with progression to better contractual arrangements.

2. **Key challenge – developing flexicurity within the enterprise and offering transition security** (overcome low job mobility within the workforce). **Pathway** – invest in employability and lifelong learning to increase worker’s adaptability to technological change; provide for better and safer transitions within and between companies.

3. **Key challenge – skills and opportunity gaps among the working population** (low skilled groups have little chance of finding a better job than they currently hold).
   **Pathway** – promote opportunities and develop the skills of the low-skilled workers in order to create upward social mobility.

4. **Key challenge – improve opportunities for welfare benefit recipients and for those who work in the informal employment sector.**
   **Pathway** – introduce or reinforce active labour-market policies and lifelong learning to improve opportunities for welfare recipients to move from informal to formal employment.