

# Reform of the European Network of Employment Services (EURES)<sup>1</sup>

*Impact Assessment (SWD (2014) 9, SWD (2014) 10 (summary)) of a Commission proposal for a Regulation of the European Parliament and of the Council on a European Network of Employment Services, workers' access to mobility services and the further integration of labour markets (COM (2014) 6 final)*

## Background

This note seeks to provide an initial analysis of the strengths and weaknesses of the European Commission's Impact Assessment (IA) accompanying the above proposal, submitted on 17 January 2014.

In line with the Europe 2020 Strategy, the free movement of workers is considered as a key element in the development of a more integrated EU labour market which allows worker mobility from high unemployment areas to those characterised by labour shortages. It also contributes to finding the right skills for vacant positions and overcoming bottlenecks and mismatches in the labour market. But despite the social and economic benefits it generates, intra-EU labour mobility is still limited, with an annual mobility rate in the EU of 0.29 per cent, and only 3.1 per cent of the European labour force being economically active in another Member State<sup>2</sup>. Surveys show, however, that there is a significant mobility potential within the EU, with 2.9 million EU citizens indicating firm intentions to move in the next 12 months<sup>3</sup>.

Set up in 1993<sup>4</sup>, EURES is a European network for co-operation between the Public Employment Services ('PES') of the EEA Member States (the EU countries plus Norway, Iceland and Liechtenstein), on the one hand, and the European Commission, on the other, allowing the exchange of vacancies and employment applications (so-called 'clearance'). It comprises an internet portal and a network of employment advisers, and accounts for approximately 150 000 placements per year. The main legal base of EURES is provided for in Chapter II of Regulation (EU) 492/2011<sup>5</sup> which requires Member States' central employment services to cooperate with one another in exchanging information on vacancies, applications and CVs. The Commission Implementing Decision 2012/733/EU sought to modernise the functioning of EURES by providing more personalised job-matching services and opening it up to employment service providers other than the PES. This Decision has, however, been challenged by the European Parliament before the Court of Justice<sup>6</sup> on the grounds that the Commission exceeded the implementing powers conferred on it by the 2011 Regulation.

Whereas the 2012 Decision brought some changes to the functioning of the EURES network, Chapter II of Regulation 492/2011, which constitutes the regulatory framework for clearance and information exchange between Member States on intra-EU labour mobility, has not been amended since 1992 and no longer

<sup>1</sup> See also EPRS Briefing of 23/3/2014 on public employment services in the EU

<sup>2</sup> IA, p. 7.

<sup>3</sup> IA, p. 3.

<sup>4</sup> OJ L 274, 6.11.1993, p. 32.

<sup>5</sup> Regulation on freedom of movement for workers within the Union, OJEU, 27.5.2011, L 141, p. 1.

<sup>6</sup> ECJ Case C-65/13

reflects, according to the Commission, the changes that have occurred regarding mobility patterns, new technologies for sharing job vacancy data, the diversity of recruitment channels, and the increasing role of other labour market actors, alongside the PES, in provision of recruitment services.

In light of the high unemployment rates, the June 2012 European Council conclusions on the Compact for Growth and Jobs called for the EURES portal to be developed into 'a true European placement and recruitment tool' to enhance intra-EU labour mobility. The European Council Conclusions of December 2012, on the 2013 Annual Growth Survey and youth employment, subsequently invited the Commission to propose a new EURES Regulation.

## **Problem definition**

According to the IA, the functioning of the EURES network is hampered by the following **five** principal shortcomings:

1. *Insufficient labour market transparency* as not all job vacancies and CVs are accessible via the EURES portal. Limitations in the PES vacancy share and administrative limitations in the Member States on the type of vacancies to be made available, are cited as the two main reasons behind this situation;
2. *Limited capability for automated matching of CVs and job vacancies* due to the different classification systems for skills and competences used in the Member States;
3. *Uneven access to EURES services across the EU* as job-seekers and employers are not systematically informed about the EURES network and do not receive an offer of further assistance at the first stage of recruitment (mainstreaming of EURES services);
4. *Limited capacity of EURES advisors to assist with matching, recruitment and placement services*, including access to active labour market measures and advice on social security (mobility support services);
5. *Insufficient exchange of information between Member States on labour shortages and surpluses* hampering a more targeted practical cooperation in the EURES network.

According to the IA, a critical factor for all the above shortcomings is the limited composition of the EURES network, which only includes the national PES and the Commission, to the exclusion of private and other non-public employment services.

The Commission explains that the drivers underlying the above shortcomings are related to the current framework for the functioning of the EURES network under the 2012 Decision, and the clearance mechanisms under the 492/2011 Regulation. These drivers are the following:

- *Unclear obligations for Member States* leading to a wide scope for interpretation which results in only partial transmission by Member States of job vacancies and pertinent labour market information and continued administrative barriers to accessing such information;
- *Insufficient willingness of Member States to voluntarily provide services relating to intra-EU labour mobility*, notably in terms of transmission of job vacancies to the EURES portal, visibility of EURES vacancies on national job search portals and access to mobility support services;
- *Over-reliance on voluntary Member State collaboration* for the functioning of the EURES network;
- *Absence of a coherent approach* on how and where the EURES network comes into action;
- *Limited coordination powers of the Commission.*

The problem definition section of the IA makes a clear presentation of the functioning of the EURES network, and in particular of the internet portal and role of EURES advisors, as well as of the inefficiencies related to the current regulatory framework. In this regard, Annex 7 of the IA includes a useful table on the obligations falling on Member States under Regulation 492/2011 and the current situation.

However, the IA does not provide a comprehensive overview of the situation at national level. Very little information is provided regarding EURES-related procedures and services per Member State (notably information on PES vacancy share, administrative limitations to the transmission of vacancies to the EURES

portal etc.) or concerning the role and importance of private actors as employment service providers and the existence of any cooperation agreements between national PES and such actors. The absence of such information makes it difficult to appreciate in which Member States the 'opening up' of EURES to private employment services, which is one of the main goals of this reform, would be the most difficult to attain.

Nor does the IA substantiate sufficiently the reason why private actors should necessarily be placed on an equal footing with the PES in the EURES network, given the concerns and resistance repeatedly expressed by several Member States (also in the context of the 2012 Decision), the existing cooperation mechanisms in some Member States and their potential development in others. In this context, some information on the possible impact such cooperation mechanisms might have on the effectiveness of EURES services delivery, would have been useful. In addition, the IA does not sufficiently explain why providing access to EURES services only on explicit demand by users would be a problem<sup>7</sup> (passive approach to mainstreaming EURES) and does not include any data that would allow to judge the effectiveness of one mainstreaming approach over another.

The baseline scenario does not assess if EURES has been affected by national reforms or improvements of the national PES and whether any good practices have been developed with regard to mainstreaming, cooperation with private service providers etc. Nor does it indicate how the situation would evolve in the light of the existing measures/policies adopted at national and EU level; the proposed Decision on enhanced cooperation between PES<sup>8</sup>, which, according to the Commission, could have a 'potentially positive impact on national EURES service delivery'<sup>9</sup>; the revamping by the Commission of the EURES internet portal to improve the search functionalities and facilitate matching of labour supply with demand; the development of a European classification of skills, competences, qualifications and occupations (ESCO) and its integration on the EURES portal, or the 2014 pilot project on extending EURES to traineeships and apprenticeships.

Finally, it is unclear from the IA what is meant by the agreement decided between the Commission and the Member States in the framework of the 2012 Decision to 'reflect in 2014 on how to open up' EURES to non-PES actors and how this relates to this initiative. In any case, the impact assessment and the resulting proposal clearly pre-date that reflection process.

## **Objectives of the legislative proposal**

The general objective of this initiative is to move further towards an integrated European labour market. This is translated into the following specific objectives<sup>10</sup> which address the five principal shortcomings identified above:

1. 'To achieve on the EURES portal a nearly complete supply of job vacancies, with job seekers all over Europe having instant access to the same vacancies, in combination with an extensive pool of CVs available from which registered employers can recruit;
2. To enable the EURES portal to carry out a good automated matching between job vacancies, job applications and CVs, translating in all EU languages and understanding skills, competences, occupations and qualifications acquired at national level;
3. To make available basic information on the EURES network throughout the Union to any job seeker or employer seeking client services for recruitment and to consistently offer any person interested access to the EURES network;
4. To assist any such person interested with matching, placement and recruitment through the EURES network;

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<sup>7</sup> IA, p. 20.

<sup>8</sup> COM(2013) 430.

<sup>9</sup> IA, p. 3.

<sup>10</sup> IA, p. 35-36.

5. To support the functioning of the EURES network through information exchange on national labour shortages and surpluses and the co-ordination of actions across Member States'.

Operational objectives (notably with the quantifiable target of 75 per cent of the job vacancies published by employment services in the EU to be accessible through the EURES network) were defined for each of the above specific objectives.

## Range of options considered

The following four options were examined in the IA, with option 3 being by far the most developed:

1. **Policy option 1: 'No new action'**: the adaptations already initiated (2012 Decision) in the functioning of the network, the operational objectives of EURES and the definition of the services offered, will continue within the scope of existing Regulation 492/2011 as it stands today. A new EURES Charter should be adopted in line with the 2012 Decision.
2. **Policy option 2: 'Lisbonisation'**: amending Regulation 492/2011 to introduce a legal basis for conferring powers on EURES to the Commission, in conformity with the Lisbon Treaty, and subsequently launching a new Decision in accordance with the amended basic act. The purpose of this option is to respond quickly to the appeal lodged by Parliament against the 2012 Decision.
3. **Policy option 3: 'modernising and strengthening EURES'**: A new Regulation encompassing Chapter II of Regulation 492/2011 and the 2012 Decision and further strengthening EURES: this option includes five specific measures to address the shortcomings referred to above and related to:
  - i) transparency of labour markets*: obligations for Member States to make available to EURES all vacancies published at national level, as well as CVs of all willing job-seekers, and to make the EURES portal visible and searchable through national job search portals;
  - ii) automated matching*: obligation for Member States to ensure full interoperability according to technical standards and formats (defined by the Commission through implementing acts) between national systems and the EURES portal;
  - iii) mainstreaming*: obligation for Member States to ensure that all job-seekers and employers requesting client services with employment services are provided with basic information on the EURES network and are explicitly asked whether they would like further assistance if they are interested in intra-EU labour mobility (EURES offer);
  - iv) support services*: obligation for Member States to ensure access to job search and practical recruitment assistance to all job-seekers and employers having formally indicated their interest in using the EURES network. Access to active labour market measures will be made independent of the targeted location of employment. Specific information and assistance must be provided in relation to social security;
  - v) information exchange and cooperation*: obligation for Member States to exchange labour market intelligence; to develop mobility policies as an integral part of their employment policies, on the basis of the intelligence gathered, and to share the content of those mobility policies among the EURES network.

Under this option, Member States will be required to introduce systems to 'open up' the EURES network at national level by authorising EURES partners and monitoring their activities and their compliance with national and Union law. The initiative would ensure that any employment service operating lawfully on the territory of a Member State would have a right to request participation. The initiative would define common criteria for the assessment of applicant organisations.

4. **Policy Option 4 'Option 3 plus EU partnership agreements'**: a new Regulation with a Commission mandate to increase cooperation between employment services: this option includes all measures foreseen under option 3 and adds a mandate for the Commission to enter EU-wide partnerships with non-public employment services.

The Commission discarded the possibility of splitting up the elements of options 3 and 4 and thereby only focusing on more transparency, for example, or better access for non-PES service providers to the EURES network, on the grounds that the different components of these options are strongly interlinked and that the five principal shortcomings share underlying drivers. As a result, it argues, not addressing one shortcoming might adversely affect the realisation of improvements envisaged to others.

**The Commission's preferred option is option 3.** Despite the fact that, in the comparison of options, option 4 produced more positive effects than option 3, it was not privileged as an option because of concerns related to the role of the Commission and its relationship with individual Member States.

## Scope of the Impact Assessment

The assessment of the social and economic impacts of option 3 clearly dominated the analysis. No significant environmental impacts were found in any of the options and therefore these were not assessed.

For each of the five shortcomings to be addressed, and corresponding specific measures under option 3, the IA extensively discusses the required efforts, the impacts and the costs. The analysis remains however mostly qualitative with only some illustrative estimates of implementation costs. For example, it is estimated that the costs of the measures foreseen to improve the transparency of the labour markets will depend on whether the existing mechanisms set up by the Member States to exchange vacancies with the EURES portal can accommodate the required process and IT adjustments (the costs are then low), or whether a new system needs to be put in place, in which case it is estimated that the cost could be around 100 000 euros, with annual maintenance costs of around 12 000 euros. No information is given as to where this figure comes from. Generally speaking, it is unclear to what extent the estimates of costs provided correspond to the changes actually required in the Member States compared to the baseline scenario.

Costs related to the mapping exercise between national systems and the European classification that has to be undertaken by 80 per cent of all PES, could not be calculated, the IA indicating that 'they will differ much between Member States depending on the [classification] system in place'<sup>11</sup>. Mainstreaming EURES in standard employment service delivery 'should have low administrative costs', the Commission claiming that many PES have already developed communication material on the EURES network, with the help of EU grants in the period 2010-2013, and could adapt it.

The assumptions that were used to calculate the overall additional annual costs for information (33.3 million euro) and job search assistance (16 million euro), such as the envisaged two hours of individual job search assistance per applicant, are not explained. Implementation costs for the most affected Member States – the smallest Member States, according to the IA – are not given.

Generally speaking, the IA remains unclear as to exactly how the envisaged measures are to be implemented in practice. In particular, the IA does not describe or assess the envisaged authorisation system and the quality criteria with which private service providers would have to comply. Nor does it discuss the risks of allowing Member States to apply additional criteria that could hinder access of private operators to the EURES network. The costs of the envisaged authorisation systems and the administrative burden for private operators are not assessed either, the Commission indicating only that costs for private operators will depend on the services that they choose to deliver.

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<sup>11</sup> IA, p. 50.

In addition, the IA does not discuss the effectiveness of measures that largely rely on the voluntary participation/cooperation of non-PES providers. No information on their potential up-take is provided. Member States' concerns in opening up the EURES network are not discussed in great depth, despite the fact that the Commission recognises that 'these views have their merits'<sup>12</sup>.

## **Subsidiarity / proportionality**

The proposal is based on article 46 TFEU, which refers to close cooperation between national employment services and provides explicitly for the setting up of appropriate machinery to bring offers for employment in touch with applications for employment.

The IA includes a section on subsidiarity and proportionality in which the Commission indicates that the individual measures in the proposal are closely interconnected and that each one of them either aims at improving 'the close cooperation between national employment services' and/or at redesigning 'the appropriate machinery' to bring job vacancies in touch with job applications. Because the proposed measures require a common framework of cooperation between organisations in different Member States, the Commission explains that the objectives cannot be sufficiently achieved by Member States alone and action at EU level is therefore necessary. Some commentators have nevertheless questioned whether the EU has competence to require Member States to promote cross-border mobility as a permanent part of the national employment policy.

The Commission also argues that the proposal respects the principle of proportionality as Member States will only make available to the EURES portal those vacancies and CVs already available nationally; no common classification system will be imposed; mainstreaming can be achieved through standard information and only comes into play when there is a request for client services with employment services; no detailed common service catalogue will be introduced, and national mobility policies are left to the choice of Member States.

No reasoned opinions have been received from national parliaments.

## **Budgetary or public finance implications**

No impact is foreseen for the EU budget as the activities to be carried out by the Commission for the EURES network are covered by the Programme for Employment and Social Innovation (EaSI) 2014-2020. The IA indicates that most of the costs for Member States will arise from the adaptation to the new system, since they come on top of fixed and variable expenditure already incurred by the PES for the operation of their core services. Some of these costs can be covered by the EaSI, for instance in relation to the mapping exercise to be undertaken for European classification and its adoption by interested Member States in their national systems.

The Commission also explains that activities in Member States to promote intra-EU labour mobility are eligible under the European Social Fund. As indicated previously, some estimates of costs are given, but it is not clear whether these correspond to the actual expenses that will have to be incurred by the Member States. The IA indicates that 'the impacts [of mobility support services] will be more difficult for the smallest Member States, especially if they are sending countries, knowing that the overall annual budget of labour market services in these countries are in the order of 6 to 7 million (Cyprus, Malta and Latvia), 10-15 million (Hungary, Estonia, Bulgaria)<sup>13</sup>. However, no detailed assessment of the impacts of the measures on these Member States is provided.

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<sup>12</sup> IA, p. 32.

<sup>13</sup> IA, p. 54.

## **SME test / Competitiveness**

No SME test was performed. The IA indicates that the reform of the EURES network will be particularly beneficial for SMEs since currently they may not be able to afford to recruit abroad without the services that the EURES network provides free of charge.

## **Simplification and other regulatory implications**

The new Regulation repeals the elements of the 2011 Regulation (chapter II) and the 2012 Commission implementing Decision dealing with the EURES network.

## **Quality of data, research and analysis**

No outside expertise was used specifically for the preparation of this IA. No ex-post evaluation of EURES has been carried out: the 2010 'evaluation' report referred to in the IA was in fact the EURES activity report for 2006-2008 which relied on an external evaluation carried out in 2009. The link to the 2009 study is not provided in the IA.

The IA mainly relies on studies by the Commission, the European Policy Centre and the OECD. Among the reports from the Commission, information was collected from the Employment and Social Developments in Europe report (ESDE) (of 2006) and the European Employment and Social Situation Quarterly Review (ESSQR) (of June 2013). Other information sources include the EURES section of the Single Market Scoreboard of May 2013 and Special Eurobarometer 398 on the internal market of October 2013.

The shortcomings of the functioning of the EURES network were identified on the basis of consultations with Member States and, notably, the Advisory Committee on 'Freedom of Movement of Workers' which was consulted on the draft 2012 Decision, as well as questionnaires that were sent to the PES, to EURES managers and EURES IT correspondents. The latter two had a low response rate (44 per cent and 41 per cent respectively).

As previously mentioned, the analysis is mostly of a qualitative nature and only a few quantitative estimates are provided. A lot of emphasis appears to be placed on option 3, to the detriment of the other options. In particular, option 2 is insufficiently addressed. No alternatives to the envisaged measures regarding their level of ambition are presented.

## **Stakeholder consultation**

No open public consultation has been carried out on the envisaged options or measures and their estimated impacts, the Commission considering that 'given the [Eurobarometer] surveys on the needs and perceptions of citizens [on mobility issues] and the information gathered from the network and the use of the EURES portal a specific public consultation was not deemed necessary'<sup>14</sup>. The absence of a public consultation is surprising given that EURES is targeted at EU citizens, be they workers, job-seekers or employers, and obtaining their views might have provided useful input into the IA. These three categories are even identified in the IA as the most directly affected<sup>15</sup> but their views are not explicitly reflected. As for social partners, the IA indicates that 'the social partners have been consulted throughout the process of the preparation of the 2012 Decision and they have also been involved in the preparation of its implementation'<sup>16</sup>. This presumably implies that they were not consulted on this specific initiative and their views are also not reflected in the IA.

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<sup>14</sup> IA, p. 5.

<sup>15</sup> IA, p. 26.

<sup>16</sup> IA, p. 5.

While Member States appear to have been consulted in the framework of the preparation of the 2012 Decision, it is not apparent from the IA that they have been consulted on the envisaged measures of this particular initiative. The same applies for the PES which were sent general questionnaires aimed at reviewing practices on the access to job vacancies at national level, the access for jobseekers and employers to the EURES network and the organisation of matching, placement and recruitment activities. PES are, however, identified as being directly affected by the proposal. As for private operators, who are also directly affected, the only reference is to an informal meeting in August 2013 with Eurociett (the European Confederation of Private Employment Services).

In light of the above, the question arises as to whether the consultation obligations set out in the Commission's impact assessment guidelines, as well as the Commission's minimum consultation standards, have been fully respected. The latter indeed require 'to engage all affected stakeholders', to 'ensure that stakeholders can comment on a clear problem definition, subsidiarity analysis, description of the possible options and their impacts' and to 'analyse stakeholders' contributions for the decision-making process and report fully in the IA report on how the input was used'<sup>17</sup>.

## **Monitoring and evaluation**

The IA indicates that the existing mechanisms for data collection and information sharing will be reinforced through the use of the programming cycle foreseen under the 2012 Decision, and the use of common indicators. These will add to the existing data sources, such as the regular monthly reports from EURES advisors and customer satisfaction surveys developed at national level. No further details are provided regarding those common indicators. Developments within the PES will be monitored through the activities of the PES network. An implementation report will be submitted every two years by the Commission and an ex-post evaluation will be carried out five years after the adoption of the Regulation.

## **Commission Impact Assessment Board**

The Commission's Impact Assessment Board (IAB) delivered **two negative opinions** on draft versions of the IA in October and December 2013 respectively. These opinions highlighted several shortcomings, among which the lack of an in-depth analysis of the bottlenecks in implementing EURES at national level, including an analysis per Member State; the lack of a fully developed baseline scenario taking into account on-going and planned improvements to EURES and national PES; the lack of description and assessment of the envisaged authorisation systems for private employment services, including the quality criteria to be applied as well as the costs of such systems; the non-compliance with the Commission's minimum consultation standards and the poor description of stakeholders' views and concerns. Few, if any, of these concerns would appear to have been addressed in the final version of the IA accompanying the proposal adopted in January 2014. The standard section on the IAB's comments is actually missing from the IA.

## **Coherence between the Commission's legislative proposal and IA**

The Commission proposal and the IA appear to correspond.

## **Conclusions**

Overall, the impression is that the IA has been prepared in some haste. Whatever the reason, the quality of the IA has undoubtedly suffered as a result and many of the Commission's own internal guidelines on impact assessment have not been fully respected. The analysis remains mostly qualitative, with only some illustrative estimates of implementation costs. There has been no dedicated ex-post evaluation of the existing legislation and no public stakeholder consultation on the new proposal. Many, if not all, of the concerns highlighted in the second negative IAB opinion of December 2013, seem to remain valid.

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<sup>17</sup> (COM (2002) 704 final).



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*This note, prepared by the Ex-Ante Impact Assessment Unit for the Committee on Employment and Social Affairs (EMPL) of the European Parliament, analyses whether the principal criteria laid down in the Commission's own Impact Assessment Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal. It is drafted for informational and background purposes to assist the relevant parliamentary committee(s) and Members more widely in their work.*

This document is also available on the internet at: [www.europarl.europa.eu/committees/en/studies.html](http://www.europarl.europa.eu/committees/en/studies.html)

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ISBN 978-92-823-5735-4 | DOI 10.2861/63192 | CAT QA-01-14-495-EN-N

Manuscript completed in July 2014. Brussels © European Union, 2014.

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