

28 May 1999

EUROPEAN EMPLOYMENT PACT:**UNICE STATEMENT IN VIEW OF THE EUROPEAN COUNCIL**
IN COLOGNE, 3-4 JUNE 1999

1. Europe urgently needs more employment creation to bring down its excessive levels of unemployment which – in contrast to other advanced economies, are both much higher and predominantly of a structural nature.

This can only be achieved, and sustained, through improved competitiveness – of firms as well as of the overall business and regulatory environment – higher economic growth and effective structural reforms, especially of labour markets, aiming to increase flexibility and efficiency.

2. UNICE has noted the German Presidency's proposal for a "European Employment Pact – Closer cooperation to boost employment and economic reforms in Europe", which in its view must promote cooperation between all economic policy actors concerned, at national level and EU level.

UNICE supports the objective of pursuing an integrated and balanced employment strategy within the framework of monetary stability and budgetary discipline. However, from UNICE's perspective, it is essential to underline that while there is clearly scope for better consistency between these different policy areas, the main focus of policies to promote higher employment should be geared to economic and structural reform. Policy coordination is a means and it should not be pursued for its own sake: the EU should concentrate on facilitating cooperation and exchanges of best practices.

3. In order to avoid unrealistic expectations about what can be achieved at EU level, the following aspects should also be taken into account:
 - (i) Member States, not the EU, are primarily responsible for design and implementation of their employment policies. These should be consistent with the European Employment Guidelines as well as with the overall macroeconomic and competitiveness requirements.
 - (ii) The principle of subsidiarity and the autonomy of all parties involved in economic and employment policies should be fully recognized and respected, both with regard to procedures and to substantive issues. Specifically, as far as wage developments are concerned, it must be made clear that responsibility lies with social partners, in accordance with different national economic circumstances and practices, and not at European level.

- (iii) In the light of these considerations, rather than aiming for a “pact”, possibly involving binding commitments, it would be more appropriate to work towards strengthening a voluntary process of exchange of information and dialogue at EU level.

4. UNICE supports the three main objectives set out in the proposal, namely to ensure a tension-free macroeconomic policy, a better implementation of the coordinated employment strategy in the Luxembourg process and a strengthening of structural reforms in line with the Cardiff process, which should be given greater emphasis.
- (i) With regard to macroeconomic policies, UNICE can broadly endorse the proposed approach aiming to launch a process of dialogue – both at technical and political level – associating the Council, the Commission, the European Central Bank and the European Social Partners. However, this macroeconomic dialogue, which should be structured around the annual Broad Economic Policy Guidelines exercise, should take place within existing institutional frameworks and respect the prerogatives and the independence of each of the parties involved, especially of the ECB and the Social Partners. In this context, the bilateral and autonomous character of the European Social Dialogue should be suitably recognised in the Presidency's proposal and differentiated from the tripartite nature of other bodies, such as the Standing Committee on Employment.
 - (ii) With regard to the integrated employment strategy in the Luxembourg process, UNICE is concerned to see that implementation is not always balanced. In general, Member States have tended to concentrate on the less controversial recommendations and have not made progress on key issues, such as the reduction of the overall tax burden on business and of indirect labour costs. Achieving an even-handed implementation of the Employment Guidelines is therefore a decisive objective for the future. UNICE does not support the introduction of supplementary quantitative objectives in the framework of these guidelines.
 - (iii) With regard to the Cardiff structural reform process, UNICE believes it should be more focused and strengthened to achieve faster economic and structural reforms in the context of completion of the Single Market and the need to reduce the regulatory burden on business, especially SMEs. Responsibility for this process is still too diffuse among various Council formations and the Commission, as a result of which it is difficult to assess the rate of progress.
5. In conclusion, UNICE is ready to engage in constructive dialogue with the EU authorities on ways to improve synergies and consistency between macroeconomic, employment and structural policies in order to achieve more successful results in the fight against unemployment. However, process can never substitute for lack of policy actions or for inappropriate policy measures. As well as addressing synergy and dialogue, the German Presidency proposals should, therefore, also reflect the need to improve implementation of agreed policies – above all in the area of economic and structural reforms which are critical for Europe's ability to respond to the challenges, and benefit from the opportunities, of globalisation and deeper economic integration in the context of Economic and Monetary Union.

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