

Releasing Europe's employment potential

Companies' views on European Social Policy beyond 2000

UNICE

UNION OF INDUSTRIAL AND EMPLOYERS' CONFEDERATIONS OF EUROPE

Rue Joseph II, 40/4 - B-1000 Brussels

TVA BE 536 059 612

Tel: 32 2 237 65 11 - Fax: 32 2 231 14 45

E-mail: main@unice.be

WWW.UNICE.ORG

UNICE is the voice of European companies of all sizes, operating in all sectors of activity, vis-à-vis the European institutions. It comprises 39 federations from 31 European countries. Its mission is to promote the common professional interests of enterprises represented by its members and to ensure that the policies of the European Union, which affect enterprises, take account of companies' needs. UNICE has actively supported European integration since 1958 and participates in the social dialogue enshrined in the Treaty on the European Union.

Table of contents

Summary	2
Introduction	4
I. The European Union's increased role in shaping social policy	5
II. The challenges	7
III. A qualitative approach to European social policy to release Europe's employment potential	11
Conclusion	14

Summary

Europe needs structural reforms to release its employment potential

Europe's entry into the 21st century will be marked by the establishment of Economic and Monetary Union (EMU) and enlargement of the European Union. These significant achievements are accompanied by strong challenges on the economic and social fronts: technological advances, the globalisation of markets, and demographic developments have shaped truly new terms for the functioning of economies and social systems.

Economic and social challenges are linked and can be met only through economic growth. Europe's success will depend above all on the competitiveness of its companies. Thus, this must continue to be a central concern for all European policies. Competitiveness requires efficient social systems but these must take account of the requirement to live within our means or they will become counterproductive.

Europe is entering the year 2000 with 18 million unemployed. Its weakness in translating growth into jobs shows that Europe has not faced up to the challenge of globalisation. Our poor performance does not result from insufficient demand. It will not be cured by remedies of the past. Reversing this trend requires forward looking structural reforms on all markets: products, capital and labour.

Achieving greater labour market flexibility presents different challenges in different Member States and most of the necessary reforms to improve the functioning of labour markets will have to be taken in Member States. However, the European Union will also play a key role under the European employment guidelines. It should become the champion of structural reforms, and clearly distance itself from illusory solutions such as across-the-board reductions in working hours.

Europe needs a qualitative approach to social policy based on subsidiarity and proportionality

For far too long, European social policy has been mainly associated with European directives. The time has come to adopt a qualitative approach. The Treaty of Amsterdam provides the basis for such an approach, rooted in the principles of subsidiarity and proportionality.

The European employment strategy has been primarily based on structured exchanges of experience and benchmarking with a view to creating transparency, thereby promoting the best performing practices in the Member States. The same approach should be applied to European social policy, as opposed to forced harmonisation. Priority should always be given to action by the social partners in their areas of competence.

Social partners can play a useful role in bringing about the necessary changes

UNICE is willing to play its role in negotiation of initiatives at European level in the cases where this is appropriate. However, the role of the social partners must not be restricted only to negotiation of agreements at European level. There can be a useful role for more general social dialogue, for instance on the general principles of policies to combat unemployment, provided that these discussions are focussed on a real exchange of views and analysis. However, for the social dialogue process to be successful, the EU institutions should adopt a neutral position, in particular the European Commission when it proposes policy measures.

A feature of Europe is that there are in each country industrial relations systems which are very different. Actions by the social partners, should also be based on the principles of subsidiarity and proportionality. Failing that, the European level will adversely interfere in action at national, regional, sectoral and company levels.

Adopting the qualitative approach to European social policy proposed by UNICEF should make it possible to release Europe's employment potential, but also to encourage progressive and market-driven convergence towards the most successful social policy practices of Member States, as opposed to forced harmonisation. In such a context, European social dialogue can play its role and contribute positively to building a prosperous, equitable and dynamic Europe.



Introduction

Europe's entry into the 21st century will be marked by the establishment of Economic and Monetary Union (EMU) and enlargement of the European Union. These significant achievements are accompanied by strong challenges on the economic and social fronts. Technological advances, the globalisation of markets, and demographic developments have shaped truly new terms for the functioning of economies and social systems. Europe is entering the year 2000 with 18 million unemployed and its social protection systems – under great financial pressure – require adjustment to the new realities.

Europe's economic and social challenges are linked and can be met only through integrated action. The social challenges cannot be tackled except through economic growth, creation of new wealth and expansion of employment. These, in turn, cannot be achieved except through the competitiveness of European enterprises. Competitiveness requires efficient social systems but any effort to extend social measures without serious regard for the requirement to live within our means is ultimately counterproductive, damages the prospects for growth, and undermines the capacity of society to support social measures.

UNICE is committed to contributing to the establishment of a prosperous, equitable and dynamic European Union with high living standards. The key question is how to harness the benefits of European integration – specifically EMU and enlargement – in order to build such a Union?

The economic and social success of Europe will depend primarily on its capacity to attract investment, foster innovation and compete in global markets. The competitiveness of enterprises is influenced by a range of factors including human resources, infrastructure, energy prices, taxation, services costs, interest rates, productivity, regulatory framework and climate for investment, industrial policy and public expenditure. Competitiveness is not an end unto itself. But, it is crucial for the creation of wealth and employment. It must therefore remain an overriding concern for all European policies if Europe is to solve its most pressing economic and social concern: unemployment.

Europe's weakness in converting growth into employment is relatively recent. In 1980, unemployment rates were similar in Europe and in the USA (between 6% and 7%). Today, unemployment rates in Europe are more than twice those in either the USA or Japan. While, over the last decade, EU countries have enjoyed marginally better GDP growth rates than the USA (2.5% and 2.3%), employment growth over the same period averaged 0.3% a year in Europe and 1.5% in the USA. Worse still, since 1970, employment in the private sector has actually declined in Europe.

These trends are not the result of demand deficiency but of numerous underlying structural problems that are preventing job creation. UNICE has already described them and proposed solutions in its previous studies – The UNICE Competitiveness Report of 1994 “Making Europe more competitive: Towards world-class performance” and “The UNICE Regulatory Report” of 1995, “Benchmarking Europe's Competitiveness: from analysis to action” of 1998.

These previous studies have indicated that the creation of new employment in Europe requires structural reforms on all markets – product, capital and labour – and action in various policy areas. In particular, the promotion of structural reforms of labour markets should be the primary objective of social policy both at European level and in Member States.

Achieving greater labour market flexibility presents different challenges in different Member States and most of the necessary reforms to improve the functioning of labour markets will have to be taken in Member States. However, the EU level will also play a key role under the European employment guidelines. It should become the champion of structural reforms of labour markets to ensure that EMU achieves employment-creating growth. But the EU will only be able to act as a catalyst for change if Europe co-ordinates efficient policies and clearly dissociates itself from illusory solutions such as general reductions of working time. Empirical evidence shows that the “lump of labour theory”, based on the assumption that there is a fixed amount of work to be done in an economy and that productivity increases lead to falling employment, is a fallacy.

There have been significant increases in employment in almost all the major economies outside the EU over the last decade.

This policy paper:

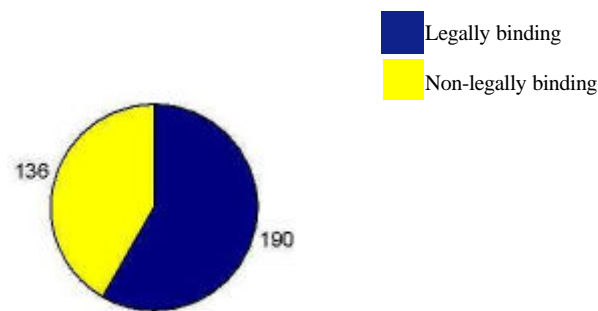
- describes the increased influence of the European level in shaping social policy;

- analyses the challenges to improve Europe's record in converting growth into employment;
- proposes a qualitative approach to European social policy, which takes into account the inter-linked economic and social challenges, and thereby contributes to releasing Europe's employment potential. ■

I. The European Union's increased role in shaping social policy

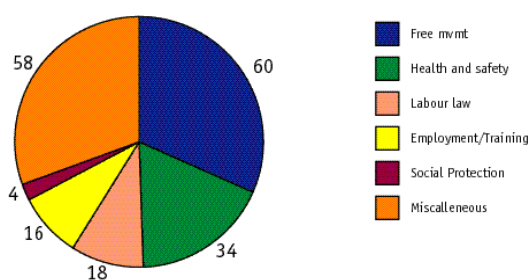
A. The gradual development of European social policy

In parallel with the process of European integration, European social policy has developed gradually, building on national systems. Intense legislative activity accompanied the Single Market programme. "Social Europe" today is a combination of highly developed national systems complemented at the European level by approximately 190 legally binding social policy texts.



190: regulations, directives, decisions, agreements

136: recommendations, resolutions, declarations, etc.



The changes introduced in the EU Treaty by the Member States in Maastricht and in Amsterdam have strengthened the European Union's influence on Member States' economic and social policies. They have brought about a transfer of more competences to the European Union, while other fields of action, which remain essentially national, are subject to European guidelines for Member States' actions.

The new Treaty:

- introduces a procedure for setting guidelines for national employment policies and a European mechanism to monitor their implementation;
- incorporates the protocol on social policy adopted in Maastricht in the Amsterdam Treaty, thereby extending the capacity to set binding minimum standards on social matters with an increasing number of decisions on social legislation applying to the whole European Union subject to qualified majority voting in Council;
- gives competence to the EU to adopt legislation against discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

However, in parallel with this extension of EU legislative powers, the Treaty:

- underlines the links between competitiveness, growth and employment;
- places stronger emphasis on the principles of subsidiarity and proportionality;
- endorses the role of the social partners, who are given a right to be consulted on social policy initiatives and a possibility to shape EU social policy by negotiations.

UNICE welcomes the new emphasis on competitiveness and the greater emphasis on subsidiarity and proportionality and

looks forward to implementation of these principles by the EU Commission, Council and Parliament.

B. Subsidiarity

When European social policy is being defined, it should be kept in mind that the effective functioning of labour markets presents different challenges in each member state. There is no single successful model to apply across Europe but rather a variety of different models with uniquely complementary strengths and weaknesses. Accordingly, the necessary reforms to improve the functioning of labour markets will have to be carried out individually in each Member State and respect of the principles of subsidiarity and proportionality will be crucial when the actions to be taken at the European level are being defined. The debate should focus on how the EU should act in order to be a catalyst for change and take a qualitative approach to social policy (see section III).

It is clear that EMU, exchanges of information, mobility of labour and the competitive environment will constitute natural driving forces towards efficient practices. But there is no case for forced social harmonisation in Europe. Proposals for European legislation that do not respect subsidiarity and proportionality will be met with strong resistance by UNICE and its member federations. Such legislation cannot be expected to bring about the desired results for employment but can instead be harmful to job creation.

C. Industrial relations: respecting Europe's diversity

Public authorities are not the only players defining the framework conditions in which companies operate. A feature of European societies is that there are highly developed and strictly regulated industrial relations systems in each country.

National industrial relations systems are the product of historical, cultural and industrial diversity and are therefore very different. Negotiations can occur at several levels – national or regional, interprofessional, sectoral, or company level – and the degree of freedom to enter into contractual arrangements differs.

Europe's industrial relations systems are all undergoing profound changes due to:

- globalisation, introduction of new technologies, demographic change, and individualisation of workers' life styles;
- the increased competencies of the European level to legislate on issues which are normally subject to negotiations between social partners;
- the influence of European employment guidelines on the agenda of national social partners.

In some Member States there is a clear trend towards the decentralisation of negotiations. Whereas in others, wages and working conditions are negotiated at multi-company level. This often takes the form of defining broad frameworks leaving substantial room for flexible arrangements at the level of individual enterprises. This co-exists with direct participation by the individual and face to face negotiations between employer and employee to determine the terms and conditions of employment contracts.

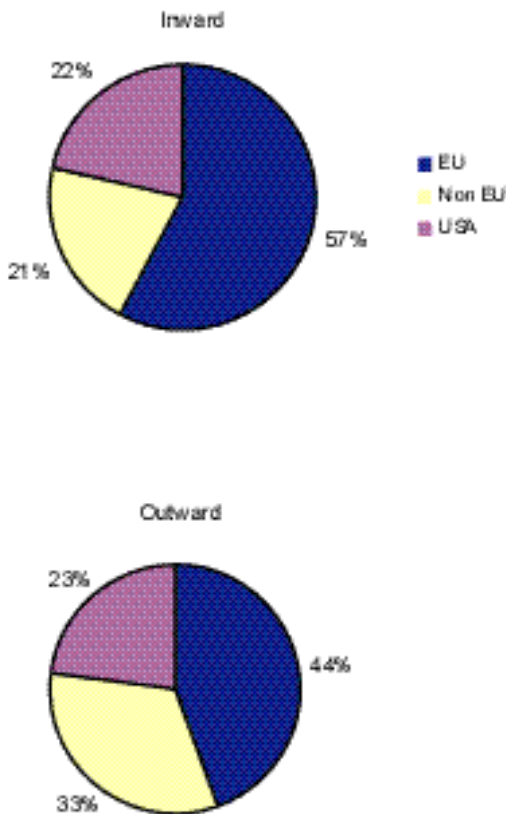
In order to allow these systems to continue to find balanced solutions responding both to employers' and employees' needs, their diversity must be respected. The temptation to try and interfere in national industrial relations systems from the EU level should be resisted. ■

II. The challenges

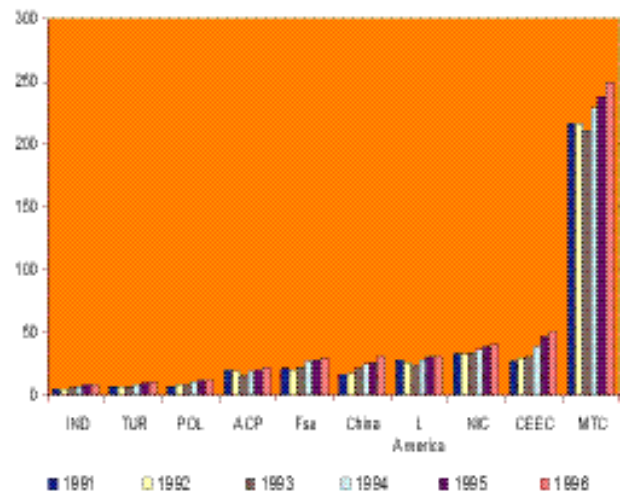
A. Globalisation: improving the speed of reaction of labour markets to remain competitive

In recent years, a world economy has evolved from the liberalisation of trade and financial markets, and from the diffusion of transportation, telecommunication and information technology at reduced costs. This evolution has resulted in the globalisation of investment, research, production and brands, and furthermore, has brought, and will continue to bring, distinct advantages to Europe in terms of increased wealth and greater consumer choice, as illustrated by the positive balance in terms of both foreign direct investment and trade flows for Europe.

EU foreign direct investment 1997



Impact of globalisation on EU imports in billion ECU

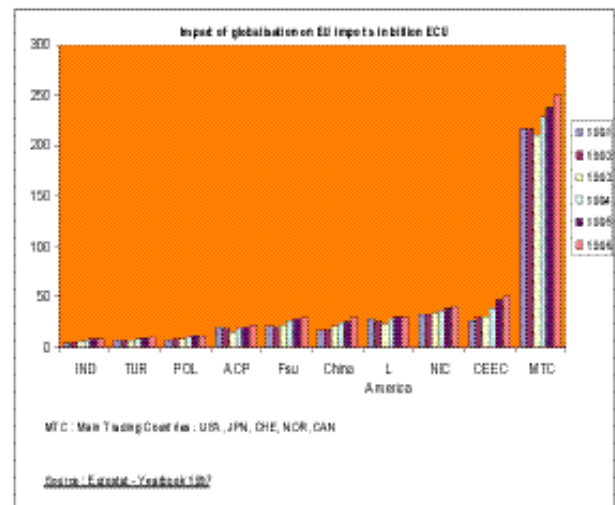


Source: Eurostat - Yearbook 1997

MTC: Main Trading Countries: USA, JPN, CHE, NOR, CAN

FSU: Former Soviet Union

Impact of globalisation on EU exports in billion ECU



Source: Eurostat - Yearbook 1997

MTC: Main Trading Countries: USA, JPN, CHE, NOR, CAN

FSU: Former Soviet Union

But globalisation also means that:

- companies must remain competitive and respond to intense price competition on world markets. Hence the need to ensure that labour costs are within the boundaries set by price competition and labour productivity, taking into account the specific position of various sectors and companies;
- companies must be in a position to adapt quickly to constant changes in global market conditions. Hence, the need to ensure that the regulatory framework facilitates the capacity to respond quickly to changes;
- the overall functioning and speed of reaction of labour markets will have to be improved. Hence, the need to find appropriate ways of providing employment friendly security nets to workers in this less predictable global environment.

B. Technological change: the need for an adaptable workforce with broad skills

The success of Europe will, to a large extent, depend on its capacity to ensure that the full benefits of technological progress are passed on by means of expanding employment in high-skill sectors, particularly in information technology.

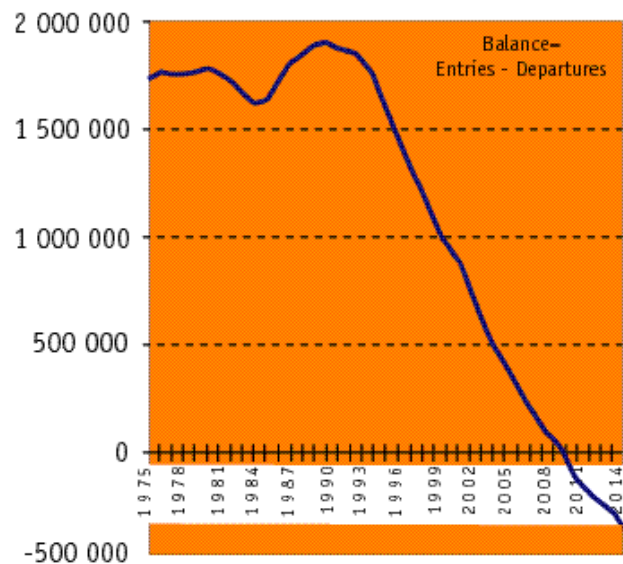
But technological change also means:

- rapid and continuous change in companies and on labour markets. Old jobs disappear and new ones are created. The concept of a “job for life” is disappearing, with jobs in traditional sectors diminishing and new occupations and economic activities emerging. Hence the paramount need to ensure that young people and the existing labour force are equipped with broad skills, which will allow them to adapt to changes in the labour market;
- faster production cycles and delivery of services as well as greater diversification of production processes and work patterns. Hence the need for flexibility in working time and diversification of work relationships;
- a greater importance of service activities as an integral part of a well performing economy with a strong industrial base in high-end activities. Hence the need to adapt the existing regulatory framework to make it more flexible and take better account of service activities;
- increased outsourcing and greater interdependence between large and smaller companies as enterprises concentrate high-cost investment on core business activities. Hence the need to facilitate subcontracting.

C. Demographic change: addressing the effects of ageing on the functioning of labour markets

Europe’s population is ageing and the working age population, as currently defined, is diminishing. Fewer newly educated young people are entering the labour market and an increasing number of pensioners are having to be supported by them.

Differences between incoming and outgoing flows for the population of working age – EUR15

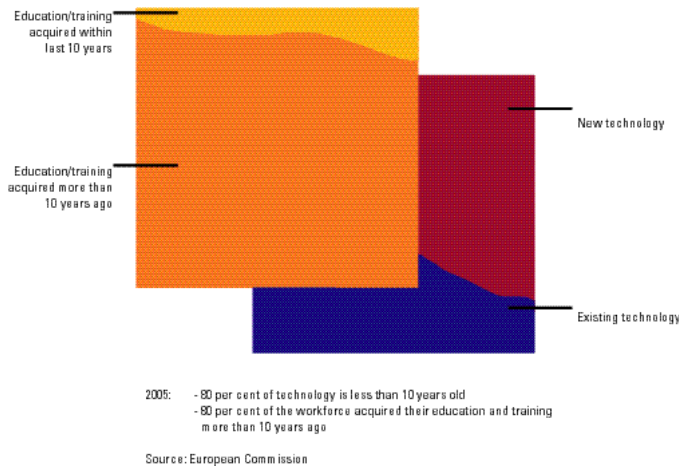


Source: Eurostat - Demographic report 1997 - EC

This evolution already affects the functioning of labour markets in the following way:

- rising pressure on social security systems caused by the financing gap of future public pension liabilities and health-care expenditure translates into excessively high indirect labour costs and taxes, which hamper employment creation. Hence the need to reform existing social security systems and to implement policies aiming at increasing employment rates;
- it aggravates the skills gap as the process of skills renewal through the entry of young people into the labour market decreases, while the pace of technological change increases. Hence the need to adapt education and training systems to the requirements of lifelong learning.

The Skills Gap



- public authorities sometimes attempt to broaden companies' responsibilities with regard to protection of the safety and health of employees in order to cover risks arising outside work, despite the fact that companies have little or no influence on these risks.

Managing companies in a socially responsible and ethically acceptable way requires tailor-made solutions in order to reconcile different demands in an economically efficient way. Enterprises are subjected to legislation on societal issues at many different levels – local, regional, national, and European – creating costly multi-layered procedures for companies.

It is necessary to streamline this multi-layered regulatory framework in order to optimise the ability to manage companies in a socially responsible and economically viable way.

D. Managing companies in an economically and socially responsible way: an increasingly complex task

European companies see themselves as an integral part of society. This means that they:

- act in a socially responsible way;
- consider profits to be the main goal of the company but not its only "raison d'être";
- opt for long-term thinking on strategic decisions and investment.

European companies are willing to live up to their responsibilities. One of the main challenges facing them is the complexity of demands from various stakeholders in society – employees, consumers, providers of capital, public authorities, environmentalists or other interest groups. As a result of individualised lifestyles, different demands can co-exist within any particular stakeholder. Moreover, the expectations of these stakeholders sometimes conflict with the demands and wishes of others.

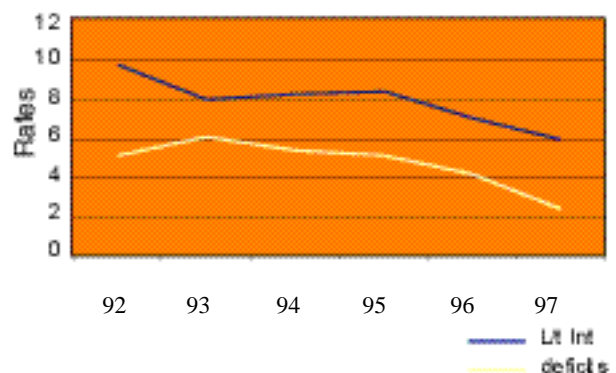
For example,

- greater demands are placed on companies to find individualised solutions to reconcile employees' professional and private lives as employees adopt more individualised lifestyles, and the participation of women in the labour market and men in family life increases;
- consumers and politicians put greater direct pressure on companies to introduce western labour standards in developing countries;

E. EMU: introduce structural reforms to maximise employment opportunities

EMU is of vital importance for Europe. The introduction of the Euro is a logical step towards the completion of Europe's internal market. The internal market itself has had a positive impact on the economic situation in Europe through increased competition and efficiency, as well as the rise in overall productivity. Furthermore, the criteria set out in the Maastricht Treaty to achieve EMU have allowed further progress by ensuring a necessary reduction of budgetary deficits, thereby creating a broad European zone of macroeconomic stability, low inflation and low interest rates.

Positive Effects of reduced Deficits on Interest rates – EU15



Source : Eurostat - EC Economic Data Pocket Handbook 6/98

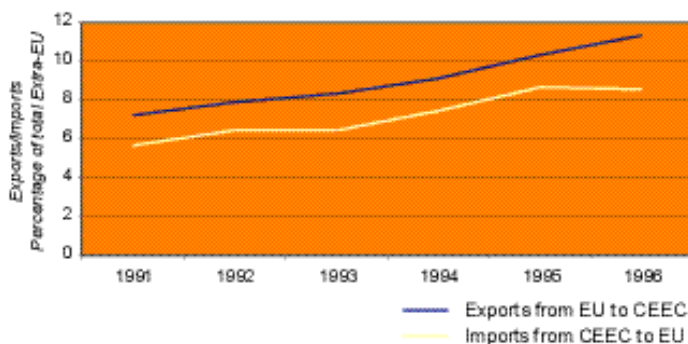
EMU will thus provide a stable framework for enterprises to invest and will therefore benefit all European citizens. But the advent of the single currency and implementation of sound economic policies will not solve all problems. They must be accompanied by structural reforms to make labour markets more efficient and maximise benefits in terms of employment creation, given that national monetary and budgetary measures will no longer be available to temporarily hide labour-market rigidities.

Building on the benefits of a return to sound macro-economic policies, EMU will also induce a tendency towards natural market-driven convergence among Member States because national actors are increasingly taking into account developments in other Member States.

F. Enlargement of the European Union

Enlargement of the European Union will herald the opening of new markets and create opportunities not only for enterprises but also for all EU citizens as these new markets develop and become an integral part of the internal market.

Exports and Imports between EU15 and CEEC



Source: Eurostat - Yearbook 97

In order to create a strong Europe, decision-makers must ensure that:

- European social policy standards do not impose obligations that are unsustainable and cannot be effectively implemented by new Member States. These countries should be put in a position to respect them without hampering the development of their new markets;
- the conditions for integration of new Member States are underpinned by the use of appropriate transition periods, in particular for free movement of workers, in order to avoid destabilising labour markets both in the applicant countries and existing Member States. However, these temporary derogations from EU rules should not be used as an excuse to delay reforms, which are necessary to create an environment conducive to enterprise creation and development in these countries. ■

III. A qualitative approach to European social policy to release Europe's employment potential

A. A more qualitative approach to European social policy

Most of the necessary reforms to improve the functioning of labour markets will have to be taken in Member States. However, a new approach to social policy at European level can also play a key role in meeting this objective by acting as a catalyst for change.

For far too long, European social policy has been mainly associated with European directives. This purely quantitative approach to social policy reveals and perpetuates a misperception attributing the cause of Europe's unemployment problem to a deficit in social legislation at European level. The extension of competences of the European Union to adopt social legislation has partially reinforced this misperception in public opinion, and, in some Member States, has allowed either the avoidance of responsibilities or delay in the introduction of necessary reforms to national social policies.

If companies are to be enabled to face the challenges of today and tomorrow, the discussion on social Europe must be opened up and the perspective broadened. It is time to adopt a qualitative approach to European social policy. The Amsterdam Treaty provides the basis for such a broader approach guided by the principles of subsidiarity and proportionality, and through the process of "peer review" to monitor national implementation of the European employment guidelines.

"For Community action to be justified, both aspects of the subsidiarity principle shall be met: the objectives of proposed action cannot be sufficiently achieved by Member States' action in the framework of their national constitutional system and can therefore be better achieved by action on the part of the Community."

Extract from the protocol on subsidiarity and proportionality

B. The nature and scope for EU action: improving transparency to promote the best performing practices

The European employment strategy has rightly been primarily based on structured exchanges of experience and benchmarking with a view to creating transparency, thereby promoting the best performing practices in the Member States. The same approach should be applied to European social policy, as opposed to forced harmonisation.

While fully respecting the competences of the players involved, it should aim at supporting actions at national, regional, sectoral, and company levels. Community programmes and projects in the context of the structural funds in order to support Member States employment and training policies can be useful tools in this respect.

The new Treaty creates wider competences for EU level action, balanced – in the new Protocol on subsidiarity and proportionality – by a requirement that all EU action should genuinely add value. UNICE believes that these principles have not always been applied rigorously in the past. European employers welcome the Amsterdam protocol on subsidiarity and proportionality. Only action which is genuinely transnational in nature and for which EU action adds value unavailable in Member States should be taken by the EU. The promotion of free movement of people within the internal market is an area where there is a clear case for further work to be done in order to ensure transparency of qualifications and cross-border transferability of pension rights throughout the European Union.

The promotion of equality of opportunities between women and men is an important area. The necessary legislative framework to prevent discrimination based on sex already exists at European level but it can be usefully complemented by non-legislative action such as mainstreaming of equality of opportunities in all European policies, or specific training and re-integration programmes with European support, as well as structured exchanges of experiences.

Legislative action at European level should:

- be limited to cases where the issue under consideration has transnational aspects and can therefore not be satisfactorily regulated by Member States, or when it is necessary to prevent unfair competition based on discrimination or on excessively low health and safety protection standards;
- take the form of broad frameworks defining objectives and principles at European level but leaving the choice of how to implement them to the Member States and not go beyond what is necessary to achieve the objectives sought;
- fully take account of companies' needs for flexibility, workers protection needs and access to jobs for the unemployed;
- fully take account of the need to promote entrepreneurship in Europe and avoid imposing constraints which will hamper the creation and development of small and medium-sized enterprises;
- allow for adequate transposition periods in order to avoid excessive compliance costs.

Action by the social partners in their areas of competences should always be given priority.

C. The role of the social partners at European level: a plurality of roles

The Treaty recognises the role of social partners. UNICE believes that there is value in this where objectives and roles are well understood. It will consider its role as a social partner in the context of its general role which is to present at the European level a clear sense of the policy priorities required for business success and thus for employment creation.

UNICE has demonstrated its capability to contribute to shaping European social policy by concluding several framework agreements at European level based on the social chapter of the Treaty. European employers are convinced that, in those cases where European level action is appropriate, the social partners are better placed to find balanced and mutually acceptable solutions reconciling legitimate needs of both employers and workers. They have every intention to live up to their responsibilities at European level, including by entering into negotiations in the context of the social chapter when they believe that there would be added value in concluding a framework agreement compatible with the principles of

subsidiarity and proportionality.

UNICE will however clearly state when it believes that a proposal for EU action breaches the principles of subsidiarity and proportionality.

The role of social partners should not be understood as being restricted only to negotiating agreements at European level. UNICE believes that there can be a useful role for more general social dialogue discussions for instance on the general principles of policies to combat unemployment, provided that these discussions are focused on a real exchange of views and analysis. In the context of a more qualitative approach to European social policy, social partners can participate in various forms of dialogue at European level.

European social partners can:

- express joint views on European level policies to promote employment and in that context make recommendations not only to public authorities but also to their own members, or
- improve transparency and organise structured exchanges on – or benchmarking of – social partner's initiatives in the Member States.

They can be engaged in:

- discussions on interprofessional issues in horizontal fora on the one hand or on sector-specific issues in sectoral committees on the other hand;
- an autonomous dialogue between employer and worker representatives on the one hand or in a tripartite concertation in advisory committees set up by the Council or the Commission on the other hand.

UNICE will participate in these various forms of dialogue and fully play its role both in the interprofessional social dialogue and in tripartite discussions at European level.

Dialogue should promote a deeper understanding of each other's positions through exchanges on fact-based analysis and should not always aim at agreed joint statements. In order for the social dialogue process to be successful, the EU institutions should adopt a neutral position, particularly the EU Commission when proposing policy measures.

However, it believes that actions by the social partners should also be based on the principles of subsidiarity and proportionality. Failing that, the European level will adversely interfere in actions at national, regional, sectoral and company levels.

This means that:

- European social partners should focus on those areas where the European level can add value;
- the interprofessional social dialogue should deal with horizontal issues while the sectoral social dialogue should take care of sector specific subjects;
- the five criteria for legislative action highlighted above (section III.B) also apply to negotiations on binding framework agreements at European level;
- social dialogue actions should be primarily based on structured exchanges of experience and benchmarking with a view to creating transparency, thereby promoting the best performing practices.

D. European social partners and employment policy

The preparation of European employment guidelines is an important new development in the European employment strategy.

UNICE believes that these guidelines provide an opportunity to develop policies that aim to gain competitiveness through greater emphasis on developing human resources by:

- up-skilling existing employees;
- preparing young people for work;
- moving away from passive to more active labour market measures;
- developing flexible forms of work which can meet the needs of employers and employees;
- facilitating labour market participation through social security reform, and other support measures such as family-friendly initiatives, e.g. childcare;
- promoting better linkages between employers and education and training institutions.

It is imperative that innovative, practical, and qualitative measures are undertaken that will meet the needs of both employers, employees and the economy generally. UNICE at EU level and its individual member federations at national level are promoting and will continue to promote action on the above areas.

Given the fact that it is in the Member States that concrete actions are taken to implement these European employment guidelines, the social partners' contribution to the European employment strategy will primarily take place in Member States. Employers intend to play a constructive role in the national implementation of the European employment guidelines in accordance with national practice.

It is sometimes argued that wage bargaining at European level is a logical consequence of EMU and a necessary part of a European strategy for employment. According to UNICE, this idea is wrong. Wage negotiations are based on many factors such as competitiveness, productivity, taxation, cost of living, etc. They must therefore remain the responsibility of national industrial relations systems.

UNICE is also willing to be involved in general European level discussions relating to the principles of policy. However, for this to be of value, the dialogue must be based on real exchanges of views and on fact-based analysis. Debates take place both in the social dialogue and in tripartite meetings of the Standing Committee for Employment prior to the adoption of European employment guidelines. In addition to recommendations on the policy guidelines defined at European level, UNICE believes that social partners can make their own contribution by monitoring national social partners' initiatives that are relevant for implementation of the European employment guidelines. UNICE has proposed to collect and jointly analyse these initiatives.

Training policies are an essential element of well functioning labour markets where social partners play a key role. UNICE believes that training initiatives by social partners require special attention when monitoring and analysing relevant national social partners initiatives as a follow-up to European employment guidelines. In addition, in order to contribute to the development of European policy supporting Member States' action in education and training, employers will continue their work in both the education and training working group of the social dialogue and tripartite advisory committees on education and training.

Finally, the orientations of macro-economic policy defined at European level provide the basis for a European employment strategy. UNICE attaches great importance to synergy between the broad economic policy guidelines and the employment guidelines. It is therefore essential that discussions on the Commission's proposals for broad economic policy guidelines in the macro-economic social dialogue continue in the future.

E. Social partners and enlargement

Developing well organised, representative and truly autonomous organisations defending employers' interests in the new Member States of central and eastern Europe is part of the economic and social reform under way in these countries as well as part of their integration in the European Union. It is also a pre-condition for the gradual development of a social dialogue in a way which takes account of their specific national

characteristics. UNICE believes that employers' organisations from the Member States are well placed to provide technical assistance for the consolidation of employers' organisations in these countries. Given its role in the interprofessional European social dialogue and the expertise available in its member confederations, UNICE is well placed to assist in the definition and implementation of PHARE programmes in this field or other European level initiatives. ■

Conclusion

Europe's most fundamental economic and social problem is its high level of unemployment. That high level of unemployment stems essentially from problems and policy mistakes in each individual country and as a result almost all of the action required to reduce that unemployment needs to be taken by individual countries in the light of their own very diverse circumstances. The European Union's role should be concerned with cross-country analysis, encouraging individual countries to pursue effective policies of structural reform of all markets.

A prerequisite for achieving such reforms is a positive attitude on behalf of the labour force and society as a whole. The objective of the social dialogue should be the definition and implementation of solutions to the common challenges with a positive – as opposed to defensive – attitude on both sides. To be effective, social dialogue must be exercised with respect for employers and workers alike and take account of the diversity and particularities of European reality. It should contribute to finding a balance between the need for access to jobs for the unemployed, companies' requirements for increased flexibility in a global economy and workers' needs for security in a changing world of work by improving their employability through training.

UNICE's role as a social partner has to be seen within this context. Its key contribution is to present clear and fact-based

analysis of the causes of European unemployment, drawing on its member federations' knowledge of actual company practices. It is willing to play its role in the negotiation of European-level initiatives in the cases where this is appropriate. It also believes that well structured general social dialogue plays a role in informing debate at European level, and can result in joint statements in areas where there is genuine agreement.

With the recognition of the role of European social partners in the Treaty, a truly European system respecting the diversity of Europe is emerging. But this system is incompatible with the imposition of forced convergence by the European legislator.

UNICE is convinced that adopting the proposed qualitative approach to European social policy is the answer. Not only should it make it possible to release Europe's employment potential, but it should also allow for gradual market-driven convergence towards the best performing practices in the Member States, as opposed to forced harmonisation. It is in the context of such an approach that European social dialogue can play its role and contribute positively to building a prosperous, equitable and dynamic Europe. ■

