

**COMMISSION COMMUNICATION**  
**A CONCERTED STRATEGY FOR MODERNISING SOCIAL PROTECTION**  
**UNICE POSITION PAPER**

1. UNICE has noted the Commission communication on a concerted strategy for modernising social protection, which proposes to open a new phase in European level reflections on the modernisation of social protection.
2. European employers support the aim of establishing an agenda for deepened co-operation between Member States and the four key objectives proposed :
  - “to make work pay and to provide secure income”,
  - “to make pensions safe and the pension systems sustainable”,
  - “to promote social inclusion”, and
  - “to ensure a high quality and sustainable health care”.
3. They welcome the proposal to organise structured exchanges of experiences and establish a mechanism to monitor policy developments around an annual report on social protection based on contributions from the Member States. However, Member States should remain free to determine how their social protection systems should be financed and organised.
4. UNICE agrees that successful implementation of the European employment guidelines requires modernising social protection and support guidelines 3, 4, 10, 11, 14, 21 and 22 which call for social protection reform. However, employers do not believe that the enhanced co-operation around the four objectives proposed in the present Commission communication should lead to a process “parallel and complementary” to the employment process.
5. Employment is the key to well-being, combat social exclusion and secure social policy objectives. Launching a new process on social protection separate from the

employment process could jeopardise the progress made towards an integrated approach to Europe's economic and social challenges.

6. UNICE fully agrees that the climate for monetary stability which EMU has created establishes a good basis from which Member States can address the key challenge of making social protection systems sustainable and reliable. However, EMU by itself will not solve all problems. More cost effective social protection systems and reduction in the overall tax and contribution burden are also a necessary condition for improving Europe's performance in employment creation, including after EMU.
7. UNICE shares the analysis that social protection systems have an important role to play in providing income to individuals in times of need and can act as a productive factor which helps European economies to be efficient and flexible. However, they will only be able to play this role if profound reforms are undertaken by the Member States in order to take account of new circumstances. Competitiveness requires efficient social protection systems but it is equally true that social measures which do not take into account the requirement to live within our means are ultimately counterproductive. They damage the prospect for growth and undermine the capacity of society to ensure well being.
8. Rising pressure on social protection systems caused by the financing gap of future pension liabilities and health care expenditure translate into excessively high indirect labour cost and taxes which hamper growth and employment. It is therefore not accurate to state that social protection systems today are far from being a burden.
9. Similarly, stating that, without social transfer payments almost 40% of households would live in relative poverty does not take into account the fact that social protection systems often fulfil two functions: ensuring a safety net to those who need it and providing insurance to people who could cover risks within private insurance systems. Not all the funds transferred through statutory pay-as-you go pension systems or public health-care insurance necessarily go to those who need it for solidarity reasons. Social transfers should not be used as an excuse to avoid reforms. On the contrary, finding a new balance between governmental statutory systems and individual protection against risks in order to lower the financial burden should ensure more cost effective coverage of social risks and ensure protection for those who really need it.
10. UNICE shares the Commission analysis that
  - the characteristics of today's labour markets are very different from those which prevailed when Member States established their social protection systems,
  - social protection means more than simply providing a replacement income, and
  - a new balance needs to be found between security and flexibility as well as between rights and responsibilities.
11. Employers also agree with the fact that social protection systems must promote worker employability and adaptability. However, jobs are created by companies. It is equally

important to make sure that enterprises are not discouraged from creating job opportunities. Hence, the importance of reducing the overall burden of taxes and social security contributions.

12. Similarly, UNICE fully endorses the view that social protection systems need to anticipate the impact of demographic change through a coherent policy mix between labour market, pension policies, and health care policies in order to reverse trends towards early withdrawal from labour markets.
13. However, here again, the Commission shies away from cost considerations. Contrary to what is implied in the communication, it will not be possible to ensure a “decent replacement income for all pensioners” without tackling this fundamental issue. Nor will it be possible to use medical knowledge and technology in the most effective way possible without ensuring a better balance between collective and individual responsibilities.
14. Employers fully support the aim of promoting social inclusion and broadly endorse the approach proposed by the Commission which focuses on combating and preventing poverty and social exclusion through active measures aimed at integration in labour markets.
15. To summarise, UNICE believes that
  - a better distinction should be made between the solidarity and insurance functions of social protection systems,
  - social protection systems should encourage active participation on labour markets and provide income support to those who need it in a way that will encourage active participation in labour markets,
  - better account of cost considerations should be taken in discussions as a follow up to the communication,
  - organising structured exchanges of experiences and establishment of a mechanism to monitor policy developments around an annual report on social protection can be useful but not to determine how their social protection systems should be financed and organised,
  - enhanced co-operation around the four objectives proposed should not lead to a process “parallel and complementary” to the employment process.

It very much hopes that its remarks will be taken into account and that employers will be involved in the follow-up to the communication.

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