

**PROPOSAL FOR GUIDELINES FOR MEMBER STATES' EMPLOYMENT POLICIES
2002 AND RECOMMENDATIONS TO MEMBER STATES**

UNICE POSITION PAPER

Executive summary

UNICE has noted the proposal for guidelines for Member States' employment policies in 2002 and for Council recommendations to Member States.

Employers support the choice to ensure continuity by limiting changes to the minimum. However, over time, the guidelines have become increasingly complex. By contrast, the report and recommendations draw a clearer picture of the situation across the EU. The review of the process in 2002 must aim at introducing the same sense of focus in the guidelines.

In the light of less favourable economic prospects, it is necessary to speed up structural reform of all markets, including labour markets. Implementation of the employment guidelines in a way which is consistent with the broad economic policy guidelines is crucial.

Better implementation of the entrepreneurship pillar is essential for the success of the strategy. When mobilising tax and benefits system, governments should also aim at encouraging companies to create jobs. The emphasis on this aspect should be strengthened in the employment guidelines for 2002.

UNICE broadly supports the setting up of national targets for raising employment rates. However, the targets can be attained only if more progress is achieved in the implementation of the entrepreneurship pillar.

With regard to quality in employment, European employers support the overall idea behind this objective. However, it should be transformed into a call on Member States to identify a limited number of key indicators to monitor both the quantity and quality of the jobs created in Europe.

UNICE fully supports the development of coherent strategies for lifelong learning. However, negotiating agreements is not the only form of partnership between employers and employees. The fact that further training increasingly takes the form of informal learning should be better reflected.

Over the years, progress has been achieved in the involvement of social partners. However, there are cases where this involvement needs to be further strengthened. The autonomy of the social partners should be respected. Social partners' initiatives could be given better visibility but this should not be done by setting up a parallel process.



S/11.3.15.2001/PP-employment 2002-EN

25 October 2001

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Introduction

1. UNICE has noted the proposal for guidelines for Member States' employment policies in 2002 and for Council recommendations to Member States.
2. Compared with last year's version, the proposals for employment guidelines for 2002 recommend minor changes. The structure in four pillars is maintained, the new horizontal objectives are kept. The modifications essentially concern the following aspects:
 - introduction of the intermediate targets for the overall employment rate (67% in 2005) and for the employment rates of women (57% in 2005) and older workers (50% in 2010) and of references to quality in work in the horizontal objectives of the guidelines,
 - strengthening of the request to set national targets for employment rates,
 - strengthening of guideline 6 on the need to encourage labour mobility,
 - strengthening of guideline 17 on gender gaps.
3. In the recommendations to Member States, the Commission emphasises that structural reforms of labour markets need to be further pursued, especially in the light of less favourable economic prospects. Out of 57 recommendations, 48 are up-dated versions of last year's version, nine are entirely new. Only four recommendations have been withdrawn because of sufficient progress.
4. In terms of content, recommendations on the reduction of the fiscal burden concern eight countries out of fifteen. Five are required to address weaknesses related to labour market flexibility. Inefficiencies in the public employment services are to be tackled in two Member States. Seven countries are requested to take actions in the field of labour market activation and three are asked to assess the effectiveness of their activation programmes. Eight countries are encouraged to tackle gender gaps. Five countries have regional imbalances to redress. Eight Member States need to pursue efforts in favour of lifelong learning.

General assessment of the package

5. Employers support the Commission's choice to ensure coherence, continuity by limiting changes to the minimum. However, over time, the employment guidelines have become increasingly complex and difficult to read. Essential elements for sound employment policies are hidden in details or put on the same level as points of lesser importance. By contrast, the joint employment report and the recommendations draw a clearer picture of the employment situation across the EU. The review of the process in 2002 must aim at introducing the same sense of focus in the guidelines.
6. This employment package is being discussed at a time when the economic situation is deteriorating and the tragedy in the United States could further undermine economic confidence. Moreover, despite improvements in unemployment figures, Europe's labour markets are still characterised by the co-existence of persistent structural unemployment and of bottlenecks due to a lack of skilled workers. This is no time for complacency.
7. According to UNICE, there is a strong bias towards the supply side (labour offer) in the implementation of the European employment strategy and insufficient attention paid to the demand side (job creation). This imbalance should be redressed. Better implementation of the entrepreneurship pillar is essential for the success of the strategy. When mobilising tax and benefits system, governments should aim not only at encouraging people to take up work, but also at encouraging companies to create jobs. The emphasis on the latter aspect should be strengthened in the employment guidelines for 2002.
8. European employers do not believe that the social partners should develop their own process for implementing the guidelines.

On the economic context

9. The economic policies defined in view of the single currency and completion of EMU constitute a good basis for promoting growth and employment. UNICE underlines the need to continue along this route and to implement the employment guidelines in a way which is consistent with the broad economic policy guidelines. The budgetary situation has improved due to strong growth performance. However, UNICE remains concerned that many Member States have made insufficient progress in terms of structural budget consolidation, particularly in key countries. Insufficient reform of public pension systems constitutes an additional structural handicap for the future.
10. Moreover, in the light of less favourable economic prospects, it is necessary to speed up structural reforms of all markets, including labour markets, to enhance the credibility of the Euro and create the conditions for the non-inflationary and sustainable economic growth necessary to increase employment rates.

On the horizontal objectives

11. UNICE broadly supports objective A. Setting national targets for raising employment rates could help reach the Lisbon and Stockholm objectives. Setting national targets will only be helpful if it creates or maintains an impetus in favour of structural reforms. Better fulfilment of objective E, which requires Member States to give due attention to all the four pillars of the guidelines, is the key for success. If the existing bias in the implementation of the guidelines is not corrected, Europe could end up with the best trained unemployed in the world, imprisoned in a merry-go-round from unemployment to training and back to unemployment.

12. With regard to the introduction of a new objective B on quality in employment, European employers support the overall idea behind this objective. Quality in employment has been at the heart of the Lisbon objective of turning Europe into the most competitive knowledge-driven economy in the world. However, UNICE believes that the way in which objective B is worded is confusing and could undermine the Lisbon strategy. This objective should be transformed into a call on Member States to identify a limited number of key indicators to monitor both the quantity and quality of the jobs created in Europe (see UNICE position paper on the Commission communication on quality in employment for more details). One way of achieving this could be to integrate the core idea behind objective B into objective F (strengthening the development of indicators).
13. UNICE fully supports the aim of the horizontal objective C on the development of coherent strategies for lifelong learning. European companies agree that such policies should articulate the shared responsibility of public authorities, enterprises, the social partners and individuals. The European social partners are currently preparing a contribution for the Barcelona European Council on lifelong learning. This contribution will focus on what social partners can do to help achieve this objective. At this stage, UNICE would like to stress that:
- negotiating agreements is not the only form of partnership between employers and employees to develop learning,
 - adult further education and training increasingly takes the form of informal or non-formal learning.

This should be reflected when assessing the implementation of objective C.

14. Finally, with regard to objective D on the partnership between governments and national social partners for the implementation of the Employment strategy, UNICE would like to stress that, over the years, progress has been achieved in the involvement of social partners in the definition and implementation of national action plans for employment. However, there are cases where this involvement needs to be further strengthened. This can only be done through appropriate tripartite concertation in accordance with national traditions. As far as the bilateral dialogue between the social partners is concerned, their autonomy should be respected. The method chosen by governments is not adapted to the social partners. UNICE accepts that social partner initiatives should be given better visibility but does not believe that this should be done by setting up a parallel process of the social partners to implement the guidelines or by expecting the social partners to develop their own statistical data bases. Objective D and F should be reworded to take account of these remarks.

On employability

15. European employers support guideline 1. At the implementation stage, it will be essential to avoid a purely quantitative implementation, resulting in a “merry-go-round” from unemployment to training and to seek effective integration into the labour market” as specified in the guideline’s text.
16. As mentioned in paragraph 7 above, it is essential to effectively mobilise tax and benefits in a more employment-friendly approach. UNICE therefore fully supports the request for each Member State to reform tax/benefit systems. However, UNICE would like to stress that implementation of guideline 12 of the entrepreneurship pillar (reversing the long-term trend towards higher taxes and charges on labour) is equally important. Progress will only be made if actions are taken on both sides of this coin.
17. Guideline 3 requires development of policies for active ageing. UNICE has on several occasions underlined the need to review social protection systems in order to

encourage a longer working life. It therefore welcomes guideline 3. However, it believes that the formulation of guideline 4 in the guidelines for 1999, which was asking for a critical re-evaluation of measures which encourage workers to take early retirement pointed more clearly towards the need to discourage early exit from labour markets

18. UNICE fully agrees that measures need to be taken in order to address the skills gap and prevent the erosion of skills by improving the quality of national education and training systems and support guidelines 4, 5 and 6. However, it re-iterates its call to avoid a purely quantitative implementation of guideline 6 in order to use efficiently the resources available to offer training to the unemployed.
19. Finally, UNICE has often emphasised that legislation was not the only way to combat discrimination and that practical actions to promote the integration of groups with specific difficulties were sometimes more important than instituting rights at EU level. It therefore supports guideline 7 which correspond to its recommendation to act in the context of the employment strategy.

On entrepreneurship

20. Improvements in the employment situation result from the creation of new businesses and development of existing businesses, hence the central importance of the entrepreneurship pillar. UNICE therefore believes that implementation of the guidelines of this pillar will be determinant both for the success of the European employment strategy and for achieving the objective set in Lisbon to turn Europe into the most competitive knowledge-based economy in the world.
21. UNICE is concerned by the fact that progress in implementation of this pillar is lagging behind and that the guidelines for 2002 have not been strengthened accordingly. In order to encourage Member States to be more focused in their efforts, UNICE believes that the invitation stated in guideline 12 to set appropriate targets for the reduction of the tax burden on labour should be strengthened. Member States could be encouraged to reach the average level of the three best-performing countries (i.e. 29%).
22. It would also be useful for Member States to set targets for increasing the number of enterprises created each year. An improvement in the survival rate of the new enterprises should also be targeted.
23. European companies would like to stress that the reduction of the overall tax burden on labour and indirect labour costs must be done through a reduction in public expenditure and not through offsetting reductions by increases in other taxes on business, such as energy taxes which will penalise economic growth and competitiveness.
24. Finally, UNICE also fully agrees that providing incentives and removing tax obstacles to investment in human resources is the right approach to increase investment in human resources.

On adaptability

25. UNICE shares the concern to promote modernisation of work organisation in order to make companies more productive and competitive. Realisation of EMU makes this doubly important. It welcomes the recognition of the responsibility of social partners for working conditions issues related to work organisation. However, a clear distinction should be made between what can only be decided in individual companies (i.e. how to organise work) and framework conditions negotiated by social

partners at multi-company level, which have an impact on work organisation in individual companies.

26. Social partners are invited to report annually on which aspects of such modernisation have been covered by such negotiations. As explained in paragraph 14 UNICE accepts that social partners' initiatives should be given better visibility. However, this recommendation does not take account of the fact that collective agreements at national level in many Member States cover more than one year, nor of the decentralised and autonomous component of agreements at other levels.
27. Concerning guideline 14, UNICE notes that the joint employment report and draft recommendations to Member States indicate slow progress on the review of national regulatory frameworks and introduction of more flexible work contracts. It would therefore have been logical to strengthen the wording of this guideline.
28. Finally, UNICE supports the main thrust of guideline 16. However, as stated in paragraph 13, concluding agreements is not the only way in which social partners can promote lifelong learning. Practical actions by the social partners, which do not take the form of an agreement, are at least as important to "create the conditions for every worker to achieve information society by 2003". The wording of guideline 15 should therefore be adapted to avoid the exclusive emphasis on agreements. Moreover, creating the conditions for every worker to achieve information society goes well beyond the social partners' sphere of action. It is a shared responsibility between employers, trade unions, individuals, education and training institutions, and public authorities.

On equal opportunities for women and men

29. European employers recognise the particular importance of active participation of women in the labour market. They support the emphasis on an integrated approach, mainstreaming equal opportunities in the guidelines.
30. In the context of mainstreaming efforts, UNICE believes that particular attention should be paid to:
 - promoting desegregation of the labour market by making science and technology interesting for girls and boys at an early stage, starting in the pre-schooling system and at a later stage through vocational guidance and training measures, and in particular by encouraging women to acquire IT skills as a way to improve their career prospects;
 - removing obstacles to the development of flexible working hours or part-time work in order to prevent the problems of return to work;
 - promoting a spirit of enterprise also among women.

On the draft recommendations to Member States

30. UNICE is convinced that the publication of recommendations tailored to the specific situation of each Member State is an essential element of the open-coordination method applied in the context of the European employment strategy. It broadly supports the draft recommendations proposed by the Commission but leaves to its members the task of presenting detailed comments on the recommendations addressed to their country if they so wish.
31. However, UNICE is concerned that:
 - many Member States do not take sufficient account of the recommendations made to them;
 - the conclusions from the lack of progress made in implementation of the entrepreneurship pillar are not drawn and fed into the new guidelines and the recommendations;

- paradoxically in the analysis underlying the recommendations, detailed statistical data are not provided for the guidelines where it is logical to assess progress in quantitative terms (e.g. the reduction of the overall tax burden and indirect labour costs).

Conclusion

32. European employers believe that effective implementation of the European employment strategy can bring real benefits to European citizens and companies alike. They believe that the proposed employment guidelines for 2002 constitute a good basis for discussions on practical measures to turn Europe into the world's most competitive knowledge-based economy. They are willing to participate constructively in the definition of policy orientations at EU level and in implementation in Member States. They very much hope that UNICE's comments will be taken into account and stress the importance of consulting the European social partners in good time before decisions are made by the various EU institutions involved in the decision-making process.
