

**COMMISSION'S PROPOSAL FOR BROAD ECONOMIC POLICY GUIDELINES
AND FOR EMPLOYMENT GUIDELINES**

UNICE POSITION

Executive summary

UNICE welcomes the publication of employment and Broad Economic Policy Guidelines (BEPG) as a package, the simplification of the guidelines as well as their three-year time framework.

European business is in broad agreement with the economic side of the package, but is greatly disappointed by the employment guidelines.

Concerning the **proposed BEPG**, UNICE broadly supports them and in particular those which can help to restore confidence and reduce costs for business (i.e. implementing sound budget policies in line with the Stability Pact, combating unemployment, fostering job creation by reducing labour costs and by loosening up rigid labour market regulations and ensuring the financial sustainability of pension systems through pension reforms and budgetary consolidation). Moreover, beyond cyclical budget and monetary measures, it is important that governments overcome their inertia in implementing structural reforms in the labour, financial and product markets. Finally, European business strongly supports the integrated approach of economic and employment policies and therefore welcomes the aspects of labour markets and pension reforms continuing to be addressed in the framework of BEPG.

Concerning the **draft employment guidelines**, UNICE is disappointed by their content. Firstly, they lack significant elements on fostering entrepreneurship and job creation and improving labour productivity. Secondly, they contain too many quantified targets set at EU level which could impose a purely quantitative implementation of the policies and result in a misleading comparison of national situations; this will be even more problematic in the context of an enlarged EU.

Substantial modifications should therefore be made in order to promote genuinely integrated national employment policies with significant measures to increase demand for labour and to replace the numerous quantified EU targets with an invitation to Member States to set their own targets in accordance with broad EU objectives.

In addition UNICE wishes to make the following specific remarks:

Concerning fostering entrepreneurship and job creation, Member States should be invited to set themselves targets on gradually reducing the fiscal pressure on labour. This recommendation was contained in the previous guidelines but has now disappeared.

Concerning addressing change and promoting adaptability in work, the proposals are confused, difficult to understand and should be completely reworked.

Concerning the role of the social partners, their primary role with respect to labour market aspects should be respected. UNICE welcomes the intention to reinforce the involvement of social partners in the employment process, but insists that the overall responsibility for national employment policies lies with the Member States.

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I. General assessment of the proposed package

1. UNICE has noted the Commission's package of proposals published on 8 April 2003 comprising the employment guidelines, the recommendations for Member States' employment policies and the BEPG.
2. European companies welcome:
 - the publication of these three documents simultaneously and as part of a package which should strengthen the global approach to economic and employment policy,
 - the simplification proposed by the Commission and the concentration on a limited number of priorities.
 - the fact that the horizon of the guidelines is set for 2010 with a review in 2006 and the fact that the proposed guidelines are intended to be valid in 2003, 2004 and 2005. This should introduce more continuity and is well suited to deliver the medium-term goals pursued by the Lisbon strategy.
3. European business is in broad agreement with the economic side of the package (broad economic policy guidelines). However, it is disappointed by the content of the employment guidelines for the following reasons.
 - The integrated approach is not sufficiently reflected in the Commission's proposal for employment guidelines. The Commission failed to correct the tendency to give precedence to measures centred on the supply of labour and to strengthen the guidelines designed to increase the demand for labour.
 - The draft employment guidelines contain a proliferation of quantified targets set at EU level. This could impose a purely quantitative implementation of the policies, would not allow for a variety of national responses towards fulfilling the EU broad objectives and could result in a comparison of national situations which will be misleading. This is even more problematic given that they will apply from next year to the new EU member states which have to deal with different labour market circumstances.
4. UNICE therefore calls for substantial modifications in the draft employment guidelines in order to promote:
 - genuinely integrated national employment policies with significant measures to increase demand for labour,
 - entrepreneurship as the basis for employment creation,
 - replace the numerous quantified EU targets with an invitation to Member States to set their own targets in accordance with broad EU objectives.

II. Comments on Broad Economic Policy Guidelines (BEPG)

5. The European Commission's spring economic forecasts broadly tally with UNICE's analysis and paint a sombre picture of the European economy. At 1% in 2003 and 2.3% in 2004, the Commission's growth forecasts for the Eurozone (1.3% and 2.4% respectively for EU-15) are essentially the same as those presented by UNICE in mid-March 2003. At that time UNICE announced growth of 1.2% for the Eurozone in 2003 and 2.2% in 2004 (1.4% and 2.2% for EU-15). In line with the comments made by UNICE at the time of their presentation (the forecasts were based on a survey in February), they have to be revised downwards.
6. UNICE shares the Commission's analysis that the lack of confidence among economic players is at the heart of the current anaemic performance. While it is true that international tensions linked to the Iraq conflict sapped the morale of households and business people, it is important to recall that difficulties were already apparent prior to the start of the conflict and that a number of problems can be traced to rigidities in the European economy.
7. UNICE broadly supports the Broad Economic Policy Guidelines (BEPG) proposed by the Commission, and in particular those which will help to restore confidence and reduce costs for business:
 - Implementation of sound budget policies in line with the Stability Pact is essential. The deterioration in the structural balances of several large EU countries between 2001 and 2002 considerably reduces their margin for manoeuvre in the current phase of economic slowdown. Failure to comply with the Pact would increase uncertainties.
 - Stagnant employment and the increase in unemployment are prompting households to reduce consumption, holding back growth. It is important to improve the labour market's ability to react in a flexible way, allowing wages to reflect productivity differences (regional or linked to qualification gaps), promoting mobility and improving incentives to take a job. Furthermore, it is important to reduce the wage and the non-wage costs of labour and to loosen up rigid labour market regulations.
 - Tackling the pension problem is becoming urgent. In addition to the increase in labour costs that their financing requires, households' anticipation of further problems in pension systems is dampening their consumption and growth. The momentum for pension reforms should be kept. Pension reforms are underway in all EU countries, but more comprehensive and deep-rooted measures are needed. The high level of public debt, whose size as a percentage of European GDP will rise in 2003, must be reduced if this challenge is to be met. As long as this uncertainty is not removed, households' confidence will remain fragile.
8. European business strongly supports the integrated approach of economic and employment policies and therefore welcomes the aspects of labour markets and pension reforms continuing to be addressed in the framework of BEPG.
9. UNICE recalls the importance it attaches to and its support for the Lisbon process which is intended to make Europe the most competitive economic region and which is at the heart of Europe's growth strategy. Beyond cyclical budget

and monetary measures, it is structural reforms (completion of the internal market, opening to competition, simplification of procedures and efficient administration, development of entrepreneurship, labour market reform etc.) that will give companies an environment in which they can flourish, generate wealth and create jobs.

10. UNICE's message is that, beyond good intentions and good recommendations, the key is implementation of the agreed policies by the Member States.

III. Comments on the employment guidelines

11. The proposed employment guidelines highlight:
- three overarching objectives for the employment strategy
 - ten priorities for action
 - the importance of good governance and partnership for delivery on the employment process

A. On the three overarching objectives

12. The Commission proposes that the employment policies of the Member States should foster three overarching objectives:
- full employment,
 - quality and productivity at work, and
 - social cohesion and inclusion.

It underlines that these objectives should be pursued in a balanced manner reflecting their equal importance.

13. UNICE welcomes the three objectives proposed by the Commission. However, the three objectives are not given equal importance. For example, the proposed guidelines lack significant elements to encourage Member States to create conditions to improve labour productivity.

A1. On full employment

14. Concerning the objective of full employment, Member States are invited to set national targets consistent with the EU average targets on overall employment rate (67% in 2005 and 70% in 2010), employment rate for women (57% in 2005 and 60% in 2010) and for older workers (50% in 2010).
15. UNICE welcomes the Lisbon objective of full employment. However, it is essential to bear in mind that the EU targets for employment rates are ambitious and could represent a particular challenge for some countries. The national targets for employment rates should therefore not only be in accordance with the overall EU objective, but also with the national situation. The approach should be to ensure sustainable employment growth mainly by combating structural weaknesses on labour markets rather than concentrating only on a rigid quantitative implementation of the objectives.

16. Concerning the EU average target employment rate for older workers, comparability could be hampered by the fact that the draft guidelines no longer specify what is meant by older workers, namely persons aged 55-64.

A2. On quality and productivity at work

17. European companies agree that increasing employment rates must go hand in hand with raising overall labour productivity growth and welcome the higher importance given to productivity. Nevertheless, the draft employment guidelines lack coherent actions directed to enhance productivity growth. The approach taken in this respect is too limited. Improving competences is key for increasing labour productivity, but the capacity to improve work organisation is equally important. In order to achieve this aim, it is important to put less financial and organisational burden on companies by removing rigidities in labour laws. These aspects should be brought forward from the priority on promoting adaptability to the overall objectives.
18. Regarding quality at work, European business insists that there should not be an opposition between quality at work and quantity of work. Europe should also seek to maximise all opportunities for job creation by removing rigidities in the labour laws and promoting flexible forms of work which benefit individuals, companies and overall growth and productivity. This is particularly important in the current economic situation.

B. On simplification and target-oriented approach

19. The draft employment guidelines answer to the European business concerns for simplification and focus on medium-term objectives and policy outcomes. The priority areas proposed by the Commission reflect to a very large extent those proposed by UNICE in its October 2002 position paper.
20. Nevertheless, European companies are disappointed with the fact that the content of the guidelines for the following reasons:
- Imbalance between guidelines focusing on labour supply side and those on labour demand side. The Commission claims to have corrected the tendency to give precedence to measures centred on the supply of labour and to have strengthened the guidelines designed to increase the demand for labour. In reality, the proposed strengthening concerns almost exclusively guidelines on activation (training for the unemployed). The entrepreneurship pillar has been virtually emptied of any substance.
 - The guidelines propose too many EU targets. The Employment Guidelines are designed to set common EU objectives, for which Member States determine tailored policies that suit their individual labour market traditions and economic situations. They are designed to allow tailor-made responses. This is not reflected in the new guidelines, which often specify overly prescriptive EU targets. This could impose a purely quantitative implementation of the policies and result in a comparison of national situations which will be misleading. An invitation to Member States to set their own national targets in accordance with broad EU objectives is preferable. Consideration should be given to having one single document

on employment guidelines containing one general part on overall policy guidelines with a few overall EU objectives applicable to all Member States and a second part with country-specific aspects accompanied, where appropriate, by monitoring of targets to be set at national level by Member States in accordance with the broad EU objectives.

21. Many of the EU targets are inappropriate because they are:
- Over-prescriptive (for instance the target on private investment in human capital foresees a significant increase in investment by enterprises in training of adults, although enterprises are not responsible for training of adults in general),
 - too much input-focused (for example the activation targets concentrate on entry into work experience and training programmes for the unemployed, but not sufficiently on the evaluation of the effectiveness of these programmes),
 - placed under the wrong priority (for example the health and safety targets do not belong in the priority on adaptability).
22. UNICE insists that the annual reporting by Member States should concentrate on few priority areas where further progress is needed rather than redesigning NAPs every year. In order to achieve this, consideration should be given to having programmatic NAPs covering the period of three years complemented by annual reports on their implementation every year.

C. On the ten priorities for actions

Active and preventive measures for the unemployed and inactive

23. Member States are invited to ensure, by 2005, that job search assistance is offered to all unemployed people before they enter their 4th month of unemployment (instead of 6th month in the previous guidelines). UNICE agrees that activation measures for the unemployed should be taken as early as possible, but believes that setting a target at EU level in terms of duration is arbitrary.
24. The Commission also proposes that Member States should ensure a new start in the form of work experience or training before reaching six months of unemployment in the case of young people and 12 months of unemployment in all other cases. It also suggests that by 2010 30% of the long-term unemployed participate in an active measure (compared with 20% in the previous guidelines).
25. These are examples of targets focused on inputs rather than on outputs. The focus should be on measuring the effectiveness and the impact of these measures as announced in the Commission communication of January 2003. While opening active measures to all non-employed persons wishing to rejoin the labour market is important, increasing activation targets as proposed by the Commission could perpetuate the predominantly quantitative implementation and undermine the focus on evaluation of the effectiveness of these measures. Focusing on the quality of labour market integration measures is the only way in which a “merry-go-round” from unemployment to training can be avoided. The guidelines should focus on improving outputs rather than just trying to get Member States to jump through certain hoops.

On fostering entrepreneurship and promoting job creation

26. The previous guidelines highlighted the importance of deepening the examination of the employment impact of the overall tax burden and of making the taxation system more employment-friendly by reversing the long-term trend towards higher taxes and charges on labour. They invited Member States to set adapted national targets for gradually reducing both the fiscal pressure on labour and non-wage labour costs, in particular on relatively unskilled and low-paid labour. These recommendations have disappeared and been replaced by a call to reduce the tax burden on low wages only. A reduction in the charges on low wages is desirable to facilitate the inclusion of less skilled workers. However, the same should apply to the tax burden on skilled labour, since this is determinant for the competitiveness of a “knowledge-based economy”.
27. It is crucial that progress is made in fostering entrepreneurship. Member States should be invited to set themselves targets on:
- gradually reducing the fiscal pressure on labour to reduce non-wage labour costs. For instance they could decide that the tax wedges on labour for all and for low income labour should not exceed a certain margin,
 - start-up rate, growth rate and survival rate of companies.

On addressing change and promoting adaptability in work

28. To address change and promote adaptability, the Commission invites Member States to modernise employment legislation by relaxing overly restrictive elements, develop social dialogue, foster corporate social responsibility and undertake measures to promote:
- diversity of contractual and working arrangements,
 - better working conditions, including health and safety and access for all workers to training,
 - design and dissemination of innovative and sustainable forms of work organisation,
 - the positive management of economic change and restructuring.

It sets two concrete targets for the reduction of accidents at work (a 15% reduction of overall accident rates and 25% for high-risk sectors) and invites Member States to reduce the gap for training participation between low-skilled and highly skilled workers.

29. The proposals under this priority are confused, difficult to understand and should be completely reworked into more operational recommendations, including for the modernisation of employment legislation and promotion of the diversity of contractual arrangements. Further work should be done to develop appropriate indicators and statistics to analyse the use of such forms of work and to evaluate their impact on the labour market (on the integration of those who take up employment under flexible forms of work, on companies’ competitiveness, etc.).
30. The aspects of corporate social responsibility, health and safety and access to training do not belong in the priority on adaptability.

31. The reference to corporate social responsibility should be deleted as it refers to a strictly voluntary practice by companies.
32. The target for the reduction in the incidence rate of accidents is linked to the overarching objective on productivity and quality at work. UNICE agrees with the aim of reducing accidents at work, but insists that the issue has to be addressed in a more realistic way. Setting national quantitative targets (on a 15% reduction of overall accident rates and 25% for high-risk sectors) at EU level is misleading. EU countries have different systems of recording accidents at work and different starting points. They will not be encouraged in their efforts to reduce accidents at work only by concentrating on a purely quantitative approach.
33. Access to training for the less-skilled belongs to and is already addressed in the section on investment in human capital.
34. The priority on addressing change and promote adaptability in work should be therefore entirely reformulated to reflect a broader approach, for example by stating that:

Member States will facilitate the adaptability of workers and firms to change, taking into account the need for both flexibility and security. They will modernise employment legislation by relaxing overly restrictive elements. Less regulation and more flexible work organisation – for example through greater opportunities for part-time work and flexible working hours-properly balanced by due security in employment relationships - would make it easier for both people to join the labour market and for firms to take them on.

On investment in human capital and lifelong learning

35. UNICE welcomes the balance in the emphasis on quantitative and qualitative aspects of investment in human capital and lifelong learning. For example, Member States are not only invited to improve public investment but also quality and efficiency of education and training systems, and to redirect public finance.
36. The draft guidelines require that Member States' policies should aim to achieve a set of EU average targets by 2010
 - 80% or more of the 25-64 years old in the EU with at least upper secondary education,
 - 15% participation rate of adults in education and training (with at least 10% participation rate in each country),
 - substantial per capita increase of private and public investment in human resources (including a specific request for a significant increase in investment by enterprises in the training of adults to aim at 5% of total labour costs overall in the EU).
37. Concerning the first target, the aim of reaching 80% of adults, including older people, with higher secondary education seems unrealistic compared with the previous guidelines which focused on young people (18 to 25 years old). The guidelines should either focus on upper secondary education of young people or on adult training. Moreover, this target should be achieved taking into account the specificities of each national situation and in way which is consistent with the

Broad Economic Policy Guidelines (i.e. by redirecting public expenditures towards growth-enhancing investment in physical as well human capital and knowledge). Finally, UNICE noted the recommendations made by the Education Council on 5-6 May 2003 that by 2010 at least 85% of 22 years old in the EU should have completed upper secondary education. The draft employment guidelines could be revised in line with this recommendation.

38. Concerning the proposed EU target for companies' investment in training of adults, UNICE has the strongest reservations for the following reasons:
- Working towards an EU average level of 5% is neither realistic nor effective. This target should be replaced by ambitious but realistic national targets.
 - Existing figures usually only take into account spending on training courses (i.e. formal training) and not informal learning.
 - Companies cannot be held responsible for training adults in general. The text should rather talk about training for their employees.
 - The amount of money spent on training does not indicate how beneficial it was in terms of raising skills and increasing competence. It also does not encourage the search for innovative and effective learning solutions. This target could lead to only a tickbox compliance approach to training.
39. For all these reasons, this target should be fundamentally reworded and should call for promoting framework conditions to allow for a considerable increase in investment in human capital. A reference to the need for further progress in measuring companies' efforts to develop workers' competences in non-formal ways as well as in assessing the impact of the education and training programmes on skills and competences should be added.
40. In this respect, UNICE agrees with the approach taken on this issue by the Education Council on 5-6 May 2003, namely that the issues of relevance for the efficient investment in education and training proposed by the Commission in the Communication on "Investing efficiently in education and training" should be analysed in detailed before deciding on further action.

On active ageing

41. UNICE broadly agrees with the proposed guidelines and believes promoting flexible retirement schemes is desirable.
42. UNICE agrees that there is an urgent need to increase effective retirement ages in most EU countries. The issue of older workers should be addressed through the existing Lisbon targets for labour market participation. Older workers should be encouraged to stay in the workforce and not retire as early as they are doing today on average. Adapting framework conditions so as to encourage companies to employ older workers is equally important to promote active ageing. Monitoring the progress made in this field should take into account the diversity of national situations.

On gender equality

43. UNICE welcomes the call to develop policy actions that will progressively reduce gender gaps on the labour market. It is particularly pleased to note that the approach advocated encourages Member States to address the causes of remaining inequalities rather than on improving the situation in purely statistical terms. The target of halving the gender pay gap in each Member State by 2010 is contrary to this structural approach.
44. Such a target should be replaced by a call to develop policies to progressively reduce the underlying causes of gender inequality.
45. Concerning the gender pay gap, UNICE has the following criticisms:
- The gender pay gap is calculated in terms of average women's and men's gross hourly earnings. The difference cannot all be labelled as discrimination. Such measurement does not take into account the structural wage differentials (age, training, occupation, different working patterns, etc.). Rather than working with averages, comparative studies should be carried out based on individual job profiles and their corresponding wage levels.
 - The issues of remuneration systems and job classification belong to social partners' responsibility.
 - It disregards that there is a trend towards a lesser use of job classification systems and greater use of performance-based remuneration systems.
46. Concerning childcare services, UNICE underlines that this is an important, but not the only way to reconcile work and family life. Other solutions could be envisaged, such as facilitating flexible working arrangements.

On make work pay

47. UNICE welcomes this priority and agrees with the proposed guideline. Progress in strengthening work incentives and making work pay in various Member States has been uneven and fragmented. This lack of progress should be urgently redressed. Member States should implement employment-friendly reforms of tax and benefits system and lower fiscal levies and social security charges on labour, not only for low-paid workers, but for all employees.

On transforming undeclared work into regular employment

48. UNICE strongly welcomes the priority on fighting undeclared work. However, it regrets that no reference is made to lowering fiscal levies and social security charges on labour as a key factor to make declared work pay. A business-friendly environment and labour market flexibility are also key factors to promote legal employment.

On promoting occupational and geographical mobility and improve job matching

49. In its October 2002 position paper UNICE asked that promoting occupational and geographical mobility within the Member States should be explicitly included in

the next employment guidelines. European employers are therefore pleased to see that their call has been heard and that such a guideline has been proposed.

50. The draft guidelines foresees that "by 2005 jobseekers throughout the EU should be able to consult all job vacancies advertised through Member States' employment services. UNICE wishes to propose the following amendment on cross-border consultation of job vacancies: "by 2005 jobseekers throughout the EU should be able to consult *those* job vacancies advertised through Member States' employment services *which are intended and notified by the employer for EU-wide recruitment*" (rather than all job vacancies advertised through Member States' employment services).

Indeed, in order to avoid receiving too many and unsuitable applications or for other business-related reasons, employers often want to limit and target the distribution of job vacancy information. If all the job vacancies advertised by the national employment services become automatically accessible throughout the EU, some employers could be discouraged from using the Public Employment Services as a recruitment channel. They use a PES if its services are efficient and competitive, capable of targeting distribution of vacancy notices.

D. On the role of social partners and mobilisation of all relevant actors

51. With respect to governance, simplification should also take place in national employment processes. Member States are asked to involve all stakeholders, including civil society and a closer parliamentary involvement is sought. In accordance with the subsidiarity principle, Member States should have the possibility of organising the process in the most efficient way taking into account national constitutions or fundamental laws regarding the involvement of national parliaments and national practices regarding the mobilisation of civil society.
52. Social partners' primary role with respect to labour market aspects should be preserved and respected. UNICE welcomes the intention to reinforce the involvement of social partners in the employment process. European employers are attached to the EES and want to contribute actively to its definition and implementation. However, the overall responsibility for national employment policies does not lie with the social partners, but with Member States. This should be better reflected in the wording of the guidelines.
53. Finally, UNICE would like to recall that the European social partners have agreed on a common work programme for the period 2003-2005. The main chapter in this programme is employment, with 12 out of 19 issues relating to it. Issues such as the ageing workforce, lifelong learning, equal opportunities are highly relevant for the EES. The necessary space has to be left to allow social partners to develop their own agenda in this area.

IV. **Conclusion**

54. UNICE welcomes the publication of employment and BEPG as a package, the simplification as well as the medium-term perspective of the draft guidelines.
55. European business is in broad agreement with the economic side of the package and supports especially those BEPG which can help to restore confidence and

reduce costs for business (i.e. implementing sound budget policies in line with the Stability Pact, combating unemployment, ensuring the financial sustainability of pension systems). UNICE also welcomes the aspects of labour markets and pension reforms continuing to being addressed in the framework of BEPG.

56. Nevertheless, UNICE is disappointed by the content of the employment guidelines because:
- they do not sufficiently reflect the integrated approach of economic and employment policies. Essential elements on fostering entrepreneurship and job creation and improving productivity are missing,
 - they contain too many quantified targets set at EU level which could impose a purely quantitative implementation of the policies and could result in a misleading comparison of national situations.
57. UNICE therefore calls for substantial modifications in the draft employment guidelines in order to promote:
- genuinely integrated national employment policies with significant measures to increase demand for labour by fostering entrepreneurship and job creation,
 - entrepreneurship as the basis for employment creation,
 - replace the numerous quantified EU targets with an invitation to Member States to set their own targets in accordance with broad EU objectives.
