

**COMMISSION COMMUNICATION ON MODERNISING SOCIAL PROTECTION FOR
MORE AND BETTER JOBS
A COMPREHENSIVE APPROACH CONTRIBUTING TO MAKE WORK PAY
UNICE COMMENTS**

I. Introduction

1. The Communication on making work pay is the Commission response to the 2003 Spring European Council request for a "report in time for the 2004 Spring European Council on the improvement in the overall framework for social protection policies through a greater emphasis on the effectiveness of incentives (e.g. benefit systems, reconciliation of family and work life, measures for older people) and the identification of best practice".
2. The Communication identifies the main challenges and policy responses that Member States have implemented with the aim of making social protection systems more employment-friendly. It gives examples of good practice and draws conclusions regarding the policy actions by Member States that can result in employment-friendly social protection policies.

II. Comments

3. UNICE is in favour of policies which create the right conditions for all working-age people to be willing and able to contribute actively to society through work. It welcomes the increased recognition at the EU and national levels of the need to strengthen the incentives and support for people to move from social benefits to work. Increasing labour supply is of utmost importance given the pressure on financing social security systems due to the ageing population and the decline in the working-age population.
4. Policies to make work pay are a national responsibility, but the EU level can add value by organising exchanges of experiences on solutions found in current and new Member States. For this purpose, an in-depth analysis of national measures to make work pay would be extremely useful for an informed debate on this important issue. Identification at EU level of priority areas for actions in Member States such as encouraging workers to stay in work longer, increasing effective retirement age and ensuring financial sustainability of social protection systems can contribute to focusing efforts.
5. However, UNICE would like to make four fundamental remarks on the content of the Communication.
6. Firstly, the Communication is too general and does not provide an in-depth analysis of national measures to make work pay taking full account of the overall strengths and weaknesses of the labour market concerned. The assessment of the incentives to work should also be more comprehensive. For example, it is important to look not only at the interaction between social benefits and work, but also at the disincentives to work stemming from the interaction of different benefits regimes.

7. Secondly, the Communication focuses exclusively on supply-side measures and deliberately excludes demand-side aspects (keeping and creating jobs). Focusing only on differences between net pay and what a person had through social benefits without working and disregarding excessively high indirect labour costs paid by employers which can out-price even medium-qualified work in Europe leaves aside very important aspects of the debate. Moreover, the particular situation of SMEs is totally overlooked. Making employment affordable and providing other incentives to employ should be integral part of the debate on making work pay.
8. Thirdly, the policy lessons drawn from the analysis made in the Communication are too broad and lack concrete elements. Moreover, often when various measures are presented, the Communication shies away from sending a strong signal on the need to reform and to modernise the passive social protection systems.
9. Fourthly, the part on acceding countries is superficial and contains inaccurate information. It would have been desirable for the Communication to provide a more analytical description of the challenges and the policies to make work pay in these countries.

III. Conclusions

10. To conclude, UNICE is in favour of deepening the EU debate on making work pay, bearing in mind that these policies are a national responsibility. The EU level could add value by organising exchanges of experiences based on an in-depth analysis of the national measures to make work pay.
11. For this purpose, the Communication should have provided a more in-depth analysis of these measures and should have proposed more concrete conclusions. Moreover, UNICE insists the demand-side aspects should be fully taken into consideration when dealing with this important issue.
