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COMMISSION'S DRAFT JOINT EMPLOYMENT REPORT 2003/2004**UNICE COMMENTS****Executive summary**

The Commission's draft Joint Employment Report assesses, on the basis of the 2003 National Action Plans for Employment, the progress made by Member States in implementing the employment guidelines 2003-2006. It also integrates the assessment and the policy messages of the report of the Employment Task Force chaired by Mr Kok. The report includes key messages for the 2004 Spring European Council.

UNICE agrees with the analysis made in the report, but finds that the need to raise productivity is not sufficiently emphasised.

Concerning the key messages for the Spring European Council, European employers believe that the following remarks should be reflected in the political orientations given by the European Council for the recommendations to Member States regarding employment policies:

- achieving the Lisbon targets on employment depends on the actions to be taken now by Member States to deliver the reforms to increase flexibility advocated in the Kok report;
- in implementing the employment guidelines, Member States should correct the imbalance towards labour supply measures and strengthen the measures geared towards entrepreneurship and job creation;
- Member States should take more measures likely to reverse the trend of declining productivity;
- the impact of the social partner consultation in the employment process could be improved.

COMMISSION'S DRAFT JOINT EMPLOYMENT REPORT 2003/2004**UNICE COMMENTS****I. Introduction**

1. On 21 January 2004, the Commission published the draft Joint Employment Report (JER) which assesses, on the basis of the 2003 National Action Plans for Employment (NAPs), the progress made by Member States in implementing the employment guidelines 2003-2006. This draft JER is part of the Implementation Package (including also the Implementation Report on the Broad Economic Policy Guidelines and the Implementation Report on the Internal Market Strategy), submitted together with the Spring Report on the Lisbon Strategy, to the Spring European Council. The report includes key messages for that Council. As requested by the European Council held in December 2003, this JER integrates closely the assessment and the policy messages of the report of the Employment Task Force chaired by Mr Kok.

II. CommentsOn the overall assessment

1. In terms of overall assessment, the draft JER stresses that:
 - the EU will miss the overall intermediate employment rate target of 67% in 2005; the employment rate of women is on track towards the 2005 target of 57%; the employment rate of older workers is a considerable way off the 2010 target of 50% and is the main obstacle standing in the way of achieving the 70% employment rate agreed in Lisbon;
 - the decline in labour productivity growth is worrying and had contrasted in recent years with the rise in employment; unless the economy picks up, and further reforms are implemented, there is now a risk of stagnation in employment and of higher unemployment;
 - the pace of labour market reforms has continued and in some cases been stepped up, especially to increase participation and labour supply. However, reforms to improve the environment for job creation are more piecemeal.
2. UNICE agrees with this analysis. However, it is important to note that progress differs considerably from country to country. Some countries have already achieved the 2010 targets on overall employment rate and employment rate for women. Others are far from it. In addition, UNICE believes that, in comparison with the analysis made in the Commission's 2003 "Employment in Europe" report, the continuing decline in productivity is not sufficiently emphasised.

3. UNICE urges policy-makers at both EU and national levels to draw the necessary conclusions from this assessment.

On the key messages for the Spring European Council

4. The key messages for the Spring 2004 European Council identified in the draft JER are:
 - there is a need to focus on implementation and monitoring of reforms, including through more forceful country-specific EU recommendations and more effective use of peer review;
 - Member States should pursue the full range of policies recommended in the employment guidelines giving immediate priority to the recommendations in the Kok report; reforms must be continued and extended; more needs to be done to accelerate employment and productivity growth, through a broad approach, encompassing stronger support to entrepreneurship, research and dissemination of innovation and increased and more effective investment in human capital, structural reforms in product, services and capital markets and reform of social protection systems.
5. Regarding these key messages, UNICE would like to make the following remarks.
6. UNICE strongly welcomes the stronger focus on implementation of reforms. This is highly important for both existing and new EU Member States. It wishes to convey a strong sense of urgency for implementing the reforms advocated in the Kok report. European employers hope that at the Spring European Council, Member States will commit unambiguously to deliver the labour market reforms identified in the Kok report, in particular with regard to adaptability and activation.
7. With regard to investment in human capital, UNICE fully recognises the importance of maximising the effectiveness of investment in human capital by governments, employers and individuals, but would like to recall that it does not agree with the approach advocated in the Kok Report. The emphasis on training funds as a means to increase company investment in training by sharing costs between employers should be nuanced. A recommendation to create the right incentives both for employers and individuals to engage in lifelong learning would have been more in line with the approach advocated in the framework of actions of the European Social Partners on this subject.
8. UNICE agrees with the emphasis put on monitoring of reforms. However, it insists that the EU level recommendations to the national level should be well-targeted by fully taking into account the specific labour market circumstances in Member States. Moreover, the EU-level should avoid proposing initiatives which undermine the reform agenda. This means fundamentally to rethink the content of proposals such as the new draft directive on cross-border mergers, or on temporary agency work, or to avoid proposing unnecessary revisions of existing legislation such as the EWC directive, or additional proposals for a directive on data protection.
9. European employers fully agree that job creation and productivity growth require a comprehensive approach including macroeconomic policies, entrepreneurship, research and innovation, structural reforms, education and training, social protection systems. However, since measures focus more on labour supply and reforms to improve the environment for job creation are piecemeal, UNICE insists that Member States should be invited to strengthen measures fostering entrepreneurship and promoting job creation. Implementing the recommendations of the Kok Task Force report in this respect is essential, namely:
 - reducing burdensome regulation and red tape for business;
 - changing attitudes regarding business failure;

- redressing the perceived imbalance between the risks and rewards associated with entrepreneurship;
- reducing non-wage labour costs, notably through reforms to contain social security costs.

Moreover, the European employment guidelines designed to increase the demand for labour should be strengthened.

10. Furthermore, UNICE stresses that the following measures to foster entrepreneurship are lacking from both the draft JER and the Kok report and should be fully taken into consideration by the Member States:
 - reduction of non-wage labour costs should not only focus on low-skilled or categories of people at risk of unemployment, but should also apply to skilled labour, since this is determinant for the competitiveness of a knowledge-based economy;
 - regulatory and administrative requirements should not only be simplified for new businesses, but also for existing companies.
11. Finally, UNICE believes that in implementing the employment guidelines, besides the measures geared towards fostering entrepreneurship and promoting job creation mentioned above, Member States should take the following measures recommended in the Kok report likely to reverse the trend of declining productivity:
 - allowing for more flexibility for both employers and employees, in terms of working time, labour contracts and labour market regulation;
 - providing incentives for workers to stay on labour markets and for employers to hire and keep older workers;
 - reforming tax and benefits systems to avoid unemployment traps;
 - devoting special attention to the integration of the young people in the labour markets;
 - improving effectiveness of the activation measures;
 - fostering a balanced approach to lifelong learning, emphasising responsibilities of, and benefits for, all stakeholders;
 - encouraging wage differentiation to reflect local, regional and sectoral differences in productivity and labour market conditions.

On the involvement of the social partners

12. The draft JER finds that the involvement of social partners in developing the NAPs is progressing and their contributions to implementation are better presented and reported. It refers to the Kok report recommendation requiring that consultation of social partners in the NAPs process becomes the norm.
13. UNICE welcomes the progress in involving the social partners in the employment process and the requirement to consult them. Nevertheless it stresses that in some countries, the impact of the social partners consultation on the final NAP could be improved. It also insists that in the implementation of the employment guidelines, the autonomy of the social partners should be respected.
14. 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, etc. are highly relevant for the European employment strategy.
15. UNICE would like to recall that, in the framework of this joint work programme, the European social partners are currently preparing a joint report on the social partner actions in Member States to implement the employment guidelines. This joint report

will be presented to the 2004 Spring Social Summit as a contribution of social partners to implementation of the employment guidelines.

III. Conclusions

16. To conclude, UNICE calls on the European Council to taken into account the following remarks when proposing the political orientations for the recommendations to Member States regarding employment policies:

- achieving the Lisbon targets on employment depends on the actions to be taken now by Member States to deliver the reforms advocated in the Kok report in particular with regard to adaptability and activation;
- in implementing the employment guidelines, Member States should correct the imbalance towards labour supply measures and strengthen the measures geared towards entrepreneurship and job creation;
- Member States should take more measures likely to reverse the trend of declining productivity;
- the impact of the social partner consultation in the employment process could be improved.
