

19 May 2005

INTEGRATED GUIDELINES FOR GROWTH AND JOBS**UNICE POSITION PAPER****EXECUTIVE SUMMARY**

UNICE welcomes the presentation of the Broad Economic Policy Guidelines and the Employment Guidelines in a single package and the cross-references made between the macroeconomic, microeconomic and employment guidelines. In line with the Spring report 2005 recommendations, the integrated guidelines rightly underline the need to focus on growth and jobs to preserve and enhance living standards in the EU.

UNICE is broadly satisfied with the content of the integrated guidelines.

The BEPG define a clear strategic vision covering macroeconomic and microeconomic issues and rightly emphasise the links between both aspects. Raising the EU growth potential through reforms and maintaining sound macroeconomic policies are indeed complementary agendas.

The employment guidelines advocating a life-cycle approach to work, asking for adaptation of labour legislation and a review of the level of flexibility of permanent and non-permanent contracts, for employment-friendly wages and a review of the impact of non-wage labour costs on employment are particularly welcome. Nevertheless, the guidelines seem to underestimate the strategic importance of improving productivity throughout Europe. Moreover, the guidelines should seek effective integration of more people into the labour market especially by the creation of real new jobs and not through expansion of the social economy as is implied.

The integrated approach constitutes an important step in the right direction to improve economic governance in the EU and raise growth potential. The key issue is now the follow-up that will be given to these good intentions and recommendations in terms of implementation. Based on these guidelines, the National Action Plans and the Lisbon Community Programme will be the next steps to foster the national ownership of the Growth and Jobs Strategy. UNICE and its member federations are also prepared to play their role in the process by advocating at all levels of decision-making the need to restore confidence and encourage investment without which there can be no lasting solution to Europe's economic and social challenges.

INTEGRATED GUIDELINES FOR GROWTH AND JOBS**UNICE POSITION PAPER****General assessment of the proposed package**

1. UNICE fully agrees that “against the background of insufficient progress with the Lisbon strategy and only a moderate economic recovery, hampered by a continuing lack of confidence, focus on growth and employment is necessary to preserve and enhance living standards in the Union”.
2. UNICE therefore welcomes the integrated guidelines (2005-2008) including the Broad Economic Policy Guidelines (BEPG) and the Employment Guidelines (EG). The presentation of these two documents in a single package and the cross-references made between the 15 guidelines of the BEPG and the 8 guidelines of the EG convey the right sense of focus and the urgent need to introduce reforms to raise the Union’s growth potential, while maintaining sound macroeconomic policies that underpin the success of reform efforts.
3. UNICE broadly agrees with the content of the proposed integrated guidelines which will be the framework for the new three year governance cycle 2005-2008. However, the key to success will lie in the ability to translate the intentions of the EU guidelines and recommendations into real action. It is essential that this integration leads to a real simplification and improved coherence and synergies between policies at both national and EU levels. It is of utmost importance that Member States national Lisbon programmes bridge the delivery gap by giving a genuine follow-up on all three strands of the integrated package: macroeconomic policies, microeconomic reforms and employment.
4. The guidelines emphasise the role of national parliaments and social partners in discussing the strategic guidelines and the national action plans. UNICE very much hopes that this will foster the necessary ownership of these programmes. At the same time, it is essential that all the stakeholders involved work in a constructive way to genuinely facilitate implementation of necessary reforms. UNICE recalls the importance of involving social partners both at national level, when developing the Lisbon programmes, and at the European level, when assessing the implementation and results of the Lisbon strategy.
5. In the context of the new governance cycle for growth and jobs, UNICE believes the Competitiveness Council has a vital role to play in ensuring that the right sense of focus and urgency expressed in these Integrated Guidelines is not diluted in subsequent Council discussions. The Employment Guidelines should equally be discussed within the Competitiveness Council, guardian of Europe’s competitiveness, as the adaptation of European labour markets constitutes an integral part of any microeconomic reform programme to create growth and jobs. These guidelines must be fully integrated in the new governance cycle. In this context, UNICE would like to highlight the importance of fully integrating the Open Method of Coordination on social protection (pensions and health care), social inclusion and education and training into the new governance cycle.

On the Broad Economic Policy Guidelines (BEPG)

6. The Broad Economic Policy Guidelines (BEPG) constitute a central instrument of economic governance, by defining a clear strategic vision covering macroeconomic and microeconomic issues. Compared with the last version (2003-2005), UNICE welcomes the simplification in the classification of the guidelines by distinguishing macroeconomic and microeconomic issues.

1. Macroeconomic policies for growth and jobs

7. UNICE agrees with the need to conduct sound macroeconomic policies. Securing economic stability is a pre-requisite for promoting growth and jobs in Europe. The more predictable the macroeconomic environment is, the more entrepreneurs can assess the risks inherent to their investment activities.

8. The BEPG could have emphasised further the importance of the quality of public finances for the EU as a whole and for the Member States' own sake. The Commission Spring Economic Forecasts confirms that among the four countries of the euro area in excessive deficit, only the Netherlands is expected to have reduced its deficit below the 3% of GDP reference in 2004 while budgetary developments in Italy and Portugal are sources of concern. The existence of budget deficits in a period of recovery, albeit modest, is also coupled with deteriorating indebtedness in some major European economies.

9. In the context of the "renewed" stability and growth Pact agreed by the European Spring Council on 22 and 23 March 2005, the use of "other relevant factors" to escape the excessive deficit procedure should not become an excuse (subject to political discretion) not to consolidate public finance. The BEPG could provide stronger recommendations following this major change in economic governance.

10. The macroeconomic part of the BEPG is rightly extended by linking further the issue of stability-oriented fiscal and wage policies to structural issues (debt sustainability, pension and health care reforms, etc.). Ageing population makes more relevant than ever a framework not only promoting disciplined fiscal policy but also promoting its long-term sustainability in terms of debt burden and interest costs. In this context, fiscal consolidation should be accompanied by a budget restructuring allowing the financing of competitiveness-enhancing investment.

2. Microeconomic reforms to raise Europe's growth potential

11. The Commission Spring Economic Forecasts is an additional illustration that the European Union's main challenge is raising growth potential which has been on a declining trend for too long. On unchanged policy, growth potential would continue to decline from 2% to 1.5% in 2015 and 1.25% in 2040, simply as a result of the ageing population in Europe. Therefore, the microeconomic aspects of the Integrated Guidelines are particularly important to improve significantly our growth and jobs prospects.

12. The microeconomic part fully complies with the Spring report 2005 recommendations. Emphasis is given to support for SMEs, entrepreneurship and innovation, the need to increase investment in R&D, the need to deepen the internal market, the need to create a real internal market for services and to redeploy efforts in the field of infrastructure. The BEPG also take on board considerations related to the external

dimension of competitiveness, better regulation and the contribution to a strong industrial base.

13. UNICE believes the right recipes for more productivity growth are outlined in the nine microeconomic policy guidelines proposed by the Commission. UNICE attaches particular importance to the following aspects:

- Extending and deepening the internal market includes facilitating the free movement of people as well as services. Member States should show full commitment to these domains of the Internal Market.
- It is now time to deliver on the Better Regulation agenda. Action plans and methodologies must now translate into a real easing of burdens for companies.
- Research and innovation, although linked, are two separate aspects of competitiveness. Their distinct treatment in two different guidelines is therefore appropriate. In this context, it is important that state aid is redeployed towards research as well as innovation. The Competitiveness and Innovation Framework Programme is the right step at EU level to increase innovation and thus productivity in Europe. UNICE appreciates the simplification it brings and the fact that it will facilitate aid to innovative enterprises.

14. UNICE welcomes the Commission proposals for the BEPG. Uncertainty only remains about the follow-up that will be given to these good intentions and recommendations in terms of national implementation. UNICE expects the Competitiveness Council to be a guarantor that the Integrated Guidelines are not watered down in subsequent Council discussions.

On the employment guidelines

15. UNICE believes that the proposed employment guidelines cover the key issues and broadly agrees with their content. European employers welcome the simplification and streamlining of the previous guidelines to convey a stronger sense of focus. It is therefore essential that the Council preserves this simplicity and sense of focus during the adoption process.

16. As already stated in the general comments, the key to success will be the implementation of the guidelines. In this respect, UNICE would like to recall the importance of the recommendations of the report of the high-level task force on employment chaired by Mr Wim Kok, which remain valid.

17. Moreover, UNICE has the following remarks on policy measures suggested under the three priority areas.

I. Attract and retain more people in employment and modernise social protection

18. UNICE agrees that synergies between quality at work, productivity and employment should be fully exploited. However, the guidelines seem to underestimate the strategic importance of improving productivity throughout Europe.

19. UNICE broadly supports

- guideline 16 which invites Member States to set national employment rate targets for 2008 and 2010 in order to make progress towards achieving an employment rate of 70% for the EU;
- guideline 17, which advocates a life-cycle approach to work;
- guideline 18 which calls for active and preventive labour market measures and reviewing tax and benefit systems to include more people on labour markets.

20. However, UNICE opposes the over-emphasis put on expanding the social economy as the solution to include disadvantage people into the labour market. In its view, the guidelines should seek an effective integration of more people into the primary labour market especially by a rapid progress towards encouraging the creation of real new jobs. Implementation of the measures foreseen in the integrated guidelines 1, 2, 5, 7, 8, 9, 10 and 21 are key in this respect.

II. Improving adaptability of workers and the flexibility of labour markets

21. UNICE agrees that Europe needs to improve its capacity to anticipate, trigger and absorb economic and social change. The integrated guidelines are the right tool to address this issue since most of the measures to do so are in the hands of national and local players. European employers welcome in particular the recommendation to adapt labour legislation and review the level of flexibility of permanent and non-permanent contracts, support transitions in occupational status and promote innovative work organisation. The flexibility of the labour market can also be promoted by ensuring that the regulatory environment for business does not damage productivity – implementation of guideline 9 is of particular importance in this regard.

22. Similarly, UNICE welcomes the new guideline on employment-friendly wages and review of the structure and level of non-wage labour costs and their impact on employment (guideline 21). This helps to correct the weakness of the previous employment guidelines which were lacking essential measures to increase labour demand.

23. Concerning the idea of introducing a specific and additional guideline on restructuring, UNICE consider that this is neither necessary, nor desirable. Restructuring is up and foremost a company issue. It has to be dealt with by the management and workers concerned. The integrated guidelines can contribute to a pro-active adaptation to change by promoting the creation of an enabling environment. Promoting growth and employment will help to maximise new opportunities and minimise adjustment costs.

24. Moreover, restructuring is already widely covered in the integrated guidelines. Guideline 20 makes contains an explicit call on Member States to better anticipation and positive management of change including economic restructuring, notably changes linked to trade opening, to minimise social costs and facilitate adaptation. Moreover, guideline 10 asks that Member States facilitate transfer of ownership, revise bankruptcy laws and improve their rescue and restructuring proceedings. Finally, guidelines 18 and 19 which advocate active and preventive measures, including job search assistance, guidance and training as part of personalised action plan and recommend a strengthening of the labour market institutions are also part of the answer.

25. Concerning the suggestion to target use of Structural Funds, notably the ESF, UNICE believes that the ESF should indeed be used to better support employability and labour productivity.

III. Increase investment in human capital through better education and skills

26. UNICE agrees that effective investment in human capital is increasingly important in today's economy and requires special attention. It broadly supports guidelines 22 and 23 which call for the establishment of efficient lifelong learning strategies in Member States and better adapt education and training systems to new competences requirements. They reflect to a large extent the four priorities identified in the European social partners' framework of actions on lifelong development of qualifications and competence.

Conclusion

27. To conclude, UNICE fully supports the refocusing of the Lisbon strategy on growth and employment. It believes that the integrated guidelines propose the right set of measures to address the challenges facing Europe. However, progress will only materialise if the guidelines are effectively implemented in the Member States.

28. UNICE and its member federations are prepared to play their role and contribute to enhanced growth and employment. They call on public authorities and relevant national stakeholders to engage constructively in taking the necessary measures to restore confidence and encourage investment without which there can be no lasting solution to Europe's economic and social challenges.

* * *