



Reform European social systems to respond to global challenges



BACKGROUND

European social systems have cushioned the worst impact of the financial and economic crisis on workers and citizens. However, with the return of high unemployment and a severely deteriorated outlook for public finances, the EU's capacity to provide protection against risks and combine economic growth with social progress will only be sustained by intensifying reform efforts. The modernisation of European labour markets and social systems is crucial to confront the challenges of globalisation, technological change, population ageing and climate change. Globalisation requires European labour markets to be more flexible while, at the same time, necessitating new forms of security for workers. Policies to address climate change will create the need for industries to adapt with all the consequences for companies and workers. In addition, Europe's workforce is ageing and will soon start shrinking, leading to labour shortages, especially of skilled workers. With fewer people contributing to social protection systems and more depending on it, there will be ever greater pressure on the financial sustainability of our welfare systems.

Addressing these challenges will require combined efforts by public authorities and social partners. The latter, both at national and European level, are particularly well-placed to help find concrete solutions to Europe's social challenges.

Reform labour markets based on the common principles of flexicurity

Flexicurity is key to modernise European labour markets. The flexicurity approach requires comprehensive and integrated national strategies consisting of the right mix of economic and social measures to turn job security into employment security. This means: removing rigid labour law and ensuring a wide variety of contractual arrangements; putting into place effective active labour market policies; modernising social security systems to promote mobility; and providing the right incentives to companies to develop competences. The European social partners' joint labour market analysis and the common principles of flexicurity should serve as a source of inspiration for policy-makers and social partners at national level in their efforts to modernise their labour markets. Flexicurity should be fully integrated in Member States' National Reform Programmes. In their 2009-2010 Social Dialogue Work Programme, the European social partners have agreed to monitor implementation of the common principles of flexicurity.

Secure the availability of skilled workforce

Putting in place effective lifelong learning strategies within Member States is key to providing a platform for a well functioning labour market and a broad skills base corresponding to labour market needs. It is also key to guarantee the security of supply, amongst others by investing in adequate networks. Member States need to develop mechanisms to better assess individuals' competences using a learning outcomes approach to ensure closer alignment on the realities of the labour market. More focus is needed on people at work and in particular older workers and disadvantaged groups to help curb the skills gap and alleviate skills shortages. Reforming and modernising higher education and developing stronger links with enterprises is vital for competitiveness and the realisation of a genuine European Education Area in the near future.





Adapt social systems to an ageing population

While the impact of the crisis on public finances has been significant, in the longer term the ageing and shrinking of Europe's workforce will present an even bigger challenge to the sustainability of European social systems. Member States therefore need to step up their reform efforts in order to meet the demographic challenge for example by finding an appropriate balance between work and family life. Pension systems must be reformed to encourage people to work longer. The development of private pension provision, 2nd and 3rd pillar, should be encouraged by way of appropriate operating conditions. Social protection systems should be modernised to remove unemployment and inactivity traps. Finally, non-wage labour costs must be contained to increase labour demand and enhance competitiveness.

Give the necessary space for the social dialogue

Boosting productivity and employment growth is essential to ensure Europe's social and economic success. Social partners are well placed to identify solutions to correct structural weaknesses on European labour markets by increasing flexibility, containing labour costs, designing effective tax and benefit systems, and promoting a better match of labour market supply and demand. The European social dialogue work programme is the main tool through which European social partners pursue these goals. To allow them to make a meaningful contribution to the implementation of the Growth and Jobs Strategy, the autonomy of social partners at European, national, sectoral and company level needs to be fully respected.

Sub-priorities:

-  Reform labour markets based on the common principles of flexicurity
-  Secure the availability of skilled workforce, e.g. through economic immigration
-  Adapt social systems to an ageing population
-  Give the necessary space for the social dialogue