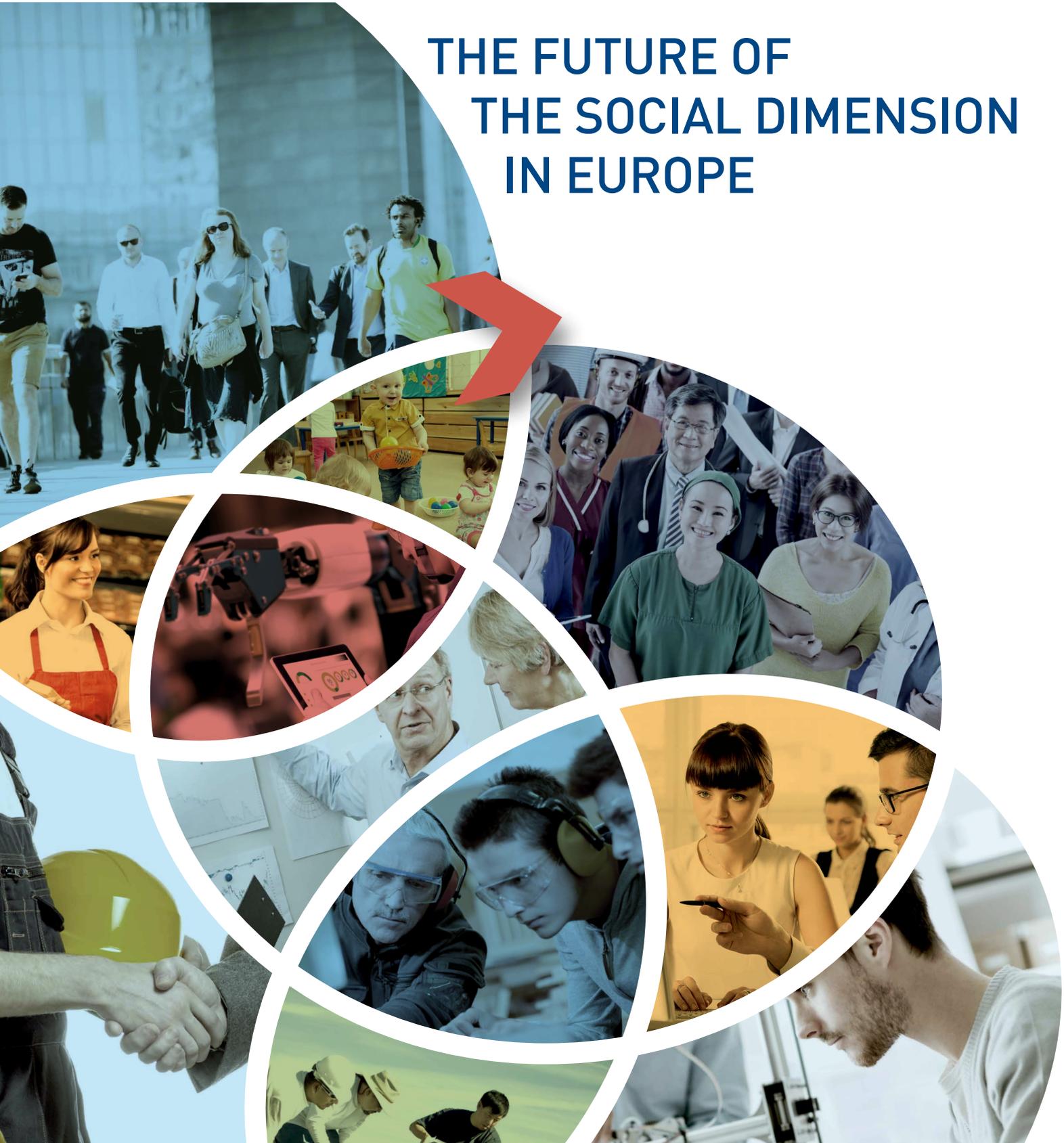




# THE FUTURE OF THE SOCIAL DIMENSION IN EUROPE



## WHO ARE WE ?



BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance.

A recognised social partner, we speak for all-sized enterprises in 35 European countries whose national business federations are our direct members.

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## POLITICAL FOREWORD

The history of the European Union clearly shows that European integration underpinned Europe's prosperity, which in turn contributed to improving the social dimension of Europe. We have good reasons to be proud of our European social model and its comprehensive set of EU and national measures to ensure that economic progress leads to social progress.

A business environment which allows companies to create good jobs and be competitive globally is an absolute must to sustain our European way of life, to give workers and citizens opportunities to fulfil their potential, and to fight poverty and social exclusion. This is what the social dimension is about by connecting entrepreneurs, citizens and workers to the EU.

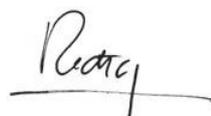
We can be proud that **Europe is one of the best places to live and work in the world**. This is at the core of the achievements of what we call in Europe social market economies. As part of this, the EU social policy plays a particular role in shaping the social dimension of Europe. But going beyond the EU social policy, there are two key conditions for Europe to further improve its social dimension.

The first is the need to **combine social policy with sound economic policy** and a strategy for increasing growth and competitiveness across all EU member states and European Economic Area (EEA). Social policies must go hand in hand with those that bring economic progress, such as fully realising the EU internal market, encouraging investment and innovation, and promoting entrepreneurship.

The second is the **synergy between EU and national social policy and actions**. Social policy has to fully reflect the reality of how the EU functions, bringing to life the principle of subsidiarity. This means taking action at the right level, respecting the fact that the EU's role is to support and complement member states' actions. Because the EU social model is based on different national models, which must be preserved. The EU needs to respect the diversity of member states' social systems, which are based on deeply rooted political choices and societal traditions.

In view of increasing trade tensions and challenges to the multilateral rules-based order, rises in populism and the profound changes in the world of work, Europe will need to act in line with its values in a way which safeguards our global competitiveness.

Pierre Gattaz  
President




Markus J. Beyrer  
Director General






## FOR BUSINESSEUROPE, THE MAIN PRIORITIES SHOULD BE:



- Improving the functioning and performance of labour markets, making them dynamic and adaptable and providing flexibility and security;
- Improving the global competitiveness of European companies, by improving productivity and reducing high levels of labour taxation;
- Embracing the potential of the future of work including digitalisation to deliver benefits for companies, citizens and workers;
- Better facilitating free movement and posting of workers for the cross-border provision of services, as part of a fully functioning internal market;
- Tackling skills shortages and mismatches by ensuring the workforce has a relevant skills set, including through an improved connection between companies' needs to innovate and education and training systems learning outcomes;
- Delivering stable societies, through national social protection and welfare systems which provide sustainably and adequately for future generations;
- Strengthening social dialogue as a tool for management of change;
- Supporting companies to provide solutions for sustainability challenges and encouraging global implementation of the UN Sustainable Development Goals.





## TO ACHIEVE THIS, WE PROPOSE:

● ● ● ● ● ●

- **An improved governance of European coordination of national policies on employment and social protection**, working together with the trade unions, European Commission and member states, deepening the cooperation between social partners and the Council's Employment and Social Protection Committees.
- **A step change in EU social policy**, which encourages access to a wide range of employment forms and no longer assumes that more prescriptive EU employment legislation will better protect workers.
- A reorientation of EU funds to tackle **youth employment towards addressing structural causes**; get more women into work across sectors and roles, by investing in child care infrastructures and running EU and national campaigns to combat gender stereotyping and labour market segregation.
- A more strategic approach to **tackling labour shortages and skills mismatches** across Europe, by better supporting national reforms that get more people into work, and better targeting migration policies to attract medium and high-skilled third-country nationals to Europe.
- Proactive action by the European Commission to eliminate restrictions and excessive administrative burdens at EU and national level against the **free movement and posting of workers**, to fully realise the provision of services in the Single Market.
- **Steering digitalisation by putting work, people and companies' competitiveness at the centre**, making sure that technology enhances workers' productivity; facilitating understanding and learning between member states and social partners in view of new business models, regarding national definitions of employees and self-employed and collective representation of workers.
- Improving the way the existing Open Method of Coordination supports member states to benchmark progress to **reform and improve the performance of their employment policies and national social protection and welfare systems**: We call on the next European Commission to create two new Advisory Committees on employment policies and on social protection, along the lines of the Advisory Committee on Vocational Training (ACVT).
- Increasing EU and member states' **support for capacity building of social partners organisations**, in those countries where they are weak, or where there is a lack of or insufficient capacity to get involved in the European Semester or European social dialogue.
- Giving more **space to social partners, in full respect of their autonomy and the outcomes of their social dialogue**, to devise tools to manage change, so they can improve their contribution to effective and balanced solutions helping Europe move forward in unity.



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# THE SOCIAL SITUATION IN EUROPE AND THE KEY ISSUES FOR BUSINESS

Positively, the economic and social situation in Europe has been improving over the last years - the **economic recovery is underway** and this is impacting positively on labour markets and social progress: high levels of employment in many member states is good news (between 2013 and 2017, 12 million additional jobs were created in the EU and employment levels are at 73% (2018)). However, **unemployment still remains high in global comparisons** (Euro-area unemployment remains at almost 8% compared to 3.8% in the USA). Whilst poverty levels in some countries remain too high, the direction of travel is the right one (between 2016 and 2017, 5 million less people were at risk of poverty or social exclusion), clearly showing that employment is the most effective way to bring people out of poverty.

For the future, growing uncertainties such as the ones deriving from global alliance shifts and rises in populism mean that the **social achievements and progress in Europe cannot be taken for granted**. The world is changing rapidly and profoundly and Europe has to keep up with this, in a way which upholds the values of our social market economy. We live in challenging times, with some questioning or even rejecting the European project. **Social cohesion** between and within EU member states is not guaranteed. We are faced with many issues, which can put at risk the sustainability and overall functioning of our labour markets and social systems, if the right action is not taken at EU and national levels.

For example, activating the inactive parts of an ageing population, women and youth remains an important challenge. But there are also newer and/or growing challenges - the targeting of migration, a growing skills gap and the digitalisation of our economy. These will be crucial issues to tackle during the next EU political cycle and beyond.

The economic growth, wealth and prosperity generated by competitive and successful companies is essential to support Europe's social dimension. Companies provide decent jobs and income to people, supporting their well-being and allowing them to develop and thrive.

## But beyond this, companies do so much more for social progress:

- Through social contributions and direct investment, companies help maintain the sustainability and adequacy of our social systems to provide for those in need.
- Companies help to create inclusive labour markets, providing opportunities for an increasingly diverse workforce.
- Companies help workers to develop their potential, adapt their skills and prepare for the future world of work.
- Depending on the national industrial relations system, employer organisations and companies contribute through social dialogue to create a labour market which is productive, flexible and protective.

At the same time, companies operate in an increasingly challenging environment, faced with **strong global competition**, complex global value and supply chains, a race for talents, and increased diversity on labour markets. There are also increased expectations on business from different stakeholders, in terms of their sustainability performance and to show their positive contribution to society.

In this challenging environment for companies, workers and citizens, **ensuring that the social dimension of Europe works in an efficient and beneficial way for all**, is crucial both for social cohesion and the relevance and sustainability of the European project overall. And as strong supporters of the European project, we believe we have no time to lose.

We will only be able to preserve and build on our social achievements and ensure social

cohesion in the EU, **if companies are able to compete globally, as this is how they will be able to carry on creating decent, sustainable jobs, inclusive growth and wealth**. That's why Europe needs to prepare for the changes with a positive approach, including developing modern, innovative and adaptable education, employment and social policies, which are economically viable and sustainable for all EU member states.

Europe also needs to work with member states to make sure that labour markets are attractive for companies and workers, providing flexibility and security for both, and ensuring that there is a good investment climate. It also needs to know when to act and when not to act, including leaving space for solutions by social partners as well as individual companies and workers.

### Let's get down to some specifics:

In the next five years, business needs policy-makers, social partners and companies at all levels to steer the **digital transformation of the economy and labour markets** in a beneficial way for companies, workers, individuals and society. Digitalisation is completely redefining human work as new technological solutions are being considered and progressively introduced in companies to make production more efficient and to respond to more individualised customer preferences. This is already translating into new employment opportunities, but there is potential for more. This is also an opportunity to make labour markets more inclusive, although at the same time we have to take care not to create divisions in society between those with the knowledge and competence to benefit from this transformation and those without. This is where skills updating comes in. It is also an opportunity to improve working conditions (e.g. health and safety), and provide scope for more diverse work organisation possibilities (e.g. more autonomy, more collaborative work, distance working, better work-life balance).

For this to happen, companies require the right policy frameworks and space to create new jobs, to hire workers and to adapt existing jobs in a human-centric way.

Business also needs the EU and member states to respond to **growing skills shortages** in the right way. With the changing skills needs the digital transformation brings, companies will need individuals equipped with the right skills and incentives to take up the emerging job opportunities. But this is not only about digitalisation – Europe will need to look at how to fill the growing skills gap experienced by companies across the board, by encouraging member states to reform education and training systems so that people have relevant skills.

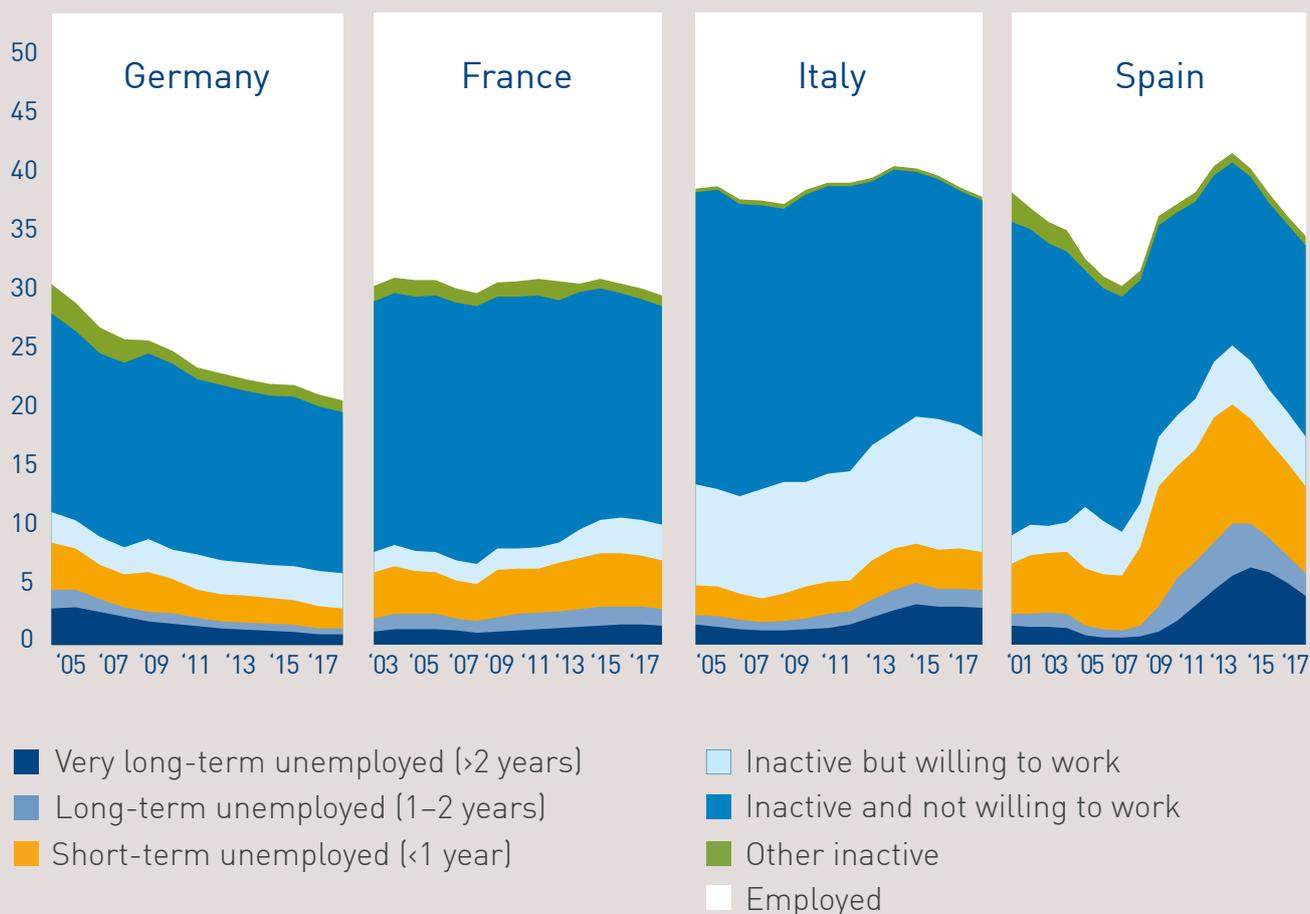
BusinessEurope is convinced and committed to ensuring that **work remains a core value** for people in Europe. At the most basic level, work provides people with an income, which allows them to build a stable personal life.

Work remains the best safeguard against poverty and social exclusion. But it can also give people potential meaning in life from recognition of personal results and competences. Work also brings personal fulfilment, when people have access to the jobs they want. This is very much determined by the choices people make in terms of education and skills. Work also provides people with social interaction with colleagues, clients and partners, which is increasingly important given that one third of EU households are single persons.

A key challenge on many labour markets nowadays is to tap into the very significant group of inactive people. High inactivity rates is a waste of potential for our economies and societies as well as for the individuals concerned, in particular those people who are in situation of social exclusion.

## JOBLESSNESS: Composition and change in Germany, France, Italy, and Spain

Share of working-age population by labour market status, in percent



Source: Bertelsmann Stiftung Jacques Delors Institute report "How are you doing Europe? Mapping social imbalances in the EU", 2019



To ensure that work remains a central goal and a viable option for individuals and that they can embrace the opportunities provided by the future of work, policy-makers need to encourage availability of a wide range of employment forms, instead of only promoting and upholding standard forms of employment. And we need to embrace innovations in business models and work organisation. These are both key for companies to create jobs and hire workers.

European workers and individuals need to be open and equipped to embrace changes on labour markets, so that they can grasp available job opportunities. Europe should also refrain from choosing policy options based on the false assumption that human work will be progressively replaced by machines, e.g. basic/universal income.

Business also wants to maintain high levels of **social protection** in a way which is financially sustainable now and for the next generation of European citizens. EU member states have unparalleled investment in social protection compared to other parts of the world (28% of GDP is spent on social protection in the EU, compared to just above 20% in Japan and below 20% in Australia or Canada)<sup>1</sup> and there are well developed social safety nets in Europe (80% of workers in the EU have access to unemployment benefits - only 30% are potentially covered in the rest of the world)<sup>2</sup>.

If we want future generations to enjoy the benefits we have today and for our social protection systems to continue supporting people in different phases of their lives, they have to be economically viable. So, they must accompany people in labour market transitions in an active rather than passive way. This means improving active labour market policies and ensuring that social investments and benefits are designed in a way that supports economic growth and its fair distribution in society, as well as employment participation of benefit recipients.

Employers also want **social dialogue** to continue to have an important role in designing and implementing labour market policies and measures that really help companies and workers. Enterprises and their organisations will continue to invest in social dialogue if it positively contributes to competitiveness. This will be possible if the legal framework and collective bargaining practices provide companies and workers with enough flexibility to adapt to changing economic and social circumstances.



<sup>1</sup>OECD data 2018

<sup>2</sup>2014/15 ILO world social protection report

# 2

## INSTITUTIONAL CONTEXT- TAKING THE RIGHT ACTIONS AT THE RIGHT LEVEL

Policy and actions to progress on the social front in Europe must respect the division of power between the EU and member states - the role of the EU is to support and complement member states' actions by setting minimum standards.

This is how the **minimum levels of protection** for workers and citizens across the EU have come about, including rights to information and consultation, good working conditions, equal opportunities in employment, and protection from discrimination. Employers recognise that this minimum framework of protection is a central part of the EU social dimension and in fact, in some areas this helps to create a level playing field for business.



This is defined in the Treaty and the European Pillar of Social Rights:

Article 151 TFEU: “implemented measures shall take into account diverse forms of national practices, in particular in the field of contractual relations, and the need to maintain the competitiveness of the Union economy”.

“The European Pillar of Social Rights respects the diversity of the cultures and traditions of the peoples of Europe, as well as the national identities of the Member States and the organisation of their public authorities at national, regional and local levels. In particular, the establishment of the European Pillar of Social Rights does not affect the right of Member States to define the fundamental principles of their social security systems and manage their public finances, and must not significantly affect the financial equilibrium thereof.”

Of course, this is not only about being in line with the Treaty or written texts - subsidiarity is a living principle. It means respecting the **diversity in national social systems and models**; the fact that they are determined by fundamental issues of national democracy, i.e. how they define the different rights and responsibilities of citizens and workers in their country, how they prioritise and shape social policy in light of deeply rooted constitutional setups; their political choices, approaches and strong societal traditions; how they understand and interpret the social market economy model; and their level of economic development and the impact this has on what is realistically achievable in terms of social policy.

It is also about **respecting the space for tailor-made national solutions**, including by social partners, which reflect their national realities.

To be effective, social policy decisions should be taken as closely as possible to the citizens of the Union. On the labour market, in particular, many decisions are best taken by or as close as possible to the employer and employees concerned, to take account of their specific situation.

We therefore call on the newly appointed European Commission to take initiatives in a targeted and balanced way on those issues where there is a **clear role and added value for the EU to act**, and where there is the necessary buy-in of EU member states. This is how we can build on the existing process of EU integration so that Europe moves forward in unity towards a more socially cohesive EU.



# 3 THE WAY AHEAD AND HOW TO GET THERE

## DYNAMIC, INCLUSIVE AND PERFORMING LABOUR MARKETS

### ➤ *The way ahead*

Europe is a good place to work, with well-developed employment and social protection, built up over decades, in accordance with different national traditions, systems and practices. Employers support this and are committed to continue ensuring good working conditions, as part of what makes **Europe's social market economy one of the best models in the world.**

At the same time, this can come at a price for European companies if they are constrained in their **ability to compete with companies across the globe** due to the conditions on European labour markets. And this has a knock-on effect on society and social cohesion, if they are not able to create jobs and hire workers.

A key obstacle is the high levels of labour taxation in Europe. This can have detrimental effects on employment by reducing incentives for workers to enter the labour market (if net gains after taxes and benefits are small) and employers to hire more staff (if labour costs are very high).



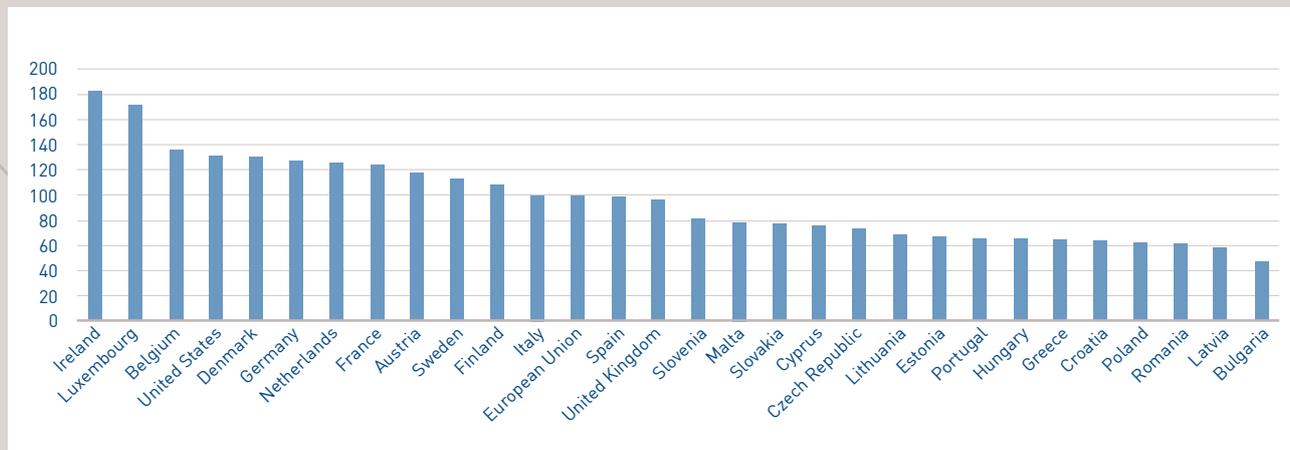
Therefore, it is crucial to reduce the tax wedge on labour, in a way which does not create market distortions or limit growth by increasing the overall tax burden on companies<sup>3</sup>. Looking at the 10-year comparison, the EU has made no progress in closing the gap with the USA. The average tax wedge in Europe is with 41.5% almost one third higher than in Japan and the USA (both about 32%).

In addition, unfortunately, not all EU countries and regions labour markets are performing to the same level, which is negatively affecting economic and social cohesion both within and between EU member states. In some cases, this is even leading to stagnating levels of inequality and poverty. This is also the case regarding levels of productivity, which vary significantly between member states. Whilst productivity per hour almost doubled in the EU from 0.6% in 2016 to 1.1% in 2017, there are marked differences between member states. It is also a concern that most EU countries are lagging behind the United States.

<sup>3</sup>The OECD stresses that high levels of labour taxation may have detrimental effects on employment – see OECD tax policy studies no 21, tax and employment, 2011.

## Gross domestic product at current prices per hour worked

Relative productivity levels EU member states and USA  
2018 (EU=100)



Source: Ameco

Social cohesion will be achieved by improving the economic performance of those regions and member states that are lagging behind, including by making it easier for companies to create jobs and wealth and retain their competitiveness. Bearing in mind that given demographic trends, productivity growth will become the EU's main source of economic expansion<sup>4</sup>, long-term, sustainable growth in labour productivity is a must.

All member states therefore need to continue to implement structural reforms on labour markets, to ensure good conditions for **economic progress, as a basis for social progress**. We need to raise employment to be able to deliver social goals of reducing poverty, inequality and providing opportunity for all. To further improve productivity, there needs to be investment and saving in physical capital, new technology and innovation in production processes, and human capital, in particular in skills<sup>5</sup>. We need an improved European policy coordination framework supporting

better performing labour markets and social systems in all member states, **towards full employment, high living standards and well-being for all EU citizens**.

In particular, innovation and skills are key to ensuring that companies have the competitive advantage to attract customers and grow. Key weaknesses in this area are highlighted by low R&D intensity - 2.07% of GDP in 2017 in the EU compared to 3.28% in Japan, 2.76% in the USA, and China at 2.06% being in the process of surpassing the EU if we don't act - and alarming data suggesting that around 40% of European employers have difficulties in finding people with the skills they need to grow and innovate<sup>6</sup>. As well as promoting innovation and skills development, policies to better link companies, research institutes and education, and create clusters of knowledge and competence, can be catalysts for business growth and addressing societal challenges.

<sup>5</sup>2018 Employment and Social Developments in Europe report, European Commission

<sup>6</sup>European Commission, Communication "A new skills agenda for Europe", 2016, <https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-381-EN-F1-1.PDF>

More action is also needed to tackle **growing skills shortages** across Europe, to encourage job creation in those countries where unemployment remains too high and to make our labour markets more inclusive, in view of increased diversity. Growing levels of employment of women, older workers and third-country migrants<sup>7</sup> is positive for the individuals concerned to fulfil their potential and gain an income and for employers to have access to a wider and more diverse pool of workers. However, we are still far from utilising the full potential of the available workforce, whereas this is crucial for **well-functioning and performing labour markets**, in particular in view of our ageing population. Labour markets need to be flexible and dynamic enough to make sure that workers from underrepresented groups are well integrated and stay in work.

This requires national and EU policy makers to **take a new approach to encourage dynamic labour markets**, moving away from the assumption that more prescriptive or rigid employment protection legislation at EU level will better protect workers. Instead, labour market policy needs to better meet companies' changing needs and protect workers from the risk of unemployment and social exclusion, by providing the right balance of flexibility and security for both workers and companies, in light of changing business models, more diverse ways of working, production methods and the digital transformation. As part of this, employment services across Europe should better perform in providing a good match between available jobs and workforce.

When devising concrete measures, we need to make sure that policy and legislation allows for more flexibility for example in work organisation and working time. We also need to overcome sterile debates on standard and non-standard forms of employment, and make sure that companies and workers have easy access to a variety of contractual arrangements that respond to their changing needs.

This is particularly important in **supporting young people's successful entrance into the labour market**, including the transition from education to work, in giving them a good start in their working life. This is a determining factor in their future prospects for work and life in general. Policy-makers also need to take into account that while younger generations still want to be protected on labour markets, their preferences in terms of work relationships, transitions and the balance between security and flexibility are changing. It is also important for example for older workers, in facilitating phased retirement and fathers increasingly looking for flexibility as they take a greater share of childcare responsibilities.

People need to be more open and adaptable to labour market changes. At the same time, if we want everyone in Europe to benefit from these trends and to be well integrated into labour markets, we also need to **more effectively accompany transitions** on labour markets, including between different employment statuses, and between unemployment and employment.

<sup>7</sup>Female employment rate rose from 62.7% in 2008 to 67.4% in 2018. Employment rate of workers aged 55-64 rose from 45.4% in 2008 to 58.7% in 2018. Employment rate of non-EU28 nationals in the EU increased from 57% in 2014 to 62.3% in 2018. Source: Eurostat.



This means we need to further **improve the efficiency and effectiveness of active labour market policies** (ALMPs), bearing in mind that more money alone will not help. Public employment services (PES) and unemployment benefit systems should be reformed, where necessary, and ALMPs should take more account of employers' needs, when designing and providing support measures. Cooperation and coordination between PES and private employment services also need to be strengthened, including through more involvement of social partners, where appropriate.

Our social market economy and welfare models are rightly based on the premise that **appropriate income** should be provided for people who cannot work or find employment, who are transiting between different forms of work, and those facing situations of poverty and social exclusion. For the low-skilled in particular, their low productivity or low work intensity may require some public support to ensure that they earn a decent income.

This means that available public resources should be prioritised towards **creating the right incentives for people to (return to) work** quickly, moving away from passive unemployment benefits to active employment strategies. Activation systems should be strengthened so that they really provide workers who have lost their job with the

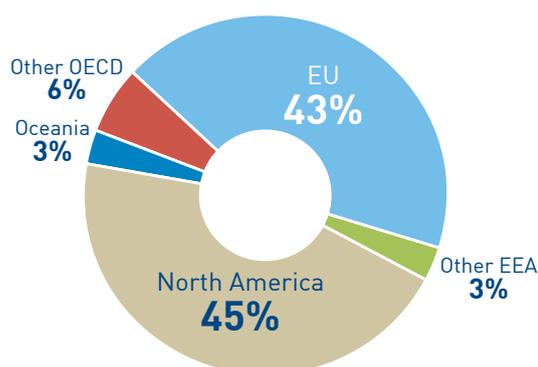
necessary skills to find a new one and to be employable throughout their working lives.

To **increase female employment**, as well as employment overall, it is important to invest in efficient and accessible childcare and other care services, and tackle gender stereotypes in education and training. These have a direct impact on career choices, in particular related to STEM (Science, technology, engineering, and mathematics) professions. We also need to tackle the gender stereotypes and vertical and horizontal gender segregation which often follow workers in their paths on the labour market.

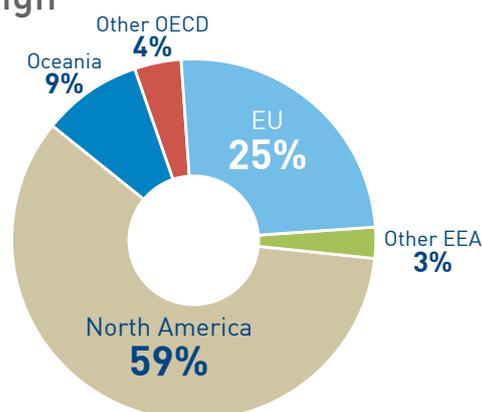
On top of making better use of the potential of its domestic workforce, Europe also needs to **better target migration policies** and improve cooperation between European regions and national governments, to attract medium and high-skilled third-country nationals to Europe, to fill skills gaps and help address labour shortages. We also need to improve the way the EU and its delegations around the world promote Europe as a destination of choice for people with the right skills, ensuring also that they are able to integrate in labour markets and therefore more generally in society. This is particularly the case regarding refugees. But Europe's track record in attracting skilled international migrants is not as good as global competitors in other advanced economies, which calls for a renewed European legal migration policy framework.

### Distribution of foreign-born residents with low versus high level of education by region of destination

#### ► Low



#### ► High



Source: Database on Immigrants in OECD countries, 2015-16, re-produced in European Commission communication, "Enhancing legal pathways to Europe: an indispensable part of a balanced and comprehensive migration policy", 2018.

Europe also has a role to facilitate exchanges of experience and learning between member states on how to successfully manage integration of refugees on European labour markets. This should look at the possibilities for tackling labour shortages, bearing in mind that the majority of the refugees that settled in Europe over the last years have low levels of skills and employability and their labour market and therefore social integration can take a long time.



## *How to get there*

BusinessEurope proposes to work together with trade unions and EU institutions to build on the common approach developed by the Council's Employment Committee (EMCO) to develop indicators and benchmarking, to **support implementation at national level of the country-specific recommendations** developed as part of the European Semester process. Whilst taking into account the national specificities of reforms and the fact that they may not be directly transferable to other countries, we aim to work with the trade unions in the context of our 2019-2021 social dialogue work programme, to input the views of our national member federations into these ongoing activities and to take part in mutual learning.

We for example propose that the Council's Employment Committee (EMCO) looks at the variations in the level of expenditure on active and passive labour market policies<sup>8</sup>, how this reflects prioritisation of social spending and how well it helps labour market integration.

**Member states may also learn from each other** how to achieve well-balanced minimum income schemes, which combine adequate income with incentives for people to work, ensuring that work is the better option. However, the proposal to introduce basic/universal incomes that has recently been tested in some countries is definitely not the

right way forward for Europe as this is based on the wrong assumption that a society without work could thrive. On the contrary, all energies should concentrate on ensuring that Europe's future will continue to be modelled on a society based on productive work by people.

The EU should also facilitate development of national strategies on active inclusion, by revisiting the implementation of the 2008 Council recommendation on **active inclusion**, which had broad stakeholder support around the three pillars of adequate income support, inclusive labour markets and access to services.

The Commission should also consider in the next years how best to adapt its work on **youth employment**. The youth guarantee was designed as a response to the crisis at a time when youth unemployment skyrocketed in a number of countries. Now that the economic and employment situations have improved, it is important to reorient available resources at EU and national levels to address the real causes behind structurally high levels of youth unemployment in many European countries.

Member states also need to look at their minimum wages and seniority-based pay systems, to ensure that they don't undermine youth or older people's employment prospects.

<sup>8</sup> According to the OECD, the employment rate of refugees usually starts at a fairly low level, under 30% in the first 5 years of arrival in the EU and increases over time. However, it takes around 20 years to reach the same employment rate as country nationals.

<sup>9</sup> Expenditure in ALMPs as a percentage of GDP ranges from 0.05% in Romania up to 2.09% in Denmark. Spending on PLMPs as a percentage of GDP ranges from 0.30% in Lithuania to 2.81% in Spain.



# SOCIAL DIALOGUE AS A TOOL FOR MANAGING CHANGE

## ➤ *The way ahead*

To have a bright future, Europe needs to build on its strengths and our culture of social dialogue is clearly one of them. At different levels, it can definitely be an **asset for Europe to adapt to the changes in the world of work**. To facilitate this, the EU needs to encourage member states to ensure that national frameworks on social dialogue or collective bargaining secure or maintain an appropriate space for social partner negotiations, which are mutually beneficial for enterprises and workers. The EU and member states also need to **support capacity building** of social partner organisations, in those countries where they are weak, or where there is a lack of or insufficient capacity for social partners to get involved in the European Semester or European social dialogue.



We also need to **renew the concept of social dialogue**, as a tool for responsible management of change and a fair distribution of the benefits of growth in line with the fundamentals of the global economy. We also need to reiterate the importance of mutual trust, representativeness and willingness on both sides. Space must be given to social partners to devise flexible solutions, in line with national industrial relations systems and their autonomy must be fully respected, including the outcomes of our negotiations and activities. There must also be space for solutions between individual managers and workers targeted to the specific work situation. Collective bargaining structures at national level also need to respond effectively to changing economic circumstances.

## ➤ *How to get there*

When member states and the EU are devising social policy, social partners at the appropriate level(s) must be involved to ensure that the realities and needs of management and labour at the company level are well understood and taken into account.

When devising new social policies or where necessary modernising existing social legislation, the overall aim should be **to give more space to social partners** to devise their own approaches/solutions to the issue.

The EU and member states, in line with the implementation of the quadripartite statement on reinforcing social dialogue<sup>10</sup>, should develop further measures to support capacity building

of national social partners, including facilitating exchanges of experience. The strengthening of social partnership across Europe requires in a number of countries a stronger use of European Social Fund resources on supporting social partners' capacity building.

Together with our social partners, we call on the Commission and European Social Fund (ESF) managing authorities to foresee a dedicated track for social partners' capacity-building needs as regards their role in the European Semester process; to support better implementation of the outcomes of European social dialogue and to support social dialogue development at national and regional level.

<sup>10</sup>[https://www.buinessurope.eu/sites/buseur/files/media/position\\_papers/social/2016-06-27\\_quadri-partite\\_statement\\_signed\\_on\\_a\\_new\\_start\\_for\\_social\\_dialogue.pdf](https://www.buinessurope.eu/sites/buseur/files/media/position_papers/social/2016-06-27_quadri-partite_statement_signed_on_a_new_start_for_social_dialogue.pdf)

# REAPING THE BENEFITS OF DIGITALISATION FOR COMPANIES, WORKERS AND CITIZENS

## ➤ *The way ahead*

The ongoing digitalisation of the economy is transforming the way companies produce and provide services and people work. It brings opportunities for employment growth, increased productivity, more inclusive access to the labour market, and flexibility for companies and workers.

We need a positive narrative on this issue and to base our debates on facts. The reality is that new technologies such as job robotisation and artificial intelligence are likely to increase rather than reduce overall labour demand<sup>11</sup>. Evidence also suggests that technology is likely to replace tasks rather than entire occupations. This means that jobs can be redesigned so that they are more valuable and often in ways that can improve working conditions, by removing certain difficult, dirty, dull or dangerous tasks from human work.

Furthermore, with the emergence of different business models, e.g. **collaborative economy**, the digital transformation already offers new opportunities for employment growth and more diversity and choice in forms of work for companies and individuals. It also makes labour markets more dynamic and inclusive, contributing to fulfil the potential of the workforce by giving extra options to people who have difficulties getting onto the labour market and unemployed.



To ensure that this continues, policy action should accompany the changes without stifling innovation and the development of new business models and take an approach which is flexible enough to reflect the differences between business models and respects fair competition between them.

At the same time, concerns that technology will put human jobs at risk are understandable and this means that Europe needs to get support for the digital transformation in society, by **driving the agenda in a work-oriented and human-centric way, whilst increasing companies' competitiveness**. We need to make sure that the technology developed supports/assists workers to enhance their productivity and that humans remain in charge of tasks such as critical decision-making, emotional intelligence and value judgement.

Employers are ready to see how to ensure that workers are better equipped and supported in **adapting to changing ways of working** due to digitalisation. This can be done through social dialogue, but also between companies and individual or groups of workers. This includes managing use of digital tools in a way which benefits both employers and employees, by increasing efficiency and productivity, giving more autonomy, more distance working options and facilitating work-life balance. However, for employers to manage this efficiently and in good time, workers need to be open and adaptable to change.



<sup>11</sup> "The Future Jobs Report", Centre for the New Economy and Society, World Economic Forum, finds that globally 75 million jobs may be displaced by new technology by 2022, while 133 million additional new roles may emerge concurrently.



Of course, workers are not the only ones facing challenges – companies also need support by ensuring that technology is well diffused across the economy and across regions. This includes having access to infrastructure. Approaches also need to take into account the different characteristics of companies – their size, sector, production methods and skills needs, so that the business community as a whole can reap the benefits of digitalisation. Companies need to be able to design and introduce technological solutions in a way that makes production processes more efficient and increases outputs.

When it comes to accompanying the development of new business models, it should be **for member states to ensure clarity in the legal definitions of different forms of work**, including deciding how to define the employment status of workers in a way which takes account of new forms of work and is future-proof. There are often very precise definitions in national law, which differ between member states and sometimes between sectors and collective agreements due to the way work is organised. Whilst in general people in such forms of work are correctly categorised as self-employed, the type of business model influences the employment status of the worker. Therefore, when tackling this issue at national level, including by adapting definitions, it is important to assess the different characteristics of workers to determine whether they qualify as an employee or self-employed and therefore which labour law and social protection requirements they should be covered by.

Similarly, it is up to the social partners, respecting the different industrial relations systems, to decide if and how to tackle the issue of representation of workers engaging in new forms of work, and whether and how they need to adapt to carry on fulfilling their mission to represent collectively employers' and workers interests and to remain relevant. What works in one country may provide inspiration in others, but it is not necessarily replicable. Also, collectively agreed solutions need to leave space for individual arrangements between the manager/line manager and the worker. Where solutions are being developed outside social dialogue structures, such as in the form of self-regulation initiatives or codes of conduct, it is important that the role of formally recognised social partners is respected.

We also need to deal with the challenge of **providing adequate social protection**, resulting from the existence of more diverse business models and work relationships. This means improving access **in a sustainable way**, either by extending coverage under existing schemes or creating new ones. This must be done in full respect of national systems and the role of social partners and taking account of the situation in terms of coverage and gaps, which differs greatly between member states and different types of work. Both at European level and in the member states, more work is also needed to increase the transparency, portability and/or transferability of social entitlements nationally and cross-border.



## *How to get there*

We encourage member states, where relevant, to implement the Council Recommendation on access to social protection.

It may also be useful to develop a better understanding and learning between member states and social partners of the impact of solutions currently being developed regarding collective representation of workers in the collaborative economy. Some solutions are for example found in some European works councils.

The new Commission could facilitate learning between member states on the different

national definitions of employees and self-employed, in view of new business models, including on how member states assess the different characteristics of workers to determine such definitions and therefore which labour law and social protection requirements they should be covered by.

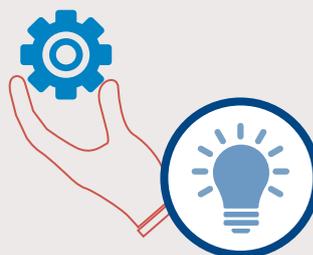
It will also be important to make the best use of EU financing tools that will become available as part of the new Multiannual Financial Framework, such as the Digital Europe programme and in particular the part earmarked for digital skills.

## TACKLING SKILLS SHORTAGES BY IMPROVING EDUCATION AND TRAINING SYSTEMS

### *The way ahead*

While unemployment still remains high in several member states, businesses increasingly report **difficulties in hiring qualified workers**. In a recent survey, the European Centre for the Development of Vocational Training (Cedefop) measured that 4 in 10 EU employers had difficulty finding people with the right skills. With this emergence of a structural skills mismatch on EU labour markets, it is essential to create stronger ties with education and training systems, by putting more emphasis on learning outcomes and employability. This will help people to have successful transitions from education to the world of work and to progress in their careers. Employers should be actively involved in the design and implementation of education and training curricula, as they can best assess what skills are needed on the labour markets. And member states need to put in place an EU education and training framework that allows for reforms, mutual learning and exchanges.

The skills shortages faced by companies are exacerbated by the **global race for talent**, where European companies have to compete



with other companies from around the world to attract and retain workers with the right skills from within and outside Europe. Action is needed to ensure that the skills that are most in demand by employers, which are in particular digital and science technology, engineering and mathematics (STEM) skills are available on labour markets. This is crucial for the competitiveness of companies and increasing worker productivity.

A key action is strengthening the labour market relevance of vocational education and training (VET). **VET** has a key role to play in meeting the growing demand for a digitally competent workforce and in the attainment of STEM skills. The EU also needs a legal migration framework that will facilitate the entry of medium and highly skilled third-country nationals. It is also important to attract and retain students who come to Europe to do their studies and who can subsequently go on to work in European companies.



## ➤ How to get there

Whatever overarching strategic approach is taken by the new Commission (e.g. as the successor to Europe 2020), there needs to be strong coherence with the successor to the Education and Training 2020 strategy (ET2020), as well as with the European Semester process, the future VET policy framework, and finally with the EU's financial tools, notably the European Social Fund. The overall objective should be to **support reforms, mutual learning and exchanges**. The future strategic approaches should also fully recognise and respect the role of social partners who are key players on both labour and training markets.

We encourage member states to use the youth employment initiative to **establish or adapt their apprenticeship systems to make them more attractive for employers** and to

support an easier integration of young people into the labour market. There is also a role for ESF resources to implement the Council recommendation on quality and effective apprenticeships. The aim should be that the majority of an apprentice's training time is spent at the workplace. The ESF should also continue to invest in education and skills, including a specific focus on digital skills, to adapt to the current and future needs of the economy. The key priority should be investments that support governments (national/local), social partners and companies to make the best possible use of new technologies in education and training and to improve learning outcomes.

## ENSURING SOCIAL ASPECTS HELP NOT HINDER THE FUNCTIONING OF THE SINGLE MARKET

### ➤ The way ahead

The **free movement of persons is one of the four fundamental freedoms** of the internal market. Whilst a growing proportion of Europeans relocate to other EU member states on a (semi-)permanent basis<sup>12</sup>, this is still rather small. Since geographic mobility in the EU contributes to the better functioning of the single market, provides employment opportunities to job seekers and reduces the pressure from growing skills shortages, it is important to remove or deal with the barriers which discourage labour mobility, such as lack of information and heavy bureaucracy. This means ensuring good cooperation between national authorities involved in mobility issues, easy access to information for mobile workers and companies and avoiding enforcement measures placing excessive administrative burdens on mobile enterprises or workers.



The possibility for businesses to post workers across member states is part of the freedom to provide services. Whereas EU rules state that administrative measures taken by member states have to be non-discriminatory and proportionate, businesses are in fact facing increasing barriers to post workers and for simple business trips, including burdensome administrative requirements, sanctions and control measures, which clearly are discriminatory and not proportionate.

<sup>12</sup>In 2015, almost 11.3 million EU citizens of working age were residing in a member state other than their country of citizenship across the EU 28, making up 3.7% of the total population of working age across the EU 28. A total of 8.5 million of them were employed or looking for work, making up 3.6% of the total active population across the EU 28.

Strong action is needed by the Commission, by giving clear guidance and support to member states, and, where violation of EU rules persists, by taking legal action.

Bearing in mind that the number of **regulated professions** throughout the European Union is around 5,500 and that heavily regulated professions and over-regulated specialisations<sup>13</sup> can be a barrier to labour mobility, member states need to review this to improve access to a professional activity in all countries where the current situation is unsatisfactory.



## *How to get there*

Several European initiatives were introduced by the European Commission during the last five years, such as the revision of the posting of workers directive and of the European rules on social security coordination, as well as the creation of a European Labour Authority. It is important to make sure during the next political cycle that these new rules and activities support mobility of goods, services and workers without hampering the functioning of the single market.

On posting of workers, we call on the Commission to conduct a comprehensive screening of the measures taken at the national level and to assess them not only based on Directive 2014/67/EC but also in view of the need for member states to comply with

other relevant single market legislation. The Commission should also ensure that the newly created European Labour Authority makes a substantial contribution to removing barriers for postings.

More particularly on regulated professions, member states should regularly review the extent to which a profession needs to remain regulated. This review should target the professions that are only regulated in one member state and not excessively regulate those sectors which have the largest growth potential. This would help to avoid costly market fragmentation, a loss of efficiency and contribute to encouraging mobility.



<sup>13</sup> To try to facilitate recognition and comparability between professions, the European Commission has created around 600 categories, under which member states may notify professions according to the standard classification of economic activities in the EU



# MODERNISING SOCIAL SYSTEMS FOR FUTURE GENERATIONS

## ➤ *The way ahead*

The fact that Europe's **population is ageing** (in 2017, nearly one fifth of the EU population was aged 65 and more) means that more people will be reliant on pension and healthcare systems, leading to higher age-related public expenditures, whereas less people will be working to support this. (The EU 28's old-age dependency ratio was nearly 30% in 2017, meaning there were just over three persons of working age for every person aged 65 or over. And this is projected to rise to over 50% by 2080.) This puts at stake the future adequacy and sustainability of pension and healthcare systems. In 2015, old age and sickness/healthcare together accounted for more than two thirds of the EU's social protection expenditure.

We therefore need to **modernise social systems** so that they can withstand the challenges of demographic change, are economically sustainable to provide adequately for future generations and to ensure social safety nets for those most in need.

To mitigate negative impacts of population ageing on the labour market and make pension systems sustainable in the long term, reforms are required to encourage people to stay in the workforce longer, for example by strengthening the link between contributions and benefits and removing incentives for early retirement. Whilst the balance between the sources of retirement income is a choice for the national level, often jointly with social partners, having



a good mix between state, occupational and private pensions helps to ensure adequacy and sustainability.

The speed and depth of reforms in the member states are very different and there is room for **member states and social partners to learn from each other** on how to design and implement a successful and fair pension reform for different age cohorts in a society, in particular for those paying contributions and those receiving pensions. This kind of mutual learning is also important given that such reforms are hotly debated in many member states, creating political and societal divisions.

Even if raising the retirement age provides a strong incentive, longer working lives will not happen automatically unless measures are taken to encourage this, i.e. **active ageing policies**, life-long-learning, re-skilling, and flexible work arrangements to combine work and retirement. It is useful for member states to learn from each other about how to make sure that workers are able to find a job (particularly later in their career), how to improve workers adaptability and ensure they have the right skills, and how to make sure that they are able to remain active for longer from a health point of view.

## ➤ How to get there

BusinessEurope proposes to work together with trade unions and EU institutions to **build on the common approach developed by the Council's Social Protection Committee (SPC) on development of indicators and benchmarking**, to support national implementation of the country specific recommendations developed as part of the European Semester process. Tripartite discussions should be prioritised between the Commission (involving both DG ECFIN and DG Employment), national governments, European social partners and their members, to exchange information and practices on pension reforms.

The EU should continue to support member states through the existing Open Method of Coordination (OMC), whilst improving its effectiveness in supporting member states to benchmark their progress towards common objectives.

For example, rather than having two separate benchmarking processes by the Eurogroup on sustainability of pensions and by the Council's SPC on adequacy of pensions, we encourage them to work together on one benchmarking exercise which covers both objectives in a consistent way, to support national pension reforms. This could also look at how member

states meet existing objectives of ensuring fairness between generations, guaranteeing adequate retirement income and ensuring financial sustainability of public and private schemes. Benchmarks to indicate the best performers, to encourage enrolment to supplementary pensions and to provide information on how a shorter working life can lead to less adequate pensions, could be foreseen.

To **support national reform processes**, we also call on the new European Commission to organise effective awareness-raising and information campaigns at EU and national levels to provide necessary information and improve citizens' understanding. The EU could also organise learning between member states on how to provide information to individuals about their pension entitlements throughout their careers without creating unnecessary bureaucracy, as this is important to encourage people to be more responsible in saving for retirement.

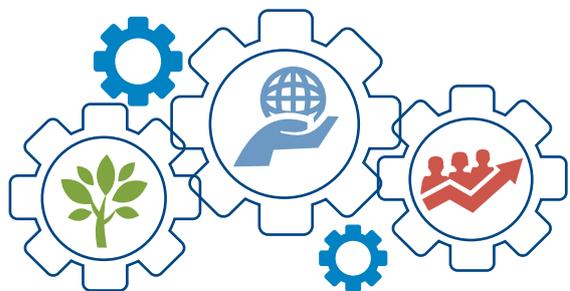
In the coming years, it is important that social partners across Europe continue their work to implement the 2017 autonomous agreement on active ageing and an inter-generational approach.



## SUSTAINABILITY POLICIES CONTRIBUTING TO EU GLOBAL COMPETITIVENESS

### ➤ The way ahead

European companies are committed to embedding sustainability in their business models and across their complex global supply and value chains. A growing number of companies now **link the goal of profit-making to a broader goal of creating shared value for workers, citizens, the environment and society at large**, with a deep understanding that this contributes to their competitiveness. For this to continue, sustainability and related policies need to be designed in a way that



supports business in grasping the commercial opportunities in Europe and globally linked to the development of new products, services or innovation in business models and allows them to continue being world leaders in delivering solutions to society's sustainability challenges.



Policy and regulation should **promote company innovation** in this area. It should also take account of the variety of company approaches to sustainable business conduct, i.e. how companies operate in a socially and environmentally responsible way, whilst being economically and financially sustainable. It should also take into account that this is determined by the sector and markets they operate in, their size and their specific company culture.

## EU Member States are among the SDG top performers



Compared worldwide, **7 EU-27** member states are among the **TOP 10** in global SDG Index ranking and **all EU-27** member states are in **TOP 50** (out of 156).

Source: European Commission reflection paper "Towards a sustainable Europe by 2030", 30/01/2019.

## ➤ How to get there

Any new policy in this area should take into account the fact that large enterprises have thousands of suppliers. To avoid creating expectations that cannot realistically be met by companies, it is essential that companies can focus their efforts and resources where the risk of adverse impacts on human rights or the environment is highest.

It is also important to take into account that despite a high level of engagement of companies, they are faced with **growing and sometimes overlapping legal requirements** at national and EU level increasing their obligations to comprehensively control social, environmental, consumer protection and human rights aspects along the supply chain. The new European Commission should therefore avoid introducing new EU legislation which would shift states' duty to enforce applicable social and environmental rules onto companies in their global operations. This would be unfair and counterproductive by undermining European businesses' global competitiveness. Instead, the EU should continue to promote and **encourage member states to implement the UN guiding principles on business and human rights**, and encourage and support the European business community to implement the 'respect' pillar of the principles in their global supply chains.

Future free-trade agreements could put more emphasis on the parties promoting, realising and implementing certain international human rights frameworks, including the UN Guiding Principles on Business and Human Rights and the ILO Fundamental Principles and Rights at Work by engaging in mutual peer-learning and capacity building, and committing to report to the UN country peer review mechanism in the UN Human Rights Council.

Recognising how far the EU has already come in implementing the UN 2030 Agenda and the Sustainable Development Goals, the Commission should focus on actions which have a real added value for **sustainability and strengthen the EU's global competitiveness**. This includes encouraging others around the world to implement this agenda. The Commission should ensure a partnership approach between business, civil society and member states, fostering better understanding between different stakeholders of their priorities and needs for economic, social and environmental sustainability.



# CONCLUSION

European business would like to see a stepchange in EU social policy, which ensures that the social dimension of Europe develops in synergy with increased growth and competitiveness and that Europe embraces the potential of the future of work to deliver benefits for business, workers and citizens.

We call on the Commission to focus its actions on improving the support to member states and social partners, to help them learn from each other to progress towards better performing labour market policies and social systems.

We call on the EU to ensure that the initiatives it takes in this next political cycle respect the different levels of competence, whereby EU social policies and actions support and complement those of member states. This is critical for Europe to move forward in

unity, avoiding divisive discussions which can undermine the public acceptance of EU institutions at a critical moment for the future of EU integration.

BusinessEurope, its member federations and companies across Europe will continue to actively contribute to shape with the next European Commission, European Parliament and Council a future social dimension of Europe that contributes to Europe's success in a changing world. We will endeavour to make sure that all in Europe and the EU itself have a bright and solid future.

In parallel, BusinessEurope will make all efforts and undertake the measures needed to implement the actions agreed with ETUC in the context of the European social dialogue work programme 2019-2021. As a social partner we will contribute to balanced solutions that can help Europe move forward in unity.



# BUSINESSEUROPE



**BusinessEurope** is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all-sized enterprises in 35 European countries whose national business federations are our direct members.



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