



*Ministry of Labour
and Social Affairs*



European Informal Council of Employment and Social Affairs

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Presidency Paper

Questions for orienting the debate

Streamlining economic, employment and social policies is the key message of the Brussels Spring Council. The synchronisation of these policies do reinforce the strategy of Lisbon within an institutional, economic and social context that has undergone deep-rooted changes since 2000. It should substantially strengthen the European Union potential for growth and new jobs.

Following the debate of the Informal Council in Nafplio (January 2003) and the Conclusions of the Brussels Spring Council 2003, the recently published Communication of the European Commission on “Strengthening the social dimension of the Lisbon strategy: streamlining open coordination in the field of social protection” is proposing a full synchronisation of economic, employment and social policy by 2006.

The Presidency intends to focus the attention on how to grant a link between employment strategy and social policies:

- ✓ **Do Member States agree on the need for setting up a sort of “road-map of welfare” aimed to link measures in the area of social policies with the development of employment policies?**

in particular:

- a) what actions should both the European Union and the Employment and Social Policy Council implement in order to ensure a dynamic interaction between economic, employment and social policy?
- b) what strategy and policy mix do you consider appropriate to promote regular employment and fight undeclared work?
- c) given the European challenge of ageing and the diversity of social systems, how can the open method of coordination be used to set common orientations and indicators to modernise European pension systems?

BACKGROUND NOTES

1. Demographic trends constitute an important challenge for the medium and longer term in Europe. They reveal an ageing workforce and a long term decline of the working population. They will tend to constrain the labour supply, economic growth potential and the sustainability of social protection systems. Consequently raising labour force participation must become a priority and a broad policy mix incorporating both demand and supply side measures is urgently needed.
2. Globalisation and competitiveness are other fundamental challenges. The moves towards globalisation are further accelerating the pace of economic restructuring bearing the risk of skill erosion and social exclusion. Investing in human capital is a central requirement to attain the Lisbon objective of becoming the most competitive knowledge-based economy.
3. Working life is become more complex and this is a further relevant challenge. Working patterns become more irregular. A number of transitions now need to be accounted for, including the transition between school and working life, between jobs, between different working status, between working life and retirement, and between work and training, career breaks and care periods. More adaptability should be promoted in the labour market. The progress in employment that the European Union has made in the last five years is also due to the structural reforms that Member States have implemented in the field of flexibility.
4. At the Lisbon European Council, the European Union defined a comprehensive strategy aimed at long term economic growth, full employment, social cohesion and sustainable development in a knowledge society. The heart of the Lisbon strategy is the idea of a positive interaction between

economic, employment and social policy. The reason is that the macroeconomic objectives and the liberalisation of the markets have a major influence on systems of social protection and that the economic and employment policies need to be supported by reforms in the sector of social protection (i.e., pensions, health-care assistance systems). What is more, social protection can play a significant role as a production factor, ensuring that dynamic, modern efficient economies rest on solid bases and on principles of social justice.

5. In implementing this interaction, the first objective has been the streamlining of the processes of economic and employment policy with the creation of a three-year cycle, objective that has been reached in the last Spring Council. The European Employment Strategy (EES) is has become a key tool to implement the Lisbon strategy in an enlarged European Union. The EES provides a policy response to the ambitious Lisbon goal of full employment, quality at work (“better jobs”) and social inclusion.

6. In order to complete the Lisbon strategy, it would appear necessary to move in the same way in the social policies, making the various dimensions more consistent with each other, so as to achieve synchronisation with economic and employment policies. Today, the social policies in Europe are uncoordinated, often conflicting, difficult to implement. A reorganisational and rationalization is needed.

7. As early as 1999, the Commission, in a specific Communication (“A concerted strategy for modernising social protection”), had focused on the need to modernise social protection, in response to which a general consensus was expressed over the need for the reform of the social protection systems to meet four major objectives: make work pay and secure; guarantee safe pensions; promote social inclusion; ensure a high and sustainable level of health protection. The need for modernisation

found a clearer context in which to establish itself under the strategy formulated at the Lisbon Summit of March 2000, becoming a significant component of the Social Agenda for Europe.

8. The recent issued Communication “Strengthening the social dimension of the Lisbon strategy: streamlining open coordination in the field of social protection”, entails a “realignment” of the three key sectors of social protection – social inclusion, pensions and health-care spending – through a system of common objectives and reliable indicators, plus a unified system of reporting, all within the context of a reinforced, flexible method of coordination. “Realigning” the three key sectors of social protection does not mean reducing their characteristics but rather improving the utilisation of these features through a better identification of the ties and reciprocal synergies. This should reflect the concept of social protection as an element that plays a fundamental role in an integrated socio-economic policy.

9. For that matter, although the principle of subsidiarity does apply to social security systems, it is necessary a close coordination between the Member States in the field of social protection. The diversity of social system is definitely a strength for Europe and it is important to keep a certain degree of national peculiarity, in the old as in the new countries. However, in order to face the future challenges of the European Union, it is important to strengthen the open method of coordination based on benchmarking and peer review. This method has been weak, until now, with regard to the social policies and should be reinforced if Member States do want to maintain a complementarity between economic and social objectives.

10. The problem of the ageing of the population involves all the European countries. The Member States finds themselves facing serious problems when it comes to financing social security because the increase in life expectancy shall translate –based on certain estimates– into a doubling of the index of demographic dependence by 2050. In order to maintain adequate services while, at the

same time, preserving the European Union capacity to achieve its objectives (competitiveness, high level of social protection, sustainable growth without inflation and social cohesion), strategies must be formulated in short term, in both the Member States and the candidate countries, for the organisation and financing of a system of social protection able to face the challenges of the future. At the same time, the necessary responses must be adequately tuned to the peculiar characteristics of the different Member States, with consideration also given to the fact that the national pension systems are depending on traditions and structures of each country.

11. The construction of adequate, sustainable and modern pension systems falls under the objectives to be transposed into national policies. However, this process should be improved and strengthened through a setting of common orientations and indicators, especially as regards the age of pension eligibility and the prolongation of working life, so as to reinforce achievement of the Barcelona objectives.

12. Transforming undeclared work into regular employment has become an important part of the European Employment Strategy. In fact, the low rate of regular employment has, as its counterpart, a significant rate of irregular employment, meaning that an increase in the former should lead to a reduction of the latter, and viceversa.

13. The policy of fighting undeclared work straddles social inclusion and employment policies. It represents an important supplement to workfare policies in order to avoid a situation in which social policies combined with undeclared work lead to passivity and exclusion. The goal, instead, is to direct social policies towards quantitative and qualitative growth of regular work. Therefore, this policy is spontaneously tied to that of the reform of the labour market, taxation, social security contributions, health and safety.

14. Setting up an European Strategy to tackle undeclared work it means to promote a policy mix will contribute to achieving full employment; it will improve quality and productivity at work; it will strengthen social cohesion and inclusion.
