

EU SOCIAL POLICY ACTIONS MUST BE BETTER ALIGNED TO STRENGTHENING COMPETITIVENESS

Employers' view on the social dimension of the EU for the next political cycle – Reflections after the La Hulpe Declaration

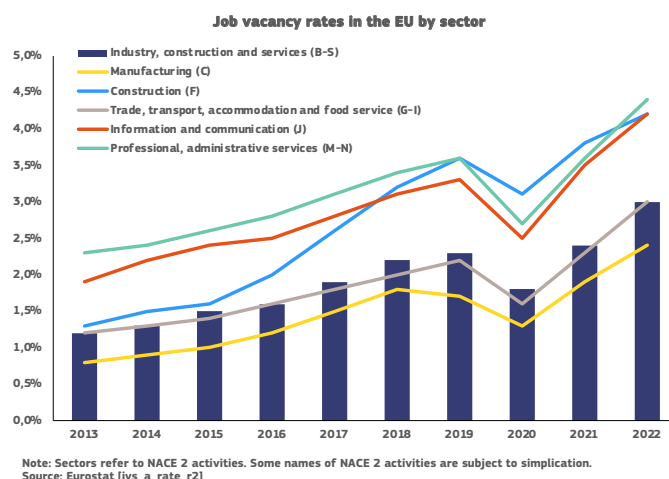


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- **WHAT we want:** well-functioning, flexible and adaptable labour markets, adequate and sustainable social protection systems and comprehensive education and training systems based on a competitive economy and contributing to better economic and social convergence.
- **WHY we have to achieve this:** rapid technological development, digitalisation, demographic change and ongoing transformation of the world of work are just a few factors influencing the shape of future social policies. Increased employment levels and people with the right skills are needed to maintain our social model, to reap the benefits of technology and digitalisation and to respond to demographic challenges.
- **HOW it can be best done:** there is no social dimension without a sound economic foundation. The EU is lagging behind its competitors. For instance, again in 2023, EU growth was only 0.5%, compared to 2.5% in the US. This, together with past and ongoing crises, clearly indicates that the EU needs a European Competitiveness Deal and a new horizontal single market strategy. We already have wide-ranging EU legislation on labour market and social matters so instead of proposing new binding measures, focus should be on implementing the existing measures. To improve our competitiveness, Member States need to introduce and implement the structural reforms that increase employment levels and access to skills and labour and the flexibility of labour markets and improve the functioning of the labour markets. This is a main prerequisite to safeguarding the sustainability of social protection systems. Where

needed, this can be done with the support of EU-level guidance, benchmarking and mutual learning, such as in the framework of the European Semester.

- **WHO should do it:** social partners and governments have a key role, supported by EU-level activities where needed, with full respect of the national competences, subsidiarity and the proportionality principle. National models must be respected. Well-functioning social dialogue, based on the full autonomy of social partners, is one of the key features of the European social model. At different levels, social dialogue can be an asset in helping Europe to adapt to the changes in working life, as well as being a tool for responsible change management.



A competitive and sustainable economy with a high level of employment is the basis for the European economic and social model which also contributes to better economic and social convergence. Enhancing productivity based on skills and knowledge is the only sound recipe for maintaining the wellbeing of European societies. The social dimension of Europe cannot be strengthened without economic growth and a well-functioning internal market.

When discussing the social dimension, we must keep in mind what the prerequisites are for maintaining and developing our social systems: economic growth, competitiveness and higher productivity, based on entrepreneurship, skills and knowledge, as well as a well-functioning internal market. There is no social dimension without a sound economic foundation.

European competitiveness is interlinked with the social dimension. This is not only about addressing labour and skills shortages, but also about the 'competitiveness footprint' of all EU legislation in the social field as well as the cumulative impact of EU legislation on companies.

Innovative and entrepreneurial businesses are key to creating successful and smart solutions to both benefit from the opportunities arising from digitalisation and greening and to respond to challenges arising from these and other societal changes, such as aging of the EU population. Too often new technologies and the workplace transformation are presented as a threat for workers and their wellbeing and allegedly leading to unfair working conditions rather than as an opportunity. We need to maintain the balance between the ability of companies to innovate, transform and be creative and the protection of workers. All forms of work count here: full-time, part-time, open-ended or temporary/agency work. We need to avoid over-regulating different forms of organising work, for instance telework and platform work.

It is of utmost importance that EU-level initiatives fully respect the division of competences, the principle of subsidiarity and the diversity of national industrial relations systems as well as the autonomy of social partners. Workable solutions can be achieved only when social partners are involved in policy-making.

Too often it is thought that binding EU legislative initiatives are the only or best solution. For employers the way to ensure well-functioning labour markets and social protection systems is through growth-enhancing labour market reforms at the national level. For instance, a labour market regulatory framework needs to support more diverse career paths. Transitions on the labour market between jobs, sectors and employment statuses should be as smooth as possible.

Social progress cannot be based on budget deficits and loans left for future generations to deal with as this is not sustainable in the long run. Balance between prudent and sustainable public spending and achieving social goals should be in place at all times. Increased public spending should be linked to the relevant policy reforms, where necessary. There must also be focus on how to target investments more efficiently/effectively and to link investments with reforms, where needed. An appropriate monitoring mechanism, based on comparable statistics must be in place to enable evaluation of labour market reforms. The tools available include social indicators in the context of the European Semester and the Social Scoreboard.

Social investments can have an impact on economic growth and productivity, but only if well-designed. There is no 'automatism'. We need to create conditions to mobilise private investments and further consider how they can contribute to social progress¹.

A resilient workforce with different skills needed in the labour market, including soft skills, is a key factor for competitiveness.

1 i.e., socially-certified financial instruments (comparable to green bonds) and public guarantees can be useful tools to channel private capital for social needs.

Labour and skills shortages remain a major challenge for companies to operate and grow. As rightly pointed out, 'these shortages risk reducing the EU's capacity for innovation and attractiveness for investments, weakening its competitiveness and hampering its growth potential and the financing of its social welfare model'². It is welcome that the Commission has acknowledged the need to address these challenges in its Action Plan on Labour and skills shortages in the EU.

To **address the structural labour and skills shortages** faced by companies we need:

- Closer partnerships between the world of education and training and companies to better anticipate skills needs and adapt curricula to new jobs and transitions. National education and training systems, as well as labour markets and welfare systems, must be adaptable and flexible;
- More efforts on upskilling and reskilling for the digital and green transition as well as effective life-long learning systems which also reflect the needs of SMEs. Reforms should also recognise the importance of individual responsibility, as well as the key role of cooperation between the worlds of education and business;
- Activation of inactive and unemployed people through well-targeted active labour market policies;
- Well-functioning public (and private) employment services, ensuring effective matching between labour supply and demand;
- Economic legal migration linked to labour market needs.

We need **longer and more diverse careers, as well as more people in the labour market, including through the integration of migrants**. Promoting different and new forms of work, as well as providing conditions that encourage self-employment and entrepreneurship, are means of attaining this goal. The ongoing work on revision of EU rules on labour migration should be urgently concluded.

While we have common challenges, EU countries have different starting points due to **different industrial relations models, traditions and different levels of economic development and employment**. This fact must be duly reflected in any discussion about employment and social policies while the EU is striving for better economic and social convergence.

The EU level should only deal with social matters that require an EU approach. Both the subsidiarity principle and the proportionality principle, enshrined in the Treaty, should be the basis for a common understanding of what constitutes Europe's added value in terms of employment and social policies.

The way forward is to develop the social dimension by ensuring more efficient implementation of existing rules and structures. With more than 70 social directives in force, there is scope for improving the performance of the existing EU regulatory framework rather than creating new binding initiatives.

The European Pillar of Social Rights and its action plans should not be seen as the basis for new EU legislation, as the essential purpose of the pillar should be to serve as a guide for Member States when designing and implementing structural reforms. Furthermore, the EU needs to fully respect the autonomy of national and European social partners. The role and negotiation prerogatives of the social partners at national and EU level should be fully respected.

TO BE AVOIDED:

- Any calls for a Social Progress Protocol
- Over-regulation in the social domain
- Negative impact on the EU's competitiveness
- Social progress based on budgetary deficits
- Disrespect of social partners' autonomy and national industrial system models

2 *Labour and skills shortages in the EU: an action plan*, COM(2024) 131 final, Brussels, 20/3/2024.