



## **“More competitiveness to sustain the social dimension of Europe”**

### **Employer key messages**

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European employers strongly believe in the European Union and its centre piece the Single Market, which provides a framework for companies to grow, create employment and thereby contribute to social progress in Europe. In the field of social affairs, the EU Treaty makes it clear that EU actions can only complement the Member States in their responsibility to shape social policy, regulate labour markets and design and manage national social systems. The European pillar of social rights should respect this division of responsibilities.

It is enterprises that will drive improvements in the prosperity of European citizens by investing in Europe, generating more growth and creating jobs. To do so, they have to be competitive and need a business-friendly environment, with highly performing services of general interest. The specific needs of SMEs have to be properly taken into account. A tightening of labour and social security laws would therefore be the wrong approach.

Europe stands out globally as the region with the highest levels of social well-being and social equity. Overall and despite differences among EU Member States, the EU is the region with the most widely developed social systems in global comparison. While the EU represents 7% of the world population, it produces 20% of global GDP and its share in worldwide public spending on social provisions is around 40%.

Europe's economic and social challenges are interlinked and require integrated action at all levels. The persisting social problems in Europe are not due to a lack of social policy measures, but to a lack of global competitiveness. Therefore the sole focus on social rights in the Commission's proposed pillar is not the right approach. Social challenges will only be tackled through economic growth, creation of new wealth and expansion of employment. Social partnership should be respected and promoted as a fundamental part of achieving these cross-cutting policy objectives.

The difficulties encountered in achieving economic and social convergence in Europe in recent years can to a large extent be explained by inadequate implementation of national structural reforms. Framework conditions for enterprises need to be improved and weaknesses present on national labour markets properly addressed to achieve better social outcomes in Europe. Concerning EU legislation, it is essential to focus on proper enforcement and application of existing EU social legislation instead of constantly producing revisions and new initiatives which create uncertainties for business about rules to apply in the future and undermine employment creation.

EU Member States also need to continue with efforts to strengthen their public finances. European fiscal rules and banking regulation, as well as investment policies should aim to foster growth-friendly fiscal consolidation and allow for sufficient productive public and private investment contributing to productivity gains in the economy, including in transport and energy infrastructure, education, etc.

European employers fully support the European Union's aim to work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress. They underline that, to be sustainable, national social systems need to be constantly adapted to changing economic and social realities, for example to better meet the needs to re-skill or up-skill those who will be affected by digitalisation. The challenges deriving from new business models and forms of work in an increasingly digital economy provide an opportunity to rethink and improve the way our labour markets and social systems are organised nationally.

European employers support the European Commission's efforts to strengthen coordination of national policies to improve economic development in the Member States, and support gradual convergence of living and working conditions across Europe. The European semester process should remain the main policy vehicle to progress on addressing Europe's structural weaknesses from the viewpoint of the economy as part of a coherent European strategy.

The EU, Member States and social partners need to work together to support necessary reforms. Progress is needed in some countries in particular. This is crucial to improving ownership and implementation of national labour market reforms. In this, the competences of the EU and Member States and social partners' autonomy must be respected. This means that the subsidiarity principle, as enshrined in the Treaty, should be at the centre of policy orientation.

Concerning the work on benchmarks envisaged as part of a European pillar of social rights this should be done within the European semester process, without creating a parallel system. This should also avoid duplicating already existing indicators such as the scoreboard of key employment and social indicators. Well-designed benchmarks can act as a compass for the necessary national reforms aiming to increase the performance of labour markets and of social systems.

Such a benchmark exercise should be applied only where it is appropriate considering the subject. There should be a clear prioritisation in the issues covered focusing on those that will have a positive impact on competitiveness, employment, and sustainability and adequacy of social systems. This exercise should be a joint endeavour of the Council, Commission, Member States and social partners.

Benchmarking should also fully respect the limits of EU competences and the subsidiarity principle according to the Treaty, as well as the autonomy of social partners in member states and fully respect national wage setting structures.

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