



UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES  
EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE  
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES  
UNIONE EUROPEA DELL' ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

## **UEAPME Position Paper on the European Commission's Green Paper on demographic change**

### **Introduction**

As part of its general consultation, the EU Commission has asked the European Social Partners to give their opinion on its green paper on “Confronting demographic change: a new solidarity between the generations”.

The demographic change is one of the major challenges facing Europe and deserves special attention. UEAPME therefore welcomes the initiative of the European Commission.

The demographic change is based on the two simultaneous phenomena; the increase of life expectancy and the decrease of the birth rates, which together have multiple impacts on the various policy areas. Demographic change is a multi dimensional issue and thus one has to be aware that the reforms carried out might have consequences for the economy, the labour market and society as a whole. Thus one has to be sure that the reforms are socially and economically sustainable. Therefore it is crucial to identify the major challenges and focus on them, in particular employment issues.

### **Specific remarks to the questions of the European Commission**

#### **General question on the role of the EU in this area**

The challenge of demographic change has been already partially taken into consideration in many current policies and initiatives at EU level, such as the new revised Lisbon Strategy, the integrated guidelines on growth and employment, the R&DT policy, the life long learning initiatives, as well as the OMC-processes particularly in the field of social protection.

UEAPME particularly welcomes the new streamlined (integrated) approach proposed at European level, which tries to address in a more consistent manner the various challenges resulting from the demographic change and the consequences on European societies. As the analysis presented in the Green paper clearly does not start in a vacuum, it is necessary to include the results and reflections stemming from the discussions already carried out at European level.

Demographic change is a phenomena experienced by all European countries to varying degrees, however some member states are more affected than others, and no one member state has exactly the same combination of challenges as another. This calls for tailor made solutions rather than a “one size fits all” approach. Additionally, most of the mentioned policy areas lie firmly in the field of competences of the member states. Therefore UEAPME insists that any initiatives taken at European level must respect the principle of subsidiarity between the EU and the member states. The commission recognises this fact in its communication when it states that *”many issues associated with demographic change come within the exclusive competences of, the member states or their regional authorities, or social partners. But these are also urgent issues of common interest to which all the Member states need to respond.”*

The suitable instrument of addressing the challenges of the demographic change at European level and to find common solutions to them, while at the same time respecting national sovereignty, would be the open method of coordination (OMC). The use of the OMC for addressing this issue is appropriate, because the OMC stimulates European debate, helps to fix joint objectives and is based on the exchange of good practices. One aim could be raising awareness for the problems connected with demographic changes. These could be focused on maintaining employability by leading a healthy life and reduce illnesses leading to cost intensive long term care (diabetes, obesity, drug dependence, etc.). Moreover, awareness would help employers to react adequately to demographic changes of the work force. Although the whole of the EU is undergoing a demographic change, some member states clearly manage the challenges so far better than others and the exchange of good practices would be beneficial.

The challenge of the demographic change affects various policy areas and themes such as active ageing, training, pensions, healthcare, gender equality, immigration social inclusion, non-discrimination, mobility transport and infrastructure, environment, housing, tourism, etc. Any discussion or initiative at EU level must be addressing various policy areas in an integrated approach while respecting the principle of subsidiarity. Mainstreaming of the demographic change into all policy areas is crucial in order to tackle the challenge. A first necessary step for having an integrated approach towards the demographic change would be a closer coordination between employment and social protection policies in order to modernise and adapt the social protection systems and the labour markets to the challenges.

It would be very helpful if the EU’s financial instruments, such as the Structural funds, would support projects addressing the demographic change.

To manage the challenges faced by the demographic change, all relevant actors and stakeholders, including the EU institutions, national governments, public authorities at all levels, European and national social partners must act in partnership in order to raise awareness and acceptance of the need for longer working lives and change attitudes in the whole society, in enterprises,-amongst the workers themselves as much as amongst employers. Public authorities, the business communities and workers must accept and put into practice the idea that it is efficient for the economy to make full use of the human resources which are available.-“Older” workers may well have experience, skills and judgement which the wider economy is not currently taking full advantage of.

### **The challenge of a low birth rate**

The low birth rate represents another big challenge common to most of the countries in the EU. However, big gaps exist between the different member states on the availability of child and elderly care facilities, financial support for families, and instruments for a work life balance for men and women. EU country examples exist where positive relation between the availability of childcare facilities, increasing birth rates and female participation on the labour market can be observed. These relationships should be analysed and an exchange of good practices should take place in order to benefit from the experience of other countries.

Different types of incentives would be useful for people in many EU countries to have more children. Nonetheless, in order to have any positive impact, policy measures for family and financial incentives of the government have to be accompanied by a change of mind of the people and society, with a more positive attitude towards children and family.

Conciliation of work and family life is an important factor, but cannot be the only remedy as the main burden for childcare rests for women. Change of role models via campaigns, while respecting different cultures and traditions should be envisaged. Enterprises cannot be the only ones to be made responsible, as it needs a change in mentality if birth rates are to be raised. One possible way to support employees in SMEs would be the creation of framework conditions allowing for establishing joint childcare facilities.

### **The possible contribution of immigration**

UEAPME generally supports the strategy chosen by the European Commission, proposing harmonization of the economic migration policy in the EU, while fully respecting the exclusive competence of the member states in deciding on the numbers of immigrants admitted from third countries.<sup>1</sup>

Immigration can positively contribute to managing the challenges posed by the demographic change. This ranges from an increase in young people, which is also beneficial for the pension system, to addressing labour shortages in specific sectors. However, immigration is only a partially and a temporary solution for addressing the challenges of the demographic change and have to be part of a broad and integrated approach and complemented by various other measures. Even if the immigration levels continue at their current rate, immigration will not compensate for the shrinking of the European population. Furthermore, one has not to forget that immigration creates challenges in its own right. Most and foremost the question of immigrants integration into the European societies has to be addressed, if one wants to have an added value from the immigration that is not outweighed by negative side effects. In view of a good integration, it is essential that immigrants and their families learn the language of the host country from a very early beginning. The EQUAL initiative contributes positively to the creation of new instruments.

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<sup>1</sup> See UEAPME position paper on the Green paper *on a EU approach to managing Economic Migration* [http://www.ueapme.com/docs/pos\\_papers/2005/EconomicMigration.doc](http://www.ueapme.com/docs/pos_papers/2005/EconomicMigration.doc)

### **Better integration of young people**

UEAPME wants to highlight that SMEs are not only economic actors but play a full role in social cohesion, as they are mainly active at the local level. SMEs will suffer in particular from the demographic change because it increases the shortage of young qualified workers and SMEs are very dependent of the local labour market. They already experience difficulties in attracting young people to specific sectors because of the bad image given to vocational training and the competition between small and large companies.

Any initiative has to be placed within the framework of an intergenerational and life cycle approach. UEAPME together with the other social partners express their general support for this approach as well as their general support for an EU Youth initiative in their joint contribution.<sup>2</sup> The challenge of poverty cuts across various policy areas, such as economic, fiscal, education, and the approach taken has to be an integrated one. UEAPME believes that the best protection against poverty is a job. A high level of initial education and vocational training in line with the labour market needs, which provides the student with appropriate skills to find employment, including entrepreneur skills, would facilitate the integration into the labour market.

### **A global approach to the “working life cycle”**

If one wants to increase the participation of older workers on the labour market this has to be addressed already at an earlier stage and not only once the worker becomes older. Equally, the right balance between flexibility and security is important for workers of all ages, and not only once they reach a certain age. Here again UEAPME would like to stress the life cycle approach. There has to be a combination of various strategies, including a general higher quality of initial education and training, followed by life long learning, sufficient care facilities for children and dependent people, and incentives for the employer as well as for workers, to employ older workers and to work longer respectively.

UEAPME always stressed the benefit of prolonging the working life of older workers.<sup>3</sup> In order to achieve this goal a series of incentives, for the employer as well as for the individual, such as tax reduction, flexible work forms, changes in the work organisation at enterprise level, voluntary health promotion at the workplace, support for training measures, and wages linked to productivity need to be provided, while at the same time eliminating incentives for older workers to leave the labour market early, such as early retirement schemes.

Life long learning should keep the worker up to date and make him/her a valuable asset to the company. To increase the employability of older workers through life long learning, SMEs in particular are dependent on adequate support from public authorities and external training bodies. The issue of training for older workers is closely linked to the issue of the retirement age and early retirement schemes. If the

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<sup>2</sup>Joint contribution of European Social Partners on the EU Youth Initiative

[http://www.ueapme.com/docs/joint\\_position/Joint%20PP%202005/Youth\\_Joint\\_En.doc](http://www.ueapme.com/docs/joint_position/Joint%20PP%202005/Youth_Joint_En.doc)

<sup>3</sup> UEAPME paper on the European Commission Communication “increasing the employment of older workers and delaying the exit from the labour market” at

[http://www.ueapme.com/docs/pos\\_papers/2004/UEAPME%20PP%20Active%20Ageing%20final%20en.doc](http://www.ueapme.com/docs/pos_papers/2004/UEAPME%20PP%20Active%20Ageing%20final%20en.doc)

employer believes that the worker will retire soon, there is no incentive for the employer to invest in further training.

If one wants to increase the employability of older workers, one has also to revisit the link between wage increases and age/seniority, which puts older workers at a competitive disadvantage. Here a significant cultural change towards wage increase, which is based mainly on productivity, is needed.

### **A new place for “elderly people”**

SMEs tend to have a more open attitude towards maintaining older workers in the job, recognising their added value as tutor for the younger employees. This transfer of knowledge within the company from one generation of workers to another is a crucial part of the informal and non-formal training provided in SMEs and which represents an important part of training provided in SMEs, suffers extremely from early retirement schemes.

At the same time, UEAPME sees it as counterproductive to treat the elderly as one big homogenous group. The first difficulty is defining who belongs to the elderly and who not. Additionally one cannot treat low skilled and highly educated older workers in the same way because they have different abilities and needs. Additionally, the group labelled elderly people can further be broken down by gender, sector, etc...all with different experiences, needs and expectations.

One possibility in increasing the willingness of employers to employ older workers is if the salaries would be based on performance and competences and not on seniority. At the same time one has to guarantee the worker that he/she is not being penalized for working longer. Older workers must be given the possibility to combine part-time or fixed-term contracts with pension benefits. This could be done inter-alia through calculating the pension benefits on the average salary of the working life and not only the last years, to encourage a worker to take a lesser paid job or part time job at the end of his or her career. This is why a more flexible approach should be taken in regards to the retirement age. This means while keeping, for transparency reasons and in order to facilitate the planning of employers and employees over the work-life cycle, a fixed pension age, but at the same time, giving those who want to continue working or gradually reduce working, the chance to do so, and enabling those who need to leave the labour market to do this in an ordered way.

Furthermore, there exists a link between the low employment level of older people and the lack of the portability of pension rights. UEAPME wants to reiterate its earlier support for promoting labour mobility through the adaptation of pension schemes in favour of cross-border mobility as well as among sectors and statutes, while insisting that taxation obstacles have to be eliminated, in order to achieve a real portability of pension rights.<sup>4</sup>

A crucial concept in this context is *making work pay*. UEAPME can only repeat its earlier statements that reforms in the social protection system have to be full part of an integrated approach, which coordinates social protection policy with fiscal and

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<sup>4</sup>[http://www.ueapme.com/docs/pos\\_papers/2003/Final%20nd%20stage%20consultation%20response%20en.doc](http://www.ueapme.com/docs/pos_papers/2003/Final%20nd%20stage%20consultation%20response%20en.doc)

economic policy.<sup>5</sup> Also, if one is serious about increasing the employment rate, it is absolutely necessary to make sure that the choice to work is more attractive than the alternative social protection schemes, which must not represent a competition to employment.

Good health and safety conditions at work increase the potential for a longer and more productive working life. Therefore UEAPME continues to support a high quality standard for health and safety, while at the same time insisting that health and safety regulations have to be designed by taking into account the special situation of SMEs, with only limited financial and human resources. Any new regulation, which adds further administrative burden on businesses, especially micro enterprises, requires an in depth impact assessment on the necessity, the appropriateness and the proportionality.

### **Role of social partners**

The involvement of social partners in tackling the challenges caused by the demographic change is imperative. They are well placed in most of the policy areas concerned, in particular the functioning of the labour market. In addition, they represent the direct link between the company and the political level. Therefore UEAPME asks the European Commission and the Member States to better involve the social partners, when discussing and deciding on policies aimed at tackling the demographic change.

The European social dialogue can act as a forum for identification and the exchange of best practices examples from national social partners and encourage them to be proactive on this important issue. The general public is still not sufficiently aware of the challenges caused by the demographic change, and a sensible information campaign and general debate is needed.

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### **For further information on this position paper, contact:**

Ralf DRACHENBERG, Social and Employment Policy Advisor,  
UEAPME,  
Rue Jacques de Lalaing, 4,  
B-1040 Brussels.  
Tel: +32 2 2307599  
E-mail: [r.drachenberg@ueapme.com](mailto:r.drachenberg@ueapme.com)

	<p>UEAPME is the employer's organisation representing the interests of crafts, trades and SMEs from the EU and accession countries at European level.</p> <p>UEAPME has 78 member organisations, which represent crafts and SMEs across the whole of Europe, covering over 11 million enterprises with nearly 50 million employees.</p> <p>UEAPME is a European Social Partner.</p>
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<sup>5</sup> UEAPME position on make work pay at [http://www.ueapme.com/docs/pos\\_papers/2004/UEAPMEpp%20make%20work%20pay-en%20\(1\).doc](http://www.ueapme.com/docs/pos_papers/2004/UEAPMEpp%20make%20work%20pay-en%20(1).doc)