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Press Release

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Making work pay: UEAPME calls for reforms in social protection systems

Brussels, 14th January 2004. On the eve of the first informal Social Summit under Irish Presidency in Galloway, UEAPME, the European SME employers’ association, restated that national governments would have to undertake thorough reforms in their social protection systems in order to make work more attractive and comply with the Lisbon strategy goals.

“At the moment, many national social protection systems are dysfunctional and tend to discourage people from entering the labour market. In some countries people can get higher benefits from unemployment than from being an employee, this not helping the EU achieve its economic goals” said **Hans-Werner Müller**, UEAPME’s Secretary General today. “That is why social protection systems must be reformed urgently so that these systems can play their original role and no longer represent a competition to employment,” he concluded.

UEAPME is satisfied with the attention paid by the Irish Presidency to such an essential issue and it is hopeful that the initiative will result in a global approach combining fiscal, social protection and employment policy to make work more attractive in the EU. While recognising that there is no one-size-fits-all solution to rendering work more attractive, UEAPME suggests some general elements that have to be implemented to make work pay in Europe.

- National governments must undertake a revision of the benefits criteria of social protection systems to encourage people to look for a job.
- Member States should revise their fiscal policy in order to increase the financial benefits of work (eg. reduction of non-wage labour costs and reduction of tax on revenues).
- A better balance between social benefits and work revenues has to be found and Social Partners should allow wage differentiations in accordance with the respective productivity level.
- Authorities should develop support programmes that give unemployed people the incentive to take on a job, as many individuals who leave welfare for work do not earn enough initially to get out of poverty (eg. combination of partial welfare and part-time job for transitional period).
- Labour costs on the lower segment of the labour market have to be reduced in order to help combat undeclared work, especially in the labour intensive sectors. Non-wage labour costs in this segment have therefore to be cut down and the market should allow for wage differentiation.

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