



4 July 2007

**TROIKA MEETING WITH SOCIAL AFFAIRS COUNCIL
5 JULY 2007**

**ADDRESS BY MR PHILIPPE DE BUCK,
BUSINESSEUROPE SECRETARY GENERAL**

President, Ministers, Commissioner, Ladies and Gentlemen,

- The 10th anniversary of the European Employment Strategy is a good opportunity to look back and evaluate what has been achieved in terms of policy co-ordination in the area of employment and social policies. It is even a better opportunity to look forward and discuss whether and how to improve it. Indeed, the background paper prepared for this meeting raises pertinent questions as to how to improve both the content of policies and the methods and instruments to achieve better results.
- This meeting takes place against the background of a European economy which continues to send encouraging signals, with robust growth and dynamic job creation. The EU-27 unemployment rate now stands at 7% with 22 Member States recording a fall in their unemployment rate over the last year. At the same time, however, it is clear that much remains to be done to break down barriers to work.
- In this respect, BUSINESSEUROPE's 2007 European Reform Barometer showed that improvements in labour flexibility, especially for regular employment contracts, have been limited. Likewise, progress in ensuring employment-friendly labour cost and wage developments as well as progress in adapting education and training systems to new labour market requirements is considered insufficient or even deteriorating according to BUSINESSEUROPE member federations. So, how can we further improve Europe's labour market performance and ensure fair participation of all?
- Clearly, employment and social policy co-ordination at European level plays an important role to achieve better results. I will first dig into policy content, highlighting the importance of flexicurity to address the main challenges facing Europe, and then say a few words about possible improvements in the methods and instruments of coordination to achieve better results.

On content

- In recent years, several developments have put pressure on our social and economic systems to adapt and modernise. First, there is the process of globalisation leading to higher prosperity for all countries taking part, but also to faster economic transformations. This trend is compounded by rapid technological



changes which generate new needs on our labour market and add to the pressure to adjust. Thirdly, Europe's workforce is ageing and will soon start shrinking. With fewer people contributing to social protection systems and more depending on it, there will be ever greater pressure on public spending, especially on pensions and health care, undermining the sustainability of our welfare systems.

As a result, Member States must reflect on how to best adapt their social and economic systems to address these challenges. Against this background, the issue of flexicurity has risen to the top of the policy agenda, both at the European and national level.

- I will not go deeper into the concept here. Let me just say that European employers strongly believe that well-conceived flexicurity policies will improve Europe's capacity to anticipate, trigger and absorb change and thereby enhance Europe's capacity to grow and create more and better jobs. The reason is simple: Better responsiveness of EU economies to change requires finding new ways of combining social protection and economic flexibility. The concept of flexicurity is at the heart of efforts to restore a positive link between competitiveness and social protection.
- For BUSINESSEUROPE, flexicurity constitutes the right way forward to modernise our social systems. Both at the conceptual level and in its practical application, it should therefore be considered a strategic long-term priority for Europe and the Member States. The EU can make a useful contribution by defining and promoting a set of guiding principles of this flexicurity approach, recognising at the same time that the appropriate mix between the different components of this approach will vary from country to country, reflecting different needs and labour market structures. BUSINESSEUROPE very much hopes that the European social partners, in their joint analysis of the key challenges facing European labour markets, will be able to agree on the key components of flexicurity.

I will not hide the fact that this is not an easy exercise. The delay in the process bears witness to this. But, albeit slower than expected, we are making progress. In fact, we are now in the final stage of the exercise in which we will have to agree on the recommendations to be made to social partners but also to policy-makers, both at the national and European level. Our aim is to finalise the joint analysis in autumn, which would allow us to make a significant contribution to the debate on flexicurity under the Portuguese Presidency.

After having made the case for flexicurity in terms of policy *content*, let me now turn to policy *co-ordination*.

On methods and instruments to achieve better results

- First, employment. In 1997, the Luxembourg Summit adopted the European Employment Strategy. Ten years later, this strategy, including the Employment Guidelines, remains the main employment co-ordination process at EU-level.
- At the time of the relaunch of Lisbon strategy, BUSINESSEUROPE welcomed the presentation of the Broad Economic Policy Guidelines and the Employment



Guidelines into one single package. We believed – and still do – that it conveyed the right sense of focus and the urgent need to introduce reforms. We also believed that the employment guidelines covered the key issues and broadly agreed with their content.

- BUSINESSEUROPE is presently reflecting on the priorities for the forthcoming coordination cycle but our current thinking is that the review should not divert attention from reform implementation. The Integrated Guidelines are still valid instruments, and in particular the content of the employment guidelines remains relevant today, encompassing the various components of flexicurity.
- That being said, I would like to remind that the 2005-2008 guidelines seemed to underestimate the strategic importance of improving productivity throughout Europe. In addition, a more explicit integration of flexicurity in the European Employment Strategy would certainly strengthen the coherence of current policies and thereby enhance their effectiveness. BUSINESSEUROPE therefore agrees with the Commission to fully integrate flexicurity as a key policy theme for the next coordination cycle.
- Moreover, it is essential to foster the necessary ownership of the Strategy and ensure that all stakeholders involved work in a constructive way to genuinely facilitate implementation of necessary reforms. I would therefore like to take this opportunity to recall the importance of involving social partners, both at national level, when developing the National Reform Programmes, and at the European level, when assessing the implementation and results of the Integrated Guidelines and, more generally, the Lisbon strategy.
- Secondly, social protection. While the Open Method of Co-ordination has helped to stimulate a critical analysis of national policies, it also suffered from shortcomings such as heavy and bureaucratic processes and different durations of the policy co-ordination cycles. BUSINESSEUROPE therefore welcomed the decision to streamline the three co-ordination processes established at EU level while maintaining the special characteristics of the individual policy areas covered (social exclusion, pensions and healthcare).
- For both the Integrated Guidelines and the OMC on social protection, it is important to maintain the three-year cycle. Likewise, ensuring that these processes are transparent and effective is essential to gain support for the difficult reform decisions that have to be taken in order to improve Europe's growth and jobs performance.
- Let me now say a few words about the European social partners. In a way, one could say that we have our own open method of coordination. For example, in the context of our frameworks of action on gender equality and life long learning, we have identified priorities on which we ask national social partners to take action. Every year, we report on progress. The reports are available to the public. They contain examples of tools practices which can inspire social partners' actions across Europe. We will soon start negotiating another framework of action, this time on employment.



- In addition to our autonomous work, BUSINESSEUROPE also appreciates the opportunity to provide input to EU decision-making. In this respect, the establishment of the Tripartite Social Summit has allowed social partners to contribute to the debate in the areas of growth and employment. Likewise, today's Troika meeting is a good, informal, opportunity for constructive debate.

Conclusion

- So far, I have been talking about both policy content and procedures. The key to success, however, lies in the ability to translate the intentions and recommendations of the EU Guidelines and OMC into real action. Brighter economic results give us a window of opportunity to do so. We count on the Portuguese, Slovenian and French Presidencies as well as on the Commission to push the reform agenda forward. BUSINESSEUROPE, for its part, together with UEAPME, CEEP and ETUC when it comes to social dialogue initiatives, is keen to contribute to the success of the European growth and jobs strategy.

