



○ Reform labour markets based on the common principles of flexicurity

BACKGROUND

The economic crisis has led to increased unemployment in all EU Member States. Governments will have to undertake action to prevent higher unemployment from becoming entrenched and modernise labour markets in the face of rising global competition, new information technologies, and an increasingly service-oriented and knowledge-based economy. Globalisation and technological progress require Europe to find ways of better combining social protection and economic flexibility. At the same time, an ageing and soon shrinking workforce will alter the functioning of our economies, affecting for instance the matching of companies employment needs with the supply of skills on the market. Lifelong learning and higher participation of older workers will be vital to alleviate the impact of demographic ageing.

A comprehensive set of policy action across a broad front will be needed to face the challenges ahead with confidence: this is the so-called flexicurity approach to labour market modernisation. Detailed measures must take account of the specificities of each country and can only be decided in the Member States. In their 2007 joint labour market analysis, the Europeans social partners have reached an agreement on the main components of flexicurity. Their recommendations, in combination with the common principles of flexicurity, help steer reform efforts at national level. In their 2009-2010 Social Dialogue Work Programme, the European social partners have agreed to monitor the implementation of the common principles of flexicurity.

Remove rigid labour law and ensure a wide variety of contractual arrangements

Member States should remove complex and rigid labour regulations that hamper business development, constrain job creation and result in segmented labour markets in which insiders are overly protected while outsiders are trapped in unemployment or undeclared work. In addition, it is important to ensure the availability of a variety of employment contracts for the efficient functioning of labour markets and to answer diversified needs of companies and workers.

Encourage lifelong learning

Lifelong learning is crucial for companies and workers to adapt to today's economic environment because it enhances the competitiveness and innovative capacity of firms while improving the productivity and employability of workers. Lifelong learning should equip workers to grasp new employment opportunities, which is an essential precondition to move from individual job security towards employment security. Following on from the adoption by the European social partners of a framework of actions on lifelong learning, BUSINESSEUROPE's member federations are taking actions at national, sectoral and company level to foster lifelong learning. Public authorities should support companies in their efforts to improve workers' competences. Workers should commit themselves to invest in training and skills development so as to ensure their employability. In the process of competence development, informal learning is as important as formal training.

Put into place effective active labour market policies

Active labour market policies have a crucial role to play in mobilising Europe's untapped labour force potential. They should aim at minimising unemployment spells through the activation of job-seekers at an early stage while providing for the effective re-integration of long-term unemployed. Member States should step up their activation efforts, including by improving the quality of public expenditures on active labour market policies so as to maximise their cost-effectiveness.

Modernise social security systems to promote mobility

For active labour market policies to be fully effective, it is essential that social security systems do not act as a disincentive to work. This notably requires unemployment benefit systems to balance rights and obligations for the unemployed as opposed to providing unconditional passive income support. Another crucial issue is to induce older workers to remain longer on the labour market, for instance by strengthening the link between pension rights and the number of years of contribution. Using early retirement as a solution to job losses as a result of the economic crisis would be costly and counterproductive.