

## SPEECH

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31 January 2008

### **TROIKA MEETING WITH SOCIAL AFFAIRS COUNCIL 31 JANUARY 2008 ADDRESS BY MR JØRGEN RØNNEST**

President, Ministers, Commissioner, Ladies and Gentlemen,

1. The Slovenian Presidency has asked us to focus on flexicurity and how to improve both the content of policies and the process of policy coordination in order to improve the position of older workers and young people in the labour market.
2. In November 2007, the youth unemployment rate – at 14.9% - in the EU was still more than twice as high as the overall unemployment rate. The employment rate among 15-24-year olds was 36.4% in 2006. Likewise, at 43.5%, a low employment rate could also be observed for older workers. Obviously, for both young and older workers, there remain large variations at the level of individual Member States.
3. In order to improve employment prospects of young people and older workers, BUSINESSEUROPE is in favour of an intergenerational approach to reform. Such an approach makes it possible to improve the overall functioning of labour markets for the entire workforce, as opposed to policies targeting specific categories of job seekers. Moreover, young people or older workers are not homogenous categories and policy responses targeted at one or other do not allow to sufficiently differentiate according to individual needs.

The key components of an inter-generational approach are:

- avoiding shifting the burden of present policies on the next generations by pursuing sound public finances with progressive removal of public deficits, hence the urgent need to reform pension and health care systems and to cut the public debt ratio;
- improving the efficiency of education and training systems in order to give real access to lifelong learning opportunities to workers of all age groups;

- improving the functioning of labour markets to integrate more people on the labour market throughout the population spectrum (young and older workers);
  - offering a favourable context to both young and older entrepreneurs willing to take risks in order to create wealth and jobs;
  - modernising social protection systems also to remove unemployment and poverty traps, in particular youth unemployment traps;
  - increasing the employment rates of older workers in particular by discouraging and progressively removing incentives for early exit from the labour market, providing incentives for people to stay longer on the labour market and for companies to employ and keep older workers.
4. An effective intergenerational approach is inextricably linked with the four policy components of flexicurity, i.e. modern labour law, comprehensive lifelong learning, effective active labour market policies and modern social security systems. Let me explain.
  5. Young people will benefit from flexible contractual arrangements which break down barriers to work. Indeed, research clearly shows that strict Employment Protection Legislation creates serious problems of entry into the labour market for young people – but also women and long-term unemployed. Flexible contractual arrangements also allow older workers to continue working, for example through flexible retirement.
  6. Education and training is particularly important to improve job prospects for disadvantaged youth. The priorities should be to ensure that individuals acquire the necessary basic skills before leaving education systems and cutting school drop-out rates. In addition, lifelong learning policies should also encourage individuals to take responsibility for upgrading their competences throughout their working lives so as to remain employable and be able to adapt to labour market changes.
  7. The third component, active labour market policies, is crucial in facilitating a smooth transition from school or higher education systems to work and making sure that older workers do not become detached from the labour market.
  8. However, in order to be effective, active labour market policies must exist in conjunction with modern social security systems which no longer provide unconditional income support and therefore act as a disincentive to work. This is particularly the case for early retirement schemes.
  9. In short, BUSINESSEUROPE agrees with the Presidency's background paper that flexicurity measures and the adequate co-ordination of these measures are key to improve the labour market position of young people and older workers. We are therefore happy to see that flexicurity is integrated in the proposed Employment Guidelines for the 2008-2010 period.

10. BUSINESSEUROPE hopes that the European Council, under the Slovenian Presidency, will adopt the Employment Guidelines without major changes given the need to step up actual implementation of national reforms.
11. Let me now say a few words about the **role of European social partners**.
12. With respect to the role of social partners, while the overall responsibility for putting in place framework conditions to improve the employment prospects of young people and older workers lies with the public authorities, social partners can bring a useful contribution. They are best placed to find flexible solutions reconciling economic and social needs of labour market players and devise concrete arrangements that benefit both companies and employees.
13. At the EU level, the following European social partners' initiatives are particularly relevant:
  - legally binding agreements on, respectively, parental leave, part-time work and fixed-term contracts;
  - autonomous agreements on telework and work-related stress;
  - two frameworks of actions: one on lifelong development of competences and qualifications and one on gender equality.
  - And, last but not least, our joint labour market analysis which contains a common understanding of and policy recommendations around flexicurity.
14. The Social Dialogue Work Programme 2006-2008 stipulates that on the basis of the joint analysis, the European social partners will define priorities to be included in a framework of actions on employment and negotiate an autonomous framework agreement on either the integration of disadvantaged groups on the labour market or lifelong learning. We will report on the follow-up to be given to the joint labour market analysis to the Tripartite Social Summit on 13 March.
15. **To conclude**, the flexicurity approach is key to break down barriers to work and improve job prospects of the young and older workers. The December European Council's endorsement of common principles of flexicurity has paved the way for swift implementation of flexicurity at the national level. BUSINESSEUROPE and its national member federations are looking forward to turn flexicurity into reality.

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