

## **SPEECH**

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### **EC CONFERENCE “IS SOCIAL EUROPE FIT FOR GLOBALISATION?” BRUSSELS, 16 APRIL 2008**

#### **ADDRESS BY JØRGEN RØNNEST ACTING DIRECTOR, SOCIAL AFFAIRS**

- Welcome results of the study which is an important contribution to the debate on globalisation and its consequences for the EU labour markets and social security systems.

#### **On the findings**

- The study rightly and usefully reminds us that, on the whole, the EU has been among the winners, for example in the field of business services. But ordinary citizens also benefit, for example through an increase in their real incomes due to lower prices of imports.
- The study also confirms that low-skilled workers are the main losers, as evidenced by relative wage losses and/or unemployment. That being said, not only low-skilled are affected. As countries increasingly trade in tasks rather than products, medium- and highly skilled workers are also no longer immune from the phenomena of delocalisation or outsourcing.
- Related to the impact on low-skilled workers is the rise in income inequalities which can be observed in many countries. However, with a view to the policy response required to address this, the study usefully shows that rising inequality is not so much the result of globalisation as such but rather part of a broader process towards a knowledge-based economy. However, the study also shows that some countries, such as Ireland and Spain, have seen a fall in income inequality. Is it mere co-incidence that these were also countries that have seen impressive job creation over the last few years? If anything, therefore, these experiences show the key importance of job creation for integration, inequality and exclusion.

- Given the importance of social security in compensating the so-called “losers” from globalisation, the report shows that social security systems are not caught in a race-to-the-bottom. In fact, there is no such impact both in quantitative (% of GDP spent) or qualitative terms (composition of spending).
- Finally, the report also confirms the increasing importance of immigration for filling labour and skills shortages and addressing the challenge of ageing. In this respect, initiatives such as the blue card proposal are key, also because of the dynamism that (highly skilled) immigrants bring to EU economies and labour markets.

### **On policy challenges**

- The starting point for an adequate policy response should be that Europe’s strategy cannot and should not be to compete with emerging countries in the production of low-cost and low-value added products. Moreover, these countries are also making major efforts in education and training, thereby enhancing their capacity to compete in higher value-added products.
- Social Europe may be fit for globalisation but the authors of the study rightly conclude that Europe cannot rest on its laurels. There is an urgent need to step up reform efforts to get Europe even in a better shape.
- This means that we need to find a new policy response to the challenges of globalisation and technological developments. The aim should be not only to protect workers against and during unemployment but, more importantly, also to increase their employability and adaptability. At a more aggregate level, the ultimate aim of such a new policy response should be to boost employment AND productivity growth.
- By making labour markets more flexible, investing in (continuous) skills development and attracting more people to the labour market, flexicurity is key to achieve these objectives. By protecting people instead of jobs, flexicurity is at the heart of efforts to bring about a positive relationship between economic competitiveness and modern forms of social protection.
- Unfortunately, however, the Joint Employment Report 2008 shows that the traditional attitude, focusing on job security rather than employment security, is still very much alive. Member States therefore must implement structural reforms which are needed to make our labour markets and economies much more efficient. This, in turn, is essential to generate the necessary revenues to maintain our European welfare systems.
- While the need to reform labour markets and social policies is essentially a competence of Member States, there is also the need for complementary action at the EU-level.

- A key issue in this respect is the need to complete the single market. A strong single market is Europe's best asset to respond to and benefit from globalisation. Europe there needs to remove the many obstacles that continue to hamper free movement, in particular in the field of services.

### **To conclude**

Europe's post-war success has been built on economic progress going hand in hand with solidarity. There is no reason why this should no longer be the case in the future. But in order to do so, change is needed. Europe needs to tap new sources of comparative advantage – built on investment in human capital – and put in place modern forms of social protection. The sooner such reforms are carried out the better. Without them, the fitness of Social Europe will rapidly deteriorate and Europe risks becoming a sick man.

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