

SPEECH

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I. Introduction – some facts and figures

- Companies have created more than ten million jobs over the last three years. EU-unemployment rate dropped to 7.1% in 2007, which is the lowest level in two- and a half decades.
- European business is expected to create two million new jobs this year, provided companies are able to face up to increased global competition, a less favourable global economic environment and provided further progress is made in implementing the Lisbon strategy.
- While we can note some progress in a number of member states regarding labour market reforms, many problem areas persist. The Lisbon strategy employment target rate for older workers is unlikely to be met by 2010. High youth unemployment remains a structural weakness in several Member States (Greece, Romania, Slovakia, Italy, France, Sweden).
- Labour productivity growth remains low, annual productivity growth did not even attain 1.6%.
- Social systems need to be made sustainable, we note some reforms, but the pressure remains high due to demographic developments.
- Demographic pressures also make a focus on education and training policies, the development of the right skills (we need more engineers and scientists), life-long learning strategies, mobility and immigration necessary.
- *Social policy should not be seen in isolation from the challenges described. It must be an integral and coherent part of comprehensive reform strategies for more “growth and jobs”.*

II. How to respond to evolving social realities?

1. Modernising labour markets is key

- Modern labour law is essential for dynamic and flexible labour markets with robust job creation and fluid job reallocation. Employment legislation must enable to simultaneously boost employment creation and productivity growth, while breaking down barriers to work.
- Flexicurity is the right framework to modernise labour markets with a view to restoring a positive balance between competitiveness and social protection. It must therefore be at the heart of the Commission's "social vision for 21st century Europe".
- *The concept of flexicurity must receive the necessary attention as it provides a unique opportunity to promote both employment and productivity growth.*
- The Commission's "lifecycle" approach to work is appropriate to respond to the demographic challenges facing European labour markets. Labour markets functioning effectively for the whole of the workforce offer the best guarantees for the active participation of all generations. Younger and older workers should not be treated as isolated groups.

2. Ensuring the sustainability of social protection systems remains challenge

- Demographic change is one of the biggest challenges facing European economies and societies. With more people drawing on pension and health care systems coupled with a lower share of active people to support public expenditures, sustainability is at stake. Social protection systems must be modernised in order to ensure their financial sustainability in the long term. We must not shift the burden of present policies on future generations.

3. Invest more in education and training

- Labour market projections indicate that demand for higher skill levels will increase as Europe seeks to leverage its competitive advantage in high quality production processes. This trend is only likely to increase with time.
- Education and training systems must be reformed in order to raise individuals' adaptability to labour market needs. Public authorities should create the framework conditions for a partnership-based structure of cooperation that closely addresses labour market needs.
- Additionally, lifelong learning is a key factor both for the competitiveness of firms and for the long-term employability of individuals. Effective guidance services and instruments enabling to validate the competences acquired through informal learning should be developed to increase participation in lifelong learning.

4. Enhance workers' mobility and focus on immigration

- Currently, less than 2% of European citizens live in a different Member States than their own. If anything, this shows that geographical mobility still remains restricted by a number of barriers, including the restrictions on the free movement of workers from the new Member States. Increasing labour mobility is essential for the efficient use of EU-labour since it will help tackling labour shortages.
- Europe also needs to put in place the conditions and procedures that will facilitate immigration from third countries. Creating avenues for legal migration, in particular of highly skilled workers, will increase the size of Europe's working age population, alleviate labour and skills shortages and boost European companies' ability to compete on the global stage. The "blue card" proposal is a step in the right direction.

5. Social dialogue important tool to respond to evolving social realities

- Social Dialogue at different levels is an integral part of the European Social Model and delivers responses to numerous challenges.
- By adopting their joint analysis of the challenges facing European labour markets, European social partners, for example, have shown their readiness to get fully involved in the flexicurity debate. National social partners should now be closely involved in Member States' efforts to modernise the labour markets.
- BUSINESSEUROPE also wants a social dialogue solution on European works councils and we urge the ETUC to accept negotiations. In the meantime the Commission should refrain from entering into its own legislative process.

III. Conclusion

We face a number of challenges to which the structural reforms targeted in the Lisbon strategy can provide an appropriate answer.

It is important to keep the Lisbon reform momentum and secure the possibilities for companies to continue to grow, create wealth and new jobs in an increasingly competitive environment. Further labour market reforms are indispensable and a continued strong focus must also be put on making social systems sustainable, on more investment in education, lifelong learning, on increasing mobility and promoting economic immigration.

Achieving sustainable economic growth must be the red thread as this will help us to reconcile demographic pressures and rising living standards and continue to finance our social systems and an important and desirable social acquis.