

SPEAKING NOTES

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SCORING GOALS IN LABOUR MARKET POLICY

ADDRESS BY STEVEN D'HAESELEER

- A preliminary remark regarding the study conducted by the Federal Chamber of Labour relates to the contextual factors for labour market policies that were addressed. While the study focuses on the challenges of globalisation and technological changes, surprisingly little attention has been paid to the challenge of demographic ageing for labour market policies. This has obviously also consequences for some of the conclusions that were drawn.
- This is for example the case with respect to the first important conclusion which says that *"unemployment will remain the main challenge over the next few years in all EU Member States"*. It is true that reducing unemployment and boosting employment is a major concern in several European countries.
- That being said, an equally, if not more, important challenge is to boost **productivity growth** at the same time as boosting employment rates. This is particularly the case in a context characterised by a rapid shrinking and ageing of the working-age population. On average, the size of the working-age population will fall by 16/17 % by 2050 in the EU (15% in Austria). In such a context, productivity growth will be a key, if not the sole, contributor to economic growth in the long-term.
- A second key conclusion of the study is that *"Flexicurity is only a successful labour market strategy if it means more than calling for ever greater flexibility."* **Flexicurity** is indeed about flexibility and security on the labour market. Providing adequate protection to workers is essential to get acceptance of the flexicurity approach and, more in general, to avoid a backlash against globalisation. The key question is however: how to shape protection so as to be more positive or constructive in absorbing the new realities (more frequent job changes, the development of different types of employment contracts etc.)? Here, the Danish example shows the way forward.
- The Danish approach is not so much geared towards protecting existing jobs. Instead, by providing adequate income protection and significant investment in people's employability, it is aimed at facilitating transitions on the labour market. As a result, workers feel much more confident and are not afraid – or at least not as much as in other countries – to lose their job because they know that it is relatively easy to find a new one.

- An important, if not crucial, reason why it is relatively easy to find a new job is that two crucial labour market institutions, i.e. employment protection legislation and labour taxation are designed in such a way that they encourage or stimulate companies to create jobs.
- Relatively liberal employment protection legislation enhances the willingness of companies to create new jobs as early and as rapidly as possible. In addition, it allows companies to respond to market shifts, changing customer needs, technological advances and competitive pressures. Such flexibility is not just important at the level of the individual enterprise or for the individual worker, but for the economy as a whole. Broadly speaking, the evidence shows that greater flexibility is associated with higher levels of employment and GDP per head.
- With respect to labour taxation, in Denmark (but also in the UK), non-wage labour costs are low. Employee and employers' social security contributions represent a much smaller portion of labour costs than in the other countries of the study. This is an important factor to boost the job creation capacity of companies. There is scope in other countries to move in the same direction. This is also an important conclusion of the study, which makes the case for reducing the **tax burden on work**, in particular by lowering non-wage labour costs and shifting part of the funding from social security contributions to taxes or, in other words, general revenues. BUSINESSEUROPE fully supports this idea.
- Finally, another conclusion focuses on the design of labour market policies. The author(s) rightly emphasise the importance of **active labour market policies**. Many Member States can and should do more to strengthen active labour market policies – including Austria. However, it is important to bear in mind that this not only means investing more in ALMP but also investing better.
- In this respect, there is a need to evaluate the effects and monitor the implementation of ALMP to improve their design and achieve better results. There is also considerable scope for member States to learn from each other. An example of what countries in this respect can learn from Denmark is that, for ALMP to achieve maximum results, co-ordination with (unemployment) benefit administration systems is key. For example, a key feature of the Danish system is compulsory participation in ALMP for the unemployed after some time has elapsed.
- In short, four comments on the results of the study are:
 1. The challenge is not only about increasing labour force participation as such, it is also about increasing the productivity of those at work;
 2. The security dimension of flexicurity must be designed in such a way that it is in line with the realities of the 21st century labour market;
 3. Reducing non-wage labour cost is essential to maximise job creation; and
 4. Member States must invest more and more effectively in ALMP.
