

1ST ASEM SOCIAL PARTNERS FORUM

SESSION 4A: EMPLOYMENT CREATION AND FLEXICURITY

1 JULY 2008

- Even though the socio-economic situation is different, both regions are facing common challenges. Globalisation, technological change and the international division of labour strongly affect both Asia and Europe and have increased the interdependencies between these two regions.
- These developments have brought enormous benefits to both European and Asian countries. But the combined impact of increased international competition and rapid technological change has also led to a structural transformation of economies, increasing pressures on companies, workers and, more broadly, labour markets to adjust. Adding to the pressures are demographic developments.
- The question is therefore how well the two regions are responding to the new reality. Sound labour markets play a crucial role in this respect. What does this mean for Europe?
- Broadly speaking, it implies that Europe needs more people in work, working more productively. To this end, companies and workers need to become more adaptable in the face of increased international competition and rapid technological change. It also means that education and training, including lifelong learning, are increasingly important. Social safety nets need to be designed in such a way that they allow for successful transitions and promote mobility on the labour market.
- This is what the flexicurity approach is about. It is about improving flexibility on the labour market while providing at the same time new forms of security to workers that are well-adapted to the needs of a 21st century labour market.
- In concrete terms, flexicurity aims to:
 - make labour markets more flexible and dynamic;
 - equip workers with the right skills and competences;
 - attract more people to work.
- On attracting more people to the labour market: European companies have since 2005 created nine millions jobs. As a result, the EU employment rate has increased to 65.4 % in 2007. This is still far away from the 70 % target. Moreover, the overall indicator hides substantial differences between EU Member States. Only a handful of countries have reached the 70% target.

- Empirical evidence also shows flexible labour markets can contribute to attracting more people to the labour market. It is no coincidence that the UK, Denmark and the Netherlands – countries with flexible labour markets – have the highest employment rates in Europe. More flexible labour markets are also needed to improve the competitiveness of European companies.
- In order to fully exploit the employment growth potential of flexible labour markets, workers must have the necessary skills to grasp the new employment opportunities.
- Yet, across Europe, companies find it more and more difficult to find the workers with the right skills and competences. Too many people do not enter the workforce because they lack the necessary skills. Education and training provision and labour market mechanisms are not fully delivering. But also for those at work, rapid technological change and the requirements of an increasingly knowledge-based economy means that skills should be continuously updated or renewed. This is all the more so taking into account the need for people to remain at work longer in the face of population ageing.
- Ambitious policies are therefore needed to increase participation in training throughout working lives. Companies, individuals, social partners and governments have a joint responsibility to invest more and better in lifelong learning.
- In 2006-2007, the European social partners have undertaken a joint analysis of the key challenges facing European labour markets. Employers and trade unions agree that flexicurity can create a win-win situation for companies and workers. We have issued some 60 recommendations to both policy-makers and social partners in order to prepare Europe for the urgent situation that it faces.
- European social partners acknowledge the need for labour market reform because our economies have to face population ageing and the challenges of globalisation. We recommend that the reforms of European labour markets should be based on the flexicurity approach. We agreed that the following components are key for an effective flexicurity approach: modern labour law, effective lifelong learning systems, active labour market policies and modern social protection systems. In addition, an effective social dialogue will contribute to smooth functioning of labour markets.
