

## **SPEECH**

\*\*\* Check against delivery \*\*\*

10 July 2008

### **TROIKA MEETING WITH SOCIAL AFFAIRS COUNCIL 10 JULY 2008**

#### **ADDRESS BY MR PHILIPPE DE BUCK, BUSINESSEUROPE SECRETARY GENERAL**

President, Ministers, Commissioner, Ladies and Gentlemen,

- Just a few days ago the European Commission published the renewed social agenda. Changes in our economies and societies are affecting every aspect of our labour markets. The key question therefore is how best to deal with these fundamental changes. At the start of the French EU Presidency, I thank you for this invitation. I want to set out clearly how European companies respond to this question. It is important to look at the role the social agenda has to play in it.

#### **1. Economy and employment:**

- Clearly, these are more difficult times for European economies. We are facing substantial headwinds with unresolved financial market turmoil, a weak US dollar and, in particular, faster inflation. However, BUSINESSEUROPE still expects growth this year to reach 2% in the EU and 1.7% in the euro area.
- So far, several reasons support this cautious optimism. For instance, the substantial labour market improvements we have witnessed recently. Let us not forget, companies have created more than ten million jobs over the last three years. Despite the circumstances, they will add an additional two million new jobs in 2008. You know that the average unemployment rate dropped to 7.1 per cent in the EU in 2007. You also know that employment is gradually increasing. On average, almost two-thirds of the working-age population now have a job.

#### **2. Structural reforms – Flexicurity**

- Yet, we are still concerned because of the lack of structural reforms. There may even be a reform fatigue in Member States. It is therefore crucial that any renewed social agenda gives a boost to the reform strategy for Growth and Jobs. Without a strong economy, it is difficult to create opportunities, provide access and demonstrate solidarity.

- Sound labour markets play a crucial role in this respect. The Commission Communication on the renewed Social Agenda rightly emphasises the importance of implementing flexicurity. The common principles on flexicurity provide the roadmap to do so. I hope the European social partners' recommendations in the joint labour market analysis will also act a source of inspiration.
- The challenges and opportunities of globalisation and changes in our economies require new forms of flexibility and security. This is true both for companies and individuals. With the integration of China, India and other emerging economies into the world economy, some 1.4 billion workers have been added to the global workforce. In combination with rapid technological change, this has brought large benefits to Europe. Imports of cheap consumer goods and the opening-up of new markets for exports are just two examples.
- However, at the same time, international economic competition is growing tougher by the day. Adaptability is becoming ever more important. Companies must be able to respond to sudden changes in demand for their goods or services. Restructuring has become a precondition of economic success. In fact, ever fewer workers have a job for life. Increasingly, they need employment security rather than job security. A few weeks ago, the European social partners have organised a seminar with the objective of exchanging views on the role of social partners in restructuring processes.

### 3. Energy and climate change:

- Likewise, companies and workers will have to adapt to the consequences of the **Commission's package on energy and climate change**. In March – at the tripartite summit – it was suggested that a dialogue between European social partners should be opened on this issue. BUSINESSEUROPE is obviously open for a debate if the Council and Commission were to bring employers and trade unions together.
- Energy-intensive industries in particular will face heavy additional burdens resulting from the transition towards a low-carbon economy. Measures will be needed to alleviate the competitiveness pressures. In addition, the potential employment impact is adding to the sense of urgency to implement flexicurity policies. Flexicurity is key to enable companies and workers to adjust rapidly and seize new opportunities.
- The renewed social agenda should therefore first and foremost help reform our social systems. It should help modernise our employment and social policies. The European social dialogue has a key role to play in this respect.

### 4. Social dialogue:

- In fact, a successful implementation of the social agenda requires the active involvement of social partners. We have already demonstrated our capacity to contribute to the success of the Lisbon strategy, most recently with the joint labour market analysis. BUSINESSEUROPE has every intention to continue to do so. Let me give you a few examples.
- Firstly, as you know, we were prepared to negotiate a revision of the European Works Councils directive.

- Secondly, the European social partners are ready to enter into negotiations on parental leave with the aim to revise the European social partners' directive from 1994. This would be part of joint action the European social partners' are currently undertaking to further promote reconciliation of work, private and family life in Europe. Last Monday, we have sent a joint letter on childcare to the Commission.
- Thirdly, as part of our autonomous work programme, we also plan to start negotiations on an autonomous agreement on inclusive labour markets. The aim is to agree on measures to allow people at a disadvantage to enter, remain or progress on the labour market. Inclusive labour markets are important to employers, to provide the workforce that they need and to increase employment across the EU. Moreover, labour market integration is key to safeguard against social exclusion and foster social cohesion. It is also an important part of flexicurity. It is about removing the obstacles to creating new jobs. And assisting workers to grasp employment opportunities. By doing so, we will directly contribute to the Commission's Active Inclusion approach.

#### **5. Social agenda package:**

- Let me now turn, briefly, to some concrete elements of the social agenda package.
- I have already touched upon the issue of European Works Councils. Ahead of the discussions in the Employment and Social Affairs Council, I would like to take this opportunity to emphasise that the role of the directive is to set a framework facilitating social dialogue at the company level. The revised directive should therefore avoid getting into unnecessary details. Secondly, consultation of workers should clearly occur in good time. This consultation should be effective. Under no circumstances should it slow down decision-making in companies. We will therefore be very attentive to the attitude taken by the Council and the French Presidency. We are following developments in the debates in the European Parliament closely.
- Then there is the issue of mobility. The Commission proposes to organise a Forum to discuss how to respect social rights against the background of increasing mobility of labour and companies. BUSINESSEUROPE fully respects the fundamental rights of workers (including the right to strike). We are open for debate. But let me say this: the recent ECJ rulings do not undermine workers' rights. Rather, the problem lies with deficient implementation of the provisions of the posting of workers directive or even incompatible national legislation. This was the case in Sweden (Laval), Germany (Rüffert) and, recently, Luxembourg (Commission vs. Luxembourg). The problems that have occurred can be solved in the countries concerned. They do not require changes in the directive itself.
- Member States should therefore urgently and effectively apply and enforce the provisions of the Posting of Workers directive. If not, we greatly risk increasing controversy around an instrument that, in our view, remains valid and the best way to facilitate the cross-border provision of services while providing protection against "social dumping".
- Finally, there is the issue of immigration. It will be during the French Presidency that an immigration pact will be debated and, we hope, decided. Immigration will help Europe to come to grips with a demographic decline and a major shortage of skilled labour. We therefore very much favour creation of a "European blue card" which will make it easier

for skilled personnel from non-EU countries to come to Europe – while respecting national immigration mechanisms. This will not only allow filling labour and skills shortages. As the experience of other countries has shown, it will inject dynamism in our labour markets too.

## **Conclusion**

Mr President, when you presented your priorities in the European Parliament two weeks ago, you said that your aim is to have a collective presidency with the Czech Republic and Sweden. BUSINESSEUROPE fully supports such an approach. Consistency of EU policies over the medium and long-term is essential to achieve sustainable results. In order to contribute to such a medium-term agenda, our member federations from France, the Czech Republic and Sweden have recently published a joint paper in which they set out their business priorities for the next eighteen months.

Let me also remind you how important it is to put the renewed Social Agenda firmly in the context of the Lisbon Strategy. It should seek to bring answers in line with the Lisbon objectives as to how to deal with the challenges facing the European Union.

The French Presidency now has to build on the social agenda. European companies are confident that you will be able to do so. From our side, we are committed to contributing to the success of your Presidency and indeed the Lisbon Strategy by pursuing our joint work with the other European social partners.

Thank you for your attention.