



### **TROIKA MEETING WITH SOCIAL AFFAIRS COUNCIL 21 JANUARY 2009**

#### **ADDRESS BY JØRGEN RØNNEST PRESIDENT OF BUSINESSEUROPE'S SOCIAL AFFAIRS COMMITTEE**

President, Ministers, Commissioner, Ladies and Gentlemen

The Czech Republic takes the helm of the European Union in difficult economic circumstances but also at an important symbolic moment. On 1 May, we will celebrate the fifth anniversary of the European Union's 2004 enlargement. European business strongly supported the enlargement of the European Union as a historic opportunity to promote peace and prosperity in Europe

The Informal Council will discuss tomorrow the mobility of the European workforce. We appreciate the opportunity to present the views of European companies on what has been achieved on mobility over the past few years and makes an attempt to identify areas for improvement.

#### **Geographical mobility**

Geographical mobility in the EU is relatively limited. This should be a matter for concern. Indeed, increased labour mobility can play an important role in addressing some of Europe's labour market problems; both long term structural problems and short term problems raised by the present financial and economic crisis.

Increased mobility can help address the paradox faced by several Member States where high levels of unemployment co-exist with important shortages of labour.

It is necessary to break down the remaining barriers to geographical mobility. This means fully applying of the principle of free movement of workers; a fundamental freedom guaranteed by the Treaty. Moreover; free movement of workers also has a beneficial impact on the EU economy and labour markets.

The recent Commission report that has examined the impact of free movement of workers in the context of enlargement shows that:

- The influx of workers from the countries that joined in 2004 has had a positive effect on economic growth in the EU.



- There were no labour market distortions in those Member States that have actually opened their labour markets. Workers from the new MS have not displaced local workers or driven down their wages.

When talking about geographical mobility, it is essential that a distinction is made between free movement of workers and free provision of services. Free movement of services involve posting workers from one member state to another for a limited period of time. The posting of workers directive specifies which working conditions applies to the posted workers and provides adequate protection against so-called “social dumping”. This directive is as valid in the EU 27 as it was for the EU15.

A series of recent rulings by the European Court of Justice have caused a lot of controversy around the Posting of Workers Directive. BUSINESSEUROPE has welcomed the proposal of the Commission and the Presidency to undertake a joint analysis with the trade unions on the balance between fundamental freedoms and social rights. It should result in a thorough assessment of the legal, economic and social consequences of the ECJ rulings. This is urgently needed to rectify existing misconceptions.

### **Job mobility**

Clearly, there is a close link between geographical and job mobility. Countries with high levels of geographical mobility also have high levels of job mobility and vice versa.

However, the level of job mobility in the EU is relatively low. More can and should be done to stimulate it. Learning new skills or adapting to a new environment will become ever more important. Experience shows that people with the experience of changing jobs, are usually better equipped to do so.

According to a recent Eurobarometer survey, one in five employees fear having to become mobile because they will lose their jobs. By contrast, in those countries where job changes are most frequent, such as Denmark, Sweden and the UK, people are not afraid of job mobility. On the contrary, more than 70% are positive about it. The question must be asked why this is so.

There is no doubt that the kind of employment and social policies that are put in place by Member States play an important role. In particular policies based on the principles of flexicurity. Flexicurity promotes occupational mobility because it facilitates hiring by companies and improves the employability and adaptability of workers. The idea is that it is better to offer employment security than it is to protect individual jobs.

This means putting into place effective active labour market policies, enhancing access to and efficiency of lifelong learning; and having unemployment benefit systems which link rights and obligations for the unemployed as opposed to giving unconditional income support. Measures along these lines will provide workers with new forms of security, in line with the realities of the 21<sup>st</sup> century.



## **Conclusion**

The current situation must serve as a catalyst for structural reforms to increase the long term growth potential by improving economic and labour market structures. Member States should therefore push ahead labour market reforms. Implementation of flexicurity policies in particular is imperative to avoid lasting negative repercussions of the crisis on employment.

\*\*\*\*\*