



08 October 2009

“A SHARED COMMITMENT FOR EMPLOYMENT”

Executive Summary

European companies are worried about the situation on the EU labour market which will further deteriorate. Although there are tentative signs that the EU might have put the worst of the downturn behind it, there is no reason to be complacent: in its autumn 2009 Economic Outlook, BUSINESSEUROPE predicts a net loss of almost 10 million jobs in the EU27 in 2009 and 2010, with close to 6 million lost jobs this year alone.

Continued action is needed to tackle the adverse effects of the crisis on employment. The three priority areas in the Commission Communication “A shared commitment for employment” are the right ones: maintaining employment, creating jobs and promoting mobility; upgrading skills and matching labour market needs; and increasing access to employment. However, it must be ensured that short-term measures are not taken to the detriment of necessary reforms with a long-term perspective. To be successful in the global economy, further progress is needed with crucial structural labour market reforms to improve European competitiveness. They must be complemented by a broader framework that encourages the creation of new jobs through sound macro-economic policies and a favourable business environment. Cutting non-wage labour costs will be essential to create more inclusive labour markets.

A well-functioning single market is a determining factor for the creation of more growth and jobs. Member states must therefore refrain from protectionist reactions.

Flexicurity needs to be the overarching policy framework to respond to the crisis and to improve the adaptability of workers and companies. More effective active labour market policies are key to prevent the unemployed from drifting into long-term unemployment. It will also be of particular importance to strengthen skills and to better match labour market needs. This will require sustained spending on education and training, flanked by effective mobility and immigration policies.

BUSINESSEUROPE agrees with the Commission that Community instruments, including the European Social Fund (ESF), must be used as effectively as possible to respond to the crisis. However, national co-financing for the ESF is an important mechanism to ensure that member states act responsibly and put in place sustainable and quality projects. Any proposal to abandon temporarily national co-financing must be directly linked to concrete suggestions to avoid the abuse of the ESF, to prevent free-rider effects, as well as to secure the efficiency and effectiveness of the ESF.



I. Introduction

1. On 3 June 2009, the European Commission adopted a communication entitled “A shared commitment for employment”.
2. The communication puts forward three key priorities (maintaining employment, creating jobs and promoting mobility; upgrading skills and matching labour market needs; and increasing access to employment) and several actions with the aim of preserving and creating jobs.
3. The communication also includes recommendations for better use of the Community funds and proposes two accelerated funding possibilities, one related to the use of the European Social Fund (ESF) and a proposal to create a microfinance facility.

II. General comments

4. European companies are concerned about the deteriorating situation on European labour markets. In its autumn 2009 Economic Outlook, BUSINESSEUROPE predicts a net loss of almost 10 million jobs in the EU27 in 2009 and 2010, with close to 6 million lost jobs this year alone. We therefore played an active role in the Employment Summit on 7 May 2009 in Prague, to which this communication is a follow-up.
5. Continued action is needed to address job losses and support companies that are struggling for survival. In addition to short-term actions, the crisis also reinforces the need for structural reforms to modernise European labour markets. Both in the short term and in the medium term, it is crucial that these reforms centre on flexicurity. It will not only help to address the crisis but it will also better prepare Europe for the challenges of the global economy, the transition towards a low-carbon economy, as well as demographic change resulting in a shrinking workforce and rapid technological developments.
6. BUSINESSEUROPE therefore strongly agrees with the Commission that flexicurity remains the right approach to modernise labour markets and is pleased to see that this is reflected in its priority areas and most of its proposals for actions. In setting out its proposals, the Commission rightly acknowledges that labour market and social policies remain the responsibility of member states.
7. The modernisation of labour markets must be part of a wider reform strategy that includes sound macro-economic policies and the creation of a favourable business environment. Actions that focus on labour market policies only will not automatically create jobs. To foster job creation, it is essential to look at other policy areas that



support companies (such as improving access to finance) and improve Europe's competitiveness.

8. In this context, the Commission rightly acknowledges the need to stimulate entrepreneurship, to lower non-wage labour costs and to promote better regulation. It should refrain from strictly regulating short-time working arrangements as explained below.
9. Europe's future performance depends also on the right choice of crisis management measures. Therefore, it is of paramount importance that short-term measures are consistent with medium- and long-term priorities. Mistakes of the 1980s, when early retirement was used on a massive scale to address a rise in unemployment were costly and counterproductive and should therefore not be repeated.
10. Special attention should be paid to the situation of SMEs, both in terms of relief measures and general policies (e.g. the reduction of administrative burdens and red tape).
11. In the wake of the financial and economic crisis, companies are worried that protectionist reflexes will harm the single market. The four fundamental freedoms must be safeguarded and the European Commission should play its role as guardian of the Treaty.

III. Specific comments

A. Key priorities and actions

To maintain employment, create jobs, promote mobility

12. Short-time working arrangements have shown that they can be an effective instrument to maintain jobs, especially when linked to training measures. The Commission should therefore refrain from putting short-time work into a straitjacket, e.g. by defining parameters for a maximum of days per week not working. This would undermine the flexibility of these arrangements and be counterproductive.
13. To facilitate restructuring, EU action is useful to monitor developments in member states and it can be helpful to identify best practices in this area. However, the consequences of restructuring operations should be tackled at local level by the companies and the employees directly concerned. For this reason, BUSINESSEUROPE broadly welcomes the Commission's initiative of a toolkit on restructuring but insists that it should not lead to an EU "frame of reference" on restructuring.



14. Facilitating occupational and geographical mobility so as to ensure an efficient allocation of labour is key. Therefore remaining barriers to geographical mobility need to be removed. Protectionist actions aimed at preventing legal employment of foreign European workers in some Member States are unacceptable.
15. BUSINESSEUROPE agrees that there is no need for a revision of the Posting of Workers Directive as it provides adequate protection to workers and ensures fair competition in the internal market. Action is needed in member states to better implement the directive.

To upgrade skills and match labour market needs

16. Companies need a sufficiently qualified workforce in order to be prepared for and fully exploit the economic upswing and boost productivity growth in the face of demographic ageing. The strengthening of skills is part and parcel of flexicurity. BUSINESSEUROPE therefore welcomes the “New Skills for New Jobs” agenda and insists on maintaining investments in skills. Increased skill forecasting can be a useful exercise to detect future imbalances and skill mismatches. However it will have limited added value if education and training institutions are not responsive enough to labour market needs. Intensified cooperation with business can help them to further adapt to the realities of labour markets. In order to enable business to recruit highly qualified employees, the modernisation of education and training systems should be flanked by well-designed immigration policies aimed at attracting the best and the brightest.
17. It is of special importance to address the consequences of the crisis on youth employment. The downturn has especially impacted on the young, resulting in a 19.8% unemployment rate among under 25s in the EU in July 2009. It is therefore an urgent task to help these young people to improve their employability. Across Europe, companies and social partners are taking this issue seriously, trying to give them training or work experience. However, it is not clear where the target of 5 million high-quality apprenticeships by the end of 2010 stems from and what is meant by a “high-quality apprenticeship”.

To increase access to employment

18. Economic framework conditions and labour market policies that encourage job creation are the most effective way to achieve more inclusive labour markets. In this respect, payroll tax cuts are of particular importance. The Commission rightly refers to the need to reduce employers’ costs of hiring and to exploit the job creation potential. This is also confirmed by the OECD 2008 Employment Outlook which underlines the effectiveness of reducing non-wage labour costs.



19. As part of their work programme, the European Social Partners are currently negotiating a framework agreement on inclusive labour markets. The objective is to identify practical ways to attract more people to the labour market so as to maximise Europe's labour force potential and ensure the sustainability of European social systems.

B. Use of Community instruments

20. Available resources of the European Social Fund (ESF) need to be mobilised and used as effectively as possible in response to urgent needs to support reform initiatives and restructuring of European labour markets. The advance payment of already planned ESF expenditure should give valuable additional assistance for those hit by the economic crisis. Employers in Europe are in the front row in tackling the adverse effects of the crisis on employment. BUSINESSEUROPE therefore welcomes the € 1.2 billion earmarked for social partners for capacity-building and joint actions.

21. National co-financing for the ESF is an important mechanism to ensure that member states act responsibly and put in place sustainable and quality projects. Any proposal to abandon temporarily national co-financing must go hand in hand and must be directly linked to concrete suggestions to avoid the abuse of the ESF, to prevent free-rider effects, as well as to secure the efficiency and effectiveness of the ESF. BUSINESSEUROPE insists that these issues have to be clarified before considering changes in co-financing requirements for member states.

22. The proposal for a "progress microfinance facility" is an innovative way to create employment by offering people who have lost their jobs the opportunity to start up or develop new businesses. This project can generate additional jobs by encouraging entrepreneurship and innovation. It is the reflection of a paradigm shift supported by BUSINESSEUROPE aimed at strengthening the demand side on the labour market. By supporting good projects, the facility could have an important impact.

C. Preparing for the future

23. The Commission communication is a good basis for the formulation of the new European Employment Strategy. The latter should build on the much needed paradigm shift which is to move away from a job preservation mindset into a job creation mindset. Flexicurity must therefore be at the heart of the new European Employment Strategy.

24. Both unilaterally and in the context of the European Social Dialogue, BUSINESSEUROPE is playing its part in helping to shape Europe's employment policy further. Based on their 2007 joint labour market analysis, European Social



Partners will jointly monitor in the framework of the their social dialogue work programme 2009-2010 the implementation of the common principles of flexicurity.

IV. Conclusion

25. Across Europe, measures have been taken to address rapid job losses resulting from the crisis. Further action is now required to prevent high unemployment from becoming entrenched. The Commission communication has identified the right priority areas for action. Fostering more flexible labour markets and a business-friendly environment in particular is imperative. Failing to do so will stifle growth and slow down the economic recovery. European companies expect member states to take decisive action that will boost competitiveness and create growth and jobs.

26. BUSINESSEUROPE is ready to play an active role in the Tripartite Social Summit to assess the progress made with the establishment and implementation of the Communication's priorities and actions.
