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DUBLIN FOUNDATION FORUM 2009 GLOBAL RECESSION: EUROPE'S WAY OUT

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Ladies and Gentlemen,

I am speaking today on behalf of BUSINESSEUROPE, the Confederation of European business, representing 40 national member federations from 34 European countries.

Over the last year or more, businesses in all parts of the world have had to adapt their activities to one of the most serious crises ever experienced globally.

The present worldwide crisis has hit Europe hard and the situation is particularly perilous in Europe compared with other regions. This is because the short-term blow inflicted by the crisis on all economies worldwide in Europe is compounded in Europe with problems special to Europe. This calls into question Europe's capacity to sustain the European social model in the future.

As Commission President Barroso said to the European Parliament in his "Political Guidelines for the Next Commission": *"For Europe this is a moment of truth. Europe has to answer a decisive question. Do we want to lead, shaping globalisation on the basis of our values and our interest – or will we leave the initiative to others and accept an outcome shaped by them?"*

The crisis has many aspects, and is being addressed by:

- Restoring financial stability
- Shaping globalisation and fighting protectionism
- Protecting employment
- Focusing on innovation, education and skills
- Adjusting employment and social policies

This is happening at both international and national level.

Companies' top priority in the present crisis, which started with a financial crisis, has been to restore access to finance through effective financial systems. Credit are indispensable to allow company investments and to generate economic growth.

Some signs of recovery have been perceived in the last few months. However, the situation on European labour markets continues to worsen and it will under the best of



circumstances take years before we can say that the European economies are back on track.

In this context, one important question that needs to be addressed in the short term is how to return swiftly to European pre-crisis potential growth levels, i.e. at around 2 per cent for the EU as a whole. In this regard, one important element in the design of the post-2010 Lisbon policy agenda will be to invest our resources with a view to strengthening innovation and competitiveness. EU's capacity to prosper in the face of heightened global competition and a shrinking workforce will depend increasingly on its ability to innovate and to ensure a sufficiently strong skills base.

Compared with previous crises, an important element to be noted is the emphasis that companies have placed during this crisis on keeping their workers. Employers have an interest in keeping their workers in order to avoid high costs for hiring new workers and training them to acquire company specific skills. A constructive social dialogue at company level and the existence of effective working time flexibility measures have made it possible to cushion the effects of the crisis on employment.

However, these measures have a high cost for society and are therefore temporary in nature. It is through the development of private businesses that Europe will find the capacity to meet long-term challenges successfully. Without resolute action to achieve sustainable economic success, the levels of protection guaranteed by European social systems will be at risk in the future.

I believe that among the long-term challenges facing Europe, the most serious threat to our future well-being comes from demography. But in order to handle the problem we will have to act now. Action cannot be postponed. The long-term problems cannot wait to be dealt with; but have to be part of the crisis policies.

The economic growth that we have known since the 1950s was to a large extent a result of the increase in the workforce. For decades the European workforce has been growing year by year. Not only will the workforce now stop growing, it will start shrinking in Europe (and Japan) while it will continue to grow in other parts of the world. Europe will continue to lose jobs and investments to the rest of the world unless we address the problem of a shrinking workforce.

There will be no automatic return to growth with a shrinking workforce. On the contrary, the European Commission has estimated that potential annual growth rates will almost be cut in half because our workforce will decrease by *forty million* people over the next forty years. This is a drastic change from the last thirty years where the labour force has increased by almost *sixty million*. Added to this is the fact that Europe will have sixty million more elderly people, which will create a pressure for more people working in services demanded by the elderly.



On the basis of my previous points, here are the main conclusions that I would like to share with you today:

1. To solve the long-term challenge of demographic change and create sustainable economic growth, it is imperative to reform labour markets and develop social policies with a view to achieving higher employment and productivity growth rates.
2. To attract investments and create economic growth and jobs, we must make certain that all Europeans have the competences and qualifications that companies and public sector institutions need and that at the same time make people employable. The development of partnerships between education systems and companies will be key to achieve this.
3. To undertake adequate labour market and social reforms, the flexicurity agenda, with its focus on actions decided and taken by Member States in a broader European framework, is as or even more relevant today than it was when it was introduced before the present crisis. Much remains to be done in Member States to implement the principles of flexicurity. Many countries still have overly rigid employment protection legislation and disincentives to enter or progress on the labour market.