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Recession may be drawing to a close. However, difficult challenges still need to be addressed. A big worry is the deteriorating situation on labour markets (even though difficulties are not the same everywhere). Young people and low-skilled in particular are hard hit.

At the same time, the efforts of European companies to limit job losses have been remarkable in this crisis. Unemployment in the euro-area has risen by 30% from its pre-crisis levels, compared to 100% in the US. Employers across the EU have done whatever they can to keep their workers. They were helped by a constructive attitude of workers and their representatives. In many cases, governments have been of a good support. The reasons are that companies wanted to avoid losing their workers in which they had invested, having to compete after the downturn for skilled workers and be confronted with high costs for hiring and training new workers.

Short-time working arrangements in particular have been useful. But they are temporary. So we need to put in place measures and policies that will help to address the social and employment impact of the crisis while increasing the efficiency of our labour markets in the long-run. The OECD recently pointed out that **structural reforms aimed at stimulating labour demand and reducing benefit dependency** enable labour markets to recover more quickly from a downturn. Crucially, they prevent rising unemployment from becoming entrenched. This is particularly relevant for the EU which has historically been struggling with high levels of structural employment.

The key word for the recovery will be “adaptability”: Adaptability of our labour markets to take advantage of globalization and new structural shifts; Adaptability of our companies to remain competitive and innovative; But also adaptability of workers to a fast-changing environment. That is why the implementation of flexicurity is so important. It facilitates the creation of new jobs, supports people during transitions, and develops skills through training.

Facilitating job creation means putting in place a regulatory framework that works for business and encourages hiring. What is required therefore is legislation that is intelligent, proportionate and evidence-based.

In the context of the crisis, **supporting people during transitions** has meant that Member States have raised benefits, made it easier to claim them or provide them for longer. However, incentives matter also, even in times of crisis! A key priority is therefore to put in place **activation measures which are particularly relevant during an economic downturn in order to** prevent the unemployed from becoming detached from the labour market.

The EiE report illustrates low unemployment-to-employment and inactivity-to-employment transition rates in several Member States (e.g. Italy and Greece). Especially now we need to increase these rates. So Member States need to invest more in Active Labour Market Policies and strengthen their Public Employment Services. At the same time, the drastic constraints on public finances reinforce the need for cost-effective policies.

Supporting people during transitions also means an increased emphasis on training. Eurostat just released a very interesting report. It showed that between 2008 Q2 and 2009 Q2, there was a large fall in the number of employed people with medium or low skills. By contrast, employment among highly skilled persons continued to increase by 1.8 million people! Skills are therefore incredibly important. In fact, availability of skilled people is a necessity in a world characterised by the need for constant innovation and sustainable growth.

A key factor in the location and investment decisions for business is the quality of labour. Not only do we need to have sufficient labour supply, we must also have a highly-skilled workforce. However, recent surveys undertaken on behalf of BUSINESSEUROPE member federations, such as BDA in Germany and CBI in the UK, show that employers are having difficulties recruiting enough STEM-skilled individuals to meet their needs. This is for example the case for six out of ten employers in the UK. Europe must therefore ensure its workforce has the kind of skills employers need. This will require action from us all – employers, individuals and governments.

Skills will also play a crucial role in the **transition towards a low-carbon economy**. There has been much talk about so-called “green” jobs. And yes, there will also be great opportunities resulting from the transition towards a low-carbon economy. But “green” jobs *alone* will not be enough to make Europe prosper and a greater competitor on the global market. Only through policies which promote growth and competitiveness in general will Europe be able to create real economic sustainability and “real” jobs for the future.

What is needed is a realistic and nuanced assessment of the job creation potential of low-carbon policies. The EiE report provides just this. It shows that there will be no or only a slight positive impact on the overall employment level. By contrast, there will be important changes in the sectoral composition of employment, implying a restructuring of companies and a re-allocation of workers. Here again, it shows the importance of putting in place a framework and policies that promote adaptability. As part of our social dialogue work programme, the European social partners will run a project with the aim to assess the employment and skills implications of climate change adjustment policies.

Finally, I would like to say a few words about an issue that was not really addressed in EiE report which is that of **demographic ageing**. **Among the long-term challenges facing Europe, this is perhaps the most serious threat to our future well-being.**

For decades the European workforce has been growing. Not only will the workforce now stop growing. It will start shrinking while it will continue to grow in other parts of the world. Without the right workforce, there will be no investments. Without investments, there will be no growth. And without growth, there will be no jobs.

The European Commission has estimated that potential annual growth rates will almost be cut in half because our workforce will decrease by fifty million people by 2060. This is a drastic change from the last thirty years where the labour force has increased by almost sixty million. Europe will continue to lose jobs and investments to the rest of the world unless we address the problem of a shrinking workforce. 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.

Conclusion

To conclude, policy makers will have to come up with measures that strike the right balance between immediate needs resulting from the crisis and long-term policy challenges. The adaptability of our companies and workers will be key for the success of Europe's economic recovery and beyond. If we are to attract investments and create economic growth and jobs, we must make certain to have the right regulatory framework in place, increase the labour supply and invest more in education and training. Flexicurity is the right approach to achieve these goals.
