

29 March 2010

2ND ASEM SOCIAL PARTNERS' FORUM, BRUSSELS

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- I would first like to thank the European Commission for having organised this Forum.
- In addition to the employment impact of the economic crisis, Europe and Asia face a number of similar structural challenges such as globalisation, ageing populations and climate change and the transition to a low-carbon economy.
- This forum can be a useful platform to exchange experiences on the way in which these challenges are addressed in the two continents and different national contexts.
- Global unemployment has risen by 34 million since 2007. There are 212 million unemployed people in 2009 in the world, 23 million of which are Europeans.
- And yet, European companies have done their best to maintain employment where possible during the crisis. In many cases, governments and workers have been of good support. The reasons were that companies wanted to avoid losing their workers in which they had invested and having to compete after the downturn for skilled workers. As you know, this race for talent is also becoming an increasingly global one.
- Short-time working arrangements in particular have been useful to save jobs. However, these can only be temporary solutions. Europe must create jobs and for that we need economic growth. We must increase the EU's growth potential substantially and urgently. Doubling this (from 1% to 2%) would allow the creation of 6.5 million new jobs by 2014.
- Europe's growth rates pale in comparison with some of our main international competitors. This applies particularly to Asia, where a growth rate of 6.9% was recorded in 2009. By doing so, Asia has effectively been leading global economic recovery.



- However, growing levels of unemployment are also a reality in Asia. For example, the Chinese Academy of Social Sciences estimates that up to 41 million workers in the People's Republic of China lost their job during the slowdown and that the urban unemployment rate hit 9.4%.
- Europe and Asia's starting positions may be different but they both face similar challenges (albeit not to the same extent). What can be done about them? Are there common solutions that can be applied in Europe and Asia? I believe so. Let me mention three in particular.
- First, to limit the risk of long-term unemployment, **job creation must be facilitated** and people must be helped back into work. In many countries, both in Europe and Asia, labour market segmentation exist and this must be addressed. Finding the right balance between flexibility and security is crucial.
- Secondly, **active labour market policies** must become more effective, given the combination of increased demand for such services and pressures on public finances. Some EU Member States have sought to strengthen their public employment services during the crisis, for example by hiring extra manpower. But other solutions can be possible as well: adjusting the mix of services that are provided or involving private-sector employment service providers.
- Thirdly, we need to **increase skills levels**. Quality of labour is a key factor in the location and investment decisions for business. Both Europe and Asia are faced with a skills challenge: improving basic skills as well as higher skills and making sure that there is match with labour market needs. Indeed, both Europe and Asia are suffering from skills shortages in specific occupations. There is a striking paradox on European labour markets: rising unemployment co-exists with unfilled vacancies. At the end of 2009, there were no fewer than 450,000 vacancies in the UK and more than 800,000 in Germany. This tells us that we must do much better to deliver the skills and competences that companies need! Addressing this requires action from us all: employers, individuals and governments.
- Finally, I would like to say a few words about **demographic ageing**. Both Europe and Asia face an unprecedented pace of population aging. In fact, population aging is occurring much more rapidly in Asia and in some countries at a much earlier stage of economic development than it did in Western countries.
- 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. It will now start shrinking. 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. So it is clear: Long-term problems cannot wait to be dealt with; but have to be part of the crisis policies. We will have to act now.



- **To conclude**, both Asia and Europe will have to find the right measures that strike the right balance between addressing immediate needs and structural challenges. We must focus on change and the need for continued reform, both in Europe and Asia. We must help people and businesses to adjust to change. Social partners can play a key role and make an important contribution to related reform processes. Together, we can build trust and confidence among firms, workers and even public at large as prerequisites for reform.
- Thank you for your attention.
