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EPP HEARING ON NEW EMPLOYMENT POLICY
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Introduction

Thank EPP for their invitation to take part in this hearing on the guidelines of the European Union and their integration in the EU 2020 Strategy.

This intervention will be structured around three key recommendations on the employment guidelines in particular. The employment guidelines should:

1. Encourage implementation of the flexicurity principles
2. Be consistent with achieving the employment target, though promoting increased economic growth
3. Be focused, limited in number and action-oriented

1. Encourage implementation of the flexicurity principles

We all know that Europe faces serious structural challenges including demographic ageing, globalisation and adapting to climate change. Adding to that, there is a structural weakness on Europe's labour market that needs to be addressed.

In order to take on these challenges, implementing the flexicurity principles is vital. The principles must rapidly move from being endorsed in theory to being implemented in practice. The employment guidelines could play a vital part in pushing for this implementation.

BUSINESSEUROPE fully supports the notion that flexicurity is about *both* flexibility and security. What's important here is how you define security. For us, security is based on three pillars: the first one is to be able to find a job. This is linked to the number of job openings. In a dynamic labour market, with several opportunities to shift from one job to another, workers would have an increased sense of security but also the sense of being able to grasp more opportunities.



Therefore, it would not make sense to exclude flexible contractual arrangements from the equation, because then it would simply not add up and we would lose out on the higher employment rate that is the result of a more flexible labour market.

The second pillar is about employability, to ensure that *if* you would lose your job, the unemployment spell would not last for long. In order to be able to adapt to change and thereby experiencing security, having the right set of skills and competencies is crucial.

Finally, security is also about ensuring that social safety nets are there during unemployment, providing income support when needed. They should to be accompanied with incentives for people to re-enter the labour market as soon as possible.

The employment guidelines need to reflect this. They ought to take responsibility for including those that are standing outside the labour market, which in particular concerns women, immigrants and older workers. In addition, a substantial part of Europe's young generation is currently unemployed, not only due to the recent crisis but due to structural weaknesses of the labour market.

There is also a structural need for better skills and the EU 2020 strategy rightly emphasises the need to increase skills levels in the years to come. To illustrate how serious this problem is for employers, A 2008 CBI study showed that 59% of employers were having difficulties in recruiting individuals with STEM skills.

An example of the employment guidelines should be integrated with the EU 2020 strategy is ensuring that companies have access to employees that can contribute in the innovation process. This is a precondition for the priority on smart growth: developing an economy based on knowledge and innovation.

But higher skills in itself won't do the trick; competencies also needs to fit what employers are looking for. Serious mismatches already exist on European labour markets, as demonstrated by the large number of vacancies in some countries. For instance, at the end of 2009, there were almost 950,000 vacancies in Germany.

In addition to specific skills, the generic competencies employers are looking for are digital competence, social and civic competences the ability of learning to learn as well as initiative and entrepreneurship, to mention a few examples.

A shared commitment from employers, governments and employees will be necessary to create a better match between worker's competencies and the needs of the labour market.

2. Ensure consistency between employment target and employment guidelines

BUSINESSEUROPE fully endorses the employment target of 75% set out in the EU 2020 strategy. In order to reach this target, the economic growth rate needs to be increased. A doubling of the European growth potential over the period 2010-2014 would lead to the creation of 6.5 million jobs.



Furthermore, the European Employment Policy and the employment guidelines cannot ignore the fact that public debt for EU as a whole has increased considerably over the period 2008-2010, from 61% to 80% of GDP. To ensure our welfare model in the long term perspective, sustainability of public finances is fundamental.

The employment policy and guidelines should also recognise the demographic challenge that we are facing and the consequences thereof. Demographic ageing *will* result in a shrinking work force, with a loss of 3 million potential workers already by 2020 and 50 million workers by 2050. With less people in employment, Europe is up against a serious challenge to support more elderly people - ensuring adequate and sustainable pensions – and at the same time deal with the pressure on public budgets.

To cope with this up-coming challenge, Europe must urgently get its public finances in order, including through structural reform of pension systems. Failing to do so would have a negative impact on economic growth. This in turn would result in EU losing out on even more jobs.

The employment guidelines form an important instrument to make sure that member states take action to exploit the full potential of its labour force. This means for instance raising the employment rate of older workers. It also means leveraging the productivity of those who *are* working.

3. Simplify the guidelines

Finally, I would like to comment on the issue of simplification. The integrated guidelines should be streamlined and reduced in number to assure that the intentions of the guidelines are translated into real action.

They also need to be refocused on the key drivers for economic growth, thereby limiting the possibility of member states to “pick-up easy reforms”. Member States should agree on a shortlist of a few strategic areas to achieve the overall objectives of growth and jobs.
