



## **MEETING OF THE EPP GROUP BUREAU 15-16 APRIL 2010**

### **IMPACT OF THE ECONOMIC AND FINANCIAL CRISIS: SHORT-TERM AND IMMEDIATE SOLUTIONS IN THE AREA OF EMPLOYMENT AND SOCIAL AFFAIRS**

#### **ADDRESS BY STEVEN D'HAESELEER DIRECTOR FOR SOCIAL AFFAIRS OF BUSINESSEUROPE**

Ladies and Gentlemen,

It is a great pleasure and honour to be here and share with you how we, in the business community, see the impact of the crisis on employment and how we can restore economic growth and job creation.

We have two major challenges ahead: doubling our growth potential and restoring fiscal sustainability. Going from 1% to 2% economic growth could create 6.5 million new jobs by 2014. For this, we need an entry strategy to support investment in future growth areas. But we also need an exit strategy to cap public indebtedness. The EU strategy must support fiscal sustainability and growth at the same time. There is no alternative!

With respect to the situation on our labour markets, the latest data show signs of stabilisation. However, difficult challenges still need to be addressed. The euro area unemployment rate was 10% in February. It was 9.6% for the EU27. In other words, the highest rates in (more than) a decade. Young people and low-skilled in particular are hard hit.

And yet, European companies have done whatever they could to limit job losses as a result of the crisis. Unemployment in the EU has risen much slower from its pre-crisis levels compared to the US. 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.

In trying to limit job losses, employers were often helped by a constructive attitude of workers and their representatives. In many cases, governments have been of a good support. Short-time working arrangements in particular have been useful. But as part of the fiscal stimulus packages, other measures have also been taken to address the social and employment impact of the crisis: social safety nets were strengthened, workers were/are being retrained or public employment services were reinforced.



Looking forward, the key challenge is now to put in place measures and policies that address the 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 globalisation 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. Moreover, Member States must be encouraged to contain labour costs. According to the latest OECD Employment Outlook, a 1% reduction in unemployment. The long-run effects for low-wage workers in particular are important.

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.

Low unemployment-to-employment and inactivity-to-employment transition rates exist in several Member States (e.g. Italy and Greece). Especially now we need to increase these rates. Member States need to invest more in active labour market policies. At the same time, the drastic constraints on public finances reinforce the need for cost-effective policies. Private-sector employment service providers should be used more, notably in view of the pressure on public finances. In addition, the mix of services could be adjusted to put more emphasis on training while retaining key elements of activation programmes to avoid people becoming detached from the labour market and facilitate the movement of job losers into available jobs. For example, at the end of 2009, there were almost 950,000 vacancies in Germany (and 15,000 in Slovakia).

**Supporting people during transitions also means an increased emphasis on training.** 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, employers are having difficulties recruiting enough STEM-skilled individuals to meet their needs. Europe must therefore ensure its workforce has the kind of skills employers need. This will require action from us all employers, individuals and governments.



Finally, I would like to say a few words about **demographic ageing**. 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  
ttract 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.

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