BUSINESSEUROPE

SPEECH

GO FOR GROWTH

AN AGENDA FOR THE EU IN 2010-2014

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7 July 2010

EUROPEAN SOCIAL PARTNERS MEETING WITH TROIKA SOCIAL AFFAIRS COUNCIL

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DIRECTOR-GENERAL OF BUSINESSEUROPE

Dear President, Ministers, Commissioner, Ladies and Gentlemen,

- The circumstances in which we are meeting are extraordinary. We were just starting to recover from the financial and economic crisis when the public debt crisis started. And if we are not able to put our house in order rapidly, we could be faced with a monetary crisis and prolonged social problems.

- Social dialogue has a key role to play in solving many of the problems we are facing. At European level, we have negotiated with ETUC the conditions for growth. A joint statement on the Europe 2020 strategy was the result. In March, we presented our new European agreement on inclusive labour markets. So the European social dialogue is working. We are able to deliver results also in difficult times.

- What is happening on the labour market front? The situation is generally better than previously expected. Temporary short-time working schemes have managed to contain the increase in unemployment. Some of course did lose their job. Then social protection systems have managed to cushion the adverse effects. The crisis has clearly illustrated the strengths of Europe's social systems.

- However, the path to pre-crisis growth and employment levels will be difficult. There is only one way forward to protect our living standards: a combination of economic growth and fiscal discipline. Look at Germany. Ambitious fiscal consolidation plans coincide with unemployment falling to an 18-month low, industrial output bouncing back to pre-crisis levels and growth projections being upgraded.

- For the EU as a whole, doubling our growth potential from 1% to 2% amounts to 6.5 million additional jobs and a public debt consolidation of 450 billion euros by 2015. Three weeks ago, BUSINESSEUROPE published its economic forecasts. We foresee EU GDP to grow by 1.1% in 2010 and 1.6% in 2011. Of course, figures vary from country to country. For example, we predict the Belgian economy to grow by 1.2% this year compared with 3.2% for Poland.

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- The differences in national performances demonstrate that implementing sound policies in good times, helps to face bad economic weather. Countries such as Austria or the Netherlands with sound economic foundations before the crisis have better prospects for employment, growth and public finances in this recovery. The situation is different for countries that had accumulated important imbalances before the crisis. They are suffering more dire consequences today in terms of foregone growth and job creation, as well as rising public debt.

- Important reform efforts are needed to correct the current fiscal and external imbalances in certain countries. But we insist also on the urgency to reform everywhere to maintain the overall growth momentum of the European economy.

- What kind of reforms are needed? First and foremost, ambitious flexicurity policies. They are crucial to enrich the employment content of growth and facilitate transitions from one job to the next. In our joint labour market analysis from 2007, we have outlined together with ETUC how this could be achieved.

- Youth unemployment stands at around 20%. This is a waste of talent. Supporting employers to offer more apprenticeships, ensuring that young people possess basic skills and offering them practical help to get a job are important. But even more so is tackling rigidities that harm young people's chances. Moderate wage levels and smart employment protection encourage employers to hire young people. Experience shows that they can then rapidly move into higher paying jobs.

- To put a brake on public deficits, we recommend: better fiscal rules and institutions; cost-cutting measures; more efficient public services; and social security reforms to cope with ageing.

- The EU's working-age population will shrink with 3 million people by 2020. Age-related public expenditures are expected to increase by 5% of GDP by 2060 (7% or more for some countries). So the impact of ageing on public finances will dwarf the effect of the crisis. Pensions account for the bulk of this. Men can now spend between 14 and 24 years in retirement and women between 21 and 28 years. In some countries, this is twice as long as in 1970. Reforms have therefore become inevitable. Among the measures to be taken, Member States must:

    - increase retirement ages;
    - discourage early retirement schemes;
    - better link pension benefits and contributions;
    - enable companies to provide cost-effective occupational pensions.

- Just before this meeting, the European Commission published its Green Paper on pensions. BUSINESSEUROPE hopes that the Belgian Presidency will urge Member States to commit to pension reforms to ensure their sustainability. We look forward in discussing this with you and with our trade union colleagues.

- In these difficult circumstances, employers, trade unions and public authorities have a collective responsibility. We must communicate clearly why some measures are needed. We must avoid social unrest which will further undermine confidence in and the credibility of reforms. If we live up to our responsibilities and put in place the necessary measures, there is no doubt that that Europe can find its way back to growth and employment.

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