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ITALIA LAVORO CONFERENCE ON “EXIT STRATEGY FROM THE INTERNATIONAL CRISIS AND GOVERNANCE: WHAT CHALLENGES FOR LABOUR MARKET POLICIES?”

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- To start with, a few words on a remarkable phenomenon: the resilience of employment in the crisis. In fact, unemployment in the EU has risen much slower this time than during previous crisis or when compared to the US. Why is this?
- A key reason was that European companies have done whatever they could to limit job losses. They wanted to avoid losing 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.
- One of the questions asked in the background document prepared for this conference regards the role of social partners to gain a real consensus for reforms. Clearly, social partnership has played a key role to maintain employment during the crisis.
- In trying to limit job losses, employers were often helped by a constructive attitude of workers and their representatives. In many cases, governments have also been of a good support.
- Short-time working arrangements in particular have been useful. German companies reduced working time by the equivalent of 1.4 million full-time employees. We have seen such innovative and flexible solutions across Europe, not only in Germany.
- Nevertheless, the constructive attitude of companies, workers and governments could not prevent a significant increase of unemployment. Starting from a level of 7.1% in 2008, the EU27 unemployment rate increased up to and stabilized at around 10% in 2010. 7.8 million have lost their job in the aftermath of the crisis. There are today 23 million unemployed people in Europe.
- It is interesting to note that countries with approximately the same loss of output have experienced a different increase of their unemployment rate. Germany experienced a decrease of 4.9% of its GDP in 2009, which only led to a 2.7% increase of unemployment. In Spain, a GDP drop of 3.6% has led to an increase of unemployment of almost 60% in 2009.



- We believe that the limited increase of unemployment in Germany has to do with the labour market reforms undertaken before the crisis and the effectiveness of its “kurz arbeit” scheme during the crisis. By contrast, the lack of reforms and the absence of contractual, working time and wage flexibility in some systems like in Spain has led to more redundancies and a massive rise of unemployment.
- In the same way as it occurred during the crisis, social partners should be at the centre of employment strategies during the recovery. At European level and in the Member States.
- European social partners are willing to play this role. In their June 2010 joint statement on the Europe 2020 strategy, they agreed on the need to double Europe’s growth potential. Part of the solution they proposed is to promote the knowledge triangle of education, research and innovation. But policies maximising the job-content of economic recovery are also important.

- In this respect, employers call for action in three main areas. First, the right incentives for firms to hire as the recovery gathers pace must be put in place. Across-the-board cuts in non-wage labour costs might be difficult at this moment in time. Yet, targeted hiring subsidies might be a more cost-effective approach.
- The fact that some see employment as a right will not change economic reality. Employment depends on companies’ ability to provide job opportunities.
- Second, flexibility should be at the heart of labour market policies. The more flexible labour markets are, the quicker companies are to hire. This is key when economies are starting to pick up such as now. Moreover, flexibility is an important factor when companies make investment and location decisions. Don’t we all agree that Europe needs private investment to create economic growth?
- The truth is: Whether one likes it or not, economic reality will remain. And it should. Private enterprise is undeniably the best way to raise living standards of societies around the world. Other countries know it well. We better do everything to seize the opportunities it offers rather than fighting a lost battle in trying to resist change.
- If companies want to keep their market share, they need to anticipate and adapt to their consumers’ changing needs. As a result, companies regularly have to adapt the way in which production is organised, sometimes quite drastically. When restructuring occurs, companies do their best, in consultation with workers, to soften the impact of change on the workforce. We saw it during the crisis. But change cannot and should not be avoided or postponed. Even though it affects workers.



- Third, we need policies that increase the efficiency of our labour markets in the long-run. This means not to focus on the company level. But rather on achieving a labour market where labour reallocation occurs smoothly and swiftly and where efficiency is maximised due to optimal matching between skills demand and supply. Labour market policies must be designed in such a way that they help workers and companies to adjust. To competition. To change.
- Therefore, we have the responsibility to equip workers with relevant and transferable skills. Put simply, hiring subsidies and policies aimed at facilitating labour reallocation will not help a lot if workers have the wrong skills. Matching skills supply with demand is key. This is the way to increase employment and to make the most of our workforce, especially when that population is set to shrink.

- In order to deliver tangible outcomes for companies, workers and citizens, we all need to agree on the same priorities. There must be a political consensus on the objectives to follow.
- Opinion surveys show that unemployment is the main concern of citizens. It is urgent to find ways to allow unemployed people to get back in jobs, to avoid a lost generation of young people, and to prevent long-term unemployment.
- Trade unions all over Europe complain about rising precariousness on labour markets. To prevent precariousness, they ask for more legislation guaranteeing quality jobs with better working conditions. To this, employers answer that quality jobs do not depend on legislation but on innovation and competitiveness. And what about the 23 million Europeans who are out of a job?
- The European Commission has published recently its flagship communication on New Skills and Jobs. It sets out a comprehensive agenda for EU and national labour market policies in the next years. Employers welcome the emphasis put on flexicurity. But the initiatives are clearly lacking focus and a sense of urgency. The announced review of numerous EU directives will divert the focus away from structural labour market reforms, which are vital if we want to sustain Europe's way of life.
- To conclude, employers have lived up to their responsibility during the crisis. Maintaining employment was a costly decision for companies. It was often associated with risks. We now expect that policy makers and workers live up to their responsibility in the aftermath of the crisis.
- Our common agenda should be to promote economic growth, to adopt the right policies to ensure that growth comes with jobs, and to increase labour markets' efficiency to allow a better match between demand and supply in the long run.
