



### **EUROPEAN SOCIAL PARTNERS MEETING WITH TROIKA SOCIAL AFFAIRS COUNCIL**

**17 JANUARY 2011, GÖDÖLLÖ, HUNGARY**

**JØRGEN RØNNEST, CHAIR OF SOCIAL AFFAIRS COMMITTEE**

Dear Ministers, Commissioner, Ladies and Gentlemen,

We discussed in previous troika meetings the immediate action that needed to be taken to minimise the impact of the economic crisis on employment.

We are now faced with a different socio-economic context. A timid recovery is under way. 23 million people are unemployed. This requires structural reforms aiming to increase Europe's prosperity. Employment creation should be our top priority if we want to reach the Europe 2020 75% employment rate target and respond to the urgent concern of youth unemployment.

Therefore, BUSINESSEUROPE welcomes the focus on "an employment friendly recovery" and "more opportunities for youth" chosen by the Hungarian presidency for this meeting.

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Employment creation depends on the EU's ability to boost economic growth. This in turn requires tackling Europe's innovation deficit, unleashing the potential of the Single Market, and promoting a competitive European industry.

Moreover, well-designed employment and social policies can help maximise the employment intensity of economic growth. All Member States must act as most of the measures needs to be taken at national level.

A number of policy options have been put on the table by the European Commission in its "New Skills and Jobs" communication.

We fully support the Commission's ambition to strengthen the implementation of flexicurity. However, we regret that job creation does not figure more prominently in the Communication. Our impression is that the Commission's timid agenda for "new skills and jobs" falls short of the challenges facing Europe's labour markets and citizens. It is too much business as usual and lacks a much needed sense of urgency. Moreover, several initiatives foreseen as part of the proposed comprehensive legislative review run counter the objective to create more jobs.



One of the key proposals made by the European Commission is to introduce a single open-ended contract for all employees. Employers do not support this proposal. It risks increasing overall rigidity on the labour markets and underestimates the importance of a diversity of contractual arrangements to respond to business changing needs.

Flexible contractual arrangements are indispensable to avoid jobless growth, to achieve inclusion and attain the 75% employment rate target.

In addition, wages and non-wage labour costs have a strong impact on companies' recruitment decisions. Targeted reduction of non-wage labour costs and moderate wage policies are crucial to promote job creation. Recent OECD research shows that a 1% reduction in employers' contributions would result in a 0.6% employment increase.

Let me address the specific situation of young people. 1.2 million young people have become unemployed since the spring of 2008. Today, more than 20% of Europeans under 25 are unemployed. Youth unemployment is a serious concern for everybody. Unless we do something, we risk losing a generation.

With respect to the measures needed, the Hungarian Presidency rightly argues in the background document in favour of an "investment-friendly business climate setting flexible conditions to employment". However, it suggests at the same time that action is needed to address a situation where young people are "more exposed to the risk of poor quality, under paid and unprotected jobs" linked to flexible employment. This is not only a contradiction but also not in line with reality where by and large young people are benefiting from flexible forms of employment.

In order to be effective, youth employment policies need to be embedded in national flexicurity strategies. Their aim should be to respond to the specific challenge of easing the transition from education to employment.

Beyond the crisis, a greater participation of employers in educational systems is necessary to ensure that the skills provided to young graduates match companies' needs. In addition, financial incentives and policies aiming to reduce bureaucracy around the provision of apprenticeships are needed to stimulate company involvement in training. The importance of internships and apprenticeships has been recognised by European social partners in their framework agreement on Inclusive Labour Markets, which is currently implemented at national level.

To conclude, I would stress the importance of a shared diagnosis of the situation in order to embark on a broadly supported policy agenda.

As the economy recovers, our common agenda should be today to promote economic growth, to adopt the right policies to ensure that growth comes with jobs, including for young people and the low skilled, and to increase labour markets' efficiency to allow a better match between demand and supply. The Hungarian Presidency has identified the right agenda. We count on all to live up to their responsibility in the recovery.

Thank you for your attention.