



1 February 2011

ANNUAL GROWTH SURVEY ON THE RIGHT TRACK TO BOOST EMPLOYMENT

General comments

- The Annual Growth Strategy rightly states that employment creation depends on the EU's ability to boost economic growth. The starting point in any EU-level or national strategy aiming to raise employment must be to provide a well functioning innovation system, a competitive business climate and fully exploit the potential of the single market.
- Employers broadly agree with the four measures in the Annual Growth Survey targeting the functioning of European labour markets and social protection systems.
- Moreover, the Annual Growth Survey rightly states that the employment performance of Europe also affects the macro-economic framework conditions.
- Employers shares the concerns expressed in this respect by the Commission, in particular regarding the exceptionally high unemployment rate among young people, the low employment rate among older workers and the fact that long-term unemployment is increasing across all age groups. Without successfully targeting this, our competitiveness and social welfare model will be at stake.

Specific comments

Urgent action needed to improve the functioning of our labour markets.

- The difficult situations on our labour markets as a result of the crisis have fully exposed underlying structural weaknesses. The joint employment report could have gone further in addressing them as such, for instance:
 - The mismatch between skills supply and demand is not a temporary issue. High unemployment rates co-existing with high vacancy rates have been a worrisome feature of European labour markets for a long time.
 - The shortages in strategically important occupational groups such as engineers, science teachers, IT professionals, etc., were only moderately eased during the crisis. Many member states also experience difficulties recruiting sufficient seasonal workers.
 - Moreover, labour productivity growth in EU 27 over the last decade has been remarkably low while labour costs have risen. This should function as a real wake-up call about the state of the EU's competitiveness.



- It is indispensable that reforms are undertaken to reduce the rigidity that characterises many European labour markets. The joint employment report rightly recognises this malfunctioning and the importance of enabling internal flexibility through flexible working time arrangements.
- We also welcome the positive messages on external flexibility in the Annual Growth Survey, reflected for instance in the support for reforms of employment protection legislation to reduce over-protection of workers with permanent contracts. This is crucial in times of recovery and beyond in order to promote job creation. Labour markets that are more flexible stimulate employers to hire.
- Further to this, we appreciate the acknowledgment of the distortive effect high labour taxation has on recruitment and on the persistence of a significant level of undeclared work that should be combated more incentivising tax benefit systems. The importance of making taxation more employment friendly cannot be emphasised enough, in particular for the low-skilled or other vulnerable workers.
- By contrast, employers do not support the added value of introducing a new type of single open-ended contracts if they are to replace temporary or other forms of flexible contractual arrangements. We fear that this measure will fail to reduce over-protection of workers with permanent contracts. Contrary to the aim of reducing labour market segmentation, such contracts risk adding to this if launched as a one-size fits all solution.
- However, the survey rightly acknowledges the importance of prioritising active labour market policies over passive measures, in particular in view of the tough budget priorities national governments are facing and the threat of the unemployed entering into a long-term dependence on social security benefit schemes.
- An increased supply of highly skilled workers is imperative to meet demand on labour markets, in particular in view of the ageing of the population and the need to raise productivity levels. Employers are supportive of the Europe 2020 target to increase the share of young adults with a tertiary education. However, we wish to emphasise that equally important as goals on quantity is improving the quality of education and training. This must not suffer from ambitions on high volumes of tertiary graduates.
- We especially welcome that the Joint Employment Report promotes output-oriented forms of learning in higher education systems. Such a shift is already taking place in vocational education and training systems, but is meeting more resistance at higher levels.

Reforming pension systems

- Employers welcome the recommendation to member states to reform pension systems, to improve their sustainability.
- Since pension systems are a member state competence, the type of reform measures will depend on the national context.



- Complementary measures on the labour market are necessary to raise the employment rate of older workers, such as incentives for employers and older workers and promoting lifelong learning.
- We agree that member states should support the development of complementary private savings, to enhance income in retirement, however they should also support the development of occupational pensions. This applies in particular to any amendments to the directive on pension funds. The Commission should avoid introducing additional solvency rules for pension funds, as this would have a detrimental effect on the provision of occupational pensions by employers and ultimately scheme members.
- The Commission should take into account the responses to the Green Paper on Pensions, before deciding whether further measures are required at EU level.

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