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INDUSTRIAL RELATIONS IN EUROPE CONFERENCE 18 MARCH 2011

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Ladies and gentlemen,

The Industrial Relations in Europe report is an important tool to monitor trends at national level with respect to collective bargaining as well as the contribution of European social partners to EU policy-making on employment and social affairs.

The 2010 edition highlights the positive role played by social partners during the crisis.

Indeed, Europe has done better than others to mitigate the effects of the recession on employment. Between 2007 and 2009, average annual jobs growth in Europe was negative by 0.6% compared with a fall of 2.0% in the USA. Of the 11 million new jobs that European companies created between 2005 and the end of 2008, we have been able to save half in the recession.

How did we achieve that?

A constructive social dialogue has been a decisive factor. Social partners have lived up to their responsibility during the crisis. They could count on the constructive support of governments.

Short-time working schemes have been instrumental for providing flexibility to companies confronted with a sudden drop of demand, while allowing workers to keep their jobs.

But these exceptional measures to maintain jobs have been costly. Moreover, growing unemployment combined with the introduction of more generous intervention criteria has put unemployment benefits systems under stress.

Therefore, in the aftermath of the crisis, there is no alternative: We must encourage private investment in Europe. This is the only way to allow for a rapid consolidation of public debt and sustain our social systems in the long run.

A sense of urgency

The problems we are faced with are not new. The crisis has only exposed them in more dramatic terms.



Twenty-three million people are unemployed. The Commission estimates that Europe's potential growth rates will be cut in half because its workforce will decrease by forty million people over the next forty years.

The timid recovery which is under way is not likely to deliver the growth that Europe needs to continue to afford its way of life.

What needs to be done?

Job creation and productivity growth should be at the heart of the Europe 2020 strategy.

In their joint statement on Europe 2020 strategy, European social partners agreed that an increase in EU growth rate to an average of 2% should be the aim in the coming years. We also agreed that an increase of employment that goes hand in hand with higher productivity is the key objective.

There is no trade-off between employment and productivity. Future employment growth will occur on high value added markets, which build upon new technologies and innovation. This requires employees who can truly be part of and contribute to the innovation process.

The first question is: What measures are needed to attain the Europe 2020 75% employment rate target?

Companies' recruitment decisions rely a lot on flexibility. This includes contractual flexibility, wage flexibility and working time flexibility.

Flexible contractual arrangements have proven to lead to employment growth. For example, 80% of the jobs created by agency work would not have existed if agency work was not an option.

A diversity of contractual arrangements is essential to enable companies to adapt their workforce to changing demand for their products and services and/or to fill in for absent employees.

In addition, targeted reduction of non-wage labour costs and moderate wage policies in line with productivity 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.

Flexibility in working time and in the design of work organisation is of crucial importance for companies. This is true both in "normal" times and, as the experience of the last two years shows, in times of crisis.



Secondly, how to increase productivity and end skills' mismatches and shortages?

Increasing productivity will depend on Europe's capacity to address its innovation deficit. In their race for innovation companies worldwide are competing for talents. A central issue is to ensure that European education and training systems deliver the skills companies need.

Take the Science, Technology, Engineering, and Mathematics (STEM) skills. Whereas many baby boomers working in these fields are due to reach retirement age in the next years, the share of graduates specialising in STEM fell in relation to the total number of university graduates from 24.8% in 1999 to 22.7% in 2005. It is quite clear that the current supply of STEM skills will not match the increasing demand from companies.

We agree on the need to prioritise public spending on education and training, in particular during the recovery. By the way, employers show the example: The 2010 EUROFOUND European Working Conditions Survey showed that companies are investing more than ever in the skills of their employees.

We should not forget that individuals' motivation to become more employable and their readiness to contribute financially to their training path is a key element to realise lifelong learning societies.

But beyond the question of additional financing of education and training, a lot can be achieved to ensure a better cost effectiveness of public resources allocated to education and training. Improving the cooperation between business and universities will be essential in this respect.

The "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.

Employers also regret that the need for external flexibility is not emphasised more in the communication.

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.



To conclude, the facts are clear. A shared diagnosis of the situation is necessary in order to embark on a broadly supported policy agenda.

As the economy recovers, our common agenda should be today to strengthen Europe's competitiveness. In line with the flexicurity concept, structural labour market reforms are needed to ensure that growth comes with jobs, including for young people and the low skilled. Finally, productivity growth will be the main factor supporting better living standards in Europe in the coming years.

We count on all to live up to their responsibility in the recovery.

Thank you for your attention.
