BUSINESSEUROPE

SPEECH

24 March 2011

TRIPARTITE SOCIAL SUMMIT
24 MARCH 2011

SPEECH BY PHILIPPE DE BUCK
DIRECTOR GENERAL OF BUSINESSEUROPE

Presidents Van Rompuy, Barroso and Orban
Prime Ministers, Ministers, Commissioner,
Ladies and Gentlemen

We are meeting ahead of a crucial European Council. Economic recovery remains fragile, the decisions taken by the Euro-area summit and Ecofin Council meetings need to be confirmed. The developments in the Mediterranean region and the disaster in Japan create new factors of uncertainty. Ensuring that Europe is fit to play to its full potential in the world economy is more important than ever.

The only sustainable way to improve growth and employment is to boost our competitiveness. The European business community therefore fully supports the Pact for the Euro agreed on the 11th of March.

We simply cannot understand the trade union hostility to this pact. Like them, we are attached to the autonomy of the social dialogue. But autonomy does not mean that one party can block balanced reforms and prevent a necessary modernisation of Europe.

The commitment of Member States to improve competitiveness and better adapt their national policy frameworks to the reality of monetary union is an absolute must.

We urgently need more coordination and better monitoring of fiscal and economic policies. Unit labour costs are an essential and objective indicator of economic health. They must be part of macroeconomic policy coordination. A country cannot over a longer period of time have a combination of high increases in labour costs and low increases in productivity. This is a signal that something is wrong in the economy.

The EU Council should therefore pave the way for swift adoption of the legislative package to improve economic governance. We need strong enforcement rules and a central role for the European Commission. But that is not enough. Europe must also double its growth potential. For that, we need structural reforms, not only but also in our labour markets and social systems.

AV. DE CORTENBERGH 168
BE-1000 BRUSSELS
BELGIUM
VAT BE 863 418 279

BUSINESSEUROPE a.i.s.b.l

TEL +32(0)2 237 65 11
FAX +32(0)2 231 14 45
E-MAIL: MAIN@BUSINESSEUROPE.EU
WWW.BUSINESSEUROPE.EU

The problems we are faced with are not new. The sovereign debt crisis has only exposed them in more dramatic and acute terms. Let me explain what I mean.

Over the period 2000-2009, Europe’s average labour productivity growth was as low as 0.8 per cent a year. For decades, we have been struggling with low employment rates and high long-term unemployment. The Commission estimates that Europe’s potential growth rates will be cut in half over the next forty years because of its shrinking workforce. This is an additional reason for urgently boosting employment and productivity growth. We must all aim at creating a competitive and sustainable economy that provides real prospects for all workers, including young people.

The debate on bonuses or executive pay should not stand in the way of this. Last year, we stated jointly with the unions that remuneration policies should be aligned with the long-term success and sound management of companies. Our President Jürgen Thumann has repeatedly said in public that pay policies should be justifiable and explainable. This obviously applies to practices in the financial industry.

Turning to the issues of the day, too often, trade unions say labour market reforms – including those in the Pact for the Euro – mean precarious jobs. This is wrong. According to EUROFOUND (Dublin Foundation), the EU created more and better jobs between 1995 and 2005. Employment expansion was mostly concentrated in relatively well-paid jobs. Moreover, of the 11 million new jobs that were created between 2005 and the end of 2008, we have been able to save half in the recession. So our labour markets have been resilient. What’s more, our companies have again started to create jobs.

The Pact for the Euro is also said to be an attack on collective bargaining. Countries are being warned not to follow the German example of wage moderation. But the German social partners themselves decided autonomously to do so! And rightly so. The result is that more than 1.6 million jobs have been created since 2003; and the number of people out of work is the lowest since 1992.

We were therefore not surprised that in our 2011 Reform Barometer, improving wage bargaining and wage-setting systems came as one of the urgent priorities identified by our 40 member federations. More generally, our members consider that governments are not doing enough to reform their product and labour markets.

They ask to step up the implementation of flexicurity policies. More flexibility on our labour markets to boost job creation and provide opportunities for the millions of unemployed. And more security through better activation and more lifelong learning. In 2010, training paid for by employers was at its highest level since 1995. So employers are taking their responsibility seriously.

We hope the EU Council meeting will make sure that commitments towards improved competitiveness are translated into ambitious national reform programmes and EU policies. Such a signal is badly needed in times of heightened economic uncertainty.

Through today's demonstration, the European trade union movement will legitimately express their concern about the future of European workers. My hope is that we can have a constructive dialogue with them tomorrow based on our joint Europe2020 statement. Increasing competitiveness should be our common aim. We in BUSINESSEUROPE think that social dialogue is a critical factor for success. But we must show a sense of collective responsibility, including at the European level.

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