31 March 2011

COMMITTEE OF THE REGIONS ASSEMBLY

THURSDAY 31 MARCH 2011 – 19H00
EP – JOZSEF ANTALL BUILDING, RUE DE TRÈVES 1, ROOM JAN 2Q2

« TABLE RONDE SUR LES RESULTATS DU CONSEIL EUROPEEN DE PRINTEMPS: LA CONTRIBUTION DES AUTORITES LOCALES ET REGIONALES A LA STRATEGIE EUROPE 2020 ET LE SEMESTRE EUROPEEN DE GOUVERNANCE ECONOMIQUE »

ADDRESS BY PHILIPPE DE BUCK
DIRECTOR GENERAL OF BUSINESSEUROPE

We are living in a moment of great uncertainty. While recent decisions taken by Euro-area leaders are welcome, the debt crisis is not over yet.

Important steps have been taken that can reinforce EU's capacity for action:

- **Europe 2020** and the **European Semester** will allow greater policy coordination; and the **Euro Plus Pact** reveals a commitment to go beyond and adapt national policy frameworks to support competitiveness and sustainability;

- New crisis management instruments have been agreed upon, providing a backstop for countries under severe stress. Agreement was found on a 500bn European Stability Mechanism after 2013 and on an increase in the lending capacity of the current European Financial Stability Facility (EFSF) to 440 bn. This is a break-through in European policy making.

In the meanwhile, discussions continue on the legislative package on economic governance.

- The message from the business community is clear: we need a **strong referee** in this process. Room for political bargaining in the Council must be drastically reduced. This means a much greater role for the Commission – even stronger than it has considered itself in the package proposed last October.

- We would also like to see imbedded in the package public expenditure **rules and debt reduction targets**. These must be ambitious enough and impose greater discipline in periods of strong economic growth.

- Finally, **deficit or debt brakes should be introduced in national laws**, to create a real sea change in the management of public finances. This goes beyond the proposed directive put forward by the Commission but is aligned with the commitments made in the Euro Plus Pact.

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- We count on the Parliament and the Council for being ambitious and to commit to a **swift adoption by June**.

All of these decisions must now be correctly translated into practice in order to deliver the right policies, at the right time.

The proposal to set up a scoreboard of indicators to reinforce the surveillance of fiscal and competitiveness imbalances is welcome. It vindicates our long-standing call.

Last week we published our yearly reform barometer and we drew a very clear conclusion: countries that are having more difficulties facing this crisis are also those that have been repeatedly at the bottom of our ranks. These countries were unable or unwilling to close a growing gap with best performing economies. They now have to undertake these adjustments in difficult circumstances.

But we have also seen that all European countries have their "homework" to do. Most governments have so far failed to develop comprehensive reform strategies.

Time is running out before their submission of National Reform Programmes in April. We therefore welcome the Council conclusions that stress the need to front-load growth-enhancing reforms.

According to our member federations, priority should be given on public sector reforms and support for growth-enhancing investments.

With more than 65% of total public investment implemented by regions, local and regional actors are crucial for a successful implementation of any national reform programme. These actors are key for a successful implementation of Europe 2020 and EU cohesion policy and must therefore be properly involved in the process.

Indeed lack of ownership and accountability was a major problem for the failure of the Lisbon Strategy, as identified by the social partners in our joint Europe 2020 declaration. The involvement of local and regional actors as well as social partners at large is a way to improve this ownership.

Social partners agreed that Europe 2020 should put Europe on a sustained growth path, ensure a rapid return to more and better jobs, while ensuring fiscal sustainability. For this, it is necessary to revise some major EU policies and aligned them with Europe 2020 objectives.

The current cohesion policy architecture must be modernised:

- We must concentrate resources in a few priority areas aligned with Europe 2020;

- Move away from a one-off grant culture and use financial instruments with revolving effects more and more;

- Introduce a results-oriented approach, with independent evaluations and effective monitoring, rewarding best performing programmes. Introduction of structural conditionality is also welcome.

- Enhance business participation by further simplifying procedures and reducing administrative hurdles

A great majority of the Commission proposals are therefore welcome as we believe they go in the right direction. Yet, we remain somewhat cautious on macroeconomic conditionality in the field of regional policy, without proper guarantees that end-beneficiaries are not unduly affected. The incentive structure must address the proper level of political responsibility. We therefore call for the working group set up by the European Commission to properly assess the possibilities and provide clear details on how to make this possible.

More generally, it is fundamental to reform the EU budget and get the next multi-annual financial framework right. This will decide Europe's priorities and expenditures in the next years. An overhaul is fundamental to ensure more effective support innovation, adaptability, cross-border infrastructure developments and resource efficiency.

Let me just finalise by reiterating the importance that BUSINESSEUROPE places on the social partners and their autonomy. This has been clearly acknowledged in the **Euro Plus Pact**. Social dialogue is an important factor for success. Boosting competitiveness is the only sustainable way to improve growth and employment and should be the common aim of social partners throughout Europe.

We have seen at the Tripartite Social Summit that there are some points of convergence. Both sides acknowledge that boosting growth and creating jobs in a more competitive environment is essential and that this will require reforms. This is essentially also what we have said in our joint Europe2020 statement. In concrete terms, an increase in the EU growth rate to an average of at least 2% should be the aim. We have also jointly said that to reach these objectives, modern labour markets are required and that wage policies, autonomously set by social partners, should ensure that wage developments are consistent with productivity trends.

We therefore do not believe the Euro plus pact to be an attack on collective bargaining. The German model has been criticized for its wage moderation but agreed by the social partners. 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.

Indeed, 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. Flexicurity policies must continue to be implemented!

These measures do not mean precarious job! 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.

I take this opportunity to again invite the ETUC to reflect with us on how we can make growth and jobs happen in Europe.