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### **ETUC CONGRESS ATHENS, 16 MAY 2011**

#### **PHILIPPE DE BUCK, DIRECTOR GENERAL**

- I am pleased to be here with you today as the ETUC is about to elect its new General Secretary and President for the next four years.
- Before looking forward, let me first comment on the main EU developments during the last decade. What has happened?
- Major advances were made in the EU project. The enlargement to Central and Eastern European countries has opened up prospects for improved living standards for their people.
- The EU has also deepened. We have introduced the euro, our common currency. And the Lisbon Treaty has adapted the EU institutions to the enlarged Europe.
- What about the EU social dialogue? What have we achieved? We have negotiated successfully the following texts:
  - Joint statement on the Europe 2020 Strategy, 2010
  - Framework Agreement on Inclusive Labour Markets, 2010
  - Joint work on ECJ Viking, Laval, Ruffert and Luxembourg rulings, 2010
  - Framework Agreement on Parental Leave (Revised), 2009
  - Joint advice on European works councils, 2008
  - Joint Labour Market Analysis, 2007
  - Framework Agreement on harassment and violence, 2007
  - Lessons Learned on European Works Councils, 2005
  - Framework of Actions on gender equality, 2005
  - Framework Agreement on work-related stress, 2004
- Clearly, the European social dialogue has delivered tangible results in the last years! I want to pay tribute to your outgoing General Secretary John Monks. We have worked together during the last eight years. Results are there.
- Now is the time to ask ourselves why we engage in social dialogue activities? Because it is for both sides an opportunity to exchange views, to learn, and when we reach an agreement, a chance to play a decisive role in EU policy-making on employment and social affairs.



- Logically, this important role comes with a responsibility. A duty to find practical and achievable solutions to the real concerns of companies and workers; taking into account the rapidly changing economic environment worldwide and in Europe.
- In the last eight years, there have been three main periods:

## 2003-2008: Good times

- 11 million new jobs were created between 2005 and the end of 2008. Unemployment reached its lowest level at 6.7% at the beginning of 2008.
- Two framework agreements on stress at the workplace and on harassment and violence were adopted. They contributed to the improvement of working conditions of workers.
- Moreover, an essential piece of work has been the 2007 Joint Labour Market Analysis. Innovative in its format, this comprehensive analysis has paved the way for balanced flexicurity reforms at national level.

## 2008-2010: Bad times

- The crisis in the financial sector had a private business origin. The main causes were excess liquidity; an inaccurate assessment of risks by markets or regulators; and excessive leverage.
- BUSINESSEUROPE broadly supports the financial market regulations that have been put in place following the crisis.
- The European Union, its companies, its workers, have been hardly hit by the financial and economic crisis. It is a fact that we don't object.
- But the title of our panel suggests that 'workers pay (alone) for the financial crisis'. Companies across many sectors also faced enormous difficulties. But at the same time, they have done whatever they could to limit job losses.
- In fact, EU labour markets have been less hit than we originally predicted. Of the 11 million new jobs created before the crisis, 5.5 million jobs have been preserved. EU employment has decreased by 0.6% between 2007 and 2009, while it decreased by 2% in the US.
- The EU framework on flexicurity, albeit put in place before the crisis, has proven its effectiveness during the crisis. The countries that have implemented flexicurity reforms are the ones that better perform nowadays.



2011 and beyond - Towards better times

- A gradual and uneven recovery is under way in Europe.
- According to our Spring economic outlook, 1 million new jobs will be created in 2011, the vast majority of which in countries which have a stronger competitive position and sounder public finances, i.e. Poland, Luxembourg, Lithuania, Finland, Netherlands, and Germany.
- There is a broad diversity of situations in the EU. Take Greece:
  - Low productivity rate: In terms of labour productivity per hour worked, Greece stands in 22<sup>nd</sup> position at EU level, 38% behind the five EU best performers.
  - One of the most rigid labour markets in the EU: The OECD employment protection legislation (EPL) index ranks Greece as the country with the 4<sup>th</sup> most rigid EPL in the EU.
  - Youth unemployment: The transition of young people from initial education to working life in Greece remains very slow by international standards. Youth unemployment stands at 31.4%.
- Consequently, there can be no surprise that Greece's cost competitiveness fell by 25% since it adopted the euro. Due to its long established macro-economic imbalances, Greece has not been strong enough to overcome the crisis alone.
- That said, I want to stress the brave attitude of the Greek government and the impressive fiscal adjustments it undertook in the last year towards a sustainable budget.
- There are also success stories in the EU. For example, Sweden:
  - High and growing productivity: Sweden ranks in 4<sup>th</sup> position at EU level in terms of labour productivity per hour worked. Moreover, labour productivity in Sweden increased by 6% between 2009 and 2010.
  - Adaptable labour markets: In an export economy, Swedish companies and workers are open to change. Thanks to this constructive attitude, companies are able to restructure their activities efficiently. This enables them to move from unproductive activities to more productive ones swiftly.
  - Competitive labour costs: Since 2000, relative unit labour costs in Sweden declined by 6.5% mostly as a result of productivity gains.
- Swedish GDP is expected to increase by 3.9% in 2011. Employment should grow by 1.9% over the same period.



## The EU framework: What comes next?

- The crisis has shown to policy makers that macro-economic imbalances as part of a monetary union are unsustainable. Preventing them is the best way to avoid the real pain resulting from States' over-indebtedness.
- Already in 2007, BUSINESSEUROPE stated in its "fit with the euro" publication that policy spill-overs across countries sharing the single currency needed to be better acknowledged in the context of the EU Growth and Jobs Strategy.
- Earlier this year, the European Council has taken the right steps by:
  - Establishing a "permanent mechanism of solidarity" to ensure solidarity between Member States in the extreme case of sovereign debt crises;
  - Setting in motion the euro plus pact as a means to prevent as much as possible the occurrence of such crises.
- Social partners will have a role to play in a properly functioning monetary union to ensure that wage policies are flexible and responsive to the triple objective of price stability, full employment and high competitiveness.
- This does not affect social partner autonomy, which employers' organisations value as much as trade unions do. However, when we are not able to take responsibility through social partner negotiations, we should also recognise that others must step in.

## Capacity to reform is the key to Europe's future prosperity

- The challenge is to find a structural way of drawing the right lessons from past mistakes and of getting inspiration from success stories.
- Before getting more in depth, let me clarify the following: Implementing reforms is not a liberal agenda aiming to attack social rights. It is the direct consequence of the world we live in. A world of many opportunities, but also challenges.
- Russia, Central and Eastern Europe, Brazil, India and China have added 1.8 billion often well-educated and highly skilled workers to the global market economy.
- But, in expanding global markets, the competition for talents worldwide has never been as fierce as today. Companies tell us and have shown us during the crisis that people are their main asset to succeed in knowledge-based economies.
- Therefore, trade unions in Europe should not worry. Rather, we count on your commitment to reform, with us, the labour markets. In order to maximise economic growth and employment in Europe and safeguard our social systems.



- What is more social? Having a system that allows groups of workers to retire at 50 years and burdening future generations? Is introducing a statutory pension age of 65 years not necessary when spending on pensions is projected to increase by 12.5% of DP by 2050? Or creating a competitive and sustainable economy with an efficient labour market that provides real prospects for all workers, including young people.
- With you, we want to preserve and develop further what the EU stands for. A balanced model of development in which the interests of companies, workers and citizens converge as part of a highly competitive social market economy.
- What should be avoided at all costs is undermining the Single Market and increased protectionism.
- One of the main successes of the EU project has been the creation of its internal market. Lets' not forget that 2.75 million additional jobs have been created thanks to the Single Market.
- The Single Market represents an opportunity for students and workers to move across borders within the EU. Mobile people know the benefits that mobility offers in terms of career opportunities.
- The Single Market Act now needs to be implemented. If we lift the remaining barriers to single market integration we can add up about 350 billion euro to our GDP.

## Social dialogue agenda ahead

- Ambitious national flexicurity strategies are necessary today as much as they were yesterday. To achieve job creation; a more qualified, flexible and affordable workforce; and a better functioning of labour markets.
- But we also need to monitor more closely the link between the reforms carried out in the Member States and the outcomes obtained in terms of growth and jobs. We must do this to achieve a more effective use of the resources we have, and a more balanced development across the EU.
- We will discuss in the next months the future Social Dialogue Work Programme after 2011. My conviction is that, like has been the case during the previous stages (single market, Economic and Monetary Union), social dialogue should continue to accompany and contribute to the European integration process.
- Thanks you for your attention.

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