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### **EUROPEAN FOUNDATION FOR LIVING AND WORKING CONDITIONS FOUNDATION SEMINAR ON IMPROVING WORKING CONDITIONS: CONTRIBUTING TO ACTIVE AGEING 7-9 NOVEMBER 2011, DUBLIN**

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We are in the midst of a huge financial crisis and unsure about the economic developments. Unemployment has risen in the last four years from less than 7% to 9.5% and we don't know whether we are on our way up or down. At the same time, we have to deal with the demographic challenge and the fact that it – amongst other challenges - will result in unacceptable shortages on the labour market.

One major concern is whether our companies will be able to recruit and retain the workers they need to compete in the global market. But it is clear that the demographic developments will have other serious consequences for our societies, putting pressure on public finances, health care and pensions systems. This has become worse with the crisis. Therefore comprehensive reforms are necessary.

The EU's working age population (15-64) will decline by 10% by 2030 and by 20% by 2060. So, if we don't act quickly, in less than twenty years, companies will be forced to relocate their business to other continents due to serious shortages on our labour markets. This would seriously threaten the level of prosperity in Europe.

But fortunately, there are alternatives.

Firstly, management and workers should create the right conditions for people to work longer and to be more productive.

Recently BUSINESSEUROPE published a brochure, titled 'Putting Europe to Work'. It starts with a clear diagnosis about the economic and social situation of the EU. Main conclusions: economic growth is lagging behind, employment rates are low, there is high unemployment and low labour productivity growth. More important is that this brochure also makes suggestions for solutions. I will mention some that are particularly relevant for active ageing.

1. To improve labour market flexibility the internal flexibility of companies should be improved for example by introducing working time accounts and part-time possibilities. External flexibility should be increased by allowing for different forms of employment contracts, including temporary ones. Contrary to what is often feared, this leads to job creation and not to job substitution. So-called 'permanent' contracts should be made more employment-friendly to stimulate hiring. Ideally this should be embedded in a comprehensive flexicurity approach.



2. Another essential element of the flexicurity approach is the need to invest more in education and training. There is a growing demand for highly-skilled workers and we expect this trend to continue. To a lesser extent the same applies for people with medium level qualifications, in particular technical vocational skills. Management and workers should therefore give more priority to investing in lifelong learning. This is also an important condition for the creation of an ageing workforce that is productive. Moreover, employable workers will be able to find another job if necessary.

Secondly, further reform of pension systems is necessary to make them sustainable and to serve labour market needs. The working age population can be extended by ensuring higher levels of employment and broadening the age group through longer working lives. This is in fact a plea to increase the formal retirement age and the age at which people actually retire. Other options are to firmly increase productivity and to augment immigration.

And this is not a choice, even if politically this proves to be a difficult process. All options have to contribute to dealing with the consequences of the demographic developments for the labour market. The financial crisis has at least convinced most (if not all) people that labour market reforms are necessary and increasing the retirement age is unavoidable. The crisis and the seriously negative budgetary situations of most member states forces them to act.

Finally I want to mention wage bargaining and wage setting systems. These should be flexible enough to support job creation and competitiveness. In this context I would in particular point to special provisions that increase costs for employing older workers or other obstacles for hiring older workers.