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HIGH-LEVEL STAKEHOLDER CONFERENCE ON FLEXICURITY **EUROPEAN COMMISSION, CHARLEMAGNE BUILDING, ROOM ALCIDE DE GASPERI** **BRUSSELS, 14 NOVEMBER 2011**

OPENING SESSION – PAST EXPERIENCE OF FLEXICURITY: EVALUATION AND LESSONS LEARNED

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- Thank you for the invitation. To be honest, I am quite surprised that we are still debating flexicurity. With the ETUC we discussed flexicurity in 2007 and 2010, resulting in our **joint labour market analysis** and our **statement on Europe2020**. Heads of state and government endorsed a set of common principles. And we just went through a crisis out of which our competitors emerged stronger and which calls for urgent action.
- The **crisis does not explain** all the **difficulties** that European labour markets face. In fact, it has **accentuated** underlying **structural weaknesses** which were meant to be tackled through flexicurity policies.
- Unfortunately, **European countries have made uneven progress in implementation of flexicurity**.
- **Those that reformed** their labour markets **have weathered the crisis** better than those where no or limited action has been taken. Germany allowed companies to adjust more easily working time and wages and made it easier to use temporary employment. As a result, unemployment is at its lowest level since unification.
- Many other countries have done too little in the years preceding the crisis and have now less room for manoeuvre. **A lot therefore remains to be done**.
- Looking at some key **employment indicators**, we are in a much worse situation than a few years ago:
 - The EU unemployment rate now stands at **9.5%** or **23 million** people
 - **One in five young people do not have a job**. One in six are not in employment nor education
 - **Long-term unemployment** accounts for **43% of total** unemployment



- The nature and scale of the challenge calls for a **comprehensive response**. Yet, many of the **national reform programmes** are either **too vague** or **lack ambition**. Based on the 2011 programmes, the EU as a whole would once again fail to meet its employment rate target.
- After Lisbon, now Europe2020? This is simply not acceptable. It would be devastating for the credibility of the EU and irresponsible vis-à-vis the millions of people who want to work but cannot find a job.
- A word on **flexicurity** and the **macroeconomic situation**. Countries which have introduced flexicurity on their labour markets successfully in the past, like Denmark for instance, have often underlined the virtuous circle that can be created. Sound macroeconomic policy facilitates flexicurity reforms by creating the room needed to finance for example labour market activation policies.
- At the same time, by getting more people in a job, flexicurity boosts the tax base and therefore the credibility of countries' public finance positions.
- But even with the limited financial possibilities that many governments now have, **action should be taken**.
- **Four priorities for future flexicurity reforms should be:**
 1. **job creation**
 2. **young people**
 3. **skills**
 4. **reforms in tax and benefit systems.**
- **First**, the EU needs to get better in **creating jobs**. Achieving the 75% employment rate by 2020 means that companies will have to create 17.6 million jobs. This is a daunting challenge. If the Commission is serious about this strategy, it should do everything it can to achieve this target.
- New initiatives should always be subject to a **competitiveness check**. And if it shows that a proposal would negatively impact on growth and jobs, it should be abandoned.
- **Employment policies** also matter. Employment protection legislation must be adapted **to stimulate companies to hire**. It is simplistic and incorrect to argue that flexicurity has only been about increasing flexibility. The Commission itself recognises that employment protection for regular workers has been almost unchanged in most of the EU Member States between 1990 and 2008. Yet, the world is changing.
- Addressing excessive protection for permanent contracts will help **increase mobility** and the adjustment capacity on our labour markets. At the same time, it will also help to **address segmentation**.



- Look at Spain. Contrary to what is often said, the reason why Spain has a high incidence of temporary contracts is not that these are so flexible. On the contrary, they are among the most rigid in the OECD's ranking. The real reason is that permanent contracts are even worse for employers.
- The best way to tackle segmentation therefore is to make permanent contracts more employment-friendly. It is definitely not by proposing a single open-ended contract.
- **Secondly, young people** need **better competencies** and prospects to enter the labour market. More **apprenticeships**, for example through dual learning, can contribute to give the young people the qualifications demanded by companies and provide the first so essential job experience.
- In Denmark, a little more than 70 per cent of young apprentices has found a job within one year of graduation. The EU can better support the efforts to **develop dual learning as part of EU 2020** – at national, regional or branch level, including through the use of EU funds.
- **Thirdly**, there is the issue of **skills and lifelong learning**. According to Manpower's latest annual survey, one in four employers in Europe reports difficulty in filling jobs. Skilled trades workers, technicians, and engineers are the hardest to find. This leads me to the following: it is wrong to say that flexibility is for companies and security for workers.
- **Companies also need security**. They need it in the form of having **sufficient workers with the right skills**. And they are investing in it. Training paid for by employers is at its highest level since Eurofound started measuring this in 1995. In the UK alone, businesses invested £ 39 billion on formal training. But companies cannot compensate for deficiencies in initial learning.
- We need **education systems** to give workers the qualifications and skills, including problem solving, sense of initiative etc. that companies need. Albert Einstein once said that it is "a miracle that curiosity survives formal education". Unfortunately, his words remain all too often pertinent today.
- Finally, individuals also need to think about what they can do to ensure they are on the winning side in the race for talent.
- As a **fourth** priority, **reforms in tax and benefit systems** are needed to integrate people in the labour market. There are currently **9 million people** who are **unemployed between 6 months and two years**. They should be helped back into work as soon as possible. It will require changes in the design of unemployment benefit systems to address duration and replacement rates to name just two aspects. But it will also require **targeted reforms in taxation systems**.



- The average tax wedge between what it costs for an employer to hire a worker and this person's take home pay is often above 40% in the EU. It is over or around 50 % in Belgium, France and Germany for single earners without children. This is simply **not affordable. We are pricing labour out of the market.** It is extremely expensive for an employer to hire and there is real disincentive for the unemployed to find a job.
- **Targeted reforms** aimed at **low-skilled workers, older workers** and second earners should be looked at. According to the OECD, this is where the returns could be substantial. Possible options to improve demand for low-skilled workers include: reducing employer social security contributions and providing employer tax credits targeted at low-skilled workers.
- Sweden has successfully reduced unemployment and inactivity traps through in-work tax credits and requiring the unemployed to fulfill availability conditions in order to receive unemployment benefits.
- Taking these four issues forward is what we expect from the Commission and the Member States.
- Everybody should be aware of the **immediate priority**, which is to **create growth**. Without growth, we will not be able to achieve anything.
- The Commission's Annual Growth Survey should identify the key problems. Member States should act on it and **eliminate obstacles at national level**. This is not an easy task. It will pose challenges to governments, companies and workers.
- BUSINESSEUROPE is committed to help identify and solve some key problems, inside and outside the European social dialogue. We count on the ETUC to do the same. Because time is running out and there is simply no alternative.
