



EUROPEAN EMPLOYMENT FORUM FLEXICURITY: A NEW MOMENTUM BRUSSELS, 23 NOVEMBER 2011

ADDRESS BY STEVEN D'HAESELEER DIRECTOR SOCIAL AFFAIRS OF BUSINESSEUROPE

- Thank you for the invitation.
- After a slight improvement, the situation on Europe's labour markets is again deteriorating. But the crisis does not explain all the difficulties that European labour markets face. In fact, it has exposed 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. But too many countries have done too little in the years preceding the crisis and have now less room for manoeuvre. **Therefore, a lot remains to be done.**
- Let us look at some key employment indicators. We are in a much worse situation than a few years ago:
 - The EU unemployment rate now stands at 9.7 % 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. The credibility of the EU is already at stake. This would be devastating. Moreover, it would be irresponsible vis-à-vis the millions of people who want to work but cannot find a job.
- Even with the limited financial possibilities that many governments now have, action should be taken. **Four priorities for future reforms should be: job creation, young people, skills and 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. 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.
- 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 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.
- 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. 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. It will require changes in the design of unemployment benefit systems. 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.
- To conclude, 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. But time is running out and there is no alternative.