



24 April 2012

### **INFORMAL SOCIAL AFFAIRS COUNCIL, MEETING OF THE TROIKA WITH SOCIAL PARTNERS, HORSSENS, DENMARK**

**JØRGEN RØNNEST**

**CHAIR OF BUSINESSEUROPE'S SOCIAL AFFAIRS COMMITTEE**

#### **Demographic ageing and challenges**

BUSINESSEUROPE stresses the importance of the employment package adopted by the European Commission today. Mobilising national and European policies “towards a job-rich recovery” is the way forward to get out of the crisis.

European companies have long asked for the adoption of national structural labour market reforms to:

- Allow employers to create new jobs and hire more workers;
- Ensure a better match between education and training outputs and labour market needs;
- Reinforce the effectiveness of public employment services and avoid unemployment traps.

By contrast, measures that increase the rigidity of labour markets must be avoided and the exclusive competence of national industrial relations players to set wages must be respected.

With ongoing demographic trends Europe is facing major challenges, if growth and living standards are to be maintained. The changing demographic structures in the coming years will lead to a significant ageing of European populations.

In this context, it will be more important than ever to tap the full potential of the smaller EU working age population, to ensure that companies find the skilled personnel they need to be innovative and competitive.

Young people of today are more educated than ever. At the same time, current levels of youth unemployment present a systemic risk and a great loss for European economies and societies.

Europe must act to ease young peoples' transitions between school and work. This should be done by reducing labour market rigidities and by stimulating job creation. At the same time, the mismatches between skills supply and demand must be reduced. Concerning the mismatches between skills supply and demand we see three challenges for EU:



1. The percentage of early school leavers is too high, emerging economies are outperforming us I PISA tests
2. The link between the world of education and the world of business is not close enough
3. Reforms in the educational sector is needed

### **What can be done?**

1. As skilled workforce matters for competitiveness. Companies in some countries pay for a significant share of the costs of education, especially in vocational education and training. In return, companies expect a reliable system. They must be able to count on the skills that are acquired by young people in the general school system. It is the responsibility of governments to ensure that pupils finish primary and secondary education with the adequate competences for further education.
2. The starting point for business is that an efficient education system is needed for a well functioning labour market. Therefore, greater synergies between the world of education and the world of business should be promoted at all levels. There is evidence that well-functioning apprenticeship systems contribute to companies' competitiveness. And at the same time they seem to be correlated with low youth unemployment. Two key aspects of these countries success are the permeability of educational systems and effective institutionalised cooperation with social partners.
3. Apprentices/interns bring their academic knowledge to the company and their practical learning in a company to the school. By doing so, young people's employability and educational institutions' responsiveness to labour market needs are optimised. After an apprenticeship, apprentices enjoy a high level of employability. Whether they stay in the same firm or go to another one, apprentices are likely to find a first job more easily than other young people, including many who have a higher education degree in areas where there is excessive supply of labour on the labour markets. The Commission has proposed that structural and cohesion funds should be used to support essential reforms to deliver on the Europe 2020 targets. A good way of ensuring high return on investment would be to allocate a share of EU resources from the European Social Fund and 'Erasmus for all' (EU programme for education, training, youth and sport) to progressively expand dual training in vocational education. In the context of the ESF Committee, BUSINESSEUROPE will propose to adapt the ESF draft regulation with a view to allocating a share of ESF funding to promote the expansion of dual learning apprenticeship systems in the EU. EU funding should finance part of the initial costs in setting up or reforming a dual system at national, regional or branch level as part of Member States' EU 2020 reform programmes. The aim would be to establish a self-sufficient system, so that EU funds should be used only as seed funding and not as long-term funding. Lastly, to demonstrate in a given country the feasibility of setting up a dual learning system, pilot projects could be given preferential financing as part of ESF operational programmes.