



10 July 2012

### **EXCHANGE OF VIEWS ON THE EMPLOYMENT PACKAGE WITH MEMBERS OF THE EUROPEAN PARLIAMENT'S EMPLOYMENT COMMITTEE**

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**PHILIPPE DE BUCK, DIRECTOR GENERAL, BUSINESSEUROPE**

#### **I. Growing out of the crisis**

- The Europe 2020 strategy sets the target of 75% employment of the EU working-age population (20-64 years) by 2020;
- However, the reality today is that there are over 24 million unemployed people in the EU, compared to 16 million in the first quarter of 2008. Of this 24 million, around 5.5 million are young people under 25 years of age;
- A minimum target should be to double Europe's long-term annual growth rate from 1.25% to 2.5%;
- This would mean a total of 1.4 million new jobs created every year, which based on productivity growth of 1.9% would bring about full employment in Europe by 2020 (the Commission's assertion that 17.6 million jobs need to be created to meet the target of 75% employment by 2020 is, therefore, not enough to achieve full employment);
- In a BUSINESSEUROPE publication called "Growing out of the crisis" we outlined 5 steps to bring economic growth and confidence back to Europe;
- The actions that we concentrate on relate to safeguarding the euro; improving public finances and structural reforms, promoting private investment; strengthening the Single Market; and the EU's external trade;
- All these issues can contribute to a job-rich recovery and are evident in our response to the Employment Package.

#### **II. BUSINESSEUROPE's main comments on the Employment Package**

##### **a) Stimulating job creation**

- The Employment Package proposes reducing the tax wedge on labour in a budgetary neutral way, noting that there is scope for reducing employer social security contributions, which account for the majority of the tax wedge, in many Member States;



- BUSINESSEUROPE considers that targeted cuts in employers' social security contributions can play an important role in stimulating demand by encouraging employers to hire more staff;
- Equally, on the supply side the tax burden on labour should be reduced. It is essential that work is an economically attractive option for low-income earners, compared with welfare beneficiaries;

## **b) Key sectors for job creation**

- Of the three sectors that the Commission proposes to focus on – health and social care, green economy and ICT, the last of these, ICT is the one that is most important, in view of the shortage of skilled workers in this area;
- For health and social care and the green economy to be sustainable providers of employment, we believe that additional private investment needs to be sourced, mainly by ensuring better access to finance, including through public, private partnerships;
- We think it is important to support an EU industrial policy, taking account of climate and energy policies, which highlights the role of research and development and innovation in achieving growth and competitiveness;
- Completing the Single Market in areas such as, services, the digital economy and energy would add €800 billion to EU GDP. In particular, the EU could get a 4% gain in GDP by completing the digital single market. This corresponds to a €500 billion gain;

## **c) Labour market reform: the key to job rich recovery**

### **Flexicurity**

- A system of flexicurity that combines labour market flexibility and employment security must be a key element of well-functioning labour markets;
- While the Package appears to gloss over the issue of flexicurity, we firmly believe that the principles underlying this model remain valid, now more than ever;

### **National reforms**

- Although more progress is needed in terms of modernisation of European labour markets, significant efforts have been made by some Member States;
- Germany is a good example of a country that has benefited, already during the crisis, from having increased the flexibility of its labour market through reforms undertaken between 2003 and 2005. Current levels of joblessness in Germany - around 3 million – are at their lowest since 1992;
- On the other hand, Spain has only recently undertaken major labour market reforms in February of this year. These reforms aim to promote job creation through permanent contracts; enhance the employability of workers and improve the collective bargaining system;



## **Employment contracts**

- The availability of flexible forms of employment, such as fixed-term, part-time and temporary and agency work contributes to job creation and better reconciliation of work and family life;
- It is the continued over-protection of permanent contracts that risks adding to labour market segmentation. Unduly high employment protection legislation of permanent contracts can stifle job creation by discouraging employers to recruit new workers and can particularly affect young people;
- We believe that temporary employment acts as a stepping stone to permanent work, as is also noted in recent OECD studies, both for young people and as a mode of entry into the labour market for the unemployed;
- Instead of stigmatising flexible forms of unemployment as “precarious”, European policy makers and social partners must join forces to address the real precariousness of our labour markets – unemployment;

## **d) Skills mismatch, education and mobility**

### **Better match between skills and labour demand**

- The difficulties faced by employers in filling vacancies, particularly for skilled workers in science, technology, engineering and mathematics (STEM) is rightly highlighted;
- Raising employment, can be achieved through better matching workers’ skills with employers’ needs;

### **Education**

- Stronger links are needed between business and educational providers to make education systems more responsive to labour market needs;
- Notably, young peoples’ transition from education to employment can be facilitated by expanding access to dual-learning systems, such as in the form of apprenticeships;
- We want a share of the European Social Fund and the Erasmus For All programme to be allocated to providing seed funding for Member States wishing to establish or reform their dual learning systems.

## **e) EU governance**

- The 6 and 2 packs will trigger profound changes which may have an influence on social partnership at both European and national levels. As part of our 2012-2014 Work Programme, EU social partners plan to discuss this autumn the consequences that the new economic governance will have on social dialogue at EU and national levels;
- At the national level, the economic and financial crisis has highlighted the role that constructive social dialogue can play to devise the reforms that are needed



to foster growth, employment and social cohesion. Nevertheless, governments should fulfil their responsibilities when social dialogue does not deliver.

### **III BUSINESSEUROPE's main comments on the EP resolution**

#### **Reducing the tax wedge on labour**

- BUSINESSEUROPE welcomes EP support for reducing the tax wedge on labour in a budgetary neutral way, so long as this does not increase the overall tax burden on companies.

#### **Employment contracts**

- We welcome the Parliament's recognition of the need to adapt employment protection legislation to encourage companies to create new jobs.

#### **National Job Plan**

- We support the Parliament's regret that the majority of Member States have not submitted a National Job Plan as part of their National Reform Programme 2012 and support the EP in encouraging member States to do this.
- National Job Plans can help give companies the confidence they need to invest in the products or services they sell and in the human resources that are required to provide them.

#### **Minimum wages**

- Minimum wages: we firmly believe that these are a national competence and, therefore, it is up to each Member State to individually decide whether to have them and how to regulate them.

#### **Entrepreneurship**

- We agree with the Parliament's view about the job creation potential from encouraging entrepreneurship. EU and national authorities should put in place regulatory and policy frameworks conducive to entrepreneurship, such as improved access to finance, simple procedures to set up and close a company and improved e-administration services.

#### **Quality framework for traineeships**

- We believe that minimum requirements for traineeships should not be set at the European level, particularly as concerns possible remuneration;
- Traineeship schemes should not be overburdened with too many legalities or administrative procedures that discourage companies from taking on trainees, thus depriving young people of valuable work experience opportunities;



## Conclusion

- It is paramount that EU employment policy supports economic growth, promoting at the same time a business-friendly environment, which is the only driver of sustainable job creation;
- A system of flexicurity that combines labour market flexibility and employment security must be a key element of well-functioning labour markets;
- In this vein, easing labour market rigidities and stimulating job creation is essential if the alarming trend of youth unemployment is to be averted;
- It is, after all, those countries that have undertaken courageous steps for reform, that nowadays reap the benefits of these reforms. It is also those countries that have the lowest unemployment rates.

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