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JOBS FOR EUROPE: THE EMPLOYMENT POLICY CONFERENCE

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Introductory comments

- BUSINESSEUROPE's aim is to **make labour in Europe more productive and competitive**. This involves two dimensions:
 1. Associating labour costs with productivity to make all types of jobs attractive, and
 2. Investing in more qualitative aspects, such as future skills, research and development, production capacity and infrastructure to make the jobs of the future more productive.
- This is the only realistic strategy for companies, as the real driver of long-term growth in any economy, to achieve employment and productivity growth at the same time.
- In the global context we are in, **labour competitiveness** can only be achieved by undertaking structural labour market reforms at the national level. In this respect, National Reform Programmes and National Job Plans play a central role to achieve the goals we set in common at European level.
- At European level, the key is to **engage in a comprehensive EU employment policy** which coordinates the EU labour market strategy with other policy areas with a strong job potential, notably the strengthening and expansion of the Single Market, industrial policy and international trade agreements.
- European employers have a number of **ingredients** that we consider are essential for growth and job creation in Europe, which involve policy responses at the national and European levels as well as coordination between these two.

I. National policy responses

a) Achieve the right level of employment protection for all contracts

We should fight the right fight, namely the precariousness in labour markets, that is unemployment.



- Temporary employment acts as a stepping stone to permanent work, as is noted in a recent (2009) OECD report “Tackling the jobs crisis”, both for young people and as a mode of entry into the labour market for the unemployed;
- In Germany, more than 50% of fixed-term employees move directly into a permanent work relationship. Between 2005 and 2011, the transfer rate increased markedly – from 39% to 56%;
- Different forms of contractual arrangements are needed by employers and workers as a means to stimulate job creation by companies and to better reconcile work and family life;

BUSINESSEUROPE believes that a balanced level of employment protection for all contracts is the most effective way to combat labour market segmentation. For example, we support the efforts currently under way in several southern European countries to make permanent employment contracts more attractive and affordable;

b) Wage flexibility is crucial for competitiveness

Wages are a key element of labour competitiveness. Wage negotiations are organised at different levels in European countries. Whatever the level at which they are negotiated, it is important to ensure that wage agreements leave enough flexibility to the company level to take maximum account of productivity.

- On minimum wages: As of January 2012, 20 EU Member States plus Croatia have a minimum wage, set either by statute or national inter-sectoral agreement. Monthly minimum wages vary across the EU from 1801 euros in Luxembourg to 162 euros in Romania;
- Denmark, Germany, Italy, Cyprus, Austria, Finland and Sweden do not have a minimum wage. In some cases the introduction of a statutory minimum wage could undermine national collective bargaining traditions;
- For example, in Germany, a country without a mandatory minimum wage, the development of a segment of lower wages and the facilitation of the use of flexible forms of work has been the result of a conscious political decision aimed at better integrating the young, low qualified and long-term unemployed into the labour market;

The Treaty is very clear that wage determination is a purely national competence. The issue of whether to have legal minimum wages and if they exist, how to regulate them, is a question for national debate.



c) Reducing the tax burden to make labour more competitive and stimulate employment

Cutting personal income taxes and social security contributions can increase both labour supply and demand, as well as labour productivity, leading to higher employment.

- OECD estimates suggest that a 10% reduction in the labour tax wedge, the difference between total employment costs and post-tax wages, would increase employment by 3.7%;
- The tax wedge for the EU-27 was 39.3 % in 2010. The highest tax rates on low wage earners in 2010 were recorded in Belgium, France, Germany, Hungary, Italy, Latvia, Austria, Romania and Sweden (all above 40 %). On the other hand, the lowest tax rates were recorded in Cyprus and Malta, both under 19%.
- OECD estimates also suggest that a 5% reduction in the marginal income tax rate leads to a 1% increase in GDP per capita in the long run and a 0.3% increase in tertiary education graduation;

It is essential that work is an economically attractive option, in particular for low-income earners, compared with welfare beneficiaries. Having more people in work leads to economic growth.

d) Matching workers' skills with employers' demand for labour

The transition from education to work can be facilitated by ensuring people have the skills that companies are looking for to be innovative and competitive.

➤ **The skills mismatch**

- As of August 2012 there are over 25 million unemployed people in the EU, including 5.5 million under the age of 25, compared to 16 million in the first quarter of 2008.
- At the same time there are 4 million job vacancies in the EU, showing that there is potential for those with the right skills to get a job;
- Addressing this mismatch between job vacancies and unemployed people would reduce unemployment by about 15%;
- Germany, Austria, Denmark and the Netherlands are the Member States with the lowest levels of youth unemployment - not exceeding 15%, (compared to 53.8% in Greece and 52.9% in Spain);

These countries have established efficient dual-learning systems over a long period of time. Young people's transition from education to



employment can be facilitated by expanding access to dual-learning systems, such as in the form of apprenticeships;

➤ **Investing in the future**

Investing in education is a key priority for Europe to remain competitive in high value-added sectors of production. Targeted spending is needed in areas where the potential for return is high.

- STEM skills is one such area that more people need to be encouraged into with the number of graduates specialising in STEM subjects falling in relation to the total number of university graduates from 24.8% in 1999 to 22.7% in 2005;
- A specific example; in 2015, the estimated shortage of qualified ICT staff in the EU will rise to somewhere between 384,000 and 700,000. Generally, the supply of STEM skills will not match the increasing demand of companies;

To ensure that Europe's economy is competitive in the years ahead, there needs to be stronger links between business and educational providers. Labour market needs must be at the centre of Member States' education systems.

e) Structural labour market reforms in the context of comprehensive flexicurity strategies are the key to success

National labour market reforms are the primary instrument through which labour can become more competitive and growth and job creation can be enhanced. A system of flexicurity that combines labour market flexibility and employment security is a key element of well-functioning labour markets.

- **Germany** increased the flexibility of its labour market through reforms undertaken between 2003 and 2005 and current levels of joblessness - around 5.5% (Eurostat July 2012) – are at their lowest since 1992.

Spain

- On 25 January 2012, agreement was reached between the social partners on employment and collective bargaining for the period 2012-2014, which foresees the progressive removal of the wage indexation system;
- On 10 February 2012, a programme of comprehensive labour market reforms was approved by the Spanish government. This includes:
 - Dismissal costs reduction to address labour market duality and encourage employment creation;



- Introduction of open-clauses in collective agreements and priority given to collective agreements negotiated at company level;
- New type of permanent contract for SMEs with up to 50 employees.

Italy

- A comprehensive labour market reform was adopted in Italy in July 2012. In particular, this concerns tackling labour market segmentation.
- Important discussions are ongoing to find solutions to enhance labour productivity, and to foster growth.

The lesson is that those countries that have undertaken reforms before the crisis are in a much better situation. BUSINESSEUROPE believes that ambitious structural reforms are needed continuously to make production costs competitive, to increase productivity, and to improve innovation performance.

II. EU policy responses

a) A coordinated comprehensive EU employment policy focused on job creation

The Employment package has identified three key sectors which have the potential to create jobs; health and social care, the green economy, and ICT.

- A competitive industrial policy setting the right framework conditions for European companies to grow and succeed on world markets can support at the same time employment and productivity growth.
- The Single Market is one of the greatest achievements of European integration. It is the engine of economic growth in Europe and the vehicle for job creation. The Single Market adds €600 billion a year to our economy and since 1992 it has helped to create 2.75 million additional jobs in Europe. Completing the Single Market in areas such as, services, the digital economy and energy must be priorities for economic growth and jobs in Europe.
- International trade agreements with third countries can have a significant positive impact on job creation in Europe. For example, EU-US trade negotiations, based on a comprehensive package covering trade in goods and services, investment, procurement, protection of intellectual property rights (IPR) and regulatory issues, will generate huge growth possibilities and new jobs in Europe.



BUSINESSEUROPE believes that a more comprehensive EU employment policy focusing on key areas for job creation should be proposed by the Commission.

b) Worker mobility

The free movement of people (labour) is a crucial aspect of raising employment levels in the EU.

- In 2010 just 2.8% of Europeans of working age (15-64) lived in a Member State other than their own;
- EU Worker mobility initiatives, such as the European Employment Services tool (EURES), can play an important role in supplementing national efforts to match labour supply with demand;
- For example, responding to labour market needs in countries experiencing labour shortages can be facilitated by mapping unused human resources in countries with high levels of unemployment;

To promote labour mobility the EU should assess and lift unjustified obstacles to worker mobility in the areas of recognition of professional qualifications and pensions;

- In the area of supplementary pensions, any action must be based on solid evidence of the likely benefits for EU cross-border mobility, ensuring this is balanced with cost-effective provision of supplementary pension schemes by employers to their employees;
- Worker mobility can be increased throughout the EU by reducing the number of regulated professions, simplifying procedures for the recognition of professional qualifications.

c) Exchanging best practices and promoting dual-learning systems can help reform education systems

Education is a Member State competence, but the EU has an important role to play, notably through targeting funds and exchanges of knowledge, information and best practices.

BUSINESSEUROPE calls for 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.

d) European Economic governance

The new structures of European economic governance, notably the 6-pack, will trigger profound changes at national and European level. European social partners



want to play their full role and be consulted as part of the new governance structures. At the same time, the Commission should speak with one voice on such matters, with DG ECFIN taking the lead.

- Existing processes for the consultation of social partners are Macro-economic Dialogue, Tripartite Social Summit, Social Dialogue Committee;
- BUSINESSEUROPE's starting point for future consultation of social partners within the process of economic governance is that no additional structures should be created;
- This principle should be applied in addressing the two questions raised in the employment package about social partners' future role in monitoring and exchanging views on wage developments and in the European semester (i.e. the Annual Growth Survey and its constituent parts – National Reform Programmes and National Job Plans);

To take this forward, European social partners have launched discussions to analyse the consequences that the current debate on European economic governance will have on social dialogue at EU and national levels as part of our 2012-2014 work programme.

Concluding remarks

- Labour competitiveness is essential for raising prosperity in Europe;
- In 2011, according to Eurostat, almost 50% of general government total expenditure in the EU was devoted to the redistribution of income through social transfers in cash or in kind. We have generous social systems in place. In fact, with around 7% of the world population, the EU spends 56% of the global public spending on social protection.
- BUSINESSEUROPE supports our European model of solidarity. But there is one prerequisite, which is economic growth.
- **To achieve growth, we need to attract investments in the private sector. Our employment agenda is centred around the urgent need to make labour in Europe more productive and competitive.** The goal is to invest existing resources in priority in Europe's future growth and innovation capacity. This is needed to maintain and if possible further develop our prosperity. The goal is not to cut costs but to ensure that our labour costs are in line with our economic performance.
- For that, we look forward to **an open and responsible dialogue with the ETUC**. We are looking forward to our upcoming discussions, this autumn on youth employment and next year on an in-depth employment analysis.
