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EU ECONOMIC GOVERNANCE

BELGIAN MINISTRY OF EMPLOYMENT, LABOUR AND SOCIAL DIALOGUE

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Introductory comments

- The EU is facing what is widely considered to be its worst crisis since the founding of the Union;
- This is a crisis that initially stemmed from the economic and financial sectors, but which has since taken on a distinctly social dimension, as is emphasised by the fact that there are currently over 25 million unemployed people in the EU, including 5.5 million young;
- The continual and rapid pace of events at international and European level mean that it will be a while yet before the dust settles on the initiatives that have been taken, and which continue to be proposed, to return Europe to a path of economic stability, growth and prosperity;
- In this respect, the role of the social partners is also evolving as discussions about labour market reforms and job creation, particularly for young people, dominate the European and national agendas;
- It can be seen that countries which implemented necessary labour reforms before the crisis are the ones that are now faring better than those that delayed taking action;
- Notably, 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;
- The processes of European economic governance are also evolving in response to the crisis.



- Some elements, such as the European semester were initiated as part of the Europe 2020 Strategy, while others, such as the 6-Pack of measures to reinforce the Stability and Growth Pact and to monitor and control macro-economic imbalances within the EU have been initiated as the crisis has developed.

I. Key areas of social partner involvement in EU economic governance

European semester

- The European semester aims to reinforce reform programmes at the national level through better coordination, notably in the governance of the Europe 2020 strategy;
- In March of each year the European Council sets economic priorities for the year based on a Commission report – the Annual Growth Survey (AGS). This lays the foundations for recommendations on budget policy (stability and convergence programmes) and economic policy (National Reform Programmes).
- Of particular interest for social partners are the National Reform Programmes, which include a number of specific labour market aspects, such as labour market reforms, employment and education policies, and national job plans;
- It is important that national social partners are involved in the planning and implementation of labour market reforms and in the preparation by governments of National Job Plans and National Reform Programmes;
- The economic and financial crisis has highlighted the role that constructive social dialogue can play at the Member State level in contributing to growth, employment and social cohesion. Spain and Italy are two prime examples;

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.
- Nevertheless, governments should go ahead and fulfil their responsibilities in instances when social dialogue does not deliver the reforms needed;
- The Employment Package that was published in April made reference to the stronger inclusion of European social partners in the European semester process. This is something that BUSINESSEUROPE is keen to be involved in and the scope and format of such involvement is being discussed between the social partners and the Commission (i.e. AGS consultation).

6-Pack

- The 6-pack (five regulations and one directive), which entered into force in December 2011, includes a scoreboard of indicators aiming to prevent and correct macro-economic imbalances. As part of this, wage trends will be monitored through an alert mechanism to determine whether Member States' imbalances in unit labour costs are benign or problematic;
- In the Employment Package, the Commission has proposed to set up an EU tripartite format for monitoring and exchanging views on wage developments in relation to productivity, inflation and internal demand, unemployment and income inequalities;
- When discussing wages in an EU context it is important to recall that Article 153.5 of the EU Treaty establishes clearly that wages are out of the scope of EU competences in the area of social policy;
- Therefore, the decision to adapt wage bargaining systems belongs to national social partners and governments, in line with the diversity of industrial relations systems;
- 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;



- A recent example of reforming the wage system is Spain where one of the main elements of the 2012 programme of labour market reforms involves moving away from a system of wage indexation;
- This concerns wage moderation, whereby salaries should only increase by 0.5% in 2012 and by 0.6 % in 2013 and 2014; and wage bargained increases should be linked to economic activity from 2014 onwards;
- Within the broader scope of European economic governance, examples of labour market reforms that are implemented in one country in the context of national reform programmes and the European semester can provide food for thought for other Member States in the reforms they implement.

II. The way ahead: adapting existing European structures of social partner consultation

- The social partners have planned 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;
- Our aim is to define a shared vision on the consequences that the current debate on European economic governance will have on social dialogue at EU and national levels, with a view to developing possible recommendations at relevant levels;
- Our starting point is that the proposed changes in governance should not lead to the creation of new structures.
- Existing structures, i.e. the Tripartite Social Summit, Macro-economic dialogue, and European Social Dialogue Committee are the right place for informing and consulting EU social partners on economic and labour markets developments.
- Nevertheless, they may need to be adapted to better reflect the changes that are being brought forward with the new macro-economic and employment governance.

Concluding remarks

- It is right that the EU institutions take the lead in European economic governance and the Commission must talk with one voice in order to secure the effectiveness of the European semester recommendations and that growth and competitiveness are at the centre of European and national priorities;
