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### IMPACT OF THE CRISIS ON LABOUR LAW AT EU AND NATIONAL LEVEL

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#### I. Main messages

- Europe is in crisis. The EU was the only macro region in the world where the unemployment did not fall in 2011, reaching 10.5% in August 2012. The recovery is any near. EU 27 GDP fell by 0.1% in the second quarter of 2012. Euro area GDP is expected to grow only 0.2% in 2013. In this context, policy makers should do everything possible to help companies across Europe to create jobs and growth again.
- By putting in place comprehensive national flexicurity strategies, Member States can boost job creation and increase resilience of their labour markets in the future. Profound structural reforms, including changes to the labour law framework need to be considered everywhere to improve productivity and flexibility of labour markets. The painful experience of countries currently in programme is an incentive to others to act before getting in trouble. We hope that social partners across Europe will contribute positively to these reform efforts.
- Generally, labour market reforms which are now being implemented in several member states are not “enemies” of social rights. BUSINESSEUROPE supports our European model of solidarity. But there is one prerequisite – growth. Member States will only be able to guarantee social rights of the citizens if the European economies restart and sustain economic growth.

#### II. Comments on some aspects of recent labour law reforms (sub-topic: individual and collective social rights in Europe)

- A number of EU countries, especially those where economic problems are the most severe - Spain, Italy, Portugal and Greece - are now implementing ambitious structural labour market reforms.
- I will focus here on two aspects of these important reforms: changes to the employment protection legislation and changes in collective bargaining systems:

##### o Employment Protection Legislation

Efforts are made to make permanent employment contracts more attractive and affordable for employers and to make labour markets more dynamic.



For example, in Spain dismissal costs have been reduced: i) redundancy payments have been diminished, ii) administrative authorization on collective redundancies removed, and ii) grounds for fair dismissals specified more clearly to increase legal certainty and reduce the disproportionate number of unfair dismissals.

BUSINESSEUROPE support these reform efforts. A balanced level of employment protection for all contracts is the most effective way to combat labour market segmentation and long-term unemployment.

According to the Commission's estimates (DG ECFIN 2012) recent EPL reforms in Italy, Greece, Spain and Portugal will significantly increase labour market dynamism in these countries: job finding rates are estimated to increase by 11 to 45% compared with pre-crisis average. On the contrary, job destruction rates are not likely to be significantly affected.

#### o **Collective bargaining**

Collective bargaining including wage negotiations are organised at different levels in European countries.

In BUSINESSEUROPE view, whatever the level at which wages are negotiated, it is important to ensure that agreements leave enough flexibility to the company level to take maximum account of productivity.

Changes such as giving the priority of application of collective agreements negotiated at company-level in Spain, or easing the conditions for firms to opt out from higher-level collective bargaining agreements in Greece go in this direction

- It is important to remember that labour law reforms currently undertaken in several Member States are part of wider flexicurity strategies, which also aim at increasing security for citizens. Combining labour market flexibility and employment security is a key element of well-functioning labour markets.
- Social partners at national level are contributing to the reform efforts that are now being implemented:
  - o An example of this contribution and commitment is the agreement that Confindustria and the three main trade union organisations of Italy signed in April 2012 on the reform of apprenticeships.
  - o Changes in internal flexibility in Spain (e.g. removing administrative authorizations to suspend the contract or to reduce the working time based



on economic, technical, organizational or productive reasons) draw on contribution of social partners i.e. Second Agreement for Employment and Collective Bargaining 2012, 2013, and 2014.

BUSINESSEUROPE hopes social partners across Europe will be able to continue an open and responsible dialogue on employment strategies.

## Concluding remarks

- The lesson is that those countries that have undertaken reforms before the crisis are in a much better situation now. For example, 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.
- BUSINESSEUROPE believes that the concept of flexicurity should remain a guiding principle of labour market policies across Europe. A system of flexicurity that combines labour market flexibility and employment security is a key element of productive, dynamic and fair labour markets.
- Europe has 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. 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.
- BUSINESSEUROPE supports our European model of solidarity. But Member States will only be able to guarantee social rights of the citizens if the European economies restart and sustain economic growth.
- We are missing at the top of priorities an ambitious European target for growth. A minimum target should be to double Europe's long-term annual growth rate from 1.25% to 2.5%. This would allow the creation of 1.4 million new jobs every year and over 5000 euros extra income for an average household by 2020.
- EU employment agenda should be centered on the urgent need to make labour in Europe more productive and competitive.

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