



22 November 2012

### **DISCUSSION WITH EUROPEAN SOCIAL PARTNERS: PREPARATION OF SOCIAL PROTECTION COMMITTEE ANNUAL REPORT ON THE SOCIAL DIMENSION OF THE EU**

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- We agree that the Union faces a historical opportunity to put in place a coherent and integrated policy answer to the challenges it faces: stabilising its public finances, putting the economy on a path back to growth, increasing employment, reducing poverty and social exclusion and lowering public debt.
- The crisis initially stemmed from the economic and financial sectors as well as a loss of competitiveness in many Member States, as a result of labour costs not being in line with productivity. It has subsequently taken on a distinctly social dimension - over 25 million unemployed, including 5.5 million young, and rising long-term unemployment.
- BUSINESSEUROPE supports the EU model of solidarity, but we need economic growth for this to be sustainable.
- It is important to take account of the situation before crisis, including strong disparities regarding the functioning of labour markets in different member states.
- We should learn the lesson that those countries that undertook reforms before the crisis are in a much better situation now than others.
- Significant progress has been made in implementing structural labour market reforms in some Member States, notably in Spain and Italy, but more needs be done across the EU.
- We have seen the stabilisation effects of social protection systems early on in crisis.
- However we must find a balance between social protection systems providing adequate income support, whilst avoid increasing benefits take up. This leads to unsustainable pressure on social assistance systems.
- Social Protection should be geared towards employment. The challenge is to move from dependency on passive social protection benefits to active labour market inclusion.
- Tax and benefit systems should be reformed to avoid unemployment traps. Systems should be designed in such a way that they facilitate activation, participation and re-integration into employment.
- 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.



- Regarding social investment, in particular in view of the Commission's Social Investment Package due next year, the principle should be to not spend more, rather in a more efficient and effective way.
- It is important to ensure that the available resources are spent on growth-enhancing measures and that the available social security funding at national level is spent in priority to support access or re-integration of inactive people in the labour market.
- We also support measures to reduce the tax wedge on labour. Employer social security contributions account for the majority of the tax wedge in many Member States. Targeted cuts in employer contributions can play an important role in stimulating demand by encouraging employers to hire more staff. OECD estimates show that a 1% reduction in employer's social security contribution leads to a 0.6% increase in employment.
- Reducing tax burden on employees is also important. It is essential that work is an economically attractive option, compared with welfare benefits.
- The principles of flexicurity remain valid and necessary. A system of flexicurity that combines labour market flexibility and employment security must be a key element of well-functioning labour markets.
- 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.
- A balanced level of employment protection for all contracts is the most effective way to combat labour market segmentation. We support the efforts currently under way in several southern European countries to make permanent employment contracts more attractive and affordable.
- Work also needs to be done to tackle skills mismatches.
- Reducing unemployment relies on governments managing human capital more proactively. Education and training systems need to be reformed to ensure that curricula better match skills' needs on the labour market.
- This is particularly important for young people. There is a paradox - despite the high youth unemployment levels, young people have never been more educated than they are today.
- 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.
- We note that some statistics show a rise in poverty and that it will not be possible to meet the EU2020 target. Also child poverty remains a concern.
- At the same time, we also see the number of jobless households increasing. This is not a coincidence. On the contrary there is a strong link here, as we still see a job as the best way to avoid poverty.

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