



13 December 2012

### **SOCIAL PROTECTION COMMITTEE, SOCIAL PARTNER EXCHANGE OF VIEWS ON 2013 ANNUAL GROWTH SURVEY (AGS)**

**13 DECEMBER 2012**

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#### **Context**

The Social Protection Committee at its meeting on 13 December will start preparing its contribution for the Employment and Social Affairs Council (EPSCO) in February 2013 which is supposed to adopt Council conclusions giving some policy guidance to Member States on employment and social protection issues.

#### **General remarks**

- We welcome the fact that the AGS calls for structural reforms to lay the foundations for a sustainable job-rich recovery, as fiscal discipline and structural reforms are beginning to show positive effects;
- We believe that thorough implementation of ambitious reform programmes is needed to increase competitiveness and allow labour costs to better reflect productivity levels;
- It is therefore, important to ensure continuity in the 3<sup>rd</sup> European semester, based on 2012 AGS priorities and the Europe 2020 strategy;
- We broadly support the employment aspects of the AGS and Joint Employment Report (JER);

#### **Social protection geared towards employment participation**

##### **➤ AGS recommendations**

- *Active inclusion strategies should be developed, encompassing efficient and adequate income support, measures to tackle poverty, including child poverty, as well as broad access to affordable and high-quality services, such as social and health services, childcare, housing and energy supply.*
- *The link between social assistance and activation measures should be strengthened through more personalised services ("one-stop shop") and efforts to improve the take-up of measures by vulnerable groups. Once the labour market recovers, it will be important to phase out crisis-related measures, while ensuring that essential safety nets are preserved.*



## ➤ **BUSINESSEUROPE positions**

- 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.
- In order to create growth, it is important to limit social security spending where possible. Beyond the reduction of employers' contributions already mentioned, the tax burden on employees should also be reduced. It is essential that work is an economically attractive option for low-income earners, compared with welfare beneficiaries. Having people in work creates economic growth and vice-versa. It also contributes to a broader base for income through taxation;
- 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 (this was a common position in the 2007 joint labour market analysis);
- For example in Denmark, intensification of active labour market measures has been accompanied by financial incentives for welfare recipients to find employment. A cap on social security has been introduced, which sets an upper limit on how much an individual can receive in total benefits. The cap applies after 6 months;
- Active labour market policies should focus in priority on the two groups that are most in need: Young unemployed people, and the long-term unemployed.

## **National structural labour market and pension system reforms**

### ➤ **AGS recommendations**

- *To continue modernising labour markets by simplifying employment legislation and developing flexible working arrangements, including short-time working arrangements and work environments conducive to longer working lives.*

### ➤ **BUSINESSEUROPE positions**

- We believe that national labour market reforms are the primary instrument through which labour can become more competitive, contributing significantly to job creation;



- Labour market reforms are much broader than contracts. The principles of flexicurity remain valid and necessary. We need to promote a new balance which leads to more employment security through flexible arrangements on labour markets;
- In view of changes to Europe's demography over the next 40-50 years it is imperative to implement policies that ensure a sustainable labour supply and sustainable pension systems;
- For example, in Denmark reform of the voluntary early retirement pension system is helping to increase labour force participation among older workers and aims to ensure a more sustainable pensions system by bringing forward the planned increase to the statutory retirement age and linking it to life expectancy;
- Another example is in France where the social partners have recently concluded an agreement on "Generation contracts" that will benefit young people and older workers by combining job-creation for the young while keeping older workers in active employment (the scheme will encourage older workers to train young entrants).