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### EURACTIV SEMINAR ON JOBS AND GROWTH EU STRATEGY

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##### Introductory remarks

Europe is entering a **critical phase of its recovery**. Things seem to improve but we are walking on very thin ice and the pendulum can quickly swing back to the worst moments of the crisis in case of doubts about the ability to pursue necessary reforms. **We must act now!**

**We presented last week to the Spring Council our 2013 reform barometer.** Many Member States made progress in structural reforms during 2012, but companies continue to be concerned that such reform efforts lack the urgency that is clearly required.

**Member States must continue to press ahead with structural reforms during 2013** and live up to the commitments made in the context of the European semester. The European Commission must present ambitious country specific recommendations. And EU policies should support Member States in their reform efforts.

Fiscal consolidation must be accompanied by growth enhancing reforms and focus **upon reductions in public expenditures rather than tax increases**. And labour markets must become more flexible to facilitate job creation, transitions between jobs, and help to match skills supply and labour demand.

##### 1. Towards private sector led recovery

**Any long lasting recovery can only come from the private sector.** This means that competitiveness, growth and jobs should be put at the heart of all policies, including when choosing how to use available public expenditures.

**A well-functioning and integrated Single Market** is an essential basis for our competitiveness, and can act as a **spring board for access to global markets** through negotiations of free trade agreements with key international partners. But we need to unlock its full growth potential by lifting remaining obstacles to cross-border business and improving market functioning in all Member States.



**Member States have the primary responsibility for their long-term competitiveness.** Any European solidarity mechanism must link European financial support and national competitiveness-oriented reforms. The objective is that all Member States devise the measures needed for their economy to grow again.

## 2. An effective EU employment policy

**What is needed is more coordination at European level to achieve an effective EU employment policy.**

This coordination is firstly about **providing the right framework for labour market reforms** to be undertaken at national level.

Secondly, these more effective national employment policies coordinated at EU level should **support other EU policy areas to maximise job creation, such as for example EU industrial policy.**

## 3. The case for more flexible labour markets

There are **many dimensions of labour market flexibility** e.g. wage flexibility, working time flexibility, different forms of contractual arrangements (e.g. fixed-term contracts, agency work contracts, part-time work). Companies need flexibility because:

- they need to respond to current and expected changes in demand for their products and services
- they may need special skills temporarily
- they need to deal with unexpected developments in human resources (sickness, parental leaves etc.).

Flexibility is also beneficial for employees...

- **Flexible wage and working time arrangements prevented job losses in difficult economic times.** For example, in Germany flexibility of working time arrangements, including subsidised short-time working schemes and others, helped to save 1.2 million jobs in 2009. But with regard to subsidized short-time working schemes it is important to recognise that they can be costly and should only be used temporarily, in order not to prevent necessary structural changes from happening
- **Flexible work arrangements help employees reconcile work and private life,** i.e. part-time work, telework.

...and for those looking for jobs:

- **Temporary employment acts as a stepping stone to permanent work.** It helps young people get first work experiences and helps the unemployed to get reintegrated into the labour market.



- **Availability of different contractual arrangements encourages companies to create more jobs**, which is particularly important in current economic circumstances, where unemployment is the key labour market policy problem. According to the research done for Eurociett, 74% of user companies would not consider hiring permanent workers as an alternative to taking on agency workers and 62% would not have created jobs if they had no access to private employment services.

#### 4. What policy frameworks for flexible labour markets to bring benefits to all?

In a joint analysis from 2007, **the European social partners – employers and trade unions – agreed that labour market policies based on combining labour market flexibility and employment security can be beneficial for employers and employees.** This idea is still valid today.

Employers look forward to start later this year negotiations with ETUC on an in-depth employment analysis. In the current economic circumstances however the key is to increase **job creation** and **to create mobile, dynamic and open labour markets**. It is important that even if people lose jobs they can feel confident that there are opportunities available for them in other jobs or sectors and that they are able to access them.

**Labour market reforms** on their own are not enough to ensure a job-rich recovery in the EU, and they need to be supported by growth-conducive policies in other areas, however they do have a potential to increase job creation:

- It is important that Member States **review employment protection legislation**, especially for permanent contracts, and lighten it where it is excessive. This would stimulate job creation as well as help more people progress from temporary to permanent employment.
- At the same time, **disproportionate barriers to the use of other contractual arrangements** (e.g. fixed-term contracts, temporary agency work, shift work) **should be lifted** to encourage hiring. We regret that many Member States did not correctly implement the **Temporary Agency Work directive** by refraining from reviewing and lifting unjustified restriction on its use.
- **The tax burden on labour should be reduced**. It is essential that work is an economically attractive option for low-income earners, compared with welfare beneficiaries. Raising the level at which people start pay to tax on their earnings, such as is being initiated in the UK is a principle that could be promoted at European level to help make people better off by working.
- **Targeted cuts in employers' social security contributions** can also play an important role in stimulating demand by encouraging employers to hire more staff.
- Against the backdrop of demographic change and a projected fall in the working-age population and in order to ensure the sustainability of **Europe's pensions and social benefits systems, retirement age should be linked to life expectancy**.



## 5. Some positive national examples

France and Spain are example of countries which have recently undertaken positive labour market reforms:

- The **French social partner agreement on "improving competitiveness and security of employment"** (January 2013), strike a balance between companies' need for adaptation based around flexibility and competitiveness and employees' perspective, focusing on the security of their careers. It increases legal certainty for companies by shortening procedural timeframes and will contribute to job creation, in particular for the young, and to employee mobility.
- In 2012, **the Spanish social partners reached a major agreement** which includes moves towards linking wages to GDP growth and additional wage updating components based on the development of companies' economic indicators, including productivity. This agreement represents a significant step towards the necessary wage flexibility. Together with the latest labour market reform, it implies a key progress towards guaranteeing that future adjustments are based on prices and salaries and not on job destruction.

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