



ANNUAL GROWTH SURVEY 2017
EUROPEAN SOCIAL PARTNERS CONSULTATION
EMPLOYERS' VIEWS

20 October 2016

Introduction

European cross-industry employers welcome the continuing social partners' consultation on employment and social issues before publication of the Annual Growth Survey - AGS.

The present document reflects the points made orally by BusinessEurope, UEAPME and CEEP during the consultation meeting with the European social partners held on 28 September 2016.

Generally, we very much welcome the **continuity of approach** and encourage the Commission to continue focusing on 1) re-launching investment; 2) pursuing structural reforms to modernise our economies; and 3) responsible public finances. We also took note of the reinforced focus on employment and social issues.

1. TOWARDS A RENEWED EU LABOUR MARKET STRATEGY

A number of global, regional and domestic issues, including the result of the UK referendum, are contributing to **uncertainty** for enterprises. These issues weigh on the business confidence and decisions to hire more staff.

European cross-industry employers agree that there has been over the last few years a **gradual improvement** in labour markets and in the social situation in the European Union but with marked differences among Member States.

Unemployment has decreased to around 21 million unemployed people in the EU currently compared to more than 26 million at the peak in 2013. This means that we **still need to make half of the way** to, at least, return to unemployment levels that preceded the crisis (16 million in 2008).

Employers agree that this gradual improvement is sustained by the **modest economic recovery in the EU and Euro-area**.

To make further progress on the employment front, more resolute efforts and tangible results will be needed in terms of the implementation of structural reforms at national level.

This is about **coming forward with a renewed EU labour market strategy**, revamping the flexicurity concept in light of the current labour market realities. This should focus on the following objectives:

- Achieving **fair, dynamic, mobile and inclusive labour markets** (building on the joint social partner 2015 In-Depth Employment Analysis);
- Ensuring that **social rights** are adaptable to current and future framework conditions and new and more diverse career paths;
- Fostering **increased employment participation and employability**, in order to face the demographic challenges in Europe which makes it even more crucial to mobilise all available human resources;
- Providing a **suitable employment protection legislation environment** to stimulate recruitment, while offering modern levels of protection to both those who are already in employment and those looking for a job;
- Ensuring that **companies have enough flexibility** to adapt their workforce to changing economic circumstances, e.g. in terms of working time, wages and contracts; and
- Putting in place the conditions to **smooth workers' transitions on the labour market between jobs, sectors and employment statuses**, while respecting the diversity of industrial relations practices across Europe.

A renewed EU labour market strategy should be designed with a view to **reinforcing the Economic and Monetary Union**, by supporting EU Member States' efforts to converge towards the desired outcomes of competitiveness, growth, employment and productivity. In this respect, the recently created productivity boards can be helpful to inform policy decisions at national level.

To achieve progress on this positive agenda for European enterprises and workers, most of the decisions and concrete actions will be **in the hands of the Member States**. But the European Union can play a stronger role than at present to facilitate the necessary reforms from a mutual learning perspective, and as part of European semester process.

The intensity and duration of the recent crisis was "felt differently" in the EU Member States. Some countries are in a better situation than others, notably due to divergent national employment and social policy performances. An important part of the explanation for this is to be found in the fact that the **solutions designed by national governments** to get out of the crisis varied a lot in terms of intensity and impact. In particular; the Member States with a strong industrial sector and with well-developed industrial relations systems have fared better during the crisis and progress is notable in Countries that have recently undertaken the necessary adjustments and reforms, e.g. Germany, Baltic countries, Denmark, Ireland, Spain.

Closer social partner involvement as part of the European semester process is essential to achieve **more ownership** of the necessary reforms in the Member States.

The first ever **thematic review** on 24 October with the Member States' representatives taking part in the Council's Employment Committee, the Commission, and trade unions to discuss the state-of-play with respect to the implementation of labour markets reforms at national level is a positive step. We are hopeful this could lead to a better articulation between the EU and national agendas.

The **European pillar of social rights** should pave the way for the design of benchmarks that can act as a compass for the necessary national reforms of labour markets, education and training systems and social systems in all member states.

The pillar is **not the right policy framework for new EU legislation**. The procedure that the EU Treaty outlines for the Commission to propose EU social legislation should be respected. This entails a two-stage consultation process with the European social partners.

The right document for the Commission to announce EU legislative initiatives, including social ones, is the yearly Commission's work programme.

Clarity is essential to create trust. Should the Commission use the pillar to commit to EU legislative initiatives without respecting the Treaty, or its own procedures, this would hinder the credibility of the Commission as an institution.

The **recent tripartite statement on 'a new start for the social dialogue'** of the European Commission, Council and social partners is an opportunity to make progress on the conditions for a renewed labour market strategy.

Employers reiterate their invitation to establish at European level a **partnership for reforms**, whereby the relevant EU institutions and the social partners would cooperate at all appropriate levels to design and implement the necessary reforms for Europe to become more competitive. An important part of this is to improve employment and social policy frameworks to **achieve job-rich and inclusive growth**.

We also need to **be forward-looking to address tomorrow's challenges** and grasp the scale of some emerging trends, such as the inter-relationship between digitalisation and labour market policies.

There are **four main tracks of dialogue** for an effective partnership on employment and social policy issues:

1. Public authorities and enterprises are best placed in putting forward the framework conditions that are necessary to **increase job creation**;
2. Social partners are best placed to discuss how **working conditions** should evolve to positively contribute to Europe's competitiveness with an adequate level of worker protection;
3. Public authorities and social partners are best placed to agree on how to adapt **social protection** systems, and their financing, to ensure their sustainability in the long run;
4. Public authorities, social partners and social services providers are best placed in creating the conditions to **make work an attractive option for jobseekers** compared to passive income support, thereby increasing the supply of labour;

2. MAIN LABOUR MARKETS CHALLENGES

Labour markets continue to face increased pressure due to a number of factors such as the decrease of the working age population, demographic ageing, skills gaps and the digitalisation of our economies. The high recent influx of **refugees** has added another kind of pressure on labour markets especially in the medium to long term, and more strongly in certain countries.

Competitiveness plays the key role in ensuring "strong and sustainable growth" and for job creation. It is the key driver to support job creation and improve the social situation in the European Union. In that respect, employers believe that competitiveness should be understood widely and **become a truly shared social partners' objective**. Part of this is to make progress towards high performing public services.

More investments are needed to fuel the recovery and economic growth. But investment remains below pre-crisis levels in most Member States. In this respect, employers welcome the announcement of an increase in EFSI as a good support for

investments, notably for SMEs. All efforts should now be taken for **making public and private investments better work together in Europe**. Part of this is to favour at EU level public investments in growth-enhancing areas, such as network infrastructures and social infrastructures in terms of skills development and childcare, in order to contribute to competitiveness and productivity.

The key challenge is to **ensure that more Member States are going to engage with resolve in the necessary efforts** to do away with decades of insufficient actions for growth and employment due to political disagreements. The solution lies in governments and social partners working together to bring the solutions needed.

Employers support the OECD call for integrated policy actions to address the **'productivity-inclusiveness' nexus**¹. The OECD stressed the need to overcome "silo policies" to act upon the observed **productivity slowdown**. This is necessary at national level, but it applies all the same to the EU level.

Employers also reiterate that the **increase in poverty in the EU is primarily the result of increased unemployment**. We therefore fully support efforts by both the Commission and Member States to address unemployment as a key way of reducing poverty and inequality.

Moreover, **people's confidence mainly depends on their employment prospects and career perspectives**. As long as unemployment remains high and unaddressed in a number of countries, populism will continue to grow and the European Union project will be increasingly challenged.

Ensuring labour costs are in line with productivity is an important precondition to ensure that hiring workers remains an attractive option for enterprises, and that the EU remains an attractive location for investment.

Another way to increase labour's share while retaining our global competitiveness, which we support, is to **improve education and training learning outcomes**. Where this contributes to labour productivity improvements, this creates room for improved conditions for workers.

3. EMPLOYMENT AND SOCIAL PRIORITIES FOR AGS IN 2017

- **Digital skills:** Ensuring people are equipped with digital skills is a top priority. Eurostat shows that 40% of EU citizens have no or very low digital skills. At the same time, 90% of jobs are estimated to soon require some level of digital literacy. Closing that digital skills gap is of crucial importance. We look forward to the Commission's proposals on how to shape the Digital Skills and Jobs Coalition. Employers have a lot to bring to the discussions. But for this, the Coalition has to be well-designed. This means that it should be governed in an effective manner, and leave space for significant national and business inputs.
- **Demographic change:** In Europe, the combination of a growing ageing population and a shrinking workforce means that an increasing number of older persons will be economically dependent on a decreasing number of working people. Projections are often for 2060, whereas the issue is actually already upon us. In many countries, this challenge has become more serious due to a lack of appropriate reforms to ensure the sustainability of social systems in the long run. Increasing employment participation is key to ensure that the EU and Member States have a sufficiently sized and skilled workforce to bring sustainable

¹ The productivity-inclusiveness nexus, Meeting of the OECD Council at Ministerial level, June 2016

economic growth and prosperity. The European social partners intend to bring their contribution to this objective with their ongoing negotiations of an autonomous agreement on active ageing and an inter-generational approach.

- **Labour market integration of refugees:** The European economic and social partners have agreed on a joint statement which was presented at the March 2016 Tripartite Social Summit. The European Commission has an important role to promote on a European scale effective solutions designed at the national level to integrate refugees and asylum seekers in the labour market. Some specific approaches in terms of activation, language learning, skills assessment and development, and remuneration, may be necessary to support their integration in the labour market of host countries. A recent example at the national level is the Danish tripartite agreement on labour market integration of refugees.
- **Tax wedge on labour and reduction of non-wage labour costs:** Non-wage labour costs should be reduced in a number of Member States to encourage job creation. In order to make work pay, more efforts are necessary to reduce the tax wedge on labour and shift taxes away from employment. Employers look forward to a first evaluation of the national actions that have followed the Eurogroup benchmark adopted in September 2015.
- **Apprenticeships:** The European social partners are currently negotiating a tripartite opinion on apprenticeships in the context of the Advisory Committee on Vocational Training. If and when new resources are made available at EU level as part of the Youth Guarantee and the Youth Employment Initiative, consideration should be given to use them in priority to support Member States in their efforts to establish or adapt their apprenticeship systems to make them more attractive for employers and support an easier integration of young people into the labour market.
