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EFNI, 28 September 2016
The future of work: realities, dreams and delusions

OPENING GALA

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Dear President, Dear Henryka,
First Vice President Timmermans,
President Buzek,
Mayor Karnowski,

Distinguished guests, ladies and gentlemen,

I would like to start by thanking President Bochniarz for the kind invitation.

It is a pleasure to be back in Sopot this year for the Opening Gala of the European Forum for New Ideas 2016. And it is a great honour that First Vice President Timmermans is able to join us.

Congratulations to the Polish Confederation Lewiatan, member of BusinessEurope, for the extraordinary organisation of this well established annual international brainstorming event. We are glad to support it.

During the next 3 days, EFNI will discuss the future of work, its realities, dreams and delusions.

Future growth and future jobs very much depend on what will happen in the European Union.

Tonight, I would therefore like to share with you some reflections on the future of Europe:

- starting with the realities that companies are facing,
- briefly touching upon the delusions to be avoided and,
- sketching out BusinessEurope's dreams for Europe.

The realities that European companies are facing

Reality number 1, the economy is global. Our customers are spread throughout the world. Our suppliers and value chains too. Competitors are as eager to conquer European markets as we are to sell in their countries throughout the world. We must do better than them if we want growth and jobs in Europe. And for that, we need supportive policies and supportive societies.



Reality number 2, growth and job creation in our mature European economy depends on high added value exports. Concluding new generation trade agreements, going beyond tariff reductions, organising mutual recognition of regulatory standards whenever possible and protecting investments is therefore essential.

Reality number 3, technological change and digitalisation require huge investments. Both public and private investment, really productive investment. Europe is lagging behind. In 2015, EU investment was as low as in 2009 compared with an increase by 15% in the US. Full implementation of the Juncker plan (European investment plan) and its extension is part of the solution to increase investment.

We must urgently remove obstacles to productive investment such as:

- regulations that fragment our single market, stifle innovation, delay digitalisation, undermine access to finance for companies or discourage job creation,
- the political bias towards fiscal consolidation through tax increases and public investment cuts rather than through growth enhancing reforms,
- a risk adverse culture in society and even hostility towards entrepreneurship in some countries.

Reality number 4, people are key for companies' success. All workers and all employers are not perfect. However, generally, they do their best to develop economic activities. They are both affected when labour market structures are too rigid to allow tailor-made solutions reconciling individual workers and individual companies' needs. This rigidity leads to a shameful European paradox: the coexistence of high level unemployment - in particular youth unemployment - with unfilled vacancies. We must improve labour market flexibility. And we must do more to tackle the consequences of demographic ageing if we want to avoid bottlenecks to future growth and employment.

Reality number 5, manufacturing industry is key. The association of business from Northern Italy, Assolombarda, has made a very good study benchmarking the five most dynamic industrial regions in Europe: Lombardy, Bad-Wuttemberg, Bayern, Rhône-Alpes and Catalonia. Together, these 5 regions account for 12.5% of EU GDP and 19.6% manufacturing value added. The future of growth and employment in Europe requires to reverse the decline of the share of industry in our GDP. Between 2000 and 2014 the share of manufacturing in total EU output fell by 3.5 percentage points from 18.8% to 15.3%. Policy makers must do more to help reverse this trend.

We acknowledge that actions are taken to support industry, notably to develop industry 4.0 in the context of the Digital Single Market Strategy. But manufacturing companies are still too often faced with measures undermining their competitiveness, notably in the field of environment, climate and energy policy. And we are missing a structured European roadmap to strengthen the engine for innovation, growth and employment in all sectors of the economy: the manufacturing industry.



The delusions to be avoided

Delusion number 1, protectionism is the answer. On the contrary, a rise of one percentage point in the ratio of trade to GDP increases output per person by at least one-half percent. Protectionism can only create a downward spiral that will hit European citizens.

Delusion number 2, moving away from so called “austerity” policies is the solution. Of course we need to use the flexibility in the Stability and Growth Pact but we need to maintain its core. Countries with deteriorated public finances and which do not make necessary structural reforms are particularly vulnerable to external shocks. European countries which had put their fiscal house in order and had implemented necessary reforms in time recovered much quicker from the crisis. Countries which have the margin for manoeuvre must use it for productive investment.

Delusion number 3, the European Central Bank can fix all our economic problems. The measures taken by the ECB were necessary and played a crucial role. But central bank’s measures can only buy time. If the necessary economic policy measures are not taken, the economy remains vulnerable.

Delusion number 4, protecting old jobs and resisting change is the best way to fight unemployment. On the contrary, trying to stop change only diverts the attention and resources away from more effective solutions to support workers to adapt and companies efforts to create new jobs.

Delusion number 5, the situation in my country would be much better if we were not member of the European Union. On the contrary, all the big challenges facing us today (security, migration, the decision of the United Kingdom to leave the European Union, climate change, economic and social development, etc.) have an international dimension. Efficient solutions can only be found if we work together at European level.

That being said, the European Union is not perfect. There is considerable room for improvement.

This leads me to the third and last chapter:

BusinessEurope’s dream for Europe

In BusinessEurope dream for Europe, the European Union has strong foundations and a resilient economy.

We respect the choice of the United Kingdom to leave the European Union even if we regret it.

For us, successful negotiations between the European Union and the United Kingdom mean that the adverse effects of the UK decision to leave the EU for companies and citizens across Europe are mitigated. The new model found maintains close economic relations between the EU and the UK, without undermining the EU integration process. It maintains the integrity of the Single Market, without cherry picking between the four Single Market freedoms.



In our dream for Europe, the European Union successfully introduces necessary reforms.

The EU Institutions, in particular the European Commission, work to restore European unity.

They avoid divisive debates such as on an unnecessary new revision of the posting of workers directive. They focus on areas where the European Union can really add value such as external borders management, the Single Market, the strengthening of the Eurozone and an ambitious international trade policy.

Many measures announced by the President of the European Commission, Mr Juncker, in his speech on the State of the Union and the roadmap sketched out at the summit in Bratislava on 16 September 2016 are useful first steps.

Member States and EU institutions must now build on them and make further progress in the definition of concrete rapid deliverables as well as longer term solutions adding real value for citizens and companies.

They must make swift progress in

- protecting external borders to tackle illegal immigration and safeguard the Schengen area, which is essential to answer citizens' security concerns and improve their confidence in the EU;
- delivering the new single market strategy, which includes better application of mutual recognition in goods, enabling the reduction of administrative barriers through the European services certificate and streamlining the effectiveness of existing single market tools through creation of the single digital gateway;
- reversing the decline of manufacturing industry, facilitating innovation and digitalisation of the economy, notably by implementing the innovation principle and putting in place a coordinated policy framework to strengthen European industry without further delays;
- improving the future of young people through concrete measures to support member states in their efforts to develop apprenticeship, improve education and training, remove regulatory and cost obstacles to their recruitment and encourage young entrepreneurship.

In our dream for Europe, member states live up to their responsibility.

They stop blaming the European Union for their own shortcomings.

They develop a positive narrative on the European Union and on the role of international trade and investment as an engine for national prosperity.

They acknowledge that reforms are needed for their country's own sake. They improve social cohesion through the creation of more and better opportunities for all citizens.



They stop constantly increasing levies and taxes which undermine growth and job creation.

They live up to their commitment to ensure the sustainability of public finances, respecting the growth and stability pact, and implement growth enhancing reforms.

As a result, coordination of economic policy is improved, convergence and growth too.

Member States trust each other more and are able to put in place a fully-fledged Economic and Monetary Union, with a real Banking Union and a reinforced European Stability Mechanism evolving towards a European Monetary Fund.

In our dream for Europe, the European investment plan is fully implemented.

The European Fund for Strategic Investment is extended, drawing the necessary lessons from the first year of application. Additionality and support for countries experiencing difficulties in mobilising this instrument are improved.

Real progress is also made in removing EU and national regulatory obstacles to productive investment. The overall business environment in Europe has significantly improved.

In our dream for Europe, the different crisis and sources of instability throughout the world are being tackled. The global economy remains open, the WTO develops and enforces efficient multilateral trade rules and protectionism decreases.

The European Union pursues a coherent global strategy with a strong economic pillar and an ambitious trade policy to open up market access for goods, services and resources as well as modern and effective trade defence instruments.

The CETA agreement with Canada is signed and implemented. Negotiations with the United States lead to an ambitious and comprehensive transatlantic partnership agreement and mutually beneficial agreements with other key trade are also concluded. We develop harmonious and balanced relations with China and other key global players.

Ladies and gentlemen,

I could go on and add many more items on my dream list for Europe.

Having highlighted 5 realities that companies are facing, 5 delusions to be avoided and sketched out key elements of BusinessEurope's dreams for Europe, I count on you to complete my list during the discussions at EFNI 2016.

The European business community strongly believes in the future of Europe. We are and want to be part of the solution to present challenges.

Making an accurate analysis of the realities facing companies and sketching out an ambitious dream for Europe is an important first step to recreate the conditions for the European Union to be a security and prosperity zone.



Let us work together to turn our dreams for Europe into reality and ensure a better future for companies and workers in Europe.