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**TROIKA MEETING WITH SOCIAL AFFAIRS COUNCIL
19 JANUARY 2006
DRAFT SPEECH BY THÉRÈSE DE LIEDEKERKE**

Presidents, Ministers, Commissioner, Ladies and Gentlemen

1. The Austrian presidency wants to focus on citizens' key concerns during the next six months and growth and employment are clearly major issues. Tomorrow's discussions of the informal meeting of the Social Affairs Council will look at the social dimension of the European growth and jobs strategy, zooming in on the issue of flexicurity. The excellent notes prepared for this meeting raise questions as to how to improve both the content of policies and the process of policy coordination in the field of social protection.
2. I will first say a few words about "governance" aspects and then dig into policy content, highlighting the key ingredients for improving the balance between flexibility and security on our labour markets.
3. With regard to **governance**, European employers welcome the proposal to streamline the three social protection processes established at EU level while respecting subsidiarity and maintaining the special characteristics of the three individual policy areas covered (social exclusion, pensions and health care). We are in favour of changing over to a three year cycle. Last but not least, we agree that ensuring that these processes are transparent, and effective is also important in order to gain support for the difficult reform decisions that have to be taken in order to improve Europe's growth and jobs performance.
4. Let me now turn to the crux of the matter, **policy content, starting with the analysis**.
5. Yes, globalisation, technological progress and demographic trends raise major challenges for our economies and imply changes in labour relations. Yes, there is growing awareness of common elements in our national social systems and the four items highlighted by the Austrian presidency (solidarity, access to health care and education, social protection and role of public infrastructure) capture important features of the European social model. Yes, our values can only be sustained if competitiveness is achieved and the issue of flexicurity is at the heart of efforts to restore a positive link between competitiveness and social protection.
6. Flexicurity is about moving away from a job preservation mindset into a job creation mindset. The term comes from Denmark, a country that undoubtedly performs well. However, this does not mean that the Danish recipe is the panacea for everyone. Each country has to find its own way. In the past, references to the Dutch "polder model", "German capitalism", the French "social contract", and Italian "industrial districts" have successively been presented as the new "paradigm". Importing one specific social or economic structure into a different reality does not work.

7. That being said, there are interesting elements of the Danish experience that I would like to highlight. Firstly, the cost of hiring and firing is relatively low and, yet, Danish employees are among those in the EU who have the highest feeling of employment security. Secondly, some aspects of wage-setting have been decentralised to local levels to facilitate adjustment to external shocks. Thirdly, there is a strong focus on active labour market measures, matching the support granted by relatively generous unemployment benefits with high individual responsibility to actively prepare for taking up new jobs. This is relatively costly. With an unemployment rate below 5% between 2000 and 2002, Denmark was spending almost 1.4% of GDP on financial and non- financial unemployment measures, which is four times more than the US to achieve a similar unemployment rate but about as much as France with an unemployment rate twice as high.
8. This leads me to the fourth essential factor for success: sustainability of public finances. Replication of the high cost Danish system might have harmful effects for countries with unsustainable public finances. Experience shows that those countries which have been able to significantly reduce their unemployment in the past decade (Finland, Denmark, Ireland or the UK) are also those that have made the greatest fiscal consolidation efforts over that period.
9. Ireland's recipe to decrease unemployment from 16% in 1993 to 4.5% in 2004 has been low corporate taxation, good management of public funds, strong investment in education and training, promotion of innovation and high-tech activities and introduction of incentives to find a new job. Finland has reduced its unemployment rate from 16.3% to 8.8% over the same period thanks to strong private and public investment in human capital and innovation, coupled with employment policies decentralised at local and regional levels to better fit needs. The UK's route to reduce unemployment from 10% to 4.5% since 1993 was robust growth, labour market flexibility, greater incentives to enter the labour market coupled with personalised assistance and individualisation of responsibility.
10. The flexicurity approach requires comprehensive national strategies with the right mix of economic and social measures and the ingredients of this policy mix will vary from country to country.

What can the European Union do ?

11. The EU can help by taking the following actions.
 - Firstly, it must complete the internal market, in particular for services as this will increase growth and jobs prospects for the EU as a whole,
 - Secondly, the EU can organise exchanges of experiences on national flexicurity measures, for example, as part of the debate to be launched around the green paper on labour law in Spring 2006.
 - Thirdly, it must avoid imposing unnecessary constraints with negative consequences for flexicurity in EU legislation. Working time is a good example of an issue that should not be regulated at EU level as demonstrated by the recent ECJ jurisprudence which could lead to situations where a worker having spent 48

hours on call (a weekend) could be prevented from working for the rest of the week! On-call time is the problem that needs to be addressed. The opt-out remains necessary.

12. Let me now say a few words about the **role of EU social partners**.
13. The fact is that principles defined at EU level are implemented in pre-existing national systems. EU rules can have different effects on the overall balance between flexibility and security across Europe. In the agreements on parental leave, part-time work and fixed-term contracts, the European social partners have succeeded, in striking the right balance between flexibility and security. We have defined the broad principles at EU level but referred the responsibility for defining details of implementation to national players. A similar framework approach was also pursued when negotiating voluntary agreements on telework, on stress and, tomorrow, on harassment. It is essential to foster mutually beneficial solutions.
14. **To conclude**, the December European Council has paved a way to bring Europe out of a serious crisis. Our problems do not come from a lack of regulation or insufficient public spending. There is increased acceptance that labour market flexibility is in the interest of both employers and workers. We count on the Austrian, Finnish and German presidencies as well as on the European Commission to build on these positive signals. UNICE for its part, together with UEAPME, CEEP and ETUC when it comes to social dialogue initiatives, is keen to contribute to the success of the European growth and jobs strategy.
15. Thank you for your attention.

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