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TROIKA MEETING WITH SOCIAL AFFAIRS COUNCIL 18 JANUARY 2007

SPEECH BY EERO LEIVO

Presidents, Ministers, Commissioner, Ladies and Gentlemen

1. Like the presidency, we believe that quality of work and labour productivity, which was at the centre of our discussions in Helsinki last July, are closely connected. The note also makes a link with the debate on flexicurity and the green paper on labour law. Recognising the interconnection between different aspects of the policy agenda is a positive effect of the European growth and jobs strategy and appears to start bearing fruit. Economic recovery is being confirmed. Europe is creating employment. However, our growth potential remains insufficient, in particular in the Eurozone. Hence the importance of the four OECD recommendations, namely:

- To use the recovery as an opportunity to get fiscal consolidation back on track,
- To make further efforts to integrate and develop financial markets in some countries,
- To boost competition, in particular in the service sector,
- To reduce labour market rigidities to improve our capacity to cope with change.

2. Increasing the responsiveness of European labour markets to promote economic activity and high productivity is a prominent point of the 2006 annual progress report on growth and jobs which employers fully support, and a key objective of the green paper on labour law. Let us not forget, however, that the competence to modernise labour markets lies first and foremost with the Member States. The role of the EU is to organise exchanges of experiences and monitor national reforms using the instruments of the European growth and jobs strategy. Taking a top-down legislative approach at the EU level would be counterproductive.

3. Time does not allow me to cover all the aspects of the modernisation of labour markets. Improving education and training is essential. However, I will now focus more specifically on the issues raised in the green paper on labour law.

4. In the flexicurity approach, the “outsiders” are the unemployed. Let me underline six facts¹ which show that taking a defensive attitude towards flexible forms of work is not justified:
 - 80% of workers say that they are satisfied or very satisfied with their working conditions and with their work-life balance.

¹ 2006 Employment in Europe report and 2006 European working conditions survey of the Dublin foundation

- With around 80% of labour contracts, indefinite duration employment remains the most widespread form of employment in Europe.
- 18.4% of employees in the EU were working part-time in 2005. Part-time work has risen noticeably over the years but 70% of those workers do not want a full-time job. Moreover, part-time workers are protected against discrimination by the directive implementing the agreement of the European social partners. They cannot be considered to be “precarious workers”.
- Protection against discrimination also applies to fixed-term work contracts which, after a rise during the mid-1980s, seem to be stabilising at around 14% of the EU workforce (with cyclical variations). Where these contracts represent a significantly higher proportion of the workforce, it is as a consequence of excessive rigidities in permanent contracts. The answer lies in removing those rigidities as opposed to further penalising job creation by introducing artificial restrictions on non-permanent contracts.
- With approximately 2% of employment across the EU and 41% of agency workers in longer-term employment within a year of their assignment, temporary agency work remains an underexploited stepping stone into the labour market.

- Self-employment is crucial for development of the entrepreneurial mindset Europe so badly misses. Bogus self-employment and undeclared work must be combated but the development of commercial contractual relations is not a threat to labour law. On the contrary, it is a pre-condition to create jobs in a market economy.
5. Flexibility is necessary to improve growth and employment prospects but it does not happen in a vacuum. In order to be consistent with the flexicurity approach, work to follow up the green paper must promote:
- flexible labour law with: 1. job protection legislation which does not hamper recruitment under indefinite duration contracts, 2. a choice between various types of flexible employment contracts to answer diversified needs of companies and workers, and 3. a commitment to fight undeclared work which creates insecurity on the labour market and unfair competition for law-obeying companies and workers,
 - effective active labour market policies, which presupposes that the necessary budgetary margins have been created to allow such an investment, and
 - an employment-friendly social protection system and in particular an unemployment insurance which links rights and

obligations for the unemployed as opposed to giving unconditional income support.

6. The issues I have just highlighted are at the centre of the joint analysis of key labour market challenges which should be finalised by the European social partners during spring 2007. In addition, we will publish our first annual report on implementation of the framework of action on gender equality on the occasion of the Equality Summit organised in Berlin in a few days. It includes concrete actions taken by national social partners to facilitate the reconciliation of work and family life. Last but not least, a draft agreement on harassment and violence promoting respect for people's dignity at work is currently submitted for approval to our decision-making bodies. These initiatives demonstrate the social partners are able and willing to contribute to creating more and better jobs throughout Europe.

7. This year's Spring European Council will take place in a particularly favourable economic climate. Let us all use this window of opportunity to carry out the necessary reforms and pave the way for enough and higher productivity jobs.

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