BUSINESSEUROPE

SPEAKING NOTES

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MEETING OF THE EUROPEAN SOCIAL PARTNERS WITH THE COLLEGE OF COMMISSIONERS ON 2 MAY 2013 IN BRUSSELS

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Introduction

- Thank you very much for the invitation to attend this meeting of the College of Commissioners.

- Today, you want to discuss with us the Commission's preparations and contribution for the European Council discussion in June on a time-bound roadmap on the future of the Economic and Monetary Union (EMU).

- And you want in particular to hear about our views on the social dimension of EMU, and on the role of social partners in this social dimension as well as in the renewed economic governance.

The Social dimension of EMU

- A lot of initiatives on EU economic governance have been undertaken in the last years. Many of them are positive, such as the euro plus pact, the six-pack, the two-pack, the fiscal compact and the compact for growth and jobs. Tighter economic policy coordination is a must in a common currency.

- Closer coordination on labour markets aspects also makes sense. But is must not duplicate or contradict what is done as part of macro-economic policy coordination.

- The social dimension of the Economic and Monetary Union must be shaped so as to contribute to a better functioning of EMU. And for BUSINESSEUROPE, this means pursuing employment and social policies that facilitate growth and job creation, and support competitiveness.

- The Commission is currently working on proposals for new labour market and social indicators. Social partners should certainly be consulted. From our perspective, the focus should be on measuring job creation, labour market participation and skills development.

- Much of our attention in the last years has been devoted to procedural issues. Procedures matter to make our common work for growth and jobs more effective. But the European recovery ultimately depends on the content of policies. Let's not forget this!

- How to organise the balance between solidarity and responsibility between EMU members is one of the most delicate issues in the current debate. For BUSINESSEUROPE, a solidarity mechanism can, when linked to contractual arrangements, be a means of strengthening the EU's role in encouraging structural reforms and fiscal consolidation, provided it does not lead to an increase in the overall tax burden in the Euro area.

- EMU solidarity mechanisms cannot be automatic. This has to be taken into account when following on the Commission consultation on a Convergence and Competitiveness Instrument published on 20 March 2013.

- And we must not forget the crucial importance of making progress towards a Banking Union. Timely implementation of the Single Supervisory Mechanism and measures to strengthen bank resolution can contribute to meeting the urgent need to reduce very high lending-costs for SMEs in many peripheral economies. And the new mechanisms must be carefully tailored: in a way that maintains affordable access to finance in avoiding excessive costs for banks or undue costs between banks.

Social partners' involvement in economic governance

- I come from a country where social partnership is well-developed. In Austria, social partners traditionally took responsibility for many strategic issues for competitiveness and employment. But the picture of social dialogue throughout Europe is diverse.

- BUSINESSEUROPE fully supports social partnership and has been engaged in the European social dialogue since its outset. We believe it can actively contribute to EU integration.

- We regard the recent conclusion of a draft framework of actions on youth employment (which is in the process of being approved by our member federations) as an important contribution to help tackling youth unemployment.

- And we also attach the greatest importance to the preparation of joint proposals with ETUC, CEEP and UEAPME on the procedures to be put in place to involve social partners in the new European economic governance. These proposals should be finalised in the coming weeks and presented ahead of the June European Council meeting.

- In the meantime, let me tell you how BUSINESSEUROPE sees the role of social partners in the complex architecture of the new EU economic governance structures, both at European and at national level.

- According to us, the European social partners' role in EU economic governance should be primarily focused on issues affecting employment and the functioning of labour markets. And no new structures are needed. In particular on wages!

- The involvement of social partners in the European semester has to adequately articulate the moments at which the legitimate interlocutors of public authorities are the national social partners and when the EU should consult European social partner organisations.

  - National social partners must be involved when governments are preparing national reform programmes, or when the Commission is analysing them and preparing the country specific recommendations.

  - When the Commission prepares the Annual Growth Survey or once the Commission has published draft country specific recommendations and the EU level debate starts, it is the European social partners that should be engaged in discussions with the various Commission's and Council's committees prior to their final approval.

- But the social partners' involvement must not unduly delay the decision-making process. And we all know that the real issue is the substance of the contribution of social partners. Our social dialogue must go beyond procedural aspects and contribute to the promotion of growth and jobs.

- On the substance, I am afraid that currently our opinions are very different when I read the recent ETUC position paper on the social dimension of the EU. But BUSINESSEUROPE really hopes that we will be able to find convergences of views on how to get out of the difficulties that are facing the European Union today. Because this is the common interest of companies and workers.

<u>The situation facing the European Union today</u>

- EU GDP remains below its 2008 level whilst economic activity in the United States and Japan has climbed above its pre-crisis peak in 2012. And both the latest business surveys and IMF forecasts indicate that the Euro area might contract again in 2013 (by – 0;3%).

- Unless Europe focuses on measures which really increase competitiveness, builds business confidence and kick-starts economic activity, the post-crisis divergence in growth performance that emerged in 2012 between the EU and other major economies will become a long-term phenomenon.

- We clearly need to work more and better on the growth aspects of the EU strategy to get out of the crisis. Restoring access to finances for companies is crucial. Reducing unemployment (and youth unemployment in particular) is definitely a priority. But the answer certainly does not lie in changing track and forgetting about public finances consolidation.

- If Europe repeats the mistakes that were done in 2003. If the Commission or the Council show complacency about the trajectory for national fiscal consolidation or gives the impression that some countries can get away with insufficient reforms, the entire European project could be in danger this time.

- Allowing Member States to use the room for manoeuvre existing in the EU fiscal framework is fine, provided that the trajectory of public finances consolidation is maintained, and that efforts focus sufficiently on public expenditure reductions, rather than tax increases, whilst prioritising long-term investment.

- National governments have to set out credible plans to improve public finances and competitiveness in order to restore confidence. And we are looking to the Commission, to clearly say where it believes national reform programmes are not sufficiently ambitious, and to provide robust country-specific recommendations.

- There is no viable alternative to our twin track approach to get out of the crisis. We have to work on public finances consolidation as well as on growth enhancing structural reforms.

- We have to address the legitimate concerns in public opinion but we must not give false hopes that there are quick fixes. We have to explain better that austerity measures are not structural reforms and show how structural reforms can help to bring about the benefits of the efforts required from citizens.

- BUSINESSEUROPE’s reform barometer presents our assessment of structural reforms. Our members have identified key priorities for reform in 2013. Consolidation of public expenditures remains number one priority. This is followed by growth-enhancing tax reforms, improvement in bank-lending conditions, and sector-specific regulation for an open internal market.

- Our reform barometer also concludes that by eliminating 50% of Euro area countries’ gaps with OECD best practise in pro-competitiveness policies, Euro area GDP could increase by 3.75% within 5 years.

<u>What should be the Commission’s strategic approach?</u>

- Focussing on the re-industrialisation of Europe is essential to reverse the current decline in private-sector activity, in particular in manufacturing. BUSINESSEUROPE fully supports the goal of increasing the share of industry in GDP to 20% by 2020. But the Commission must completely stop to produce initiatives that undermine competitiveness, growth and job creation.

- The annual cost of administrative burden amounts to 3.5% of EU GDP. The attractiveness of the EU as a place to invest will not improve and the efforts to support new entrepreneurs in the 2020 entrepreneurship action plan will be wasted if new burdensome legislation continues to be developed.

- Truly carrying out competitiveness checks as promised in the Commission communications on industrial policy of 2010 and 2012, considering the cumulative effect of legislation and drawing the right conclusions of impact assessments is therefore absolutely essential.

- Competitiveness is the responsibility of the entire college of Commissioners:

- One concrete example of policy requiring a change in approach: energy and climate change. BUSINESSEUROPE fully supports the EU climate objectives and is convinced that EU energy and climate policies must and can reinforce each other. But this has to be done through a technology-driven approach and not by new regulation which would artificially drive energy costs upwards. And the EU must also stop believing that it can lead the world to follow its example in this field because that is simply not happening and we are hurting our competitiveness without solving global warming problems.

- One concrete example of an opportunity that cannot be missed: the Transatlantic Trade and Investment Partnership. We calculated that an EU-US free trade agreement could deliver over 2 million new jobs. But what is at stake here is not only immediate growth and jobs. It is also the credibility of the EU as an international player. So, we must make sure that we deliver an ambitious and mutually beneficial agreement in this field.

To conclude

Experience shows that where a constructive social dialogue exists, companies and employees tend to suffer less in times of crisis. But the European recovery ultimately depends on the content of policies, not on procedures.

Every player has to play its role.

- The first duty of companies is to remain competitive and produce the products and services that will allow them to generate growth and jobs.

- Public authorities have to create the conditions that will attract productive investment and pursue policies that are sustainable. We can no longer afford to pass the cost of today's choices to future generations.

- The social partners for their part must have the courage to explain to their members when painful reforms are necessary and ensure that the agreements that they negotiate are part of the solution.

Europe is really at a cross-road, perhaps closer to a "make-it" or "break-it" situation than ever before. Let us avoid divisive and harmful debates opposing austerity and growth. Let us not pave the way to populism by creating false hopes. Let us join forces to improve Europe's future.