BUSINESSEUROPE

SPEECH

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8 October 2014

HIGH-LEVEL CONFERENCE ON EMPLOYMENT IN EUROPE
MILAN, 8 OCTOBER 2014

AFTERNOON SESSION WITH HEADS OF STATES AND GOVERNMENTS (15:30 – 18:00)

EMMA MARCEGAGLIA
PRESIDENT OF BUSINESSEUROPE

Dear Prime Minister Renzi,
Dear President Van Rompuy,
Dear President Barroso,
Dear Heads of States and Governments,

Thank you for inviting BUSINESSEUROPE to this high-level conference on employment in Europe.

I have presented earlier today to Labour Ministers our views on how to shape employment and social policies so that they contribute to restart growth and job creation in Europe, and to foster youth employment. But of course, **employment outcomes and job creation depends on a much broader policy-mix**.

For this reason, we welcome the Italian Presidency's approach for this meeting which is to consider how best to create jobs, taking into account other key **policy issues such as investment, access to finance (SMEs), and high energy costs.**

My first message concerns **access to finances** for companies because it remains constrained, especially for SMEs.

Five actions are indispensable to improve the situation

1. Implementing the banking union. We believe that following the completion of the asset quality review and stress tests, and the implementation of the agreed single supervisory and resolution mechanisms, Europe will have a more robust banking system. But we will need to continue to monitor the banking union with a view to identifying further steps that may be required to strengthen the system.

2. Ensuring that prudential rules strike the right balance between increasing financial stability and supporting companies' need for capital for investment. This means monitoring the impact of capital requirements on affordability of finance and properly assessing the impact of new liquidity rules on lending.

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3. Developing alternative sources of finance to decrease SMEs dependency on bank lending. This means developing venture capital, equity, smaller bond issuance, crowdfunding, and appropriately regulated securitisation.

4. Promoting tax systems which support long-term investment and withdraw harmful proposals such as the Financial Transaction Tax as it could lead to a 2% fall in company investment.
5. Ensuring that public funds leverage private investment, for example by taking forward European Investment Bank schemes such as project bonds and improving synergies among European and national public development banks.

My second message concerns **competitiveness**.

The EU's share of worldwide foreign direct investment fell to 24% in 2012 compared with 40% in 2000. This is a clear sign of declining competitiveness.

Our main social problem, unemployment, is not due to a deficit of social policy, but to a lack of global competitiveness.

Competitiveness must be the first priority during the next five years. The EU must focus all its policies on improving our competitive situation because doing so is good for growth and employment.

My third message is about investment, which is the basis of growth and employment.

Private investment is still 14.7% below 2008 pre-crisis levels.
There is only one remedy to this: improving the business environment by systematically removing obstacles to private investment.

We have taken good note of President Juncker's intention to come up in the first three months of the next Commission with a private and public **investment plan of 300 billion euros** over 3 years[1].

BUSINESSEUROPE has always pleaded for investment friendly public finances consolidation. We are in favour of enhancing the investment component of public expenditures, but not at the expense of public finances sustainability because doing so would undermine confidence and be self-defeating.

EU public investment is less than 5% of overall public expenditure. In contrast, in the US, public investment is over 10% of public expenditure. (EU=4.8%, US=10.7% for 2013).

We must boost private investment and also optimise public investment in Europe.

[1] 300 billion of public and private investment over 3 years means an average growth rate for investment of just over 2% each year - something we should easily be achieving.

My fourth message will be about **energy prices**,

because the European Council will decide on the 2030 energy and climate package on 23-24 October

because energy prices are an important factor in investment decisions,

because higher energy prices in Europe put our companies at a disadvantage compared with global competitors,

And because industrial firms, which are a main driver of growth and jobs in all sectors, are particularly affected.

Talking about my sector, the steel industry, we are paying electricity twice the price paid by my competitors in the US. For natural gas, it is even worse, we are paying four times higher than in the US.

Urgent measures are needed to make sure this gap will not grow even bigger.

The next **European Council** must make sure that the **level of ambition for the EU greenhouse gas emissions target for 2030** remains adaptable to the outcome of the international climate negotiations next year in Paris. .

And you must also make sure that the **EU Emissions Trading Scheme**, which is a cornerstone of EU energy and climate policy, includes adequate compensations to avoid carbon leakage post-2020.

To conclude, **my fifth and last message** will be about European **employment and social policies**

The only viable way to eradicate poverty, reduce unemployment and ensure pension sustainability is to carry out necessary **labour market**, education and social protection **reforms** to create a virtuous circle between improved competitiveness, higher growth and more job creation.

The national level remains essential to **arrive at decisions which create this virtuous circle. But the EU also has an important role** to play. The European Commission and the European Council must make sure that Member States live up to their commitment and implement the country-specific recommendations agreed as part of the European semester. Furthermore, the European Union must avoid new EU legislation that would undermine job creation.

Thank you for your attention.

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