



16 February 2011

## **AN AGENDA FOR NEW SKILLS AND JOBS**

### **Executive summary**

BUSINESSEUROPE fully agrees with the objective of achieving full employment by adopting a European agenda for new skills and jobs. Better functioning labour markets and a more skilled workforce are not only essential to reduce unemployment in the wake of the crisis. They are also paramount to achieve the Europe 2020 targets in the field of employment, education and poverty reduction.

Employment creation depends on the EU's ability to boost economic growth which in turn requires tackling its innovation deficit, unleashing the potential of the Single Market and promoting a competitive European industry. The right employment and social policies can help to maximise the employment intensity of economic growth. The aim must be to create labour markets which are dynamic and efficient with high employment rates and an optimal matching of skills demand and supply.

BUSINESSEUROPE therefore welcomes the emphasis put in the New Skills and Jobs Agenda on flexicurity and the need to strengthen its implementation. However, employers regret that the need for external flexibility is not emphasised more and that job creation does not figure more prominently. A post-crisis environment characterised by austerity means that, more than ever, the private sector's capacity to create jobs will be key to ensure Europe's future prosperity and boost living standards. This requires implementation of structural reforms in labour markets and social systems. The majority of such reforms will have to be pursued at national level.

The European Commission should promote a positive attitude to change and exert pressure on Member States to focus on growth and employment, which is not sufficiently the case in the New Skills and Jobs Agenda. It is too much "business as usual" and lacks a much-needed sense of urgency. Moreover, it does not present a coherent picture of an agenda designed to promote growth and employment and even contains some initiatives which could undermine these objectives.

A comprehensive legislative review of a series of Directives is not only ill-timed; depending on the specific piece of legislation, it is also unnecessary or undesirable. Other new initiatives or instruments, for example in the area of skills and competencies, might be well-intentioned but appear disconnected from the magnitude of the challenges Europe is facing. Above all, the priority must be to build on existing EU-level tools and instruments and eliminate the real obstacles at national level.

As the Annual Growth Survey rightly states, successful reforms that improve the functioning of labour markets are needed to avoid a "lost-decade scenario". Without political determination and ownership as well as ambitious national targets, this will be an even bigger challenge.



## **Introduction**

1. On 23 November 2010, the European Commission published an agenda for new skills and jobs (hereafter: the Agenda), setting out priorities for action in the area of employment and social affairs. It announces 13 key actions with accompanying and preparatory measures as part of the Europe 2020 strategy.

## **General comments**

2. BUSINESSEUROPE fully agrees with the objective of full employment through an EU agenda for new skills and jobs. This requires first and foremost boosting Europe's competitiveness and economic growth. Achieving the 75% employment rate target set in the Europe 2020 strategy in turn depends on dynamic labour markets which maximise the employment-intensity of economic growth.
3. One crucial lesson learnt during the financial and economic crisis is the versatility of flexicurity policies, manifested in particular in the form of short-time work arrangements, often coupled with training provided to workers. European labour markets have proved remarkably resilient because companies have done whatever they could to limit job losses, often helped by a constructive relationship with workers and their representatives and supported by governments.
4. However, we are now faced with a new socio-economic context which requires new measures. 23 million people are unemployed, including a disproportionate number of young people. The economic clout of the BRIC countries is growing, spurred on also by a motivated, flexible and increasingly skilled workforce. Europe's workforce is shrinking and pressure on the sustainability of pension systems is growing. The potential growth rate is projected to fall from 2.4% to 1.3% between 2007 and 2060.
5. What Europe needs above all are structural reforms to come to terms with the nature and scale of the challenges it is facing. Determined action is required to get rid of obstacles that hamper job creation and increase labour productivity. Most of these reforms will have to take place at national level. All countries must accept that there is no other choice than to commit to reform. Not only for those lagging behind but also frontrunners, which have their own challenges.
6. BUSINESSEUROPE therefore regrets that the agenda:
  - is too much "business as usual" and lacks a sense of urgency;
  - does not present a coherent picture of an agenda designed to promote growth and employment and even contains some initiatives which could undermine growth and employment.
7. Examples of such initiatives concern in particular the legislative reviews regarding health and safety, information and consultation of workers and part-time and fixed-term work as well as the re-opening of a debate on quality of work and working conditions. Not only are such initiatives ill-timed; depending on the issue, they are also neither desirable nor necessary.



## **Flexicurity and job creation**

8. BUSINESSEUROPE welcomes the emphasis put on flexicurity in the Agenda. The Commission is right to insist on the need for comprehensive lifelong learning policies; more cost-effective active labour market policies in the context of pressure on public finances; and improving financial incentives to take up work, including by reforming unemployment benefit systems. However, the Agenda does not draw the right conclusions when it comes to the importance of flexible contractual arrangements in times of economic recovery.
9. Flexibility in working time and in the design of work organisation is of crucial importance for companies. This is true both in “normal” times and, as the experience of the last two years shows, in times of crisis. However, external flexibility is just as important, in particular when economies are starting to pick up. The more flexible labour markets are, the quicker companies are to hire. Flexible contractual arrangements are indispensable to avoid jobless growth, achieve inclusion and attain the 75% employment rate target.
10. Certain groups have been hit harder by the crisis than others. Youth unemployment is still up by nearly 31% (or 1.2 million) compared with spring 2008. Employers are concerned that specific groups are experiencing difficulties in accessing labour markets. Measures in this respect are urgently needed. However, the Agenda paints a picture of widespread labour market segmentation across the EU which does not correspond with reality. Segmentation exists in some countries but it is not a universal phenomenon.
11. Employers therefore do not support the idea of introducing single open-ended contracts for all employees in all countries which is inconsistent with the Commission’s rhetoric on flexicurity. While 80% of workers still hold a permanent open-ended contract, a broad range of contractual arrangements is necessary to meet current and future business needs, not a one-size-fits-all solution. Moreover, gradually increasing the level of protection until the level of permanently employed workers is reached would only increase overall labour market rigidity. By contrast, to address segmentation, the Commission should emphasise that factors like the skills and competencies an individual possesses and what possibilities he/she has to gather workplace experience is what matters.
12. BUSINESSEUROPE fully agrees that social partners play a crucial role in the implementation, monitoring and governance of flexicurity. In line with the European social partners’ joint statement on Europe 2020, BUSINESSEUROPE is ready to contribute to a debate on strengthening the four components of flexicurity and takes note of the Commission’s intention to create a Tripartite Social Forum in this respect. For this Forum to have real added value, it must act as a catalyst for change by increasing trust and confidence between policy-makers and social partners impacting positively on reform efforts.
13. Stimulating job creation is the only way to reduce high levels of unemployment. BUSINESSEUROPE therefore regrets that this does not feature in a more prominent way in the communication. EU guiding “principles to promote enabling



conditions for job creation” will only add value if concrete measures are taken by the Member States. The Commission must exert strong pressure to reduce business costs that have a direct impact on job creation. Accompanying/preparatory measures on “Erasmus for Young Entrepreneurs” and on developing teachers’ training in entrepreneurship are welcome as such but appear disconnected with the magnitude of the challenges Europe faces.

14. Nevertheless, some of the proposed measures go in the right direction. While employers acknowledge the constraints imposed by fiscal consolidation, a reduction of non-wage labour costs is paramount to stimulate recruitment, in particular of low-skilled workers. Recent OECD research shows that a 1% reduction in employers’ contributions would result in a 0.6% employment increase.
15. Finally, BUSINESSEUROPE welcomes the intention to respond to the specific needs of SMEs. The Small Business Act should be transformed in concrete actions but will only be a success if it leads to better implementation of the “think-small-first principle” at both EU and national level. In this respect, the priority of reducing administrative and regulatory burdens for SMEs remains. In addition, serving the financing needs of SMEs is essential to ensure their growth and expansion which is crucial for job creation in Europe.

#### **Possessing the right skills for employment**

16. BUSINESSEUROPE welcomes the fact that education policies and obstacles to employment are dealt with jointly, in one and the same strategic document. The link between higher skills in the work force and higher employment is indisputable. Data from Eurostat shows significant differences in employment rates per education level. These differences are likely to grow based on the Cedefop projections regarding demand for high-skilled workers cited in the agenda.
17. Economic migration plays a key role in meeting current and future labour market needs. The Commission is therefore right to highlight the potential contribution of flexible and demand-driven admission policies. BUSINESSEUROPE would like to remind that in 2011, together with the European Trade Union Confederation (ETUC), it will work on a joint statement on economic migration, cross-border EU mobility and labour market integration of migrant workers.
18. While recognising the importance of upgrading and updating of skills, the Agenda does not sufficiently make the link between skills and productivity growth. Eurostat figures show that productivity growth for the EU from 2000-2009 was 7.9% on average for all sectors. This is alarmingly low. Improving the productivity in the EU is crucial not least in view of our shrinking work force. With a smaller work force having to support a growing number of elderly people, not making the most of human resources or not boosting labour utilisation is simply not an option.
19. Better monitoring of labour market and skill requirements can be a valuable resource for policy-making. Yet, no forecasting model can fully anticipate or predict all economic, social or technological changes. Data on future skills projections



should therefore be treated with caution while measures to enhance workers' transversal competencies and employability encouraged.

20. Moreover, the Agenda has a problematic approach to how to better match skills supply and demand in the sense that it only focuses on skills forecasting and the launch of new structures (EU Skills Panorama, ESCO, European Skills passport, forecasting at sector level, etc.). This never-ending stream of new EU level tools in the education and employment policy field makes us question whether the Commission is sufficiently aware that the real obstacles concern the functioning of labour markets as well as education systems at national level.
21. The Commission should be careful not to attach too many expectations to formal structures for assessing skills needs. The best way to ensure a better match between skills supply and demand is to involve employers in the development of courses, teaching methods, assessment of qualifications etc. as well as in the management of education institutions. This will allow for a flexible process of continuous adaptation of the education and training to labour market needs.
22. Member States must therefore be encouraged to reduce bureaucracy around the provision of apprenticeships and address scepticism among education providers at all levels to create links with business.

### **Improving the quality of work and working conditions**

23. In 2008, Eurofound reported that Europe created more and better jobs between 1995 and 2006: the employment expansion in Europe after 1995 was in most cases concentrated in relatively well-paid jobs. Likewise, the 5<sup>th</sup> European Working Conditions Survey points to an improvement of working conditions in Europe: 80% of workers are satisfied with their work-life balance; fewer workers feel their health & safety is at risk because of work; and levels of training provided by employers have risen markedly to give just a few examples.
24. BUSINESSEUROPE therefore strongly disagrees with the Commission's assessment of job quality and working conditions in Europe over the last decade. Moreover, employers do not see the need to undertake a review with a view to streamlining the policy concept of quality work.
25. More emphasis is needed on the urgent need to create jobs. The Commission's overarching priority should be to encourage Member States to reform their labour markets in order to ensure that economic growth leads to the creation of new jobs and to a better match between demand and supply of labour.
26. However, the Agenda goes in the opposite direction when proposing a comprehensive review of existing EU social legislation at a time when the main priority of policy-makers and social partners should be the implementation of structural reforms. This is a great source of concern for BUSINESSEUROPE.
27. BUSINESSEUROPE agrees with the need to review the working time directive and to better implement the posting of workers directive. While supporting the revision



of the Electro-Magnetic Fields Directive, companies consider other legislative action or reviews neither necessary nor desirable.

28. Regarding occupational health and safety, action at EU level should aim at improving implementation of existing EU legislation by companies, i.e. by focusing on non-legislative instruments and measures that raise awareness and provide support. This is the case regarding the areas of musculoskeletal disorders, mental health and psychosocial issues at the workplace. A legislative approach is not appropriate, as they are highly complex due to the fact that they are closely related to the individual worker and can be affected by activities outside the workplace.
29. In the area of information and consultation of workers, existing directives already provide an adequate legislative framework to ensure a constructive dialogue between management and workers' representatives at company level. Given the sensitivity of the issues at stake, the business community is sceptical with regard to the intention to review EU legislation on information and consultation of workers. In any event, this will only be compatible with the overall objective of enhancing growth and employment if it results in genuine simplification.
30. Moreover, BUSINESSEUROPE regrets the overlap between the activities foreseen in the area of information and consultation of workers and the Commission's intention to consult European social partners on an EU framework for restructuring.
31. There is a strong business case and increased preference from workers for flexible employment. The EU directives on part-time and fixed-term work have played an important role in this respect. Employers are therefore opposed to a review, even more so given that the Commission fails to give any explanation for the perceived need. Nor was this requested by any of the European social partner organisations which negotiated the original agreements leading up to the Directives.
32. Finally, BUSINESSEUROPE broadly welcomes the proposed activities to ensure policy coordination and exchange of good practice and benchmarking between the Member States. In a European Union with 27 Member States characterised by important economic, social and cultural differences, soft instruments can be much more appropriate than hard legislation to foster convergence.

## **Conclusion**

33. Status quo is not an option for Europe. There is no alternative to implementing structural reforms to reduce unemployment, upgrade skills levels and improve overall employment prospects for Europe's workers.
34. Full employment is rightly considered as the overall objective of the New Skills and Jobs Agenda. Yet several key actions risk undermining this objective and need to be rethought if in-depth assessments confirm adverse impacts on growth and employment. Above all, the priority must be to build on existing EU-level tools and instruments and eliminate the real obstacles at national level.

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