



16 October 2013

ANNUAL GROWTH SURVEY 2014

2ND CONSULTATION OF SOCIAL PARTNERS

Comments on the consultation process

- BUSINESSEUROPE welcomes this opportunity to continue our exchange with the Commission on the labour market aspects of the Annual Growth Survey (AGS), following the first consultation held last year.
- Since then, the European social partners have negotiated a joint declaration on our involvement in the European economic governance processes which was presented at the tripartite social summit on 24 October 2013. We support the European semester process and the involvement of social partners regarding policies affecting employment and labour markets at the various stages and levels of the decision-making process.
- In the future, we believe that social partners' consultation on the Annual Growth Survey should be conducted in the context of the October Social Dialogue Committee meeting (with an opening to have a separate meeting if needed).
- We repeat our demand that the views on the issues paper on labour market aspects of the draft AGS expressed by the social partners at the meeting on 16 October be annexed to the final version of the AGS published by the Commission.

Comments on the Commission's approach

- Broadly, we support the Commission's approach of ensuring continuity of the main priorities in the 4th European semester, based on this year's AGS priorities and the Europe 2020 strategy.
- Fiscal consolidation, Growth-enhancing structural reforms and labour market measures aiming to foster a job rich recovery continue to be of critical importance everywhere in Europe. BUSINESSEUROPE therefore stresses the importance of full implementation and stronger enforcement of Country-Specific Recommendations to that end.
- The overall EU priority is and remains to increase our competitiveness globally.
- We must feed emerging growth with pro-competitiveness measures in order to win the battle for employment. In particular, reforms on labour markets and of education and training systems at national level are and should remain the main vehicle to boost labour productivity, job creation and a better match between available jobs and skills.



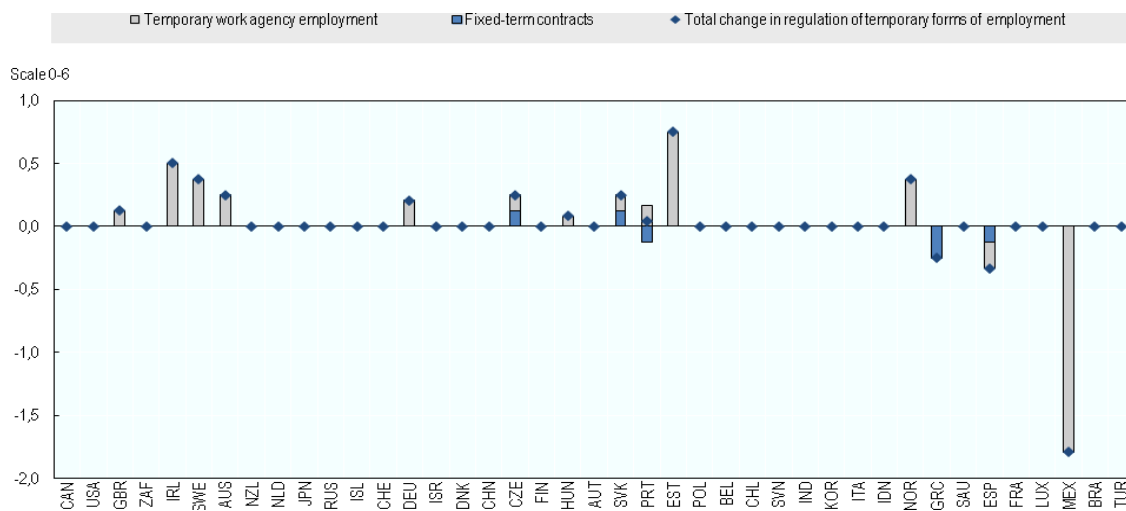
- We would suggest that the Commission provides an analysis of the outcomes of labour markets reforms implemented at national level during the last year in the context of this Annual Growth Survey.
- However, it would be premature for DG Employment to consider the tentative signs of recovery observed in some economies today, as justifying a shift of its overall policy approach on employment. We must pursue labour market reforms to have a job rich recovery.
- The overarching priority in the field of employment policy is and remains to fight against unemployment, in particular the reduction of long-term unemployment and of youth unemployment, which are the symptom of structural weaknesses on our labour markets.
- The objective is of course to increase prosperity in Europe. But social sustainability is linked to economic success.
- We are concerned about the false link made between flexible jobs and precariousness in the Commission's issues paper and in the proposed new scoreboard of employment and social indicators. This disregards the fact that flexible forms of work are an indispensable stepping stone to the labour market, notably for long term unemployed and new entrants. Such a distorted picture could lead to measures going against the objective of growth and job creation.
- The problem is unemployment, not part-time work, fixed-term contracts or temporary agency work. The positive role of flexible forms of employment to help integrate people into the labour market must be recognised by the Commission.
- Instead of making it more difficult for companies to hire workers, the objective must be to remove unjustified barriers at the entry of labour markets. This would be particularly helpful to facilitate young people's access to the labour market.
- Growing divergences in employment and social outcomes between Member States are an important challenge. However, distinguishing between the "North and core" and the "south and periphery" of the euro area is not helpful in bringing the Member States towards a common agenda.
- The reality is more complex than this simplistic and misleading divide. The situation of individual countries has more to do with their past performance in terms of adapting to economic and social change. This should be the Commission grid of analysis in the AGS.
- Reducing the gap between Member States' unemployment rates will mainly come from the adoption and implementation of structural reforms at national level to boost competitiveness, growth and jobs.



Comments on the content of the issues paper

- Concerning job creation, we are not at all convinced by the Commission’s focus on some sectors, i.e. greening, ICT, and care services.
- In particular, the job creation potential resulting from the “greening” of the economy is unclear. The low carbon economy can bring growth and jobs if the competitiveness of the EU’s industrial base is preserved. Competitive energy prices and a balanced EU policy framework on climate change are crucial to achieve this.
- The Commission should focus on how to tap the job creation of the whole economy. And this requires simultaneously strengthening industrial competitiveness, with a view to reaching the EU’s industry growth target of 20% GDP by 2020, and developing a world leading services sector.
- We don’t agree with the European Commission that “job precariousness worsened during the crisis”. Firstly, this wrongly diverts the focus away from measures aiming to reduce unemployment. Secondly, this misleading general statement is contradicted by the data available for many countries.

Change in regulation for temporary contracts, 2008-2013¹



- Likewise, available data for the EU does not match what the Commission writes about “rising inequalities”. Between 2005 and 2010, there was no general trend in income inequality in Europe. The average Gini coefficient in the EU remained at about 30% (around 38% in the US). In roughly half of the Member States income inequality narrowed (e.g. Poland, Portugal, and the Netherlands).
- We agree with the Commission’s finding that wages have grown “at an overall moderate pace and that unit labour costs are showing some convergence”. In order not to repeat the building up of macro-economic imbalances linked to

¹ OECD Employment Outlook 2013 – see <http://dx.doi.org/10.1787/lfs-epl-data-en>



excessive wage increases, all European countries should help ensure that wage cost evolutions are consistent with the underlying productivity performance.

- While respecting the autonomy of national social partners on wage bargaining, the Commission may issue recommendations to Member States to review their wage setting systems if they do not ensure an appropriate link between labour costs and productivity, such as in the case of indexation systems. However, decisions on wage setting must remain a national competence.
- Concerning non-wage labour costs, we are surprised about the reported decreases in employers' social security contributions, which do not match what employers in several Member States report to us. We would like to receive the evidence on which the Commission based its statement that the tax wedge on labour has increased in most Member States between 2010 and 2012. We also disagree with the Commission that the margin for reductions "*remains narrow*" and believe that reducing the tax wedge for all employment contracts should be a priority as part of multilateral surveillance of Member States' actions in the next years.
- Concerning social protection, the EU represents only 7% of the world population and 20% of global GDP but at least 40% of global public spending in social protection. The reported increase in poverty in the last years is primarily resulting from unemployment. Higher social spending is not the solution as it would lead to rising levies on companies and workers and undermine the goal of increasing competitiveness and enhancing job creation.
- On the contrary, some Member States urgently need to take action to ensure the sustainability of their social security systems. For example, under the current eligibility rules, the French unemployment insurance system would reach a deficit of 44 billion Euros in 2017. It needs to be reformed to become sustainable.
- Making further progress on pensions reform is also critical. If we want to preserve adequate pensions in the future, we must align retirement age to life expectancy. National social partners should be consulted as they can play a role in adapting pension systems to demographic ageing. However, when consensus is not possible, governments must act. Ensuring solidarity between the generations is crucial for social cohesion, inter-generational fairness and for the future of Europe.
- We support the Commission's view that there is a lot of room for Member States to learn from each other to achieve a more efficient use of social spending. The social Open Methods of Coordination should be fully mobilised to that effect. In line with the recently published social investment package, we also welcome the proposed shift from reactive towards preventive and preparatory approaches, from compensating to enabling policies. This should feature more prominently in the AGS 2014, and take account of the role that Public Private Partnerships can play in this respect.



- Finally, an issue not covered in the issues paper needs to be highlighted: mobility. Mobility should be promoted and facilitated as it can contribute to economic growth by improving allocation of labour across Europe. The European Union should encourage worker mobility and the Commission should provide better data to ensure a fact-based policy discussion on mobility.
