

TO DELIVER FOR PEOPLE, THE EU SHOULD

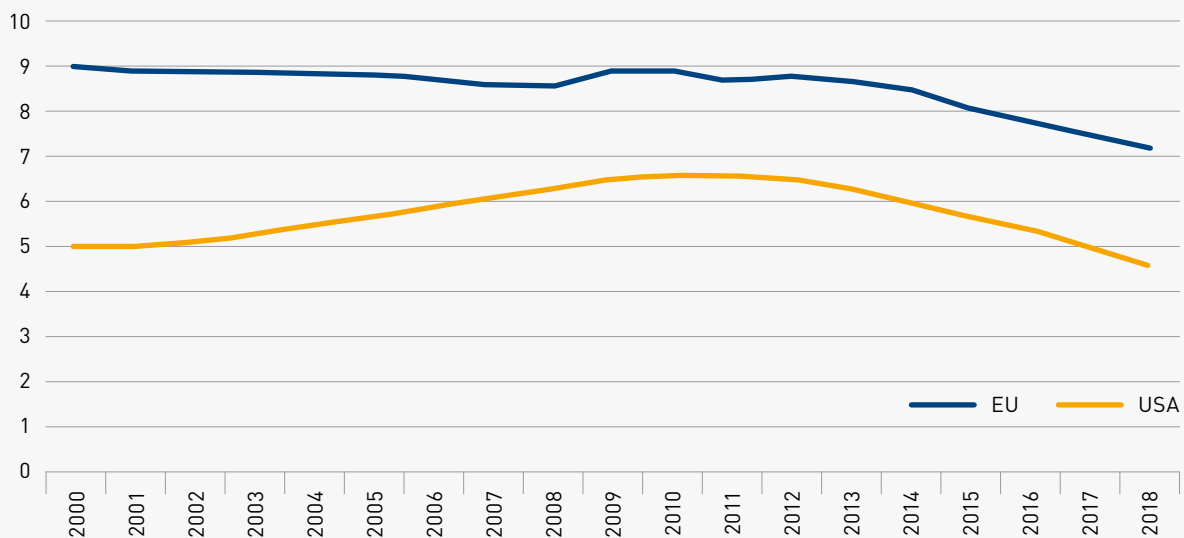
- 1 FOSTER GRADUAL ECONOMIC AND SOCIAL CONVERGENCE AMONG MEMBER STATES**, supporting those lagging behind, by encouraging them to continue reforming their labour markets and social systems and by channelling structural funds into productive investment. Social policy should be combined with solid economic and cohesion policies as part of an EU strategy for increasing employment, productivity, growth and competitiveness for the benefit of all Europeans.
- 2 HELP ADDRESS SKILLS MISMATCHES** that increasingly act as a break on economic growth, even in countries with high unemployment. This means supporting Member States in their efforts to ensure that education and training systems deliver learning outcomes tailored to labour market needs, particularly regarding science, technology, engineering and mathematical skills.
- 3 COMBAT RESTRICTIONS TO FREE MOVEMENT OF WORKERS** and gold-plating in the implementation of the posting of workers directive and regulation on social security coordination.
- 4 ENSURE THAT THE LABOUR MARKET REGULATORY FRAMEWORK PROVIDES THE RIGHT BALANCE OF FLEXIBILITY AND SECURITY** for companies and workers, facilitates job creation and does not stifle innovation.
- 5 REMAIN AT THE FOREFRONT OF PROMOTING DIVERSITY IN LABOUR MARKETS**, by ensuring proper implementation of existing anti-discrimination legislation as well as combating stereotypes that fuel gender gaps and the root causes of youth unemployment.
- 6 BUILD COORDINATED EUROPEAN SOLUTIONS TO BETTER MANAGE MIGRATION**, moving away from ad hoc crisis management towards an agreement on a new Common European Asylum System to return to a normal functioning of the Schengen area. At the same time, the EU should pursue a positive agenda to remain an attractive destination for talented people from around the world.
- 7 FACILITATE SOCIAL DIALOGUE**, respecting the autonomy of social partners, increasing support for capacity building for social partners in countries where they are less established and consulting them in a timely manner on all EU labour market initiatives.

1 ECONOMIC CONVERGENCE AND SOCIAL COHESION

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

Europe is one of the most equal continents in the world. The economic and social situation in Europe has been improving. The economic recovery we have experienced during the last years had a positive impact on labour markets and social progress. Between 2013 and 2017, 12 million additional jobs were created in the EU and employment levels reached 73 % in 2018. This is good news. However, there are big differences in the employment performance of different Member States and European unemployment still remains high in comparison. Euro-area unemployment remains at almost 7 % compared to 3.8 % in the USA at the end of 2018.

CHART 2.1 *The EU's 'natural' rate of unemployment has decreased in the post-crisis period, but at a lower rate than that in the USA*
Non-accelerating wage rate of unemployment in %



Source: European Commission, 2018

RECOMMENDATIONS

The EU should:

- 1 foster gradual economic and social convergence among Member States**, supporting those lagging behind, by encouraging them to continue reforming their labour markets and social systems and by channelling structural funds into productive investment. Social policy should be combined with solid economic and cohesion policies as part of an EU strategy for increasing employment, productivity, growth and competitiveness for the benefit of all Europeans.
- 2 put in place policies that can raise long-term productivity**. Growth in labour productivity is essential to maintain high levels of social protection in a way which is financially sustainable. This is a must for peoples' long-term employment, prosperity and well-being.
- 3 improve the governance of European coordination of national policies on employment and social protection**, ensuring that employers, the trade unions, European Commission and Member States are working together and deepening the cooperation between social partners and the Council's Employment and Social Protection Committees.

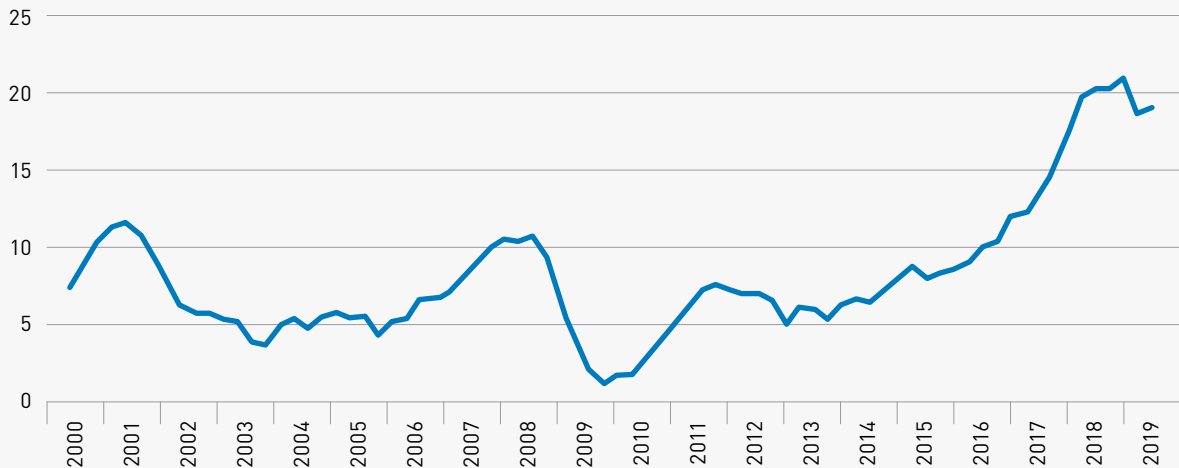


2 SKILLS

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

Businesses across the EU report rising difficulties in hiring qualified workers since the beginning of 2016. Around 40 % of European employers have difficulties in finding people with the skills they need to grow and innovate. This is particularly challenging not only for those companies that miss the talented technical people, but also for the EU as a whole as it reduces prosperity and employment opportunities in Europe. Whilst increasing skills shortages might be expected when the economy grows stronger, the share of industrial enterprises in which insufficient labour limits their production is now twice the pre-crisis share and the highest on record since 1985. With almost half of Europeans still not having any digital skills today and 9 out of 10 future jobs requiring at least basic digital skills, the digital skills gap is of particular concern.

CHART 2.2 *Companies are increasingly concerned that a lack of labour hampers production*
Share of industrial enterprises which indicate that insufficient labour limits production in %

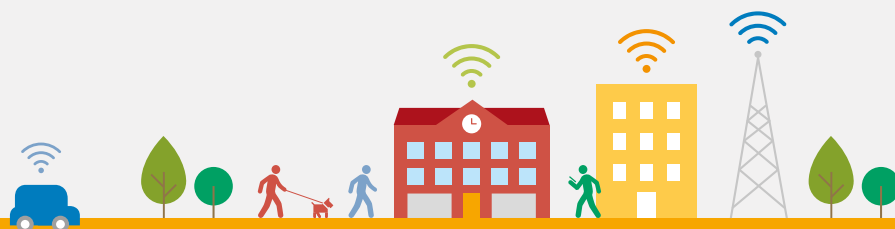


Source: European Commission, 2019

RECOMMENDATIONS

The EU should:

- 1 help address the labour market mismatches** that increasingly act as a break on economic growth, even in countries with high unemployment. This means supporting Member States in their efforts to ensure that education and training systems deliver learning outcomes which are better tailored to labour market and companies' needs, particularly regarding Science, Technology, Engineering and Mathematical (STEM) skills.
- 2 continue to support the development of quality and effective apprenticeship** systems across Europe, with a majority of the apprentices' training time taking place in the company as it is done in the best performing apprenticeship systems.
- 3 encourage Member States to invest in digital skills** in order to bridge the current skills gap. This requires improving basic digital education at early curricular levels as well as basic and advanced science, technology, engineering, and mathematics (STEM) which are fundamental for the ongoing industrial revolution to be a success. STEM skills are also important for developing systemic and critical thinking. The EU should support them by allocating sufficient resources to digital skills training in the European Social Fund (ESF) and other relevant funds.
- 4 develop a set of guidelines on entrepreneurship skills.** The EU could provide guidance on how to reform school curricula and help today's students to acquire the skills that they will need to become entrepreneurs or pursue successful careers in enterprises and help share best national practices.
- 5 help to strengthen the reputation of European universities,** together with Member States, in order to attract international students and fund exchanges of experiences on pilot projects involving forward-looking universities.
- 6 encourage up-skilling and re-skilling, as part of lifelong learning,** to support the existing workforce and those starting their career, to adapt to new technologies and forms of working. This requires modernising vocational education and training (VET).

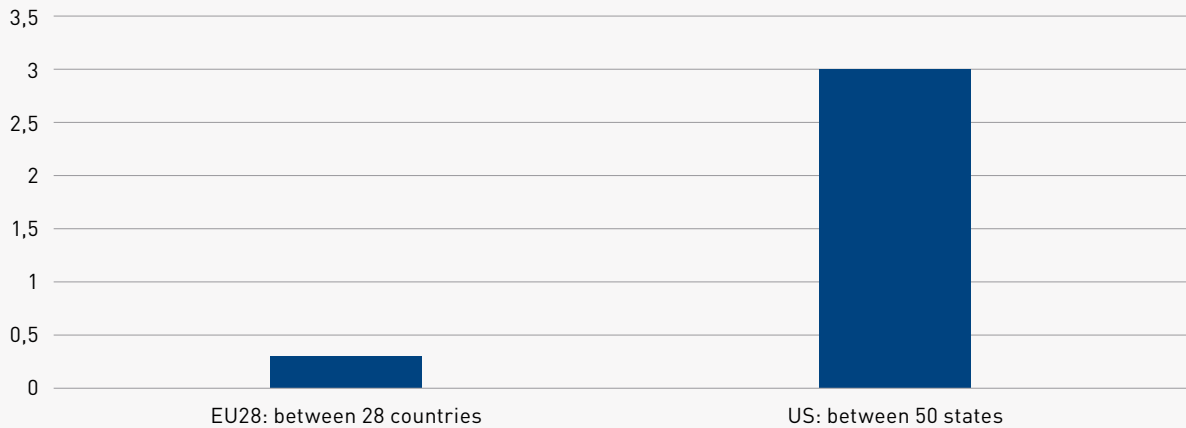


3 LABOUR MOBILITY

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

Labour mobility is an essential freedom for EU workers and citizens as part of the Single Market. Beyond benefits it provides for each individual, mobility boosts employment and allows those companies facing labour shortages to access a skilled workforce throughout the EU. Today, only around 0.3% of the population is moving from one country to another each year in the EU, compared with 3% in the USA. There is clearly room for improvement to deliver real free movement of people in Europe.

CHART 2.3 *EU labour mobility limited compared with the USA*
Annual cross-border mobility (% of total population, 2016)

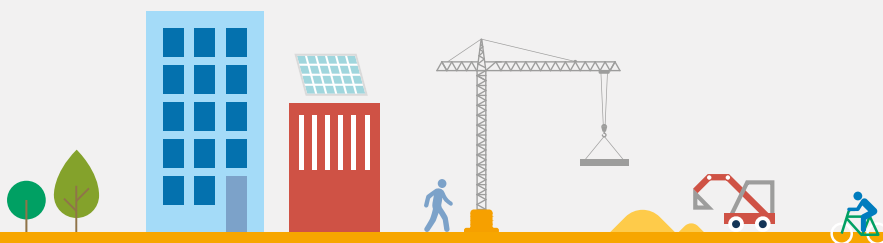


Source: CEPS, Eurostat, 2016

RECOMMENDATIONS

The EU should:

- 1 take proactive action to eliminate remaining restrictions and combat new administrative burdens hindering the free movement of workers**, to fully realise the growth and job potential of free movement of services in the Single Market.
- 2 ensure coherent implementation of the posting of workers directive and regulation on social security coordination** and urgently provide clear guidance to Member States on how to implement it. As a first step, the Commission needs to urgently clarify that Member States are not allowed to require A1 forms for short business trips as these cannot be considered as postings of workers.
- 3 carefully screen measures taken at national level to implement EU legislation on posting of workers**, to make sure that it is proportionate and non-discriminatory for foreign service providers and that foreign service providers have easy access to relevant information in order to be able to comply with the rules.
- 4 ensure that national authorities dealing with mobility cooperate better** across Europe and provide easy access to accurate information for companies and mobile workers. This should include making good use of the new European Labour Authority to support mobility across Europe and removing barriers to postings.

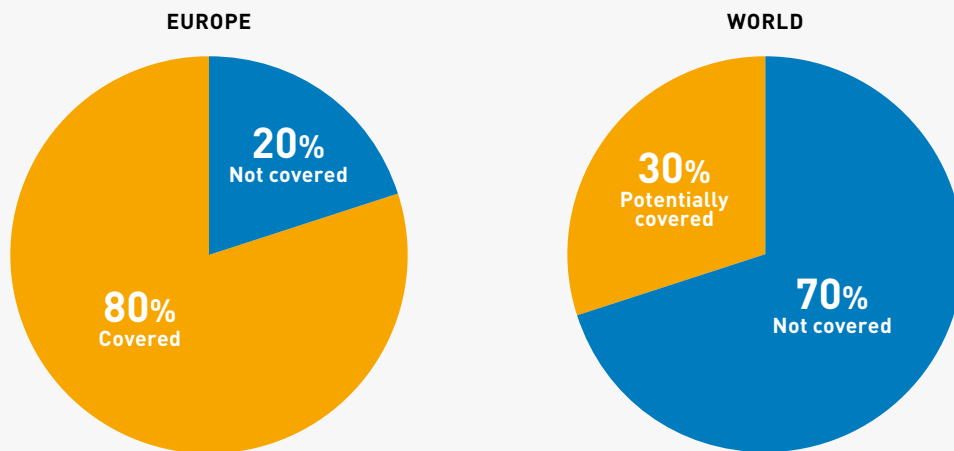


4 SOCIAL PROTECTION

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

Europe's investment in social safety nets is unparalleled. 50% of the global population lacks access to any type of social security, whereas the EU28 has the highest level of expenditure on social protection in global comparisons nearly 29% of GDP compared to just above 20% in Japan and below 20% in Australia or Canada. Access to unemployment benefits in Europe is very high in global comparisons: less than 30% of workers worldwide are potentially eligible for unemployment benefits, whereas 80% of workers are covered in Europe.

CHART 2.4 *Europe's investment in social safety nets is unparalleled*
Access to unemployment benefits in comparison



Source: own illustration based on International Labour Organisation, 2015

RECOMMENDATIONS

The EU should:

- 1 encourage Member States to maintain high levels of social protection in a way which is financially sustainable** now and for future generations. Member States should ensure that welfare benefits accompany people in labour market transitions in an active way.
- 2 create positive synergies between EU and national social policy actions.** It is essential to respect the principle of subsidiarity by taking action at the right level. By doing this, the EU can support and complement Member States' actions as specified in the Treaties. The EU social model is based on different national systems. It is absolutely crucial to preserve this diversity as these systems respond to different economic and social realities and are based on deeply rooted political choices and societal traditions.
- 3 encourage Member States to enhance incentives to work and support smooth transitions between jobs** and employment statuses by modernising social protection systems to make them more employment-friendly. Open, dynamic and mobile labour markets are needed to support new and more diverse career paths and smooth transitions between jobs, sectors and employment statuses. More diversified careers need to be accompanied by adequate social security systems promoting transitions.
- 4 build on the common approach developed by the Council's Social Protection Committee (SPC) on development of indicators and benchmarking,** to support national implementation of the country-specific recommendations developed as part of the European Semester process. Tripartite discussions should be prioritised between the Commission (involving both DG ECFIN and DG Employment), national governments, European social partners and their members, to exchange information and practices on pension reforms.
- 5 continue to use the existing Open Method of Coordination,** whilst improving its effectiveness to benchmark national progress towards better performing labour market and social systems in all Member States.

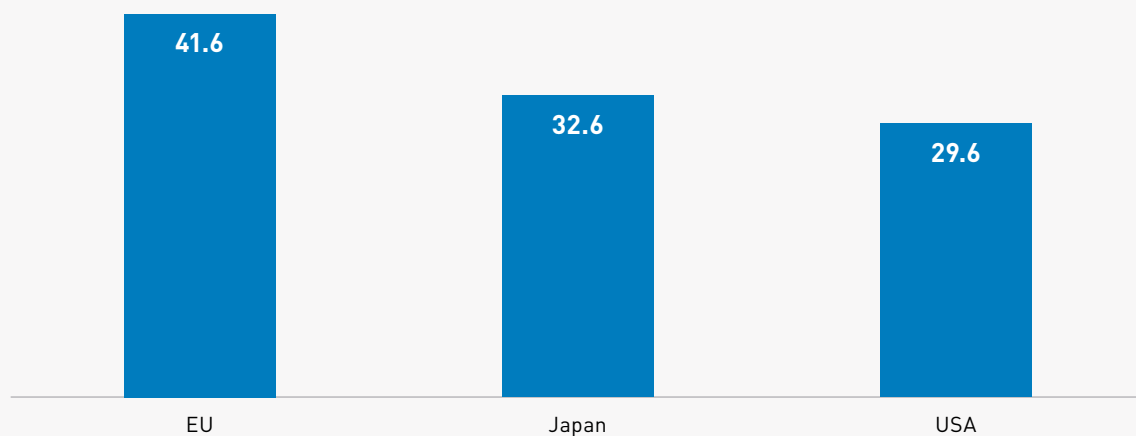


5 EMPLOYMENT

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

Both the OECD and the European Commission stress that high levels of labour taxation may have detrimental effects on employment by reducing incentives both for workers to enter the labour market (if net gains after taxes and benefits are small) and employers to hire more staff (if labour costs are very high). Thus, it is a clear concern that the average tax wedge (non-wage labour costs) in the EU is about 30% higher than in the USA and Japan, with no effective progress made in the EU over the last decade.

CHART 2.5 *The tax wedge on labour in the EU needs to come down*
Tax wedge on average income earners (single person) in 2018 in %



Source: OECD, 2019

RECOMMENDATIONS

The EU should:

- 1 ensure that the labour market regulatory framework is clear and simple and provides the right balance of flexibility and security for companies and workers.** Both need to have easy access to different forms of employment and a variety of work contracts that respond to their changing needs. This should include moving away from the negative discourse on so-called 'non-standard' forms of work, setting in motion a genuine partnership for labour market reforms. Rather than trying to solve labour market challenges across the board at European level, the EU's primary role is to provide information, incentives and know-how for Member States and social partners to design, implement and evaluate policies addressing the structural labour market challenges they face.
- 2 facilitate job creation and employment through cuts to tax wedges and lower social security contributions,** in particular for low-income workers.
- 3 ensure that European companies are not constrained in hiring people,** by making sure that national employment protection legislation does not restrict job creation and hiring.
- 4 ensure that policies to accompany the changes on labour markets, including due to digitalisation,** do not stifle innovation in business models and forms of work and are flexible enough to reflect their diversity.

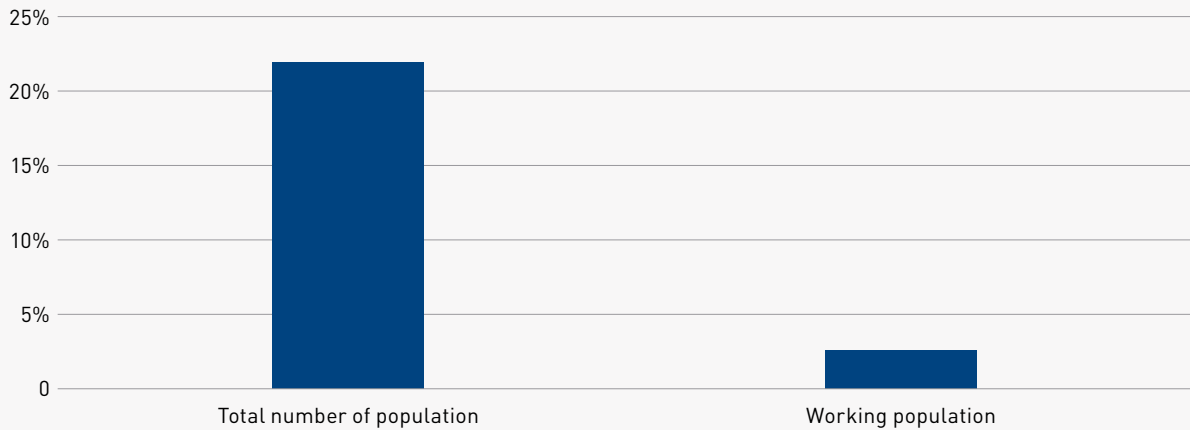


6 SOCIAL INCLUSION AND EQUALITY

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

Whilst poverty levels in some EU countries remain too high, the overall development is positive. Poverty has decreased significantly in the past decade: in 2017, less people were at risk of poverty or social exclusion in the EU than in 2010. Employment reduces considerably the poverty risk. We need to build on this and make further progress in raising employment to be able to deliver social goals of reducing poverty and inequality, provide opportunities for all and empower people to maximise their chances in the labour market.

CHART 2.6 *Employment is the best way to stay out of poverty*
Percentage of population at risk of poverty and social exclusion (AROPE) in the EU in 2017



Source: European Commission, 2018

RECOMMENDATIONS

The EU should:

- 1 support Member States in their fight against poverty and inequality** within the EU by pursuing policies that foster growth and employment.
- 2 encourage Member States to continue to implement structural reforms on labour markets,** to ensure good conditions for economic progress, which is the basis for social progress and raise employment to be able to deliver social goals of reducing poverty, inequality and providing opportunity for all.
- 3 encourage Member States to target public resources to active employment strategies,** whilst continuing to provide adequate income for people who cannot work or find employment, or who are facing poverty or social exclusion.



7 PENSIONS AND DEMOGRAPHIC AGEING

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

EU countries generally rank very high in terms of human well-being. Europeans also have longer healthy life expectancy than people in other parts of the world. However, Europe's population is ageing. In 2017, nearly one fifth of the EU population was aged 65 and more. This means that more people will be reliant on pension and healthcare systems, leading to higher age-related public expenditures, whereas less people will be working to support this. The EU28's old-age dependency ratio was nearly 30% in 2017, meaning there were just over three persons of working age for every person aged 65 or over. And this is projected to rise to over 50% by 2080.

CHART 2.7 *We need to do more in view of demographic changes*
Old-age dependency ratio in international comparison

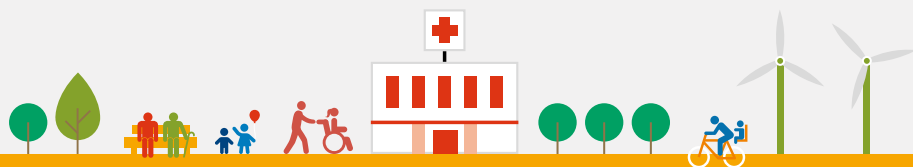


Source: own illustration based on United Nations, 2017

RECOMMENDATIONS

The EU should:

- 1 support Member States in their efforts to mitigate negative impacts of population ageing.** Reforms must encourage people to enter the work force earlier but also stay in the workforce longer (through active ageing policies, life-long learning, re-skilling and up-skilling, and flexible work arrangements) to combine work and retirement, make pension systems sustainable, strengthen the link between contributions and benefits as well as remove incentives for early retirement.
- 2 encourage Members States and social partners to learn from each other** how to design and implement a successful and fair pension reform for different age cohorts having a good mix between state, occupational and private pensions, respecting national practices and traditions, and balancing the interests of those paying contributions with the needs of those receiving pensions.
- 3 build on the common approach developed by the Council's Social Protection Committee (SPC)** on the development of indicators and benchmarking, to support national implementation of the country-specific recommendations adopted as part of the European Semester process.



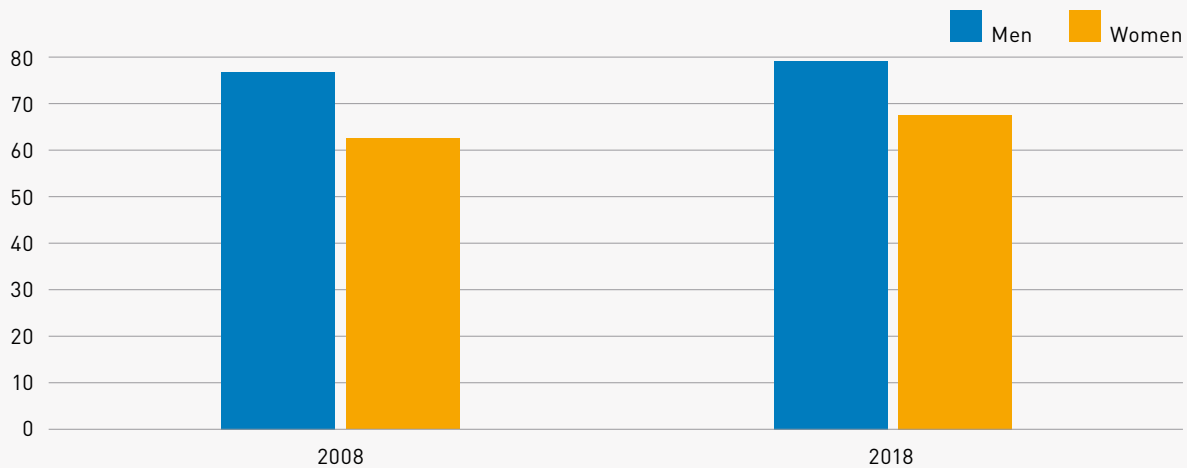
8

DIVERSITY

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

Promoting diversity and combating discrimination is at the heart of European values. Moreover, an efficient use of talent, irrespective of age, gender, ethnicity, disability, sexual orientation and religious beliefs, is important for company competitiveness, economic growth, social development and inclusion. Much has been achieved over the past decades, but we still need to do better at activating the inactive parts of our societies. Today women's labour market participation rate stands at only about 68% in the EU compared to about 79% for men while youth unemployment remains stubbornly high, especially in some Member States. Integrating all gender and age groups on labour markets remains an important challenge.

CHART 2.8 *We need to do better at activating the inactive parts in our societies*
Gender employment gap in %



Source: European Commission, 2019



RECOMMENDATIONS

The EU should:

- 1 remain at the forefront of the promotion of diversity in labour markets**, by ensuring proper implementation of the highly developed anti-discrimination and equal opportunities legal frameworks that have been established over the years and supporting efforts to address the non-legal obstacles that women, young, disabled, ethnic minorities or older workers face on labour markets, through non-legal measures, such as awareness-raising campaigns.
- 2 aim at getting more women into work**, by encouraging Member States to invest in accessible and affordable child and other care infrastructures. This should include revising the Barcelona target on the availability of childcare for 0-3-year-olds and finding a way to ensure it is implemented in all countries.
- 3 continue to contribute to the reduction in gender inequalities** by running EU and national campaigns to address the cultural reasons at the root of the persisting gaps, by combating gender stereotypes, promoting women in leadership, and by taking action to tackle gender segregation in education and in our labour markets. These have a direct impact on career choices, sharing of care and household duties, achieving a gender balance across sectors and roles and the gender pay gap.
- 4 redirect EU funds to tackle youth unemployment** towards addressing structural causes. The youth guarantee was designed as a response to the crisis at a time when youth unemployment skyrocketed in a number of countries. Now that the economic and employment situations have improved, it is important to reorient available resources at EU and national levels to address the real causes behind structurally high levels of youth unemployment in many European countries.
- 5 encourage the relevant players in the Member States to look at their minimum wages and seniority-based pay systems**, to ensure that they don't undermine youth or older people's employment prospects.
- 6 support learning between Member States on how to improve effectiveness of active labour market policies** to target groups underrepresented on our labour markets, such as people with disabilities. This should include better cooperation between public and private employment services, to find a good match between available jobs and a productive workforce.
- 7 promote good practices on ability** through information campaigns and exchanges of experiences on how to focus on the tasks and jobs that individuals are able to do rather than on what they are not able to do and how to promote role models from diverse groups in society.

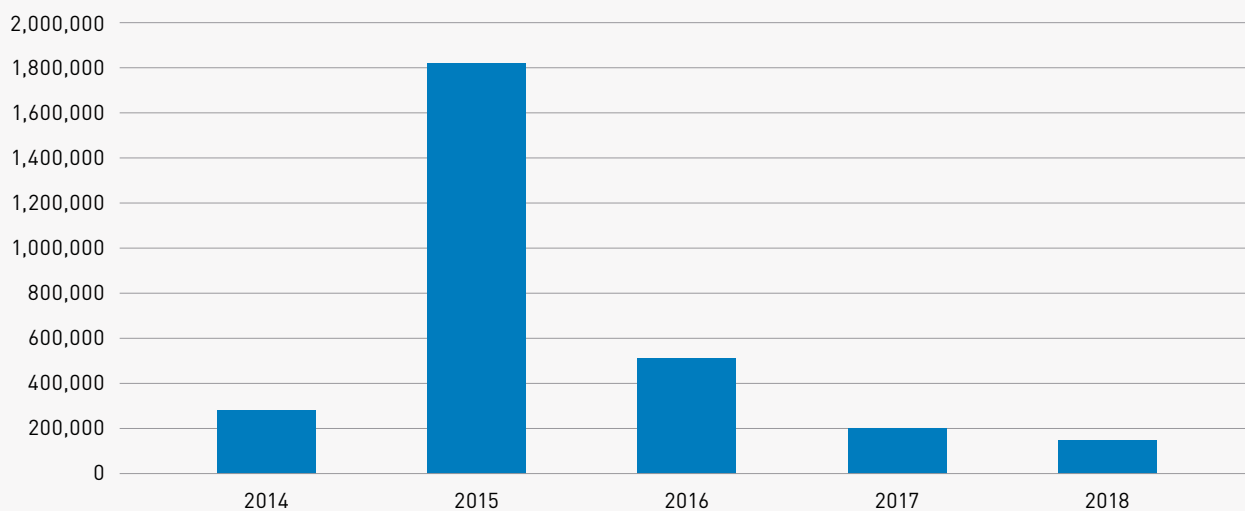
9 MIGRATION

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

The EU was much more successful in tackling the migration crisis than is often acknowledged. Since the peak of the crisis in 2016, when over 200,000 migrants arrived at European shores per month, we have seen the numbers of arriving migrants reduced to pre-2015 levels. However, we are still working with ad hoc crisis management solutions regarding migration which undermines the normal functioning of free movement in the Schengen area and fuels a divisive debate among Member States. Different forms of global migrations are an inherent feature of the 21st century. Rightful asylum seekers from war-torn countries have to be given shelter. We have to live up to our common European values and work towards a European solution. Companies are contributing to finding practical solutions to help deal with this huge challenge. However, Europe cannot accommodate unlimited numbers of people coming to our continent and must therefore be fully equipped to prevent and tackle illegal economic migration.

Nevertheless, given the ageing of our population and the shortages of skilled labour, it is in our interest as companies and society to ensure that skilled and talented people from around the world regard Europe as an attractive destination to study, work and live legally. Europe tends to attract low-skilled migrants and seems to be less appealing for skilled international migrants than other advanced economies, despite the development of a broad range of instruments to put in place a common framework for the management of legal migration the EU has developed since 2003. We also need a renewed European legal migration policy framework which respects Member States' competency to determine the number of labour migrants to be admitted in their countries.

CHART 2.9 *The migration crisis has subsided / Illegal border crossings into the EU*



Source: Frontex, 2019

RECOMMENDATIONS

The EU should:

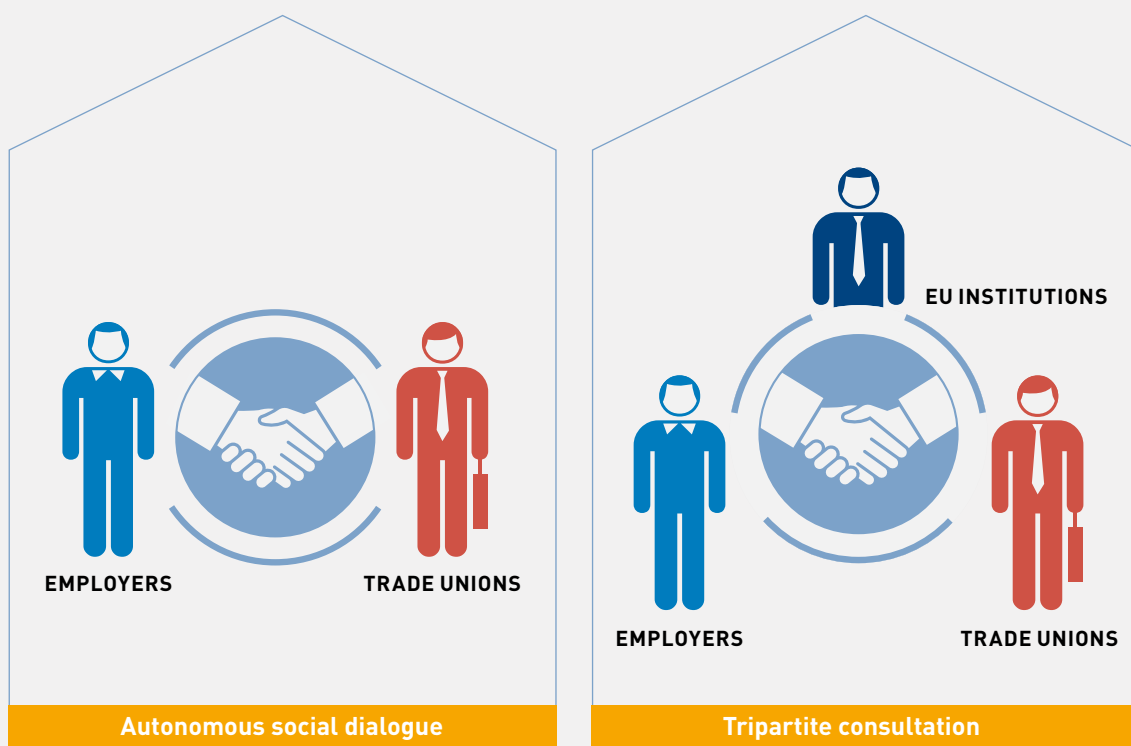
- 1 build coordinated European solutions to better manage migration** and move away from ad hoc crisis management solutions for refugees and asylum seekers. Instead, an agreement on a new Common European Asylum System needs to be found to pave the way for returning to a normal functioning of free movement in the Schengen area. Schengen is key to guarantee free movement. At the same time, the EU should pursue a positive agenda to attract talented people from third countries that are equipped with skills needed on European labour markets.
- 2 consider actions to accelerate the reinforcement of the European border and coast guard agency** with the agreed European standing corps to assist Member States protecting the EU external border.
- 3 better target migration policies**, improve the way the EU and its delegations around the world promote Europe as a destination of choice for people with the skills needed in our European labour markets, and conclude the ongoing debate on the revision of the Blue Card Directive to facilitate highly skilled migration, to fill skills gaps and help address labour shortages.
- 4 facilitate cooperation between European regions and national governments** on how to address different forms of migration, and successfully manage their integration on European labour markets.
- 5 enhance cooperation with public employment services and universities or colleges** in third countries through the network of EU delegations.



10 SOCIAL DIALOGUE

CHALLENGES & OPPORTUNITIES FOR EUROPEAN COMPANIES

In accordance with the national industrial relations systems, employers and workers and the organisations representing them in the social dialogue contribute to create a labour market which is productive, flexible and protective. Employers and trade unions are best placed to tackle questions linked to the world of work. We want social dialogue to continue to have an important role in designing and implementing labour market policies and measures that really help companies and workers. Enterprises and their organisations will continue to engage in social dialogue to ensure that it helps improve competitiveness, growth and employment. This will be possible if the EU legal framework respects the diversity of collective bargaining practices and leaves enough room for manoeuvre for employers and workers to find mutually beneficial ways to adapt to changing economic and social circumstances.



RECOMMENDATIONS

The EU should:

- 1 facilitate the social dialogue**, respecting the autonomy of the social partners, which is a key feature of the European social model and an essential tool to manage labour market changes and find balanced solutions to Europe's economic and social challenges and the changes in the world of work.
- 2 increase its support for capacity building of social partner organisations by Member States**, in those countries where they are less established, or where there is a lack of or insufficient capacity to get involved in the European social dialogue, in a spirit of mutual trust among representative organisations freely willing to engage in social dialogue. This should include a dedicated track in the European Social Fund.
- 3 give more space to social partners**, in full respect of their autonomy and of the outcomes of the social dialogue at European level as well as in Member States. The European social partners must be fully consulted and in a timely manner by the Commission on all labour market-related EU initiatives.



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