

Warsaw 2007 - Background papers

EIN Summer University and European Ideas Fair

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EIN POLICY ROUNDTABLE ON

EMPLOYMENT, SKILLS AND HUMAN CAPITAL

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Background

Over 13 million jobs have been created in the Euro zone since 2000 - more than in the United States in the same period - with the EU likely to add almost nine million new jobs between 2006 and 2008. In July 2007, the eurozone's jobless rate stood at 6.9 per cent - down from 7.9 per cent a year ago - yet this remains high by international standards, with just 4.6 per cent of the US workforce unemployed and only 3.7 per cent of the Japanese. And whilst the 2006 European Labour Force Survey found that 214 million people aged 15 years or more had a job or a business activity in the EU27 (equivalent to an overall participation rate of 64.4 per cent for men and 57.2 per cent for women), this misses the target of 70 per cent set by EU heads of government at the Lisbon European Council in 2000.

High unemployment continues to waste human resources and drain prosperity in Europe. Eurostat estimates that over 10.4 million potential workers are without jobs in the eurozone, and a total of 16.1 million across the EU27. The EIN working group on employment, skills and human capital has consistently highlighted employment growth as a key issue for European competitiveness. For example, enhancing the labour-market participation rate in Europe from 64% to 75% - five per cent higher than the Lisbon goal, but only marginally higher than rates already achieved in several EU member states - would largely close the GDP gap between the EU and the US.

The major long-term threat facing Europe is that of demographic change facing Europe. The EU27 urgently needs to focus on how to fund an ageing society and shrinking workforce, and on generating jobs and growth through lower taxes and sound finances based on promising less and delivering more. Europe's demographic challenge will require the modernising and reforming of all our social policies, including health and retirement. Current European social models will also need to adjust to globalisation - a process that should be managed pro-actively if Europe is to avoid facing sudden, stark policy choices.

At the 2006 EIN summer university in Lyon, participants referred to OECD data on job creation that found some policy mixes to work better than others. Governments should move fast to eliminate dysfunctional social policies and negative incentives such as early retirement, and permanent disability instead of retirement. The policy roundtable identified a centre-right social model based on the basic principles of the market economy, competition and social security. This policy area is not and must not be seen to be the monopoly of the left, whose policies often undermine the responsibility of the individual and reduce initiatives.

Overall, the roundtable felt that the EU social agenda needs to be reworked and reformed. For example, the best way to stop the blocking of the Working Time Directive would be to withdraw it, replacing it with a proper health and safety measure, focussed on rest time rather than working time. By listening to what real workers want, the European Commission would reconnect European policies with Europe's citizens.

During March 2007, the working group held a joint seminar in Paris with Fondation Robert Schuman, Fondation pour l'Innovation Politique and Institut Montaigne. Participants highlighted three key components as necessary to improve Europe's economic growth, namely: work, capital and innovation. Proactive labour policies were needed to create a sense of entrepreneurship. Properly organised immigration was also seen as a major opportunity for the sustainability of the European social systems - alongside flexible labour markets and the promotion of innovation.

Among the questions that might be addressed at this year's summer university are:

- ? Which specific labour-market reforms should now be a priority?
- ? Will global competition mean that one 'social model' will prevail in the EU by 2025?
- ? Would the idea of an EU Small Business Act be helpful or counter-productive?
- ? What impact will the shift in global economic power have on job creation in Europe?