

# *Employers' Group*

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## How to strengthen the Social dimension of the EU: a perspective for Competitiveness and Growth

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We cannot talk about the social dimension without improving competitiveness and boosting growth. A healthy economy will help to solve the problem of high unemployment much faster than new funds and administrative measures. At the same time, we must remember solidarity, but not without conditions. Solidarity must be accompanied by responsibility. Member States should seek out best practice among themselves, but there is no "one size fits all" solution. Economic, social and political stability go hand in hand. These are a few of the conclusions that were drawn during the Employers' Group extraordinary meeting in Berlin. Together with major stakeholders from government and unions we were trying to examine how we can achieve sustainable economic growth and global competitiveness in order for the EU to return to higher employment and solid social standards that are affordable in the long term.

### The social dimension: too little or too much? Create or enhance?

"The social dimension of the EU economy is a fact, not something we have to create. The nature of the single market is social, many of its benefits are par excellence part of the social dimension. We don't need to create it but to enhance it", stated Jacek Krawczyk, Employers' Group president, in his introductory remarks. The social dimension is not just the simple redistribution of money. Creating jobs is also part of it, added Peter Clever, member of the Employers Group and the BDA. Unless new assets are generated there is nothing to distribute.

"The EU is more than just an economic and business project, it has a clear social dimension", agreed **Marion Schick**, Deutsche Telekom AG executive board member.

**SMEs' access to funds  
in (southern) Europe**

**"Aviation – does it  
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**CARIFORUM-EU  
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**Elmar Brok, German Member of the European Parliament**

Letting even the weakest and smallest Member States develop within the community is at the core of integration. "The social dimension must be strengthened, it's not just about creating jobs", responded **Elke Hannack**, vice-president of the German Confederation of Trade Unions, DGB. According to German trade unionists, priority should be given to social rights, attacks on union and employee rights must end, and there is a need for more fairness on the labour market. **José Vicente González Pérez**, vice-president of the Spanish employers' organisation CEOE, stressed that the social dimension is part and parcel of European integration. The social model needs to be reformed but the European model is something that sets us apart from the rest of the world. Europe needs a sustainable social model; we may have problems at the moment, but it is working.

### **Debt crisis: breaking the vicious circle**

For many years, the European Union was solving on-going problems with money that wasn't there. The time of growth was used to increase consumption, not to implement structural reforms. The effect was devastating: the markets reacted and the debt crisis necessitated severe austerity measures. That had a negative impact on the social situation, resulting in a further increase in unemployment. The early measures delivered results, but we need to continue in this direction. "For the first time in years, the new German government wants to adopt the budget without new debt and without new taxes", stated Peter Altmaier, German federal minister for the environment, nature conservation and nuclear safety. This will help to start bringing debt down, but it will certainly take many years to restore the balance. We must support growth but it cannot be financed by excessive debt. Continuing with structural reform will help to increase competitiveness and boost growth in Europe.

### **Competitiveness: be better, not cheaper!**

There is common agreement that improving competitiveness and boosting growth are crucial at the moment. The question is how to achieve this goal. As the BRIC countries and other emerging markets make fast progress, this challenge will be greater than ever. In these times of deep-rooted globalisation, innovation is essential. The single market makes this task easier; none of the individual Member States would be able to face this challenge alone. Free trade is

an important way of improving competitiveness.

With its trade surplus, Germany offers proof that effective competition with Asia is possible. "We are competitive because our products and services are not simply cheaper but better", emphasised Elmar Brok, German MEP. The German government decided to increase its industrial base when everyone else was switching to a service-based economy. Now the Germans are reaping the benefits of that decision, being the most competitive economy in the EU. Moreover, the strong German economy is no threat to other countries, it strengthens the EU as a whole and helps it to be more competitive externally.

According to **Mr González Pérez**, the southern countries have learned their lesson. Labour costs in Spain have been cut by 5%, and exports have risen significantly. "To enhance competitiveness the banking union must be completed rapidly", he added. Swift development of Europe's industrial policy is also of the utmost importance. "Business has reformed but government has not, this too is a problem for competitiveness", he concluded. Red tape must be cut, government needs to be more efficient.

### **Youth unemployment: an issue to address right now!**

Unemployment levels, especially among young people, are alarming. This is one of the biggest challenges that the EU is facing and it must be addressed as quickly as possible. "The causes are structural, but despite that we need European solidarity to make sure that we don't end up with a lost generation in the EU", stated **Anne Ruth Herkes**, state secretary at the federal ministry for economics and technology. The Youth Guarantee is a tool that can tackle that by ensuring that every young person under 25 receives a **good quality offer of a job, continued education, an apprenticeship or a traineeship** within four months of leaving school or becoming unemployed. The EU is planning to spend EUR 6 billion on that goal. "The Youth Guarantee scheme will be a waste of money unless we implement structural reforms", responded Mr Brok. From his point of view, the southern countries have extremely high youth unemployment levels because of bad training systems. Labour market reforms and a better transition from school to work are needed, added Ms **Schick**. The German vocational training system could be a useful



**Peter Altmaier, German Federal Minister for the Environment, Nature Conservation and Nuclear Safety**

example here.

"In Poland we're addressing the issue by means of four pillars", explained **Jacek Męcina**, secretary of state at the Polish ministry for labour and social policy. The first involves supporting mobility and training, the second is about promoting entrepreneurship and better development of academic entrepreneurship. The third is designed to give NGOs a more active role in projects to get young people working. The fourth pillar, meanwhile, is a specific organisation inherited from the previous economic system, now used for getting unqualified people into employment.

### Social dialogue: an effective tool all too often ignored or forgotten

Many of the reforms implemented in the German economy were possible thanks to a specific, consultative social model. That is not the case in many EU countries where trade unions are not ready to take equal responsibility for the economy in the way that the government and employers do. "The accountability



The Employers' Group delegation meeting Mr Norbert Lammert, the President of the Bundestag

of both sides of industry in Germany really is a pattern to follow", stated Hans-Joachim Reck, president of the European centre of employers and enterprises providing public services, CEEP. Social dialogue can be seen not only as a tool, but as a form of coexistence. Of course it's difficult to copy the German model as it's also the product of mentality, history and culture. Nonetheless, it's an example that can and should be followed by others.

## The social dimension of the EU - What members think?

**Irini Pari**

Permanent Representative of  
Hellenic Federation of Enterprises  
in Brussels



**Christian Ardhe**

EU Affairs Advisor,  
Heimdal European Affairs

**Christian Ardhe:** the debate clearly showed a link between the social dimension and competitiveness in Europe. Both competitiveness and growth are conditions for the social dimension. Europe accounts for more than 40% of the world's social expenditure but less than a quarter of the world's GDP. If we want to preserve and even enhance our social welfare and living standards, we must be able to compete with other players on the global market. The situation is changing fast; there are new countries and regions performing well in the global race, and new sectors - like services - are an area for competition. That is why we must improve our industrial competitiveness, that's the key right now. All our social ambitions depend on that.

**Irini Pari:** As employers we have always been pro-European. The lesson to be learned from the crisis is that we are very deeply interlinked. That's why we have to respond with unity. We need the social dimension because it offers prospects for growth and a stable economy, as was the title of our conference. In Greece we are currently facing unemployment at economically unsustainable levels. That is why, on the one hand, we do need fiscal discipline, but it is also very urgent to restore European growth. For that we need structural reform and a strong industrial policy. But when I say "reform" I don't mean austerity. We've reached the limit for that and my country has experienced it severely with all the political instability it entails. I welcome the fact that in the Annual



Growth Survey the European Commission is now focusing on fiscal discipline that is growth-oriented. The social dimension was and always will be part of that process, now it must be a bit more part of Economic and Monetary Union. The European Council has taken the first steps towards that and I welcome this approach.

**C.A.:** I fully agree. Economic and social stability requires political stability. But when you say structural reforms, what kind of reforms are we talking about? Of course, austerity will always cause dissatisfaction in society, but we cannot overspend again! In my opinion, three structural reforms are needed right now. First, we have to remove the barriers to services on the internal market. Second, we have to tackle youth unemployment, which is extremely worrying at the moment. Companies must be given greater incentives to hire young unqualified and inexperienced people, and a more flexible labour market is needed. Last but not least, we have to increase mobility on the internal market.

**I.P.:** One very important and useful tool we now have is the European Semester procedure. I agree that completing the Single Market is of the utmost importance, not only in services but also in products and in the mutual recognition of skills. I would emphasise the need for education to be tailored more effectively to the labour market. There are two million vacancies in companies, but no skilled people for them! More STEM education is needed (science, technology, engineering and maths). I would add that government reform is needed – not only in Greece but also throughout Europe.

**C.A.:** I agree but we need to prioritise. The situation of Greece and Sweden is so different. There is no "one size fits all" solution. I think the focus should be more on structural reform, free movement and improving the internal market, rather than on creating new funds at European level.

**I.P.:** I think that the youth guarantees were needed. In my country, with 60% youth unemployment, they brought some hope to the younger generation. But, there again, there is a question of effectiveness. In 2014, Greece will get EUR 170 million for youth guarantees, whereas Belgium, which has a much lower level of unemployment, will get EUR 220 million.

Speaking of priorities I would add faster completion of the banking union. Greek companies have to pay an 8% interest rate at the moment to finance loans, how can they be competitive when in other parts of Europe they can borrow money much more cheaply?

Concerning the issue of solidarity, which is at the heart of discussion, I would like to say that solidarity and responsibility should go hand in hand. What is solidarity? Solidarity is the moral commitment that flows from the reality that we are interdependent. Solidarity is enshrined in our treaties, with a view to achieving economic and social cohesion and reducing the disparities between us. "

**C.A.:** In my opinion economic growth is a precondition for all further steps. We need to be more competitive in the world, and then we can start thinking about deepening the social dimension and solidarity. As economist Paul Collier said: "growth is not a cure-all; but the absence of growth is a kill-all"

**I.P.:** Of course it's urgent to restore growth and even if we have fragile growth in Europe at the moment it is a sign that we are heading in the right direction. But we can't say: growth first, solidarity after. The crisis has shown that the two are linked and that we have to address both at the same time. Let's use all available tools: the European Semester, a deeper single market, the completion of the banking union, the social dimension of the EMU, social dialogue, solidarity with responsibility. Let's do it together. Let's stay united. We are in the same boat. If one goes down, so will the rest."



Our panellists: Mr Clever (the Employers' Group); Ms Hannack (German Confederation of Trade Unions DGB); Mr Krawczyk (President of the Group); Ms Jones ("Deutsche Welle") and Mr González Pérez (Spanish Employers' organisation CEOE)



# SMEs' access to funds in (southern) Europe: a never-ending challenge?

We don't need to spend too much time explaining the reasons for Europe's crisis or going into detail about the problems generated by financial intervention in Portugal, Greece or Ireland. There are a lot of specialists who give us the benefit of their interpretations on a regular basis... But an effort must be made in order to find better European solutions to boost competitiveness in every Member State. And that's something that's not immediately apparent to everybody

As an entrepreneur, I believe in a free and open market with fair conditions for businesses. I also believe that in the manufacturing industry a business can only survive if its product or solution is of high quality, if it offers a good service and if it complies with prevailing rules and legislation. That's the minimum we need in order to make any achievements. But I also know as an industrialist that our valuable Portuguese products from one of the most important European sectors, the metallurgical and mechanical engineering industry, must be better than those of our competitors, even if we don't enjoy the same conditions for developing, producing and marketing our products.

In fact if we observe the situation in Europe's different Member States regarding the financing of industrial activities, we can see for ourselves the enormous competitive disadvantage affecting the so-called peripheral and southern countries. It doesn't make sense, but it's true: the SMEs from the countries that most need financial support for their economies are the very ones who get the worst borrowing conditions. Surprised? The ILO report on Portugal (just published on 4 November) concludes, among other things, that if Portugal wants to

be competitive and have effective job creation policies, the financial system must support SMEs with lower interest rates and better financial conditions.

Yet what do we find? We can see that advantageous financial solutions are available – in theory – but on closer analysis...surprise, surprise! When these funds reach the good companies in Portugal, interest rates are increased to between 4.375% and 5.375%. And these interest rates are available only for companies that get the best risk evaluation. This can't be attractive for firms!

If we compare this with the situation in northern Europe, we can see at a glance that conditions are dramatically unfair: in Germany or even in Belgium (not to mention Sweden) a business operating under the same conditions will get interest rates of between 0.5% and 2%. In all honesty there is no reason for such a big difference and financial intervention from the Troika does nothing to explain it.

From a business perspective, financing plays a critical role in competitiveness, not only by supporting current activities but also for R&D purposes. That's why we are urging the Commission to draw up as soon as possible a model to support the Banking Union and obtain better and fairer financial conditions in the EU internal market. This will be one step towards ensuring that there is greater solidarity and competitiveness in Europe.

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# "Aviation – does it need state aid?"

Summary of the Public Hearing organised by the CCMI

**As the European Commission is finalising preparations for the revision of rules on state aid for aviation, participants at the public hearing on "Aviation – does it need state aid?" were discussing what the new regulations should look like in order to meet both requirements for fair competition and the industry's needs.**

"There is a lack of clarity, which causes distortions on the market. Where state aid is necessary, it should always be spent for well-defined purposes, within defined timeframes and in as transparent a manner as possible", said Mr Jacek Krawczyk, rapporteur for numerous EESC opinions on the aviation industry, introducing the discussion.

"We need a more economy-oriented approach when talking about further development of the European aviation sector", stated Matthew Baldwin, Director at the European Commission's DG Mobility and Transport. There are cases where a call for public investment in new airport capacity is simply not backed up by a credible business case. Secondly, discounts on airport charges and marketing agreements between Low Cost Carriers (LCCs) and regional airports often create a situation where the costs for the LCCs are far below the market price. On the other hand, we have to bear in mind the added value of regional airports for the local economy and the need to make regions more accessible.

"State aid should be provided only in well-defined circumstances, where the benefits clearly outweigh the costs of distorting competition", emphasised Athar Husain Khan from the Association of European Airlines (AEA). New guidelines should guarantee no discrimination based on airport size or an airline's business model. Conditions for operating aid should be stricter so as to ensure a "level playing field" (for example, where two airports operate in the same catchment area).

Low Cost Airlines and regional airports make a major contribution to the development of the aviation sector in Europe – argued John Hanlon from the European Low Fares Airline Association (ELFAA). In his opinion, secondary and regional airports offer significant latent capacity, and help to

ease the strain on congested main airports. He also claimed that the EC proposal concerning operating aid to airports with up to 3 million passengers per year will force the airports to reach an average cost coverage increase of 10% per year. This – in his opinion – will likely lead to an unmanageable rate of increase in charges to airlines.

Mr Fabio Gamba, from the European Business Aviation Association, drew attention to the fact that the governments outside Europe subsidise both their airports and their airlines – making competition even more difficult. Airports are, in his view, a kind of monopoly because of the specific nature of air transport. Therefore state aid does not distort competition.

"The limited competition between airports cannot dictate policy on state aid for infrastructure", added Sylviane Lust from the International Air Carrier Association (IACA). In her opinion, key infrastructure – also in aviation – must be financed by public money. She spoke of the disproportion between public spending on airports and that on other types of infrastructure – roads, railways, sea ports, etc.



The negative side of existing state aid rules was raised by Mr Jan De Raeymacker, Chief Financial Officer of Brussels Airlines. In his opinion, we are dealing with over-subsidisation of regional airports, abuse of the system – especially in the same catchment areas, distortion of competition and 'cannibalisation' of traffic.

"Instead of a business-oriented approach, we are dealing in many cases with a race for subsidies in the aviation sector – concluded Mr Jacek Krawczyk, President of the Employers' Group at the EESC. Since we are talking about public funds, we need discipline in spending. The situation today does not always guarantee that resources are spent properly or efficiently.

# CARIFORUM-EU Economic Partnership Agreement

## EU Trade Agreement in the Caribbean

The CARIFORUM-EU EPA presents a strategy to assist the Caribbean grouping of the ACP (ie. CARIFORUM) to build larger markets, foster trade in goods and services as well as stimulate investment.

The EU's on-going development assistance assists Caribbean governments and businesses put the EPA into practice and exploit its opportunities, while recognising the specific challenges the Caribbean faces as it seeks to gain a larger share of global trade. The EU is currently investing over €140m in aid-for-trade up to 2015 and from then until 2020, it will provide a further €350m for region-wide development programmes.

### EPA Background

The fifteen States that make up CARIFORUM and the EU signed the EPA - a trade and development partnership - in 2008. The goals are to make it easier for people and businesses from the two regions to invest in and trade with each other, and to boost growth across the Caribbean. The EPA's main features are:

- to introduce asymmetric reciprocity in trade between the CARIFORUM States and Europe. But it also reflects the current level of development in the Caribbean, and the region's specific characteristics and challenges.
- to cover trade in a much wider sense than the rules that came before it. It covers services – the backbone of modern economies – and goods as well as areas where rules and regulations can help promote trade: competition, innovation and intellectual property, public procurement, and environmental and labour standards.

The EU is CARIFORUM's second largest trading partner, after the US. In 2011, trade between the two regions came to over €8 billion.

### EESC Involvement

The EESC's EU-ACP Follow-up committee held a



regional meeting in the Caribbean at the height of the EPA negotiations. As a result a social and environmental clause was included in the agreement as well as an institutional structure – the EU CARIFORUM Consultative Committee, which has a monitoring and review role. This committee is expected to have its inaugural meeting in the second quarter of 2014.

In addition to meeting with Civil Society organisations, especially BSOs, to raise awareness of the EPA and its opportunities, I have attended EU CARIFORUM Trade official meetings, presented at the private sector seminar organised by DG Trade and been involved in the joint Business Forum. I have also been invited to present at Caribbean Council events here in London.

#### The main exports from the Caribbean to the EU:

fuel and mining products, notably petroleum gas and oils; bananas, sugar and rum; minerals, notably gold, corundum, aluminium oxide and hydroxide, and iron ore products; fertilisers.

#### The main imports into the Caribbean from the EU:

boats and ships, cars, constructions vehicles and engine parts; phone equipment; milk and cream; spirit drinks.





*"We cannot talk about the social dimension without improving competitiveness and boosting growth. A healthy economy will help to solve the problem of high unemployment much faster than new funds and administrative measures."*



*"Developed economies can only grow by inventing new technology, by innovating products and processes and by designing new management methods. Innovation is all about new dynamics in business and in the workplace, resulting in higher value-added products and services."*



*"The level of unemployment is directly related to the degree of education that people have received. Our modern, developed economies are slowly losing what few jobs that remained for unskilled workers. That is why VET remains so vitally important."*

## Our events in 2013



*"Successful re-industrialisation in Europe depends on lower energy prices, more predictable regulation, better allocation of funds for R&D and improving education systems so that they better match the needs of industry."*



*"Europe needs a post-crisis vision. Reforms are an important part of this new order. Growth is necessary to cover expenditure needed to implement these reforms."*



*"As competition on the global market is growing, it is more and more important for European companies to explore new markets and seek new trade opportunities."*



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