

ANNUAL SUSTAINABLE GROWTH STRATEGY 2024

SOCIAL PARTNERS' CONSULTATIONS

EMPLOYERS' VIEWS

31 October 2023

1. General comments

Making business easier in Europe is the key to a better future. To achieve this goal, we need **urgent action to repair the economy and to ensure that companies can operate in a business-friendly environment**. The mild winter 2023 has saved the EU economy from recession, but the sluggish growth is slowing down. The main challenges are high regulatory burden, relatively high energy prices, labour shortages, persisting inflation and falling consumer confidence.

Boosting competitiveness requires:

- **reducing reporting requirements by 25%** for companies and work with the industries concerned to identify the regulatory obstacles hampering the development of crucial sectors for the future such as biotech, deep tech and AI.
- **competitiveness checks** on all EU regulatory initiatives, taking into account the cumulative impact of EU legislation on companies, as well as on EU strategies and Commission work programmes;

The EU needs to think big and see its position in the global context. We need a swift action to improve EU attractiveness as investment location, especially in comparison with the US. At the same time, the EU must use state aid responsibly not to distort the Single Market. Advancing Single Market calls for **removing regulatory barriers to cross-border business operations**. Among other, it should include new measures to facilitate services and labour mobility and recognition of qualifications.

Furthermore, this Single Market strategy should be flanked by **effective responses to labour shortages and skills mismatches**, as part of an action plan with measures to activate the unemployed as well as inactive people, working with the social partners to address mismatches between skills acquired via education and training systems and companies' needs, paying special attention to the skills required for the green and digital transitions, recognizing the positive contribution of talents from third countries in answering labour market needs and making progress on recognition of skills and qualifications within Europe and with respect to third countries' nationals.

2. Economic, labour market and social context

Throughout 2022 and 2023 the economic situation in the EU has remained challenging. Russia's war of aggression against Ukraine continues to negatively influence the European economy, while monetary tightening and the high inflation rates of the last 1.5 years weigh heavily on businesses and households. This resulted in weakening the situation of many EU businesses, and even putting

pressure of the survival of many. BusinessEurope has observed that some individual Member States have experienced at least “technical recessions” during 2022 and in early 2023.

It is worth noting that the situation is slightly different in case of SMEs. In Member States with inflation rates below average SMEs show a positive dynamic, while in countries with high inflation they face higher risks of recession and have a worse economic outlook.

According to the European Commission Summer 2023 (interim) Economic Forecast the EU economy continues to grow, albeit with reduced momentum. Latest data confirm that economic activity in the EU was subdued in the first half of 2023 on the back of the formidable shocks that the EU has endured. Weakness in domestic demand, in particular consumption, shows that high and still increasing consumer prices for most goods and services are taking a heavier toll than expected in the Spring Forecast. The economic growth projections have been revised down to 0,8% (from 1% projected in the Spring Forecast) and to 1,4% in 2024 (from 1,7%). Inflation is expected to continue to decline over the forecast horizon. Harmonised index of consumer prices (HICP) inflation is now projected to reach 6.5% in 2023 (compared to 6.7% in the spring) and 3.2% in 2024 (compared to 3.1%) in the EU. In the euro area, inflation is forecast to be 5.6% in 2023 (compared to 5.8%) and 2.9% in 2024 (compared to 2.8%). In this context the ECB should continue to act decisively in pursuit of its mandate to maintain price stability to ensure that inflationary expectations are not allowed to increase. This is particularly important in the context of wage negotiations, where it will be important that social partners continue to act responsibly to avoid a damaging wage/price spiral.

The EU labour market remains very strong, recording the lowest unemployment rates. The EU-27 unemployment rate stood at 5,9% (July 2022), down from 6,1% in July 2022. Labour shortages persist to be very acute across all sectors of the EU economy and all skills levels: both job vacancies and the number of companies reporting shortage of labour as a constraint on production continues to be at unusually high levels. At the same time, the relatively high inactivity rate - an average of 25% at the level of the EU (OECD, Q2 2023) - is a worrying phenomenon. Italy, Romania and Croatia continue to have the inactivity rate over 30%. The youth employment rate remains significantly higher than the average unemployment rate in the EU, at 14%. A gender employment gap also persisted in Q2-2023, as 70.3% of women aged 20-64 years is employed, versus 80.6% of men. At the same time, the fact that six EU countries have inactivity levels below 20%¹ is encouraging: this shows that appropriate policies reduce inactivity levels. Increasing employment participation of the inactive working age population continues to be one of the key challenges ahead to improve the match between jobs and skills as well as address serious labour shortages.

3. Key messages

High energy prices and inflation impact all segments of the economy as well as all households. The Russian war of aggression against Ukraine continues to disturb supply chains and destabilizes economic situation, also due to continuing political tensions. Many companies are in survival mode, particularly in energy-intensive sectors. Labour force shortages continue to be an important challenge.

In this context:

- The Commission correctly observes that there is a need for coordinated economic and employment policies that support inclusive, job-rich and sustainable growth. Such **policies should be designed and implemented in the national context** taking into consideration regional/ sectoral/ local specificities.

¹ These are: the Netherlands (15%), Sweden (18,5%), Estonia (18,7%), Denmark (19%), Finland (19,7%) and Lithuanian (19,9%). Source: [Statista](#)

- We agree with the Commission that **the European Semester and the implementation of the recovery and resilience plans (RRPs) are the appropriate frame for the EU policy coordination**. We also appreciate that the CSRs focus now on a limited set of challenges that are not addressed by the respective RRP.
- We agree with the Commission that **fostering competitive sustainability should be achieved by appropriate policies and reforms** at the national level. Striking the right balance between economic and social priorities is of a crucial importance for European competitiveness in the global context.
- **Labour and skills shortages remain one of the main concerns**. They not only hinder growth of many companies, but also make their daily operations challenging. They put additional pressure on labour markets as a growing number of companies depends on a shrinking number of workers, which results in a fierce competition for talent contributing to higher labour costs.
- Tailor-made solutions need to be adopted to properly address **the specificities of the inactivity rate among the different categories of the underrepresented groups**. Responsible approach in designing income support schemes, availability of affordable and good quality enabling services and introducing making work pay policies such as, for example, in-work benefits, are important factors to bring those inactive (back) to the labour market.
- We appreciate that the Commission recognizes the importance of strong social dialogue and effective collective bargaining in delivering balanced wage-setting outcomes in the current delicate economic context. **Social partners need to engage responsibly in collective bargaining on wages** and help ensure that temporary rises do not give rise to a damaging wage-price spiral. Additionally, any non-justified wage increases for specific group/-s of workers should be avoided as they create distortion in the pay structure at the company level.
- We repeat our plea to **remain attentive to non-wage labour costs**. The wedge tax on labour in the EU still exceeds the one in the U.S. or in Japan. We appreciate that a few countries have been advised through their 2023 Country Specific Recommendations to move the tax burden from labour to other sources. This is the appropriate direction to ensure EU remains competitive and continues to be attractive for investors who want to create jobs.
- **Development of skills and competences is crucial for the green transition**. Member States need to anticipate upcoming changes and their impact on skills. Adopting sectoral/regional perspective while conducting foresight analysis is necessary to design appropriate policies to support enterprises and workers in sectors and jobs that are, and will be, impacted negatively by the green transition. These policies should aim at supporting structural changes at the company on one hand, and up- or reskilling for workers.
- **Adaptability of the education curricula to embrace the needs of the twin transition** is another important condition for ensuring competitive sustainability and effective transformation. Involving social partners at cross-industry and sectoral levels to **update education and training curricula** in a timely and effective way to meet changing skills needs implied by greening of production and services is of a paramount importance to propose appropriate solutions.
- There is a **growing interplay between skills and migration** in terms of the role that skilled migration can play in helping to meet the skills needs and in addressing labour shortages. In this context we welcome the Commission's intention to publish a proposal for an EU Talent Pool in the coming weeks. In combination with the anticipated Commission Recommendation on the recognition of third country qualifications, we believe these initiatives can be important aspects of the EU's skills and economic policies for the years ahead.

4. The European Semester 2023 and implementation of the Recovery and Resilience Plans

Proper implementation of the Recovery and Resilience Plans (RRPs) will be key to increasing EU competitiveness and prosperity. BusinessEurope members assess the implementation of the national RRP in a slightly more negative than in the previous year. In our 2023 survey, only 23% of federations are either satisfied or very satisfied with the implementation (compared to 29% in our 2022 survey), and 39% are either dissatisfied or very dissatisfied (compared to 29% in 2022). So, we observe a growing share of member federations that is more negative about the implementation process. The swift execution of the Recovery and Resilience Facility will remain vital in 2023. Overall, with substantial resources still to be disbursed (only 20% of requested grants and loans had been disbursed by the end of 2022), and progress in implementation likely to slow down with Member States moving to the more difficult reforms, the European Commission should continue to strictly control that Member States invest funds from the Recovery and Resilience Facility as intended. No disbursements should be made before Member States have documented that they fully complied with milestones and targets for their National Recovery and Resilience Plans.

We continue to evaluate positively the European Commission's Recovery and Resilience Facility Scoreboard, which provides a clear overview of where Member States stand in their implementation of the plans and provides the European public with a monitoring tool on the expenditure per policy area and a breakdown of the milestones Member States have reached.

The way forward

- **Well-designed structural labour market reforms should remain in focus.**
 - Supporting policies aimed at reducing inactivity rate, including tailored solutions for specific categories of persons from underrepresented groups.
 - Promoting mutual learning between the Member States to lower the tax wedge on labour and promoting a shift to less distortive tax bases.
- **Reforming national social security systems** so they are sustainable, fit for the modern labour markets and support employment.
 - A special attention should be paid to national pension systems that should encourage longer working lives and ensure adequate pension benefits for those retired.
- **Reforming national education curricula** to make them adaptable to changing labour market needs and employers' demand for competences.
 - Sectoral and local perspectives should be taken into consideration to come up with the most effective solutions.

Finally, continuity and commitment to the necessary reforms should continue to be the underlying principle for the European Semester process.

5. Role of social partners in implementing the reforms' agenda

We appreciate that the whole part of the issues paper focusses on the role of social dialogue and involvement of the social partners. This is a novelty, but very much awaited and timely.

The role of social dialogue and social partners have been correctly described in the Council Recommendation on ensuring a fair transition towards climate neutrality (2022) and the Council Recommendation on strengthening social dialogue in the European Unions (2023). We appreciate taking it even further by Commission President, Ursula Von der Leyen, in her State of the Union address and announcing a new Social Partner Summit in 2024 at Val Duchesse.

We strongly believe that creating an enabling environment for bipartite and tripartite social dialogue, including collective bargaining, in the public and private sectors, at all levels is a crucial condition for the success of the reforms' agenda. Social partners, while involved timely as well as in a systematic and timely manner, are ready to contribute to design and implementation of employment and social

policies as well as other policies, whenever relevant. Additionally, engagement with social partners will continue to be essential to fully realise the potential benefits of the recovery plans. Social partners can act as important bridge-builders through jointly agreed solutions to ensure that the measures foreseen are both economically feasible and socially acceptable.

There is still a room for improvement: in 2022, only 30% of BusinessEurope members expressed some dissatisfaction with their role in the implementation of the plan; at the same time 70% of member federations considered their involvement appropriate. This assessment is in stark contrast to only 17% of member federations who in 2022 reported to be satisfied with their role in the implementation process. In 2023, 46% of BusinessEurope members were either dissatisfied or very dissatisfied which shows that there is clearly scope for involving social partners more to help implement key investments and reforms in several Member States.

At the same time, we appreciate multiple occasions for consultations, i.e. on key moments of the European Semester. It is also a good practice to include information on the state of a national social dialogue, whenever relevant as well as addressing individual CSRs in case of the social dialogue insufficiencies and the need to improve social partners' involvement.

The way forward

- In order to strengthen the already existing mechanisms, **regular tripartite meetings between EMCO, SPC and social partners** should be envisaged.
- The Commission should **further encourage Member States to actively engage with national social partners in the RRP implementation process**. Such an engagement enables to jointly identify challenges and improve policy solutions by taking into consideration sectoral/regional/local dimension. It also contributes to broadening the ownership of the economic and social policy agenda and promptly introduce corrections, whenever appropriate.
- We will be carefully monitoring the implementation of the amendment to the RRF Regulation regarding REPowerEU of March 2023 which requires that the input provided by stakeholders is outlined in the respective RRP. We are convinced that **the need to provide concrete examples of social partners' input may foster regular exchanges** between them and relevant national authorities.

6. Key challenges and opportunities in the employment and social domains

In current changing socio-economic context, European employers suggest a focus on the following priorities as regards the employment and social dimensions of the European semester:

- **Remaining attentive to the differences observed on the labour market**

Despite good labour market outcomes, the situation varies across sectors. The negative employment trends are observed in the high-energy intensive sectors as well as in certain essential sectors. Quite often they are linked to the attractiveness of the sector, its "image" and possible career perspectives.

Differences are also visible and should be taken into consideration in the efforts aimed at labour market integration of various population groups. We need to reach out to those inactive in the most effective way, bring them back to the labour market, support their (re-) integration and job retention.

Fostering multi-partner cooperation in order to offer effective solutions in the regional/local contexts as well as supporting public and private employment services is important. There is also a need to invest in public employment services, especially in digitalisation, that can further improve efficiency of the offered services.

- **Developing employment strategies to embrace the green transition**

Embracing green transition requires designing and implementing appropriate measures to support workers and businesses in the process of structural change. This change may result in different work

organisation, need for additional investment or demand for new skills. Succeeding in the green transition requires a focus on improving skills for innovation, which will be particularly essential for the industrial sectors. We need to train enough people with integrated engineering and advanced IT skills, where the shortages are the highest. The sectoral dimension will also be particularly relevant with respect to the ongoing adaptation of skills to greener production.

- **Improving adaptability of education and training curricula**

For this to happen, improved intelligence on changing jobs and tasks will be crucial. The changing reality and skills needs should be reflected in updated education and training curricula for improved workers' skills. It is also important to support enterprises and workers in sectors and jobs that are impacted negatively by the green transition, and design effective support mechanisms, including career guidance and skills assessments for their transformation and/or retraining of workers.

- **Recognition of qualifications remains an issue for intra-EU and the third country mobility**

A Single Market approach to the recognition of skills and qualifications is needed, where the Commission, together with Member States and social partners, identify priority regulated professions where shortages are strongest to support worker mobility in most demanded regulated professions. This includes consideration to the development of voluntary common training principles. The EU should aim for mutual recognition of qualifications in non-regulated professions and urge Member States to simplify and de-bureaucratise the process at national level, or, where applicable, determine suitable arrangements together with national social partners.

In parallel, the ability to recognise third country qualifications, particularly those that are not professional qualifications, would be an important element for the successful functioning of the EU Talent Pool in so far as it would help to facilitate the matching process and give employers greater confidence about the candidate profile that they are reviewing.

- **Acknowledging a win-win aspect of flexibility in employment arrangements and modernizing social protection systems**

The Commission rightly acknowledges that the reasons of workers for opting for temporary employment are heterogeneous and can also reflect a desired flexibility in employment arrangements. The challenge is to make sure that independent on the nature of employment arrangement workers have access to appropriate social protection, based on their contributions to the system. The transferability of social protection rights between different types of contracts/employment arrangements must be improved; also in the context of cross-border mobility. Working time flexibility is another aspect of modern management practices that embraces workers' needs. Social partners at the appropriate level are best placed to come up with solutions that work for businesses and workers.

- **Improving transparency to achieve more trust in AI**

Regarding the introduction of Artificial Intelligence (AI) in the workplace, we underline that any potential initiative to address potential risks and challenges related to AI should be aimed at helping companies to mitigate these risks and harness its potential, keeping in mind that companies are best placed to define their approaches to these issues in accordance with their business and employment realities. Employers will actively contribute to the Commission's work on a potential initiative. Given its ever-evolving nature, the rapid use-evolution, the strong global dimension and the lack of consistent and robust data across different sectors, we stress that dialogue on the uses of AI in the workplace between companies and workers is the best way to deal with the introduction of AI at the workplace. This can fundamentally determine the use of AI, how AI is perceived in the workforce and the effect of AI on productivity.
