



THE CONFEDERATION OF DANISH EMPLOYERS' VISION FOR THE FUTURE OF THE EU



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THE CONFEDERATION OF DANISH EMPLOYERS' VISION
FOR THE FUTURE OF THE EU
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The Confederation of Danish Employers' vision for the future of the EU



Foreword

If we were to point to a positive result of the EU crises we have seen in recent years, it would be the renewed appetite for debating the future of the EU. But also a recognition that major challenges require common solutions.

We have seen refugees streaming to Europe, the British people deciding to leave the Union, a global trend towards protectionism and the populations of Europe showing an increased sense of unease. Something suggests, however, that challenges of this order of magnitude have strengthened the will to stand together on EU matters. The time has come to look to the future.

With its White Paper on the future of Europe, the European Commission is preparing the ground for the 27 remaining Member States – after the British exit in March 2019 – to discuss what the future of the EU partnership should look like.

The Confederation of Danish Employers would like to take an active part of this discussion. This publication is designed to contribute to the debate about the future of the EU.

The EU plays a major role for Denmark, the Danish population and Danish business. Denmark also enjoys the economic benefits associated with being part of the European single market.

It is therefore vital for Denmark that Europe, as a whole, is capable of generating growth and prosperity so that EU Member States become even stronger in the global competitive environment and ready to embrace technological developments.

This publication presents the Confederation of Danish Employers' vision for the future of the EU as well as its recommendations for how we together can create an even better EU. We look forward to the period of 2025 because we know that change takes time and requires political will. We examine those areas that we as employers work with and know something about, i.e. labour market and employment policy in a national and international context.

I hope that this publication will help to clear the way for a close European partnership in which growth, safety and security go hand in hand in the labour markets.

One basic idea with the EU is that Member States should be able to find inspiration from each other. The Confederation of Danish Employers believes that the Danish labour market has something to offer to other member states: An active labour market policy, flexibility combined with a wide social safety net and an emphasis on life-long learning have resulted in a well-functioning labour market with high job turnover rates and few long-term unemployed.

The free movement of labour is of great importance to Denmark and the Danish people. In order to protect and strengthen the free movement of labour, we also need to address the concerns that free movement generates. That is why we need to create a more responsible framework for the free movement of labour.

Moreover, I see a great potential in directing our collective attention towards labour market reforms in Europe where Member States take the helm, but where the EU helps to chart the course.

I hope you enjoy reading the publication.

Jacob Holbraad

Director General, Confederation of Danish Employers

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The Confederation of Danish Employers' vision for the future of the EU

From crisis management to action

Most countries want an EU that is capable of tackling challenges that require collective solutions and that cannot be managed by each country on its own.

Danish employers are in complete agreement with this standpoint. We want a balanced EU that thinks and acts in a visionary way, displays leadership and ensures unity in areas in which solutions at national level are not viable. At the same time, it should be crystal clear that the EU should leave decisions to its Member States in those areas in which solutions and legislation are best handled nationally. Member States must therefore largely take on responsibility for creating more well-functioning labour markets.

This publication will provide a specific vision of how to achieve the right balance between national and joint European solutions.

Certain Member States are increasingly choosing to come together in more binding partnerships within selected areas. Seen in this light, Denmark needs to ensure that it does not lose influence because this is something that Denmark, Danish employers and Danish employees cannot be satisfied with.

It is vital that basic EU legislative principles regarding subsidiarity and proportionality are respected. In other words, we should only introduce EU legislation in areas in which we need to solve major, transnational problems that cannot be handled by individual Member States on their own. At the same time, no Member State should be left to its own devices if it needs inspiration or help from the EU, e.g. to support a reform agenda.

EU social policy – a difficult balance

Both employers and employees live in a world in which they continuously profit from being part of the Single Market, in which people and goods are able freely to move between Member States and generate jobs and prosperity.

But there is another side to that world, in which some citizens feel insecure about the increased influx of labour from other EU countries. A world in which a future with technological changes at lightning speed are experienced as frightening rather than promising.

The free movement of labour is a basic principle of the European partnership. It gives EU citizens the freedom to move between countries to work, study and live – something from which we all, employees and employers alike, benefit. That is why it is important that we take these concerns seriously, show decisiveness, create clarity and peace of mind and

contribute to ensure and strengthen the free movement of workers in the future.

No easy solutions exist to the very basic challenges facing Europe in terms of generating growth and jobs and combating unemployment. The proposal put forward by the European Commission on a European Pillar of Social Rights – which ignores the principle of subsidiarity and includes microregulation and harmonisation of the labour markets of Member States – is at any rate not the right solution.

If we want in earnest to create more well-functioning, inclusive and fair labour markets and welfare systems that will be able to handle the major changes such as those brought about by digitisation and demographic change, we need to generate wealth and prosperity across Europe.

A consolidation of the EU's global competitiveness is a prerequisite for retaining and strengthening the European welfare models. The solution is targeted labour market reform that creates a balance between economic and social considerations. Denmark has managed to find an excellent balance with the Danish model and the principle of flexicurity.

An important prerequisite for the EU partnership is that the EU retains respect for national self-determination. Each Member State must take the helm and ensure that reforms that are tailored to that country's needs are introduced. The EU partnership must support Member States and chart the course for these reforms to ensure that EU as a whole becomes wealthier.

The labour market of the future

At a time when technology, digitisation and new ways of living are developing day by day, Europe must continue to be open and willing to adapt. This requires that we create the right framework to allow the business community and citizens to manage and feel confident about the opportunities that new technology brings.

An extensive debate is currently on-going at EU level about the consequences of the labour market of the future. In some countries, which have neglected to develop flexibility in the labour market, this has led to a growth in temporary or fixed-term forms of employment.

The answer to concerns about new business formats such as platform businesses is not to expand the definition of an employee or otherwise impose increased social costs on employers. The answer is skills development and flexicurity such as flexible labour markets, active labour market policies and a social safety net.

Digitisation affects the way in which our labour markets develop and the way in which we work. Digitisation also provides some enhanced collaborative opportunities in the partnership between the government authorities of Member States. Accordingly, digitisation can be used to ensure the smooth exchange of information between Member States,

greater transparency and enhanced monitoring opportunities for the effective enforcement of EU legislation.

In order to create the framework for an even better EU partnership in the years to 2025, the Confederation of Danish Employers has prepared a number of political recommendations for decision-makers at national and European level.

The Confederation of Danish Employers' political recommendations for EU-2025

*To create an EU where **growth and social security** go hand in hand, the Confederation of Danish Employers recommends:*

- that the Council of the European Union the European Commission and the European Parliament again focus on flexicurity. This includes:
 - to launch information campaigns and co-finance pilot projects in Member States with the support of the European Social Fund
 - to use the flexicurity principles as parameters in the European Semester and encourage Member States to commence flexicurity reforms through the country-specific recommendations possibly supported by EU grants
- that the European Commission collect and promote good examples of reforms from Europe for generating growth and prosperity, including examples of flexicurity reforms
- that the European Commission develop benchmarks that show how Member States are doing compared to each other on set flexicurity parameters
- that the European Commission involve European representatives of employers and employees much earlier than is currently the case when considering new legislation of labour markets and education
- that the European Commission give both sides of industry the necessary time to consider and commence discussions, including negotiations, and hearing both sides on subjects that go beyond formal consultation rights

To create an EU in which **the free movement of labour is ensured and strengthened for the future and takes place in a responsible manner**, the Confederation of Danish Employers recommends:

- that the European Commission and the Council reduce the barriers that make it difficult to move to another EU country to work. This includes:
 - to provide information on existing opportunities for schooling in languages other than the national language
- that the European Commission, the European Parliament and the European Council focus on ensuring that legislation do not hinder free movement, including:
 - that the European Union continues to prioritise the support of the enforcement of EU legislation by Member States with a view to ensure a level playing field of enforcement
 - that the enforcement of EU legislation is aimed at abuse situations so that free movement is not restricted
 - that the EU should support initiatives that make it easier for employers to use the single market
- that the European Commission, the European Parliament and the Member States ensure that the regulation on social security for EU-citizens that work across borders become more robust as regards abuse. This includes to introduce:
 - indexation of certain benefits on the basis of living costs in the country of residence
 - tightening accumulation principles, increased use of bilateral agreements between Member States and increased control
 - that the financing Member State must be able to require previous employment for three months prior to the payment of unemployment benefits

*To create an EU in which Member States become **better at educating and training for employment**, the Confederation of Danish Employers recommends:*

- that the European Commission, the European Parliament and the Council earmark and target funds from the European Social Fund to promote good examples and raise awareness of the benefit of dual training courses (alternation between school and work experience with an employer), including co-financing pilot projects in countries with purely schooling vocational courses
- that the European Commission benchmarks vocational courses in the EU so that we e.g. are able to move towards more dual training and graduate job perspectives across the EU

*To create an EU in which Member States **act on collective decisions**, the Confederation of Danish Employers recommends:*

- that the European Commission, the European Parliament and the Member States via the Council will strengthen the European Semester. This includes:
 - to improve implementation of country-specific recommendations. E.g. that country-specific recommendations are supplemented by an implementation 'road map' with specific and measurable milestones
- that the European Commission focuses on ensuring uniform competitive conditions in the implementation and enforcement of occupational safety and health directives including the development of a benchmark that shows the variation across EU Member States
- that the European Commission's proposal for EU-wide legislation will address areas in which Member States face common challenges that Member States are unable to solve on their own

The content and structure of this publication

The chapter structure used in this publication is based on the Confederation of Danish Employers' four requirements for the future EU partnership:

- An EU in which security and flexibility go hand in hand.
- An EU in which the free movement of labour is ensured and strengthened and takes place in a responsible manner.
- An EU in which Member States become better at educating and training for employment.
- An EU in which Member States act on collective decisions.

Each chapter is followed by the Confederation of Danish Employers' political recommendations.

Chapter 1 looks at why and how Member States can work to make European labour markets more flexible and more well-functioning. The Confederation of Danish Employers points out that this should be based on the principles of flexicurity. This chapter also looks at the European Social Dialogue and why it is important to involve both management and labour to ensure ownership of the decisions that are made at European level.

Chapter 2 follows up by examining the need to ensure and strengthen the free movement of labour to ensure that EU citizens increasingly move across borders to obtain jobs. This strengthening consists of ensuring that the free movement of labour takes place in a responsible manner that takes the concerns of citizens into consideration.

Chapter 3 emphasises the importance of Member States educating and training on the basis of the needs of the labour markets and that the EU makes available systems that create transparency in terms of the qualifications of EU citizens.

The fourth and final chapter emphasises that there continues to be a need for reform in Europe, both in terms of pushing through labour market reforms and in terms of ensuring a more uniform implementation and enforcement of occupational safety and health directives. Decisions should be made as close to businesses and citizens as possible and EU legislation must be easy to manage.

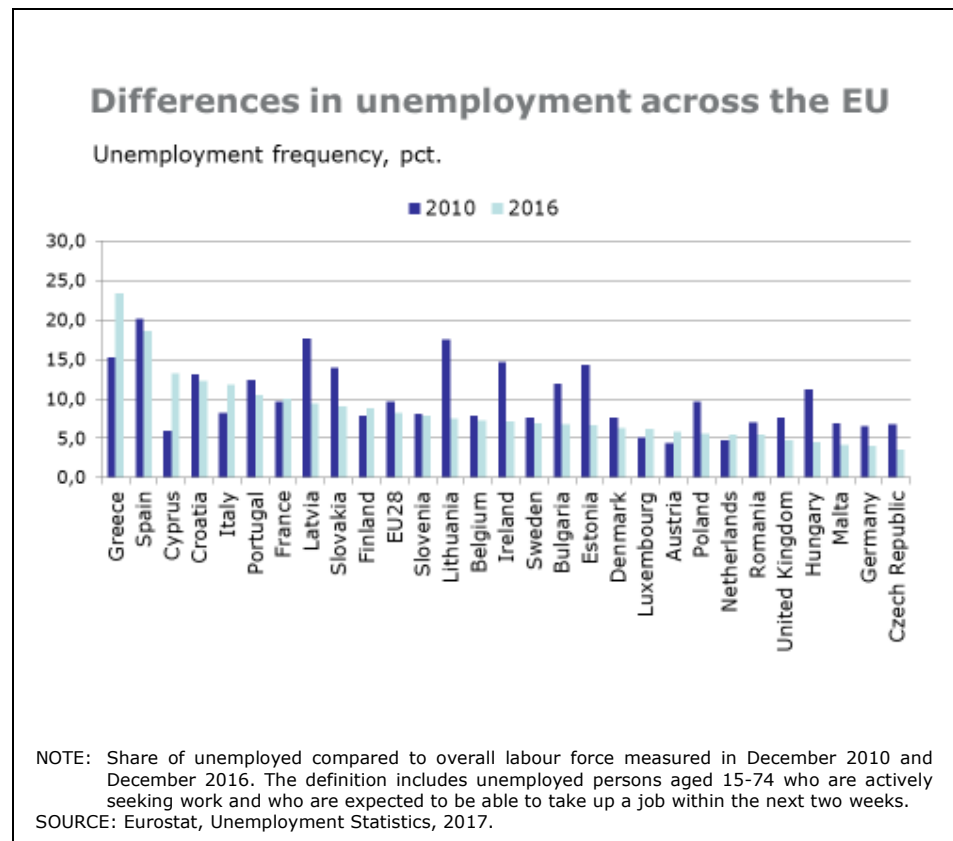
This publication is also available in Danish.

Chapter 1: An EU in which growth and social security go hand in hand.

The EU must support flexible labour markets

The European labour markets are recovering after a difficult period during and after the financial crisis. Unemployment trends in the EU28 are now lower than they were in 2010 when the crisis was seriously affecting EU Member States. However, clear differences exist between Member States and in some Member States a full recovery from the crisis is taking longer than in others, cf. *Figure 1.1*.

Figure 1.1



In order to pull Europe entirely out of the crisis, it is vital that all Member States take part in the upturn. Creating growth and prosperity across the Member States is in the interest of all of Europe. This will strengthen our joint competitiveness globally.

Various challenges face the Member States whose wheels have not yet started turning. No 'one-size-fits-all' solution which can be applied to all Member States therefore exists. Each country has different prerequisites and different labour market traditions.

The solution to labour market challenges is therefore not more EU legislation.

It is the Member States themselves who need to drive developments and generate their own well-functioning labour markets. This is vital in order to ensure ownership and to ensure that solutions are based on the specific conditions applicable in each Member State.

In this context, it is important to maintain the principles of subsidiarity and proportionality, as they ensure that decisions are made at the right levels and as close to the populations affected as possible (find out more in *Box 1.1*).

Box 1.1

The principles of subsidiarity and proportionality

The principle of subsidiarity means that the EU may only legislate if the aim of the legislation cannot be achieved at national level (at central, regional or local level) and if the effect of the legislation can be better achieved at EU level.

The principle of subsidiarity has been written into the EU Treaty and constitutes a fundamental element of the EU partnership. When putting forward new proposals, the European Commission must analyse and substantiate that the principle of subsidiarity has been complied with. National parliaments have the option to make reasoned opinions as to whether they believe that the principle of subsidiarity is respected.

The principle of proportionality works like the principle of subsidiarity, i.e. it regulates the EU's exercise of competences to regulate. According to this principle, the EU should only act to the extent to which this is required in order to achieve the aims of the Treaty.

The division of competence expressed in the principle of subsidiarity and the principle of proportionality is designed to ensure that political decisions in the EU are always made as close to citizens and employers as possible.

Source: Article 5 of the EU Treaty.

The EU partnership, however, plays an important role in supporting a sustainable course in those Member States whose labour markets can become more well-functioning.

The EU must continue to assess, recommend, guide and play a role as facilitator for national reforms. E.g. by gathering best practice examples from across the continent, assessing what works and through country-specific recommendations charting the course for how each Member State should develop its labour market. As is currently the case with the European Semester, where the European Commission points to problems, but gives Member States the opportunity to identify solutions themselves (find out more in *Chapter 4*).

Reform of the European labour markets should be higher on the EU agenda. The flexicurity principles that the Council agreed on as far back as 2007 would be an excellent framework for such an EU-wide reform initiative,, cf. *Box 1.2*. The flexicurity principles are effective in creating a labour market, where flexibility and social security goes hand in hand.

Box 1.2

Flexicurity according to the European Commission and the Council

Back in 2007, the European Commission and the Council agreed that flexicurity policies could be designed and implemented within four policy areas:

- Flexible and reliable contracts.
- Comprehensive strategies for life-long learning.
- Active labour market policies to help people cope with change reduce the length of periods of unemployment and facilitate job changes.
- Social security schemes that include sufficient benefits and promote employment and mobility in the labour market.

The European Commission believed that flexicurity could form part of the solution to tackle the challenges that follow from the fact that lifestyles and working lives of Europeans are undergoing rapid change.

According to the European Commission, globalisation generally promotes growth and employment, but the changes that accompany require fast adaptation by both employers and employees. This is where the flexicurity principles are effective.

Source: European Commission, 2007.

According to the European Commission, the four elements of flexicurity can be mutually supportive, increase employment and reduce the risk of poverty (European Commission, 2006).

To ensure ownership and solutions that respect the special characteristics of each Member State, it must be up to each country to identify its own form of flexicurity. Perhaps by taking inspiration from countries that have

already designed their labour market on the basis of the flexicurity principles, including e.g. Denmark.

This does not mean that structural reform and increased flexibility in the European labour markets alone are capable of generating growth and development in Member States. Economic trends are a main factor and despite the rise in GDP for the EU28, the economic growth of many Member States is still at a lower level than it was before the financial crisis (Eurostat, 2017a).

Development of more flexible labour markets in the EU may pave the way towards stability for European markets and employers. It is an important step on the way to establishing greater economic prosperity in the EU.

Other EU countries may take inspiration from Danish flexicurity

Denmark is a good example of a Member State that has succeeded in creating a balance between economic and social considerations in the labour market.

The regulation of the Danish labour market is very much based on collective agreements between the two sides of industry, cf. *Box 1.3*. Combined with the flexicurity principles, the collective agreement model forms the foundation of the Danish labour market model.

Box 1.3

The Danish model

The Danish labour market is characterised by a low level of legislation and government interference as in the Danish system industrial relations are regulated by collective agreements.

It follows from the Danish model that individual working conditions often is agreed locally at company level. These local negotiations are based on the collective agreements and frameworks that are agreed centrally between the employers' organisation and trade union in the industry in question.

Social dialogue and decentralised negotiations ensure ownership, joint responsibility and relevant regulations that are applied as close to employees as possible.

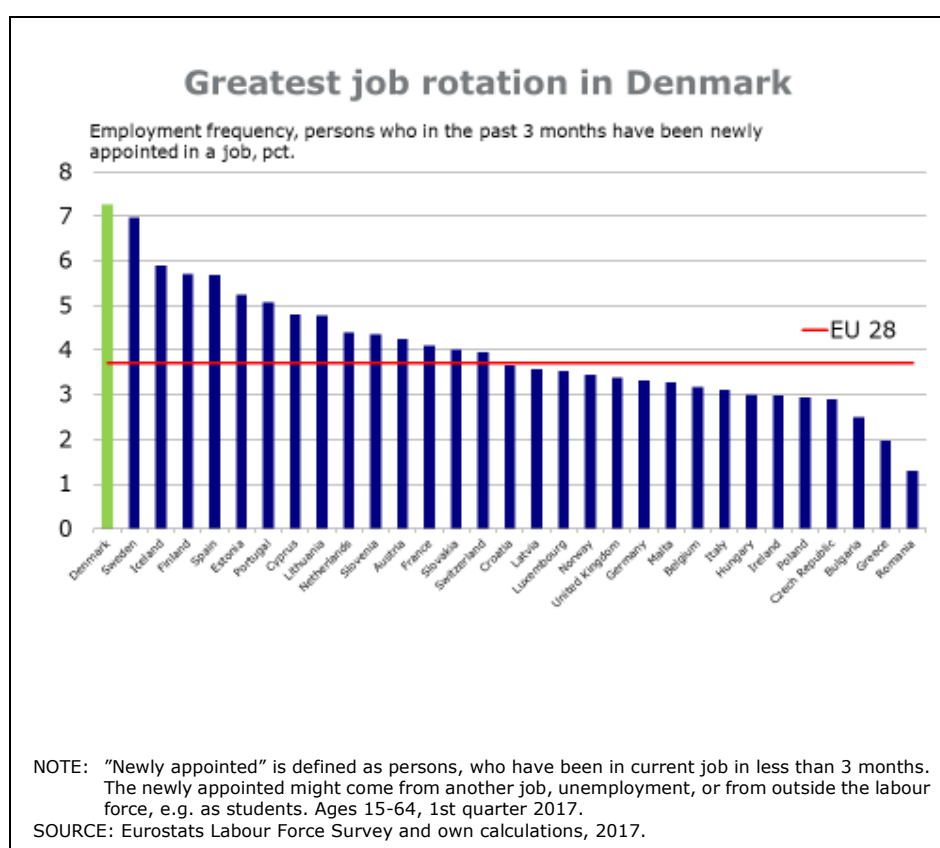
The Danish flexicurity model is essentially based on three components:

- A labour market characterised by flexibility for both employer and employee.
- An active labour market policy that is designed to align skilled labour with employer requirements.

- A social safety net that ensures a reasonable level of support in the event of unemployment.

The flexible labour market in Denmark can be seen, for example, by Denmark's high level of job mobility. Job mobility rates include employed persons who find a new job and unemployed persons who find employment and become part of the work force. In the first quarter of 2017, more than seven percent of the Danish workforce had changed jobs which is more than double the rate of the average in the EU28, cf. *Figure 1.2*.

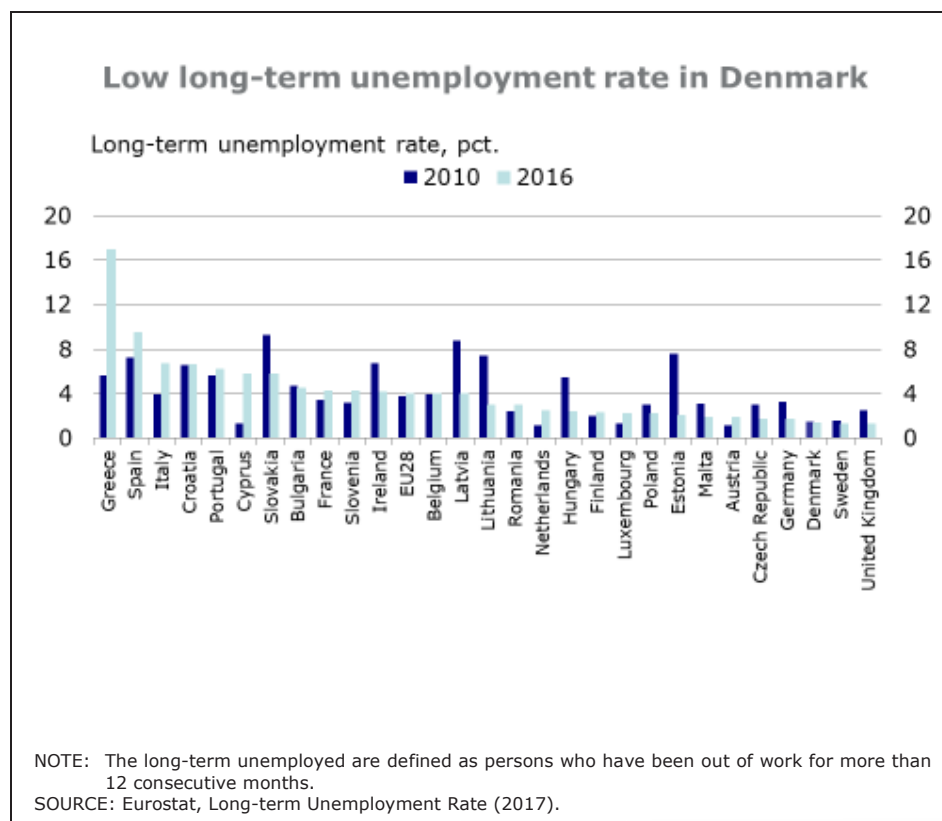
Figure 1.2



The high level of job mobility in Denmark means that employers are able to recruit the most skilled employees. This underpins the competitiveness of Danish businesses and thereby how growth is further generated.

For persons outside the labour market, the high level of flexibility means that entering the labour market becomes easier. This is reflected by the fact that Denmark has a low rate of long-term unemployment. This was the case in Denmark during the financial crisis in 2010 and after 2016, cf. *Figure 1.3*.

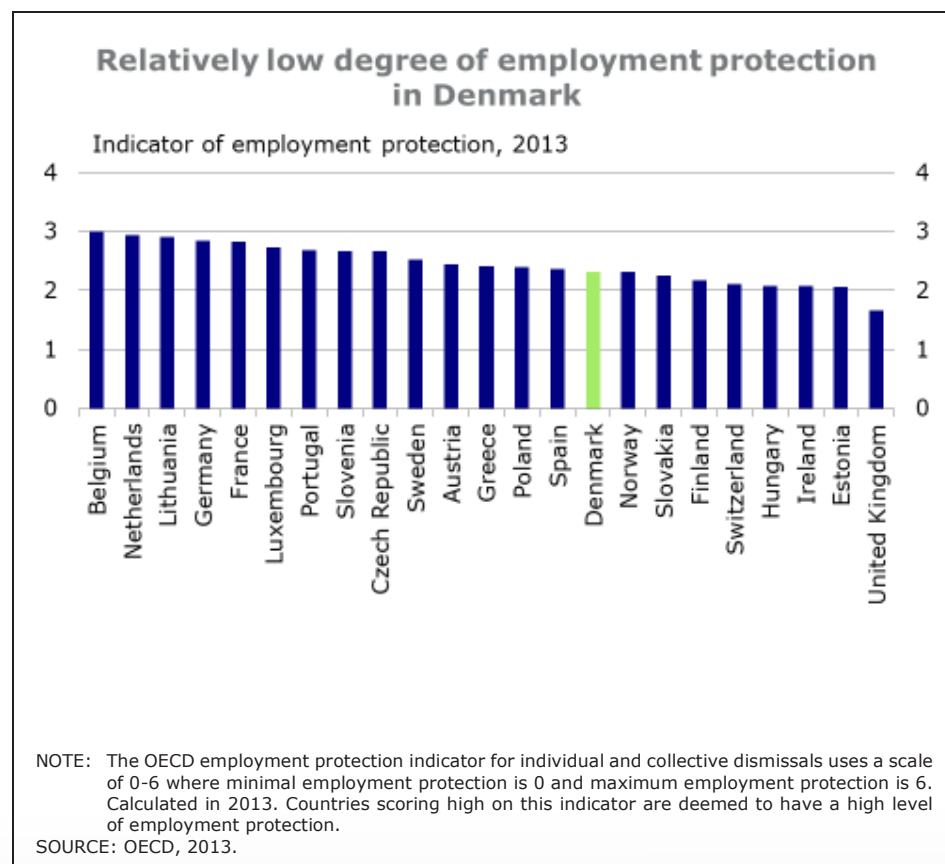
Figure 1.3



One of the prerequisites for a high job turnover rate and a low long-term unemployment rate is that employers are able relatively easily to appoint and dismiss employees. Protecting individual jobs rather than ensuring the best opportunities for new employment is therefore undesirable.

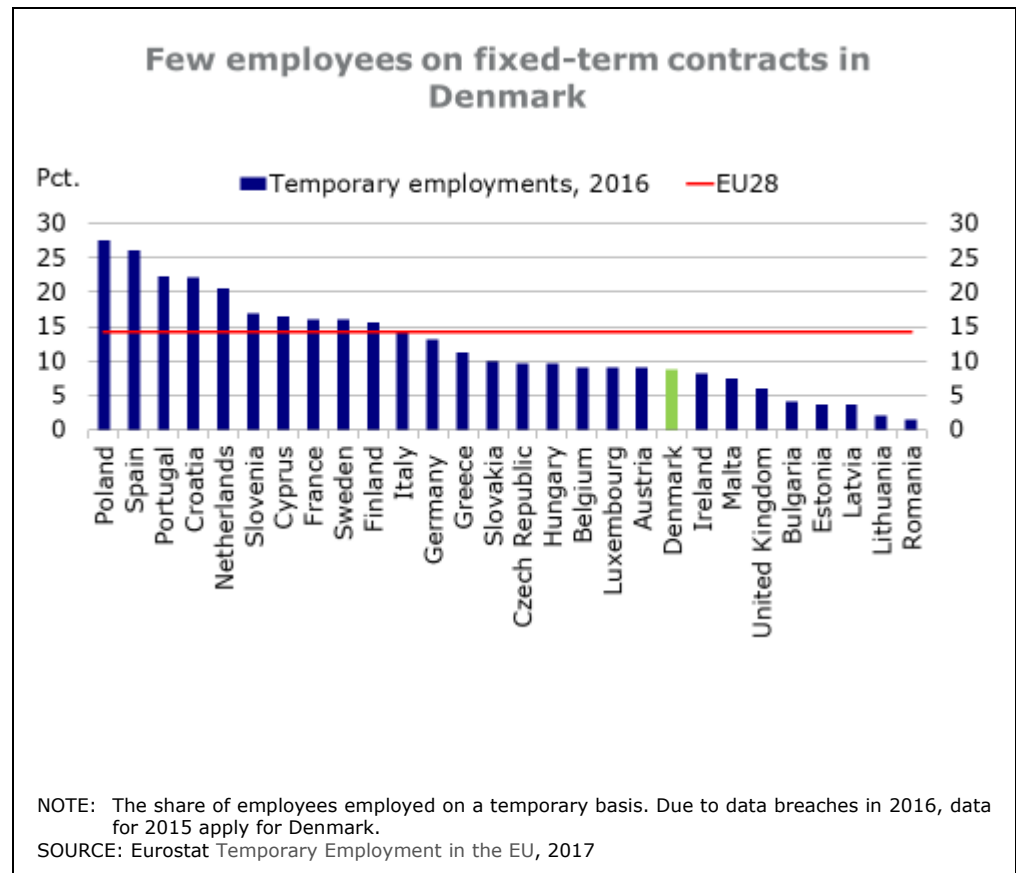
In 2013, the OECD produced an indicator for the extent of employment protection (Employment Protection Legislation) that applies to standard employment contracts that are not fixed-term contracts. The indicator shows that Denmark has a relatively low level of employment protection, cf. Figure 1.4.

Figure 1.4



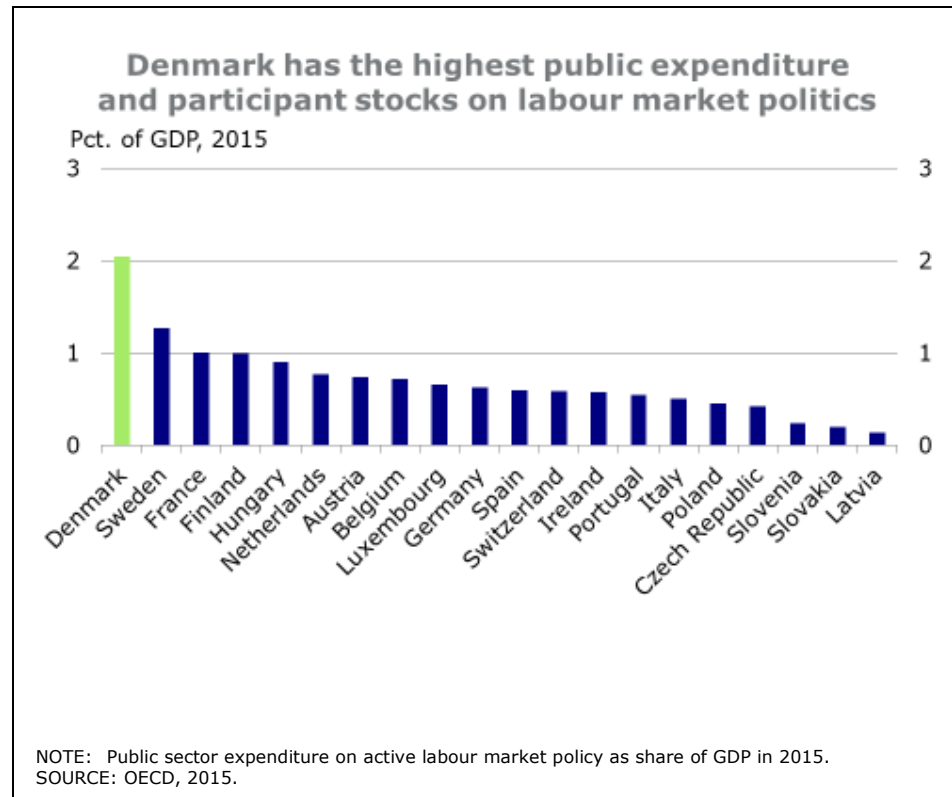
Although the level of employment protection is relatively low in Denmark, Denmark is one of the Member States with the lowest share of employees on fixed-term contracts. Flexibility and relatively low employment protection are important contributors to the relatively low number of persons in temporary employment, cf. *Figure 1.5*.

Figure 1.5



In addition to flexibility in the labour market, it is also important that the skills of the unemployed are aligned to those required by employers. An active labour market policy focusing on guiding, activating and encouraging the unemployed into employment, e.g. through work experience, wage subsidies etc., plays an important role. Denmark is the country in the EU spending the largest relative amount of resources on an active labour market policy, cf. *Figure 1.6*.

Figure 1.6



This means that having an active employment policy in place is not without cost. But it is still good business because it is about continually focusing on ensuring that the unemployed are ready to work and well equipped to undertake a job.

If other Member States wish to take inspiration from Denmark and introduce flexicurity, it may also be useful to look at the Danish tradition for continuous skills development. In a future where new technological solutions present opportunities for new and yet unknown job functions on the labour market, it is vital to ensure that the skills possessed by the labour force are continually being adapted to the needs of businesses.

The European Social Dialogue needs to get back on track

The EU's principle of having decisions taken as close to those who are affected by them as possible is vital to a healthy European partnership. It is therefore important that employers' organisations and trade unions at EU level are actively involved in decisions that affect them (read more about the European Social Dialogue in *Box 1.4*).

The participation and perspectives of the two sides of industry ensure solutions that are capable of balancing social and economic

considerations. This helps to ensure that both sides support and take ownership of the agreements that have been made.

The European Commission represents neither employers nor employees. This means that legislative proposals of the EU that affect the labour market may lack the legitimacy and understanding of national labour market dynamics that are needed to make regulations work in practice.

The European Commission has in its consideration of certain subjects chosen not to involve either side of industry. This means that the influence of both employers and employees at EU level has been weakened.

We believe that the involvement of both sides of industry could have contributed to creating a better basis for decision-making. In order to ensure the best possible basis for decision-making, the European Commission and both sides of industry need to work together to recreate and support an effective social dialogue.

Of course, the social partners at European level bear a great responsibility for showing that they are able to agree their way to solutions that renders regulation redundant.

Box 1.4

The European Social Dialogue

When Jacques Delors became president of the European Commission in 1985, the foundations of the single market and the European Social Dialogue were laid. Delors invited private and public sector employers and the European trade union movement to an initial meeting at which both sides agreed to launch a social dialogue at European level.

The dialogue between social partners is a key component in the European social model. The two sides of industry (employer and employee representatives) are thereby able to contribute actively to shaping the EU's social and labour market policy.

The purpose of the dialogue is to improve control at EU level by involving both social partners in decision-making and the implementation of decisions.

The European social parties enter into agreements across levels and across sectors. Agreements across sectors include: the framework agreement on parental leave, the agreement on dual training courses and the agreement on telecommuting.

Source: Eurofound Industrial Relations Dictionary and Article 151-156 of the Treaty on the Functioning of the European Union (TEUF).

The Confederation of Danish Employers recommends:

- that the Council of the European Union, the European Commission and the European Parliament again focus on flexicurity. This includes:
 - to launch information campaigns and co-finance pilot projects in Member States with the support of the European Social Fund
 - to use the flexicurity principles as parameters in the European Semester and encourage Member States to commence flexicurity reforms through the country-specific recommendations possibly supported by EU grants
- that the European Commission collect and promote good examples of reforms from Europe for generating growth and prosperity, including examples of flexicurity reforms
- that the European Commission develop benchmarks that show how Member States are doing compared to each other on set flexicurity parameters
- that the European Commission involve European representatives of employers and employees much earlier than is currently the case when considering new legislation of labour markets and education
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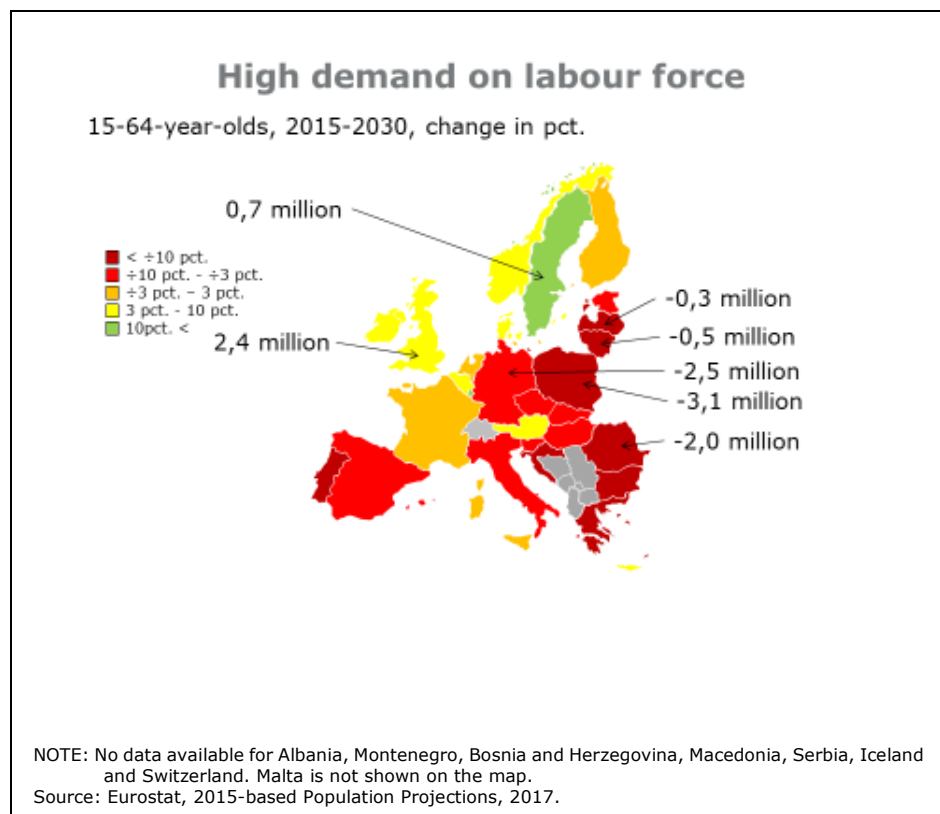


Chapter 2: An EU in which the free movement of labour is strengthened and takes place in a responsible manner

Competition for labour in future Europe will be fierce

Large Member States such as Poland, Germany and Romania will most likely see a shortage of labour force in the coming decades as these countries will have respectively 3.1, 2.5 and 2.0 million fewer people in the age of 15-64-year in 2030 than they have today, cf. *Figure 2.1*. The competition for attracting and recruiting skilled employees at European level will therefore intensify in the coming years. For a country like Denmark, where every third foreign European in employment comes from Germany, Poland or Romania, demographic trends are of particular concern.

Figure 2.1



The demographic development in Denmark looks less negative than it does in Poland, Germany or Romania where prognoses indicate a greater reduction in this group of the population. Foreign workers' share of the total Danish work force is increasing and in 2016 it constituted eight percent of full-time employees (Confederation of Danish Employers, 2017). Of the 188,000 foreign workers in full-time employment, about 13,000 come from non-EU countries and have been given residency through different schemes designed in order to make it possible for qualified professionals to work in Denmark.

Given the demographic trends in the countries from which we normally recruit our labour, we can expect an intensification of competition for that labour.

In Denmark, certain industries are already short of labour. This means that the employers that are short of labour will not be able to maintain production levels, much less increase them. Generations, with many skilled employees, are currently leaving the labour market while few young people are entering it. This may mean that Denmark – like several other countries in Europe – will be short of skilled workers in the future.

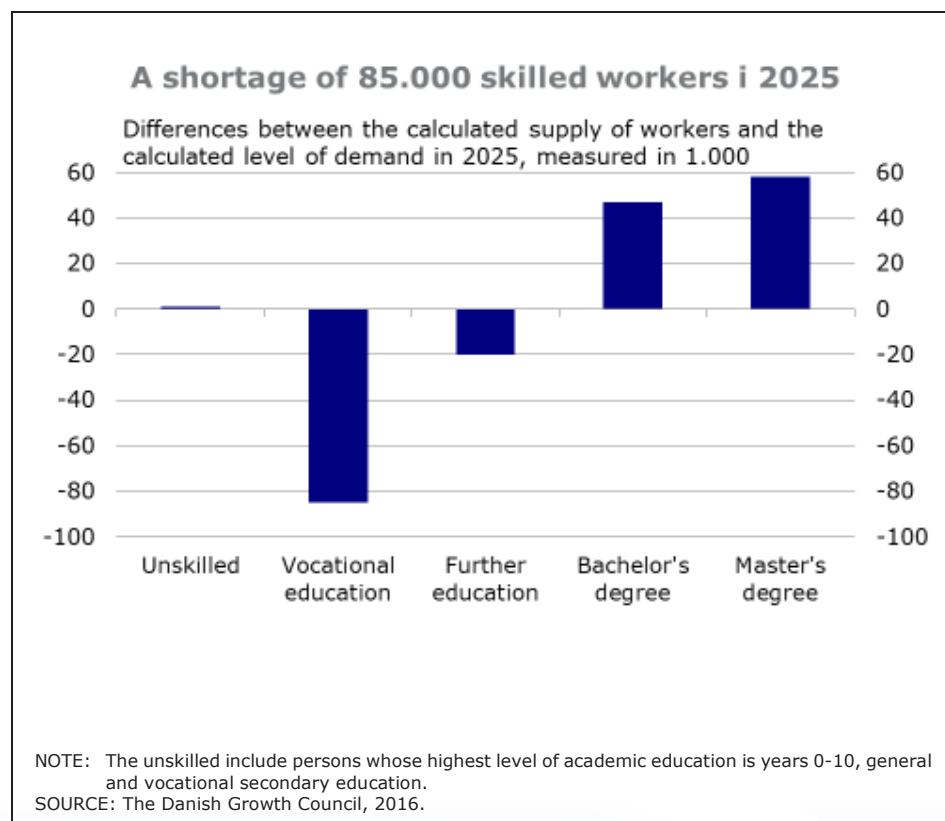
Danish employers need to recruit EU citizens

The Danish Growth Council estimates that Denmark already in the next decade will be short of up to 110,000 people with the skills required by the labour market and employers. The worst-case scenario is that this may cost Denmark up to DKK 85 billion in lost GDP if the Danish labour market is not able to rectify this shortage (Danish Growth Council, 2016).

The risk of a shortage of skilled employees is particularly high. In 2025, Denmark will be short of 85,000 skilled workers and 20,000 people with vocational or further education, cf. *Figure 2.2*. This projection shows that it is imperative that Denmark trains more skilled workers.



Figure 2.2



Denmark can go down different paths in order to solve the problem of securing the required skilled labour for its business community; fewer people on state benefits, stronger incentives to work, higher retirement age, better integration of refugees and not to mention more foreign labour and educational choices that are more accurately aligned to the requirements of employers.

The political agreement on *Better and More Attractive Vocational Training* (Danish Ministry of Education, 2014) and *The Tripartite Agreement on Sufficient and Skilled Labour throughout Denmark and Work Experience* (Danish Ministry of Employment, 2016) will hopefully help to alleviate the shortage of skilled labour.

But reversing trends takes time and that is why looking abroad for the required labour is vital. Here the answer lies first and foremost in the EU.

European labour markets need to be more cohesive

While Denmark is currently starting to see a shortage of skilled labour, other Member States are battling high unemployment, cf. *Figure 1.1* in *Chapter 1*.

Part of the solution is for EU citizens to become even better at seeing the whole of the EU as a possible workplace. A great potential lies in thinking transnationally. Both for employers recruiting and employees seeking work. If this can be achieved, we will have come a long way in averting a situation where parts of the EU are short of labour while other parts experience high unemployment.

The EU has in fact already available tools – such as the *EURES* job portal – where job seekers and employers are able to make contact, cf. *Box 2.1*. Awareness of *EURES* in the wider population, however, is limited. That is why the European Commission and Member States need to become even better at raising the profile of this job portal. It is worth ensuring that both employers and employees see *EURES* as a useful and useable tool.

Spreading the word about *EURES* is not enough. It is far more important that employers and Europeans open their eyes to the opportunities that free movement of labour provides. Member States need to focus on strengthening language skills and emphasising the fact that increased mobility will require a more basic cultural and behavioural change among their citizens. This means that a different and more open approach to travelling for job opportunities and to recruit foreign labour.

Box 2.1

EURES (European Employment Services)

EURES is a job portal and partnership network designed to promote the free movement of labour within the EU. Network partners include public employment services, trade unions and employer organisations. The network is coordinated by the European Commission. A special *EURES* programme has been developed for young people (Your First *EURES* Job) who are looking for work in another EU country.

Source: European Commission 2017a.

More control and enforcement may prevent social dumping

On the basis of the additional growth and additional jobs it has created in Europe, the Single Market is a great success. We are currently wealthier than we would otherwise have been and more jobs have been created in the EU than would have been the case without the Single Market and the free movement of labour and services, cf. *Box 2.1*.

Box 2.2

The Single Market is an economic benefit for Europeans

As a result of the single market, it is possible to measure an isolated increase in the GDP of Member States of an average of 0.8 percent in the period 1995 to 2015.

Additionally, the effect is an increase of an average of 0.3 percent in consumption per EU citizen. The total labour force in the EU has increased by 0.5 percent on the basis of the Single Market.

According to calculations, Denmark is the country that enjoys the greatest financial benefits of the single market with an average annual surplus of EUR 500 per citizen.

Denmark's GDP is about five percentage points higher today than it would have been had Denmark not been part of the single market. Investments in Denmark are DKK 27 billion which is viewed as being approximately six percent higher than if Denmark had not been part of the single market. In comparison, Denmark spent almost nine percent of GDP on its public healthcare service.

Sources: AmCham EU, 2017, Bertelsmann Stiftung, 2014 and Højbjerg Brauer Schulz for the Danish Ministry of Business, Industry and Financial Affairs, 2017.

Free movement, nevertheless, has also created uncertainty in a number of Member States. Labour from those Member States that became part of the EU enlargement in 2004 and later has been seen as competition for many jobs in the old Member States.

In some cases, wage and working conditions and social security have been at a lower level than the one that similar employees in the country in question enjoy. This has generated concern about free movement and the Single Market and has been called social dumping.

But the answer is not new EU legislation to prevent social dumping. The necessary legislation is already in place, cf. *Box 2.3*.

Box 2.3

Applicable legislation on posting of workers and implementation

The purpose of **the Posting of Workers Directive** is to ensure free movement and counter social dumping. This means that foreign enterprises sending employees to another EU Member State on a temporary basis must comply with legislation applicable to wages, holidays, working environment etc. in the host country. It is up to the host country to enforce the EU's legislation on posted workers and thereby ensure a level playing field in the single market.

The **Enforcement Directive** was adopted in order to ensure adequate enforcement of the Posting of Workers Directive. The purpose of the directive is to ensure better enforcement by creating clearer rules and facilitate national government authority partnerships and cooperation across borders.

The problem is not a lack of legislation, but that legislation in certain cases is not being complied with. Many of the cases that are referred to as social dumping arise when legislation is not respected and because national government authorities fail to carry out adequate controls.

The extent of the problem of social dumping is unclear, but it is probably limited. In Denmark, 74 percent of the foreign nationals who have come to Denmark to work, for example, are covered by a collective agreement that is also applicable to Danish employeesⁱ. For Danes the figure is 83 percent (Confederation of Danish Employers, 2017).

Although the extent of social dumping is limited, it is still necessary for Member State government authorities to work together to solve the problems associated with the free movement of labour. Otherwise we risk that support for free movement evaporates.

Thus, there is a need for government authorities to become better at tackling conscious circumvention of legislation. This does not require new legislation, but requires an acceptance of the fact that government authorities must be able to check, set requirements and enforce existing legislation.

Improved controls and enforcement mean that government authorities in EU Member States have to become better at liaising and exchanging information about employers and employees far faster. In Denmark, foreign companies are under the obligation to register with RUT (Register of Foreign Service Providers) which gives the Danish authorities an excellent basis on which to enforce applicable legislation.

The regulations on access to benefits must be tightened

If an EU citizen chooses to move to Denmark for work within the framework of the Danish model, this is good for Denmark and for the foreign national.

Calculations published by the Danish Ministry of Finance show that EU citizens living and working in Denmark make an average net contribution of DKK 28,000 per annum to the public sector (Danish Ministry of Finance, 2017).

In Denmark and in other EU Member States, some concern exists that the free movement of labour leads to abuse of welfare benefits. So-called welfare tourism.

On the one hand, we need to strengthen confidence between EU citizens and be open to the opportunities that free movement offers. On the other hand, we need to address the challenges that the single market presents as well as tighten EU-wide regulations that apply to welfare benefits for EU citizens so that the regulations are seen as fair and transparent by citizens as well as employers.

The Confederation of Danish Employers recommends:

- that the European Commission and the Council reduce the barriers to moving to another EU country to work. This includes:
 - to provide information on existing opportunities for schooling in languages other than the national language
- that the European Commission, the European Parliament and the European Council focus on ensuring that legislation do not hinder free movement, including:
 - that the European Union continues to prioritise the support of the enforcement of EU legislation by Member States with a view to ensure a level playing field of enforcement
 - that the enforcement of EU legislation is aimed at abuse situations so that free movement is not restricted
 - that the EU should support initiatives that make it easier for employers to use the single market
- that the European Commission, the European Parliament and the Member States ensure that the regulations on social security for EU-citizens that work across borders become more robust as regards abuse. This includes to introduce:
 - indexation of certain benefits on the basis of living costs in the country of residence

- tightening accumulation principles, increased use of bilateral agreements between Member States and increased control
- that the financing Member State must be able to require previous employment for three months prior to the payment of unemployment benefits

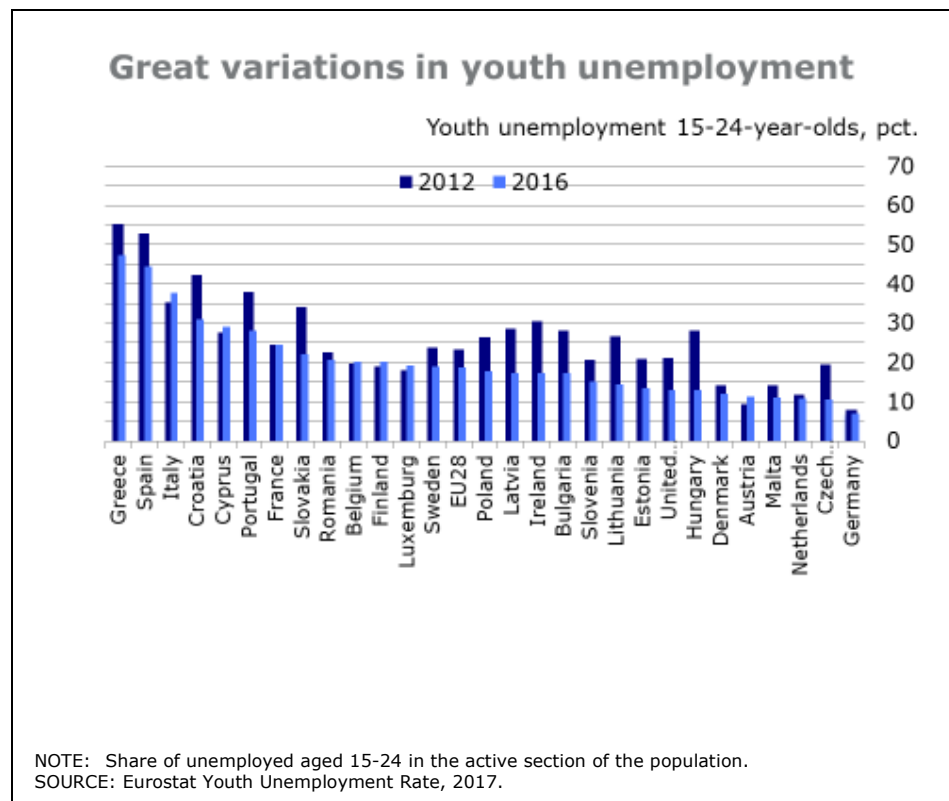
Chapter 3: An EU in which Member States become better at educating and training for employment

It is the Member States that are directly responsible for this area of education and this should continue to be the case. A national responsibility for training ensures ownership and customised solutions as Member States will be better equipped to align training and education to the requirements of the labour market.

Youth unemployment in the EU is a structural problem

Although unemployment in the EU is generally decreasing, a number of Member States continue to suffer from high youth unemployment. In the worst-hit countries, more than one in every four young people is without a job, cf. *Figure 3.1*.

Figure 3.1



Many countries, including Denmark, are seeing that recruiting labour is becoming a growing challenge. This may partly be explained by the fact that the skills possessed by Europeans and the skills required by employers are poorly aligned.

The EU has set up initiatives such as the *Youth Guarantee Scheme* and *Upskilling Pathways – New Opportunities for Adults* to attempt to tackle high unemployment, cf. *Box 3.1*.

Box 3.1

Examples of EU initiatives aimed at upgrading skills and promoting employment

Youth Guarantee. In 2012, the European Parliament and the Council agreed to set up a Youth Guarantee in Europe under which all young people under the age of 25 were to be offered training, work experience or a job within four months if they were not in education or in employment.

Upskilling Pathways – New Opportunities for Adults. The initiative was adopted by the Council in 2016 and is aimed at the 70 million Europeans who lack basic skills such as writing, reading and arithmetic as well as use of IT. By upgrading these skills, the EU believes that the group will find it easier to secure employment and avoid poverty.

It is up to Member States to define their target group, but it has to consist of unskilled workers who are not eligible for the Youth Guarantee.

The upskilling scheme consists of three steps:

- Skills assessment.
- Targeted training or education.
- Validation and recognition of skills achieved.

The initiative is financed by the EU Social Fund among others.

Source: The Directorate-General for Employment, Social Affairs and Inclusion(2017a) and the Directorate-General for Employment, Social Affairs and Inclusion (2017b).

These EU initiatives may be capable of helping some of the unemployed to get a job, but they do not change structural problems such as low training quality, rigid labour markets and lack of incentives to work that exist in some Member States.

Member States have to take on responsibility themselves and ensure that their training and education is far better aligned to the requirements of the labour market. An obvious solution is to seek inspiration from Member States whose alignment between the range and design of courses on the one hand and the needs of employers on the other is better.

Dual training courses may ease the transition from school to job

Many countries, including Germany, the Netherlands and Austria, have handled the financial crisis better and youth unemployment has remained relatively low. This can be at least partially explained by the fact that these countries have vocational college systems in place where pupils alternate between school and work experience. The advantage of this type of system is that it can help to ease the transition from education to labour market (CEDEFOP, 2014).

Although education and training are ultimately a matter for each Member State, the EU still has an important role to play. By introducing a benchmark, the EU will be able to focus on whether the education systems in Europe provide the skills that employers are looking for and thereby support their growth. Such a benchmark must show how great a share of a course is spent in work experience and how long it takes graduates/leavers to find a job.

Member States that focus on life-long learning and skills development are able to inspire the rest of the European community, cf. *Chapter 1*.

The labour market of the future requires flexible skills development

In a future where new technological solutions open up opportunities for new and yet unknown jobs in the labour market, it is important to ensure that skills are continually and flexibly being adapted to the needs of employers.

This means that skills development in the traditional education system, on the job and in further training and education should be so flexible and adaptable that employers' needs for employees with specific skills can be met.

In addition to meeting employers' needs, flexible and employer-aligned skills development will strengthen each employee's employability in the event of unemployment.

We cannot predict future developments. This is why we cannot use conventional means to plan for utilising the opportunities that the future will bring. The Danish example has shown that flexicurity principles contribute to a flexible and adaptable labour market, cf. *Chapter 1*.

EU citizens skills must be transparent

Education does not fall under the competency of the EU. But because educational provision varies from country to country, the EU has an important role to play in supporting the development of a digital system that creates transparency about the qualifications of EU citizens. Mobility across EU borders may increase if employers have a better understanding of the qualifications offered by foreign job applicants.

The EU has focused on education for many years, particularly on developing tools for comparing qualifications across Member States, cf. Box 3.2.

Box 3.2

Examples of EU tools aimed at increasing mobility

European Qualifications Framework (EQF) aims at making education levels in Member States comparable by offering an EU-wide framework consisting of eight levels in which all Member States enter their various educational courses by level.

EQAVET is a European reference framework for quality assurance adopted at EU level. Its aim is to promote vocational training quality and create transparency and understanding of quality assurance across Member States.

ECVET is a European merit transfer system for vocational courses. Its aim is to promote life-long learning and increase mobility between Member States.

Europass has been designed as a personal folder to help citizens document their qualifications and skills anywhere in Europe in a coherent way.

European Skills, Competences and Occupations taxonomy (ESCO) is an initiative that seeks to describe the most applicable abilities, skills and qualifications required for thousands of jobs in Europe. The aim is to create improved alignment between employees and employers and to give training and education the tools to adapt to the needs of employers.

Erasmus+ covers education and work experience for students and teachers at all levels. For vocational students, the scheme offers the opportunity to obtain grants for work experience in another EU Member State. For persons in adult or further education, the scheme provides an opportunity to complete a course in another EU Member State supported by a grant from the EU.

In the future, the EU should focus even more on increasing knowledge of digital tools and ensuring that they are simple and user friendly.

The Confederation of Danish Employers recommends:

- that the European Commission, the European Parliament and the Council earmark and target funds from the European Social Fund to promote good examples and raise awareness of the benefit of dual training courses (alternation between school and work experience with an employer), including co-financing pilot projects in countries with purely schooling based vocational courses
- that the European Commission benchmarks vocational courses in the EU so that we e.g. are able to move towards more dual training and graduate job perspectives across the EU



Chapter 4: An EU in which Member States act on collective decisions

As described in *Chapter 1*, no “one-size-fits-all” solution exists and the EU partnership should take the differences between Member States and their starting points for development into account.

Untapped potential for further growth and increased prosperity lies in many Member States, something that will require major labour market reform.

The final chapter in this publication presents the Confederation of Danish Employers’ vision for how to strengthen cooperation across EU Member States by ensuring improved implementation of collective decisions.

The EU has significant room for reform

Poorly functioning labour markets hamper the EU’s competitiveness in the global marketplace and weaken the EU’s social cohesion. That is why this is a challenge that EU Member States need to address.

Most EU Member States have put the financial crisis behind them and economic recovery is well under way. More than three million jobs have been created and unemployment has fallen from 9.4 percent in 2015 to 7.7 percent in 2017 in the EU28 (Eurostat, 2017b).

Despite these positive signs, a potential for creating more sustainable growth and prosperity across the EU still exists. This is because the economic recovery is supported by a range of temporary factors, e.g. the European Central Bank’s expanded acquisition programme and the low EUR/USD exchange rate.

A great potential exists to learn from each other and introduce better practice. A what-if calculation published by the OECD shows that if the eurozone countries implemented best practice reforms, the eurozone as a whole would experience growth of six percent. Especially Greece, Slovakia and Spain would be able to reduce their structural unemployment by introducing targeted labour market reforms (OECD, 2014).

Some countries have already taken this task on board and have led the way with comprehensive and effective labour market reforms. Estonia is an excellent example that other countries could benefit from following, cf. *Box 4.1*.

Box 4.1

The Estonian example

When Estonia regained independence after many years of Soviet occupation, the Estonian economy lay in ruins. The Estonian government chose to introduce comprehensive labour market and economic reforms and took inspiration from Scandinavia.

The Estonians took on board Scandinavian principles of strong social dialogue and flexibility and they opened up the economy to foreign investment. The result was significant economic progress. In 15 years, Estonia succeeded in going from a GDP per capita equivalent to 40 percent of the EU average to 65 percent of the EU average in 2007. At the same time, Estonian growth rates were among the highest in the world and in single years reached more than 10 percent.

Yet the financial crisis hit Estonia hard. Small, open economies are vulnerable to regional fluctuations and this was something that was very noticeable. In 2008, the Estonian economy shrunk by 14.7 percent.

As a reaction to the crisis, the country introduced an ambitious round of cut-backs and introduced reforms that ensured increased mobility in the labour market and enhanced competitiveness. Results were excellent. In 2011, Estonia saw a growth rate of 7.6 percent – five times higher than the EU average. Over the coming years, the Estonian economy is expected to grow by almost 3 percent a year, approx. 1 percent above average EU growth.

Sources: Heritage Foundation, Forbes, 2013 and 2007 and the European Commission 2017b.

It seems that the eagerness of Member States to reform is limited. Despite satisfaction with country-specific recommendations in the European Semester, cf. *Box 4.2*, figures published by BusinessEurope show that only 17 percent of country-specific recommendations have been implemented in a satisfactory manner (BusinessEurope, 2017).

This means that Member States are being far too hesitant in introducing the reforms that the European Commission recommends and that the European Council has approved.

Box 4.2

The European Semester

The European Semester was introduced in 2011 to coordinate economic and financial policies and encourage Member States to introduce much-needed reform. Over a period of six months (hence the name 'semester'), EU Member States adapt their budget and financial policies to the aims and regulations that have been agreed at EU level.

Since 2011, the European Commission has therefore reviewed the budgets of Member States, their macroeconomic abilities and their plans for structural reform. On the basis of this review, the European Commission prepares draft country-specific recommendations that Member States must then implement in the following 12-18 months (the Europe 2020 Strategy). The European Council approves the country-specific recommendations.

In addition to the European Semester, the Stability and Growth Pact, whose purpose is to ensure that a Member State's public sector budget deficit and debt do not impact negatively on other Member States, is also in place.

Source: The European Council, 2017, and the EU InfoCentre.

It is essentially the responsibility of Member States to launch and implement the necessary labour market and educational reforms.

But the EU is also collectively responsible for ensuring that the right solutions are emphasised and that reforms are kept on track. This is where the EU already plays an important role through the European Semester. Member States should consolidate cooperation on even wider-reaching reforms aimed at generating growth and increased prosperity within the EU. This may take place by supplementing country-specific recommendations with an implementation plan setting out specific and measurable milestones.

Need for improved cooperation on the implementation and enforcement of working environment regulations

Differences between Member States' implementation and enforcement of EU regulations have consequences for employer competitiveness. This can especially be seen in the area of the working environment.

Here, widely differing approaches across the EU can be seen despite an EU framework directive being in place. The standards that are implemented and the degree to which they are enforced vary a great deal from country to country.

A good working environment costs a great deal of money which means that employers in countries with lower standards and lower level of

checks and controls may enjoy a competitive advantage compared to countries with higher standards.

It is also a problem that EU legislation in the area of chemicals are far too complicated and difficult to understand which leaves room for different interpretations nationally and by the European Court. This may, in turn, lead to major differences in the extent to which and the way in which each Member State implements the rules.

It is vital that the EU consistently attempts to ensure equal competition. Lack of implementation and enforcement must never become a competitive parameter in which countries are able to speculate. A benchmark showing variations across Member States should therefore be prepared.

Decisions must be made as closely as possible to citizens and employers

The principles of proportionality and subsidiarity are key elements in the legislative work within the EU, cf. *Box 1* in the *Appendix*. These principles must ensure that decisions are made as closely to citizens and employers as possible and that rules are proportional to their purpose.

We need to safeguard these principles as they help to ensure improved understanding of the rules that are being adopted. In Denmark, we have established a labour market over many years in which representatives of employees and employers widely negotiate their way to solutions. The willingness of both sides to take responsibility has contributed to making the Danish labour market well-functioning in a European context.

The general principle should be that we only introduce collective EU legislation in areas in which the challenges facing all Member States are the same and where challenges are of such a nature that Member States are unable to address them on their own.

When we then agree that we need to put collective legislation in place, we have to ensure that rules are easy for employers to manage and that they rest on a solid professional and documented basis. EU legislation should as far as possible not allow room for interpretation by Member States and by the European Court.

The Confederation of Danish Employers recommends:

- that the European Commission, the European Parliament and the Council will strengthen the European Semester. This includes:
 - to improve the implementation of country-specific recommendations. E.g. that country-specific recommendations are supplemented by an implementation 'road map' with specific and measurable milestones
- that the European Commission focuses on ensuring uniform competitive conditions in the implementation and enforcement of occupational safety and health directives, including the development of a benchmark that shows the variation across EU Member States
- that the European Commission's proposal for EU-wide legislation will address areas in which Member States face common challenges that Member States are unable to solve on their own



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ⁱ The figures exclude foreign nationals working in a foreign enterprise in Denmark who are registered in the so-called RUT register as these persons usually do not have a CPR number and therefore cannot be associated with a sector/collective agreement. These persons comprise approx. 5,000 full-time employees. About half work in the construction industry. The distribution of foreign nationals across the public and private sectors is based on an average in the first to third quarters of 2015.

Figures provided by Statistics Denmark (Employment for Employees), figures provided by the Danish Agency for Labour Market and Recruitment (Jobindsats), the Confederation of Danish Employers, Finanssektorens Arbejdsgiverforening, Eurostat and own calculations.



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