



ANNUAL SUSTAINABLE GROWTH STRATEGY 2025

SOCIAL PARTNERS' CONSULTATIONS

EMPLOYERS' VIEWS

10 October 2024

- **General comments**

Making business easier in Europe is the key to a better future. To achieve this goal, the European Commission President has recently proposed **a series of new competitiveness and regulatory burden reduction initiatives and reaffirmed previous ones**. These changes are urgent as this is about survival of the European economy, and not merely its functioning. Appropriate actions need to be immediate and well targeted.

These proposals confirm that 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 others, it should include new measures to facilitate services and labour mobility and recognition of qualifications. These measures should boost competitiveness and productivity of EU enterprises. As rightly stated in the Letta report, it is crucial to support EU companies in growing and being able to compete on the global stage. It is also necessary to encourage business start-ups and support them to scale up their operations. At the same time, as part of the broader efforts to reduce regulatory burdens across policy areas, the EU must engage in forceful action to reduce the regulatory burdens for employers deriving from EU social legislation.

The EU also needs **a responsible Industrial Deal to accompany green transition** and, at the same time, prevent deindustrialisation in Europe. Industries have a vital role to play in delivering the goals of the European Green Deal, as well as in ensuring EU open strategic autonomy. However, the present nexus of EU energy, climate and industrial policy is not fit for effectively supporting industry and the overall economy. Europe's industrial resilience is at risk. Year-on-year industrial production in the EU was down by 5.8% in November 2023 after declining by 5.4% in October 2023 and over a third of Europeans (37%) have difficulties paying bills. These difficulties must be addressed.

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.

Social dialogue and social partners at all appropriate levels are crucial to promote sustainable and inclusive growth. It's the highest time to make it a reality with meaningful and timely consultation processes, in-depth discussions prior to launching any regulatory proposals and respecting the EU social partners' autonomous agreements.

- **Key messages**

High energy prices and inflation impact all segments of the economy as well as all households. Electricity prices remained significantly above pre-war levels, with prices in the first half of 2023 being 130% times higher than in the pre-pandemic period, compared to a rise of 22% in electricity prices in the US. In 2023, 68% of EU businesses have seen their energy spending increase by 25% or more, whereas only 30% of US businesses have seen such price increases. 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, which should be supported by a reformed and more flexible surveillance framework. Such **policies should be designed and implemented in the national context** taking into consideration regional/ sectoral/ local specificities. 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**, with 83% of BusinessEurope members considering the recommendations to be extremely important or important. We also appreciate that the CSRs focus now on a limited set of challenges that are not addressed by the respective RRP. This said, in the 2024 Reform Barometer BusinessEurope member federations indicated that on average only 22% of reforms were implemented satisfactorily. This is a significant drop from 32% in 2022¹.
- 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.
- In this context, the possibility of extending the fiscal adjustment period under the new rules should be used responsibly and contribute to implementing reforms and investment commitments stemming from CSRs. It shall not result in growing national deficits.
- Related to this, the “Mission Letter” to Commissioner-Nominated Dombrovskis (Commissioner for Economy and Productivity; Implementation and Simplification) calls on him to develop a **series of competitiveness and regulatory burden reduction/estimate initiatives**, e.g., the “Competitiveness Tool” (which is to be translated into national plans), SME/Competitiveness checks, the “stress test” of the *Aquis* and annual “fitness checks” and “reality checks”, better law making and stakeholder consultation, of which have implications for social policies. **Those should be effective and avoid the multiplication of overlapping frameworks, including with existing ones.**
- **Labour and skills shortages remain one of the main concerns despite a recent loosening of the labour market**, especially in the context of an ageing society, a changing demand for skills on the labour market, and mismatches between educational systems and skill demand on the labour market. Some 22% of companies in industry indicated that labour shortages were restricting their ability to produce at the end of 2023, significantly above the long-term average of 13%. This is a structural issue for businesses as the Europe’s workforce is expected to decline from 205 million people in 2022 to 184 million people in 2025. These constraints 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

¹ See BusinessEurope’s Reform Barometer 2024 - [Putting competitiveness at the forefront of the next political cycle](#), p. 32.

for talent contributing to higher labour costs. Jobs creation and increasing employment rate in general are the most effective actions to combat poverty and ensure social exclusion.

- 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.
- In this context we propose making good use of available resources at EU and national level to design incentives for work such as in-work benefits. It is a more sustainable solutions that subsidising jobs that are not productive and will disappear when the subsidy scheme ends.
- **Enhancing productivity** is important not only to boost competitiveness, but also to guarantee financing of the European social model in the context of the ageing society. The EU working age population decreased by 3.5 million between 2015 and 2020. It is expected to shrink further over the next years and decades, with the loss of an additional 35 million persons by 2050. In this context, more attention must be given to productivity growth to prevent the EU economy from shrinking and to ensure sustainability of social protection systems.
- 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 welcome the focus put on skills in the Draghi report published on 9 September 2024.** It is very positive that the report refers to the need to further support companies by incentivising their provision of training and by calling for stronger coordination among Member States to achieve this. In the next programming period 2028-2034, 50% of ESF+ resources should be earmarked for the implementation of actions to support skills development. Within this earmarking, 15% should be allocated to financial incentives to encourage employers to provide training to their workers. There should also be a thematic concentration on reducing skills mismatches as part of the Erasmus + 2028-2034. Well-targeted incentives geared towards employers will be the main factor to make progress towards the target of 60% of all adults participating in training every year by 2030.
- **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 EU Talent Pool proposed in 2023. 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.
- The April 2024 reform of the Stability and Growth Pact, the EU's fiscal surveillance framework, eliminated the previous uniform balanced budget target, placing more focus on individual Member States debt sustainability via so-called medium-term fiscal-structural plans (MTFSPs). It gives countries with debt below the 60 percent threshold more fiscal freedom even if the consistency between MTFSPs and the excessive deficit procedure (EDF) – still the main enforcement tool of the EU fiscal rules – needs to be better clarified. This greater

flexibility is consistent with President von der Leyen call to make her second term an “Investment Commission”. **This greater margin of manoeuvre to pursue policies, including social ones, should be used wisely and consistently by the Member States.** Importantly, the MTFSPs also include provisions for consultation with “social partners and other stakeholders” prior to its submission to the European Commission. Once again, we call for real and well-timed consultation processes that enable taking social partners’ perspective into consideration in a due time.

The European Semester 2024 and implementation of the Recovery and Resilience Plans

The Recovery and Resilience Facility (RRF) was a key part of the EU’s response to the pandemic, repurposed to provide Member States with funds for investment and reform. To monitor EU countries’ progress in implementing their RRP, the Commission has launched an online Scoreboard measuring the objectives and projects within each national plan as well as quantifying how much has been reached and how much funding has been disseminated so far to each Member State. According to the Scoreboard, only €170.8 bn in grants out of a total of €338 billion and only €94.6 bn in loans out of a total of €385.6 billion have been disbursed so far (or around 36% of the total RRP funds).

Reflecting this somewhat slow disbursement, and other implementation-related matters, the 2024 BusinessEurope’s members survey suggests that the initial optimism concerning the RRF and its design to support effective implementation has faded away. Unfortunately, the proportion of member federations dissatisfied with implementation of the plans has again increased: from 29% following the launch of the plans to 42% now. This said, the RRP Scoreboard 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, and is therefore a good example of transparency and accountability of EU frameworks

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.
 - Promoting multi-partner projects and fostering mutual learning among Member States through flagship projects supported by DG REFORM.
- **Reforming national social security systems** so they are sustainable, fit for the modern labour markets and support employment.
 - All reforms of social protection systems should examine possibility of savings and/or reallocations to make the best use of limited resources and ensure they support those in need.
 - 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.
 - A focus should be on basic and STEM skills ensuring that all entering the labour market have a solid base for further lifelong learning and training.
 - Promoting VET as the best way for young people to participate successfully on the labour market.

- Reformed national curricula should contribute to unleashing the European spirit of entrepreneurship and promote skills mobility through skills transferability.

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

- **Role of social partners in implementing the reforms' agenda**

We appreciate a separate point (1.3) on the role of social dialogue and involvement of the social partners in the Semester. We are happy it has become a permanent part of the ASGS issues paper.

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 2023 State of the Union address and organising a Social Partner Summit in 2024 at Val Duchesse. We are looking forward to implementation of the Val Duchesses agreement such as adopting a New Pact for Social Dialogue (planned for early 2025) or appointing Social Dialogue Envoy.

However, before these “big steps” are made, improvement is still needed to what should be a regular and well-established practice of consultation process with social partners. The same problems persist at the EU and national level for years: too often social partners' consultations are just a “tick the box” exercise with meetings organised at a very short notice and background documents sent too late to ensure time for reflection and/or consulting members.

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, when 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.

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. These activities should be continued.

The way forward

- In order to strengthen the already existing mechanisms, **regular tripartite meetings between EMCO, SPC and social partners** should be envisaged. Another useful initiative EMCO could implement in cooperation with Member States would be putting together a table with information on the measures taken at the national level to tackle labour and skills shortages. A good example of a similar table is the one on measures introduced in reaction to the outbreak of Covid put together by EPSCO Council in 2020.
- The Commission should **further encourage Member States to actively engage with national social partners in the RRP's implementation process** (or any other labour market reform processes). 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.
- This year is **the 1st year of implementation of the Social Convergence Framework (SCF)**. Seven Member States have been identified as the ones at risk in the areas such as social inclusion, skills and education (early drop-outs & decreasing level of basic skills). Relatively low employment rate, including for the under-represented groups, has been identified as a risk

for some out of the seven Member States. We will carefully analyse the review of the 1st year of the implementation of the Social Convergence Framework the Commission will run in the autumn and its potential impact on supporting national reforms.

- Going forward, building on the Employment Guideline number 7 and the Council recommendation on strengthening social dialogue of 12 June 2023, the Commission's relevant directorates general (in particular DG EMPL and DG REFORM) should work together to ensure the timely and meaningful involvement of the social partners in the design and implementation of employment, social and, where relevant, economic reforms. The upcoming review of the technical support instrument (TSI) is a good opportunity to make a step in this direction.
- **Key challenges and opportunities in the employment and social domains**

In the 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:

- **Reducing the tax wedge**

The EU "tax wedge" (the ratio between the amount of taxes paid by an average worker and the corresponding total labor cost for the employer) is not only much higher than the one in its competitors (at 41.6%, over 10 p.p. above that in the UK or the US) but has been growing. This is a fundamental constraint for the creation of new jobs in the EU and exacerbates divisions towards those in more flexible types of labor contracts, as a core aim of tax policy should be to protect jobs, not firms.

- **Channeling pension savings into the EU economy**

EU financial markets are much shallower than US ones (at less than half of its GDP share), and much more bank-centric: changing this situation is a core objective of the Capital Markets Union. Therefore, the EU and the Member States should create a pension-friendly legal environment, comprising of appropriate social and labour law, tax law and prudential law to nudge pension institutions and support the beneficiary employees to invest in financial markets, and do so in Europe, therefore enabling the EU companies to grow faster and invest in Europe.

- **Reducing labour force shortages**

Important measure to tackle labour force shortages is to reduce labour market slack. According to Eurostat, in 2021, around 1 in 4 people (26.4%) in the EU aged 15- 64 was outside the labour force, corresponding to 74,4 million people. In the EU, the unmet demand for employment, the labour market slack^{2[1]}, amounted to 14.5% of the extended labour force (aged 15-74 years) in the second quarter of 2021. We call on the Council's Employment Committee and the Commission to convene a new tripartite meeting with EU and national social partners from across Europe to discuss the implementation of the EU action plan on labour and skills shortages published by the Commission on 20 March 2024.

- **Targeted employment strategies for different underrepresented groups**

Bringing those inactive to the labour market is another crucial measure to tackle labour force shortages. 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

² A major component of the labour market slack is unemployment. In the second quarter of 2021, unemployed people accounted for almost half of the labour market slack (7.0% of the extended labour force in the EU). The remaining groups making up the labour market slack were: 'persons available to work but not seeking employment' (3.8% of the extended labour force), 'underemployed part-time workers' (2.9%) and 'persons seeking work but not immediately available' (0.8%).

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. The success of activation measures addressed to different categories of the under-represented groups lies in targeting them to specific groups, putting more effort to outreach activities and supporting them effectively in job retention. Access to enabling services such as care services also plays an important role, especially as regards bringing (back) to the labour market both young and mature women.

- **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. Before any further steps are envisaged on the financing of just transition policies, it is important to take stock of the use of the existing just transition fund and the social climate fund.

- **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 trust-based 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.

As regards non-regulated professions, the ENIC-NARIC Network³ has an important role to facilitate the collaboration between national information centers on the academic recognition of qualifications. If well-designed, the use of digital credentials could be helpful for employers in reducing the time and verification of credentials and the processing of job applications and in better understanding the credentials of candidates, especially from other Member States.

Going forward, it will also be crucial to develop the role of microcredentials and their inter-operability when used in companies, formal education institutions or training centres. This inter-operability will be a game changer to support improvements in the recognition of skills as part of a skills first approach in education and employment.

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. In parallel, work through the European Qualifications Framework can be a good way to improve the transparency and understanding of third country qualifications in Europe.

³ More can be found here: [ENIC-NARIC - gateway to recognition of qualifications](#)

- **Flexibility in employment arrangements and access to modern social protection systems for all**

The Commission notices that in 2023 the share of employees on temporary contracts fell to the lowest level since 2004. The Commission also observes that there are significant differences among Member States related to the incidence of temporary contracts. This data is very useful, but the real 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. Different forms of employment and a variety of employment contracts are necessary to enable employers navigate through multiple transition currently taking place. 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. The EU's role is to ensure that labour market regulatory framework is clear and simple and provides the right balance of flexibility and security to businesses and workers.

- **Embracing AI and AM to make it beneficial for employers and workers**

Regarding the introduction of Artificial Intelligence (AI) and Algorithmic Management (AM) in the workplace, we underline that any potential initiative to address potential risks and challenges related to AI and AM should be aimed at helping companies to mitigate these risks and harness its potential. Companies are best placed to define their approaches to these issues in accordance with their business and employment realities. Employers are actively contributing to the Commission's work on relevant initiatives. 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 the dialogue between companies and workers on the use of AI and AM at the workplace is the best way to ensure effective implementation at the workplace. There are already legal grounds for such a dialogue since "Employment" is considered a high-risk category under the AI Act. Under the AI Act employers are obliged to inform workers each time when high-risk AI systems are to be used in the workplace. Effective dialogue between employers and workers can fundamentally determine the use of AI and AM, how AI and AM are perceived by workers and their effects on productivity. The EU also risks lagging in the technological commercialisation of AI and future research. The United States has emerged as the global leader in AI as (private) investment in AI in the US and the number of businesses with AI as core business eclipsed those in the EU, UK, and China. As AI research is shifting from research institutes to the private sector, the ability to raise private investment is becoming ever more important. The EU has fallen in AI investment, holding only a 6% share of global AI venture capital. Regulatory actions like the recent AI Act could end up only reinforcing the EU's underperformance in this area, with deleterious effects on both employment and overall economic activity.

- **Putting childcare more in focus to improve employment participation and Europe's demographic situation**

We encourage the EU and the Member States to put more in focus the need for affordable, accessible and quality childcare provisions to improve employment participation and Europe's demographic situation. We encourage EU Member States to design their childcare policy and relevant regulatory framework in such a way that ensures level playing field for public and private childcare providers. In particular, there is a need for more broken-down data, unveiling the social and territorial factors of childcare provision.
