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## Public Consultation on the European Pillar of Social Rights

### Contribution by Almega, the employers' organisation for the Swedish service sector

Almega, the employers' organisation for the Swedish service sector, hereby submits its contribution to the European Commission's public consultation on the European Pillar of Social Rights.

We have chosen to respond with this paper as we have found that the on-line questionnaire for the consultation provides a too restrictive framework for the comments we would like to put forward.

In summary, our response underlines that in order to be effective and not counter-productive, the pillar must take into account three aspects of particular importance:

- **The need to focus on economic growth and competitiveness:** Global competitiveness and sustainable economic growth are indispensable foundations for more and better jobs as well as for solid, durably affordable social standards. They require a stable, simple and predictable environment, which is also conducive to investment and innovation. The EU must therefore focus on tearing down barriers to free movement and making the internal market, especially for services, more efficient.
- **Respect for national competences and subsidiarity:** The specificities of each member state must be clearly understood and effectively taken into account when designing the social pillar, hence respecting national competences and subsidiarity.
- **Building on existing policy instruments:** The social pillar should build on existing policy instruments, including the European Semester and the country specific recommendations and the open method of coordination in the areas of social protection and social inclusion. No new instruments are needed.

## About Almega

With close to 11,000 member companies, employing more than 500,000 people, Almega is Sweden's largest business and employers' organisation for service companies in the private sector. Many of our member companies are leaders in their areas of operation and in the development of new services. They are companies where new business ideas are born, and where new jobs are generated. Service companies also contribute to the development of industrial products, to the whole business sector and to the public sector.

Almega comprises seven different organisations:

- Swedish IT and Telecom Industries (IT & Telekomföretagen)
- Almega Samhall Employer Association (Samhallförbundet)
- Almega Service Associations (Almega Tjänsteförbunden)
- Almega Service Employer Association (Almega Tjänsteföretagen)
- Media Industries Employer Association (Medieföretagen)
- Association of Private Care Providers (Vårdföretagarna)
- Swedish Association of Staffing Agencies (Bemanningsföretagen)

Our mission is to play an active role in developing Sweden into a country of cutting edge skills and competences in the global competition and to strengthen economic growth and the competitiveness of our member companies through negotiating sector and company specific collective agreements and by promoting structures beneficial to service companies.

The main characteristics of the Swedish service sector are:

- **Services dominate Swedish exports:** The Swedish service sector is increasingly exposed to tough international competition. Recent OECD figures show that the service content amounts to 60% of Swedish exports. Almost a third of all Swedish private jobs are now in companies operating in global value chains.
- **Services as growing share of GDP and employment:** The private service sector represents 52% of Sweden's total GDP, up from 45% in 1993. The private service sector's share of total employment is 47%, an increase of 10 percentage points since 1993. If the public sector is added, 75% of all Swedish employees work in services.
- **Increased service production in manufacturing:** In production, goods and services are increasingly inter-linked. Manufacturing is dependent on the service sector and vice versa. The service content in the manufacturing industry is steadily increasing and amounted in 2013 to almost 25%.
- **The service sector as job-creator:** Since the 1990's, 82% of the total job growth has taken place in the service sector. Knowledge-intensive businesses represent 60% of this increase. In Sweden, 80% of all new businesses are service companies.
- **Digitalisation:** Growing digitalisation enables and accelerates the globalisation of businesses and labour markets. The sharing economy and new digital business models, particularly present in the service sector, challenge established

rules. Old jobs are disappearing while many new ones are created. Renewal and updating of skills and competences in both businesses and people are essential.

Against this background, Almega has identified a number of key challenges of relevance to the future. Among them are:

1. *Supply of competence*: Increased matching problems and difficulties in finding the right skills are growing concerns for knowledge-intensive companies. The availability of employees with the right skill sets is a prerequisite for knowledge-intensive businesses and has great significance for their decisions on where to locate operations. Sweden must be an attractive country to live and work in so as to attract key skills and competences also among third country nationals.
2. *Innovation climate*: We live increasingly in a service society where innovation is not primarily about technical inventions but rather about how we can create innovative service solutions. It is about new business models, new ways of organising work, new forms of cooperation and networks. This requires an update of research and education to meet current and future skills needs.
3. *Modern forms of employment*: Global competition, growing digitalisation and new business models require legislation which supports constant innovation, creating more flexibility in working hours and greater labour mobility.

## Input in relation to the consultation questionnaire

Almega agrees that there is a need for increased upward convergence in Europe, but underlines that the way to achieve this must be through national reforms. The EU level can contribute through benchmarking and coordination of member states' employment and social policies. At an overarching level, the EU must focus on its core business, i.e. policies to bring down barriers to trade and free movement of services, goods, capital and people. It has here to be borne in mind that there is already a very strong social dimension in Europe.

The focus of a future social pillar must be on building on our common strengths and drawing inspiration from successful reforms in the different member states. To merely focus on 'social rights', as advocated by some, is not the accurate approach.

We believe that the pillar must take into account three aspects of particular importance:

- The need to focus on economic growth and competitiveness
- Respect for national competences and subsidiarity
- Building on existing policy instruments

## The need to focus on economic growth and competitiveness

Almega believes that Europe, first and foremost, needs to focus on economic growth through the enhancement of global competitiveness.

In the debate about the social pillar, some seem to believe that the more "social rights" the EU can deliver, the better the social cohesion and convergence will become. Such

ideas disregard the fact that the wealth, new jobs and resources necessary for social convergence and adequate and sustainable social security systems can only be delivered in a climate of sustainable economic growth in which businesses can invest, innovate and prosper.

In fact, Europe's social problems are not due to a deficit of social rights or social policies but to a lack of competitiveness and business-friendly environments.

Better global competitiveness and sustainable economic growth are the indispensable foundations for more and better jobs as well as for solid, durably affordable social standards. They require a stable, simple and predictable environment, including policies to open up and make more efficient the internal market, especially for services. These are core tasks for the European Union. The overall framework at European and national levels must be made more conducive to investment and innovation.

Our member companies are becoming increasingly global and operate in global value chains. Almost 60% of Swedish exports can be attributed to services.

We need stable long-term rules favourable for investment, innovations and adaptability. Labour markets need to be flexible. For our knowledge-intensive companies, it is equally important to pay special attention to attracting and retaining skilled personnel. It must be ensured that training and education systems reflect the needs of businesses. Work-based training is important, and company-driven solutions should be promoted.

As for labour market regulations in general, they must be adaptable to our modern work patterns and different production processes. Different forms of work contracts and flexible labour legislation are important and must be given room to develop. New forms of contractual relations, including self-employment networking, that are different from both traditional standard and non-standard employment, are emerging. They aim at increasing flexibility for both employers and employees.

Almega believes it is important to create an enabling environment to promote such trends, rather than to try and restrain them. It must also be recognised that wage-setting and collective bargaining are core tasks for businesses, workers and their representatives and they need to be given room to develop the appropriate solutions.

## Respect for national competences and subsidiarity

Almega believes that the specificities of each member state must be clearly understood and effectively taken into account when designing the social pillar. Every country has its own budgetary and social situation, where the objectives may be identical or similar but the concrete policy options differ and different actors have different tasks. Any attempt to introduce "one-size-fits-all" solutions at European level risks undermining not only the national regulatory fabric but also the public confidence in the European Union.

Sweden is a highly service-orientated society. Nearly 75% of the working population work in services, either in private companies or in the public sector. The private service sector has created the majority of new jobs since the mid-1990s, i.e. 80%.

Labour legislation is to a very high degree supplemented by collective agreements. Almega alone negotiates for its member companies around 150 collective agreements. One specificity is that Sweden – as only a few other countries in Europe – has no legislation on minimum wages nor legislation on declaring collective agreements

generally binding. Instead, collective agreements play a central role in the Swedish labour market model due to their universal coverage. 86% of the workforce in the private sector is covered by collective agreements. The same figure for the entire workforce (including the public sector) is 91%. 64% of the employees in the private sector are organised.

In this context it is worth remembering that sectoral collective agreements, in addition to wage agreements, cover a wide range of rights and benefits, such as:

- Regulation of working time, including work time reduction and paid leave
- Remuneration for overtime and travel time
- Occupational pension contributions
- Remuneration for parental leave
- Remuneration for sick leave
- Group insurances on disability or death

There are also collective agreements that cover support in case of redundancy - the Employment Transition Agreements (Omställnings/trygghetsavtal). Support stemming from these accords range from additional unemployment benefit payments to advice and guidance on how to find a new job, how to start a business, as well as to the financing – entirely or partly – of reskilling, training or education.

It is therefore important that the social pillar respects national competences, the principle of subsidiarity and the autonomy of the social partners. It can only contribute to “upwards convergence” if it takes specificities such as those mentioned above into account.

At a time of recovery from our deepest economic crises in decades, and with an alarming rise of protectionism all over Europe, the European Union needs now more than ever to focus on releasing the internal market, promoting free movement and open borders and delivering policies for growth and new jobs. Introducing new legislation and new “social rights” at European level would be harmful not only to the labour markets and social systems in the different member states, but also to the general perception of the European project.

## Building on existing policy instruments

Almega also believes that the social pillar should build on existing policy instruments, including the European Semester and the country specific recommendations and the open method of coordination in the areas of social protection and social inclusion. No new instruments are needed.

The purpose of benchmarks is to support and inspire all EU member states in reforming labour markets, education and training, and social systems. Benchmarks provide a point of reference to support national implementation of structural reforms and to assess progress towards reform goals as well as the member states’ economic and social performance more generally.

Although we favour an approach based on benchmarking, we must however warn of establishing new social benchmarks and objectives. New social targets and objectives risk shifting the focus away from the structural reforms necessary to strengthen

competitiveness, as we have outlined above. They risk leading to short-term measures, which would not address nor durably solve the problems themselves at the source.

Under all circumstances, there should be a clear prioritisation in the issues covered by benchmarks, focusing on those which will have a positive impact on competitiveness, employment, sustainability as well as the adequacy of social systems.

A handwritten signature in black ink, appearing to read 'Anna-Karin Hatt', with a long horizontal line extending to the right.

Anna-Karin Hatt  
CEO  
Almega