

The way forward for Europe: getting the Lisbon strategy right

- The Lisbon Strategy, as agreed at the European Summit in 2000, set out to create a balanced and integrated approach to economic, social and environmental policies.
- Lisbon is about more and better jobs, sustainable economic growth, higher competitiveness and social cohesion.
- The European social dimension is an essential stimulus to innovation, productivity and sustainable growth.
- The strategy has not delivered the promised results, because social and worker protection has been weakened in many Member States.
- Lisbon must give priority to Social Europe, reinforcing social justice, solidarity, equal opportunities and good social protection.
- Workers and trade unions need a stronger say in how the Lisbon Strategy is formulated and implemented at all levels.



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The way forward for Europe: getting the Lisbon Strategy right

The European trade union movement is working for European Union founded on social justice, where the benefits of growth are fairly shared throughout the community.

This means greater social solidarity, with full employment, a skilled and motivated workforce, strong social protection, equal opportunities for all, respect for human rights and the natural environment, and an end to the exclusion of less advantaged groups or individuals. It also means putting an end to precarious jobs and excessive flexibility in the labour market.

The European Trade Union Confederation (ETUC) backs the Lisbon Strategy because it sets out to achieve many of these objectives. At the outset, it promised a balanced and integrated approach to economic, social and environmental policies. But at present the EU is failing to meet its targets, and European leaders have responded by prioritising competitiveness at the expense of workers' rights and the environment.

In contrast, we insist it is time to banish the myth that social investment is a drain on growth and competitiveness. We have to make the Lisbon Strategy work, because it is the best way to address competition from the emerging low wage economies and to ensure the survival of a strong European Social Model that promotes the wellbeing and integration of all citizens.



1. What is the Lisbon Strategy, and why does Europe need it?

In March 2000, EU leaders got together in Lisbon, Portugal, and resolved to make Europe “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”.

According to European leaders, the EU needed to adopt a new approach in order to maintain and improve the prosperity of its people for several reasons:

Globalisation and growing international competition: Economic growth in some EU Member States has not been good, even though the Nordic economies are among the most competitive in the world. One problem in Europe is that even though profits are high, there is a lack of investment in research and development, to discover the new products and processes that people need. The USA spends some €100 billion more on R&D than the EU.

The development of new technologies, especially in the field of information and communication, means that economies have to innovate to stay ahead. The ‘new economy’ has created jobs in sectors like financial exchange, Internet selling and digital communications. Europe cannot hope to compete with developing countries like China and India through lower labour costs. To be successful in the long run it must create high-quality, high-knowledge jobs, and a motivated, skilled, healthy and secure workforce.

Europe’s population is ageing, with the proportion of older workers (55-64) expected to increase by 24 million by 2030, and increased pressure on pensions and health care as this age group reaches retirement.

1.ii. So what does the Lisbon Strategy mean?

The EU is not merely a single market for the exchange of good and services throughout the 25 Member States and three members of the European Economic Area (Norway, Iceland and Liechtenstein). Social and environmental progress is just as important as economic growth. Without these elements, people are likely to reject the whole idea of Europe.

The Lisbon Agenda set down clear targets to be met by 2010:

- Annual growth of at least 3%
- An overall employment rate of 70%
- An employment rate for women of at least 60%
- An employment rate for older workers of at least 50% (agreed in Stockholm in 2001)

It proposed action at European and national level for full employment, and more, better quality, lasting ('sustainable') jobs, as well as active policies on employment, education, vocational training, health and housing.

It called for an end to all forms of discrimination, and the poverty and disadvantage that marginalize groups and individuals and lead to what is known as 'social exclusion'.

The strategy set out to modernise and reform the labour market, not simply by making it more flexible, but by balancing flexibility with security so that it can respond better to changing needs without endangering security for workers. Another aim was to extend the single market and free up more areas, including services, to Europe-wide competition.

2. A strategy for workers

2.i. Looking for a job? How can Lisbon help?

Full employment means making the most of a society's potential, and this is crucial to growth and development. Every worker who is not able to put his or her skills to use means a loss of human potential. It is necessary not only from the point of view of maximising growth and competitiveness, but is also a basic individual right.

Everyone has the right to engage in work and to pursue a freely chosen or accepted occupation.

EU Charter of Fundamental Rights, Article II-75

However, unemployment in Europe is running at almost 9%, and is twice as high among young people. Over 18 million people are jobless. The overall employment rate in 2004 was 63.3% – well short of the progress needed to meet the Lisbon targets.

Creating millions more jobs means investment, especially in education and training, to give people the skills they need to take up new challenges, and in particular to support workers who lose their jobs due to restructuring or relocation of enterprises. More flexible working conditions – to the benefit of workers and not just firms – would enable more women and older people to be active, as would better childcare and support for families.

More action is needed to help young people break into the labour market. At the same time, an active ageing policy is important to ensure that older workers are able to continue contributing their skills and experience to the labour force, if they so wish, without being penalised through loss of pension rights, or forced to work beyond retirement age.

2.ii. Can't get no satisfaction? Make jobs better!

Job quality is key to meeting the Lisbon targets. This means not just creating fulfilling jobs in sectors with good prospects for future expansion, such as the information society, but also adapting work organisation to meet people's needs.

In the EU-15 alone, over 5 million workers suffer serious injury at work each year, with over 120,000 workplace deaths.¹ Insecure and poorly regulated work increases the risk of accidents. Accidents and ill health at work cost the EU billions of euro every year – worth some 4% of its gross domestic product (GDP). For example, stress-related illnesses cost Europe around €20 billion each year.

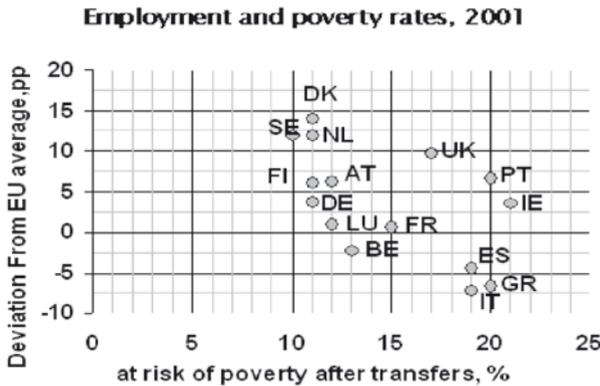
The EU needs to maintain its long-term commitment to reduce working time. Longer hours do not boost output. Research shows that shorter working hours are linked to greater flexibility and productivity, as are measures that offer men and women a better balance between their working and family lives.

With more and more women active in the labour force, plus a growing number of elderly people in society, work organisation must offer families the time they need for the care of children and other relatives. This is crucial also to the wellbeing of future generations.

It is dangerous to think that any new jobs are better than none. Certainly, unemployment is the single greatest cause of impoverishment, yet there is no automatic link between having a job and escaping poverty. A comparison of employment and poverty rates in different Member States shows that countries like the UK, Ireland and Portugal, where employment is relatively high, still have above-average levels of poverty.

More than 68 million people – or 15% of the EU population – are living at risk of poverty. Many of them live on poverty wages, which must be eradicated in Europe.

¹ International Labour Organization figures



The graph compares the deviation from the EU average employment rate (which was 62.1% in 2001) with national poverty rates.

2. iii. Something you ought to know? Learning is for life

Lifelong learning is a right for everyone, contributing not only to personal fulfilment but also vital to creating a skilled and adaptable labour force. Emerging economies like China are quick to realise the competitive advantage of highly educated workers.

At European level, the social partners have together agreed a programme on lifelong learning (2002), but this needs to be translated into more practical action at sector and enterprise level through collective bargaining and agreement.

Workers need the time to upgrade their skills and the incentive to do so. Schools should be doing more to educate and prepare young people for the labour market, with qualifications that are universally recognised by employers, rather than abandoning them to a cut-throat and confusing jobs market.

Restructuring of industries, and ‘relocation’ of jobs to areas where labour costs are cheaper is undermining workers’ security. It is crucial that when people undergo such changes, they are helped to look for other work, to retrain, or obtain job placements. Advance notification and consultation is vital to help workers prepare for change. In Sweden and Finland, industry-wide collective agreements guarantee funds for job counselling, retraining and work placement. The ETUC welcomes the EU’s recent commitment to set up a Globalisation Adjustment Fund.

Strong social protection, far from being a drain on the economy, is a wise investment in future growth. This is proved by the Danish experience, where high spending on unemployment benefits and active policies to help people into the labour market are coupled

with the highest employment rate in the EU and a strong economic performance. This is more ‘learn fare’ than simply ‘workfare’: it is about training people and getting them into jobs that match their skills. Trade union membership also stands at around 80%, and this is key to the success of the system.

2.iv. How equal are opportunities?

The Lisbon Strategy aims to eliminate discrimination, whether against women, people of other ethnic backgrounds or religions, young, old, disabled or gay people, or migrants.

The unemployment rate among women in the EU (2004) is 10%, compared with 8.3% among men. With women’s employment running at just 55.7% (almost 71% for men), it is clear that a massive amount of potential is being wasted. Among the most urgent steps needed is to close the gender pay gap, which hovers stubbornly around 15%. Women are also more likely to have short-term, insecure contracts than men.

‘Family-friendly’ policies such as greater flexibility for workers’ needs, opportunities for part-time working without loss of pay or status, and childcare and parental leave, would enable women to take their place in the labour market. Modernising work means adapting it to the changes that happen during people’s life cycles: whether this means first job experience, study or sabbatical periods, family responsibilities, or approaching pension age.

A good example: seeking the mothers of invention

The Danish Technological Institute launched a scheme called *Heroines of Tomorrow*, to help women entrepreneurs start up their own technology-based small businesses. “We wanted to make a special effort to motivate more women,” said Director Jane Wickman. “The biggest problem is that they are simply not aware of the opportunities for success.”

3. A strategy for growth and innovation

3.i. Innovation

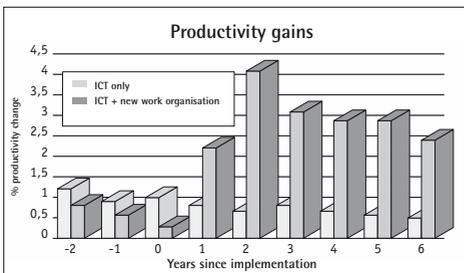
Innovation means finding new and better ways of producing goods, offering services, and organising work. In the modern economy, growth is not possible without innovation.

At present, there are enormous possibilities for innovation. For example, the growing number of older people in Europe means a rising demand for all sorts of products and technologies to help them remain independent and boost their quality of life.

Eco-industries are one of the most dynamic sectors in the EU economy, growing at some 5% a year. They already employ over 2 million people. Europe has to build on its head-start in environmental technologies, with the global value forecast to reach €700 billion by 2010. For example, Europe is the world leader in wind power development, which has created some 40,000 new jobs in Germany alone.

There are many other areas where new technologies are expanding markets: everything from mobile phone equipment to fuel cell car engines that do not emit damaging greenhouse gases. But progress depends on more investment in research. In the EU overall, the proportion of GDP spent – especially by business – on research and development has been declining since 2000.

There is still a long way to go to modernise European workplaces, but companies that have had the foresight to make changes and involve employees are reaping the benefits. New forms of work organisation are key to making the EU more innovative and productive. For instance in Germany, manufacturing companies that improved their work organisation achieved 8-30% higher labour productivity than those that did nothing, while in Sweden, innovators gained a 29-60% advantage.



Source: *Technological and organisational change implications report, Denmark.*

3.ii. Competitiveness

Trade unions reject the view of competitiveness that promotes a cut-throat battle between nations: a downward, cost-cutting spiral that erodes worker and trade union rights, threatens the environment, and works against the long-term interests of consumers. Globalisation is bringing societies closer together and when one loses, we all lose.

It should, by contrast, mean maximising resources, moving up the value-added chain by developing new products, new activities and sectors, and raising productivity. This, in turn, requires a mobile and skilled labour force, underpinned by solidarity within society. Finland, Sweden and Denmark keep their competitive edge because, although they have relatively high rates of tax, they invest heavily in strong social welfare systems, achieving high levels of wealth redistribution and some of the best living standards in the world.

To compete better, Europe needs a ‘race to the top’ that benefits everybody.

Trade unions are determined to avoid ‘social dumping’ – relocating work in areas where working conditions are lowest – and to defend collectively agreed deals on wages and conditions. In Vaxholm, Sweden, for example, trade unions took action against a Latvian construction company that employed Latvian workers without regard for Swedish collective bargaining agreements, thereby threatening to undermine the rights that trade unions have gained for their members over decades, and exploiting migrant workers.

4. How does the Lisbon Strategy work?

Responsibility is shared at many levels: European, national and local. Social dialogue – negotiation between employers’ and workers’ representatives – is crucial to formulating, implementing and monitoring the Lisbon Strategy at all levels. Without the active support of these social partners the process can never succeed.

Policies in many of the areas, such as social protection and taxation, are the responsibility of Member States. So the EU introduced the ‘Open Method of Coordination’ to encourage national governments to share information, and work together towards shared objectives.

At the annual EU Tripartite Spring Summit, the social partners have a direct input into progress towards the Lisbon goals at the highest policy-making level. Furthermore, the

European Commission is bound by Treaty to consult the social partners on all social policy proposals. Trade unions are also active in the European Economic and Social Committee, another key actor in the strategy.

But the local level is equally important. Ways of informing and consulting workers on decisions affecting their jobs and conditions need to be strengthened urgently. European Works Councils (EWCs) should be an important forum for this process.

5. What are the problems?

By the 'mid-term' of the strategy in 2005, the trade union movement was already well aware that it was not on course to meet its targets. The ETUC warned that unless the EU put Social Europe at the heart of the Lisbon Agenda, the people would not support it.

'Reform' is too frequently used as code for more flexibility, with longer working hours and more insecurity. Instead, it should help workers to be more adaptable and employable, by enabling them regularly to acquire and update skills.

Another problem is that, while focusing so blindly on structural reform, the EU has been following the wrong monetary policies. Poor financial governance means policy-makers take tough action when it comes to any hint of inflation, but do little to increase trust in the economy and relaunch domestic demand. Trade unions have showed great restraint in wage bargaining in recent years, but this has not been reflected in a fairer distribution of productivity gains, which would help boost such demand.

Reform must not be at the expense of working people. If Europe as a whole is performing poorly in terms of growth, productivity and economic recovery, it is *not* because it has not been implementing structural reforms. Europe's problem is lack of confidence. Investors are waiting for signs of renewed demand, while consumers are looking for greater security and improved incomes. Pessimism and low confidence become a self-fulfilling prophecy, preventing the EU from realising its true growth and production potential.

In 2005 the EU relaunched the Lisbon Strategy as a *Partnership for Growth and Jobs*. Although it scaled down the original objectives, setting for example an extra growth target of 3% by 2010 instead of 3% per year, the trade union movement registered alarm at the increased focus on economic growth and competitiveness, at the expense of sustainable development and social progress.

6. Trade unions are fighting for a better Europe

The ETUC's central message has always been that the European social dimension, comprising social dialogue, collective bargaining, workers' protection and participation, is not a drag on competitiveness and economic efficiency. On the contrary, it is an essential stimulus to innovation, productivity and sustainable growth. To make the Lisbon Strategy work, the European Social Model, workers' rights and active social policies must be recognised as productive factors.

Economic policies by themselves will not create a better Europe. Reforms must sustain public confidence and support by investing in labour markets rather than undermining trade union and workers' rights.

The ETUC has put forward specific proposals for getting Europe back on track for the Lisbon targets, including urging governments to invest 1% of GDP in 'national plans for recovery', financing further investment through a 'European Growth and Lisbon bond', and getting the European Central Bank to extend its price stability limit to give greater room for growth.

The ETUC believes top priority should be given to women and older workers' participation in the labour market, and helping workers to deal with the impact of globalisation. Strengthening the European Social Model is crucial not only for the EU, but as an example of sustainable development for the rest of the world, contrasting with the US model that added one million more people to the numbers living in poverty within the last year.

Above all, workers need a bigger stake in ownership of the strategy, and for this they must be organised in trade unions that can represent and protect them. The Lisbon Strategy must reinforce European social dialogue and trade unions' right to negotiate for better wages and conditions. Collective bargaining in Europe covers four times as many workers (proportionally) as in the USA, and three times as many as in Japan. This is one of the most crucial characteristics of the European Social Model, which must be strengthened in more countries as the EU grows.

