



STEERING COMMITTEE
Brussels, 10 February 2005
95.SC

A NEW START FOR THE LISBON STRATEGY?

Introduction

ETUC/SC95/JM/RH/RJ/hr-08/02/2005

EUROPEAN TRADE UNION CONFEDERATION
CONFEDERATION EUROPEENNE DES SYNDICATS
John Monks, General Secretary
Boulevard du Roi Albert II, 5 • B - 1210 Bruxelles • Tel: +32 2 224 04 11
Fax: +32 2 224 04 54 / 55 • e-mail: etuc@etuc.org • www.etuc.org

On 2 February 2005, the Commission published its report on the review of the Lisbon Strategy, called 'Working together for growth and jobs. A new start for the Lisbon Strategy'. The Commission's communication sets out the proposals to correct the Lisbon process with the aim of improving its implementation. These proposals will be discussed at the Spring European council in March.

Please find below an ETUC background document, and in annexe:

- the Commission's press statement
- the ETUC press statement issued on 2 February

Background paper for the ETUC steering committee on the Commission's contribution to the mid term review of the Lisbon Strategy

1. Ambitious targets for growth and jobs? The Commission claims it is focussing on jobs and growth, thereby arguing that it is in this area that Europe is not performing well (stagnant growth and insufficient job creation). However, the question can be raised whether the Commission is really pursuing an ambitious economic agenda, given the fact that the economic objectives have been scaled down:

- a. The target of an employment rate of 70% by 2010 is not being mentioned anymore. The new objective is now to create 'at least' 6 million extra jobs, which is a long way off the 22 (or even 25) million jobs that would need to be created for the 70% employment rate to be achieved. The '6 million job figure' also stands in stark contrast with the fact that the EU 15, in the latter half of the nineties created no less than 11 million jobs, almost twice the figure the Commission is now putting forward.
- b. The initial objective of a 3% annual growth target is now re - worded into an additional boost of the level of GDP (not the annual growth rates of GDP!) by 3% by 2010. This implies bringing the (potential) annual growth rate up from 2 % now to 2.5%. Again, this is not very spectacular compared to the latter half of the nineties when the economy was growing at an annual average of 2.7%, and this without much of a 'structural reform' agenda!!!

2. What about policies to pursue stability and growth?

From the latter half of the nineties to the period 2001-2004, annual average growth in Europe halved from 2.7% a year to

1.3%. Apart from asserting that Europe had too many policy objectives, there is no real analysis of what went wrong, why growth decelerated as it has done and how European economic policy making could have provided a better response in facing this growth crisis. Instead, the Commission's intention seems to be to pursue the 'old' agenda of 'sound macro economic conditions'. In fact, the upcoming reform of the Stability Pact is now seen as a means to further 'stabilise' the economy. If so, will the opportunity to rethink the concept of stability and to arrive at policies for stability and growth not risk being missed? (see also further below).

3. Social Europe and Greening Europe to take a 'back seat'? As such, the focus on growth is not the problem. Instead, the problem is that the Commission does not seem to defend any longer the idea that, in order to achieve high growth and improve competitiveness on a sustainable basis, we need to invest at the same time in social policies and in labour market organisation that rule out 'low road' solutions such as competing with developing economies on the basis of low wages and bad working conditions. On top of this comes the questionable assertion that the scoreboard on 'social' Europe is satisfactory so that we can ignore the social agenda at least for the time being. These two elements combined result in the fact that Lisbon is redefined in terms of economic results and competitiveness and no longer as well in terms of social Europe.

On the other hand, the idea of mutually reinforcing policies and of social policy as a productive factor is picked up again by references to the agenda of sustainable development. Lisbon is now (only) about economics and competitiveness but is at the same place placed under the overarching heading of the sustainable development strategy (in which the social does play an important part). This semantic discussion is of course very confusing and what needs to be done is to see how all of this will or may turn out in practice.

4. Social Europe: what will happen in practice? On the one hand, the policy agenda concerning the labour market that is being proposed does not really deviate from the already existing one. The language on investing in education and lifelong learning, on higher adaptability with security, on attracting more people into employment notably through

active labour market policies is still present. On the other hand, possibly worrying questions can be raised :

- The Commission is intending to revise the European Employment Strategy in already in 2005; this is one year earlier than planned. At present, we have no indications to evaluate in which way this revision might take place.
- Social Europe is also about giving and securing workers' rights in the labour market place (for example more security for a –typical workers, enhanced rights for workers faced with restructuring and 'delocalisations', revision of working time directive). Will the Commission (and the Council) support us in re-regulating labour markets through European directives? Will the upcoming Social Policy Agenda allow the development of initiatives in this sense? Or will the application of 'impact assessments' on new legislation imply an insurmountable hurdle for such new labour market regulation?
- Streamlining the BEPGs and the EEGs through single action plans and single 'integrated' guidelines most probably means that the procedure to draw up these texts will involve Ecofin and Employment ministers, as well as the ministers from the Competitiveness Council (Research, Competition, and Internal Market). Although there are also opportunities here, this may in practice mean that employment ministers' influence on labour market policy design will be reduced in favour of the more deregulatory approach of the economic side.
- In the paragraph on modernising social protection systems, the focus is on pension and health care systems. This may be seen in connection with the discussion on the reform of the SGP, where member states that implement structural reform would receive clearance to run a higher deficit. In this context, the first structural policy that ministers and the commissioner for economic affairs seem to be thinking about is the transition cost from switching to a capitalisation based pension system. At the same time, ministers are refusing to distinguish between different categories of government expenditure so that even for increased investments in research and development, education and other real Lisbon priorities, the rule would remain that 'a 3% deficit remains a 3% deficit'...

- Both in the 'adaptability' chapter ('absorbing change') as in the chapter on 'drawing more people into employment', the idea of 'wage developments that do not exceed productivity growth and reflect the labour market situation' is being mentioned. The same idea pops up as in the key issues discussion paper from the Luxembourg Presidency to the Spring Council. Given the fact that this discussion is placed in the context of adaptability and restructuring (not in the macro framework of average wage increases throughout the economy), could this mean that policy makers are considering to increase pressure for concessional plant level bargaining at the expense of coordinated higher – level bargaining ? Similarly, is it the intention to go for increased wage inequalities by targeting all different systems that protect the wages of the lower skilled?

5. A new role model for Europe? In presenting the problem of Lisbon as a problem of 'implementation by member states' and in proposing the construction of National Action plans and follow – up, the Commission is delegating responsibility for success (or failure) to the individual member states. In this way, its role is reduced to 'management of the internal market' and a critical follow – up of member states' policy making. Isn't this 'IMF – type' of model for Europe going against our standard approach which is calling for Europe (Commission, Council of ministers) to provide an European internal market with healthy demand dynamics so that member states, instead of competing against one other (wage dumping, tax and social dumping), can all profit from the favourable European environment ?

In this context, one pressing question is how to finance the ambitions. If Europe wants the member states to invest in the innovation and knowledge agenda, what room can Europe provide by providing an investment friendly Stability Pact, ending wasteful tax competition and by using European instruments such as the EIB to a larger extent ?

6. An increased role for European Social Dialogue? In addition to the call on member states to 'implement Lisbon', there is another call on national and European social partners 'to draw up their own Lisbon programme using the powers granted under the Treaty'. Here, the Commission is referring to issues such as tackling exclusion on labour markets, active

labour market policies, lifelong learning and anticipating restructuring in industrial sectors. The Tri Partite Summit should evaluate the progress and exchange the best national practices. Is this feasible, given the context (downgraded policy attention from the political side to social Europe, no progress on a growth supportive macro framework)? Or do we take this opportunity as a challenge to try and correct the too 'economist' approach Europe seems to be opting for?

How much further? In the run up to the Spring Council, the ETUC needs to present the following policy lines:

- Pushing the macro economic policy agenda and making the case for improving radically economic governance in Europe at the occasion of the upcoming discussions on the reform of the Stability and Growth Pact.
- Developing ETUC proposals for further developing Social Europe and the security part of the labour market agenda (for example, delocalisations).

This will be done through the macro economic dialogue process (meetings in February), a major conference on macro economic policy making (1 and 2 March), press conferences and a possible joint opinion of European Social Partners on competitiveness and stability at the service of social Europe.
