





*European Economic and Social Committee*

# **The post-2010 (Lisbon) Strategy: Proposals from organised civil society**

*Integrated Report to the European Council*

*January 2010*



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# **INTRODUCTION**



# INTRODUCTION

The EU is in the process of reshaping the current Lisbon Strategy for the next 10-year period.

In this Integrated Report, the European Economic and Social Committee (EESC) together with the network of national Economic and Social Councils (ESCs) and other partner organisations sets out the views of organised civil society on a new European strategy. It is the third report of its kind, its successful predecessors having been published in 2006 and 2008<sup>1</sup>. The first part of this Integrated Report consists of the EESC Opinion on "The post-2010 Lisbon Strategy", which was prepared at the request of the Spanish Presidency of the European Council. It was also sent to the European Commission in reply to their consultation on the EU 2020 Strategy. The second part consists of contributions from the Member States' national ESCs, and from similar organisations in those countries which do not have a national ESC.

The Integrated Report puts forward an extensive list of proposals regarding policy decisions to be taken and makes important suggestions relating to governance and communication. Here, civil society highlights implementation and effective governance at all levels as crucial factors in the success of a post-2010 strategy. This not only implies strengthening the European institutions' role in the process, but also better cooperation between Lisbon coordinators and all stakeholders during the preparation, implementation and evaluation of the National Reform Programmes.

The post-2010 strategy must involve civil society organisations, including national ESCs, higher education institutions and think-tank representatives. A conference to be held at the end of each Lisbon cycle is also advocated in order to assess successes and failures. The removal of structural barriers to the involvement of national parliaments in the debate and guarantees for a holistic approach to territorial, social and economic cohesion are recommended. Moreover, the need for the continuous improvement of communication tools to facilitate best practice sharing is emphasised.

The EESC hopes that through these recommendations it can contribute to a significantly improved strategy. It urges the European Council to renew the EESC's mandate to work in cooperation with national ESCs, social partners and other components of organised civil society on the post-2010 (Lisbon) strategy. It also urges it to request regular reporting back to the EU Council. By involving national ESCs or similar organisations, the EESC ensures that these reports include essential on-the-ground assessments derived from hands-on experience in the Member States. These evaluations will provide policy-makers with valuable information about the concerns and contributions of the various stakeholders involved. Furthermore, civil society involvement in the preparation of the reports will deepen its participation in the process and so increase citizen ownership of the measures proposed for the next 10-year period.

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<sup>1</sup> All documents are available on the Lisbon Strategy Observatory website  
[http://www.eesc.europa.eu/lisbon\\_strategy/presentation/index\\_en.asp](http://www.eesc.europa.eu/lisbon_strategy/presentation/index_en.asp)





**OPINION OF  
THE EUROPEAN ECONOMIC  
AND SOCIAL COMMITTEE**





*European Economic and Social Committee*

**LSO-ECO/267**  
**The post-2010 Lisbon Strategy**

Brussels, 4 November 2009

**OPINION**

of the European Economic and Social Committee

on

**The post-2010 Lisbon Strategy**  
(exploratory opinion)

—————  
Rapporteur-general: **Mr Greif**  
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In a letter dated 23 July 2009, Mr Diego Lopez, State Secretary for European Affairs at the Spanish Ministry for Foreign Affairs and Cooperation, requested the European Economic and Social Committee under Article 262 of the Treaty establishing the European Community to draw up an exploratory opinion on

*The post-2010 Lisbon Strategy.*

The Section for Economic and Monetary Union and Economic and Social Cohesion (Lisbon Strategy Observatory) was instructed to prepare the Committee's work on the subject.

Because of the nature of the work, the European Economic and Social Committee, at its 457th plenary session, held on 4 and 5 November 2009 (meeting of 4 November 2009), appointed Mr Greif as rapporteur-general and adopted the following opinion by 178 votes to 6 with 15 abstentions:

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**1. Introduction**

- 1.1 This opinion will put forward some policy recommendations, which the EESC believes should be given priority when drawing up a new European Strategy for the period after 2010. The profound economic, social and political implications of the current financial market and economic crisis must be taken into consideration here. It is important to identify the key points of policy changes which seem essential in order to "draw on the crisis" to secure momentum for sustainable growth, jobs and social cohesion and to prevent the current crisis from being repeated.
- 1.2 This opinion was prepared by the EESC's Lisbon Strategy Observatory with the active participation of national economic and social councils (ESCs). The various contributions made during joint meetings, some of which were of a controversial nature, underscore the political quality of the recommendations in this document, as well as their relevance to civil society.
- 1.3 The Europe-wide perspective presented in the opinion is supplemented by sections on each country, which were drawn up by national delegations<sup>1</sup> on the basis of a catalogue of questions concerning a) an analysis of the current Lisbon cycle (2008-2010), b) the future of

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<sup>1</sup> There are considerable differences as regards the institutional framework for civil society participation in national policy-shaping. There is an ESC in many Member States. In most "new" Member States, there are tripartite committees (social partners plus government representatives). Although other countries have no ESC, some of them have alternative ways of taking account of civil society interests. The EESC is keen to gather the contributions of as many of these representative bodies as possible.

the Lisbon Strategy after 2010. The interactive network, which the EESC has developed with national ESCs and other similar partner organisations, is therefore presenting a new<sup>2</sup> *Integrated Report*, which should contribute to the political decision-making of the European institutions in connection with the European Council Spring Summit in 2010.

## 2. Evaluation of the Lisbon Strategy

### 2.1 Lisbon 2000 – an integrated approach with broad support

2.1.1 In March 2000, the European Council presented an ambitious reform programme for Europe. The aim of the Lisbon Agenda was to make the EU the world's most competitive and dynamic knowledge-based economy by 2010 – an economic zone that is capable of achieving long-term economic growth with more and better jobs and greater social cohesion.

2.1.2 With the addition of the sustainable development dimension (Gothenburg Strategy), a broad strategy was thus developed. In many policy areas quantifiable targets were drawn up, to be implemented in Member States using the open method of coordination (OMC).

2.1.3 The EESC has always regarded this integrated policy approach as the notable advantage of the Lisbon Strategy and warned against a narrow interpretation, calling instead for a balance to be struck between the three pillars.

### 2.2 2005 Relaunch – internal focus and concentration on national implementation

2.2.1 Several EU countries were able improve their performance in certain areas. Although there had been a general rise in employment, and progress<sup>3</sup> had been made in extending broadband, participation in further education, youth education and in other areas, at "half-time" many countries were still far from achieving the goals that had been set in numerous areas.

2.2.2 It was against this background that the 2005 critical assessment was conducted, which focused on the partnership approach between European and national players. Attention shifted to national implementation measures, coupled with a focus on "growth and jobs". This meant that part of the broader list of objectives, for example the social pillar, to some extent took a back seat in favour of increasing employability and a more rigorous economic approach. The approach of giving Member States greater responsibility for determining their country-specific plans and in doing so placing greater emphasis on national reforms, was not

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<sup>2</sup> Cf. CESE 1468/2005 rev "Implementation of the Lisbon Strategy - a summary report for the European Council", 23 and 24 March 2006; CESE 40/2008 "Renewed Lisbon Strategy 2008-2010: The role of organised civil society", summary report for the European Council, 13-14 March 2008.

<sup>3</sup> For the relative successes and shortcomings in fulfilling the Lisbon goals, see the overview in M.J. Rodrigues, Europe, Globalisation and the Lisbon Agenda (2009), p. 16.

accompanied by steps to promote an appropriate economic and social framework at European level.

2.2.3 Despite recent progress<sup>4</sup>, many countries have still been failing to meet the requirements set. In many areas, the targets will be achieved by 2010 as an EU average at best, but not in all Member States. This concerns, for example, the 3% target for research and development, where most Member States and the EU as a whole have made hardly any progress, and also the reduction of greenhouse gas emissions. As far as the employment targets are concerned, only limited progress has been made, for example, in terms of female employment, since there has been a significant increase in the number of part-time jobs (in some cases not the employee's choice)<sup>5</sup>, temporary work, and, at the same time, also of low-paid jobs often without a standardised job contract.

### 2.3 **More of the same or does Europe need a new agenda?**

2.3.1 As regards the failure to achieve the Lisbon goals, the predominant view is that this was, first and foremost, due to the lack of a more consistent policy by Member States regarding the goals and the OMC's failure to provide adequate incentives for national and Community commitment. Another equally important cause is the lack of a relevant European framework for macroeconomic policy and social policy, which Member States need if they are to implement the correct reforms in a coordinated way, achieve the targets set, and prevent national reforms from competing with each other. Moreover, the EESC has on numerous occasions noted the lack of joint responsibility, which it attributes not least to the failure to properly involve the social partners and civil society.

2.3.2 The EESC is in favour of continuing an integrated and global strategy beyond 2010. However, it is also of the view that neither a "back to Lisbon 2000" approach or an approach involving "more of the same with a somewhat stronger environmental focus where appropriate" is the right answer to the current challenges. The priority now must be to adopt long-term approaches which allow competitiveness, R&D and innovation to be combined with the innovative potential of a socially responsible, sustainably developing Europe and the concept of "good work"<sup>6</sup>. Furthermore, the current crisis represents in many respects a clean break and requires new options, such as effective regulation of the financial markets, a radical readjustment in the direction of resource saving and low-CO<sub>2</sub> production and consumption, and investment in innovative public services, in order to provide people with security and to win back trust in the EU.

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<sup>4</sup> See footnote and EESC opinion on "Effective governance of the renewed Lisbon Strategy", OJ C 175, 28.8.2009, p. 13.

<sup>5</sup> Cf. [http://www.eurofound.europa.eu/ewco/reports/TN0403TR01/TN0403TR01\\_3.htm](http://www.eurofound.europa.eu/ewco/reports/TN0403TR01/TN0403TR01_3.htm), Part-time work in Europe, Dublin-Foundation, 2004.

<sup>6</sup> Cf. the set of indicators on the quality of work adopted by the European Council in Laeken in 2001: COM(2001) 313 final "Employment and social policies: a framework for investing in quality".

- 2.3.3 Current challenges, such as the financial and economic crisis and the resulting social problems, the globalisation of the economy, the need to improve the working of the single market, energy policy and climate change, demographic trends and migration, require a new, comprehensive post-2010 global strategy at European level which a) tackles these challenges; b) corrects shortcomings in implementation; c) is backed up by a sense of shared European responsibility and d) is capable of linking up all EU strategies in a coherent way (the Recovery Strategy, the Lisbon Strategy, sustainable development, climate change). **The EESC proposes that this strategic reorganisation should be made clear, among other things, by giving a different name to the new European strategy.**
3. **Policy recommendations: Think and act along European lines through European projects**
- 3.1 **Establish a European framework for promising reform programmes:** Although Member States have the main responsibility for implementation, there needs to be an appropriate European framework enabling the intended structural reforms to be implemented in a coordinated and consistent way. **An evaluation of national reforms at European level and their impact on economic development, the distribution of wealth and income and social cohesion is urgently needed.** It is also important here to study in detail a number of specific rulings by the ECJ (Vaxholm, Viking, Rüffert and Luxembourg) and possibly to introduce suitable, tangible measures to protect workers, and thus make clear that economic freedoms and competition rules do not in any way call into question basic social rights.
- 3.2 **Strengthen the focus on growth in EU policy by creating a proper economic policy framework:** The 3% growth target which underpins and is integral to the strategy has been achieved in two cases only. The financial crisis and the EU economy's inability to withstand the shock demonstrate the need for a new macroeconomic approach. **The EESC believes that a balanced macroeconomic policy that duly combines supply- and demand-side aspects must constitute an integral part of the post-2010 strategy.** The quality of growth to be aimed at is also important. The fundamental goal is growth of well-being. GDP is not by itself an adequate measure of well-being, and a better indicator (or set of indicators) of well-being needs to be used in order to define and calibrate a more satisfactory and coherent growth objective for the new strategy.
- 3.2.1 **Solution to the financial market crisis and social challenges:** The EU must take a coordinated, decisive and leading role in forthcoming efforts to solve the crisis and, above all, in redesigning the financial system. **A new global financial system (including above all effective regulation of the banking system, as well as hedge funds and private equity businesses) must facilitate the development and provision of sound financial instruments which support the real economy and are also of benefit to citizens.** However, the current crisis is not only the result of difficulties in the financial market. A series of growing macro- and micro-economic imbalances, in particular income disparities also contributed to it, especially in the USA. The way forward to get out of the crisis must be to turn away from



growth based to some extent on "speculative bubbles", and return instead to growth underpinned by investments above all in innovative sectors of the real economy, fair distribution, the creation of high-quality and productive jobs and environmental sustainability.

- 3.3 **Improve the functioning of the internal market by striking a better balance between the economic, social and environmental dimension.** To achieve this goal a **correct application and possibly also an improvement of the internal market social *acquis*, better regulation, as well as a successful micro-economic environment and adequate scope for private investment are required. However, precautions also need to be taken to make sure that competition between Member States in the common market is geared towards innovation and is neither counter-productive nor detrimental to social cohesion and environmental sustainability.**
- 3.4 **Promote social cohesion as a factor in a stable and dynamic economy:** The EESC believes that a well developed social policy, including a comprehensive policy for creating "quality jobs" which also should set ambitious targets for initial and further education - both of a general and vocational kind -, as well as for lifelong learning, does much to boost growth and productivity. **The path out of the crisis must be supported by the appropriate investments.**
- 3.4.1 ***Moves to tackle growing inequality and poverty across Europe:*** A goal has been set that by 2010 there should be a significant reduction in the number of people at risk of poverty and social exclusion. The Commission's 2007 social reality report showed, however, that Europe still faces serious social problems in many countries and regions. **Therefore the post-2010 strategy must be geared towards social progress, the consolidation and sustainability of social protection systems and combating poverty, not least by preventing unequal distribution of wealth.** The European year for combating poverty (2010) is the ideal occasion for creating efficient targets, including timelines, for combating poverty (e.g. minimum income and replacement income systems<sup>7</sup>). An initiative of this kind, which is aimed at preserving social cohesion, would represent an important step towards re-establishing public confidence in European integration.
- 3.4.2 ***Creating an inclusive labour market:*** Despite some progress, as an EU average the 2010 employment targets will not be reached. In view of the current crisis, which has reached its peak but has not yet been fully overcome, and has deepened inequalities and threatened the livelihoods of more and more people, this should give cause for concern. **Re-establishing growth as quickly as possible in order to stabilise the labour market will require, according to the *European Economic Recovery Plan*<sup>8</sup>, the consolidation of domestic**

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<sup>7</sup> See also European Parliament Resolution PT\_TA(2008)0467, 9.10.2008.

<sup>8</sup> Communication from the Commission to the European Council, "A European Economic Recovery Plan", COM(2008) 800 final, 16.11.2008.

**demand supported by measures to improve structures.** It is important to establish effective concepts for initial and further training, create jobs, not least for those who are excluded from the labour market due to, for example, shortcomings in their education, and to take effective steps to remove discrimination as far as access to and remaining in the labour market are concerned. The various forms of social economy which exist in the Member States in particular can play an exemplary role in tackling the crisis, especially in creating jobs, including in the area of social service activities. **The EESC is of the view that employment and labour productivity must rise in parallel. In this connection, the EU must aim for the introduction of appropriate rules for non-standardised employment associated with a low level of social protection while involving national and European social partners and taking due account of their autonomy**<sup>9</sup>.

- 3.4.2.1 Social Economy enterprises, which are present in all sectors of activity and combine economic profitability with general interest and social considerations, are a good example of specific forms of entrepreneurship and corporate governance that will contribute to the achievement of the revised Lisbon Strategy goals. The European Economic and Social Committee asks the European Council, the Commission and Member States to consider proposals aimed at implementing the political recommendations<sup>10</sup> made by the European Parliament, to make sure that Social Economy enterprises can compete on a level playing field with other enterprises.
- 3.4.3 ***Flexicurity must provide effective security in changing circumstances:*** Changing economic conditions require a high degree of innovative adaptability not least in the labour markets. An intelligent response is needed to structures that are changing quickly. It must be ensured within the framework of flexicurity that workers are equipped for the new challenges in the world of work. **The concept of flexicurity must ensure effective security in changing circumstances, with equal priority in practice for labour market security, stable employment and jobs, maintaining employability, social security, and labour market mobility geared towards good, productive jobs ("make transition pay").** It is therefore also particularly important to make sure that the Community *acquis* in the social field is fully implemented and put into practice and also extended, in order to prevent any unfair competition in the area of employment standards.
- 3.4.4 ***Better coordination of tax policy:*** In line with the EU Treaties, greater efforts should be made to achieve EU-wide coordination of Member States' tax policy (including harmonised tax bases and minimum rates), primarily in those areas in which the tax basis is internationally mobile and the risk of tax evasion and tax competition between Member States is greatest. The goal of European coordination must be to safeguard public

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<sup>9</sup> Overview of the relevant European social partner agreements: <http://europa.eu/scadplus/leg/de/cha/c10132.htm>.

<sup>10</sup> European Parliament resolution of 19 February 2009 on the Social Economy (2008/2250(INI)).

budgets and to promote fairer tax systems (among other things, by strengthening the tax revenue basis, shutting down tax havens and taking action to combat tax evasion).

- 3.4.5 ***The ECB must comply with its overall economic mandate:*** The post-2010 strategy needs to create an appropriate, and at the same time, sustainable balance between the growth and stability goals for future generations. **The ECB must assume its full responsibility under the Treaties and along with its priority task of guaranteeing price stability pay attention also to additional Community goals, including a high level of employment, social protection and sustainable growth.**
- 3.4.6 ***Maintain fiscal policy scope for investment:*** Steps must be taken to increase the scope of economic policy by restructuring budgets, making use and taking account of the flexibility mechanisms provided for under the stability and growth pact in place to handle crisis situations so that public investment relevant to Lisbon (including affordable and efficient public services, research, education and innovation) and productive investment by the private sector, not least in low-CO<sub>2</sub> production, can be boosted. In this connection, the idea of a European bond from a European state fund should be developed further<sup>11</sup>.
- 3.5 **Promote industrial policy and entrepreneurship and create appropriate conditions for SMEs:** Economic growth and a climate for investment are essential prerequisites for creating new jobs and retaining existing ones. Major companies contribute to this, but so do SMEs to a large extent. The latter in particular are rooted in the local economy and therefore draw particular benefit from stable and expanding domestic demand. **The EESC has pointed out on a number of occasions that special emphasis should be placed on further developing European industrial policy, not least in the direction of "green technologies", nanotechnology and ICT, and on boosting socially responsible entrepreneurship, as well as on promoting business start-ups and enabling companies to stay in business.** Cutting excessive red tape and an improved framework for company finance are a matter of priority for the economy and are crucial both for European competitiveness and a favourable climate for productive investment. The legitimate protection interests of employees and consumers should not be put at risk here. As economic output, innovation and employment depend increasingly on SMEs, the development of entrepreneurship among young people should be a priority.
- 3.6 **Meet the challenge of demographic change and offer solutions to migration issues:** The main starting points for dealing with the challenges of an ageing society are and continue to be growth and employment. This applies equally to the younger and the older generation. **Alongside tackling unemployment and creating more and better jobs, more must also be done – considering also birth rates - to achieve a work/life balance. Successful solutions in the area of migration and integration which promote Europe's potential for growth**

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<sup>11</sup> Cf. the EESC opinion on the European Economic Recovery Plan, OJ C 182, 4.8.2009, p. 71, point 5.4.

and at the same time do not put social cohesion at risk represent some of the key challenges of the post-2010 period<sup>12</sup>.

- 3.7 **The knowledge triangle (education, research, innovation) should be further promoted:** Europe must further strengthen its potential in terms of skilled workers, science, research and technology and thus its capacity to innovate as a key element of competition. In any case, the knowledge triangle must remain at the heart of the post-2010 strategy. In this context the notion of innovation has to be widened to include also "social innovation" in order to increase social capital which is important both for competitiveness and social cohesion.
- 3.7.1 To lay the foundation for future innovations, science and research – and their application in economic practice – must be high on the agenda. The Bologna goal of creating a higher education area in Europe must be implemented in concrete stages and requires more political will if policy areas are to be coordinated. Insufficient investment in innovation and further education is exacerbating economic problems and affecting labour productivity. Universities and higher education institutions must take responsibility and step up their efforts to develop a European dimension since they play a key role in the education, research and innovation knowledge triangle. For example, multilateral research collaborations should be promoted as part of their cross-border activities. Europe also lacks high-tech companies that invest in research and development. **Businesses must find incentives to further increase investment in research and development and to create productive jobs.**
- 3.7.2 **Well-educated workers particularly in scientific/technical areas and the capacity to innovate are key elements of competition and a prerequisite for prosperity. This should be accompanied by the creation of productive, highly-skilled and well-paid jobs.** Even during the crisis, efforts must be made to help young graduates enter the jobs market with the appropriate skills and enable them to develop careers which offer good prospects.
- 3.8 **Managing climate change as a key aspect of the post-2010 strategy requires change in many areas:** Promoting energy efficiency and renewable energy will, in addition to drawing on the environmental sector, be a key element of the post-2010 strategy. **The renewed strategy must include an action plan for a low-carbon economy.** Having put in place a comprehensive legislative framework for energy and climate change, the EU should now concentrate on practical implementation. Effective policy measures should be integrated into the integrated guidelines, country-specific recommendations and national reform programmes.
- 3.8.1 *The EU must become the most energy and resource-efficient economic area:* Climate policy, which both cuts greenhouse gas emissions and permanently reduces dependency on fossil fuels and imports of energy, must be geared towards sustainability, i.e. economic,

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In this connection, the establishment of the European integration forum, which brings together the EU institutions, stakeholders and NGOs under the auspices of the EESC, is particularly to be welcomed.

environmental and social goals must be given proper consideration. In particular, all possibilities for saving energy must be exhausted and local, renewable and regional structures must be utilised. **Improving energy and resource efficiency will become one of the key elements of a new strategy. A further strategic goal of the EU should therefore be "as a Community to become the most energy and resource-efficient economic area". In order to achieve this transition, Europe must assume substantial responsibility for CO<sub>2</sub> reduction. The aim must be to work with the individual sectors concerned to establish specific targets and timeframes.**

- 3.8.2 ***New Green Deal:*** The potential of the environment sector as an engine for growth, employment and innovation should be exploited as part of a "new green deal", leadership in developing innovative green technologies should be sought and costs should be saved, without foregoing prosperity, quality of life, and global competitiveness. The development of research and technology – and its conversion into marketable new products and services, and the creation of jobs that goes with that – will be of key significance in this essential innovation process.
- 3.9 **Improve the financial basis of the Lisbon Strategy:** In order to deal with future challenges, there also needs to be a new strategic discussion of the future EU budget.
- 3.9.1 ***Reform the EU budget in accordance with Lisbon:*** Generally speaking, the budgets of individual policies need to be re-evaluated in line with Lisbon and geared towards research and competitiveness, environment and climate, investment in sustainable energy use; constructive public spending in the business location, active labour market policy, work/family life balance, social cohesion, poverty prevention and creating new, high-quality jobs. **In connection with this, a reform-based discussion on the EU budget relating to Lisbon should also be given consideration in the forthcoming 2014-2020 financial framework<sup>13</sup>.** An effective implementation of European targets will also require that the consolidation of the regional dimension is included as a key topic in the discussion on the funding of structural and cohesion policy after 2013.
- 3.9.2 ***Examine alternatives to EU funding:*** There are numerous cross-border challenges for which the European dimension of political action must be strengthened. For European projects, alternative funding options and the possibilities of an expanded EU budget should be discussed along with restructuring and savings opportunities. **The EESC proposes in this connection that the possibility of introducing EU-wide finance mechanisms (including in the field of tax) should also be examined.** For example, the introduction of a tax on financial transactions could contain speculation. The possibility of introducing a carbon tax should also be examined.

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Cf. the EESC opinion on the EU budget reform and future financing, OJ C 204, 9.8.2008, p. 113.

3.10 **Consolidate the external dimension:** Europe's prosperity is based among other things also on its openness to the world. Given Europe's status as the world's biggest economic power, the largest exporter and importer of goods and services, the second largest source and recipient of foreign direct investment, and the world's biggest donor of development aid, the consolidation of its international agenda in the form of clear, long-term goals is of key importance. **In view of the rise of new global economic powers and the impact of the international economic crisis, it is more important than ever for the EU to give itself a new, more unified and assertive framework for its external activities, in order to secure an adequate, fair and sustainable opening of markets, raise the normative standards on the basis of the relevant rights involved, foster multilateralism and dialogue with key partners, and create a mutually beneficial area of progress that also includes the Mediterranean region and Africa.** If this is achieved, Europe and its social market economy system will continue to act as a role model for the rest of the world. Europe will be able to hold its ground at international level, in particular as regards access to markets and raw materials, while at the same time ensuring that international conditions of competition are fair, that sustainable development is able to take root, and everyone is able to draw on the benefits of globalisation.

#### 4. **Recommendations on the Lisbon Strategy goals**

4.1 **Maintain targets and increase them in the medium term:** Despite new challenges and the setbacks that are associated with the current crisis, the post-2010 agenda should not overlook current targets. **The EESC proposes that the common targets of the current strategy be maintained but also that further ambitious goals be set which should be implemented by 2015.** For example, the research rate should be increased to 3.5% (where appropriate, supplemented with a more broadly-based target for investment in innovation) and the goals for more and better jobs, and for initial and further education, should also be further increased.

4.2 **Take into account the starting point for individual EU countries in terms of their national contributions: Economic capacities vary greatly from one EU Member State to another. The EESC proposes, as was the case when the quantitative Lisbon targets were originally set, that the situation in individual Member States be taken into account and that the accordingly ambitious national contributions to the strategy guidelines be assessed and discussed within the framework of the EU-27.**

4.3 **Reintroduce qualitative goals: Furthermore, the future agenda should include those qualitative goals, which in the course of the relaunch of the Lisbon Strategy over the past few years have largely fallen by the wayside (e.g. Laeken indicators to measure the creation of high-quality employment<sup>14</sup>).**

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<sup>14</sup> See COM(2001) 313 final "Employment and social policies: a framework for investing in quality".

- 4.4 **Set new targets wherever there are shortcomings:** In addition, new or specific targets should be set within the framework of the integrated guidelines, especially in areas where there has been limited progress or shortcomings in previous reform policy. **Therefore the EESC proposes own guidelines with measurable goals on gender equality, dealing with jobs that do not provide adequate social protection, the transition to a low-CO<sub>2</sub> economy, fighting poverty (including poverty suffered by people in employment) and moves to prevent social exclusion (for example, appropriate support in the case of unemployment or incapacity to work and in access to public services).**
5. **Recommendations on governance**
- 5.1 **Boost the role of the European institutions:** The new strategy needs more punch. **An enhanced role for the European institutions is particularly important in the light of the current crisis.** Since the Lisbon Strategy was revamped in 2005 the activities of the Commission have gained far greater visibility, especially the publication and dissemination of country-specific guidelines and examples of best practice. Calls have been made for a public discussion in the Council so as to maintain the momentum of the process as a whole. In the renewed strategy, these issues should be looked at in greater depth and expanded. The Commission and the Member States should make a renewed effort to improve the implementation and promotion of cross-border exchanges of best practice through the use of electronic communication methods. The above methods, however, depend on the Member States being given an appropriate European framework in which they can achieve Community targets. If necessary, new, innovative instruments should be examined.
- 5.2 **Make the OMC more effective in Member States:** As the "methodical backbone" of the Lisbon Strategy, under the EU Reform Treaty, the OMC will be prescribed for other areas. For the EESC, the Achilles heel of the OMC, aside from its low public profile, is its ineffectiveness at national level. It is therefore vital that the targets no longer be viewed, as has often been the case up to now, as "points on a wish list", but rather as concrete political obligations. **Instruments should be found of making the targets more binding and creating better incentives for Member States to pursue the target commitments to which they have agreed more consistently.** To guarantee a better balance, not just the economic and finance ministers, but also other ministers, particularly the labour and social ministers, should be involved in the implementation of the new strategy. **The EESC also recommends boosting the role and visibility of the European social partners, for instance by routinely appending the outcome of the tripartite macroeconomic dialogue to the conclusions of the European Council.**
- 5.3 **Monitor the Lisbon Strategy goals via Member States' economic and social councils:** The special role of national ESCs and similar civil society organisations should be further strengthened based on the respective consultative procedures and competences of the social

partners in the individual Member States<sup>15</sup>. **The relevant reports which are to be drawn up by the ESCs should contain analyses on the implementation of the Lisbon targets for submission to governments and the European institutions, who in turn would be encouraged to draw appropriate conclusions. The ESCs and civil society organisations could invite Commission representatives to discuss specific national circumstances. Likewise, national ESCs should be involved in the Commission's annual consultations.** Maintaining exchanges of views and experience between the EESC and national ESCs on the national reform plans and the Lisbon agenda is of particular importance here.

5.4 **Greater credibility through the enhanced involvement of civil society and boosting the regional dimension:** The EESC has consistently pointed out that, for the Lisbon Strategy to be implemented more effectively, not only must the European institutions assume full responsibility, but also full account must be taken of all society interests and there must be closer cooperation at local, regional, national and European level between the government and social partners as well as civil society<sup>16</sup>.

- **The national Lisbon coordinators should work together consistently with all stakeholders in the preparation, implementation and evaluation of the national reform programmes.**
- **Further steps should be taken to foster ongoing dialogue in the Member States based on the respective consultative procedures and competences of the social partners in the individual Member States. This dialogue should involve national ESCs and, potentially, also bring in other civil society stakeholders (NGOs, social economy organisations, etc.) and representatives of higher education institutions and think tanks.**
- **Each Lisbon cycle could be capped by a conference involving all leading stakeholders and civil society organisations in order to take stock of the successes and shortcomings.**
- **Structural barriers to the effective inclusion of national parliaments, and to a genuine dialogue with social partners and civil society organisations must be removed.** This includes, for instance, avoiding the tight deadline, which has already become the norm, for drawing up the national reform programmes in the summer months as well as the appointment of people who are responsible for Lisbon who in many EU countries have little affinity with social dialogue.
- **Member State governments should provide more information about the results of civil and social dialogue held in connection with the Lisbon Strategy goals.**

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<sup>15</sup> The EESC stresses that it does not in any way interfere with existing consultation mechanisms, responsibilities and competences of the social partners in the individual Member States.

<sup>16</sup> Cf. EESC opinion on "Effective governance of the renewed Lisbon Strategy", OJ C 175, 28.8.2009, p. 13.



- **To guarantee a holistic approach to territorial, social and economic cohesion, the partnership principles of the Structural Funds need to be fully implemented in the Member States and the OMC instruments used more consistently in this area as well.**

Brussels, 4 November 2009

The President  
of the  
European Economic and Social Committee

Mario Sepi

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**LETTER FROM MR NILSSON, PRESIDENT  
OF THE EESC LISBON STRATEGY  
OBSERVATORY, TO NATIONAL  
DELEGATIONS**





**European Economic and Social Committee  
Lisbon Strategy Observatory**

Brussels, 25 March 2009

Dear Mr/Ms

The EU affirmed, in the Presidency Conclusions of the 2009 Spring Summit, that in the current crisis the renewed Lisbon Strategy remains an effective framework for fostering sustainable growth and jobs. Furthermore, the European Council looks forward to the proposals on the post-2010 Lisbon Strategy.

The EESC's Lisbon Strategy Observatory has already started our joint work on the Integrated Report on the implementation and the future of the Lisbon Strategy in the post- 2010 period. As in our previous joint reports, this report will consist of an introductory chapter in the form of the EESC opinion, followed by country chapters prepared by the respective national Economic and Social Council (ESC).

Further to the discussions that took place during the last meeting of Lisbon Strategy Observatory (LSO) on 10 February 2009 and in line with the established timetable, the national ESCs are invited to present their national contributions (of 4 to 5 pages) by the **beginning of July 2009**. The following questions have been drawn up in order to help in the preparation of your country-specific contributions:

**The renewed Lisbon Strategy cycle (2008 – 2010)**

1. What is your critical analysis of the 2008 National Reform Programme (NRP)?
2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?
3. How are your national ESC and civil society organisations involved in the preparation of the National Recovery Plan and its implementation?
4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?
5. How can we improve the coordination of National Recovery Plans at European level?

**The future of the Lisbon Strategy 2010 - 2020**

1. What are the main challenges for the Post-2010-Strategy?
2. What are your proposals for the revaluation and update of the Lisbon objectives?
3. How can the following be integrated more successfully in the new strategy – social aspects, education, training, mobility, and globalisation adjustment policies?

4. How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European Strategies during the new decade?
5. What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and Parliaments on both a national and European level?

I would like to underline that your contribution will be a necessary and essential element of our joint report. A high-level conference will be organised in Brussels in order to promote this joint report before of the Spring Summit 2010.

With a view to continuing our joint work I would also like to invite you to the **5<sup>th</sup> meeting of the Lisbon Strategy Observatory on 29 April 2009** in the EESC building in Brussels in order to discuss your contributions as well as the joint introductory chapter. Furthermore, I am pleased to inform you that Ms Maria João Rodrigues, Special Advisor on the Lisbon Strategy for Growth and Jobs in the European Commission, will participate at this meeting.

I wish to thank you in advance for your active participation and look forward seeing you at our next meeting. For more information on our preparatory work please do not hesitate to contact me or to ask Mr Vasco Oliveira, email [vasco.oliveira@eesc.europa.eu](mailto:vasco.oliveira@eesc.europa.eu), tel+32(0)25468181 and Ms Sonia Calvy, email [sonia.calvy@eesc.europa.eu](mailto:sonia.calvy@eesc.europa.eu), tel+32(0)25469876.

Yours faithfully,



Staffan Nilsson  
President

**NATIONAL CONTRIBUTIONS**  
**(protocol order)**



# **BELGIUM**

**Joint contribution of the National Labour Council  
and the Central Economic Council  
for the European Economic and Social Committee's  
Report on the Lisbon Strategy after 2010**



## **THE RENEWED LISBON STRATEGY CYCLE (2008 – 2010)**

### **1. What is your critical analysis of the 2008 National Reform Programme (NRP)?**

Belgium's national reform programme occupies a place of its own within the broad spectrum of socio-economic policy implementation (budget, social security, employment, competition, research and development). For the social partners, the programme must be a clear and tangible indication that Belgium's policy is integrated into a European framework, so that it can act as a guideline and touchstone, signalling which objectives and initiatives are priorities at all levels of power and which players are involved.

In Belgium, the social partners - employers and workers - play an important role in implementing the Lisbon Strategy objectives. In 2008, they were consulted prior to the drafting of the report on the National Reform Plan. During the initial stages of the drafting process, discussions were held between the Prime Minister's Chancellery, the Central Economic Council and the National Labour Council. The Federal Council for Sustainable Development was also involved in the dialogue. Once the consultations were completed, the Councils issued a formal opinion on their contributions to the achievement of the Lisbon objectives and our National Reform Programme (NRP). To disseminate information about the Lisbon Strategy as widely as possible, the social partners also presented their work to the Federal Parliament.

In their unanimous opinions on the European Employment Strategy (EES), its evaluation and mid-term revision, the social partners have consistently stressed that the various pillars of the Lisbon strategy are interdependent and indivisible and - since growth, employment and social cohesion are on an equal pegging – must be considered as being of equal weight.

In these various contributions, the social partners have emphasised their involvement and stressed the federal-level initiatives for achieving the Lisbon objectives. The initiatives are described and placed in a wider context, particularly the discussions on the conclusion and implementation of the Inter-Professional Agreements.

In addition, the Belgian NRP sets out the priorities and measures of the various levels of government, combined and classified in accordance with harmonised rules drawn up by the European Union. This method of working should facilitate the exchange of information between the regions, linguistic communities, federal authorities and the European Union. The two Councils have called for the establishment of permanent dialogue and consultation, on the one hand between the federal authorities, regions and linguistic communities, and on the other between all of the aforementioned and the social partners at each level of decision-making, with the aim of streamlining the various policy measures relating to the economy, employment, social cohesion and the environment into a coherent, balanced policy that will benefit the country as a whole and each of its constituent parts, whilst respecting the autonomous decision-making powers of the various different bodies.

**2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?**

The two Councils have taken note of the European institutions' evaluation and recommendations regarding Belgium's progress in achieving the Lisbon objectives and implementing the National Reform Programme. In particular, it is recommended that Belgium:

- further reduce the tax burden on labour, especially by reducing the tax wedge on low wage workers, while in the medium-term improving expenditure restraint to support fiscal consolidation;
- improve competition in gas and electricity markets by adopting a more pro-competition regulatory framework, with fully independent and effective regulators, and continue efforts concerning transmission and distribution operators;
- within an integrated flexicurity approach, accelerate the implementation of coordinated policy measures that improve labour market efficiency, review unemployment benefits to facilitate a rapid return of the unemployed to the labour market, enhance labour market participation (especially for older workers and people with a migrant background), reduce regional disparities and increase participation in lifelong learning across all regions.

With these pointers in mind, the social partners stress that the most recent agreements concluded between them relate to subjects largely consistent or in line with the objectives of the Lisbon Strategy. The social partners frequently take elements from the strategy to back up their arguments when negotiating with one another. This process of drawing on the Lisbon Strategy helps ensure that our country's economic and social model develops in a balanced way. Each time the strategy is used in this way, the parties reaffirm their commitment to a sustainable development strategy, with a balance between its four dimensions: economic growth, employment, social cohesion and environmental sustainability. The social partners believe that it is essential to maintain a balance between all the objectives of the Strategy and to ensure that they are consistent, both at European level and at national and sub-national levels. Several of the social partners' initiatives are directly in line with the European Commission's recommendations:

- in the inter-professional agreement of 22 December 2008, the social partners agreed on a simplification of employment plans, which consisted of limiting the number of reductions in social security contributions for specific target groups and reallocating them partly towards a more structural cut in social contributions, particularly for low-waged workers, and partly towards allowances. In doing so, they are following the recommendation to lower costs on low-waged workers, whilst also ensuring budget neutrality;

- under the inter-professional agreement, the social partners agreed to increase unemployment benefits for the initial period of unemployment, partly by raising percentages and partly by raising calculation ceilings;
- the European Commission's recommendations have also been addressed in the Councils' work on the cost competitiveness and structural competitiveness of the Belgian economy and in their opinions on the geographical mobility of job seekers (particularly the unanimous position of the social partners on mobility allowances) and continuous training;
- in addition, the social partners have a role within the General Council of the CREG (Federal Commission for the Regulation of Electricity and Gas), a body which issues opinions on the trends in and organisation of the electricity and gas markets in Belgium.

**3. How are your national ESC and/or civil society organisations involved in the preparation of the National Recovery Plan and its implementation?**

As in the case of the National Reform Plan, responsibility for drawing up the National Recovery Plan has been shared between the federal government and the governments of the regions and linguistic communities. The two Councils note that in Belgium, socio-economic policy largely emerges from social dialogue, which means that the social partners are consistently involved in defining and implementing policy in the areas which fall within their remit.

The involvement of the social partners reaches its culmination in negotiations which take place every two years, at the highest echelon, between the employers' and workers' representative organisations in order to conclude an Inter-Professional Agreement, which establishes the main lines of the country's economic and social programme. The last inter-professional agreement was concluded on 8 December 2008, in the midst of the financial crisis. It was the result of very wide-ranging negotiations between the social partners, the federal government and the federal regions and linguistic communities, aimed at formulating a response to the financial and economic crisis.

The agreement must therefore be seen as a vital contribution by the social partners to the Belgian recovery initiative. Indeed, it explicitly defines itself as an exceptional agreement, aimed at restoring the trust of workers and employers and ensuring a fair balance between competitiveness, spending power and employment. It includes exceptional measures in response to the crisis, to be integrated into the Recovery Plan.

Considerable financial resources have been earmarked for reducing social contributions and increasing social benefits. To be more specific, the measures proposed in the Inter-Professional Agreement – including measures to reduce labour costs for businesses, simplify employment plans and increase workers' spending power - aim to establish a link between benefits and well-being. A considerable proportion of workers' spending power has been oriented towards "green" products and services, through the introduction of a new system of "green" vouchers and higher contributions from employers towards workers' public transport costs (train/tram/bus). Some of these measures have

already been implemented through collective agreements concluded within the National Labour Council. At the same time, inter-professional dialogue and the resulting collective agreements from the National Labour Council will now form the framework for negotiations within the individual sectors and enterprises over the next two years.

According to the European Commission, discretionary budget stimulation measures in Belgium represented 0.4% of GDP in 2009 (compared to an average of 1% for the EU-27). Nevertheless, when account is taken of economic stabilisers (automatic budget reaction via revenue and the structure of expenditure) the total fiscal impulse is much higher.

**4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?**

One of the major objectives of socio-economic policy is to strike the right balance between reforms which stimulate supply and reforms which stimulate demand. Most of the reforms discussed in connection with the Lisbon Strategy aim to stimulate production supply. In response to the current crisis, the social partners felt that the success of the October 2008 European Recovery Plan would necessarily depend, first of all, on establishing a macro-economic framework capable of re-establishing confidence and relaunching economic growth and, secondly, on Member States carrying out the requisite structural reforms to preserve the European social model. The framework must combine both stability and incentives to invest in the objectives of a dynamic economy and better society, offering greater quality of life for the population as a whole. The social partners have reaffirmed that, as well as improving competitiveness and employment, a strong, well-designed social and environmental policy has a vital part to play in kick-starting and strengthening the performance of the European economy.

**5. How can we improve the coordination of National Recovery Plans at European level?**

Short-term responses to the financial and economic crisis are gradually being put in place. The main players here are the Member States, which need to coordinate their action in the economic and financial spheres. The social partners have supported Europe's decision to ease its budgetary standards temporarily so as to aid recovery, although they are aware that the ultimate objective is still to consolidate public finances in the medium term. The short-term packages introduced by most governments all rely on increased public spending, but, in accordance with the Stability Programme, each country will have to provide for a budget deficit "exit strategy".

The two Councils have noted that the Commission is calling on the Member States to make a commitment to national stimulus measures being, "*coordinated, targeted, temporary and implemented immediately*". The Commission also wishes structural reform to continue without interruption and for governments to invest in future growth by funding infrastructure projects, research, and education and training. In exchange, the Commission promises to apply the Stability and Growth Pact "*judiciously*" should the public deficit exceed the ceiling of 3% of GDP or, in other words, to make use of the scope for flexibility introduced in 2005.

The social partners welcome the agreement between the Council and the European Parliament, against the background of the crisis, to ease conditions for accessing European aid from the European Globalisation adjustment Fund (EGF), and to speed up the processing of applications to the European Social Fund.

In addition, the Councils have urged that both national and European budgets and the future financial perspectives should reflect the objectives being pursued in connection with socio-economic redeployment and the sustainable development of the European Union. In the current context of a major economic slowdown, the social partners recently drew attention to the importance and urgency of making strategic decisions about investment in the Networks. They support the European Commission's efforts to persuade Member States that these projects need to be designed and financed with support from the EU budget and, where necessary, through public-private partnerships.

## **THE FUTURE OF THE LISBON STRATEGY 2010-2020**

### **1. What are the main challenges for the Post-2010 Strategy?**

In the run-up to the adjustment of the Lisbon Strategy for the next cycle, after 2010, the preparatory work being conducted by the European institutions shows that there is still a long way to go when it comes to transforming the European Union into a more innovative, knowledge-based, low-carbon economy. The major challenges currently being discussed include: stimulating the type of growth which generates large numbers of high quality jobs, promoting social cohesion, addressing the issue of ageing populations, maintaining access to natural resources, staying in the vanguard with respect to new technologies and speeding up investment in infrastructure, particularly IT and communication and broadband technologies. The European Union's external policy will probably centre on combating protectionist tendencies and bolstering action at international level more generally. Like all the new aspects of the Lisbon Strategy after 2010, this external dimension needs to be clarified.

The social partners are broadly supportive of these moves and have stressed that the planned reforms must take account of the lessons learned from the financial, energy and food crises which have cropped up over recent months. If Europe is to find its way back onto the path towards growth, employment, social cohesion and concern for the environment, these new initiatives must meet the current challenges and be implemented in a realistic, balanced way. In concrete terms, European policy must establish an economy and labour market which can simultaneously stimulate confidence, dynamic economic development and security for workers, as well as providing an adequate response to the energy and climate package. The two Councils also feel that macro-economic coordination at European level and the right mix of macroeconomic policies (i.e. budgetary, monetary and fiscal policy) must be secured to provide optimum, balanced support for the adjustments necessitated by structural reform. These reforms must be considered in an even-handed manner, ensuring optimum synergy between the various elements. The social partners deem macro-economic dialogue, which needs to be further strengthened, to be central to the pursuit of these objectives. In general, bolstering

the role of the social partners at all levels in the Lisbon strategy will be a major determinant of its success.

## **2. What are your proposals for the revaluation and update of the Lisbon objectives?**

In their opinion on the priorities of the forthcoming Belgian presidency of the EU in 2010, the two Councils have stated that the main lesson to be learned from the implementation of the European Employment Strategy (EES) over the past few years is that the problem lies less with the strategy itself than with the way it is implemented on the ground by the Member States. On the basis of this observation, the Councils have suggested that Belgium seize the opportunity provided by its EU presidency to explore ways of improving strategy implementation. Follow-up to strategy implementation and assessment of the results achieved by the Member States should be at the heart of such discussions. The European social partners should also have a bigger part to play in the evaluation process. In their opinion, the Councils also highlighted the integrated nature of the economic, social and environmental dynamics being pursued by the European Union to achieve the objectives it has set itself under the Lisbon Strategy. If we wish to make progress towards the socio-economic objectives the EU is targeting, it is imperative that the balance between the economic, social, environmental and employment aspects of the strategy be preserved. The debate on green jobs initiated at European level will clearly be of great importance for achieving this.

At the same time, it is also important to dovetail the strategy for growth and employment and the strategy for social inclusion more effectively. At present, the latter does not have enough impact on the policy of the Member States, partly because of the lack of quantitative objectives.

The Councils support all three dimensions of the active inclusion strategy, namely, the provision of an adequate level of income support with a link to the labour market and better access to high-quality services.

## **3. How can the following be integrated more successfully in the new strategy – social aspects, education, training, mobility, and globalisation adjustment policies?**

In the Councils' view, the European social model and its implementation at national level are based on common values and various common institutional mechanisms.

It is a model which needs to keep adapting continuously, influenced by factors such as globalisation, demographic change, the shift to a knowledge economy, new developments in society and the need for greater European integration. These factors interrelate with the key elements of European societies, including access to education and training, universal social protection, social insertion, labour laws and social dialogue. These factors also contribute to the identification of desirable reforms, for example in education systems, and in pinpointing which skills are needed, creating jobs, and making the social protection system fairer. The need to step up efforts towards a more active labour-market policy and investment in life-long learning are two examples of the evident link between macro-economic policy and labour-market reform.

**4. How can we ensure better convergence of the interests of the different levels of governance (EU, national, regional and local) as well as of the various European Strategies during the new decade?**

On a number of occasions, the two Councils have drawn attention to the important role played by the social partners in giving practical effect to the Lisbon strategy objectives and ensuring their success. In this regard, they have called on the European authorities to work towards developing effective social dialogue with the various stakeholders involved or interested in the process with a view to establishing such dialogue at all levels: national, European, and between sectors at the national and European levels. Belgium itself has a social model which has already served as an inspiration for the European social model and which can now serve as a basis for the further development of social dialogue. The two Councils also consider it apposite to reiterate the need for the European institutions to respect the autonomy of European social dialogue.

The two Councils feel that the Lisbon strategy all too often appears to be divided into totally separate pillars, within which separate strategies, initiatives and measures are developed for each particular area (including the economy, employment, social issues, the environment and education), with far too little consideration of how the strategy is being implemented in the other areas. This excessive division of the strategy into separate parts results in internal contradictions in its implementation, which make Community action less coherent and less visible.

The social partners feel it would be wise to launch an in-depth debate on how synergies and positive interaction could be developed between the economic, social, environmental and employment pillars of the Lisbon Strategy. Better coordination of policies both at the level of the European Commission DGs, the Council bodies (EPSCO and ECOFIN) and the various Committees involved in the Lisbon Strategy (EPC, Employment Committee, Social Protection Committee) would seem to be a prerequisite for the strategy to succeed.

**5. What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and Parliaments on both a national and European level?**

In their opinion on the priorities of the Belgian presidency in 2010, the Councils argue that, after several years of implementation, the Open Method of Coordination OMC is now the main instrument for social policy in Europe. It will need support in order to fulfil this role. Indeed its role is a vital one if social issues, and not just issues relating to the economy, growth and employment are to be addressed at European level. On this point, the Councils have reiterated their conviction that the success of the Lisbon strategy will depend on drawing full advantage from the synergies and positive interaction between the various pillars (economic, environmental, social and employment) that underpin it. Consequently, they support the moves to strengthen the OMC, as proposed in the Renewed Social Agenda. In this regard, they have pointed out that the National Labour Council has initiated a number of proposals aimed at improving the social OMC, as set out in its opinion (no 1 519) of 16 June 2005. In this opinion, the Council argued that the objectives of the OMC should

be formulated in a more concrete way, in the form of minimum social standards adapted to each country's specific socio-economic situation. The National Labour Council also stressed the need for accurate, reliable and comparable indicators as a prerequisite for establishing a common strategy for all the Member States. The Councils called on the presidency to maintain a balance in this way between the objectives of ensuring adequate incomes and viable long-term public finances. Quantified objectives must be determined prudently, not losing sight of the need for such a balance.



## BULGARIA

### 1. What is your critical analysis of the 2008 National Reform Programme (NRP)?

The Economic and Social Council expressed its position on the draft National Reform Programme of the Republic of Bulgaria (2006-2009) particularly in its opinion on proposals by the Council of Ministers adopted at the plenary session of the Council on 12 February 2007. Meanwhile, on the matters described as priorities in the NRP, the ESC has set out a number of specific proposals in the adopted opinions and resolutions of the Council. In its opinions the Council has expressed positions and made over 200 suggestions for the development of the main priorities and measures on the Lisbon strategy and the solution of major strategic problems facing the country. The ESC adopted an opinion on the Lisbon Strategy, in which it proposed concrete measures.

However, the Council considers that an important condition for effective implementation of the programme is the setting of realistic objectives and measures to increase employment and economic growth, which are secured by real resources, activities and indicators.

The NRP must establish clearer links between innovation and research policies, energy and resource efficiency, increase the potential of small and medium-sized enterprises, education and training, investment in human capital and modernisation of the labour market based on flexicurity.

The ESC notes that the NRP project contains a wide range of activities and measures included in national operational programmes. The ESC expresses its position that the priority areas and objectives of the Lisbon agenda should be at the core of the programme, interlinking with the activities and measures of national operational programmes.

In this connection, the Council calls for the objectives and measures to be specified more clearly in the NRP and for appropriate indicators for monitoring implementation to be developed. Indicators should be more clearly defined as a criterion for measuring and comparing the development and progress achieved on each priority action and measure. Although the NRP contains some indicators, they are insufficient and do not cover all measures and activities. The ESC proposes that the mechanisms necessary for the proper implementation of the NRP should be provided.

The ESC calls for a clearer potential synergy between economic growth and the environmental and demographic challenges facing the country.

The ESC insists on a drastic reduction in the number of permit and regulatory regimes and the removal of those which are not regulated by legislative or legal acts. In this connection, the Council adopted an opinion on "Opportunities for reducing administrative obstacles and improving the business environment in Bulgaria" in March 2009, which contains a number of the Council's proposals to streamline the regulatory regimes and improve the quality of administrative services.

The ESC proposes more decisive measures in the NRP to improve educational standards and the quality of human capital in the country. A change is needed in the practice of planning and reporting only using the quantitative indicators related to employment, without regarding the quality indicators such as educational qualifications and relevant parameters of current jobs. Problems of education and human capital are analyzed in detail in the opinion, which was adopted in January 2009, on the "Bulgarian Educational System – Problems and Necessary Reforms", but the challenges to the labour market in terms of economic crisis are considered in the ESC's opinion, adopted in July 2009, on "The labour market under the financial and economic crisis – challenges and possible solutions".

The Council proposes that the objectives and measures necessary to ensure a reorientation of state policy from social welfare to social investment in the new generation, their parents and families, should be included in the NRP.

The government's measures and actions must boost the quality of education and training (adapted to the needs of the labour market and the needs of society), based on knowledge; this must be identified in the NRP.

## **2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?**

The European Commission assesses the anti-crisis measures undertaken in Bulgaria in the light of the EU's European Economic Recovery Plan. The ESC considers that the warnings that the crisis could "worsen the already serious macroeconomic imbalances" are reasonable. As regards public finances, the Commission will assess the compatibility of the updated Convergence Programme with the Stability and Growth Pact and, in this context, the Council supports the recommendation to maintain the tight fiscal position and urgently take action to correct economic imbalances. Assessment and analysis of the socio-economic situation has been made in detail in the ESC opinion on "The Bulgarian economy under the global financial and economic crisis – problems, challenges and opportunities" and on this basis, recommendations and proposals for concrete measures have been formulated.

An important recommendation is that Bulgaria should "encourage the transition towards a low carbon economy and enhance long-term growth potential".

The ESC shares the assessment that "more efforts are needed to improve radically the efficiency and effectiveness of public administration", evidence of which is the recent opinion on "Opportunities for reducing administrative obstacles and improving the business environment in Bulgaria".

The response to the recommendation "Bulgaria to tackle its macro-economic vulnerabilities by maintaining its tight fiscal policy and by speeding up structural reforms to strengthen its competitiveness" is the proposals and concrete measures adopted by the ESC in the opinion on "The Bulgarian economy under the global financial and economic crisis – problems, challenges and opportunities".

The ESC's opinion on "The labour market under the financial and economic crisis – challenges and possible solutions" aimed at the implementation of the recommendation for "an integrated flexicurity approach, focuses on increasing the quality of labour supply and the employment rate by improving the efficiency, effectiveness and targeting of active labour market policies”".

**3. How are your national ESC and civil society organisations involved in the preparation of the National Recovery Plan and its implementation?**

Many of the measures contained in the ESC opinions, as well as in the proposals made by employers and trade unions with a view to overcoming the negative effects of the global financial and economic crisis, have been submitted to the Bulgarian government. The ESC has drafted and adopted two interrelated opinions in July 2009 – "The Bulgarian economy under the global financial and economic crisis - problems, challenges and opportunities" and "The labour market under the financial and economic crisis – challenges and possible solutions".

In September 2009, the ESC will hold a public consultation with the government on “Financing the social insurance system - challenges and possible solutions”.

At the suggestion of the ESC organisations, the Anti-crisis economic council was established by the Prime Minister of Bulgaria, in which the ESC president and members participate.

**4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?**

The ESC supports the maintenance of the Currency Board in Bulgaria at the currently fixed rate of the lev to the euro until the country enters the euro zone in order to ensure the stability of the economy and the financial system.

The ESC suggests establishing anti-crisis councils on key sectors with a view to the development and implementation of associated anti-crisis programmes.

According to the ESC, the allocation of European funds is vital for limiting the negative impact of the global economic crisis on the Bulgarian economy.

In connection with the improvement of the business environment, the ESC suggests preparing and implementing a national programme to address the black economy and improve coordination between the institutions responsible for monitoring compliance with labour, tax and insurance legislation.

According to the ESC, effective governmental schemes to boost Bulgarian companies must be implemented, and corporate activity must be facilitated by:

- shortening the period for repayment of VAT;
- cutting red tape at local and national level.

Meanwhile, the ESC considers that in order to limit the unemployment rate rapid steps must be taken towards:

1. implementation of the employment and training schemes funded by the OP “Human Resources”;
2. implementation of the projects for construction and reconstruction of the social infrastructure funded by the Social Investment Fund under the projects “Beautiful Bulgaria” and “Social Inclusion”;
3. development of the national path for flexicurity.

In its opinion on “The Bulgarian economy under the global financial and economic crisis – problems, challenges and opportunities”, the ESC holds that it is necessary to activate the governmental policy for rapid and massive structural optimisation and technological modernisation of the economy and to take the necessary measures to boost the share of middle- and high-tech products in the structure of production and export. The structure of production and consumption should shift to low energy consumption and low material usage, with decreasing greenhouse gases emissions.

The recommended measures include:

- Liberalisation of the energy market in accordance with the requirements of EU regulations.
- Development of market mechanisms that encourage land consolidation, and an increase in agriculture.
- A registry of taxpayers to be prepared and rapid recovery of tax credit for VAT to be provided for them.
- The revenue from the sale of emission quotas under the emissions trading scheme should be directed towards investments and R&D in the field of climate change and energy saving.
- Broad opportunities for education and training, especially for lifelong learning, so that everyone can adapt to changes in production and consumption models.
- Substantial reduction in the number of regulatory regimes, eradication of illegally administered schemes, acceleration of administrative services, including through their electronisation, public monitoring of terms and fees. Linking the amount of the fees with the costs of carrying out administrative services.
- A serious mobilisation of the administration responsible for the management of pre-accession, structural, cohesion and agricultural EU funds to improve their implementation as a flow that compensates the decrease in the inflow of FDI and external lending. Simplification and easing of the rules and procedures for applying for the various schemes, including avoiding corruption, fraud and misappropriation.

In accordance with the guidelines for restructuring the economy and creating productive employment, the ESC in its opinion on “The labour market under a financial and economic crisis – challenges and possible solutions” suggests the development and adoption of a national programme similar to the EC’s programme “New skills for new jobs”.

According to the Council, in the current situation the opportunities provided by the EC for increasing the financial resources for tackling the crisis through the structural funds should be capitalised upon, as well as reducing the administrative burden. The requirements for restructuring and adapting the workforce to the real and expected changes mean that labour market policies and measures focus mostly on: capitalising on the potential of employed, unemployed and, especially, young people through the programme “New skills for new jobs”; overcoming regional differences in employment; implementing the programmes for active social inclusion; facilitating and stimulating labour mobility, etc.

The ESC gives priority to the financial stability of the key public systems – social insurance, healthcare, education.

Civil society and the social partners should participate actively in the broad efforts to restructure the economy and the ESC expresses its willingness to play its role.

#### **5. How can we improve the coordination of National Recovery Plans at European level?**

1. By strengthening the links and information channels between the Councils in coordination with the EESC. With a summary of the National Economic and Social Councils for the position of the social partners and structures of civil society, the EESC proved its role as a proper platform for exchanging views and experiences between the national structures of civil society.
2. Through discussions and the exchange of good practices. In this context, the conference on “Employment and the crisis – the possible answers of Europe” will be held in October in Sofia.
3. Activation of the network between the Economic and Social Councils and the EESC.

### **THE FUTURE OF THE LISBON STRATEGY 2010-2020**

#### **1. What are the main challenges for the Post-2010 Strategy?**

The main challenges for the development of the Lisbon Strategy after 2010 are related to the problems resulting from the rationalisation of the new tendencies in the world’s development and the possible role of the EU during this period and after the global financial and economic crisis. In a world of growing interdependence, there is a growing need for new approaches in the management of macroeconomic processes. The lessons of the ten-year experience should help in developing a new vision for Europe after the crisis with the broad participation of civil society. A reassessment of the strategic objectives, priorities and indicators of the Lisbon Strategy is needed.

#### **2. What are your proposals for the revaluation and update of the Lisbon objectives?**

The main challenges that have to be reflected adequately in the formulation of the new objectives of the Lisbon Strategy after 2010 are already identified. Climate change, interdependence in the globalising world, providing energy balances and the priority development of renewable energy

sources, the competitiveness of European business in the light of the demographic tendencies in Europe, providing quality education, development of scientific research and stimulating innovation, are problems that should find their answer in the new strategy.

# DENMARK

## **Joint declaration on the future European competitiveness** by the Danish members of the European Economic and Social Committee

### **1. Introduction**

The Danish members of the EESC consider it of the highest importance to focus on the long-term competitiveness of the EU. Having a competitive EU makes it possible to secure the best possible living and working conditions for the citizens of Europe.

In this joint declaration the Danish members of the EESC will highlight some key issues which Europe should address in the forthcoming discussions. These views are based on the Danish government's non-paper reflecting on the Lisbon strategy post-2010.

The Danish EESC members feel that there is a need to reflect on how to make the successor to the Lisbon strategy more effective. The Lisbon strategy post-2010 needs to be clear in its focus and ambitious in its target setting. Increasing the focus on structural reforms will heighten the ambition of the overall strategy. The overall goal should be to ensure long-term economic growth which will help job creation and reduce social problems.

At the height of the recent economic boom in 2007, the budget balance in EU-27 was -0.9% of GDP. As a result of the current downturn, the budget balance is expected to worsen to -4.8% by 2010. Those numbers indicate that Europe risks falling into a debt crisis in the longer term. It is therefore essential that the new strategy ensures consistency between focusing on long-term growth and the need to tackle the problem of **structural budget deficits**. To deal with the current structural problems and achieve the goal of long-term growth it is crucial to make reforms that lead to a stable economic development and regained confidence in financial markets.

Ensuring a high level of employment including labour market and pension reform; strengthening the area of knowledge and innovation; combating climate change and ensuring energy supply are amongst other essential challenges in the years to come. They all call for an ambitious strategy beyond 2010 based on at least five strategic directions described in the following pages.

### **2. Five strategic directions for a Lisbon strategy post-2010**

Most challenges also provide opportunities. The overall aim in the Lisbon strategy post-2010 should be to turn these challenges into opportunities through common efforts. The Lisbon strategy's current four priority areas provide an appropriate framework to address these challenges but further efforts are needed. The Danish EESC members would like to see joint EU and national actions develop around five strategic core themes: i) Deepening the internal market; ii) Enhancing knowledge and

innovation; iii) Making growth green; iv) Strengthening the external dimension; and v) Reinforcing the governance structure and implementation.

## 2.1 Deepening the internal market

First of all, the Lisbon goals can only be met if the internal market for people, goods, services and capital functions efficiently. A well-integrated internal market should be placed at the heart of the Lisbon strategy so as to boost growth, jobs and competitiveness in Europe. In many areas where measures have already been taken, there is still a need to improve enforcement of internal market rules and cooperation between public authorities – both national and international – and to increase the level of information and coordination. Due to current economic changes, the rise of unemployment has become a short-term top priority for EU and its Member States. However, the challenges of an ageing population and a shrinking labour force remain, and it is necessary to maintain focus on the long-term **issue of increasing the flexibility of the labour market**.

This is highly relevant as a means to curb structural deficits and ensure long-term growth. The EU should continue to work on removing internal barriers in order to ensure the effective mobility of workers, which is an important means of meeting the present and future demand for labour. This should happen without prejudice, so as to ensure that the risks of irregular migration are prevented within the framework of the modalities of the policies for the entry and residence of third-country nationals or, where appropriate, other policies, including the modalities of the framework for freedom of movement. The EU needs to be prepared to make full use of its potential when the state of the market changes again.

Furthermore, success in this area will be most important for **securing the social inclusion and cohesion** that are prerequisites for growth and jobs. The economic crisis only stresses the importance of committing to the sustainability of Europe's social system, which was originally at the core of the Lisbon strategy. Labour market structures should continuously be improved by developing the model of flexicurity. The Single Market review from 2007, which put consumers and SMEs at the centre of policy, will help create the appropriate conditions for unlocking business potential and relaunching the European economy. Particular efforts will be needed to continue the implementation of the Small Business Act for Europe. Successful and timely implementation will lay the foundations for the future growth of SMEs and Europe in general. Strengthening the competitiveness of the EU's economy also requires continued focus on **better regulation, simplification and the reduction of unnecessary administrative burdens**, especially for SMEs without changing consumer rights, environmental protection, etc.

## 2.2 Enhancing knowledge and innovation

In order to compete globally and pursue the goals of the Lisbon strategy, Europe must be able to produce, retain and attract highly skilled labour. The Danish EESC members therefore stress the importance of continuing to focus on achieving **the internal market for knowledge – the fifth freedom – as one of the key conditions for creating a competitive European research area**.



Creating a knowledge-based economy can only be done if we significantly strengthen our focus on the effectiveness of innovation, including non-technological user-centred and open innovation. Addressing the challenges of the knowledge society means that research, education and innovation must be regarded as three integrated elements. This calls for **further attention and exploration of policy challenges and the opportunities of Europe's so-called knowledge triangle**. The economic downturn has led to a slowdown in investments in Information and Communication Technology. Consequently, the private as well as the public sectors in Europe will not be able to harvest the full productivity and efficiency gains of the ICT revolution. With the highest expenditure on R&D in Europe, the ICT sector remains crucial to innovation capacity. In addition, targeted investment in intelligent ICT-based solutions will play a key role in solving other important societal challenges such as climate change, environmental risks, and demographic changes.

### 2.3 Making growth green

Energy and climate change as well as sustainable growth should continue to be a part of the Lisbon priorities. The current challenges of combating climate change and ensuring energy supplies while ensuring high growth rates require investments in new knowledge and technologies, the promotion of energy-efficiency and a move towards a sustainable low-carbon and resource efficient economy. The early adoption of Europe's climate and energy package, along with the ambition to take responsibility in ensuring a new global climate agreement in Copenhagen 2009, proves the EU's ability to set an example for the rest of the world to follow. The EU's status as a 'prime mover' will in return create new opportunities in terms of green growth and jobs.

The crisis is an opportunity for the EU to make growth more sustainable. We should continue to develop our growth strategy within an environmentally sustainable framework and ensure resource efficiency, greener products and environmental friendly technology to ensure that current growth is not achieved at the expense of future generations. Danish experience demonstrates that high economic growth can be maintained without increasing energy consumption through an active and persistent energy policy aiming at energy efficiency, renewable energy, and technological development.

### 2.4 Strengthening the external dimension

With an integrated internal market, Europe must also activate its external policies and ties with non-EU markets to be able to compete in an ever more challenging and global environment. Open trade between EU and the rest of the world is fundamental to boosting jobs, growth and competitiveness in Europe as well as abroad. **The EU should think about ways to strengthen the external dimension of the Lisbon strategy after 2010 in a way that both strengthens market access for businesses and protects social, societal and environmental standards.**

To meet this goal, Europe should promote its norms and standards internationally, including ILO standards. In order to ensure coherence and consistency of policy, the external dimension should focus on common standards in both bilateral and multilateral trade agreements. Some people may feel that the current economic downturn calls into question the actual benefits of globalisation. However,

the current crisis has proved that enhanced economic and financial dialogue between the EU and its major economic partners, as well as effective policy coordination, is sorely needed. Furthermore, by working together with its partners the EU stands a better chance of increasing its influence outside the European Union. Protectionism should be avoided at any level as it would only deepen the crisis further.

## 2.5 Reinforcing the governance structure and implementation

The review of the Lisbon strategy governance structure carried out in 2005 following the Kok report introduced several new instruments, such as the Integrated Guidelines, National Reform Programmes and the regular adoption of country-specific recommendations as well as points to watch. There is no doubt that these instruments have improved substantially the governance process by enhancing Member States' commitment, responsibility and dialogue with the European Commission. The Open Method of Coordination is another important tool that has allowed Member States to share best practice and learn from each other. Europe, however, still has difficulties delivering on the Lisbon strategy. A successor to the strategy may therefore need to involve complementary methods and adjustments of the current governance structure that would further improve Member States' ability to deliver results as well as respond to an enlarged and more diversified EU.

The current crisis is also an opportunity for national governments to consider new policy instruments that will foster Member States' cooperation to support growth and employment. It will also be important to ensure greater consistency between EU economic policy frameworks, in particular the Stability and Growth Pact and the proper functioning of the internal market. A successor to the Lisbon strategy should have a reinforced governance structure that promotes the implementation of reform more effectively. The strategy needs to address the discrepancy between what the strategy is expected to deliver and the instruments at its disposal. The Danish EESC members propose to consider the following elements:

- The three-year cycle has proved to be adequate and should be maintained. Member States' reporting in the second and third year of the cycle could be simplified in order to keep the governance structure as streamlined as possible.
- In addition to aggregate EU targets (average age of retirement, level of research and tertiary education, level of administrative burdens etc.), a **more differentiated and flexible approach** could be considered, inviting Member States to set their own national targets in accordance with national situations and leaving them to decide how they will contribute to the EU-level target. Reflecting the increased diversity of the EU, this dynamic would possibly create a more ambitious and realistic set of targets as well as strengthen national ownership. The approach could initially be tested on selected areas and indicators.
- Input targets should be avoided. Member States should, when possible, be assessed on **output-orientated, quantitative indicators** (e.g. number of newly qualified academics and not the amount of money invested in universities). Furthermore, more precise impact-analysis of targets and of available cost-efficient measures to reach the targets should be made in order to improve implementation of the strategy.

- The idea of **ranking** individual Member States on relevant indicators should be pursued and possibly include comparisons with influential non-EU countries.
- **The EU budget should be re-allocated** to fit in better with the strategy. This should include, among other things, greater focus on innovation and knowledge and could also involve targeting the spending of Structural Funds to be more in accordance with Lisbon priorities.
- **Consistency and synergies** between the 27 Member States' individual National Reform Programmes and the Community Lisbon Programme should be exploited to a greater degree to avoid the experience of a fragmented Lisbon strategy.

Finally, in order to improve the visibility and concrete understanding of the Lisbon strategy, **the political visibility of the Lisbon strategy post-2010 should be enhanced at all levels in order to ensure efficient implementation of national reform programmes.** The European Council already plays an important role when renewing the strategy every third year and assessing it every year.

The organisations represented by the Danish EESC members play a key role in improving the Lisbon strategy. Therefore they should be further involved in all phases of designing and implementing the strategy. National ownership and commitment to the strategy could be expected to increase further if, for example, the National Reform Programme is presented to national parliaments and discussed in the relevant parliamentary committees. Furthermore, all relevant stakeholders including organisations, social partners, NGOs and local governments should consistently be involved.

# GERMANY

Germany does not have an Economic and Social Council or similar body. Cooperation between the government and organised civil society is based on a flexible approach and reflects the occasion. However, it is being viewed increasingly critically since civil society believes this official consultation lacks

- continuity,
- an adequate timeframe,
- seriousness.

The detailed position of Germany's organised civil society is as follows<sup>1</sup>:

## **THE CURRENT CYCLE OF THE RENEWED LISBON STRATEGY CYCLE (2008 – 2010)**

### **1. What is your critical analysis of the 2008 National Reform Programme (NRP)?**

Germany's 2008 national reform programme, like the previous NRPs, can be considered as a summary of the reforms which the government planned to carry out anyhow as part of its own programme. They reflect the coalition agreements which are in keeping with the spirit of the Lisbon Strategy. However, the representatives of civil society organisations believe that the reform efforts for growth and employment should be pursued with greater vigour.

Industry organisations believe that there is a need for action in the following areas: reform of corporation, income and inheritance tax, measures to deal with the shortage of skilled labour, reconciliation of family and professional life, and reducing red tape. They have also called for a reform of labour law and social security. In spite of the progress which had been made in certain areas, the labour burden remained high. Lower social contributions were therefore needed so that workers could benefit from lower ancillary wage costs and a bigger net wage.

Workers' representatives have sharply criticised the strategy adopted by the federal government and the EU of competing on the basis of business location. Employment conditions had become more insecure and precarious as a result of the deregulation of the labour market. The employment rate was not the most important indicator.

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1

Contributions by:

Federal Association of Voluntary Welfare Work (BAGFW), Confederation of German Employers' Association (BDA), Federation of German Industries (BDI), German Federal Association of Liberal Professions (BFB), German Civil Servants' Association (DBB), Federation of German Farmers (DBV), German Confederation of Trade Unions (DGB), German Chamber of Industry and Trade (DIHK), Helmholtz Association of German Research Centres (HGF), German Confederation of Skilled Crafts (ZDH).

The professions meanwhile insist that their special role needs to be taken into account in the implementation of the Lisbon Strategy.

The Pact for research and innovation between the federal government and the federal states, and the associated five percent annual increase in the budget for jointly funded research institutions, have been welcomed by all three groups.

**2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?**

The Commission has recommended that Germany introduces more competition in the services sector, and that it reforms the labour market based on flexicurity. The planned relaxation of rules is placing considerable pressure on Member States to adapt, and therefore comprehensive legal adjustments will be necessary. The idea of providing a broad, high quality range of services at attractive and reasonable prices through deregulation has been generally welcomed.

Workers' representatives, however, have criticised the single-minded focus on greater efficiency through increased competition, which, they say, ignores the social and ecological costs associated with this approach, as well as the fact that it would lead to price dumping, reduced quality and the loss of regional economic structures.

The European Court of Justice (ECJ) has made it clear that national laws regulating the professions must not be appraised solely based on market-based principles<sup>2</sup>. The special need to protect consumers and guarantee their safety must also be taken into account in each case.

Industry's view is that greater flexibility in the context of flexicurity makes sense. This was especially true in the case of protection against dismissal and company alliances. A one-size-fits-all approach for all Member States however, should be avoided and individual features could instead be integrated into the national institutional framework. As regards the "security" features, Germany was already in the leading group of Member States.

**3. How are your national ESC and/or civil society organisations involved in the preparation of the National Recovery Plan and its implementation?**

The federal government involves organised civil society to varying degrees.

A distinction needs to be drawn between official involvement in the drawing up of the NRP on the one hand, and the federal government's ongoing discussions and consultations with the national federations on economic and socio-political reforms on the other.

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<sup>2</sup>

See the Arduino, Wouters, Cippola and Meloni judgements, as well as the so-called Doc Morris judgement.

Certain sections of German civil society have described their level of involvement in the drawing up of the NRP as a farce, and have criticised the lack of a firm institutional framework, as well as the fact that the opinions are not taken adequately into account. In spite of repeated complaints, the federal government has not changed its approach. The professions and the Federal Association of Voluntary Welfare Work (BAGWF), which so far have not been involved in drawing up the NRPs, have requested explicitly that they be involved in decisions of a political nature.

This critical assessment of organised civil society's involvement in the implementation of the Lisbon Strategy contrasts with the positive assessment overall by its representatives of civil society's *individual* involvement in the reform process and its implementation. The federal government relies less on official procedures and organisational methods and more on proven forms of interest representation in its implementation of the Lisbon Strategy (for example, hearings organised by the German *Bundestag* or federal ministries, which are formally recognised in their rules of procedure). The joint scientific conference "GFK", for example, was launched in 2008 as a forum in which the federal government, the federal states and scientific organisations could formulate views and reach decisions jointly.

**4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?**

The crisis has highlighted the need for adequate market regulation and the promotion of sustainable growth. Besides short term measures to respond to the financial crisis, greater emphasis should be placed on measures with a long-term effect, such as investment in research, education and training, alternative energy sources, environmental protection and modern infrastructures, in order to meet the needs of the labour market. This will require further incentives to encourage longer-term entrepreneurial decision-making and preserve the attractiveness of Germany as an R&D location. The regional economy, craft industries, SMEs and the professions have a special role to play here, since they contribute to regional and social cohesion, and act as motivating force for innovation in their role as providers of training, investment and sponsorship. The readjustment of motor vehicle tax to reflect emissions, the promotion of innovative propulsion technologies, the boosting of innovation in medium-sized enterprises, as well as investment in transport and ICT infrastructure are good examples of the role they have played. Greater incentives also needed to be provided to encourage future workers to choose a technical and scientific education and career path.

However, already now the burden which the recovery package has placed on public finances is immense. This has placed an additional burden on future generations. The reform of public finances therefore needs to remain high up on the political agenda. Income tax reform and cutbacks in the measures adopted in 2008 to reform corporate tax, which have aggravated the recession, are considered by industry as urgent priorities. Talk of further recovery packages meanwhile is considered to be superfluous. Trade unions have been calling for a simpler and fair tax reform which seeks to rehabilitate public finances through increased tax revenues. Thus, they reject the possibility of tax reductions. At the same time though they consider higher tax rates for high income earners and tax reductions for low incomes an urgent priority.

## **5. How can we improve the coordination of National Recovery Plans at European level?**

The crisis has shown how important effective systems of government are, even for market economies. Better coordination of national policies across the EU is needed, although full harmonisation should be avoided so as not to hamper constructive competition within the EU. National recovery programmes need to be studied at European level to assess their competitive neutrality (especially measures that support individual sectors, such as the car industry or agriculture). This should also apply to household debt which must be kept within bounds to avoid endangering the stability of the Euro. The ECOFIN Council and its working groups could play an important role in the coordination of cross-border investment projects.

## **THE FUTURE OF THE LISBON STRATEGY**

### **1. What are the main challenges for the Post-2010 Strategy?**

The Lisbon Strategy's target of boosting Europe's competitiveness needs to be pursued with consistency. The greatest challenge facing the strategy is that it will need to reformulate targets for the period after 2010, which in 2008 seemed largely to have been achieved, but in 2010 will clearly not. In order to do so, the immediate impact of the crisis needs to be overcome. In parallel, the longer term challenges need to be tackled, such as demographic change, energy supply and climate change, shortages of skilled labour, increased global competition and, taking into account trade unions' point of view, growing social difficulties. The Lisbon Strategy's overall aim of creating more jobs and prosperity in Europe through an innovative European knowledge society that act as a basis for greater productivity and competitiveness should contribute to this.

The Member States must be actively involved in shaping Europe's future. This will require a deepening of European integration beyond the market integration seen in recent years, as well as the consolidation of domestic demand within the European Union. An active labour market policy which contributes to a high level of employment through better qualifications can play a decisive role in the various social models that exist across the EU. Efforts also need to be made to achieve faster economic convergence of structurally weak regions. Migration policy needs to be geared towards economic necessities in the Member States and should foster integration. The German Farmers' Association and the German Confederation of Skilled Crafts believe that it is important to guarantee continuity in the CAP after 2013. This should take into account the needs of all the players which contribute to the stability of rural areas.

### **2. What are your proposals for the revaluation and update of the Lisbon objectives?**

The focus on greater growth and competition is realistic if Europe succeeds in establishing a socially and environmentally sustainable economy. Both in the short and long term the creation of jobs through greater competitiveness and consistent implementation of the flexicurity concept should take priority. Not just quantitative, but also qualitative targets need to be taken into account here.

Innovation, investment in education and research, the opening of markets and favourable conditions for business continue to be, in industry's view, the main instruments for achieving sustainable development. Trade unions meanwhile emphasise the importance of regulating markets and protecting the environment.

Worker's representatives have pointed out that although Germany had achieved the Lisbon Strategy's employment target, the pay gap had widened and the legal status of the long-term unemployed had deteriorated. It was also clear that poverty in old age would become more pronounced in the near future, which was why emphasis needed to be placed on the "security" aspect of flexicurity. The individual and targeted nature of social services also needed to be preserved. Promoting the integration of immigrants and supporting people with disabilities were also key issues that needed to be considered in this context.

Better adjustment and coordination of the new Lisbon Strategy with other EU strategies, for example with the EU sustainable development strategy, would be useful.

Investments in education and research need to be enhanced on a reliable and long-term basis in order to consolidate the European research area and, furthermore, to create a European education area. Policies to boost innovation need to place special emphasis on consolidating the innovation potential of medium-sized companies. A future R&D policy that is geared towards lead markets should take the economic and research infrastructures in the Member States into account and focus on boosting medium-sized companies in the regions.

The Lisbon Strategy needs to be complemented by a stronger external relations dimension since the EU single market and the security of raw material and energy supplies depend to a large extent on open global markets and non-discriminatory trade.

The possibility of savings and restructuring in agricultural and structural policy needs to be analysed. Structural policy requires a long-term concept involving concrete targets.

Consumer protection should not reduce Europe's attractiveness as a business location. The aim therefore must be to introduce a consumer protection policy across Europe which takes into account the costs it creates for companies. Open borders must not lead to a lowering of quality standards and a loss of trust on the part of the consumer.

The goal of a 25% reduction in administrative costs for companies by 2012 under the Better Regulation agenda must be pursued with consistency. It should be formulated as a clear net-goal that can be independently verified. Also, the efforts to cut bureaucracy at EU level should not be applied to individual areas only. They should extend to the entire *acquis*.



**3. How can the following be integrated more successfully in the new strategy – social aspects, education, training, mobility, and globalisation adjustment policies?**

In an economic system an individual, market-based approach has been adopted to adjust to globalisation, the ultimate aim must be to ensure that economic processes meet human needs and guarantee social cohesion. This is the basic principle of the social market economy as it is applied in Europe. Education should be duly taken into account in the Lisbon Strategy goals. Member States should, for example, pay more attention to education benchmarks such as the school drop-out rate and the proportion of adults in education or tertiary education than in the past and back them up with national targets and appropriate instruments. Care should also be taken to ensure the necessary financial resources are made available to guarantee improved education opportunities for as large a spectrum of society as possible. The crafts industry believes it would also be useful to agree on independent targets at national level, such as the modernisation of education infrastructures and better coordination between qualifications and employment opportunities, especially in view of the need for "lifelong learning". The authorities should continue to press ahead with current initiatives for better mobility between various European education systems. In particular, they should establish a German qualifications framework (GQF) that ties in with the European qualifications framework (EQF).

The potential of Information and Communication technologies (ICT) as engines for growth, innovation and employment, and as R&D tools, will grow drastically. They also have an important role to play in global challenges such as demographic change and efficient energy consumption. The ICT area should therefore be a priority of the post-2010 strategy, alongside climate change, the supply of energy and health.

**4. How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European Strategies during the new decade?**

Compliance with the subsidiarity principle is crucial if competences are to be attributed and exercised correctly at the various levels. Participation and consultation of all levels in the decision-making process and implementation of the post-Lisbon strategy goals is essential since this will allow the various interests and factors to be dovetailed with each other and taken into account better. As a matter of principle, the interests of the European public, rather than those of the individual administrative levels, should come first here. More freedom should be granted in the implementation (type and duration) of programmes and projects, and more attention needs to be paid to the various competences (bottom-up approach). Moreover, at European level, the exchange of best practices can help players avoid mistakes. It can also lead to a "mutual learning" effect outside the sphere of national sensitivities. The policy consultations carried out by the Commission, meanwhile, have been described as mere alibi-seeking exercises. This is an issue which can be addressed through consultation at an early stage of the policy process and involvement in the formulation of policy content.

**5. What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and Parliaments on both a national and European level?**

First of all, the players at national state level themselves need to develop a genuine desire to involve civil society. So far, however, the federal government has not shown any genuine interest in doing so. Civil society's and the European media's appetite for European politics needs to be boosted so that a civil dialogue can be established in which Europe is discussed in a constructive way and a pro-European mood can be fostered.

Civil society needs to be involved more effectively in the next Lisbon cycle. This means consulting civil society representative at an early stage, informing them about planned implementation measures and involving them properly in policy preparation. Targets would become more binding and indicators would perform better. Also, failure to meet targets should be put under the spotlight with greater conviction. The "peer pressure" approach should therefore be extended to further areas and intensified. The OMC could also be used increasingly as a "monitoring" instrument, as long as transparency and democratic legitimacy are not overlooked.

# ESTONIA

## THE RENEWED LISBON STRATEGY CYCLE (2008 – 2010)

1. What is your critical analysis of the 2008 National Reform Programme (NRP)?
2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?
3. How are your national ESC and/or civil society organisations involved in the preparation of the National Recovery Plan and its implementation?
4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its consistency with the Lisbon Strategy objectives (and the NRPs)?
5. How can we improve the coordination of National Recovery Plans at European level?

First of all, the programme laid down for 2008 was unrealistic, because it was based on the political coalition agreement concluded in 2007, which reflected the manifesto pledges of the governing parties rather than an objective analysis of the situation. Most of the figures were included in the State's official budget, which assumed economic growth of 2.6 % for 2009; in reality, however, the economy shrank by around 15 %, making the whole macroeconomic part of the programme (part I) completely meaningless.

Secondly, the programme proposed reducing the income tax rate to 18 % and increasing the income tax threshold to EEK 3000, but the government has had to renege on both these promises. The sickness insurance scheme has already reduced its outgoings by another EEK 1 billion or so this year and has a deficit in the region of EEK 0.5 billion; its income is not expected to exceed its expenditure until the end of the cycle (2011).

Objective 5 envisaged that, by 2011, the competitiveness of businesses would increase by up to 80% over competitiveness levels to date (64.7 % of the mean in the EU-27), but the economic crisis means that this objective is utterly unrealistic. Nor is the hourly productivity of workers improving with respect to the mean in the EU-15.

On the subject of education and the labour market, the working population's participation in lifelong learning (in other words continuing professional development) is still considerably lower than in the majority of Member States, particularly the Nordic countries. The programme was much concerned with matters relating to flexicurity, not least in objective 9: increasing labour market flexibility and improving quality of working life.

The focus was on the problem of the strict rigidity of labour law (in terms of regulations, not of the actual situation on the labour market), and the objective was to adopt a new law on contracts of

employment that would improve Estonia's ranking among the Member States, moving it from 22nd to 1st place. This approach is very definitive and completely divorced from reality.

A new law on contracts of employment was adopted at the end of 2008. The government tabled a draft in January, without having involved the social partners in developing the content (though there had been some informal consultations on minor issues such as the need for a vocational record book, etc.). There was no prior survey of the problems actually encountered in industrial relations, and no analysis of the advantages and disadvantages of various possible solutions; the draft is based on the dogmas and political/ideological myths espoused by the parties in government. Similarly, government representatives have acknowledged on a number of occasions that they want to guarantee, in a new law, that workers benefited from compliance with minimum standards that are only laid down in international legal instruments, despite the fact that the transposition of Community legal texts provides neither a motive nor a scrap of justification for making the current situation worse.

Representatives of civil society have had three months (with very strict time constraints) to negotiate, as far as possible, on the wording of the draft provisions, but the government did not allow them to question the principles or alter the structure of the draft etc., which meant that it was only possible to deal with a few of the details within very narrow limits, under constant time pressure. The government's representatives repeatedly refused to answer substantive questions raised by the various social partners and to explain why they had specifically chosen one approach or another, particularly where their choice had made workers' situations worse.

On 23 April 2008, a tripartite agreement was concluded (between the delegations; the head of government unfortunately did not communicate with the representatives of the sections of civil society). This agreement stated that the draft text could only be amended if the three stakeholders agreed, and only with the unanimous backing of the parties with regard to methods. The government broke this promise as early as June, by presenting Parliament with a draft in which the date on which the law entered into force was six months earlier than had been agreed. When, at the start of 2009, the trade unions suggested seeking a consensus on certain expensive provisions in the agreement (those requiring significant financial resources), the government refused to negotiate and demanded that the trade unions make unilateral concessions that amounted to giving up on defending workers' rights. As the social partners did not follow up on this, the government unilaterally launched the process of adopting a draft that, before the law had even entered into force on 1 July 2009, had the effect of nullifying the most important provisions laid down to bolster the security of jobseekers. The text retains the flexibility aspects, but it cannot really be said to improve security: the improvements that have been kept are the minor ones that will have very little impact on circumstances for jobseekers, hence some of the improvements in question have been postponed once again, to 2013.

One positive point is that the labour market agency has been wound up, and its activities have been transferred to the unemployment fund: hopefully, this means that Estonia will, in future, be able to develop a labour market policy that produces real results. Although the programme provided for the establishment of compulsory insurance against industrial accidents and occupational diseases, hardly any progress has been made in this regard: there have just been a few tripartite discussions, during

which the employers made it quite clear that they were opposed to such insurance, and the government has now deleted this subject from its work programme.

With regard to the preparation of the programme in general, the programme was communicated to the representatives of civil society at the last minute, and the deadline by which comments had to be submitted was extremely tight, which is very bad practice in terms of contributing to the work.

### **THE FUTURE OF THE LISBON STRATEGY 2010 - 2020**

1. What are the main challenges for the Post-2010 Strategy?
2. What are your proposals for the revaluation and update of the Lisbon objectives?
3. How can the following be integrated more successfully in the new strategy – social aspects, education, training, mobility, and globalisation adjustment policies?
4. How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European Strategies during the new decade?
5. What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and Parliaments on both a national and European level?

It is problematic, at the moment, to say anything about what the future holds: a meeting was held about two weeks ago at which a new development plan was presented, but this involved adjusting the existing programme because of the crisis, and extending it to 2011. This meeting essentially changed nothing. The representatives of civil society expressed concern that financial assistance from EU funds could be reduced and that the government was not prepared for that.

## IRELAND

Ireland's economic and social council is anxious to contribute to the work of the Lisbon Strategy Observatory. However, the pressure of the current crisis has made it impossible to provide a comprehensive answer to all the questions posed by the EESC. Consequently, this note addresses the first three questions on the renewed Lisbon Strategy. NESC will endeavour to address the remaining questions in the autumn and will be anxious to participate in the ongoing discussion of these issues among economic and social councils.

### **THE RENEWED LISBON STRATEGY CYCLE (2008-2010)**

#### **Question 1. Critical analysis of the 2008 National Reform Programme**

##### *General observations*

The four priority areas and the focus on implementation in the second three-year cycle of the renewed Lisbon Strategy were certainly relevant in Ireland. There was a strong sense that such issues and such an approach would have been required anyway of government and social partners by the internationalisation of the Irish economy and the aspirations held for it, independently of an EU-level strategy. As in other countries, there was some disagreement among the partners on the balance between economic and social concerns in the revised Lisbon Strategy.

The Lisbon Strategy is of great significance for Ireland, for three reasons in particular:

- I. the extent to which the Lisbon Strategy succeeds in boosting productivity and growth within the Internal Market, and strengthens EMU by increasing the flexibility of the real economy within the IM, powerfully supports the growth prospects of the Irish economy;
- II. participation in the OMC potentially provides an additional, important and independent perspective on the consistency, comprehensiveness and effectiveness of the policies Ireland is pursuing to develop its economy, society and environment; and
- III. the country-specific recommendations and 'points to watch' observations can draw attention to issues which, if left to the normal interplay of domestic constituencies, might not receive the same attention.

##### *Ireland's National Reform Programme 2008-2010*

Notwithstanding the importance of the renewed Lisbon Strategy to Ireland, the National Reform Programme undoubtedly has a low profile in Ireland. This is so, largely because many of its objectives surface independently in the development of Irish policies (on enterprise, innovation, education labour market, welfare state development, etc). Consequently the NRP tends to be a "second order" policy document interpreting and re-presenting for EU Council and Commission

purposes what has already been articulated and agreed through national policy formation processes. The NRP in Ireland, in fact, draws extensively on Programmes for Government, social partnership agreements, national development plans, national strategies on specific issues, and the individual strategies of government departments and public agencies. Because the social partners (including NESC), and civil society are extensively involved in many of the former, they are not directly involved in the preparation of the NRP.

This low profile of the NRP is certainly regrettable. The particular framework it must follow (in dialogue with the Integrated Guidelines) can potentially retell the domestic story in a specific way that could communicate to domestic audiences, and bring them to see new connections and deeper rationales in otherwise familiar measures. However, the dominant, and understandable, response of many Irish actors to the NRP, particularly those already involved in policy formation and implementation groups, is that it does not (should not in the eyes of some) contain anything new and is largely for external consumption.

#### *Specific observations on the NRP 2008-2010*

The current *National Reform Programme 2008-2010* was published (October 2008) in the midst of a sharp contraction in the Irish economy, the full extent of which was not clear. It is now estimated that 15 percent of national income will be lost over the three-year period of the NRP<sup>1</sup>. The document remains, nevertheless, a cogent account of the thrust of medium-term policies for Ireland's economy, society and environment, even if its assessment of how the current financial and economic crisis will affect their implementation seems highly optimistic nine months later. Immediately prior to its publication, government and the social partners were intensively engaged on wage negotiations, bank rescue measures and the early preparation of the 2009 Budget and the text of the NRP reflects those contextual developments. Subsequent to its publication, further significant recalibrations of economic, social and environmental policies have had to take place in response to the economy's contraction (discussed below). But these have not been the subject of an agreed national recovery programme.

#### **Question 2. Reactions to the Commission's recommendations specific to Ireland (issued on 28 January 2009)**

There are two recommendations specific to Ireland in COM(2009) 34/2, i.e., that Ireland (i) "gradually restore fiscal sustainability", and (ii) "foster a swift adjustment to sustainable medium-term growth by productivity-enhancing measures". We discuss each of these.

##### *(i) Gradual restoration of fiscal sustainability*

The context for this recommendation can be briefly summarised. The deterioration in Ireland's public finances has been even more remarkable than the contraction in its GDP. With the one exception of 2002, a surplus was recorded every year between 1997 and 2007; the NRP even notes, "Ireland (was)

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<sup>1</sup> Ecofin (2009), Quarterly Report on the Euro Area, vol. 8 No 2 (July).

a consistently strong performer under the Pact". However, as recent analysis has made particularly clear, observing the letter of the Stability and Growth Pact was insufficient, significant growth above trend went undiagnosed, and revenue generated from a property boom was used to expand the public sector and increase public services. The collapse in construction and domestic demand has eroded tax revenues particularly sharply, while rising unemployment and debt servicing costs add significantly to public spending. Ireland is projected to record the euro area's highest General Government Balance deficit in 2008 (7.1 percent), 2009 (12 percent) and 2010 (15.6 percent)<sup>2</sup>.

This recommendation, therefore, addresses an extremely tight situation and politically-sensitive issue. Since July 2008, in a series of steps, Government has, in effect, been testing the capacity of the contracting economy to absorb tax increases without being deflated further, the scope for reductions in capital expenditure without damaging the economy's capacity to benefit when international markets improve, and the depth of cuts in current spending that can be carried through without provoking social unrest and industrial action. Ideally, a National Recovery Plan arrived at through Ireland's social partnership process would provide the context within which these necessary balances are attained but this has not yet proved possible (see answer to 3 below). In the absence of a new or revised national social partnership agreement specifically crafted for the current crisis, the Government has reminded the social partners that the current agreement, *Towards 2016*, recognises the need for government to deal with urgent matters in a timely fashion and does not preclude it from taking urgent and radical action in the national interest<sup>3</sup>.

Two recent examples illustrate what is currently happening in the absence of agreement with the social partners.

In February 2009, in response to further evidence of the dramatic deterioration in the public finances, the government unilaterally introduced a pension levy on public servants and suspended pay increases due to them in September 2009 and later in 2010 under the national partnership pact agreed in September 2008. The unusual nature of this measure is captured in the legislative act that gave it effect, the *Financial Emergency Measures in the Public Interest Act 2009*. It was not endorsed by the trade unions but might be seen as having been passively accepted by them.

Two important advisory reports will influence the policy landscape in the coming year:

- in July 2009 the *Report of Special Group on Public Service Numbers and Expenditure Programmes*, (known as the 'McCarthy report'), advocated further major and very specific cuts in current government expenditure; and

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<sup>2</sup> Op. cit. Fn 1.

<sup>3</sup> Government Position Paper on Discussions with the Social Partners on a National Recovery Programme, 14 May 2009 ([www.taoiseach.gov.ie](http://www.taoiseach.gov.ie)).



- the Commission on Taxation is due to report soon on structural reforms in taxation that would (a) raise revenue to narrow the gap between expenditure and taxation and (b) make future revenue streams much less cyclically sensitive.

Both these reports will bring an impetus to restoring fiscal sustainability and making public services in Ireland more efficient, effective and sustainable. The government's policy response to them remains to be determined.

Commenting on the updated Stability Programme (January 2009) that elicited the Commission recommendation being discussed here, the European Council later accepted that the fiscal consolidation measures being taken were "welcome and adequate given the high deficit and sharply increasing debt position and in line with the European Recovery Plan" (Council Opinion 10 March 2009). The latter point is borne out by the fact that Ireland is still maintaining a level of investment of just under 5 percent of GNP. Both the EU Commission and EU Council, nevertheless, have asked for more details as to *how* public expenditure in particular will be reduced in pursuit of the target for bringing Ireland's deficit to below the 3 percent reference value by end 2013. The Government clearly hoped that such detail would come through the social partnership process. In the absence of agreement with the partners, it is likely rely to a significant extent on the McCarthy Report to inform its next Budget (for 2010) and generate the necessary public support for its strong measures.

It would be fair to conclude that the exigencies of the Stability and Growth Pact are not propelling Ireland to take stronger measures than its government explicitly and social partners implicitly believe are necessary anyway to safeguard the Irish economy's future. It is also fair to point out that the scale of adjustments which have already been implemented and the strong likelihood that more are in prospect reflect respect for the SGP and appropriate responsibility for the single currency. In the absence of a national agreement, the Irish authorities are not dallying.

*(ii) Swift adjustment to sustainable medium-term growth by productivity – enhancing measures*

In December 2008, the Government published *Building Ireland's Smart Economy: A Framework for Sustainable Economic Renewal*. It outlined proposals to move Ireland towards a more innovative, green and entrepreneurial economy. This report did not have a major input from the social partners. It confirms, however, the tenacity with which the Government, in pursuance of earlier strategies that did have significant social partner input, intends to proceed, despite the economic recession, with the commitment to boost productivity through innovation, refocus on exporting sectors and traded services in particular as construction wanes, and steer economic growth in a green direction. It anticipated to a significant degree the Commission's second country-specific recommendation to Ireland (28 January 2009): that it should adjust swiftly to sustainable medium-term growth by productivity-enhancing measures.

### **Question 3. Involvement of NESC and civil society organisations in the preparation of a National Recovery Plan and its implementation**

In March 2009, NESC itself published *Ireland's Five-Part Crisis: An Integrated National Response*. This report distinguished five interdependent sub-crises in the current conjuncture, each requiring specific, sequenced and interrelated measures that, drawn together, would constitute an integrated national response. The sub-crises identified are in the banking system, the public finances, competitiveness and employment creation, social policy and Ireland's international reputation. This report was adopted by the social partners, welcomed by government and continues to help guide the search for a comprehensive national recovery plan that would have the full backing of all the social partners.

The priority issues which the talks have identified are:

- the need for further and effective responses to jobs crisis; for example, a Temporary Employment Subsidy Scheme is in the process of being adopted;
- how to minimise the impact of the crisis on the most vulnerable in society;
- protecting appropriately people in difficulty with mortgage repayments because they have lost their jobs;
- transforming the manner in which public services are provided;
- finalising a comprehensive framework for pensions policy; and
- progressing the agenda of the *Smart Economy* report for supporting enterprise and recovering competitiveness.

It has to be said that the energy and enthusiasm being brought to the talks' process has been waning. Fundamental issues on which the trade unions do not feel sufficiently assured to date are how to ensure that corrective fiscal measures (whether tax increases or expenditure cuts) and wage adjustments do not feed a deflationary spiral. All sides have found it difficult to agree the details of a job protection programme. The persistence of all sides with talks in search of an integrated national response, nevertheless, is testimony to the degree of commitment to social dialogue and real acknowledgement of the interdependence of economic and social policy.

# GREECE

## THE NATIONAL REFORM PROGRAMME

The Greek Economic and Social Council (OKE) is involved in planning and implementing the national reform programme by means of its sustainable development policy observatory. The observatory was an innovation launched in 2005 with the approval and support of all the social partners involved in the OKE.

More specifically, the observatory plays an active part in the process of planning and evaluating the national reform programme, by submitting common positions and proposals in the context of the meetings between the Council of Experts and the social partners. It also prepares relevant studies and research and organises events with a view to strengthening direct dialogue between society and government on the reform process. Lastly, it publishes a quarterly newsletter in Greek and English that covers issues of major interest to civil society.

When evaluating the national reform programme for 2008, the Greek Economic and Social Council points out that following the first reform period the country continues to face serious structural problems in the area of development and employment. These problems centre on an increasingly poor level of competitiveness, and the resulting loss of production capacity and failure to address labour market difficulties effectively.

The response set out by the national reform programme for 2008-2010 as an antidote to the international crisis and to the above-mentioned problems in the Greek economy, involves continuing with privatisations and curbing public spending, particularly that relating to the welfare state, while promoting flexibility on the labour market.

The OKE has stated its opposition to the above-mentioned policies in specific, detailed proposals, based on the following principles:

- Social cohesion and income disparity reduction are issues that should be at the centre of all reform policies.
- Measures relating to budget adjustments should secure appropriate funding for social policies.
- A stable economic environment, in terms of the institutional environment and legislative provisions, is a basic precondition for growth.
- Growth presupposes investment in innovative production and new activities at the cutting edge of technological development.
- The modernisation of public administration is a basic factor in competitiveness and economic growth.

- Problems on the labour market should be addressed by increasing funding for active employment policies and policies to support the unemployed and vulnerable social groups. Another basic priority when it comes to employment policy should be that of combating undeclared work.
- Medium- and long-term measures taken in relation to the social security and healthcare systems should take into account the need both for sustainability and for social effectiveness.
- A more favourable environment for research activities is needed to mirror the needs of the Greek economy and society.

**In January 2009, the European Commission published its evaluation of the Greek national reform programme 2008-2010.**

According to the Commission, public deficit and public debt levels must be kept under control and budget sustainability should be a fundamental aim. It is well known that the country's financial problems exacerbate the already high interest on Greek public borrowing, which in turn fuels increased public debt.

**The OKE believes, however, that the crucial role played by public funds in social policies also means ensuring financial policy dovetails with budgetary goals that secure adequate resources for sectors such as health, education and social security.**

**The European Commission is right to point up the delays affecting the business register, one stop shops for companies and spatial planning, while also mentioning the need to rethink research and innovation policy for the new programming period. Reference is also made to "closed professions", an area where the conditions are not yet right in Greece for a discussion that can yield specific broadly acceptable policy choices.**

**On the subject of the labour market, the European Commission refers to the need to review employment legislation. However, employers' organisations and trade unions in Greece do not consider this to be necessary.**

**Lastly, on the subject of unemployment policy, the OKE welcomes the Commission's comments on the need to increase funding and active policies. The OKE is of the opinion, however, that in the current period of increasingly high unemployment, attention should also be drawn to the need to increase funding for passive employment policies, in other words support for the unemployed.**

**As regards the Commission's more specific comments, the OKE considers that linking competitiveness problems with increasing labour costs is a superficial approach, as it does not stem from a detailed examination of the impact of policies aimed at increasing the productivity of the economy and addressing high inflation. These policies had limited results and could not prevent the country's productive capacity from shrinking, despite the fact that in the preceding period both average company profit and private sector investment had increased.**

The OKE's proposals for the post-2010 period focus on promoting various structural policies in the public sector, with an emphasis on linking public funds to performance and the modernisation of public services. They also recommend ways to improve the competitiveness of the Greek economy by means of research and innovation.

## **ECONOMIC CRISIS AND NATIONAL PROGRAMME FOR STABILITY AND GROWTH**

It is clear that in early 2009 we entered a serious economic depression, which is having already visible effects on the Greek economy. The OKE's response to the national stability programme, which encompasses its views on the revised Lisbon objectives, mentions that to contain the effects of the crisis and succeed in balancing the budget there must be an immediate review of the economic, productive and social model, based on a process of social consultation. The success of macroeconomic goals inevitably depends largely on freeing the productive potential of the economy.

In addition to adjusting budgetary policy in order to address deficits and debt, it is also necessary to make the most of public funds when it comes to addressing the recession and achieving balanced social and regional development.

The OKE's basic stance is that, during the crisis, state intervention and increased public spending is a critically important factor for recovery, which must not be forced to stand still owing to a fear of increasing debt. The policy adopted to resolve the budgetary crisis should include the aim of rebalancing the budget in the medium and long term by taking decisive action to step up state revenue. In the short term, a temporary increase in public debt with the aim of softening the effects of the crisis for production and social cohesion is possible.

A national strategy must be framed as a matter of urgency to contain painful situations in the economy and society. This should include:

first, a reliable support package to counter the recession, aimed at a) supporting the unemployed and workers on low incomes, so as to secure social cohesion and support domestic demand, (decisions should be taken to provide practical support for those on a low income or pension, farmers and small and medium-sized companies); b) securing access to low interest loans for the private sector in order to support production and employment, and c) investing in public infrastructure to support sustainable development and address the recession at regional level.

Second, a comprehensive plan is needed to reform public finances, so as to fund the above-mentioned measures. Reforming public finances will involve a drastic reduction in tax evasion and unpaid contributions, financial reform, greater transparency and proper management of public funds and more generally of public sector companies, and also restoration of fair taxation by means of the progressive taxation of all income and of major real estate.

Third, there is a need to energise and involve local communities properly in specific actions to boost existing consultation activities at local and regional level. It is only by strengthening the institutions

and practical procedures for social understanding that will it be possible for policies to impact the real economy, limit the side effects of the crisis and, of course, assist in securing as rapid a recovery as possible.

# SPAIN

## 1. The Economic and Social Council of Spain and the Lisbon Strategy

Spain has its own system for the participation of organisations representing economic and social interests in the development of the Lisbon Strategy. In addition to the *Protocol on consultation, participation and monitoring of the updating and development of the NRP* adopted in 2006 to ensure the participation of the most representative social stakeholders, specific laws and standards connected with the implementation of the NRPs are subject to systems of prior consultation and participation.

In addition to this there is the work of the Economic and Social Council (ESC), through its opinions and its annual report on the socio-economic and labour situation. The ESC is not competent for issuing an opinion on the drawing-up of the National Reform Programmes, but it does draw up opinions and reports on development rules and programmes and on horizontal issues such as education, the sustainable development strategy, active employment policies, as well as the implementation in national law of the directive on the freedom to provide services, which has a clear link with the Strategy. Most recently the Council has published Report 1/2009 on the *Educational System and Human Capital*, Opinion 3/2009 on the Preliminary Draft Law reforming Law 7/1996 of 15 January 1996 on the retail trade and other complementary laws, Opinion 2/2008 on the Preliminary Draft Law on free access to and exercise of service activities. Currently a report is being drawn up on the *Challenges of the European internal market*, which, among other issues, refers to the "fifth freedom" of free movement of knowledge. In its most recent reports on the *Socio-economic and labour situation in Spain*, the ESC reflects on the development of the Strategy. In the 2008 report, approved at the plenary session of 1 June 2009, references to the Strategy are combined with an analysis of the economic and financial crisis and of the European and Spanish measures adopted in reaction to this. The report is the basis for this document.

The system for participation of economic and social stakeholders in the Lisbon Strategy is thus made up of various mechanisms, through which the representative stakeholders concerned act in different capacities and with a degree of thematic specialisation. For its part, the ESC brings its own general or horizontal approach, which results in the diversity of socio-economic issues discussed and at the same time the search for consensus between members in order to arrive at a shared analysis.

## 2. Situation of the renewed Lisbon Strategy (2008-2010)

Since 2008 the application of the renewed Lisbon Strategy has come up against an economic situation characterised by economic and financial crisis, which has meant more limited progress or even deterioration in some variables. The Lisbon Strategy has to some extent remained in the background, of less immediate importance than the need for specific short-term measures to counteract the effects of the crisis. This does not, however, mean that the Strategy should be abandoned as a medium-term point of reference for the economic policies of the European Union and the Member States.

Progress has been pinpointed with regard to the Goods Package, the Renewed Social Agenda, climate change, renewable energies and the Better Lawmaking program. There are, however, major legislative acts pending which the European institutions ought to adopt as a matter of priority.

On the other hand, the Lisbon Strategy has been directly affected by the rapid deterioration in the economic situation and by the measures adopted to overcome the crisis. At European level, despite some Community initiatives attempting to forge a joint and coordinated response by all the Member States, and attempting to prevent the adoption of unilateral measures, action has on the whole suffered from a lack of coordination. The conclusions of the Council of Ministers of Economic and Financial Affairs of October highlighted the impossibility of arriving at a pan-European solution; each country would act independently, but respecting certain limits (intervention to be appropriate and limited in time, protection of the interests of taxpayers and compliance with market rules).

The European Economic Recovery Plan (EERP), of 26 November, was a reaction to this lack of coordination and its point of departure was defined by the Lisbon Strategy. The EERP was intended to boost internal coordination in the EU, laying down principles for action aimed at countering the economic slowdown and putting activity and employment back on a growth path. It aimed to exploit synergies and required, among other things, that the budget stimulus it contained should be appropriate, limited in time, selective and coordinated. But the European Union's response at institutional level has been slow and requires continuous cooperation efforts, as at the same time a broad range of national initiatives were being deployed. Although the spring 2008 European Council stressed the importance of the social dimension of the EU as an integral part of the Lisbon Strategy and the need to integrate economic, social and employment policies, the European institutions did not sufficiently anticipate the enormous social consequences of the crisis and up to 2009 did not lay down any more specific guidelines in this area.

The economic stimulus packages adopted by the governments of the Member States have not succeeded in reversing or even mitigating the economic slide. These plans vary in their degree of caution but the need for them is undoubted and their prospects remain uncertain in the current situation.

Turning to the specific case of Spain's NRP and its main objectives, although Spain's full convergence with the EU 25 in terms of income per capita was completed in 2006 and remained above the average in 2008, it is possible that 2009 will see slower progress in the achievement of the objective. With regard to the other main objective, Spain registered an employment rate for the population aged between 15 and 64 of 64.3% in 2008, 1.5% lower than the European Union average. However, given the rapidity with which the negative effects of the crisis have been reflected in the main macroeconomic variables, it is probable that there will be a sharp decline in employment in 2009.

The social partners' assessment of the updating of the NRP in 2008 was broadly favourable, although they agreed that there were specific aspects which left room for improvement. All of them expressed their concern at a particularly negative economic situation, which was not explicitly stated in the report, and they highlighted the need for the government to adopt measures. The consequences of the



crisis for the general public were worrying in terms of the destruction of employment and family indebtedness. It was recognised that one of the main causes of the current situation in our country was a growth model based to a large extent on the construction sector, which made it necessary to strengthen the basis of our economy for the future to ensure solid and sustainable growth. It would also be necessary to improve the assessment of the results obtained, in order to measure the effectiveness of intervention.

Although the effective participation of the social partners in the proposals and in the assessment of the NRP measures has been recognised, to a great extent thanks to the Protocol implemented in 2006, the partners still consider that their involvement has not yet reached its potential, as their specific contributions and commentaries on the content of the progress report are not adequately reflected in the final content of the report, beyond the measures adopted in the framework of the Social Dialogue. They therefore continue to call, particularly given the deteriorating situation, for a greater government commitment to taking account of their views and comments. At the end of 2008 the government presented Spain's Economic Stimulus Plan (Plan E), which incorporated and attempted to systematise the various measures adopted in the course of the year, which were in effect specific emergency measures adopted in response to the changing economic situation. They are grouped into five main areas: support for families, businesses, employment, the financial system and modernisation of the economy.

In general, they are short or medium-term measures, which does not, however, obviate the need for discussion of long-term measures aimed at tackling the structural problems of the Spanish economy. Issues requiring study include financial regulation, the sectoral breakdown of economic activity, local financing, housing policy, energy dependence, R&D and education.

A new aspect of this phase is the government's commitment to maintaining a more intensive dialogue with the social partners through mechanisms for consultation, participation and/or negotiation, and to adopting measures to stimulate the economy and improve its competitiveness in areas such as infrastructure, industrial and energy policy, technological development and innovation, education, health and housing.

Finally, it should be pointed out that the scale and extent of the crisis have brought Keynesian-type expansive fiscal policies back into vogue. All the international organisations are increasingly supporting the need for a large-scale, coordinated, strategic and sustained fiscal-policy stimulus to break out of the recessionary spiral into which the world economy is locked. A coordinated response would amplify the effects of the fiscal stimulus as a result of international transmission mechanisms, particularly with regard to trade, and it would permit recovery in economies with little fiscal margin for manoeuvre, such as many of the developing economies, those in transition and some developed economies.

### 3. The future of the Lisbon Strategy 2010 – 2020

From 2010 onwards it will be increasingly necessary to maintain and revive the Lisbon Strategy as a European political project which takes account of employment problems, the many contributing factors and the essential coordination of policies and cooperation between administrations. The ESC has in particular identified a number of key aspects which are dealt with below.

It is necessary to step up the participation of economic and social stakeholders in the drawing-up, development and assessment of the NRPs and, using the specific experience of the development of the federal state, ensure greater coordination between the various administrations, and between these and social stakeholders.

The strategic character of education and training has been stressed, focusing on attempts to reduce the rate of school drop-outs, lifelong training and improved qualifications. Report 1/2009 on *Human capital and the educational system* stresses innovation, investment, human capital and the adaptation of educational systems. The interaction between the educational system and the productive system should be considered a national issue requiring broad social and political consensus, appropriate and effective investment, and better coordination between different administrations as a guarantee of the system. Educational systems and subsystems must be coordinated and related to the labour market, as they reflect mutual interactions and influences.

The freedom to provide services is another key aspect of the Lisbon Strategy. In its opinion 2/2008 on the *Preliminary Draft Law on Free access to and the exercise of service activities* implementing the Bolkenstein Directive, the ESC reiterated its call for the reduction or simplification of administrative burdens on companies, both when starting up and in the subsequent pursuit of their activities. The establishment of a one-stop shop for all procedures and formalities required when setting up a service activity is a step in the right direction. Attention is also drawn to the necessary safeguarding of other interests, such as guarantees regarding a stakeholder's relations with government or relationships governed by labour legislation. The implementation of the directive is an opportunity to improve the quality of services, promoting and developing the participation of trade unions, employers' organisations, trade organisations and those representing consumers and users.

Employee mobility is a key instrument for the single market and, in ensuring that more people can obtain better jobs, a key objective of the Lisbon Strategy. This is stated in the 2008 report and in the draft report on *Challenges of the European internal market*.

This draft also makes reference to two factors affecting the competitiveness of the European economy: the Better Lawmaking programme and the fifth freedom. On the one hand, the completion of the internal market in financial services, and in general the Better Lawmaking strategy, aimed at simplifying and reducing administrative burdens and impact assessments, in collaboration with the Member States and stepping up dialogue between stakeholders and legislators. On the other hand, the European commitment to the fifth freedom, free movement of researchers, lecturers and students, with support for their mobility, greater openness and competitiveness of the labour market for European

researchers, reforms of higher education, the promotion of scientific excellence, and the recognition of qualifications. With regard to employment policies, the crisis has meant that the range of policy activities (support for and management of employment, training and improved employability) may be restricted, with the greater part of resources going on the payment of unemployment benefits. The need for resources for this purpose could restrict the adoption of measures to promote the reintegration and adaptability of the unemployed in the labour market.

The main challenge for the new period in the life of the Lisbon Strategy, and in general for ensuring growth, competitiveness and social cohesion, is to achieve greater coordination between the EU institutions and the Member States and between the States themselves for the adoption of criteria and the taking of decisions. And, as the ESC has stated repeatedly in connection with the various components of the Lisbon Strategy, a more flexible use of Community resources through the Structural Funds and the lessons learned from the financial crisis.

#### **4. Concluding comments**

The Lisbon Strategy has brought the debate on economic growth and employment up to date, putting forward an alternative vision to set against the traditional idea of growth as cause and employment as effect. The volume and quality of employment can have a decisive influence on more sustainable growth, which Lisbon identifies with the knowledge-based economy.

To this end it is necessary to maintain the integrated, horizontal approach, seeking to coordinate policies around employment, identifying all the factors which can affect employment, such as the training system, labour regulations, active employment policies and R&D&i. Related policies must seek an equilibrium in view of the existing interconnections and the need for them to be coherent with the productive model.

There is the same need for coherence between participants in economic and social life, between the administrations which design and implement policies, at national or European level, between administrations and social actors, and among the social actors themselves. The ESC stresses the need for greater involvement of the social partners in the design and implementation of the Lisbon Strategy, which requires improved participation at European level, through the European Economic and Social Committee.

The participation of the social partners strengthens representative democracy, involves the partners in the decisions on guidelines and measures for the economic and social life in which they are players, and helps to address people's lack of awareness of development strategies, which is particularly worrying at European level.

Before one phase in the life of the Strategy comes to an end, against an unfavourable economic background, the essential reflection on its implementation needs to take account of three considerations:

- The need for the European political project for employment as a basis for the productive model which gives a high profile to the European institutions with a view to building public support.

- The need for the political project to be based on a global consideration of employment problems, the many factors which influence these and the essential coordination of policies and cooperative action.
- The need for the social partners to participate fully in the design and implementation of European employment strategies.

# FRANCE

**THE IMPLEMENTATION OF THE LISBON STRATEGY AND ITS FUTURE AFTER 2010:  
CONTRIBUTION BY THE FRENCH ECONOMIC, SOCIAL AND ENVIRONMENTAL  
COUNCIL  
TO THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE'S SUMMARY REPORT**

## COMMUNICATION

**submitted by**

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Environmental Council)

## **THE RENEWED LISBON STRATEGY CYCLE (2008-2010)**

This contribution forms a very brief summary of the opinions adopted at the plenary session of the French Economic, Social and Environmental Council (ESEC).

### **1. Critical analysis of the National Reform Programme 2008-2010**

In July 2008, the French ESEC sent the government a communication summarising its proposals with regard to Lisbon, in preparation for the French NRP 2008-2010. In September, when it was, in turn, consulted on the draft, the ESEC expressed its regret that there was no real European dimension to the process and that it was too exclusively national in focus, but nevertheless reiterated that it was committed to an approach balancing the economic, social and environmental aspects, even though stimulating growth and business development was now more of a priority than ever. It was also pleased that the NRP referred to a number of initiatives by operators in civil society (social partners, chambers of commerce and consumer associations).

Its comments relate to the three strands of the draft NRP.

On the strand relating to growth and business development, it is in favour of the proposed measures to promote entrepreneurship, particularly among young people, and of support for export businesses, particularly SMEs. It would like to see greater innovation and an increase in research and development capabilities within businesses, and has emphasised the need to boost productive investment in infrastructure, sustainable development and energy saving, be it through public funding or public-private partnerships. It has also drawn attention to the concerns over the sustainability of public finances.

Turning to the aspects of the NRP relating to innovation, the ESEC supports the initiative to draw up a national research strategy every four years, with the participation of all stakeholders. It notes the reiteration that France's objective for R&D investment is 3% of GDP by 2012, and would stress that, in order to reach that objective, it will be necessary to increase public investment by 10% a year, with an even greater increase in spending by businesses eligible for the reformed research tax credit. The government also needs to stick to its commitment to increase the higher education budget by 50% by 2012. The ESEC concurs that there is a need to promote partnerships between public research and business (including SMEs) and to improve the links between the research system and the competitive and innovative clusters.

The NRP quite rightly emphasises the importance of improving the energy efficiency of buildings, of developing renewable energy sources and of protecting biodiversity, particularly in the overseas departments, but changing the tack taken in town planning will require considerable investment in staff training.

With regard to the section of the NRP on "opportunities for everyone", the French ESEC is pleased with the implementation of policies particularly targeted towards women and young people, as

proposed by the NRP, and hopes that certain other categories (immigrants, the disabled and students) will also benefit from specific policies. As for the distribution of the gains of growth, the Council agrees that it is important to combat discrimination by implementing the "*Grenelle de l'insertion*" or the working solidarity benefit, but finds it regrettable that there is no mention in the NRP of housing policy with the aim of "bringing the city together".

## **2. Response to the Commission's recommendations for France, issued on 28 January 2009**

These recommendations broadly echo those issued last year by the Council of the European Union. In its *Initial comments on the draft NPR 2008-2010*, the French ESEC commented on the similarities between the draft NPR and the line taken in the Council's recommendations for France and the euro zone: these similarities were particularly obvious in fields such as modernisation of the labour market, the functioning of the internal market, "stimulating competition" in the energy and rail freight sectors, and measures relating to developments in the regulated professions. The French ESEC made the following comments in response to the measures proposed in the NPR.

Any increase in competition in commerce must not adversely affect employment, local commercial activities or the agricultural production necessary to ensure the security of the food supply. In the gas and electricity sectors, it will be necessary to curb increases in public tariffs, in order to avoid fuelling price rises and reducing households' purchasing power: a regulated tariff for gas and electricity must be retained, even after the end of the reversibility period in 2010. With regard to the sustainable transport of goods, the French ESEC believes that the objective of shifting transport away from entirely road transport towards alternatives will best be achieved by developing intermodal transport.

In the medium term, the functioning of the labour market can be improved primarily by increasing flexibility and mobility and making careers more secure. In this connection, the French ESEC has proposed a new system to promote managed career paths and to foster a new relationship of trust for employees, businesses and the civil service. As it is unemployment among the under-25s that has been primarily affected by the crisis, this needs to be dealt with as soon as possible.

Turning to the recommendation relating to medium-term budgetary consolidation, in view of the global economic situation and the recovery plans already implemented, the aim of returning to a balanced budget by 2012 is not achievable. The reduction in tax revenue due to the recession and the funding of new expenditure will worsen the deficit for 2009 and 2010: it will increase from EUR 53 billion to more than EUR 100 billion, which translates into an increase in debt and therefore in the debt burden for years to come. The French ESEC has repeatedly drawn attention to the risks hanging over the sustainability of public finances, given that this increase in debt deprives our country of its flexibility to target money at expenditure that enables us to prepare for the future. The ESEC calls for a proper assessment of how our level of debt is predicted to develop, how it is structured and what the consequences will be of the increase in the number of government bonds issued, in particular by our European partners. It also calls for a strategy to be developed with the aim of halting this trend, involving three factors: increasing productive activities, thus aiming for stronger growth; optimum debt management with the aim of reducing the cost of the debt; and appropriate fiscal and budgetary

policies. In particular, the ESEC believes that it would be worth looking into the possibility of joint debt management at EU level, of issuing euro bonds on the international market and possibly of a European loan restricted to EU citizens. Likewise, the growth in the deficit in the health system and the future of pension schemes need to be re-examined with a view to putting adequate resources in the reserve fund. The ESEC has drafted proposals that aim to maintain a high level of social protection and to ensure that it is effective.

### **3. and 4. Level of involvement by the ESEC and French civil society organisations in preparing and implementing the national recovery plan; suggestions regarding this plan and its consistency with the Lisbon objectives**

Back in 2004, the French ESEC highlighted the demands of fairer globalisation, the seriousness of global imbalances and the excesses of financial globalisation. Although it was not involved in preparing the national recovery plan, it drew attention, in May 2008, to the risk that the subprime crisis could lead to a global economic crisis, and presented a set of proposals in its economic forecast for 2009.

One of the first challenges is to reconcile support for the economy with recovery of growth potential. Some of the measures taken to encourage research in businesses, funding for SMEs and business start-ups may help with this, but the core measures in the French recovery plan relate to investment. While the implementation of infrastructure projects is welcome, some of these projects will take time, and a boost to private investment will only be effective if there are guaranteed outlets in terms of purchasing power and restored confidence. New stimulus measures, providing support that strikes a balance between supply and demand, could speed up recovery, but they will need to be coordinated at European level.

Support for purchasing power must, as far as possible, involve firstly salary-based measures and secondly job and income guarantees for vulnerable employees and people in insecure positions, such as young people entering the labour market, and increasing minimum incomes. Core funding for public research needs to be improved, and more support needs to be provided for centres of competitiveness.

It is also vital that we face up to the environmental challenges, which will require major investment and will, in the short term, create activities and jobs that cannot easily be relocated; this will require, amongst other things, working to develop "cleaner" vehicles, striking a balance in the recovery plan between the relative importance accorded to public transport and motorway construction, and encouraging the construction and renovation of energy-efficient housing. Recent measures have been going down this route. Another priority relates to the development, alongside nuclear power, in which France is a world leader, of renewable energy sources such as solar, wind, biomass and geothermal power; France's overseas territories have huge potential in this regard.

Public support for such reforms will be improved if they are backed up by appropriate support and true social dialogue.



In view of the rising deficit, there is no time to lose in endeavouring to rise to the challenge of reconciling the cost of recovery and reinvigoration in France against the need to stabilise public operating expenditure and to undertake a thorough review of tax resources.

## **5. Improving coordination of recovery plans at European level**

The more consistent and coordinated France's recovery plan can be with the other plans being implemented within the EU, the more balanced France's recovery will be; the importance of intra-Community trade in Member States' exports is another factor in favour of greater coordination in this regard.

At EU level, the lack of cooperation is evident in the weakness of the European budget and in the problems experienced in allocating the small proportion of Community funds assigned to joint infrastructure projects. One possible way of mitigating these shortcomings could be to issue a European loan; another element of the solution could be to better publicise the activities of the EIB and the Globalisation Adjustment Fund and to give them more resources. The Community's actions must focus on research and development (with more funding for the framework programme) and on cooperation in, for example, the automotive and aviation sectors. Another investment that could contribute to the sustainable growth and cohesion of the European Union could be to hasten the funding and execution of priority infrastructure projects that are planned as part of the trans-European transport network. The French ESEC would also reiterate its request for tax harmonisation, in particular for an alignment of the calculation bases and rates for taxes payable by businesses.

Across the euro zone, there is a need for better coordination between national budgetary policies, and for an examination of the "non-conventional measures" that the European Central Bank may see fit to take in exceptional circumstances.

We also need to hold discussions at European level to find solutions concerning common debt management, an issue that is now of vital importance. The French ESEC suggests that the Eurogroup should look into the issue of coordinating the national debt agencies, and proposes that a joint body could be created that could prepare the way for a future European debt agency. This would make it possible to mutualise the risks and to reduce the costs for the most vulnerable countries, such as those in eastern Europe. It could be vital to deal, initially, with short-term debt.

## **THE FUTURE OF THE LISBON STRATEGY AFTER 2010**

### **1. The main challenge for the strategy after 2010**

The Lisbon strategy has made it possible to take an overall political and strategic approach by establishing consensus within Europe surrounding a number of priorities, but the results have been

mixed in many Member States, and there is a risk that they will largely be undone by the financial, economic and social crisis.

The top priority is to resolve the current crisis. With regard to reforms of the financial sector (supervision of financial markets, changes to accounting standards, oversight of credit rating agencies), the G20 declaration of 2 April 2009 sets out measures that form a first step in the direction recommended by the ESEC. Although the application of some of the decisions still remains to be clarified, the conditions for a clean-up of the banking system have been set in motion, without, however, being completely guaranteed. The ESEC would particularly stress that an international body needs to be appointed to monitor the practical implementation of the G20's recommendations between summits; it would also be worth looking into the feasibility of creating a European institution responsible for banking and financial oversight.

The Union's economic capabilities will be strengthened by educating young people better and by improving specialisations, through lifelong learning and through better information on the match between jobs on offer and courses studied, and also by elements of industrial policy developed at EU level, by a more forward-thinking vision of investment in the framework of the medium-term financial perspective and by an increase in Community funding for research. In the face of globalisation, Europe has a duty to develop commercial strategies, including defensive ones, a seamless food safety system, and more extensive harmonisation of standards and legal frameworks.

Environmental aspects must finally be integrated, on a systematic basis, into our thinking on health, economic and social issues: this means putting the emphasis on controlling energy requirements in town planning and housing, combining technological progress with behavioural changes in transport, improving energy efficiency, making greater use of nuclear and renewable energies, and so on; it also involves preserving biodiversity, promoting better water management and, above all, reaching an overall agreement at the Copenhagen negotiations regarding the fight against climate change.

## **2. Proposals for reassessing and updating the Lisbon objectives**

In its communication of February 2009 on the Lisbon objectives, the French ESEC noted that, with the addition of the objective, laid down in 2000, of an annual growth rate of 3%, the European objectives reflected by the shortlist of quantitative indicators "covered" the various fields of the strategy reasonably well. Several of these objectives have not yet been reached by a majority of Member States, and may be retained for the period from 2010 to 2015 or 2020.

They should, however, be **supplemented or increased in certain areas**: the objectives pursued under the Lisbon strategy should thus continue to include labour market integration for young people, long-term unemployment, the threat of poverty, the number of jobless households, the attractiveness of studying sciences and the EU's overall objective of 20% energy savings by 2020. The objectives for R&D spending and employment rates, which a number of countries have achieved, should be **increased for the EU-27 and set individually for each country**, so as to take account of where each

country is starting from in determining the contribution it needs to make to the overall objective, as is the case with regard to reductions in greenhouse gas emissions.

Some **qualitative improvements** should also be added to the post-2010 shortlist of indicators used to monitor them: for example, a measure of hourly productivity could be added to the measure of GDP per person employed (to take account of the number of hours worked). The youth employment rate should be added to the structural indicators, with a target objective to be determined, and the employment rate expressed as full-time equivalents could be used in addition to the employment rate, both for all people in employment and specifically for women. With regard to education, a supplementary indicator could be included covering spending per student in higher education. The long-term unemployment rate for men and women could be replaced by a measure of the number of people who have been unemployed for 12 of the previous 18 months, which takes better account of unemployed people who are temporarily unavailable for work.

### **3. More effective integration of the social, educational, training, mobility and political aspects of adjustment to globalisation**

In the view of the French ESEC, work is a vital element in personal development and social worth, both in terms of how people see themselves and in terms of how others see them. This need leads on to another – the need for high-quality work in a secure environment: in order to achieve this and make careers more secure, we need not only to deal with job losses but to take account, as part of a person-centred approach, of all forms of work over a lifetime. To this end, the ESEC has drawn up a series of proposals, involving, amongst other things, transferable rights that people accumulate throughout their working lives and that are collectively guaranteed. In the Council's view, social cohesion is a growth factor, and the development of personal services in local areas, including social services of general interest, is also a major factor for employment and a sense of community; health is another growing employment sector, in which the professions have an important role to play, alongside the public and volunteer sectors.

In order to create a virtuous circle between improved productivity and job creation, it will be necessary both to improve people's skills and to provide more skilled jobs, and to achieve sufficient growth and an appropriate distribution of the gains of growth. In this connection, the "knowledge triangle" of education, research and innovation is still of strategic importance, and work in this field therefore needs to be continued and strengthened; this should include practical measures to create the European Higher Education Area, as laid down in the Bologna objectives. National and European investment in R&D and innovation is equally inadequate, especially in the fields of ICT and semiconductors, which is a strategically important industry, and nanotechnology.

It seems appropriate for this to be regulated at EU level: the Union needs to get back in touch with its initial vocation of cooperation and convergence between the Member States to avoid the kind of internal competition that is ultimately futile and encourages social and tax dumping; an affirmation of the political will to do so would give it a real presence on the international stage and enable it to stand up for the values of globalisation for the benefit of all. In this regard, it would be fully in the interests

of the EU, and would safeguard the social *acquis*, to increase development aid from the Community budget to the Member States that have joined the EU since 2004 and to boost the European Social Fund (ESF) in this time of crisis. It would also be worth looking to harmonise European legislation in taxation and social matters, and encouraging and developing the European social dialogue, which is a key method of regulation at European level. The establishment of, firstly, a Statute for a European Association and, secondly, a Statue for a European Mutual Society, could help with this. Never has there been such a need to define a common European strategy for globalisation, nor such a clear need for concerted action to ensure that national policies achieve optimum results.

#### **4. Ensuring greater convergence between the interests of the various levels of government (EU, national, regional and local) and between the various European strategies over the coming decade**

In the view of the French ESEC, it is vital to enhance the Community strand of Lisbon, particularly in terms of research, education and the environment, as an instrument to bring together the interests of the various levels of government. Investment in research needs to result in programmes for promising technologies such as Galileo, new energy sources, carbon capture and storage, nanotechnology and biotechnology, particularly bio-pharmaceuticals. In addition to the framework programme for research and development, the ESEC would like the EU to retain a carefully chosen reduced number of strategic programmes. Such approaches are very difficult to follow simply on the basis of cooperation between states: only a European dimension will allow these projects to transcend national egos, by making use of the EU's synergistic effect.

This objective, European cohesion, and the need to support growth and the alignment of general policies, presuppose that the EU's budget will continue to grow. This is a necessary, but not sufficient, condition in order to be able to pursue, alongside the ECB, a true economic policy for Europe, particularly for the euro zone. This will be achieved by completely reviewing the contribution system and by putting clear limits on the competences that are to be funded by the EU, thus giving the states more room for manoeuvre. In the meantime, the ESEC is in favour of applying one simple principle: countries' contributions to the European budget should be based on their national wealth, in order to guarantee overall solidarity. The drafting of the financial perspective must give rise to a more forward-thinking vision of Community policy.

#### **5. Proposals to strengthen the open method of coordination and to promote the effective participation of civil society and parliaments, at both national and European level**

In general terms, the OMC should be backed up by better coordination of objectives and policies: this can be achieved by strengthening the group of Lisbon coordinators, by improving the sharing of best practice and by being more active in implementing guidelines or adopting legislative measures.

In France, the Economic, Social and Environmental Council, local and regional authorities (via local authority associations), the social partners (via the Committee for Social Dialogue on European and International Issues) and various specialised councils are already consulted on the draft NRP or on the follow-up report each year, which is a major step forward. In order to improve the level of

involvement, it would be better to allow more time for this consultation, which is currently limited to around three weeks; a debate on the subject in the plenary session of the national parliament would also be helpful. In order to increase involvement at regional level, consultative bodies close to regional authorities, such as the regional social and economic councils in France, could be asked to make contributions in the fields that are covered by Lisbon and fall within the remit of regional authorities. These contributions would be sent to the national government, which could then annex them to the draft NPR, as it already does for the national ESEC's contribution, for example.

# ITALY

## *Premise*

The observations and proposals formulated by the CNEL on the objectives and results of the Lisbon Strategy cannot overlook the altered economic and social landscape brought about by the current crisis: this landscape is profoundly different in terms of economic and social growth from the situation in the early years of the decade, at both national and European level. New strategies and new forms of financing will be needed if we are to achieve the Lisbon goals.

### **1. What is your analysis of the national reform programmes for 2008?**

The national priorities identified in the NRP 2008-2010 are in principle consistent with the goals set by the Lisbon Strategy, although subsidiarity has had to take account of budget constraints: the 4.4 drop in GDP for 2009, higher public debt and the overrunning of the stability pact. Progress will certainly not match the goals set.

Furthermore, as regards employment objectives for instance, the situation before the crisis when employment went up was largely due to the rise in part-time jobs, fixed term contracts and poorly paid jobs (mainly young women), in addition to immigration. The rate of employment of young people and women, particularly in southern Italy, has remained low.

Boosting the rate of employment of women in southern Italy must be made a real priority, with specific, targeted policies against the backdrop of a development policy to deal with the "criticality" demonstrated by the government itself.

In the same way, it must be shown that with reference to the goal of encouraging scientific research and technological innovation, Italy is still far from achieving the levels set for research spending as a percentage of GDP, partly owing to the extremely high number of small and micro enterprises.

The CNEL has focused on initiatives such as Industria 2015 which aims to construct business networks, strategic research programmes and technological zones which are effective instruments but may not be enough to achieve the goals set.

Coordinated action at European level is needed to achieve the Lisbon goals, rather than simply national policies.

**2. What is your reaction to the Commission's recommendations for each country, published on 28 January 2009?**

The Commission's analysis, assessment and recommendations concerning Italy's implementation of the Lisbon Strategy in 2008 focus on the four key sectors (research and development, creation of a business-friendly environment, labour market and labour policies, energy policy and infrastructure) on which the CNEL has already given its views in the first summary report (2006) prepared by the EESC in conjunction with the national councils.

Broadly speaking, the CNEL agrees with the Commission's approach, whereby the financial incentives included in the European economic recovery plan must be accompanied by more rapid structural reforms based on the Lisbon Strategy.

Among the sectors in Italy which the Commission judges need further and decisive action, the CNEL feels that priority must be given to strengthening competition, research and training and boosting the efficiency of the education system.

The Italian social partners, together with the CNEL, have time and again described these objectives as priorities (albeit emphasising different areas) and the key to the renewal of an economic development and social cohesion policy which must continue to be governed by social market policy.

One limitation in the Commission's approach, in the CNEL's view, is the continuous call (which is totally consistent with the Union's general approach to financial policy) for sound public finances and therefore for budgetary policies which are not suited to pursuing a real policy of growth.

The CNEL has for some time been pointing out that an effective renewal of the Lisbon Strategy entails the allocation of funds (at least for goals with significant delays in implementation) which cannot coincide with those fielded for the policies instituted by every Member State under the subsidiarity principle.

Following on from the economic crisis, the debate on implementing public investment policies poses the problem of including the Lisbon goals among those which should receive increasing sums of public and private money when these funds are judged to be strategically necessary for more than short-term growth.

The Union, and particularly the euro zone, needs a real economic policy plan of which monetary policy is only one aspect.

**3. How are national ESCs and civil society organisations involved in preparing and implementing the national reform programmes?**

As regards Italy, in recent years and in particular since the approval and entry into force of Law No 11 of February 2005 which states that the CNEL must be involved in the process of forming Italy's

position on EU legislative acts and which coincided with the first Investment, Growth and Employment Plan (P.I.C.O.), relations between the CNEL and the government, through the ministry for community policies, have become more consistent and closer. The CNEL has been able to promote and organise many meetings between the representatives of Italian and European institutions on key items on the Community agenda, including the meetings held periodically by the Commission's country team at the CNEL with representatives of the Italian social partners.

It must be said however that the CNEL's debate on the principal items on the European agenda and on the NRP itself nearly always takes place after the government has made its choices and in every case just before they are adopted.

The CNEL is therefore unable to participate effectively in preparing the reform programme or in verifying its implementation.

The social partners also point out that frequently, their only opportunity to discuss the executive's choices on the Lisbon Strategy is during the meetings organised by the CNEL.

As regards the Lisbon Strategy's governance, understood to mean the participation and active involvement of the social partners, the CNEL intends to take on a new role and the social partners are asked to play a more active role in framing national and European strategies.

**4. What would you suggest regarding the national reform plan in answer to the crisis and its consistency with the Lisbon Strategy's goals (and the NRPs)?**

The CNEL has recently and on several occasions given its views on the measures adopted by the government to combat this crisis, particularly in July and December 2008. Independent of the comments made on the specific measures adopted, it must be shown that the serious financial crisis has highlighted the need for coordinated actions for the medium term as well, since the crisis may worsen Italy's north-south divide while simultaneously shifting resources from structural policies to policies to deal with the economic situation. A response to the crisis which is in line with the objectives set by the Lisbon Strategy would be one possible means of overcoming territorial imbalances.

**5. How can we improve the coordination of national reform plans at European level?**

The open coordination method is an instrument of the Lisbon Strategy for the coordination of actions carried out at national level. It provides a framework for cooperation between the Member States so that national policies work together to achieve common objectives but it has had limited influence on national subsidiarity policies, with little consideration for the interests of the social partners and civil society in the Member States.

The Commission restricts itself to a purely supervisory role.



For all the Lisbon objectives, work is based essentially on the following:

- joint identification of objectives;
- comparative analysis of the results;
- exchange of best practices.

In addition, the NRPs respond to the Commission's recommendations only on the basis of the Member State's initial socio-economic situation.

This cannot continue, and one possible approach would be to identify a new role for the EU supported by economic policies and appropriate funding.

#### **6. What are your observations regarding the future European stability pact?**

The European stability pact imposes stringent restrictions on debt and deficit.

Sound fiscal policy continues to be the priority, but for some countries it has limited growth, causing still more serious problems in the current period of recession. This recession has put the Commission's famous proposal of fifteen years ago back on the agenda: issuing European bonds to cope with the crisis then which was much less serious than the one today. It is well known that under the old plan, the European bonds would have served to finance a coordinated European-level policy of investment (public and private) in research and development, training, education, technology transfer, biotechnologies, major trans-European networks, etc. The proposal of issuing bonds is thus the starting point for discussion.

The future European stability and growth pact must be approached from a fresh angle, including the goal of social and environmental sustainability and adopting the appropriate policies integrating those of the original pact.

#### **7. What do you think of the European recovery plan?**

A new take on the Lisbon Strategy would need a new renewed role for Community policies and coordination of the Lisbon Strategy. The notion of eurobonds should be considered carefully since the EU's primary need at the current time is to identify resources for growth and investment. This subject should also be discussed during the review of the EU budget, to be launched by the Commission in the next few months. New resources can be fielded with a rigorous strategy against tax havens, tax avoidance and tax evasion as part of the coordination of European tax policies.

Thought must be given to the need to allocate EU funds to strategic objectives.

## **THE FUTURE OF THE LISBON STRATEGY (2010-2020)**

- 1. The objectives of the Lisbon Strategy, especially those with specific targets, must be revised in light of the current crisis.**

It would probably be useful to focus on a small number of targets which are particularly important for growth and – as regards Italy - which also offer a fresh answer to the goals of bringing structurally weaker regions into line with stronger ones.

There can be no doubt that the quality of work, employment of women, training and education are particularly problematic in southern Italy.

Focusing actions and resources on this objective is an opportunity to link the Lisbon Strategy with convergency and social cohesion policies to overcome territorial imbalances.

- 2. Convergency policy was designed to attempt to bring structurally weaker regions towards acceptable and progressive levels of growth via the system of resource transfer.**

In addition to the difficulty of verifying the effects produced by convergency policies, there are further considerations. Firstly, the role of Community funds as instruments to promote the redistribution of resources towards certain underdeveloped regions partly on the basis of the intended beneficiaries (regional development, SMEs, fisheries, agriculture, social development). The policies' interdependency highlights the need to overcome the traditionally fragmented approach and establish European-level multi-target actions with a view to pursuing several interdependent objectives at the same time. A Lisbon Strategy which relies on subsidiarity and a regional convergency policy which is inefficient and fragmented must both be rethought. Social, education, training and mobility policies must be consistent and promote the integration of regional policies under the Lisbon Strategy.

- 3. One process guaranteeing better convergency of interests at various levels would be to target more resources on a specific strategic target through a "European control room".**

Calls are increasing for a new Delors plan, European bonds, EIB loans and the European budget. The common denominator of these demands is the need for more Europe in the future. Furthermore, this approach certainly guarantees better convergency of interests at all tiers of the EU and in the CNEL's view would be the most efficient.

- 4. Unemployment and diminishing purchasing power aggravate the crisis.**

It is now even more important, via appropriate anti-cyclical policies, to take a decisive stand on the quantity and quality of employment, social cohesion, inequality, income distribution (during a recession as well as during a boom) in order to provide proper support for overall demand.

Coherent social reforms can also be used to combat cycles but the role of civil society and representative organisations must be to support reforms towards a process of social growth and transformation according to the European logic of the social market economy.

**5. Once the demand for purely economic policies has passed, we will find ourselves confronted with a new organisation of demand and a new global distribution of wealth.**

This will lead to new alliances; already, the trend is towards intercontinental alliances, and so national policies will have extremely limited impact.

An external dimension of EU policies will be valuable in that it will be able to represent economic, industrial, energy, research, environment and defence policies.

The European model will be extremely valuable if it is able to represent the social dimension of the market, in line with the construction of an internal market which is currently taking form and which is capable of striking a balance between all the interests involved.

**6. International trade certainly impacts on social development; economic decline could lead to reduced promotion and respect for basic labour standards and the quantity and quality of employment, making the ILO's Decent Work Agenda particularly important.**

The European Council of 19 and 20 March (presidency conclusions) expressed its confidence in the EU's ability to cope with the economic and financial crisis. During the review of the major budget stimulus for the EU economy, it was emphasised that concerted action and coordination are an essential part of Europe's recovery strategy and Europe will make every effort to revitalise growth.

Furthermore, it has been stated that in the current crisis, the renewed Lisbon Strategy, including the integrated guidelines, is still the most efficient framework to promote sustainable growth and employment. The crisis has highlighted the need to pursue and speed up the structural reforms that will boost the credibility and complementary impact of stimulus measures. The short-term measures adopted by the EU and the Member States will yield maximum benefits if they are compatible with the strategy's medium and long term objectives.

The Commission's proposals for the Lisbon Strategy post- 2010 will be presented in the second half of this year.

In conclusion, we must point out the weakness of a policy which, in the name of subsidiarity, relies on the Member States alone. For Italy, the Lisbon Strategy has been (albeit with some limitations) a benchmark and has encouraged the country's successive governments to take action. However, some of the objectives of the Lisbon Strategy (undeniably the priority for development) cannot be pursued without a coordinated and interlinked approach and adequate resources. Enhanced cooperation should speed up the processes of political and economic union which the EU needs.

# LATVIA

## 1. The implementation of the Lisbon Strategy

Latvia's National Lisbon Programme was approved by the Council of Ministers and presented to the European Commission. It was drawn up by the Minister for the Economy in cooperation with other government bodies. The work was coordinated by the Supervisory Board of the Lisbon Strategy set up by the Council of Ministers. The Saeima (parliament) and the social partners were also consulted. The consultation of organised civil society, however, did not go far enough, was not followed up by government action and did not deliver the hoped-for results.

Before the crisis, Latvia enjoyed very rapid growth. Since 2004, GDP has increased by an average of 10.4% a year. This pace of economic growth was sustained in 2007, with GDP growing by 10.2% compared to the previous year. GDP then started to fall. The latest non-seasonally-adjusted data, compiled in 2009 by the Central Statistical Office, indicate that in the first half of 2009, GDP fell by 18.4 % in relation to the same period in 2008.

At first, due to this strong GDP growth, Latvia appeared, without question, to be approaching the EU average but disappointingly, the crisis set the country back by several years.

Latvia's growth was based on national consumer spending and higher property prices, shored up by irresponsible lending. This created the illusion of prosperity and did not suggest the need to establish a competitive national economic model.

Prior to the crisis, employment indicators in Latvia had also improved substantially, and the employment rate had increased in previous years. Today, however, employment indicators are on a downward trend and it is impossible to predict when the employment rate will pick up and return to earlier levels.

Latvia's priorities to achieve the goals set in the Lisbon strategy have remained the same:

- ensuring macroeconomic stability;
- stimulating knowledge and innovation;
- developing a favourable environment for investment and work;
- promoting full employment;
- improving education and skills.

Unfortunately, however, civil society does not believe that the government will manage to achieve these goals.

A substantial amount of the financial resources granted for the programming period under the

Structural Funds are earmarked for implementation of the Lisbon Strategy priorities. The priorities established by Latvia's National Lisbon Programme correspond to the following priorities laid down in the Single Programming Document:

1. first priority: *Promoting sustainable development*, outside assistance for investment in the environment;
2. second priority: *Fostering entrepreneurship and innovation*;
3. third priority: *Developing human resources and promoting employment*;
4. fourth priority: *Enhancing the development of agriculture and aquaculture*, activities encouraging investment in agricultural enterprises, improving the processing and marketing of agricultural products, promoting the revival of rural areas, and education.

Though several strategic documents have been drawn up in Latvia on the basis of the Lisbon Strategy, the tangible measures needed to achieve the stated goals are yet to be taken.

## **2. The role of organised civil society**

In the context of implementing the Lisbon Strategy and defining priorities, dialogue with organised civil society is inadequate and the agreements concluded have not been enforced.

Latvia has several organisations, federations and councils which contribute actively to debates on economic and social issues with the Saeima (parliament), the country's executive and local authorities: they put forward their proposals on draft laws and regulations and policy programming documents, participating in the work of various committees and working groups set up by the State and perform a role, at national level, in the economic and social sphere similar to that of the EESC at EU level.

In Latvia, civil society organisations and employer and employee organisations are registered and function in the form of NGOs, unions, associations, confederations and independent councils, while the committees operating under the aegis of the Council of Ministers and various ministries are set up by instruction of the government institutions concerned.

The organisations and councils active at national level include the Free Trade Union Confederation of Latvia, SUSTENTO, the Latvian umbrella body for disability organisations the Latvian Chamber of Commerce and Industry, the Cooperation Council of Farmers' Organisations, the Council of Small and Medium-sized Enterprises and Crafts, the National Tripartite Cooperation Council, the Economic Council, the Platform for Cooperation between NGOs and the Council of Ministers, the Confederation of Latvian Employers, and the Council of Foreign Investors in Latvia.

# LUXEMBOURG

## **THE RENEWED LISBON STRATEGY CYCLE (2008-2010)**

### **1. The 2008 National Reform Programme (NRP)**

The ESC was involved in drafting the National Reform Programme as part of the new three-year cycle of the Lisbon strategy (2008-2010).

In its opinion of 1 October 2008 on this topic, the ESC had advocated a coordinated and coherent approach for the whole range of policies pursued in the context of the Lisbon strategy and sustainable development.

The ESC felt that the sustainable development strategy should be conceived as a long-term natural extension of the Lisbon strategy in order to prevent duplication and a blurring of responsibilities.

The emphases and priorities chosen mainly relate to maintaining competitiveness in the broad sense, social cohesion, education/training, developing corporate spirit, supporting SMEs, the implications of the new Kyoto allocation plan for Luxembourg, efforts to simplify administrative procedures for both citizens and companies, so as to achieve faster and more direct access to public services and reduce the time involved in administrative procedures with no detriment to the quality of the services.

### **2. The Commission's recommendations for Luxembourg issued on 28 January 2009**

The Commission's comments concerning Luxembourg are positive on the whole. There are criticisms of just a few points that have already been raised numerous times (i.e. pensions, older workers, corporate environment). In its annual opinion on the Integrated Guidelines for Growth and Jobs the ESC has for years commented on these analyses, drawing attention to the specific characteristics of such indicators within a small-scale economy. Thus the employment rate indicator, in particular, has little relevance in the case of Luxembourg, where non-resident workers make up a large proportion of total employment; this indicator also measures the overall employment rate and not the full-time equivalent.

Furthermore, it provides no information on the qualitative aspect of the jobs created, even though this aspect is part of the Lisbon strategy's goal.

### **3. The involvement of the ESC and civil society in the drafting of the National Recovery Plan and its implementation**

The ESC is able to influence the National Recovery Plan through its annual opinions on economic, social and financial development and its opinions on the Integrated Guidelines for Growth and Jobs.

These two opinions are mandatory under the organic law governing the ESC. The ESC believes it important that the National Plan for Innovation and Full Employment which derives from the Integrated Guidelines for Growth and Jobs drawn up in Brussels should be the result of discussion between the parliamentary bodies, the social partners and ordinary people, in order to ensure that it is supported and owned by all stakeholders.

Two public hearings on the Lisbon strategy took place in Parliament on 5 March and 10 April 2008 with representatives from organised civil society. The ESC took part in the discussions aimed at taking stock of the first cycle and sketching out Luxembourg's next National Reform Programme (NRP) for growth and jobs.

#### **4. The National Recovery Plan in response to the crisis and its compatibility with the aims of the Lisbon strategy**

It is essential to restore the confidence of consumers and investors in order to dispel the atmosphere of gloom accompanying the recession.

The ESC thus believes that, whatever the initial intentions of the Government's budget policy might have been, the package of measures in the economic plan of 7 March 2009 which contained tax relief, tax credits and an increase in investment spending is in line with a counter-cyclical approach for the role of public finances and sends a strong signal in favour of maintaining employment and economic activity intended to bolster business and household confidence.

The ESC can support major spending on investment during periods of adverse economic conditions but calls for greater selectivity in that spending, ensuring that priority is given to projects that will give a boost to the economy in general and to employment in particular.

In the context of the European Recovery Plan, governments have decided to adopt so-called "*counter-cyclical*" budgetary policies leaving "*automatic stabilisers*" to play their part.

Nevertheless, the ESC would like to point out that counter-cyclical policies – whether discretionary or automatic – are difficult to put into effect because of the time-lag between the moment the decisions are taken and their implementation, with the risk that counter-cyclical decisions turn into pro-cyclical measures. Moreover, in small countries such as Luxembourg, the impact of budget policy is probably limited because the multiplier is low as a result of the economy's openness to foreign trade and the correlative size of imports. Consequently any boost to consumption from household disposable income has no direct effect on companies exporting goods and services. The leakage effects are partially offset by the coordinated recovery plans at EU level.

The ESC agrees that the Government should make full use of economic stabilisers in the short term and during periods of economic downturn. However, we should not become too alarmist. Public finances will automatically decline as a result of the efforts approved by the Government to deal with the crisis.

But in the medium and long term it is important to implement structural policies guided by the Lisbon strategy, focusing on knowledge and skills, so as to create a diversified production fabric and an international economic specialisation likely to strengthen the potential for growth.

## **5. How can the national recovery plans be better coordinated at European level?**

The ESC regrets the fact that the coordination of the recovery plan is still slow and patchy, particularly given the current serious economic crisis. Better Europe-wide synchronisation of the recovery plans would provide more effective and concerted support for growth in the Member States

One problematic aspect for the proper implementation of the Lisbon strategy stems from the fact that the policy areas it applies to are not all the same. The timetable (2010) is the same, whereas the external factors and the time required for producing tangible results from the reforms may differ significantly.

Applying a similar method to all areas of policy might lead to incoherent national strategies: some Member States will tend to focus more on goals they are likely to achieve in the short-term rather than engaging in serious reforms in other sectors.

The desirability of a more overtly macro-economic approach at European level inevitably raises the question of coordinating the policies pursued by the Member States, particularly in the euro area, and hence the question of the governance of the Lisbon strategy.

The Lisbon strategy has focused to date on the involvement of national actors and the copy-cat effect, rather than Europe-wide coordination. This prudent and pragmatic approach is justified by the essentially political nature of the reforms to be effected and the need to take account of the institutional and social balance of each Member State.

## **THE FUTURE OF THE LISBON STRATEGY 2010-2020**

The ESC is currently reflecting on the priorities set in the Integrated Guidelines for coming through the economic crisis and strengthening competitiveness and social cohesion in terms of the Luxembourg model. Its opinion will be finalised by the end of September 2009.

### **1. Challenges for the post-2010 strategy**

The transparency of the strategy after the process has been rationalised could still be improved and the number of reports to be compiled has not diminished.

Added to this is the fact that, at present, no fewer than five different major forms of governance still exist side by side:



- the unconditional delegation of responsibility for economic policy to a Community body (for example, competition to the Commission or currency to the ECB);
- supervised delegation, where Member States lose the power to act but retain a right to check on the implementation of the mandate (common policies such as the CAP or regional policies);
- supervision of State policies by a Community body with or without the option of subjecting them to monetary sanctions (control of State aid, Stability Pact);
- the voluntary coordination of national policies (employment, structural reforms);
- and, finally, straightforward State autonomy, particularly as regards taxation.

## **2. Re-assessing and updating the Lisbon goals**

If Europe has been unable to achieve the targets set, it is certainly due in part to the lack of a coherent response to the challenges it faces and the fact that some key aspects of economic policy were left out of the analysis. The macroeconomic constraints arising from the economic cycle should have been given more consideration to ensure a link between the structural reforms and the economy, whilst keeping up the steady pace of public finance rationalisation in a number of Member States.

Bearing in mind this observation and the implications at the economic and social levels, it is difficult to know which direction to follow. To overcome this difficulty we need to define certain ideas, such as those concerning structural reforms whose content must address improving socio-economic development, to the benefit of both companies and employees, improving job-creation and improving the country's social cohesion. In many ways, the current crisis represents a break and calls for fresh choices in order to restore public confidence.

## **3. A better convergence of interests between the different levels of government (EU, national, regional and local) and the various European strategies over the next decade**

As regards the method of governance and the drafting of European policies in an enlarged Union, the ESC stresses the importance of the Community method, which should be given priority over the inter-governmental method.

In the light of past experience, the Community method is essential for promoting the Union's common good, shared by all of the Member States, both large and small, and for guaranteeing policy balance for all the Member States and citizens, both current and future.

Moreover, the Community method has proved its worth as regards the effectiveness of the decision-making process, with each institution contributing an essential part of Community governance: the Commission, for the general European interest; the Council, for the national governments; the Parliament, for the people; and the Court of Justice, for the impartial respect of the rule of law.

By contrast, using the inter-governmental method might compromise the Union's ability to display a political leadership that is worthy of its economic power, given that mere cooperation based on goodwill between national governments might clash with the specific interests of one or other State.

The principles of subsidiarity and proportionality are key elements of the future functioning of the Union.

**4. What do you suggest for strengthening the open method of coordination and effective involvement of civil society and parliament at both national and European levels?**

In general terms, the ESC thinks that one of the merits of "Lisbon", partly expressed through the open method of coordination (identification of objectives, establishment of a common system of statistics, benchmarking of performance and exchange of best practices) is the fact that it encourages political cooperation between the Member States in areas which are, at least partially, national prerogatives.

The ESC emphasises that the open method of coordination has managed to make public opinion aware of the problems of employment and social inclusion at both national and European level in a process that some have termed "*cognitive harmonisation*" linked to a shared political view.

Furthermore, the promises of opening a multilateral dialogue as a form of governance and greater involvement of the national parliaments, the social partners and civil society in order to allow all of the stakeholders to approve and have ownership of the key issues are also the guarantee of a more cross-cutting approach which is essential for ensuring that the Lisbon challenges are met.

Nevertheless this kind of European governance is not entirely satisfactory and would require more coordination on economic policies.

The detailed analyses on which this report is based may be consulted on the ESC site <http://www.ces.public.lu/fr/> and more specifically in its annual opinions on the country's economic, social and financial development and on the integrated guidelines for growth and jobs.

# HUNGARY

## THE RENEWED LISBON STRATEGY CYCLE (2008 – 2010)

### 1. What is your critical analysis of the 2008 National Reform Programme?

The Lisbon Strategy – all its weaknesses, failures, insufficiencies, internal contradictions and inconsistencies notwithstanding – contains vitally important objectives in several fields of macro- and microeconomic as well as labour policy. It is widely acknowledged that achieving these objectives is in the interest of Hungary – irrespective of its membership of the European Union. Implementing the reforms envisaged in the renewed Lisbon Strategy and the Hungarian National Reform Programme is indispensable for paving the way to an increase in the potential growth of GDP.

However, the Hungarian NRP reflects in a concentrated way the weaknesses of the Lisbon Strategy and Hungarian macroeconomic policy. The Hungarian Government seems to have answered mechanically the questions raised by the Commission – no further added value can be found in the Programme. Guidelines have not been prioritised, no focal points have been identified, and the links and interactions between individual measures are weak or non-existent. Thus the steps and actions envisaged in the Programme do not add up to a genuine strategy. The chapters of the NRP have no uniform structure. In the Programme no clear distinction has been made between analysis, prognosis, identification of objectives and tools. In several cases, objectives are defined very broadly, the resources necessary for their achievement are not clearly earmarked or simply missing. One cannot see how the implementation of a given measure would lead to the fulfilment of the objectives stated. Fields which could be influenced by economic policy should have been separated from those where no effect can be expected. The measures envisaged do not always promise genuine effects since policy formation is weak, effectiveness of institutions is small which grossly and lastingly impedes economic growth.

Furthermore, the international financial and economic crisis rendered the envisaged macroeconomic path unattainable. The Government had to introduce much harsher measures than the ones stipulated in the NRP (which can, of course, be true in the case of all Member States) and in the convergence programme. Public acceptance of reforms is very low in Hungary, e.g. a referendum in early 2008 rejected the – half-hearted – further privatisation of the healthcare system, the introduction of tuition fees in tertiary education and a nominal co-payment in medical services (of EUR 1 or 2 per day).

It is widely believed that Hungary would need a longer term development strategy embracing major fields of both the economy and society. This overall strategy could serve as a starting point for the formulation of convergence programmes, national reform programmes and all national policies as well. The Hungarian ESC thinks that this strategy could form the backbone of a Social Contract. However, neither a strategy nor a Social Contract is in sight. (This can be explained, to some extent,

by the fact that the current Socialist–minority–Government entered office in April and restricted its mission exclusively to crisis management. But previous governments also neglected these topics.)

**2. What are your reactions to the European Commission’s country-specific recommendations issued on 28 January 2009?**

The country-specific recommendations address the pivotal issues of policy-making. There are now no major discussions about the necessity and inevitability of the measures recommended by the Commission. Of course, the measures are not welcome in all strata and groups of society. Our Council also emphasised in a former opinion that reforms should be undertaken not exclusively to ensure long-term fiscal sustainability and to improve economic efficiency but also with an eye to raising the quality and effectiveness of services provided by public administration, healthcare and education.

**3. How are your national ESC and civil society organisations involved in the preparation of the National Recovery Plan and its implementation?**

The Hungarian Government has involved the Economic and Social Council since mid-November in the preparation of the measures deemed necessary to curb the accelerating negative trends of the economy and society.

The first measures concerned the utilisation of Community support; instead of assisting the best achievers in the field of export and output growth, the main emphasis was put onto maintaining jobs. These measures were discussed – on 19 November – within the framework of the National Development Council where the Economic and Social Council is represented by 8 members.

In the next round of dialogue, on 25 January, the prime minister invited the Economic and Social Council, the National Council for the Reconciliation of Interests as well as some outstanding business leaders to discuss the challenges facing Hungary and, together, find the best responses. In these talks, participants mostly agreed on the need for urgent and far-reaching actions, the continuation of some of the major reforms which the Government initiated as early as 2006 but then abandoned (in several cases as a consequence of popular resistance). A general consensus could be reached on the necessity of lowering wage taxes with the aim of increasing the competitiveness of the economy. It was also agreed that the Hungarian participation rate – which is one of the lowest in the European Union – has to be increased. Council members, however, reminded the Government that the burdens of the economic downturn have to be equitably distributed among various groups of society.

On 10 February, the prime minister again held a thorough discussion with the Council. In this meeting, counsellors again expressed their agreement with the need for urgent actions but called for a clear-cut strategy encompassing the social repercussions of the crisis and its remedy. The prime minister indicated his intent to draw up a multi-annual Social Contract with the Council – but resigned six weeks after this meeting.

The prime minister presented the Government's recovery plan in the Parliament on 16 February and started discussions with the National Council for the Reconciliation of Interests on 20 February.

In April, a new minority Government was sworn in. The new prime minister – a technocrat who served as minister for the economy and national development in the previous Government – presented a package of bills aimed at balancing the budget (i.e. sharply curtailing social benefits, raising the "normal" rate of VAT from 20 to 25 percent, deleting tax credits, introducing a national property tax). These steps were adopted by the Parliament in June, following a dialogue between the Government and employers' and employees' representatives in the National Council for the Reconciliation of Interests. (In Hungary the mission and task of the ESC is to serve as a consultative body on *strategic* issues while measures affecting the world of labour and the day-to-day operational issues are dealt with in the above-mentioned council.)

**4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?**

As mentioned before, the ESC deems indispensable that inevitable savings in the budget are attained in a way which is least harmful to the foundations of long-term development. Thus, measures aimed at increasing the competitiveness – and, sometimes, the mere survival – of businesses have to be continued. The Council attaches great importance to good governance and to the reduction of administrative burdens on business. Investments in human capital (education and training, healthcare) as well as R&D and innovation also have to be upheld.

**5. How can we improve the coordination of National Recovery Plans at European level?**

Under the present circumstances, National Recovery Plans are the linchpin of economic policy in each and every Member State. Although economic policy is – as stated in the Treaty establishing the European Community – a matter of common concern, governments of Member States bear the responsibility for their respective policies. Institutions of the European Union have to contribute – as they have done – to maintaining the spirit of cooperation between the Member States, to prevent any action that would endanger the four freedoms and any recurrence of beggar-thy-neighbour policies. Besides ensuring the possibility of using European funds to alleviate the burdens of the crisis, the European Union should help Member States to exchange best practices. The EESC could organise a conference with the aim of creating a – "technical", not political – forum for ESCs of Member States to learn how they contributed to the public acceptance of measures that the crisis made inevitable.

**THE FUTURE OF THE LISBON STRATEGY (2010–2020)**

**1. What are the main challenges for the Post-2010 Strategy?**

The single biggest challenge for the creation of a Post-2010 Strategy is its timing: it is not known how deeply the "old" structures in the world economy will be affected by the current crisis. Can – and

will – the neo-liberal approach continue to determine the direction of developments in trading nations? Are major countries ready to subdue themselves to some kind of collective regulation (and regulators)? Can the "Washington sisters" improve their activities – and can they find the means for it? The international financial system should (but will it?) be forced to be more of a servant of international trade and development and less an independent creator of virtual and illusory wealth.

*It would be worth pondering not to compile a Post-2010 Strategy in the months to come but to wait some time – e.g. a year – which would give all stakeholders the possibility of thoroughly evaluating the lessons and experiences of the 2000-2010 period, and to see what institutional changes will occur.*

## **2. What are your proposals for the revaluation and update of the Lisbon objectives?**

The Lisbon Strategy objectives are mostly correct and relevant. Their achievement would contribute to a well-founded and sustainable development. However, due to the recent upheaval in the world economy, refocusing and rebalancing the objectives seem to be inevitable. Economic growth will, most probably, give way to sustainable development. Profligate consumption patterns have to be bridled. This will mostly be enforced by the market (i.e. by the shrinking purchasing power of consumers) but governments and public opinion leaders should also help this adjustment. The other focus of the current Lisbon Strategy has to be upheld: in all probability, the level of employment will sink. Thus all measures to help employment (encompassing, naturally, education, training, retraining, life-long learning) should be enhanced.

## **3. How can the following be integrated more successfully in the new strategy – social aspects, education, training, mobility, and globalisation adjustment policies?**

The integration of the above-mentioned factors into the new strategy needs the action of both governments and organised civil society. A shift in the role of government, i.e. the model of a "less liberal" government (which is either a fact of life or a probable development in a number of countries) could lead to more strategy-oriented activity.

## **4. How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European Strategies during the new decade?**

First of all – slightly paraphrasing the most famous words of Abraham Lincoln – "a governance of the people, by the people, for the people" has to be ensured at all these levels. European citizens must feel that the European institutions work also in their interests, and European policies and strategies are intended to improve their lives.

A fundamentally better convergence could only be attained by a profoundly changed model of the European Union, including a dramatic increase in the general budget. If the Internal Market is a genuine Single Market then it should be governed – or, better to say, regulated – from a single centre.

However, this is a requirement that is not – and should not be – on the "deepening" agenda of the EU...

**5. What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and Parliaments at national and European level?**

The Open Method of Coordination can be considered as a substitute for the missing power and competence of the European Institutions. The quality of this method of coordination depends decisively on the quality of the government of individual Member States. This statement pertains to the efficient involvement of civil society as well; if a government is open to the comments and criticisms of NGOs then this involvement is ensured. The European Institutions can issue various legislations and opinions but they can only achieve results with consenting governments.

# MALTA

## THE RENEWED LISBON STRATEGY CYCLE (2008-2010)

### 1. What is your critical analysis of the 2008 National Reform Programme (NRP)?

Malta's NRP 2008-2010 gives due attention to the four main pillars of the renewed Lisbon Strategy. At present, these areas are also placed high on Maltese policy makers' agenda.

#### a) Research & Development and Innovation

Investment in RTDI is one area earmarked for further action. The NRP provides a detailed itemisation of 0.75% of GDP investment on R&D by 2010<sup>1</sup>, but there are no details on the exact provenance of this budget. Supporting innovation through public procurement and participation in joint programming activities are particularly important. However, it remains unclear what these measures entail and how these activities will facilitate overarching areas such as competitiveness. Given that Malta has been one of the biggest grantors of state aid<sup>2</sup> of all EU Member States for some time now with 3.16% (2.61% excluding agriculture, fisheries and transport) of GDP in 2005<sup>3</sup> reduced to 0.79% and 0.59% in 2007<sup>4</sup> respectively, it is also very important to monitor how these funds will be redirected towards horizontal objectives (including R&D), given that in Malta only 4% of total state aid to industry and services is directed towards horizontal objectives<sup>5</sup>. In view of this, an obvious concern is that redirecting funds from the current investment promotion measures towards RTDI could be counterproductive.

#### b) Business Environment

Competitiveness in Malta requires further effort and the NRP 2008-2011 stipulates the main tenets of the strategy aimed at unlocking business potential and increasing competitiveness by simplifying existing regulations, enhancing access by businesses to European funds, reducing bureaucracy and

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<sup>1</sup> Malta's National Reform Programme 2008-2010, page 11.

<sup>2</sup> State aid control has been recognised as pivotal by the Presidency's Conclusions of the Brussels European Council of 19-20 March 2009.

<sup>3</sup> Source: Report: "State Aid Scoreboard", Autumn 2006 update, Presented by the Commission, 11.12. 2006 COM (2006) 761 final, Table 1, page 8.

<sup>4</sup> Source: Report: "State Aid Scoreboard", Autumn 2008 update, Presented by the Commission, 17.11. 2008 COM (2008) 751 final, Table 1, page 60.

<sup>5</sup> Ibid. In addition, the low share of state aid towards horizontal objective and the resulting relatively high share of aid to industry and services in Malta can be explained with a tax relief measure under Business Promotion Act. Report: "State Aid Scoreboard", Autumn 2008 update, Presented by the Commission, 17.11. 2008 COM (2008) 751 final, page 18.



increasing access to low priced liquidity. The reforms currently underway in various public entities should help cut red tape, and so help improve the local business environment.

The elimination of red tape and a coherent approach in this regard are flagged as priorities, but no schedules have been established. Furthermore, no impact assessments for the proposed measures would appear to have been conducted. The setting-up of the Competition Authority is to be commended, as it may bring about higher levels of healthy competition in the future. It would have been opportune to elaborate further on the plans to open up professional services.

c) Employment Opportunities

The NRP 2008-2010 lists a detailed set of quantifiable targets in the area of employment and active participation. The Maltese labour market still has to show the results of improvement, particularly regarding attracting women to the formal labour market and retention of older workers, given the 41% and 35% targets to be achieved by 2013 and 2010 respectively<sup>6</sup>. Another significant characteristic of the current labour market is the unemployment rate of young people, which is two and a half times higher than those of people aged over 25<sup>7</sup>. The need to monitor the effectiveness of the planned actions should be emphasised more strongly in the NRP. The proposed flexicurity roadmap rightly targets the gaps in the high-skill sectors, which the Maltese economy is aiming at, without overlooking the fact that serious labour shortages also exist at the lower end of the skills spectrum.

Making work pay (MWP) and reducing the abuse of the benefit system and the consequent "black economy" is another important dimension of the NRP's third pillar. The MWP policies could feature more prominently in the NRP. One example is the social security contribution credit rule which is granted to registered unemployed people even if the period of inactivity extends beyond ten years, which might work against the incentives to take up work. Similar examples related to social benefit schemes could have been flagged and combined in one MWP measure.

The major factors impeding progression in the area of employment (such as the lack of work-life balance measures and prejudice towards older jobseekers) could be addressed more concretely in the NRP. Two areas where further progress is necessary are life-long learning (targeted increase of 8% by 2013<sup>8</sup>) and early school leaving (targeted to decline to 22% by 2013<sup>9</sup>); these need to be addressed in a more detailed manner, with concrete proposals. In the case of women, the issue of career breaks, although recently addressed by the Pension Reform and Budget 2009 (social security contributions granted for up to two years' career break, subject to return to the labour market for two years, and the

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6 Source: "National Report on Strategies for Social Protection and Social Inclusion 2008-2010", Ministry for Social Policy, Malta, February 2009, page 16. The older workers employment target differs from the NRP 2008-2010 target set at 32% by year 2010.

7 Source: Eurostat, Queen detail, data 2008 <http://epp.eurostat.ec.europa.eu/portal/>.

8 Source: "National Report on Strategies for Social Protection and Social Inclusion 2008-2010", Ministry for Social Policy, Malta, February 2009, page 16.

9 Ibid. page 15.

12-month income-tax break for childbearing in 2007) and despite family friendly measures, still needs to deliver results visible in the Maltese female labour force participation rate.

Concerning the overarching measures in the second and third pillars, namely business opportunity and employment, the NRP makes recommendations on economic activity but could perhaps make more specific recommendations regarding measures on how to support business activities and female entrepreneurship.

d) Integrated energy and infrastructure policy

Malta's energy policy incorporates the need to secure productive energy capacities while aiming at emission reduction through energy diversification. Higher government outlays in the area of environmental protection are expected, as more efforts are needed to speed up the shift from fossil fuels. Although the NRP recognises Malta's high susceptibility to the negative effects of climate change, the Commission's specific recommendation to diversify energy sources and improve energy efficiency are deemed to be the most important. It is noteworthy that there are relatively few details on how the transition towards the low carbon economy at macro and micro levels will be achieved. Energy and climate change objectives could benefit to a greater extent from state aid funds, and in view of this the NRP 2008-2010 could perhaps give more details on this dimension of funding (as already stated on page 1, sub-title: a) Research & Development and Innovation).

The overarching issue of fostering the right skills, labour requirements, and public attitudes to enable progress towards a green economy and clean technologies to enhance Malta's economic growth and competitiveness could have been highlighted to a greater extent.

**2. What are your reactions to the European Commission's country specific recommendations issued on 28 January 2009?**

The recommendations specific to the national scenario acknowledge the fact that Malta is pursuing its National Reform Programme and in particular, they point at the progress made in addressing issues such as competition and reform of the labour market.

The slowdown in budgetary consolidation in 2008 has been acknowledged to be imminent, due to Malta's efforts to provide high levels of support to the local economy during the recession. Consequently, the fiscal targets have to be revised and a one-year delay in achieving a balanced structural budget (i.e., delayed until 2011) has been announced as the government's response to the immediate need to support economic recovery.

The country-specific recommendations rightly stress the need to increase productivity which should contribute to improving the competitive advantage of Maltese export. The need to simplify and reduce the administrative burden for business is perceived as a valuable recommendation seeking to improve the business environment. Another strong recommendation concerned activation policies and in particular those addressed to women and older workers, in line with the Lisbon strategy for

employment. The recommendations also point at the benefit system and its design so as to stimulate labour market participation, rather than tolerate benefit abuse and undeclared work.

The recommendations are highly pertinent to the current socio-economic situation in Malta, and if pursued, could be highly beneficial. Just like Europe, Malta should not lose sight of its long term objectives such as restructuring, even in a time of global recession.

### **3. How are your national ESC and civil society organisations involved in the preparation of the National Recovery Plan and its implementation?**

In the case of Malta, the consultation process regarding the preparation of the National Recovery Plan and its implementation was an integral part of the Budget consultations. The measures concerning Malta's National Recovery Plan are listed in the Addendum to the Malta's Stability Programme 2008-2011 (update) as Budgetary Stimulus Measures Proposed in the Framework of the European Economic Recovery Plan.

In the framework of the 2009 Budget and the National Recovery Plan, the following main short-term goals were identified for discussion with the social partners and civil society:

1. reduction in the operational costs of businesses in Malta,
2. focusing stimuli measures towards productive activities so as to help them avoid losing their valuable human capital,
3. encouraging the introduction of family-friendly measures, while ensuring that it will not impinge on the productivity and production process,
4. simplifying and speeding up the process of accessing low cost liquidity as well as access to EU funds,
5. while encouraging competitiveness by limiting state aid and redirecting it towards horizontal objectives, and
6. support for the tourism sector and increased efforts to attract investment in areas in which Malta has a competitive advantage (financial services, IT based services and production of pharmaceuticals).

The 2009 Budget consultation process involved various partners in several phases. Through the MCESD and its Civil Society (CS) and Gozo Sub-committees, the government consulted with the employers, employees and the CS. The finance minister held several meetings with the core members of the MCESD (employers, employees and respective ministries) as well as with the MCESD's Gozo<sup>10</sup> Regional Committee and the CS Sub-committee. These meetings provided a good platform for a constructive debate. In addition, all parties' written comments on the 2009 Budget were taken into consideration before the final budget was drafted.

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<sup>10</sup> Gozo is Malta's sister island, which together with the island of Comino holds NUTS 4 classification rank. Malta as a state holds NUTS 3 territorial rank.

**4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?**

Malta is preparing to ward off the impact of the present economic crisis while looking at the possibility of continuing to implement some of the rescue-plan measures in order to meet future needs. Meanwhile, Malta requires further efforts to curb its inflation rate. The structure of the Maltese economy is very vulnerable in times of global crisis, as the industries commonly held to be most resilient, such as the pharmaceutical industry and IT and financial services, represent less than one fifth of Malta's total economic activity. Manufacturing and tourism form a major part of the national economy, and are heavily exposed to adverse external forces.

There is a significant overlap between the NRP 2008-2010<sup>11</sup> and the National Recovery Plan which list the following groups of measures:

1. Short-term fiscal measures:
  - a) increase in public investment,
  - b) sectoral support,
  - c) measures to support consumption expenditure and to improve the incentives to work,
  - d) environmental sustainability and
  - e) energy conservation.
  
2. Medium-term measures aimed at improving the quality of public finances and long-term sustainability.

The current economic crisis requires enhanced attention to social services, as these services might play a key role in reducing the crisis's negative effects. The importance of social cohesion is equal to the importance of economic recovery, and developing quality services could meet both needs.

3. Structural measures to support demand and promote resilience, by addressing competitiveness, the reduction of the administrative and regulatory burden and facilitating labour market transitions.

It is vital that the main objectives of the LSO and NRP be interpreted correctly. For example, in Malta, support for consumption as such is not unconditional, since consumption in Malta is traditionally import-based, and so this would not necessarily boost national economic activity.

Malta's main economic policy orientation comprises: improving business regulation initiatives, cutting red tape, fostering flexicurity at all levels and continuing with the process of restructuring, despite the current economic crisis. These aims reflect the high level of cohesion with the objectives

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<sup>11</sup> These thrusts are: unlocking business potential, investing in knowledge and innovation, energy and climate change and investing in people and modernising labour markets.

of the Lisbon Strategy. Therefore, the underlying objective is not to allow short-term difficulties to overshadow the broader picture and the long-term goals. Malta expects to benefit from its recovery measures, envisaged to have a multiplier effect - energy conservation, environmental sustainability, incentives to work, investment in R&D, etc.

In addition, our suggestions include a systematic assessment of the socio-economic impacts of crisis and of the reforms introduced to alleviate its effects. Setting quantitative targets to measure the effectiveness of these measures is another suggestion.

## **5. How can we improve the coordination of the National Recovery Plans at European level?**

Malta believes that the coordination of the National Recovery Plans could be improved and that the national ESCs have a strong role to play in this regard. The coordination requirement could be met if the governments could ensure that the National Recovery Plans are mutually compatible and converge towards regional and overall EU stability. Employers and employees should be more aware of the sectoral specificities across the EU and aim at coordinated recovery of industry. Intensifying the exchange of information at sectoral level across the EU could be seen as one way to ensure consistency.

Coordinated activities in areas such as R&D, green industries and energy saving could be seen as the best examples of how innovation can boost competitiveness. Shared resources and a multinational approach, through joint European projects, could be long-lasting and highly beneficial.

Business opportunities could be enhanced if administrative barriers are relaxed and regulatory frameworks simplified, so as to enhance capital and labour force flows between Member States.

Regarding fiscal policy, the imperative should be to broaden the income tax base and ensure tax inflow, with zero tolerance for tax evasion and tax havens. Further coordination is necessary to ensure future financial security for all EU citizens, particularly pensioners by granting pension rights and portability of pension entitlements throughout the EU.

## **THE FUTURE OF THE LISBON STRATEGY 2010-2020**

### **1. What are the main challenges for the post-2010 Strategy?**

It can be expected that some of the aims of the four pillars of the Lisbon Strategy will not be reached by 2010. This applies especially to employment rate targets, competitiveness and R&D, while in some industries the need for action may be even stronger.

Ensuring a sound basis for the European economy based on healthy competition and ensuring a greater drive to reduce unfair competition from imports outside the EU, could be seen as major challenges for the post-2010 Strategy. Identifying joint European projects based on a careful

identification of EU funds is one way of stimulating economic activity and ultimately increasing spending.

The EU's ageing population could also be cause for concern, particularly in the areas of employment, innovation, productivity and competitiveness of the EU economies. Public spending on health and long-term care is projected to increase by 1.25% of GDP by 2060 as per Aging Working Group projections, with 80+ being the fastest growing age group in Europe's future population structure<sup>12</sup>. In view of this, revising national pension systems to reflect longevity and safeguard financial security in old age is another challenge.

Greening the economy as a whole and at sectoral level, including greening infrastructure and building stock, is another challenge. Greening domestic activities (micro level) should be also seen as a pan-European goal: improvement in energy efficiency and restrictions on water and domestic waste.

European families need support and this requires flexible working hours, securing employment continuity, promoting life-long learning and work-life balance for both genders. The lack of informal care due to higher labour force participation of women in future could result in higher demand for institutional care for elderly persons while the issue of the unmet Barcelona targets on child-care is another major challenge across the EU. Integration of immigrants and immigrant family formation could be one of the issues affecting social cohesion in the EU in the decades to come.

## **2. What are your proposals for the re-evaluation and update of the Lisbon objectives?**

The Lisbon objectives are fundamental for economic prosperity as well as for the social cohesion of the Union. EU society aims to be a society for all, and with this in mind, the objectives which hold a dual function i.e. focusing on economic prosperity as well as on social cohesion, should be given particular attention. This includes integration of people excluded from the labour market, life-long learning, creation of job opportunities and accessibility of services.

Impact assessments on achieving these objectives should be based on Member States' national starting levels, as indicators of convergence. Targets based on a blanket approach do not accurately portray progress, and national features need to be factored in.

The re-evaluation of the Lisbon objectives in the area of social cohesion should include the financial sustainability of social services and the achieved level of access, as well improvements in the quality of these services.

While Malta agrees on the importance of strengthening the implementation as well as improving the performance of reform programmes across Member States, it disagrees with benchmarking as a means of comparison between countries and notes the need for qualitative assessment in the final evaluation of countries.

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<sup>12</sup> EUROPOP 2008 Population Projections, Eurostat.

**3. How can the following be integrated more successfully in the new strategy – social aspects, education, and training, mobility, and globalisation adjustment policies?**

The main characteristic of the European social situation is its diversity delineated by shared social goals. Member States have well established national social protection systems which will be rudely tested by current economic developments. The financial sustainability of national social protection systems, alongside improvements in service quality, needs to be maintained as one of the most important tenets of the new strategy. Education, training and life-long learning are overarching issues of social cohesion and economic prosperity. The flexibility of the EU economy has become increasingly significant in light of global competition, and continuous monitoring of sectoral developments is necessary.

The exchange of good practices, as occurs within the OMC framework, is positive. Workshops that allow for the exchange of concrete practices leading to policy improvement should be encouraged. Collaboration on all the above issues should be strengthened at bilateral and regional level, while the experiences of vulnerable and marginalised people should be brought to the forefront of planning and strategy activities.

The quality of service in areas such as social protection, education and training could be improved. This aspect needs to be tied to better coverage of vulnerable groups: the level of access needs to be monitored and increased, while at the same time ensuring financial support for improved quality of service.

Regarding globalisation adjustment policies, the role of the European Globalisation Adjustment Fund needs to be defined further, to allow for further necessary progress.

**4. How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European strategies during the new decade?**

It is necessary to strengthen the consultation process by involving the parties concerned: a bottom-up approach at local and regional level (please see the answer to question 3).

In times of crisis of this magnitude, social dialogue has to be given priority so that layoffs and downward wage adjustments are reduced to a minimum. Wage increases should be in line with productivity growth, in order to maintain the standard of living and a gradual increase in demand.

The next decade should bring more understanding on major overarching issues affecting employment and social cohesion, between employers and employees, with some functions affecting the most vulnerable groups shared between NGOs and governments. More information dissemination and transparency at all levels is required as well as wide public consultations on major issues.

**5. What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and parliaments at both national and European level?**

As regards social cohesion and economic development, the OMC works on the basis of comprehensive operational frameworks encompassing exchanges of good practices, mutual learning, definition of indicators and parameters aimed at monitoring the efficiency of programmes and measures to achieve the Lisbon objectives.

Strengthening the OMC would require a more pragmatic approach to the exchange of good practices. Member States should define what really works. Also, it is invaluable to learn from past weaknesses and attempt to find remedies for the future.

Some activities, particularly in the area of social inclusion, could be delegated to the NGOs, through civil society as long as cost effectiveness and quality of service are not compromised. Vulnerable people should be directly involved in the consultation process alongside service providers. The information process aimed at these strata of society needs to be intensified.

The effectiveness of the Open Method of Coordination depends on the participation of the widest possible range of actors in policy formulation, implementation, and evaluation at all levels, so as to ensure broad representation.



# NETHERLANDS

## **Opinion of the Dutch Social and Economic Council (Sociaal-Economische Raad – SER): *Europe 2020: the new Lisbon strategy***

The SER contribution is divided into two main sections. Section 1 gives a general overview. Section 2 covers more systematically the issues which the Dutch government asked the SER to address.<sup>1</sup>

### **1. Gist of the opinion**

#### **1.1 Socio-economic policy agenda for Europe in 2010-2020**

The government consulted the SER on two issues: the Lisbon strategy after 2010 and the European social policy agenda. Both issues are addressed in this opinion. The opinion is intended to provide a vision of how the post-2010 Lisbon strategy could be more geared towards sustainable growth, solidarity and quality of life both inside and outside the EU (as called for by the Wiegman-van Meppelen Scheppink motion tabled in the Second Chamber of the Dutch parliament).

#### *Pursuing increased prosperity in the broader sense*

The key message is that the post-2010 socio-economic agenda must continue to focus on boosting prosperity in the broader sense. Three dimensions of sustainability are involved: *people* (social), *profit* (financial-economic) and *planet* (environment). The potential to achieve these objectives depends very much on increasing labour market participation and labour productivity. So far, the emphasis has been primarily on increasing employment. For the next phase, the emphasis must be shifted to increasing labour productivity per hour worked.

#### *Social prosperity and European integration*

At the heart of the Lisbon strategy is the desire to increase future social prosperity. This means making optimum use of – and building on – opportunities for sustainable growth in Europe.

The EU makes the Member States stronger players in the process of globalisation. The Netherlands is too small to influence globalisation's rules of play. The EU, however, does have sufficient weight. The internal market makes a considerable contribution to social prosperity in Europe. Common rules for social, environmental and consumer policy are in place to achieve this. Coordination of national policies at European level can lead to better results, especially during times of crisis. The euro has proved itself by bringing stability where it was sorely needed.

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<sup>1</sup>

Section 1 is based on the original summary, and Section 2 on the conclusions in Part 7. The text has been adapted to avoid duplication.

The success of European integration is due to the fact that the EU is more than a cooperative association between national states. Wherever Community action has added value, powers are transferred by the Member States and pooled in common structures. The EU is also a community of values and has its own legal system. The EU does not just impose obligations, but also grants rights to citizens and businesses.

*The credit crunch is not a reason to change course*

As a result of the current credit crunch, the baseline position at the beginning of the next decade will be worse than had been expected until recently. Because of the current crisis, Europe is suffering an inevitable decline in prosperity and employment. The crisis is also leading to a significant increase in public debt in the Member States.

That is not a reason to change course. What is needed is a bigger effort to boost employment. Moreover, as the population ages, more emphasis must be placed on promoting labour productivity growth. Among other things this will require strengthening innovative capacity.

The current crisis also signals inadequacies in coordination and integration. An obvious example of this is the gaps in surveillance of cross-border financial institutions. It is vital that these failings be corrected.

## **1.2 Recommendations for 2020**

*Increasing labour productivity*

On the economic front, it is important for the EU to set its own course, focusing on increasing labour market participation and labour productivity. The Member States must enable the EU to produce added value by completing the internal market and strengthening the European Knowledge Area (e.g. through adjustments in the EU budget). The EU must also be able to act effectively on the world stage.

The post-2010 agenda must focus more on increasing labour productivity growth. This inevitably has implications for the division of powers between the EU and the Member States. The Member States have not made enough progress through the open method of coordination in the spheres of knowledge, innovation and entrepreneurship.

*Knowledge, innovation and entrepreneurship*

The EU can make considerable progress in these areas by completing the internal market and building a European Knowledge Area. EU resources and instruments must be geared to achieving this. Specifically, the SER recommends:

- Making more funds available in the EU budget for the European Knowledge Area.
- Seeing the Knowledge Area as a "knowledge triangle" of education, research and innovation, and consequently involving (higher) education more explicitly in developing the European Knowledge Area.

- Promoting innovation and entrepreneurship by ensuring that the internal market works properly and further reducing red tape for businesses (especially SMEs). The Small Business Act plays an important role in removing bottlenecks. One appropriate measure to reduce red tape is the agreement to introduce a one-stop shop system for recruitment of a first employee. This agreement, which was reached in 2006, has still not been implemented in a number of Member States, including the Netherlands.
- Pursuing a favourable and supportive policy for promising clusters and sectors aimed at strengthening innovation potential. This mainly national policy should receive European Union support.

#### *Economic and social goals have equal weight*

The SER stresses that the EU's economic and social objectives have equal weight. This means, for instance, as the Court of Justice has stipulated, that where necessary the rights conferred under EU law in relation to free movement of goods, people, services and capital must be weighed against the objectives of social policy. Equal weight means not favouring a priori either collective workers' rights or the four EU freedoms. The main workers' organisations want this interpretation to be set out in a social protocol appended to the treaty.

#### *Economic and employment guidelines*

The *macro-economic guidelines* are geared to increasing social prosperity on the basis of balanced and sustainable growth. Important issues here are: the sustainability of public finances after the crisis and against the backdrop of population ageing; how government and the social partners can avoid pursuing a procyclical policy; and how decisions made under the National Reform Programmes influence public support.

The *micro-economic guidelines* are strongly oriented towards knowledge, innovation and entrepreneurship. There is a need for an overarching objective for 2020 in relation to increasing labour productivity per hour worked. So that adjustments can be made in good time, this must be accompanied by appropriate complementary objectives (including R&D) and indicators (including indicators of entrepreneurship and the position of SMEs).

The SER considers that the priorities in the *employment guidelines* should still apply, these being:

- to get more people into work and keep them there, to increase the number of jobs available, and to modernise social security systems;
- to improve the adaptability of employers and businesses, with the flexicurity principle serving as an important reference;
- to invest more in human capital, i.e. better education, training and skills.

The top priority now is to contain the impact of the credit crunch on unemployment figures. It is therefore important where necessary to get people as efficiently and as quickly as possible into other jobs, while continuing with labour market reforms.

### *Flexicurity*

An important foundation of the social policy agenda is the flexicurity principle.

Flexicurity is not an objective in itself, but a means of helping people to find jobs at each stage of their working life and to maintain their career prospects in a rapidly changing economic environment. An efficient flexicurity system requires that flexibility and security be absolutely in balance. If this is the case, then flexicurity can make an essential contribution to the development of a dynamic, competitive labour market designed to provide a high level of employment and social protection, as set out in Article 2 of the treaty.

Improving the adaptability of workers and businesses, and investing more in human capital, is consistent with the desire to place more emphasis on developing productivity. Social inclusion should be a ongoing concern here. Thus there should be more focus on the issue of equal opportunities and active integration under open coordination in the sphere of social inclusion. The European social partners are about to conclude a framework agreement on integration into the labour market and the workplace.

### *The Community dimension of social policy*

The SER recommends that the division of powers and responsibilities between the EU and the Member States be set out clearly in the European social policy agenda.

The Community dimension of social policy affects the regulation of cross-border labour mobility and working conditions. The main issues in relation to labour mobility are the free movement of workers to and from Romania and Bulgaria, and effective regulation and implementation of cross-border mobility of knowledge workers from non-EU countries.

In relation to regulating (cross-border) labour agreements, the SER asks that attention be paid to improving the application and monitoring of existing legislation. This is necessary in order to strengthen support for further completion of the internal market. In particular, this means implementing the directive on posting of workers. The key issues to be addressed here include:

- closer regulation of administrative cooperation between the Member States;
- harmonisation of the various administrative procedures used under European legislation in the secondment of employees;
- a more precise definition of the term "establishment" so as to prevent mailbox companies;
- clearer distinction in national legislation between employees and self-employed workers.

### *The Environmental Action Programme as a framework*

Environment, climate and energy issues should be more clearly embedded in the Lisbon strategy in order to promote more consistent linkage between economic and environmental innovation. The multiannual European Environmental Action Programme provides a good framework for this. A clear connection must be established between the new Lisbon agenda and the forthcoming (seventh)

Environmental Action Programme. Environmental, energy and climate policy can make a major contribution to the productivity agenda by stimulating eco-efficient innovations.

### **1.3 Improving the open method of coordination**

The SER makes the following recommendations for enhancing the open method of coordination:

- Monitoring should be separated from policy learning. Learning and lecturing may not be easy to combine. In order to promote policy learning, more emphasis must be given to comparative studies, evaluations and policy experiments.
- The National Reform Programmes should play a more influential role. The Member States must take the overarching Community strategy more seriously when drawing up their national programmes. This can be achieved by linking the national Lisbon cycle to the legislative period of each national government.
- Country-specific employment objectives. For the sake of credibility, the SER advocates that the Member States – alongside and on the basis of the general European objective – each frame their own objective for increasing employment. These objectives should then be translated into concrete government declarations and programmes, so that the Member States are answerable not only to other Member States, but also to their national parliaments.
- Appropriate indicators. The number of Community objectives should not become too large, and the guidelines must dovetail with these objectives. Certain variables must be made tangible using appropriate indicators, so that the Member States become more accountable for their performance. By publishing the achievements of the Member States for each objective and indicator, the open method of coordination could also have more impact. No Member State likes to lag behind all the others. The micro-economic guidelines in particular need a good overarching objective. The SER recommends an objective for 2020 in relation to growth in labour productivity per hour worked, whereby account would obviously have to be taken of differences in Member States' baseline positions.
- Finessing the R&D objective. The current R&D objective is still important because R&D is a good indicator of future innovation potential. But the post-2010 R&D objective must distinguish between technologically advanced countries and countries that still have to catch up in growth terms. This does not apply so much to public R&D expenditure, which in principle under the Lisbon strategy should amount to at least 1% of GDP for all Member States.

## **2. Conclusions and recommendations**

The main conclusions and recommendations are set out below, but this time based on the questions that the government put to the SER. The main part of this section relates closely to the government's three key follow-up questions on the Lisbon strategy:

- Assessment of its effects (point 2.1): "How does the SER assess the effects so far of the strategy, in particular after the 2005 revision?"

- Content of the Lisbon strategy after 2010 (point 2.2): "What specific issues should the Lisbon strategy focus on after 2010?" (with a series of more detailed questions)
- Structure of the new Lisbon strategy (point 2.3): "Is it possible to improve the process and instruments (...) used? (...) Are measures needed to make the strategy more binding, or on the contrary not needed?"

The answers to the government's questions about the basis, issues and priorities of the European social agenda were also relevant in this framework.

## **2.1 Assessment of the strategy to date**

### *Economy and employment*

Assessment of the Lisbon strategy so far to date throws up various reasons to adjust economic policy after 2010. Since 2005 there has been more emphasis on a clear division of remits between the EU and the Member States with respect to economic and employment policy. The idea was that the EU should be responsible in areas where it can provide obvious added value (e.g. completion of the internal market, creating the European Knowledge Area), while the Member States should align their national Lisbon strategy efforts based on a process of open coordination.

The results of this approach have been mixed. At EU level, there are various shortcomings in relation to integration and coordination. This applies to cross-border supervision of financial institutions, the still incomplete Community patent and an EU budget that is not yet adequately geared to the Lisbon strategy. And macro-economic policy alignment is certainly not yet optimal.

The Member States have made progress vis-à-vis knowledge, innovation, entrepreneurship, labour market participation and employability through the open method of coordination. The employment objectives have largely been achieved, although the credit crunch is now undermining efforts. However, far fewer results have been achieved with respect to the objective of increasing R&D spending to 3% of GDP by 2010.

A positive factor is that since 2005 the Member States have set out their efforts in National Reform Programmes (NRPs). In the Netherlands, this has also increased the potential for involving stakeholders (such as the social partners, environmentalists and local authorities) in the Lisbon strategy at national level. A disadvantage is that the NRPs are too much like technical reports written for and by specialists. This makes them unsuitable for developing public support for the Lisbon strategy in the Netherlands.

### *Social policy*

Europe's social policy agenda ties in with the general objectives of the Treaty Article 2 : sustainable growth with a high level of social protection and employment. The social agenda also reflects the specific treaty objective in relation to coordinating employment policy: promoting education, training, the ability of workers to adjust and labour markets that respond flexibly to economic changes. The current crisis will test the strength of social support for necessary adjustment processes.

The principles of the social policy agenda do not need to be adapted; it is its practical implementation that will be critical in the next phase of the strategy. There are grounds for shifting priorities (see point 7.3), and reconsidering specific aspects of the strategy's structure (point 7.4.1) and instruments (point 7.4.2).

#### *Environmental policy*

Since the European Council summit in Gothenburg in 2001, the environment has been one of the three pillars of the Lisbon strategy. Over the past few years, the EU has launched various (legislative) initiatives on the environment, energy and climate change, but it not clear how these connect with the Lisbon strategy. At the interim review of the strategy in 2005, it was decided to pay less attention to the environmental dimension. There is also only one guideline relating to the environment. In view of efforts to achieve sustainable development and the considerable challenges this entails for the environment, climate and energy, the environmental dimension should be better (i.e. more clearly) anchored in the Lisbon strategy during the next phase.

#### *Processes*

Since 2005, the various policy processes have been better aligned at EU level. As a result, there are 24 integrated guidelines for economic policy (micro, macro and employment) based on three-year cycles (the current cycle being 2008-2010). The Member States report on these guidelines in their three-yearly National Reform Programmes.

Working with the National Reform Programmes has clarified the division of responsibilities for the Lisbon strategy. One disadvantage of this is that the policy cycle of the Lisbon strategy is poorly aligned with national policy cycles in the Member States, which are generally determined by four-yearly government terms. This is one reason why the Member States feel that the current NRPs create too much of a reporting burden.

## **2.2 New policy agenda for the next ten years**

### **2.2.1 Basic principle: promoting social prosperity**

The question posed in the consultation of the SER on the Lisbon strategy under the motion tabled by Ms Wiegman-van Meppelen Scheppink in the Dutch Second Chamber<sup>2</sup> is how the strategy is geared towards sustainable development, social solidarity and quality of life inside and outside the EU.

The SER believes that the Lisbon strategy should aim to promote social prosperity, in accordance with its own broad definition of prosperity. The term prosperity is closely linked to the pursuit of sustainable development. There are three dimensions to sustainability: *people* (social), *profit* (financial-economic) and *planet* (environmental). This concept adds an intergenerational and international dimension to the pursuit of prosperity within society.

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<sup>2</sup>

Second Chamber, 2007-2008 session, 21 501-20 No 382.

This opinion is intended to provide basic building-blocks for developing the vision called for in the above-mentioned motion of how the Lisbon strategy can be directed more at sustainable development, social solidarity and quality of life both inside and outside the EU. Not only government, but also the social partners and business, have an important role to play here. The three Ps of the Lisbon strategy mirror the three Ps of assuming social responsibility.<sup>3</sup>

It is a considerable challenge to achieve economic, social and environmental goals concurrently and evenly. This means weighing up certain issues. On the other hand, the various objectives may be mutually reinforcing: an effective social policy enables people to take risks and so encourages economic growth. In the same way, efforts to achieve sustainability can promote innovation (and vice versa).

### **2.2.2 Economic policy**

The world has changed substantially since the year 2000. The United States no longer holds such an unquestionably dominant position on the world stage. From 2010, the EU must rely much more on its own strength, while taking into consideration the consequences of its policies for non-EU countries.

#### *More diversity within the EU*

The EU itself has also changed a great deal since the year 2000. With the accession of so many new Member States, diversity within the EU has increased enormously. The post-2010 policy agenda will have to take this more explicitly into account. This also applies to agreeing on joint objectives. When deciding on and applying a benchmark (e.g. growth in labour productivity per hour worked), account must be taken of differences between Member States' baseline positions.

#### *Increasing labour productivity*

On the economic front, it is important for the EU to set its own course, focusing on boosting employment and labour productivity. From 2010, it will certainly be important for the Member States to enable the EU to produce added value by completing the internal market and consolidating the European Knowledge Area. At the same time the EU must also be able to play an independent role on the world stage.

The post-2010 agenda must focus more on increasing labour productivity growth. This inevitably has implications for the division of powers between the EU and the Member States. The Member States have not made enough progress through open coordination in the spheres of knowledge, innovation and entrepreneurship. The EU can make considerable progress in these areas by completing the internal market and building a European Knowledge Area. EU resources and instruments must be geared to achieving this. Specifically, this must involve a shift within the EU budget in favour of the European Knowledge Area.

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<sup>3</sup>

See SER (2000) opinion: *De winst van waarden* ("The benefit of values"), publication No. 00/11.



### *Importance of appropriate indicators*

More generally, it is important that the number of joint objectives should not become too large, that the guidelines dovetail with these objectives and that certain variables are made tangible using appropriate indicators. The Member States will thus become more accountable for their performance in relation to the Lisbon agenda. By publishing the achievements of the Member States for each objective and indicator, the open method of coordination could also have more impact. No Member State likes to lag behind all the others.

### **2.2.3 Social policy**

#### *Economic and social goals have equal weight*

The SER emphasises the equal weight of the EU's economic and social objectives. This means, for instance, as the Court of Justice has stipulated, that where necessary the rights conferred under EU law in relation to free movement of goods, people, services and capital must be weighed against the objectives of social policy.

In the SER's view, this will also guarantee that joint action and negotiations in relation to the social objectives will be evaluated equally against the principles of legitimacy, effectiveness and proportionality. The four basic freedoms are relevant to this evaluation, though without preference being given a priori to either collective workers' rights or the four EU freedoms.

The main workers' organisations want this interpretation to be set out in a social protocol to the Treaty.

#### *Flexicurity*

An important foundation of the social policy agenda is the flexicurity principle. Flexicurity is understood as a labour market instrument that is designed - through legislating, facilitating and stimulating - to make both the conditions of work and labour mobility more flexible, and to establish income and job security, at the same time and in a coordinated way.

Flexicurity is not an objective in itself, but a means of helping people to find jobs at each stage of their working life and to maintain their career prospects in a rapidly changing economic environment. An efficient flexicurity system requires that flexibility and security be properly balanced. On this basis, flexicurity can make an essential contribution to the long-term development of a dynamic, competitive labour market geared towards a high level of employment and social protection, as set out in Article 2 of the treaty.

#### *Priorities of the employment guidelines*

The SER considers the challenges facing the EU to be such that the priorities of the employment guidelines remain valid. These priorities are:

- to get more people into work and keep them there, to increase the number of jobs available, and to modernise social security systems;

- to improve the adaptability of employers and businesses, with flexicurity serving as a key guiding principle;
- to invest more in human capital, i.e. better education, training and skills.

The top priority now is to contain the impact of the credit crunch on unemployment figures, if necessary by getting people as efficiently and as quickly as possible onto alternative career paths and at the same time continuing with labour market reforms.

Improving the adaptability of workers and businesses, and investing more in human capital, is consistent with the desire to place more emphasis on developing productivity in the social and economic agenda over the next ten years. It is also important to constantly be aware of social inclusion. The SER therefore welcomes the European Commission's intention to focus more on the issue of equal opportunities and active integration under the open method of coordination in the sphere of social inclusion. The SER also points here to the framework agreement on integration into the labour market that is about to be concluded by the European social partners.

#### *The Community dimension*

The Community dimension of social policy affects the regulation of cross-border labour mobility and working conditions. Important issues in relation to labour mobility are the free movement of workers to and from Romania and Bulgaria, and effective regulation and implementation of cross-border mobility for knowledge workers from non-EU countries.

In relation to regulating (cross-border) labour agreements, the SER asks that attention be paid in particular to improving the application and monitoring of existing legislation. This is necessary in order to strengthen support for further completion of the internal market. In particular, this means implementing the directive on posting of workers. The key points here include:

- closer regulation of administrative cooperation between the Member States;
- harmonisation of the various administrative procedures used under European legislation in the secondment of employees;
- a more precise definition of the term "establishment" so as to prevent mailbox companies;
- clearer distinction in national legislation between employees and self-employed workers.

The SER emphasises the importance of social dialogue in Europe. The jointly agreed objectives on social policy issues, as set out in the treaty (Article 136), should not be based solely on the functioning of the internal market or alignment between Member States' policies, but also on agreement between the social partners.

#### **2.2.4 Environmental policy**

##### *Importance of European environmental policy*

Many environmental issues have cross-border implications and so require an internationally coordinated approach in order to avoid (future) prosperity loss. The European Union is a key player

in international coordination efforts. The environment is an area where responsibility is shared by the EU and the Member States. Protection of the environment must be explicitly incorporated into policy in a number of spheres. The Lisbon treaty gives the EU a separate legal basis for a specific energy policy.

#### *The Environmental Action Programme as a framework*

It is recommended that environment, climate and energy issues be more clearly embedded in the Lisbon strategy in order to promote more consistent linkage between economic and environmental innovation. The multiannual European Environmental Action Programme provides an excellent framework for this. A clear connection must be established between the new Lisbon agenda and the forthcoming (seventh) Environmental Action Programme.

The current sixth Environmental Action Programme of the EU identifies four priority policy areas: climate change; protection and recovery of nature and biodiversity; a healthy living environment; and making production and consumption patterns sustainable through more efficient use of resources. Such issues must obviously also be clearly addressed in the new Lisbon strategy. Promoting eco-efficient innovations is an important approach here. Environmental, energy and climate policy can make a major contribution to the productivity agenda.

### **2.3 Adjustments called for in the structure of the strategy**

#### **2.3.1 Division of responsibilities between the EU and the Member States**

##### *European Knowledge Area*

Assessment shows that not enough progress has been made through the open method of coordination in the spheres of knowledge, innovation and labour productivity. This is despite the fact that there are many opportunities at EU level to further develop the European Knowledge Area. Application of the subsidiarity principle would require the EU to play a bigger role. This should translate into more funding (from the EU budget) and instruments/powers.

##### *Differentiating between the national and Community dimensions of the social policy agenda*

The SER has previously called for a clear distinction to be drawn between national and European aspects of the socio-economic policy agenda.<sup>4</sup> Such a distinction has been made since 2005 in the Lisbon agenda. It is only in the current social policy agenda that the Community and national dimensions still overlap. The SER finds this unsatisfactory and calls for the division of powers and responsibilities between the EU and the Member States to be clearly indicated in social policy too.

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SER (2004) opinion *Evaluatie van de Lissabon-strategie* (Evaluation of the Lisbon strategy), Publication No 04/10.

### 2.3.2 Improving the open method of coordination

#### *Separating monitoring from policy formulation*

One of the goals of the open method of coordination is policy learning. There are signs that this is not getting off the ground properly. Policy learning does not flourish where monitoring is combined with peer pressure in a highly politicised environment. In this context, the tendency is to defend one's own policy rather than admit that it is better to learn from others who may be doing the job better. Learning and lecturing may not be easy to combine.

To promote policy learning, it may be better to separate monitoring and peer pressure in the interests of "depoliticisation". A similar approach to the OECD could be adopted, with more emphasis on comparative studies, meetings of experts (with the social partners participating) and scientific congresses. More use should also be made of the findings from evaluations and policy experiments in order to determine what does and does not work in relation to an active employment policy, lifelong learning and employee training. This argues for more *evidence-based* policy-making.

#### *A more influential role for the National Reform Programmes*

The Member States must take the overarching Community strategy more seriously when drawing up their National Reform Programmes. One way of achieving this could be to link the national Lisbon cycle after 2010 to the legislative period of each national government. Government agreements would then obviously have to take the Community guidelines into account. It would become more appropriate for the EU to ask probing questions of new governments regarding the objectives of their national Lisbon strategy.

This approach could also have implications for the number of guidelines (at present 24), the number of common goals and the number of indicators used to measure progress.

#### *Macro guidelines*

The macro-economic guidelines are concerned above all with increasing social prosperity through balanced and sustainable growth. Attention should be paid when working out the details of the macro-economic guidelines to the following:

- the outlook for public finances in the context of the recession; time frame and measures for putting public finances back on a sound footing;
- the sustainability of public finances in the context of population ageing;
- coordinating the responsibilities of national government and social partners; one aspect of this is the issue of how government and the social partners can avoid a procyclical policy;
- coordination between monetary and budgetary policy, especially in the euro area countries;
- achieving the right balance between budgetary autonomy (within the rules of the Stability and Growth Pact) and promoting the macro-economic stabilisation of the EU or the euro area;
- solidarity between countries in the euro area, between the euro area countries and other EU countries, and with non-Member States;
- the role of decisions made under the National Reform Programmes in creating public support;

- the merits of a reform programme for the euro area.

*Micro guidelines: overarching objective and indicators*

The recommendation that a good overarching objective be formulated is particularly relevant for the micro-economic guidelines. The SER proposes in particular an objective for 2020 in relation to growth in labour productivity per hour worked. This objective would have to allow for differences in Member States' baseline positions.

However, this overarching objective does not lend itself to management from year to year, and must be supplemented by appropriate indicators for relevant subordinate factors. In this connection, the guidelines for promoting entrepreneurship and better lawmaking should be taken into account. The indicators should concern not just red tape, but also reduction of the regulatory burden and acceleration of procedures.

The current R&D objective remains important because R&D is a good indicator of future innovation potential. But the R&D objective post-2010 must distinguish between technologically advanced countries and countries that still have to catch up in growth terms. This does not apply so much to public R&D expenditure, which in principle under the Lisbon strategy should amount to at least 1% of GDP for all EU Member States.

The Dutch authorities thus also need to catch up in this area. In addition, private-sector R&D efforts must be stepped up in the Netherlands if the aim of joining Europe's front-runners is to be achieved.

*Employment guidelines*

For the sake of credibility, the SER advocates that the Member States – alongside and on the basis of the general European objective – each frame their own objective for increasing employment. These objectives should then be translated into concrete government declarations and programmes, so that the Member States are answerable not only to other Member States, but also to their national parliaments. This increases the political costs of not achieving the goals. The national action programmes should state how the European agreements have been translated into national policy objectives. In order to ensure that the collective aspiration is not undermined, agreements could be reached on a minimum target increase in net participation levels (e.g. of 5 percentage points).

In order to step up peer pressure and internal political pressure, a scoreboard might be introduced for the employment objectives. This would give an instant picture of how countries are performing in comparison with each other. Countries generally do not like to be trailing somewhere at the bottom of a list. Because at the moment only incomplete information is available on how the employment guidelines are working on the ground, poorly performing Member States are getting off the hook too easily.

*Social protection and inclusion guidelines*

There is an obvious link between the general guidelines for socio-economic policy and guidelines for social protection and exclusion. This is because efforts to improve social prosperity require an

integrated approach to measures affecting contractual relations, labour market rules, training and social protection. Restraint must be exercised when formulating quantitative targets for social protection, given the differences between Member States' systems.

### **2.3.3 Targeted use of Community instruments**

The SER recommends that more support be provided for the Lisbon strategy through targeted application of the main instruments available to the EU, namely legislation and budgetary resources.

#### *Knowledge, innovation and entrepreneurship*

The SER notes that although the fifth freedom (free movement of knowledge) has already been announced, it does not yet have enough substance. The European Knowledge Area can be seen as a knowledge triangle, consisting of education, research and innovation. The EU already has some resources and instruments for research and innovation, but the education part of the triangle is still virtually empty. Given the complementarity of knowledge, innovation and (higher) education, the SER considers it very important for education to have a higher position on the Community agenda.

Under the 8th R&D Framework Programme, commencing in 2014, a better balance should be found between science and business, with a view to improving Europe's competitive position. In addition, red tape should be reduced and accessibility guaranteed for SMEs.

#### *Innovation, entrepreneurship and industrial policy*

Innovation is also promoted through the operation of the internal market and strengthening of entrepreneurship. The SER points here to the need to further reduce red tape for businesses. Red tape is a heavier burden for SMEs than for larger European businesses. Policy at EU level and in the Member States must therefore also aim to remove bottlenecks for SMEs. The Small Business Act (SBA) plays an important role here. The planned evaluation of the SBA is rather non-committal. To firm it up, it would be good to have a scoreboard with specific evaluation criteria at European and national level. One appropriate measure to reduce red tape is the agreement to introduce a one-stop shop system for recruitment of a first employee. This agreement, which was reached in 2006, has still not been implemented in a number of Member States, including the Netherlands.

It would also make sense to pursue a favourable and supportive policy for promising clusters and sectors, with the European Union backing, aimed at strengthening innovation potential. This mainly national policy should receive European Union support.

#### *Allocations from the EU budget*

The SER believes that the EU budget should be deployed in a more targeted way as an instrument for realising the Lisbon objectives. This means, for instance, earmarking more funds for strengthening the knowledge triangle.

ESF funding is also available for co-financing any measures taken. The SER believes it would be a good idea in principle to earmark more ESF funding for implementation of the social policy agenda.

This can only be done if supervision by auditors (at European level) of funding allocation is tightened up and there is an obligation to draw up target values and objectives for ESF projects in advance and then to ensure systematic data collection during the projects so as to permit proper evaluation. In this way there will be more information about the effectiveness of ESF funding, and policy learning can be promoted.

# AUSTRIA

Due to the informal structure of the Austrian Economic and Social Council, the answers to the questions below relate to the four major, representative social partner organisations in Austria that are its members: the Federal Chamber of Labour, the Austrian Chamber of Agriculture, the Austrian Trade Union Federation, and the Austrian Federal Economic Chamber.

## **THE RENEWED LISBON STRATEGY CYCLE (2008 – 2010)**

### **1. What is your critical analysis of the 2008 National Reform Programme (NRP)?**

The Austrian social partners were involved in drawing up the national reform programme for the final cycle of the Lisbon Strategy (2008-2010). A number of concrete suggestions made by the social partners were taken up in the report. For example, the programme refers to several joint papers drawn up by the social partners, in particular the paper entitled "Labour market - future 2010". The implementation of the NRP must not be pushed into the background as a result of the economic crisis, even if the crisis will remain a key factor in the near future.

It should be noted, however, that by the time the NRP was adopted (October 2008), economic reality had already caught up with it. This is particularly true of the programme's analysis of the current economic situation in terms of economic growth, the labour market and public finances, which in spite of the imminent, massive economic collapse still struck a decidedly optimistic note.

Already at the time, the employees' side called for measures to boost domestic demand and safeguard growth and employment, and in this context described the goal of achieving a balanced budget by 2010 as unrealistic and a mistake. From the point of view of the employees, not enough attention was paid in the NRP to the precarious trends that were clearly taking shape in the labour market. Another area where criticism was voiced was the urgent need for action on measures to prevent wage and social dumping, especially in the case of posting of female workers.

Employers on several occasions warned that more consistent budget consolidation was needed to guarantee a balanced budget beyond the economic cycle. This means pursuing a balanced budget in years of strong growth, for instance through reforms in education, health and administration.

### **2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?**

The Commission has recommended that Austria "further improves incentives for older workers to continue working by implementing a comprehensive strategy including enhanced job-related training, adaptation of working conditions, and tightening the conditions for early retirement; and improves



education outcomes for disadvantaged youth." It also criticised the major gender-based discrepancies in income and the lack of child care facilities.

In the area of employment statistics for older workers, Austria has made up substantial ground in the past five years (around 10%). The pension reforms in 2003/2004, as well as the labour market policy measures for older people which accompanied them, contributed to this. The overall trend therefore is positive. However, further measures to boost labour market participation by older people are needed. A number of targeted measures have been adopted, for example, an obligatory year of kindergarten, guaranteed education, coaching models etc., in order to improve the education opportunities available to disadvantaged youth.

The social partners recognised these needs and already in autumn 2007 submitted a package of measures to the federal government entitled "Labour market - future 2010", which includes a youth education package and a labour market training package. While almost all the measures in the social partners' youth employment package have been implemented, as has already been mentioned, the labour market training package has only partly been implemented. The following measures in the labour market training package were not implemented: measures to boost and extend the employment of older people.

Further measures need to be taken to reduce gender-based differences in income, including a better balance between working and family life, measures to improve the career options available to women, etc.

Although recently some efforts have been made to improve the child care situation, the Austrian federal government has not been ambitious enough as regards the EU's Barcelona target of getting 33% of children under the age of three into child care by 2010. In 2007, the figure for this age group was still very low in Austria, at around 14% (statistic for children's day care centres). Greater efforts are urgently needed to expand facilities, in particular early childhood care facilities that are open all the year round.

### **3. How are your national ESC and civil society organisations involved in the preparation of the National Recovery Plan and its implementation?**

The Austrian social partners were only partially involved in preparing the two Austrian economic recovery packages. However, they were fully involved in preparing labour market measures (short-time working) and tax reforms which represent a major part of the economic recovery plan. The Austrian Federal Economic Chamber (WKÖ) was also involved in the negotiations on the ecology premium (scrapping premium) amongst other things.

The social partners welcome the measures set out in the economic recovery plan, which generally head in the right direction and partly correspond to the calls made by the social partners over many years. Since funding for some recovery measures (such as heating-systems renovation) will soon be exhausted, the social partners believe further action will be needed.

The social partners are also involved in the implementation of measures, including for example labour market policies such as short-time working and the setting up of job foundations.

**4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?**

National recovery measures must have an impact in the short term to tackle the crisis of confidence. This will also require measures in areas which the Lisbon Strategy with its long-term focus does not address (for example, confidence in the financial market, access to finance/credit, short-time working). Nonetheless, many of the Lisbon Strategy measures are appropriate, for example, promoting R&D, energy efficiency in buildings, regional employment programmes, pre-school education, investment incentives for companies, prioritisation of infrastructure measures).

**5. How can we improve the coordination of National Recovery Plans at European level?**

In December 2008 the European Council reached agreement on a European recovery plan, which due to the structure of the EU and the limited EU budget basically only amounts to a framework of national recovery measures. It is therefore all the more important for Member States to adopt concrete measures and to allow spill-over effects to benefit everyone. At the same time contradictory messages should be avoided. The Commission has indicated that it would tolerate greater flexibility in the application of the Stability and Growth Pact (SGP). At the same time, however, it expects Member States which have adopted counter-cyclical measures in particular to make greater efforts in the budgetary consolidation which follows. Since the SGP does not grant any lasting exceptions, there is the risk that Member States which have been proactive in stabilising the economy, will later be blamed for budget deficits. The size and scale of national recovery packages should therefore be duly taken into account in the excessive deficit procedure.

In order to improve the coordination of economic recovery measures at EU level, a coordinator could be appointed. Ideally, this would be the Commission president himself, who would maintain regular contact with the Member States' coordinators (heads of state or government, or national Lisbon coordinators). Member States should exchange best practices in regular meetings, and report on their experiences with certain national measures. National measures have an impact on other Member States (for example, the German scrapping scheme and Austria). Member States could analyse these effects together.

## **THE FUTURE OF THE LISBON STRATEGY 2010-2020**

**1. What are the main challenges for the Post-2010-Strategy?**

For the Austrian social partners, the priority challenge is to overcome the financial and economic crisis quickly. This challenge will therefore also feature in the immediate post-Lisbon period. Moreover, the social partners consider the following areas to be major challenges: climate change,

energy shortages, structural change in environmental matters, globalisation, demographic change, employment, fighting poverty, reconciling family and working life, as well as better coordination within the monetary union in order to boost internal cohesion. These challenges should be taken into account in the measures that are adopted to overcome the present crisis.

## **2. What are your proposals for the revaluation and update of the Lisbon objectives?**

The Austrian social partners are committed to a post-Lisbon Strategy, but wish to see the following changes in the strategy's goals:

- a) The original target of "making the European Union the most competitive and dynamic knowledge-based economy in the world ...", in effect calls for a race between economic areas. This target should therefore be replaced with more positive wording. One possibility could be, for instance: "The goal is to turn Europe into a dynamic knowledge-based economy which reconciles high competitiveness with full employment, social security and sustainable development." This target thus also directly takes into account the need for energy and resource efficiency which will grow in importance in the post-Lisbon period.
- b) As regards employment goals, the social partners are in favour of adapting the national contributions which the Commission has calculated in its "employment scenarios for 2010" and considers necessary for the EU to reach its overall employment targets.
- c) The goals of the current Lisbon Strategy should continue to apply and be achieved as quickly as possible, and at the latest by 2015. More ambitious goals should then be set for the 2015-2020 period. For instance, new goals for fighting poverty should be introduced.

The social partners believe that the new Lisbon Strategy after 2010 should cover a ten-year period, and that this period should be further sub-divided into two phases of five years each. It would be useful if, in 2015, top-level experts were once again to carry out a mid-term review and the decision to do so were already taken when the post-Lisbon Strategy is adopted. Looking ahead to new goals and time limits, but also taking into account the economic downturn, the "Integrated guidelines for growth and jobs" need to be reset.

## **3. How can the following be integrated more successfully in the new strategy – social aspects, education, training, mobility, and globalisation adjustment policies?**

A crucial precondition for the successful integration and implementation of these aspects is to fully involve the social partners in all matters relating to the post-Lisbon Strategy. Thanks to their representative role, the social partners have special expertise which they can draw on to help overcome impending and future challenges. See also the joint position of the social partners on the Lisbon Strategy after 2010.

**4. How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European Strategies during the new decade?**

Stronger incentives need to be created to encourage Member States to implement the recommendations. One possible sanction that could be envisaged, for example in European employment policy, when a Member State consistently falls short of its targets, is to adapt the funding from the European Social Fund, which the Member State and the Commission determine jointly, in such a way that the funds from the ESF are used primarily to finance the measures that are needed to overcome the shortcomings identified in the Member States' active labour market policy.

In order to preserve a certain degree of continuity, the new Council president, who under the new Lisbon Treaty would be appointed for two and a half years, could be made responsible for the Lisbon process, both in terms of its content and strategy. The Lisbon steering group should be made up of national coordinators, representatives of the European Parliament and the European Commission, as well as the European social partners, and should monitor the Lisbon agenda and provide guidance. The Council, in its various formations, should continue to be responsible for preparing the Lisbon agenda for the European Spring Summit, as usual.

**5. What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and Parliaments on both a national and European level?**

The Open Method of Coordination has over the past few years developed into a useful instrument for mutual exchanges of experience that can contribute to greater social convergence. Close interaction between the revised Lisbon Strategy and the OMC is in our view essential for a balanced relationship between economic, social, environmental and employment policy in the European Union.

In order to step up the "naming and shaming" of Member States who fall short, and to highlight their weak spots, the Lisbon ranking should not just list countries, but also – and especially – subjects. The ranking should be set out according to sectors and published on the Commission's home page.

In order to achieve broader acceptance of the Lisbon goals and thus create better conditions for their implementation, greater involvement of European and national social partners in the drafting of the "Integrated guidelines for growth and employment" is crucial. In this context, the social partners call for improved and early consultation during all stages both as regards the integrated guidelines for growth and employment and the "open coordination" (drafting, national implementation, monitoring).

# POLAND

## **RENEWED LISBON STRATEGY 2008-2010**

Following the launch at the March 2008 Spring Summit of the new phase of the renewed Lisbon Strategy for Growth and Employment (2008-2010), the Polish government drew up a National Reform Program (NRP) for 2008-2010. The 2008-2010 NRP (adopted on 18 November 2008) sets out to the actions which the Polish government intends to take in order to achieve the basic objectives of the renewed Lisbon Strategy. It is based on the Integrated Guidelines for Growth and Jobs (2008-2010) adopted by the European Council, the recommendations and areas for monitoring in relation to Poland identified by the European Council in March 2008 and the Strategic Management Plan of the government of Prime Minister Donald Tusk.

The NRP is consistent with the National Development Plan 2007-2015, the National Strategic Reference Framework 2007-2013 and the Convergence Program, 2007 update.

The 2008-2010 NRP lists the action which must be taken in order to achieve the objectives of the renewed Lisbon Strategy in three priority areas:

- 1) Active society - activities in this area will help to create appropriate conditions for social and individual development; these activities include:
  - the development of education in the knowledge-based society and economy;
  - the modernisation of the system of social insurance: the implementation of social insurance reform plans and action aimed at delaying the exit of workers from the labour market;
  - active labour market policies (improvements in institutional labour market services; the introduction of a system of incentives encouraging groups at risk of unemployment and social exclusion to find employment, including measures to extend employees' working lives and encouraging workers in the 50-plus age group to return to the labour market; the implementation of policies on economic migration, taking account of the needs of the labour market, especially with a view to increasing the influx of highly qualified workers);
  - the development of institutions facilitating the expansion of civil society activity, supporting the development of enterprises and strengthening the role of social partner organisations and of the mechanism of social dialogue;
  - the development of the information society, the provision of broadband Internet access and the improvement of IT skills;
  - improvements in the effectiveness of the healthcare system (changes in the financing of healthcare; changes in the operation of healthcare institutions).

- 2) Economic innovation - activities in this area will facilitate the development of high value-added and highly innovative sectors, which will have a major impact on long-term economic growth; activities in this area include:
- providing a favourable legal and institutional environment for entrepreneurial activity, innovation and investment;
  - improving the competitiveness of science through reforms of the system of financing and the operation of scientific institutions;
  - the introduction of solutions promoting pro-innovation activity and research and development, including facilitating the transfer of knowledge and the dissemination of innovation;
  - providing transport, communications and IT infrastructure appropriate to the needs of a modern economy;
  - ensuring competitive conditions in network sectors;
  - exploiting innovative solutions in the area of environmental protection;
  - completing the main privatisation processes.
- 3) Effective institutions - effective exploitation of public resources obtained through the realisation of activities in this area (without additional burdens on the public and businesses) will ensure the effective implementation of pro-development policies and public investment, while guaranteeing an appropriate level of social protection; activities in this area include:
- the development of modern public administrations, including e-government, with a view to improving the quality of their work;
  - improving the effectiveness of the operation of the public finance sector and improving the management of public financial resources;
  - devolving public finances to local government, assigning new tasks and powers to local government and drawing up a clear demarcation line between central and local government powers;
  - creating a modern and effective system for promoting Poland, especially a system for promoting the Polish economy and for boosting economic cooperation.

The purpose of the reforms introduced by the NRP is to create the basis for sustainable socio-economic development, resulting in a higher standard of living; the introduction of the reforms will help Poland achieve the objectives of the renewed Lisbon Strategy and those identified as priorities by the European Council more quickly.

Both the 2008-2010 NRP and its implementing document, which includes a timetable for implementation and sets out the expected effects of the implementation of individual measures as well as quantitative and qualitative indicators, are the product of broad-based social consultation.

On 28 January of this year the European Commission published its Communication to the European Council on Implementation of the Lisbon Strategy - Structural Reforms in the context of the European

Economic Recovery Plan: Annual country assessments – a detailed overview of progress made with the implementation of the Lisbon Strategy reforms in Member States in 2008. The aim of the Communication was to take stock of progress on the implementation of the Lisbon Strategy, both at Community level and in relation to the NRPs drawn up in individual Member States.

In the Commission's view, progress on introducing reforms in Poland in 2008 was limited, although somewhat better than the previous year. The main points highlighted by the European Commission include the following: growth in employment and a further fall in unemployment, further steps to improve competitiveness in network sectors: the boosting of active labour market policies, improvements in the legal environment for entrepreneurs and the linking of education and vocational training with the labour market.

Recommendations for Poland include:

- sustained medium-term budget discipline and the introduction of new measures to improve control of expenditure, especially via reform of the system of social insurance for farmers;
- reforms of the public research sector with a view to increasing investment in research and development and innovation, with incentives to the private sector to participate in R&D;
- the acceleration of investment in transport and energy infrastructure by streamlining procedures and effective exploitation of the Structural Funds;
- the development of an integrated approach based on the flexicurity model, by means of a strategy to bring people in the 50-plus age group back into employment, the intensification of measures to improve active labour market policy, especially for less privileged groups, a review of the benefits system with a view to encouraging people to work and the introduction of a lifelong learning strategy.

The economic situation in the world and in Poland led to greater mobilisation of all parties involved in cooperation and provided a new role for social dialogue. Both the social partners in the Tripartite Commission for Economic and Social Affairs and the government side identified a need to deal with emerging problems and for the Commission to seek possible solutions.

Towards the end of 2008 the social partners pointed out that there was a need for constant monitoring and for the establishment of instruments and tools to stimulate the Polish economy and minimise the effects of the crisis. It was decided that, against the background of the world economic and financial situation, the task force of the Tripartite Commission for Economic Policy and Labour Market Affairs would seek for tools and proposed solutions to protect the country against the possible negative effects of the crisis. The task force would also play the role of coordinator for the work of the Commission.

In January 2009, based on the results of the work of the task force, the executive of the Tripartite Commission established a methodology and timetable for the monitoring of financial crisis processes and their effect on the economy, and adopted recommendations for the task forces regarding areas

falling within their remit. From that moment on intensive work began in the Commission and meetings of the social partners were held.

On 13 March 2009 the social partners adopted a 13-point anti-crisis package, which was the result of dialogue. It proposed activities in three areas:

I) Wages and benefits

1. An emergency aid programme for society, and particularly the poorest families affected by the crisis, and increases in funding for social benefits to reflect the rise in the number of people losing their jobs
2. Ending the taxation of benefits paid by trade unions (extending the list) and those paid by the social security system
3. The exemption from income-tax of social benefits paid in the form of vouchers for goods or services
4. Abolition of the law on the negotiating system for establishing the average wage increases to be paid by employers and of the law placing a ceiling on the earnings of managers of state-owned businesses
5. Measures to bring the minimum wage up to 50% of average earnings

II) The labour market and labour relations

6. The introduction of a 12-month accounting period
7. The launch of an institutional training fund
8. Rationalisation of the definition of the working day in connection with calculation of working time
9. Social packages as a source of labour law
10. Flexitime as a way of reconciling family and professional obligations
11. Stabilisation of employment by limiting the use of fixed-term contracts

III) Economic policy

12. Accelerated depreciation
13. The subsidisation of employment as an alternative to mass redundancies.

This package was adopted by the government on 31 March 2009. It was used as a basis for the drawing up of specific legislation.

At its meeting of 2 June 2009 the Council of Ministers adopted a draft law, drawn up by the Ministry for Labour and Social Policy, mitigating the effects of the economic crisis on employers, as well as two drafts drawn up by the Ministry of Finance on changes to the law on income tax. The projects adopted were the government's legislative response to the anti-crisis package adopted on 13 March as a result of social dialogue. The proposals took into account the proposals of the social partners aimed



at protecting the Polish economy and labour market against the effects of an economic slowdown. The draft of the Labour Ministry related to employment law and the labour market: a 12-month accounting period, rationalisation of the regulations governing the working day, flexitime, stabilisation of employment by limiting the use of fixed-term contracts, the launch of an institutional training fund and the introduction of leave as an alternative to redundancy. The draft of the Finance Ministry also included the abolition of taxation on benefits paid by trade unions and the exemption from income tax of social benefits paid in the form of vouchers for goods or services. The drafts in question were forwarded to Parliament for discussion.

On 30 November 2008 the government also put forward its Stability and Development Plan, the aim of which was to underpin the stability of public finances and to stimulate economic growth. The plan included a package of measures: the introduction of increased guarantees and loans for small and medium-sized firms, accelerated investment from EU funds and investment in renewable energies and telecommunications.

### **THE FUTURE OF THE LISBON STRATEGY - 2010-2020**

In the light of the mid-term review of the Lisbon Strategy in 2005 and of its not entirely satisfactory assessment which, despite undeniable successes, also highlights clear shortcomings and delays, the future implementation of the strategy will have to take account of two basic priorities which urgently require the adoption of measures:

- more dynamic and sustainable economic growth, and
- more and better jobs.

In order to achieve this, the implementation of the renewed strategy will need to focus on three main areas:

- knowledge and innovation will have to be the driving forces behind sustainable economic growth;
- Europe has to become attractive to investors and employees;
- the European social model based on full employment and greater social cohesion has to be strengthened.

The success of the Lisbon Strategy requires greater support for the process from all interested parties. The process must to a great extent be based on partnership, which in turn must be based on both a Community programme and national programmes and the concrete obligations which they entail.

The Lisbon Strategy, although reviewed in 2005, is not able to respond to all the challenges which will arise after 2010. Nonetheless, to a great extent it still has to be a continuation of the previous strategy, and at least be based on the experience and results accumulated in the period 2008-2010. Further work is therefore needed on the effectiveness of instruments for the achievement of the objectives set.

In view of the crisis which has recently arisen, thought has to be given to the coordination of financial market regulation and supervision of the market in financial services.

Poland's social partners, through the Tripartite Commission for Socio-Economic Affairs, regard the following areas as priority challenges when drawing up a new strategy:

1. Standardisation or completion of the EU's internal market as a precondition for strengthening competition, which is essential for the development of any kind of innovation;
2. Enlargement of the euro area and strengthening of the position as the euro among world currencies;
3. Greater worker mobility, which will contribute directly to reducing unemployment, bringing more people into work and raising and adapting employee skills;
4. The development of innovation as an instrument for creating a knowledge-based economy, with simultaneous support for the maintenance and development of unique vocations and skills; this development will depend on the economic situation (in this area long-term planning and the commitment of substantial financial resources, particularly for research and development, will be needed); this also concerns the development of the innovativeness of small and medium-sized businesses;
5. The need to attach greater importance to ensuring diversification of energy supplies and limiting and correctly managing greenhouse gas emissions in connection with issues relating to sustainable growth and the environment;
6. Migration of employees within the Union and outside it;
7. The question of the entry into force of the Lisbon Treaty (or of a similar treaty in the coming years in the event of its rejection) and thus the strengthening and development of organisational structures and the decision-making process, which will in turn contribute to the growth of the Union's political aspirations, its importance on the international political scene and improved institutional conditions for the realisation of Community programmes, including the Lisbon Strategy.
8. Real links between vocational training and the needs and expectations of the labour market.

# PORTUGAL

## Introduction

The adoption of a National Reform Programme focusing on growth and employment sprang from guidelines issued at the Spring 2005 European Council, launching the renewed Lisbon Strategy.

The Portuguese ESC issued an own-initiative opinion on this subject in May 2005, in which it put the Lisbon Strategy into context and assessed its results so far in both Europe and Portugal. The opinion went on to put forward a set of measures designed to improve Portugal's performance, and concluded with a set of recommendations.<sup>1</sup>

The Portuguese government subsequently adopted an ambitious reform programme: the *2005-2008 National Action Programme for Growth and Employment* (PNACE 2005-2008).

The development of this programme was greatly influenced by policies for reducing the public-sector deficit, which in 2005 stood at 6.1% of GDP, but its implementation rate was high and its results satisfactory. In particular, the deficit fell to 2.6% of GDP in 2007.

The following table shows the trends in some key indicators:

<b>Portugal</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
GDP per capita in PPS (EU27=100)	76.9	76.3	76.2	75.3
Public-sector deficit (in % of GDP)	-6.1	-3.9	-2.6	-2.6
Government debt (in % of GDP)	63.6	64.7	63.5	66.4
Unemployment rate	7.7	7.8	8.1	7.7
Inequality of income distribution	6.9	6.8	6.5	
Public spending on R&D (in % of GDP)	0.81	1.0	1.18*	
Households with internet access (%)	31	35	40	46
Renewable energy generation (%)	16.0	29.4	30.1	39.0

Source: Eurostat

A further cycle of reforms pursuant to the Lisbon Strategy followed with the *2008-2010 National Reform Programme* (PNR 2008-2010).

Thanks to the consolidation of public finances achieved in the first cycle, the key objective of the second cycle was to continue and deepen the reforms already under way. However, the world

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<sup>1</sup> Own-initiative opinion on the Lisbon Strategy, adopted at the ESC plenary session of 24 May 2005 (<http://www.ces.pt/file/doc/68/>).

financial and economic crisis that began in mid-2008 made it necessary to give priority to tackling the financial crisis and unemployment and relaunching the economy.

The ESC has been following this reform process and in July 2008 was addressed by the National Lisbon Strategy Coordinator on the *2008-2010 National Reform Programme*.

However, throughout 2008 and the first quarter of 2009, the ESC has been very active and has issued a number of opinions; some of these were mandatory under the Constitution, some were requested by the Government and Parliament, and others were own-initiative opinions.

In this context the ESC did not specifically address the renewed Lisbon strategy or the *2008-2010 National Reform Programme*, or the question of the future strategy for 2010-2020. In these circumstances, it is unable to reply to the questions put by the EESC and will therefore merely make a few comments.

## **1. The 2008-2010 cycle of the Renewed Lisbon Strategy**

The *2008-2010 National Reform Programme* continued in the direction taken by the 2005-2008 programme, with the selection of six priority areas, some of them coinciding with those adopted in the EU.

However, the economic and financial crises that arose in the course of 2008 made it necessary to find appropriate immediate responses which to some extent involved certain adjustments.

In preparing these responses, among other initiatives, the Government established a budget programme known as the *Investment and Employment Initiative*. The ESC was consulted on this programme, as were the key social partners (employers and trade union organisations).

The measures adopted as an immediate response to the crisis were broadly endorsed, although there were differing views about their intensity.

These measures, whose cost is estimated at around 1.2% of GDP, include support for investment and employment, and social support measures. They cover:

- investment to modernise schools;
- promotion of renewable energy, energy efficiency and energy transmission networks;
- modernisation of technological infrastructure (new generation broadband networks);
- special support for economic activities, exports and SMEs;
- support for employment and reinforcement of social protection.

In its opinion issued in February 2009, the ESC welcomed these measures but drew the Government's attention to the fact that they were likely to prove insufficient. The ESC therefore recommended that a further package of measures be prepared for deployment if necessary.<sup>2</sup>

At present there are still no definite indications about the evolution of the crisis at either national or world level, so the outlook for the recovery is still hard to predict.

In the meantime, the important thing is to minimise the adverse impact on the labour market and the social situation while also boosting wealth-generating investment to stimulate overall demand, create jobs and secure better social protection for the unemployed. In other words, the State should play a more active role in overcoming the crisis.

Accordingly, a better balance must be struck between the State and the market, with the aim of more and better regulation, so as to avoid the excesses of the policies which have predominated so far and correct the heightened social inequalities and macroeconomic distortions.

## **2. The future Lisbon Strategy 2010-2020**

As noted above, the current world context is one of uncertainty and, even within the more specific framework of the European Union, experts disagree about the future course to take.

However, although positions and contributions regarding the future of the Lisbon Strategy are still awaited, there already seems to be some consensus that in its external relations the EU should strive to moderate the "excesses" produced by globalisation, maintaining international peace and security.

Internally, there also seems to be some agreement on the need to strengthen the social dimension, environmental protection and the fight against climate change, and boost competitiveness and economic and technological innovation.

EU enlargement and the creation of an area with almost 500 million citizens offers great potential in terms of prosperity, but also brings with it many factors conducive to asymmetrical development and inequality; these must be mitigated and rectified so as to create a Union that is a truly balanced area of peace, harmony and security.

In this context, the future of the Lisbon Strategy must continue to rest on economic, social and environmental pillars but it should also include new aspects.

The Lisbon Strategy must provide responses to the challenges posed by multiculturalism and linguistic diversity, as well as to the various facets of social cohesion issues.

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<sup>2</sup> Opinion on Legislative Bill No. 247/X, adopted at the ESC plenary session of 2 February 2009 (<http://www.ces.pt/file/doc/458/>).

On the question of social cohesion, it should be noted that in partnership with the Council of Europe and the EESC and with the cooperation of the European Commission, the Portuguese ESC took part in a European conference at the end of April 2009 on Building Social Cohesion. The aim of the conference was to address social cohesion both as a whole and in structural terms which, because of their transversal nature, tend to be overlooked. Indeed, social cohesion generally tends to be only considered from a "sectoral" angle which, although important, does not provide the type of overall approach which is the only way to give systematic consideration to the issue.

Lastly, the Lisbon Strategy should put more focus on democratic participation in the European Union, not only through political parties but also by promoting participation of the full range of organisations and associations, i.e. in broader terms, of organised civil society.

# ROMANIA

## THE RENEWED LISBON STRATEGY CYCLE (2008 – 2010)

### 1. What is your critical analysis of the 2008 National Reform Programme (NRP)?

Unfortunately, the 2008 NRP only slightly reflected the defining elements of the Lisbon strategy. It failed to establish targets that corresponded fully to the provisions of the Lisbon strategy, and any changes to the education and economic systems – in line with the Lisbon policy options – were very modest. As regards scientific research, innovation and technological development, the measures taken by no means delivered the anticipated results. Moreover, the budgetary allocations for this field create the impression that research is not a government priority; the choices here seem rather to contradict those at EU level.

### 2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?

In our view, the EU recommendations that were published on 28 January 2009 focused primarily on the needs and potential of the more developed EU countries and took less account of the characteristics of the more recent EU Member States from central and eastern Europe. Thus, they only partly reflect the possibilities that are actually feasible in each country. We welcome the fact that the recommendations were fairly comprehensive and focused on the most important elements of the EU economy and national economies at this time of crisis. The Romanian Government has also been guided by these recommendations to a modest extent. If the action plan had been implemented, this would have laid down more solid foundations for improving Romania's economic performance; too few measures were actually implemented.

A regular debate in parliament on implementation progress could contribute to a more sustained reform process.

With regard to consulting the social partners, local authorities and other stakeholders, we have seen no signs of improvement.

Monitoring the results, particularly as regards the key measures, requires considerable efforts on the part of the Government in terms of establishing performance indicators and carrying out regular progress assessments.

With regard to these recommendations, we consider that:

- implementation of the key measures has been abandoned, and this is reflected in the current economic situation in Romania;

- parliamentary activity on the Lisbon strategy has greatly reduced;
- there has even been a deterioration in the process of consulting the social partners and all stakeholders; and
- performance indicators that would consolidate the key measures have not been established, and, at government level, there has been no decision to carry out regular progress assessments.

We would therefore say that the Commission's recommendations have not been taken on board.

**3. How are your national ESC and civil society organisations involved in the preparation of the national recovery plan and its implementation?**

This question should be answered in two parts. While national employers' and trade union organisations were indeed consulted in January of this year on the framing of the national recovery plan and its contents, it is regrettable that only less than 20% of what was agreed has actually been implemented. The Economic and Social Council, on the other hand, has had no institutional involvement in drawing up the national recovery plan, or in its implementation.

**4. What are your suggestions concerning the national recovery plan in response to the crisis and its coherence with the Lisbon strategy objectives (and the NRPs)?**

In our view, the proposals made by the employers' and trade union organisations are in line with Romania's needs. However, they have been reflected only to a small extent in the measures taken by the current government. We have appended the proposals made by the social partners represented in the ESC.

**5. How can we improve the coordination of national recovery plans at European level?**

Their coordination could be improved primarily by holding multilateral and bilateral discussions on all EU-related initiatives with government bodies, national parliamentary representatives and the social partners. We are thinking here mainly of national employers' and trade union organisations and involving them right from the drafting stage.

## **THE FUTURE OF THE LISBON STRATEGY 2010 – 2020**

**1. What are the main challenges for the post-2010 strategy?**

In our opinion, the main challenges are:

- a. boosting innovation in EU countries, in all fields, not only technical and technological, but also IT, managerial, trade and financial, thus attaining a level of innovation at least equal to that of the USA;



- b. structurally linking research and development activities funded both at EU level under the 7th and future framework programmes, and at national government level, in line with the real needs of the economy. There is still a discrepancy between the research carried out – whether it be publicly funded nationally or at EU level – and actual economic needs. Here we are primarily thinking of the needs of SMEs, given that large companies usually have sufficient resources to carry out their own research; and
- c. modernising the financial and banking system to ensure that there is no repeat of the current crisis. Moreover, the EU's financial and banking system should be more open to innovation, and more flexible – along the lines of the American system – in order to provide rapid and effective funding to innovative elements of the economy.

Apart from these three sectoral challenges, the main challenge, in our opinion, lies in the fact that a strategy will need to be designed post-2010 that takes account of the new phase that we are moving towards, of the new economy, the knowledge-based economy. In this context, a professional strategy should be conceived including the following six elements – mission, fundamental objectives, strategic options, resources, timetable, and competitive advantages. These would serve as a basis on which to build this new economy. As the complexity and specific nature of the current knowledge revolution, dating back two decades, has not been fully understood, the Lisbon strategy has not been sufficiently effective. Furthermore, there is a real danger that the future strategy – let us also call it Lisbon – will similarly fail to exploit the great opportunities presented by the knowledge revolution. We think that it would be useful for the EU to familiarise itself with the good practices of other countries, and would point primarily to the strategy in place in South Korea, where the implementation of a raft of pragmatic measures has already bestowed competitive advantages on that country.

## **2. What proposals would you make as regards re-assessing and updating the Lisbon goals?**

The proposal we would make is in fact set out in the previous answer. A professional strategy is needed, underpinned by the aforementioned six elements. It should tie in more closely with the practical needs of the EU economy, and focus more on innovation and the economy than the previous strategy, which had a more social and general nature, reflected in its insufficient effectiveness.

## **3. How could the following elements be effectively integrated: social aspects, education, training, mobility, and globalisation-adjustment policies?**

In order to effectively integrate those elements, a thorough SWOT analysis should firstly be carried out with regard to each element at EU and national levels. This analysis would highlight both the strengths and weaknesses at national and EU levels and the threats and opportunities at EU and global levels. From this starting point, and based on an overall development strategy of building a new EU economy, a specific strategy should be drawn up for each of the aforementioned elements, deriving from and in tune with the overall strategy. This should be followed by triennial or annual implementation policies at EU level, with specific – or, where possible, binding – benchmarks for the essential elements, at the level of each EU Member State.

**4. How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European strategies during the new decade?**

The convergence of interests can be ensured in two ways:

- a. Firstly, by framing strategies, policies, directives and recommendations at EU level, which systemically, and in addition to setting out provisions for the European level, also contain provisions for the national, regional and local levels, so as to ensure a coherence among the four levels – from the EU to the local authorities. This is crucial because EU strategies and policies on issues such as human resources, research and development, and social problems are often not sufficiently joined up, neither in their objectives nor in their means of implementation. Furthermore, the strategies, policies, and studies carried out at EU, national, regional and local levels should be subject to more discussion, and should be communicated and disseminated to all decision-makers at those four levels and to governmental, public and private research, analysis and education bodies working in cooperation with those decision-makers.
- b. Stepping up and enhancing communication is the second means of ensuring greater convergence of interests and action at EU level. While, of course, there will never be total convergence, given the national differences that will always exist, substantial progress can be made.

**5. What are your proposals for strengthening the Open Method of Coordination and the efficient involvement of civil society and parliaments at both national and European levels?**

The Open Method of Coordination, which was established several years ago, is undoubtedly a very good instrument that has produced its first notable results. We believe, however, that to ensure more effective participation of civil society, civil society representatives need to be more carefully selected. All developments at EU level should be in accordance with the three elements underpinning the knowledge economy – the economic element, the socio-human element and the environmental element. These three pillars should be accorded equal importance in future policies. We think that as regards the social element, there should be the same degree of dialogue with trade union organisations, employers' bodies, SMEs and civil society, without giving special status or attention to the various civil society organisations working in highly specialised fields (AIDS, childcare, etc.). Such organisations seem to have a disproportionate role in this coordination, which may distort EU strategies and policies, giving them a heightened social dimension, insufficiently coordinated and supported by the economic element.

# FINLAND

## **The response of the Finnish consortium\* to the questions put in the letter by Staffan Nilsson on 25 March 2009; amended version 21 September 2009**

\* This contribution was prepared jointly by the secretariat of the Economic Council of Finland and the delegation of Finnish representatives in the European Economic and Social Council.

### **THE RENEWED LISBON STRATEGY CYCLE (2008 – 2010)**

#### **1. What is your critical analysis of the 2008 National Reform Programme (NRP)?**

With regard to Finland, the NRP contains relatively few genuinely new initiatives and is mainly a restatement of policy measures adopted for other purposes. This is partly explained by the fact that Finland has so far been doing quite well with respect to the Lisbon targets and has not been given country-specific recommendations.

#### **2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?**

Finland was not given country-specific recommendations, only points to watch. These concern enhancing competition and productivity in the service sector, implementing the Kyoto measures, alleviating bottlenecks in the labour market and taking better advantage of economic migration. These areas and issues have been recognised as being of prime importance by the government and they have a central position in the current NRP for the period 2008–2010.

#### **3. How are your national ESC and civil society organisations involved in the preparation of the National Recovery Plan and its implementation?**

In general terms, the national recovery plan was prepared by the government in accordance with the common EU wide recommendations. Civil society organisations were not directly involved in the process except that the contents of the plan were communicated to the national ESC. However, as a part of the plan, the employer contribution to national pension system was abolished in order to cut the overall cost of employment. To provide extra stimulus, the compensatory increases in taxation was postponed by 2-3 years or when the downturn was expected to be over. This part of the plan was based on the unanimous recommendation of the social partners.

**4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?**

The response of the Finnish Government to the economic crisis contains three main elements: measures to help the functioning of the financial system, measures to help firms in financial difficulties through guarantees and loans, and fiscal stimulus measures aimed at supporting economic activity and employment. The total impact of the stimulus measures amount to over EUR 3 billion or over 1.7% of GDP for the current year. For the year 2010, the impact of the stimulus measures implemented to date stands at around EUR 1.7 billion or about 0.9% of GDP.

The stimulus measures seem to be appropriate and unavoidable in the present situation. For an open economy like Finland maybe the most important element is the European (and world) wide adoption of such measures rather than the national measures as such. In the longer perspective, imbalances in public finances caused by the stimulus measures will reduce the possibilities for the government to take action to enhance the Lisbon objectives.

**THE FUTURE OF THE LISBON STRATEGY 2010 – 2020**

**1. What are the main challenges for the Post-2010-Strategy?**

How to maintain and enhance growth and jobs and the competitive position of Europe in an era when the weight of the world's economy is shifting towards Asia, energy is becoming scarcer and the population of Europe is ageing.

How to manage all government responsibilities in the context of the necessary budgetary consolidation following the substantial increase in public debt due to the crisis. In particular how to make room for the needed expenditure for R&D and education, improvements in infrastructure and the social and health services needed for social cohesion.

The different phases of economic development in the Member States pose their own challenges. It might be necessary to tailor the goals and objectives at national level more clearly than has so far been the case.

**2. What are your proposals for the revaluation and update of the Lisbon objectives?**

In an initial discussion of the Economic Council on the post-Lisbon strategy the following points were made: The need for structural policy co-ordination within EU remains strong and is probably accentuated by the current economic crises. In the next round, the exit strategies for stimulus and secure return to a stable growth path of the economy should be at the focus.

Altogether, the strategy should be more focused on a limited number of core issues, in particular employment and productivity. The visionary and forward-looking aspects of the strategy should be

strengthened in the areas where the union has direct competence i.e. in single market issues, research funding and external trade policies. As concrete examples of issues to be addressed, making Europe more attractive for top international experts, safeguarding the supply of reasonably priced energy and improving competition and productivity in the service sector were brought up.

The government has recently established a project – a task force on policies for growth – to prepare views and proposals on structural policy issues, that will feed in to further discussions on the post-Lisbon Strategy early next year. Civil society has been closely involved in the project.

3. **How can the following be integrated more successfully in the new strategy – social aspects, education, training, mobility, and globalisation adjustment policies?**
4. **How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European Strategies during the new decade?**

*Questions 3 and 4 have not yet been specifically discussed by the Economic Council.*

5. **What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and Parliaments on both a national and European level?**

In executing the strategy, the Open Method of Coordination has proven to be inefficient. Therefore other tools available for the union should be put to use as widely as possible. To improve effectiveness at the national level, more independent powers for the commission in guiding member states should be considered. More generally, the strategy should focus more on the issues where EU has direct competence, in particular workings of the single market and external trade policy.

The current procedure of updating and monitoring the NRPs has been perceived as somewhat unexciting, partly because the annual cycle is relatively frequent given the structural nature of the issues addressed. Therefore, it might be a good idea to lengthen the cycle or to focus the annual monitoring on selected themes only. Whether co-operation with OECD was warranted should be considered. Also, to get a fresh start for the new term after 2010, the strategy should be given a new, preferably more informative name.

## SWEDEN

Although Sweden does not have an economic and social council, organised civil society has long had alternative means of active participation and of voicing its views. Sweden has a strong tradition of social dialogue between partners in management and labour, without involvement of the political level or the law. Civic dialogue takes many forms. The relevant organisations are formally consulted on official reports and proposals. They take part in hearings and conferences and are also involved in other ways. Sweden has a highly organised civil society.

Government has, in various different ways, made it possible for civil society organisations to take part in procedures surrounding the Lisbon strategy. Input has been strong, not only from the social partners but, as the EESC noted out in its report on the Lisbon strategy, from many other organisations as well.

### **EMPLOYERS - INDUSTRY**

Like many other stakeholders, employers and business associations feel the Lisbon strategy has not been a success, although some successes can be cited. The renewed Lisbon strategy should focus on genuine growth issues. The strategy must not become a mere reporting tool.

Industry feels that the future strategy should do more to facilitate comparison and encourage competition between different countries – with the proviso, of course, that the EU should not regulate from the centre too many areas that are key to promoting growth. Quite the reverse: these areas should be tackled in different ways in different countries to allow the best solutions to emerge. The subsidiarity principle too needs to be strengthened. In addition, the EU must do more to assess and compare the success, or otherwise, of countries using different institutional structures and pursuing different approaches in their economic policy.

There are six main areas where there is clear scope for competition and comparisons with a view to boosting European competitiveness. In these areas, the individual EU Member States have a major opportunity to frame policies that set them apart from those in place in other countries:

- entrepreneurship
- job creation
- a highly skilled workforce
- research
- environmental technology
- the financial market

Different European countries have made progress in different areas. Ireland, for example, has succeeded in boosting entrepreneurship. The Netherlands has boosted employment. The UK has been

successful in the field of research and Belgium is a strong player in the export of environmental technology.

If other EU countries took their lead from the policies and reforms being pursued in these countries, the EU would see more start-ups and a greater number of highly skilled jobs. More EU-based universities would find themselves in the world's top 100 league table. The EU's exports of environmental technology could also double.

The EU's role as "arbiter" must be strengthened though enhanced reporting of developments in the Member States. It is important to highlight countries that have improved their position, but we should not be hesitant to draw attention to those countries that have dropped behind.

**WORKERS - TRADE UNION ORGANISATIONS** (The Swedish Trade Union Confederation [LO], the Swedish Confederation for Professional Employees [TCO], and the Swedish Confederation of Professional Associations [SACO])

The trade unions cite three areas that should be the point of departure for the new Lisbon strategy – the economy, social affairs and environmental sustainability. The key changes include strengthening the social dimension, incorporating flexicurity into the employment strategy and making the climate strategy a key element of Lisbon. The EU-level measures set out in the Lisbon strategy have so far been geared chiefly towards strengthening the EU economy. In the forthcoming strategy, EU measures also need to be stepped up in the other two areas as well.

The EU needs to become more competitive; that does not mean reducing job security, but above all stepping up R&D – a prerequisite for higher productivity. The new strategy must promote a fresh commitment to innovation and development, and give support to innovators. In particular, support must be given to innovation in the workplace and professional development. Now that both the employment and the economic guidelines are part of the Lisbon strategy, joint action may also be taken within this framework on financial policy to provide economic stimulus in periods of low overall demand.

Under the treaty, the EU has a social remit. A clearer European vision is therefore needed of a strong social dimension, which must be developed further to become a more distinct part of the strategy. Action to combat climate change must result in new forms of production and employment through upskilling and training.

Compliance with trade union rights, particularly ILO norms, must become a hallmark of the new strategy. Under a binding charter of rights, trade unions have greater legal weight within the EU. Greater priority also needs to be given to efforts to secure gender equality. This applies not only to pay and but also to the opportunities available to influence working conditions, including social provisions such as childcare. Equal opportunities must also apply when filling leading policy positions, as well as in R&D and business.

European cooperation must also be given a stronger profile through investment in an environment-friendly Europe. Environment policy has become a key facet of the EU's work both internally and in its cooperation with other countries. It is vital that the EU continue to pursue the objective of becoming a world leader in environment policy and climate issues. There is a very clear link between climate and growth. Moreover, without climate and environment policy, it will be impossible to secure long-term economic growth and social development. To be credible, the Lisbon strategy must be linked to specific climate measures.

## **OTHER CIVIL SOCIETY ORGANISATIONS**

Other civil society organisations express views that both underpin and complement those of the social partners.

Organisations operating in the social sphere stress that the social dimension must be considered on an equal footing with economic objectives of the Lisbon strategy. The national strategy to combat social exclusion must be implemented at local level. There must be clear and quantifiable objectives and indicators so that the most vulnerable groups can be integrated into society and the world of work.

The Structural Funds must be used to a still greater degree to combat poverty and social exclusion. Corporate social responsibility is becoming a very important factor in getting people into work and also in the field of social protection, and should have a dedicated place in the Lisbon strategy alongside other economic activities.

Local development, built on a broad partnership among all stakeholders, is seen as a key factor in the success of the Lisbon strategy.

A unique concept of adult education (*folkbildning*) exists within civil society in the Nordic countries. This denotes people-centred, democratically-based learning and training. The Swedish adult education organisations see a need to boost knowledge in Europe so as to secure economic growth, social cohesion and sustainable development across the continent.

Civil society organisations are very much committed to establishing civic dialogue, through which they can become active players in framing and implementing policy. New and existing umbrella organisations are becoming ever more important factors in helping reach that objective.



## **UNITED KINGDOM**

**THE IMPLEMENTATION OF THE LISBON STRATEGY AND ITS  
FUTURE AFTER 2010**

**CONTRIBUTION BY THE MEMBERS OF THE UK DELEGATION  
TO THE EESC**

In a letter of 24 April 2009 the President of the EESC's Lisbon Strategy Observatory invited national Economic and Social Councils to provide national contributions on the implementation and future of the Lisbon Strategy in the post-2010 period. The letter set out a number of specific questions on which comments were invited. For countries such as the UK that do not have a national Economic and Social Council the members of the national delegation to the EESC were invited to provide a national contribution on behalf of civil society in their respective country.

This response is accordingly provided by the UK members of the EESC ("the UK delegation"). The UK delegation has not had the resources to undertake a full-scale study of the implementation of the strategy or to undertake a consultation with civil society in the UK. Therefore they have confined themselves to offering brief responses to the question raised in the 24 April letter, drawing largely on the UK Government's National Reform Programme of September 2008, the Commission's country specific comments on this in January 2009, and the Committee's own work on the post-2010 Strategy in which several UK members have participated.

## **THE RENEWED LISBON STRATEGY CYCLE (2008 – 2010)**

### **1. What is your critical analysis of the 2008 National Reform Programme (NRP)?**

The Lisbon Strategy for Jobs and Growth reform programme covers the following issues:

- Investing in knowledge and innovation;
- Improving the business environment;
- Increasing employment opportunities to the most disadvantaged;
- Climate and energy policy.

The UK's 2008 NRP addressed all the points in the Lisbon strategy and the country specific questions raised by the Commission in 2008 in a very comprehensive way. It described national goals for the 2008-2010 cycle as being:

- Maintaining macroeconomic stability, despite ongoing challenges facing the global economy;
- Sustainable growth and prosperity, ....
- Ensuring fairness and opportunity for all, ...
- Creating stronger communities and effective public services, and improving long-term housing supply and affordability, and
- Ensuring an environmentally sustainable world, with action to address the global challenge of climate change.

In the UK delegation's view the UK's national reform programme contains good analysis and many well-directed policies, including in particular a range of active labour market pilot measures to boost employability among the economically inactive. The problem is going to be how to maintain

momentum across such a broad front at a time when the public sector deficit has grown very large. Current political discussion in the UK is beginning to get to grips with the difficult choices ahead that may have to involve significant cuts in public expenditure or tax increases or both in order to reduce the deficit to more manageable levels. But there is a fairly wide measure of agreement that drastic adjustments ought not to be attempted until the economic recovery is more secure, and widespread political agreement that such changes could not be made on any significant scale before the election that must take place in 2010.

**2. What are your reactions to the European Commission's country-specific recommendations issued on 28 January 2009?**

In their specific comments on this plan in January 2009 the Commission noted that the UK is particularly exposed to the sharp deterioration in global financial market conditions, and that growth potential is likely to have been damaged by the financial crisis, the rise in unemployment and loss of business and household confidence. Faced with this situation they recommended that the UK should make continued reform efforts, including implementation of policies to improve skills, R and D and innovation, combined with placing the UK fiscal position on a path of sustainable improvement in the medium term, including fiscal consolidation measures geared towards enhancing the quality of the public finances. They also urged that the implementation of the energy and climate change package agreed by the European Council should receive close attention.

The UK delegation's reaction is that the Commission's comments on the UK's position are fair, and that their recommendations are appropriate. The analysis of the UK's macroeconomic position is accurate, particularly in terms of the connection between the economic downturn, the financial crisis and their knock-on impact on the public finances. The UK delegation also shares the Commission's doubts about the effectiveness of the measures to boost the housing supply under current conditions.

The UK is making a serious attempt to boost R&D activity, particularly in services. A White Paper on innovation together with a response to the Sainsbury Review of science and research in the UK were published in March 2008. The Annual Review of progress started in late 2008 and so progress against targets can now be assessed in an annual, more transparent fashion.

As and when adjustments do need to be made the UK delegation agrees with the Commission that efforts should be made to protect expenditure programmes that are crucial to the mid-term progress and prosperity of the economy, including expenditure on R and D, innovation and skills development. They also agree that full implementation of the commitments made in the climate and energy package should continue to be a priority, since these are essential both to protecting the global environment and to enabling the UK to remain a competitive player in the low carbon economy of the future.

**3. How are your national ESC and/or civil society organisations involved in the preparation of the National Recovery Plan and its implementation?**

The UK Government's NRP describes the process for involving a wide range of stakeholders on structural reform policies via a seminar and a web-based consultation.

**4. What are your suggestions concerning the National Recovery Plan in response to the crisis and its coherence with the Lisbon Strategy objectives (and the NRPs)?**

The UK's short term measures towards economic recovery have focused on interventions to stabilise the financial markets and to maintain levels of effective demand in the economy. In the UK delegation's view these measures have been essential to avoid worse disruption of the national economy. But they have led to a big increase in the fiscal deficit and a big increase in public debt. It seems inevitable that the task of putting the UK's public finances on a sustainable medium to longer term path will necessitate a re-prioritisation of spending. If "front-line" services (health, law and order, education, defence) are protected then there is clearly a risk to the resources committed to R&D, innovation and upskilling. But the UK delegation share the Commission's view that in the interests of protecting the longer term interests of the UK economy these areas should remain high priorities for the reasons set out in the Lisbon Strategy, and elaborated for the UK in the National Reform programme.

**5. How can we improve the coordination of National Recovery Plans at European level?**

Closer co-operation between finance departments and monetary authorities across Europe would provide a stronger basis for a shared European economic recovery. And since European economies are bound so closed together nowadays such co-operation may in fact be a necessary condition for sustained recovery. There should in particular be greater co-operation in sharing experiences, and in avoiding unilateral interventions made without prior warning or discussion. Although some interventions to stabilise financial institutions and major industries have been unavoidable the Commission should continue to exercise its influence to keep state aids to a minimum and to ensure that such interventions as are made are made on a non-discriminatory basis.

**THE FUTURE OF THE LISBON STRATEGY 2010-2020**

**1. What are the main challenges for the Post-2010 Strategy?**

The 2008-10 Lisbon goal of making the EU "the most dynamic and competitive, knowledge based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" remains a fine aspiration, but its achievement looks even more challenging now following the recession, and the rapidly developing capacities and potential of some of the emerging economies and other competitors. If the 2010 strategy is to deliver more than fine aspirations it will

have to be pursued more vigorously and to include more specific measures to drive forward the key objectives.

The UK delegation also considers that the new strategy should be more firmly anchored within the over-arching objectives of sustainable development and the sustainable development strategy. In particular it should spell out much more clearly that growth of GDP is not a sufficient description of the goal of economic management. We want a particular kind of growth that achieves good jobs, fair and just societies, better protection of the environment, and rapid transition to a low carbon economy that will lessen the growing threats from climate change.

**2. What are your proposals for the revaluation and update of the Lisbon objectives?**

In the new strategy the above objectives should be fully integrated into the model of growth to be pursued and not treated as add-on extras that can be thought about once ordinary economic growth has been restored. Reforms of public expenditure, of taxation and of regulation at both European and national level should be shaped with these broader objectives in view from the outset.

**3. How can the following be integrated more successfully in the new strategy – social aspects, education, training, mobility, and globalisation adjustment policies?**

There needs to be a much greater effort to integrate policies around the three corners of the knowledge triangle - universities and centres of excellence, research and development in public and private sectors, and innovation. Integrating concepts such as the platforms for development that have been built around particular topics to focus R and D effort and innovation and deployment should be extended. Europe should focus particularly on those large-scale issues that will require change and innovation at a European scale to win success in an increasingly globalised world. As far as possible the pursuit of the 4 main priority actions - investing in knowledge and innovation, improving the business environment, increasing employment opportunities for the most disadvantaged; and defining a climate and energy policy for Europe - should be "proofed" for their impact on human capital formation (education and training), social conditions and mobility.

**4. How can we ensure better convergence of interests of the different levels of governance (EU, national, regional and local) as well as the various European Strategies during the new decade?**

Every level needs to respect and support the roles and aspirations of other levels in full recognition of the principle of subsidiarity. The transition to a more sustainable low carbon economy will only be achieved with the full engagement and support of all levels, and all sectors of civil society. Europe should continue to develop its role as a supportive partner for national, regional and local levels of governance, and for broad civil society engagement. Europe should seek to focus its own direct efforts primarily on those tasks that can only be handled effectively at European level because of their scale, or trans-boundary impacts. In so far as it needs also to be involved at other levels it should focus effort on frameworks and guidelines rather than overly constraining restrictions and requirements

wherever possible, so as to encourage creative input and adaptation at all levels in accordance with national and local customs and aspirations. Local and regional industrial development efforts, for example, must operate within national and EU state aid guidelines. A similar subsidiarity should apply to other areas of public policy at local, regional, national and EU levels. This requires greater efforts to be made to communicate EU and national policy frameworks and for national administrations in particular to oblige regional and local policymakers to develop initiatives within appropriate frameworks.

**5. What are your proposals for the strengthening of the Open Method of Coordination and the efficient involvement of civil society and Parliaments on both a national and European level?**

At governmental level the Open Method of Co-ordination has proved its vale in encouraging the habit of co-operation and building trust.

In relation to the engagement of civil society regular co-operation between the EESC and national ESCs is playing a useful part in strengthening mutual understanding and ties between engagement at European and national levels. A less intensive co-operation between the EESC and national Sustainable Development Councils has also been developing in recent years and could usefully be strengthened to help give more weight to European and national sustainability strategies and spread understanding of them more widely.



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