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A European programme for growth, security and employment

Nordic trade union opinions concerning the Lisbon strategy after 2010

Ten years have passed since the Lisbon strategy for growth and employment in Europe was launched at the Lisbon European Council Summit. Important questions must now be addressed: What results have been achieved? Should the strategy be extended? If so, should it be recast?

The challenges that confronted Europe at the time the Lisbon strategy was adopted are as urgent today as they were a decade ago. Globalisation has continued, new economic superpowers such as China and India are gaining clout in relation to the world economy, and the pressure grows on Europe to reform and modernise in order to meet the accelerating competition.

During the past decade we have also become increasingly aware of climate change and other environmental problems. If we fail to act forcefully, both our current standard of living and our future economic progress are at stake.

The demographic challenges, too, are becoming progressively more glaring. We live in ageing societies, where the working age population is shrinking, putting the European welfare systems under a great deal of strain.

In addition, since autumn 2008, we have been experiencing the most serious crisis of capitalism since the 1930s, with declining production and consequent rapidly rising unemployment.

And so we ask: has the Lisbon strategy been an effective tool for tackling the challenges facing the European Union? There are reasons to be disappointed in the impact of the strategy. Very few of the numerous bold objectives for 2010 have actually been achieved. The expressed ambition of making the European Union “the most competitive region in the world” has, instead, become a boomerang used to disparage EU economic and social ambitions.

Still, the Nordic trade unions do not share the opinion of the Swedish government that “the Lisbon strategy has been a failure.” In spite of the fact that the stated targets have not been achieved, progress has been made in virtually all areas covered by the strategy, spanning the spectrum from lifelong learning to the time and capital required to establish a new enterprise, childcare, renewable energy and the percentage of young people who complete at least upper secondary school. “Most countries have made some progress on most of the targets,” as the UK think tank Centre for European Reform, CER, summarized the state of play. Beyond this, numerous directives have been adopted within the framework of the Lisbon strategy, and efforts have been initiated to structure the EU budget based on the targets adopted in the strategy.

Progress becomes even more evident if we confine our evaluations to the member states that adopted the targets for the Lisbon strategy. The fact that the European Union was enlarged from fifteen to twenty-seven member states during the relevant time period makes statistics concerning EU developments in various fields readily misleading. In 2008 employment rates in nine of the EU-15 member states were close to or exceeded the 70% target of the Lisbon strategy, and before the economic downturn had struck with full force the possibility of achieving the employment goal by 2010 appeared to be within reach for the EU-15.

A European road to competitiveness and employment

The key idea underpinning the Lisbon strategy was to indicate a European road map for the modernisation process necessary for a competitive knowledge society, to show that smoothly functioning markets, progressive environmental policies and dynamic welfare policies are not mutually incompatible but, on the contrary, can reinforce each other in contributing to growth and full employment. From time to time this idea has been questioned, but the mid-term review of the strategy presented in 2005 confirmed the validity of this assumption.

The fact that after ten years of working with the Lisbon strategy there have only been modest positive results does not reflect a flaw in the structure of strategy. The main explanation is that the member states have failed to implement the decisions they participated in making at EU-level. Therefore it is essential that the growth strategy for the EU after 2010 continues to build on a balance between social affairs, environmental policy, and financial reform, for the following reason:

- The member states that have most consistently perceived environmental and welfare policies as driving forces for growth are also the member states that have been most

successful in achieving the Lisbon targets, with the Nordic countries high among them. It has been more the rule than the exception for the Nordic countries to be held up as good examples in this respect, as points of reference and inspiration

- It is a precondition for mustering popular opinion that the EU growth strategy takes seriously the statements in the treaty concerning social progress as an objective for the European Union. During the past ten years, we have seen far too many examples of the working population's loss of confidence in the legitimacy of European cooperation, because the Union is seen as being based unilaterally on market-oriented policies.
- The Lisbon strategy has been the object of interest in many areas beyond the borders of Europe. Many countries have regarded it as a progressive, enticing route toward achieving a modern knowledge-based society, an alternative to the liberal free market theories that have often dominated the international debate. If the European Union can maintain and successfully implement a well-balanced growth strategy, this will help Europe to gain influence on the global playing field.

The Nordic countries and the Lisbon strategy

It is not strange that the Nordic countries' society building, already when the Lisbon strategy was launched in the year 2000, served as an important reference and as source of inspiration.

In 2008, a group of renowned Nordic economists (Sixten Korkman, Hans T:son Söderström, Torben M Andersen and others) presented a study entitled "The Nordic Model," which attracted a great deal of attention, and in which they stated that: "A common finding of cross-country comparisons is that the Nordics succeed better than other countries in combining economic efficiency and growth with a peaceful labour market, a fair distribution of income and social cohesion. The model is pointed to as a source of inspiration for other people in their search for a better social and economic system."

According to the authors, the explanation for the success of the Nordic model can be found in the existence of a powerful sense of social cohesion together with the development of methods for "collective risk sharing", meaning that society has found ways of using education and a well-developed welfare system to create security for individuals throughout the often difficult process of structural change that is an inherent aspect of all market economies. This,

in turn, encourages citizens to have an open attitude toward the necessary structural change and free trade.

In our view, the Nordic countries should feel a particular sense of responsibility for defending and developing the social dimension of the Lisbon strategy on the basis of their experience. We support the view of the Danish government that “the economic crisis only stresses the importance of committing to the sustainability of the Europe’s social system, originally at the core of the Lisbon strategy.”

The Nordic countries that are EU member states should, jointly and individually, emphasise the following points in anticipation of a Council decision concerning the Lisbon strategy after 2010:

- The European Union should, as highlighted in the conclusions from the Lisbon summit in 2000, be made up of active welfare states in which society provides the citizens with adequate economic protection in cases of illness and unemployment, and in which individuals are obligated to accept opportunities for education, employment or rehabilitation. The welfare system should counter passivity at the same time as it provides security for individuals in times of change.
- A Europe characterised by gender equality is desirable for political reasons and essential for economic reasons. Only through equality can higher employment figures for women in Europe be attained. This is a precondition for enabling our welfare systems to survive as the population ages. Ambitious objectives concerning the provision of childcare should continue to be a part of the Lisbon strategy, as well as efforts to obtain individual taxation and generous parental leave schemes.
- The unique opportunities offered by collectively bargained agreements in terms of combining flexibility on the labour market with the rights of wage earners should be clearly outlined within the framework of the Lisbon strategy. Nordic experience has shown that a process of negotiations, compromises and dialogue, which a labour market based on collectively bargained agreements leads to, promotes responsibility, mutual understanding and a better social climate.
- Europe must tackle the stiffening international competition with massive investments in knowledge. Ambitious objectives concerning research and development and lifelong learning must be key elements of the recast Lisbon strategy, as well as the demand for good basic education for all.

The employment strategy in focus for the Lisbon strategy

The European Union's employment strategy is, unlike other areas of the Lisbon strategy, treaty based and must also after 2010 have a central role in the European Union's growth strategy. Ambitious employment targets are an essential part of this. However, the conclusions from the European Council's meeting in Lisbon in the year 2000 also emphasised the qualitative aspects of employment. We need more jobs, but also better jobs! That more attention is given to quality in work is an important part of sharpening the competitiveness of Europe.

Clear targets essential to evaluation

The Lisbon strategy is largely based on the open method of coordination, by which the member states jointly establish political targets, after which each member state strives to fulfil them as it sees fit. The effectiveness of this model has often been the object of criticism, sometimes justified. Still, the open method of coordination applies to areas in which the EU neither possesses legislative competence nor is expected to do so in the foreseeable future. Thus it is the instrument we have at hand, and we must put it to the best possible use.

For these reasons, it is important that the leaders of the European Union continue to adopt clear targets for the Lisbon strategy, formulated in specific figures. These targets should apply to the European Union as a whole, and should subsequently be supplemented with national targets. This is the only way to definitively evaluate the extent to which the ambitions expressed in the strategy are in the process of being fulfilled. Simultaneously, it is important to maintain the ambition expressed at the midterm evaluation in 2005, of limiting the number of targets in order to retain the focus of the efforts.

The adopted targets will also have to be followed up, using benchmarking to clarify the ranking of the individual member states both in relation to each other and to the overall targets. The Commission should systematically assess and comment on the results, as well as making specific recommendations concerning each member state. Today, such recommendations are adopted after negotiations with the respective member states, which tend to result in overly guarded formulations.

Developments and progress must be emphasised. A member state that begins at a low level in a certain area but achieves progress has actually complied better with the Lisbon strategy than a member state that starts at a high level but is passive in relation to further progress.

This is particularly important in relation to the enlarged Union, with twelve new member states since the launch of the Lisbon strategy. Enlargement has led to greater discrepancies between the member states in terms of social and economic conditions.

The National Action Plans, NAP, have probably been the best instrument for putting the ambitions expressed in the Lisbon strategy into practice, and for this reason it is essential that these action plans be maintained. It is correct that the member states deal with different concrete issues in their action plans, and on the one hand this should continue to be the case. On the other, it is important for each member state to present reforms in relation to social affairs, the economy, and the environment. The Council and Commission of the European Union must be explicit in this respect. If the Lisbon strategy turns into a “smörgåsbord” from which the member states can pick and choose, being attentive to some aspects while selectively neglecting others, then the fundamental idea of a joint European road map for the journey to the knowledge society will be lost.

The action plans should also, to a greater extent than previously, be a point of departure for political debate at member state level, not least in the national parliaments, and as a tool for broad consultation with the social partners and other organisations active in the areas covered by the Lisbon strategy. The same applies for the annual reporting made by member states to the Commission on the implementation of the action plans.

As early as during the first Swedish EU presidency in 2001, it became clear that the concept of sustainability applies not only to ecology, but also in a wider sense. A sustainable working life is of enormous importance to European workers. Working conditions must be structured so that individuals are not worn out before their time. Wage levels must make a reasonable standard of living possible. In the Europe the Lisbon strategy strives to achieve, there is no place for “working poor’s”!

Sustainability must permeate every aspect of the future Lisbon strategy, and SDS, the European Strategy for Sustainable Development launched in the European Union in 2001, should therefore be incorporated into the Lisbon strategy beginning in 2010.

The environmental dimension may give us a competitive edge

Although it has not always been the case, it is generally accepted today that issues relating to the environment and climate change are significant factors in a European strategy for growth. During the first five years of the Lisbon strategy, the importance of the environmental dimension was often questioned.

The European trade union movement supports the emission targets adopted by the European Union. A vigorous policy for achieving these targets is not only of importance for the climate, but may also endow the European economy with major competitive advantages in the future. As a matter of fact climate policy captures all the areas of the Lisbon strategy – environmental aspects, growth, employment and social security. This opens up for new perspectives. The European Union should carefully consider if the climate issue could have an all-embracing role in the forthcoming European strategy for growth!

If climate policies are to gain the necessary confidence of European wage earners they must be combined with active policies for welfare. As in all periods of structural transformation, some groups of wage earners will be negatively impacted on in the short term. Adequate arrangements concerning unemployment benefits must be combined with retraining and new employment opportunities. For individuals at the lowest income level, increased living expenses should be compensated for.

We welcome the fact that some of the climate targets adopted within the framework of the Lisbon strategy have now been made legally binding. However, as a number of governments have pointed out to our satisfaction, this should also apply to measures to increase effective utilisation of energy. Forceful policies for energy saving are among the most cost-effective ways of reducing emissions of greenhouse gases, and will also lead to the creation of numerous new employment opportunities.

Development of the knowledge society is the key to success

Education and lifelong learning are decisive elements in achieving the objectives set out in the Lisbon strategy. Europe neither can nor should compete in terms of low pay, but rather by offering sophisticated goods and services. That is the way to make knowledge the key to success.

Efforts will need to be made on a number of fronts if we are to develop Europe into a knowledge society. Good basic education for all is a democratic right, and is also essential for the social transformation in society to take place without increased marginalization of individuals and at high social costs. Research and development must be given high priority, and the targets set in this area must be achieved. Increased mobility of students and researchers within the EU should be promoted. Finding ways to motivate broad groups of wage earners to get involved in the innovation process at enterprise level is of outmost importance.

In a society experiencing a rapid process of transformation, learning must be a lifelong process. The recast Lisbon strategy after 2010 must continue to contain ambitious targets with regard to lifelong learning. Unemployment always brings in its wake the risk of social exclusion. Active labour market policies, through which the unemployed are offered new opportunities for learning, is both socially responsible economically beneficiary for society.

Entrepreneurship and the internal market are major success factors

A smoothly functioning internal market is a key to growth, as well as being important to European competitiveness. Endeavours to strengthen the internal market and improve its effectiveness and efficiency should thus continue to play a central role in the Lisbon strategy. The fact that the European patent, proposed a decade ago as part of the Lisbon strategy, has not yet been introduced undermines confidence in the strategy. If the European Union is to be credible in relation to growth, the proposal must be implemented expeditiously.

A positive business climate is essential to Europe, facilitating the development of new enterprises and the prompt commercial viability of new ideas. Progress has been made in terms of reducing the necessary time and capital for establishing a business in EU member states, and the administrative burden on small businesses has also been reduced. But a great deal remains to be done to achieve the adopted targets. Amendment of regulations, however, must not have negative social or environmental consequences.

It was an indication of the progress made as an effect of the Lisbon strategy that all the directives under the aegis of the FSAP, the Financial Services Action Plan, FSAP, were implemented within the established deadlines. This strengthened the internal market, and increased European competitiveness in areas benefitting the consumers, such as pension plans and bank services. Still, in light of the ongoing economic downturn, there is a need to review EU financial regulations and supplement them in various areas.

Finally, the vision of Jaques Delors that a social dimension always should be an integrated part of the internal market is as topical as ever. If the regulatory framework for the freedom of movement leads to the undermining of worker's rights – regardless if decisions are made on national level or on EU-level – the internal market loses its legitimacy. If the internal market is allowed to bring about social dumping it will be seen by European workers as a threat and not a possibility, and rightly so.

Policies concerning business cycles and structural issues –

Opposite sides of the same coin

If the Lisbon strategy is to succeed, satisfactory public finances are essential. Welfare systems systematically financed with borrowed money will not be sustainable in the long term. Stimulating the demand side of the economy is necessary when demand declines dramatically, as at present in Europe. But when stability returns EU member states should confine the public budget deficit to levels in line with the stipulations in the EU stability pact. However, this process must take place in a well-balanced manner so as not to deprive the incipient upswing of its clout.

The recast of the stability pact from 2005 opened up new opportunities for financing reforms within the framework of the Lisbon strategy. Not only the scope of deficits but also their causes are to be assessed. It is vital to fully utilize the options for implementation of the ambitions expressed in the Lisbon strategy as enabled by the reform of the stability pact.

One precondition for achieving the targets set in the Lisbon strategy is that demand remains high in the European economy. The prime mover of the enormous investments in human capital and machinery that are needed to increase productivity, raise knowledge levels, and replace old technologies with new environmentally sounder ones is that the economy is growing at a pace when capacity shortages commence to emerge.

Thus the fact that during most of the ten years in which the Lisbon strategy has been applicable there has instead been an “output gap” in the Euro zone, meaning that production levels have been lower than the available resources would have allowed, is one of the key explanations for the limited success of the strategy. Demand policies and structural policies go hand in hand.

The integration of the Broad Economic Policy Guidelines (BEPG) into the Lisbon strategy in 2005, meant that macroeconomic factors became an integral aspect of the strategy. This is positive, in that a macroeconomic focus, bringing the economy close to full capacity utilisation, is the only way for it to be possible to fully realize the ambitions of the strategy. For this to be conceivable, in times when the economy is healthy the public finances must be in balance, if not generating a surplus. This makes it possible to set aside resources for stimulating demand when the downturn comes. The measures taken by a number of member states of using temporary increases in taxation income, due to the phase of the business cycle, to lower taxes makes it difficult to pursue the demand-based policies necessary to the achievement of the ambitions of the Lisbon strategy.

In a system like that in the Euro zone, with floating exchange rates, monetary policy plays a key role in regulating demand. The European Central Bank (the ECB) has, on various occasions, failed to fully adequately shoulder its responsibility as a central bank in this respect. When the economy declines, the ECB is remarkably slow to lower its interest rates, while when the economy picks up the ECB is quick to raise its interest rates. The ECB has also adopted a more stringent inflation target than any other central bank in the world, something that has not been beneficial for growth in Europe.

The important role of the trade unions and enterprises

The significance of dialogue between governments, the institutions of the European Union and civil society is frequently underlined in conjunction with the Lisbon strategy. Although this dialogue is certainly a vital starting point, it must also be clear in this context that the social partners cannot be compared to NGOs. NGOs work with the formation of public opinion, etc. in the population at large, while the social partners bring a direct influence to bear in society, participating in regulation of the labour market through collective bargaining and dialogue. Their activities also affect the social climate as a whole in each respective country. This gives the social partners a special status in comparison with other organisations, something that is also reflected in the EU treaties.

This status should also be reflected in work with the Lisbon strategy. When preparing meetings of the Spring European Council the European Commission and the EU Presidency should dialogue with the European social partners. Simultaneously, the governments of the member states should carry out parallel discussions with the social partners at national level. In conjunction with the drawing up of National Action Plans, the social partners should be invited to participate in open dialogue. The trade union organisations and the employers' organisations should also consider the contributions they can make individually to continued progress in the Lisbon strategy.

For historic reasons, some of the new EU member states lack insight into the importance of well-developed relationships between the social partners in the labour market, as described in the EU treaty. The Lisbon strategy can help to change this. In all relevant documentation in relation to the future of the Lisbon strategy post-2010, the Council and the Commission should emphasise the importance of constructive tripartite dialogue and the role and responsibilities of the social partners.

The Commission should also consciously support and reinforce the social dialogue at EU level, which would enable the social partners to make major contributions to the realisation of the ambitions of the Lisbon strategy.