
OVERVIEW OF THE LISBON STRATEGY AFTER ITS MID-TERM REVIEW
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The Lisbon strategy launched by the European Council of March 2000 was the elaboration of a European comprehensive strategy for the economic and social development in face of the new challenges: globalisation, ageing, faster technological change. Its central idea is to recognize that, in order to sustain the European social model, we need to renew it well as to renew its economic basis by focusing on knowledge and innovation. This should be the main purpose of an agenda for structural reforms (Rodrigues, 2002).

Over the last five years, this strategy was translated into an agenda of common objectives and concrete measures, using not only the traditional instruments, such as directives and the community programmes but also a new open of coordination, which had already been tested in the employment policy and which then extended to many other ones: the policies for the information society, research, enterprise, innovation, education, social protection and social inclusion (Rodrigues, 2003).

The general outcome in 2004 was clearly very unequal across policy areas and countries. A progress seems quite evident in the connections to Internet, the networks for excellence in research, the one-stop shops for small business, the integration of financial markets, the modernisation of the employment services or in some social inclusion plans. But some important bottlenecks are evident in fostering innovation, adopting a Community patent, opening the services market, developing lifelong learning or reforming social protection. Besides that, some Northern countries display better performances than some Southern ones, whereas some smaller countries seem to perform better than most of the big ones. This is, of course, a very rough assessment.

In the meantime, the implementation gap was worsened by a communication gap, due to the absence of a communication policy able to connect some existent progress on the ground with this European agenda. In face of these shortcomings, the mid-term review in 2004-05, under the Luxembourg Presidency, came up with some answers to the main problems which had been identified (Kok, 2004, Sapir 2004):

- blurred strategic objectives;
- inflation of priorities and measures;
- lack of implementation, coordination and participation mechanisms;
- lack of financial incentives.

1.1. Clarifying the strategic objectives

The first problem to address was about the very relevance of the strategy. Taking into account the new challenges, is the Lisbon strategy still relevant?

The world landscape is changing. The emergence of new competitive players coupled with more evident ageing trends should fully be taken into account by the Lisbon strategy, but its approach remains valid and becomes even more urgent – this was the position adopted by the Spring European Council under the Luxembourg Presidency. “Europe must renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of the human capital“ (Council 7619/05, § 5). Stepping up the transition to a knowledge-intensive society remains the central direction. The need to improve the synergies between the three dimensions of the strategy - economic, social and environmental – is also underlined in the more general context of the sustainable development principles (Council 7619/05).

Still, it was considered that the strategy should be re-focused on growth and employment, with some implications for the definition of the political priorities, as we will see below.

1.2. Defining the political priorities

The major political priorities of the Lisbon strategy for growth and jobs, after the mid-term review concluded in July are three:

- Knowledge and innovation – engines of sustainable growth;
- Making Europe a more attractive place to invest and to work;
- More and better jobs.

These three political priorities were specified into a short list of 24 guidelines using the Treaty-based instruments called “broad economic policy guidelines” and the “employment guidelines”. Moreover, an additional strand was included dealing with the macro-economic policies, under the label “Macroeconomic policies for growth and jobs” (see next Table and Council 10667/05 and 10205/05).

LISBON STRATEGY

THE INTEGRATED GUIDELINES FOR GROWTH AND JOBS

Macroeconomic policies for growth and jobs

1. To secure economic stability for sustainable growth;
2. To safeguard economic and fiscal sustainability as a basis for increased employment;
3. To promote a growth-and employment-orientated and efficient allocation of resources;
4. To ensure that wage developments contribute to macroeconomic stability and growth;
5. To promote greater coherence between macroeconomic, structural and employment policies;
6. To contribute to a dynamic and well-functioning EMU.

Knowledge and innovation –engines of sustainable growth

7. To increase and improve investment in R&D, in particular by private business;
8. To facilitate all forms of innovation;
9. To facilitate the spread and effective use of ICT and build a fully inclusive information society;
10. To strengthen the competitive advantages of its industrial base;
11. To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth.

Making Europe a more attractive place to invest and work

12. To extend and deepen the Internal Market;
13. To ensure open and competitive markets inside and outside Europe and to reap the benefits of globalisation;
14. To create a more competitive business environment and encourage private initiative through better regulation;
15. To promote a more entrepreneurial culture and create a supportive environment for SMEs;
16. To expand and improve European infrastructure and complete priority cross-border projects;

More and better jobs

17. To implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion;
18. To promote a lifecycle approach to work;
19. To ensure inclusive labour markets, enhance work attractiveness and make work pay for job-seekers, including disadvantaged people, and the inactive;
20. To improve matching of labour market needs;
21. To promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners;
22. To ensure employment-friendly labour cost developments and wage-setting mechanisms
23. To expand and improve investment in human capital;
24. To adapt education and training systems in response to new competence requirements.

Source: Council of the European Union, 10667/05 and 10205/05

Hence, for the first time, the EU is equipped with an integrated package of guidelines for its economic and social policies, using Treaty-based instruments. Behind this major political development a quite long maturing process had taken place and the need to enhance implementation was the final argument to be used.

1.3. Fostering the implementation

The aim of defining coordinated guidelines for economic and social policies in the EU comes from the nineties, with the preparation of the Economic and Monetary Union. During the Lisbon European Council in 2000, the political conditions were still not ripe to achieve the adoption of an economic and social strategy using more compulsory instruments such as Treaty-based guidelines. Hence, a new method was defined, called “open method of coordination”, based on (Council SN 100/00 and Presidency 9088/00):

- identifying common objectives or guidelines;
- translating them into the national policies, adapting to national specificities;
- organising a monitoring process based on common indicators, identifying best practices and peer review.

The development of this method in eleven policy fields since 2000, in spite of some shortcomings (such as bureaucratisation, simplistic benchmarking, etc.), had been quite instrumental in building the necessary consensus about the strategic challenges and the key reforms to be implemented. In 2005, the arguments regarding the implementation and the coordination gap were already enough to ensure a transformation of some of the most important of these “soft” guidelines into “harder” ones, by building on them in order to formulate Treaty-based guidelines (Council, 10667/05 and 10205/05).

Hence, the open method of coordination did play a role in building a European dimension, organising a learning process and promoting some convergence with respect by the national differences. Does this mean that this method is now over? This is not at all the case (see Council 7619/05 § 39 d/ and Commission, SEC 28.04.2005). It can pursue its role, when this is needed which means that the policy making process can work at two levels, one more formal and precise than the other, ensuring the necessary political re-focusing in the implementation.

A second important development regarding the instruments for implementation concerns the national reform programmes for the next three years, to be prepared by all the Member States in the autumn 2005 (Commission, SEC 28.04.2005). These programmes should be forward-looking political documents setting out a comprehensive strategy to implement the integrated guidelines and adapting them to the national situation. Besides presenting the political priorities and measures, these programmes are also expected to point out the roles of the different stakeholders as well as the budgetary resources to be mobilized, including the structural funds with a link to the stability and convergence programmes. The preparation, implementation and monitoring of the national programmes should involve the main political institutions as well as the civil society and, when appropriate, a national coordinator should be appointed. An annual follow-up report is also supposed to be provided by all Member States, leading to a general report to be presented by the European Commission to each Spring European Council.

A last important piece to foster the implementation is the recently adopted Community Lisbon Programme, putting together, for the first time, all the regulatory actions, financing actions and policy developments to be launched at European level regarding the Lisbon strategy for growth and jobs, and organising them by the three main priorities already mentioned (Commission, COM (2005) 330). Some of its key actions are underlined:

- the support of knowledge and innovation in Europe;
- the reform of the State aid policy;
- the better regulation for business operation;
- the completion of the internal market for services;
- the completion of an ambitious agreement in the Doha Round;
- the removal of obstacles to physical, labour and academic mobility;
- the development of a common approach to economic migration;
- the support to manage the social consequences of economic restructuring.

As well as the national programmes for growth and jobs will require a stronger coordination within the governments, this Community Lisbon Programme will require the same from the European Commission and also from the Council of Ministers in its relevant formations: Ecofin, Employment and Social Affairs, Competitiveness, Education and Environment. Regarding the European Parliament, an internal coordination procedure is already under

way between different EP commissions and the same should be considered by the national parliaments, as some of their commissions can be concerned.

1.4. Developing financial incentives

Different reforms of financial instruments are underway in order to put them more in line with the political priorities of the Lisbon strategy for growth and jobs:

- the Community framework for the State aids is being reviewed in order to turn them into a more horizontal approach, focusing R&D, innovation and human capital;
- the European Investment Bank and the European Investment Fund are also deploying new instruments in support of the strategy for growth and jobs, and were asked to put a special focus on the needs of the innovative SMEs in Europe;
- the Community Programmes can also play an important role, notably if they are also able to become a catalysts of the national programmes for growth and jobs. Three very relevant cases are the 7th Framework Programme for Research and Technological Development, the Community Programme for Competitiveness and Innovation and the Community Programme for Lifelong Learning;
- the Community Strategic Guidelines for the Cohesion policy, which were recently proposed by the European Commission are now strongly in line with the integrated guidelines for the Lisbon strategy, covering their three main strands: making Europe and its regions more attractive places to invest and to work; knowledge and innovation for growth; and more and better jobs (Commission, SEC (2005) 0299).

The scope of these two last instruments depends, of course, on the size of the financial resources to be given in the next Financial Perspectives (2007-2013) to two central objectives: investing in the Lisbon priorities and keeping regional cohesion.

Beyond all this, a reform was introduced in the Stability and Growth Pact which can have very relevant implications for the Lisbon strategy (Council 7619/05). According to this reform, macroeconomic stability remains a central concern, the limits for the public deficit and the public debt remain

3% and 60% as ratio of the GDP and pro-cyclical fiscal policies should be avoided. Nevertheless, a new emphasis is put on fostering economic growth and on the sustainability of the public debt in order to cope with the demographic trends. Against this background, the Lisbon goals, such as reforming social protection systems and redirecting public expenditure to key investments for growth potential (in R&D, innovation, human capital) are among the relevant factors to be taken into account when assessing the public deficits (either below or above 3%) or when defining the adjustment trajectories, in case of the excessive deficit procedure.

In conclusion, the sustainability of the European social model depends on the success of the overall strategy for growth and jobs, which are now the two key words; and this success depends on a new approach to renew the European competitiveness, a full use of the potential of the single and external market as well as on more scope for growth in the macroeconomic management. Finally, this success also depends on well designed reforms of the European social model itself.

The concrete solutions to achieve this particular combination in each Member State can only be found by itself. That is why, the preparation and implementation of the national reform programmes for growth and jobs opens an opportunity which should not be missed.

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