



## “EU 2020”

### **An initial ETUC Commentary**

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1. This note comments on the publication of the “EU 2020” strategy, published by the Commission on November 24.
  - ***did ‘Lisbon’ succeed?***
2. The ETUC was, by the end, disappointed with the Lisbon strategy. As the decade ended in deep crisis, perhaps this was inevitable but even before, the strategy could not be presented as a general success. We supported it strongly in its original form in 2000 but in 2005, the focus shifted to the economic aspects, away from a balance with the environmental and social dimensions. The social dimension became considered to be a natural consequence of a growth strategy and no serious action was planned. The change in emphasis also provided justification for an exaggerated focus on deregulation and labour market flexibility while Social Europe was relegated to a subsidiary status and this despite high and rising levels of inequalities, persistently high unemployment and an increase in precarious forms of work.
3. When the record over 10 years is assessed, relatively few of the numerous bold objectives for 2010 have been achieved. Nor can this be blamed entirely on the financial crisis of 2008. In particular, the fact is that we were short before the crisis of the grandiose target that Europe should be the most dynamic and competitive economy in the world. And on other key targets, for example, education and lifelong learning, renewable energy, childcare, and new enterprises, the objectives have not generally been met although some countries have done well while others lag. Whether the Lisbon strategy was instrumental and decisive in helping progress where it was made, or whether it would have been made anyway, is a point about which it is hard to be definitive.
4. In some areas, progress was made – e.g. labour market activity rates improved and some countries exceeded the Lisbon 70% target before the economic crisis hit. The concept of Lisbon – a common strategy across 15, then 27, countries attracted attention elsewhere in the world. The concept was ambitious but after the revision in 2005, there was a real switch in direction towards an over-liberalised approach which coincided with, and, perhaps, contributed to a rise in disillusion with Europe; too many people in the EU including many workers regard it now as a market union but not a social union.
5. Ironically, once the crisis hit, it is the welfare states and public services which have acted as automatic stabilisers and, with the help of ‘Keynesian’ economic

stimuli packages, have prevented the EU's recession from slumping into depression. Yet for too much of the period from 2000, and especially after 2005, welfare states, public services and market regulation were regarded at best as old fashioned, necessary evils, and, at worst, as obstacles to the wealth creating potential of liberated markets.

- *the next 10 years*

6. In fact, much of the next decade will be dominated by the consequences of the current economic crisis. Unemployment is likely to remain higher than pre-crisis levels up to at least 2015/2016; and taxation will be higher and public spending lower as debts have to be repaid. At the same time the environmental crisis needs to be tackled, and the demographic position is difficult with increased numbers of pensioners and lower numbers of working age persons.
7. A central criticism of the Commission paper is that it does not spell out sharply enough the way these three factors will dominate the future. Nor is there a progressive vision of the social dimension and social policy. The economic crisis and rising unemployment (of young people in particular) will be a major feature of the next five years and will be or should be the central focus for policy makers. How do we cope with that? What scale of public resource will be necessary? How do we spread rises in prosperity across the population and reverse the trends towards inequality. What are the roles of the public sector, employers, trade unions and other stakeholders? What scale of recovery plan is needed to tackle the problems? How can the EU handle the difficult question of exiting from high levels of public debt while not deepening the recession and causing further rises in unemployment and inequality? How do we tackle the various gender "gaps" (i.e. pay, working hours, work / life balance etc.) and fight unfair discriminations. How do we attack the roots of the crisis and the emphasis on the short term deal making culture? How do we commit ourselves as Europe to a policy agenda of quality jobs? These are the key questions inadequately addressed or not tackled in the Commission paper. We need a genuine strategy to help us out of the crisis of employment and mass unemployment and towards a more equal, more sustainable Europe. The new strategy must set Europe on the course of long-term sustainable growth, increased employment and enhanced social conclusion and equality.
8. President Barroso said recently in his Policy Guidelines of the next Commission – "we need a new, much stronger focus on the social dimensions in Europe, at all levels of government". That ambition is not adequately defined or reflected in EU 2020.
9. Nor is the issue of global imbalances addressed. As Allan Larsson, former Director-General of DG Employment, said recently: "The world economy has worked on the basis on a USA strategy of borrowing and spending while China had the opposite strategy, saving and lending". The US and China became so dependent on each other that China was caught in the "dollar trap" and the US in the "debt trap". Neither strategy is sustainable, either financially, socially or ecologically. Europe has its own imbalances and bubbles in banking and real

estate. The growth and development models of the world are in a global crisis. Any debate on the Lisbon strategy and its successor should reflect awareness of this important problem.

- ***Social Europe***

10. Social policies should be at the heart of the debate about globalisation, whether it is the need for affordable health care in the USA, raising consumption levels or introducing the decent work and trade union rights concept to China, or the EU maintaining social safety nets in times of deficit reduction.
11. A particularly urgent issue is how macroeconomic exit strategies (i.e. exit from the strategies to rescue financial systems and maintain general demand) include entry strategies to get people back to work. This must involve the Commission, the Parliament and the Council strengthening the social profile of the EU and defending the social model in its many forms.
12. Specifically it means defending and developing social systems including in the following ways:
  - Robust unemployment benefits functioning as strong automatic stabilizers and limiting shocks to jobs over the business cycle.
  - active labour market policies to prevent long-term unemployment
  - improving the quality of jobs and social dialogue at both national as well as European level.
  - policies to share, widely, prosperity and combat widening inequalities and poverty; 80 million EU citizens live below the poverty line; wide differences in long term care and hospital facilities inside the European Union.
  - combine action to protect entitlement to fair pensions guaranteeing decent living standards with labour market policies to give new opportunities for re-employment throughout working life
  - engage political and social involvement in these debates
  - while returning to sound public finances, defend social protection systems and public services – and for some priority groups – the young , unemployed, those at risk of long-term unemployment etc, improve these.
13. Yet beyond that, the following issues should guide EU strategy:
  - (i) Europe needs to build a ‘fair’ labour market. Stable and protected contracts, good wages with ‘equal pay for equal work’ and robust unemployment benefits will make sure that economic progress will be widely shared and is not reserved to the privileged. Moreover, ‘quality jobs’ and workers’ rights are anything but an impediment to labour market efficiency. On the contrary, they can be highly compatible with a dynamic economy. Workers will be much more willing to move into new jobs if the economy mainly consists of ‘good jobs’. And the economy and the labour

market only stand to gain when the different gender gaps (such as equal pay for female workers, culture of long work hours, ...) are addressed.

- (ii) Workers' security in the labour market needs to increase. The crisis has shown us that the European labour market is already very flexible but not so secure. The crisis has also shown us that there are other and better ways to respond to economic shocks than immediately firing workers by promoting internal flexicurity schemes such as short time working schemes and similar arrangements in which the state and/or the employers compensate the wage loss from a temporary reduction in working time.
- (iii) To build this 'fair' and secure labour market, Europe needs a new social policy program. The European Social Acquis which, according to the European Treaty is to be defended and promoted by the Commission, should be strengthened and enlarged, in particular by a clarification of the posting directive and workers information and consultation rights in terms of the European Private Company Statute. Moreover, workers in precarious contracts should also be entitled to 'transitional' rights' (right to training, improved access to social security benefits, right to move upwards into regular contracts...). The core principle of the European Social Acquis – that atypical jobs are to remain the exception and not the rule – should be enforced in a better and stronger way. In all of this, particular attention needs to go to closing the gender gaps in pay, in jobs and in career opportunities.
- (iv) To tackle the unemployment consequences of the jobs crisis, active labour market policies also need fundamental change. In order not to put the burden of being out of a job on the unemployed themselves, policy needs to refocus on the demand side of the labour market. Massive investment in policies that share and redistribute work, which create decent jobs in social services of public interest and which upgrade workers' skills while being unemployed, are urgent. The guidelines in the European Employment Strategy need to take this labour market demand side into account, while the Broad Economic Guidelines at the same time need to focus on creating an additional volume of jobs by focussing on public investment led demand and growth.
- (v) Equality and non-discrimination in general are important pre-conditions for the development of inclusive and diverse labour markets. Measures and policies focussing on integration and social inclusion of workers from a migrant or ethnic minority background and acting against racism and xenophobia; recruiting and facilitating disabled workers and keeping older workers healthy and active in the workplace; promoting diverse workplaces and societies respectful of difference for instance when it comes to sexual orientation, religion or cultural background; these are all of key importance for the future of sustainable, innovative and productive labour markets.

- ***corporate Governance***

14. The ETUC also wants the next strategy to address the need to tackle short-termism in the governance of companies. Rapidly rising executive pay and bonuses (and not just in the banks) contributed to the crisis because they were often linked to short-term shareholder value (or in private equity companies, equivalent pressures to gain short-term value). This short-termist mentality not just contributed to reckless speculative behaviour but also put pressure on research, investment and training budgets so much that it seems unlikely, for example, that the market sector will generate significant investment funds to tackle climate change over the next five years. Public expenditure will be under pressure to help, both through reducing the risks that entrepreneurs will take and also through demands for the promotion of green technologies. In these areas, markets are not working, and the short-termist approach is not sustainable.
15. The market is not working well in the area of lifelong learning and training of workers. In line with the rising precariousness of contractual arrangements, business has tended to downgrade investing in the skills of their workforce. Upgrading skills for future jobs, the right to training during and after an economic crisis, funding for both initial and further training, training pathways for work careers are key issues. Here, collective bargaining has an essential role to play in order to correct market failure and coordinate corporate strategies. At the same time, it should be stressed that, while skills are crucially important, quality jobs are also about good work conditions, workers' rights and stable jobs and contracts.
16. Linked to this is the absence of a new action programme on corporate behaviour. There is a need to strengthen worker rights and participation, to enhance the worker voice and influence on management, and to involve unions in making companies responsible to all stakeholders, not just shareholders.
17. The ETUC is looking too for a Commission view on inequality generally. There is a danger that the financial costs of the recession will fall on workers – medium earners and the lower paid alike. Yet the broadest shoulders should carry the heaviest burdens and a strategy is needed urgently for fair sharing of the heavy task of paying for the crisis and reducing debt.
18. The ETUC can support the Commission's objectives of 'smart' growth, innovation in new, cleaner technologies, and better education and training. Also to be supported is active labour market policy provided it is based on equipping workers with the skills to meet new challenges rather than 'workfare' type policies, pushing people into precarious, low paid work.

## **Conclusion**

19. These are the ETUC's initial comments. We would like the opportunity to look at these issues in more detail than allowed by the January 15 deadline and planned decisions by the Council of Ministers in March.
20. The immediate priority for us all is not 2020 but the implementation at European level of a bigger recovery plan for jobs, new schemes to get the unemployed, especially the young, into decent work and learning, determining who pays before any exit strategies are seriously contemplated, and a serious strategy, with enhanced funding sources clearly identified, to tackle the climate change and define a European low carbon strategy based on the principles of just transition, social dialogue, new and extended rights relating to the protection of health and of the environment at work and for the provision of training and 'green' skills so that every workplace can be a Green workplace.
21. Also very urgent is the need to ensure to limit the risks of financial institutions having the scope to inflict mass misery as they have done recently. And even if the next few years, the first priority will be the reduction in unemployment, the new strategy should nevertheless make a commitment to full and quality employment with this commitment being backed up by numerical targets.
22. To conclude, Europe needs a paradigm shift. The model of 'free and deregulated markets pushed forwards by member states competing with each other in the European internal marketplace has failed us. What we need instead is a greater emphasis on European cooperation on quality jobs, common sustainable industrial policies, a more substantial European budget, moves towards an economic union alongside a monetary union, and common European approaches to financial regulation.

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