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# After Lisbon – Social Europe at the crossroads?



Lars Magnusson

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**Working Paper 2010.01**

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**european trade union institute**

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## Preface

The initiative to start a discussion about the post-2010 continuation of the Lisbon process was taken by the SALTSA network in 2008 in order to contribute to a critical discussion which, at the time, had hardly begun. With a view to setting up a discussion group with the task of producing a position paper that would reflect a concern for a continuing social dimension in the post-Lisbon period, the idea was presented at the first TURI meeting in Brussels in the same year and there met with the approval of a number of scholars from different research institutes belonging to the TURI group. The members of the discussion group thus set up were Philippe Pochet and Maarten Keune (European Trade Union Institute, Brussels), Salvo Leonardi (IRES, Rome), Ulrike Liebert (University of Bremen), Fernando Rocha Sánchez (Fundación 1º Mayo, Madrid), Niklas Bruun (Helsinki School of Economics), Christian Dufour (IRES, Paris), Sam Hägglund (The European Federation of Building and Woodworkers, Brussels), Lars Magnusson and Bo Johansson (SALTSA at Uppsala University). Responsibility for the document to be drafted was accepted by Lars Magnusson.

While not necessarily in agreement on every point, all members of the group share the belief that Europe will continue to need, in the future, a common strategy for growth and sustainable development which builds on the experiences of the “old” Lisbon Strategy. We also believe that the priorities of the new strategy must be articulated differently. Social cohesion has been a goal of European policies for a long time. Such cohesion can, however, be built only on a commitment to social dialogue and on more, rather than less, equality. Only by means of an approach such as this, is it possible to create the kind of legitimacy required to meet the global challenges of today.

Lars Magnusson  
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March 2010



# 1. Introduction

Will Europe continue, in the future, to have a common strategy for growth and development that includes a clear social dimension? It was for this precise purpose that the Lisbon process was inaugurated nine years ago, in order to facilitate a strategy aimed at turning Europe, by 2010, into the most competitive economy in the world, with more and better jobs, on the basis of a transition to a knowledge-based economy, while at the same time defending social cohesion and a greater involvement of the social partners. Yet, since the advent of the new Millennium, times have changed. On the economic scene we have entered a period of recession after a monumental collapse of the financial sector during the autumn of 2008. In all probability, the focus in the following years will less be on structural change and transformation and much more, keeping closer to the ground, on the effort to cope with high unemployment figures and a low level of economic activity. Of the optimism that reigned in 2000, in anticipation of the EU's ability to simultaneously enlarge and deepen its activities, there remains little trace today. On the EU level we can expect that the current trend towards making the EU 'thinner' (but perhaps smarter) will continue for at least some time to come, while it is not in the least bit unlikely that isolationist tendencies will increasingly make themselves felt. In other words, a possible response to the crisis may be that each member state will regard 'social Europe' in terms of national policy, rather than seeking European answers to what are, ultimately, common issues and problems. Even worse, some states may be tempted to adopt beggar-thy-neighbour policies as a way of becoming more competitive in the short term, and such a strategy would entail dire long-term effects on employment and working conditions. Moreover, in contrast to the optimism of ten years ago, when rapid globalisation seemed able to lift all boats, the problems of increasing social inequality, as well as environmental problems including global warming, today occupy a prominent place on the agenda. However, a shift to more sustainable social and environmental policies will prove extremely costly and the collective decision-making required to achieve concrete goals will be difficult to achieve. As a consequence, there is a clear danger that, for example, social cohesion and social equality will be accorded less priority and it is thus essential that the concept of sustainability should continue, in the future, to include both a social and an environmental dimension.

We, the authors of this position paper, are strongly committed to the idea that Europe will continue to need, on into the future, a strategy for sustainable development that includes a social dimension. There are several reasons for this. First, we hold the view that European states share a number of com-



mon problems as well as possibilities. It is true that many Europeans feel that there is limited legitimacy for EU-level interference in what are basically felt to be national social and economic issues. This stance may well have changed somewhat during the last decade as many have experienced the impact of EU decision-making in areas such as employment policy, welfare and pensions (with implications on taxation). Here the Bolkenstein directive on liberalisation of services and the European Court of Justice judgments on the 'posting of workers' directive are clear cases. More importantly, however, most European countries will, during the next couple of years, share the fate represented by increased unemployment, increased social inequality and deficits in our national budgets, with all the numerous social and political repercussions that this fate is bound to entail. There are, of course, those who argue that social issues can be dealt with only at the national level and do not, on their own, necessitate any European policymaking. And yet some issues can definitely be dealt with only at a supra-national level: those which have spill-over effects causing macro-economic instability, environmental challenges including climate change, immigration into Europe but also labour mobility within the EU as well as relocation. On such matters one country cannot act in isolation from all others. Another issue very much at stake is that of European solidarity, the extent to which, in other words, we seek an agenda for more social cohesion and less inequality between the different member states in Europe. The Lisbon goals set up in 2000 included, without any doubt, targets designed to diminish economic and social inequalities in Europe. The main reason for this, surely, was a sense of solidarity between different components of the European community.

Secondly, we share the viewpoint that sustainable economic growth is indispensable in the long run for preservation of the European social model(s). In our view Europe can increase its potential for sustainable economic growth much better if we act together in this age of increased global competition. But we must at the same time ensure that our priorities are right. Economic growth is not a goal in itself and it is impossible to accept any policy of growth that does not enshrine as its first priority the need – formulated at the Lisbon summit in 2000 – to 'improve the citizens standard of living'. Standard of living in this case must include both social welfare and a good and a sustainable environment.

The discussion concerning what should replace Lisbon must be intensified and involve many more people, groups and stakeholders. On 2 March 2010, the European Commission issued a communication paper 'Europe 2020 – A strategy for smart, sustainable and inclusive growth' (European Commission 2010). This will now be debated both at the European level and among the member states. Although the goal of 'social and territorial cohesion' is maintained, it seems clear from the document that social priorities are not very high on the list. 'Smart' and 'sustainable' growth are to be achieved through greater investment in R&D (especially green technology) and by increasing the employment level to 75 per cent of the workforce. Nothing specific is said about how such 'social and territorial' cohesion ('inclusive growth') is to be achieved. Should it involve a continuation of 'old' Lisbon policies, mainly pri-

oritisising more flexible labour markets, or will it also include a social dimension? Will the 'flagship' initiative 'An agenda for new skills and jobs', which is supposed to usher in the new 'smart' and more knowledge-based economy, also include clear social commitments? And how will the social dialogue that is said to be a crucial factor for success be strengthened? With regard to social goals, the only one explicitly mentioned in the communication paper is the initiative to create a 'European Platform against Poverty'. Moreover, this includes a concrete target: to reduce the number of the poor in Europe from 70 to 50 million. This is all well and good. On the other hand, nothing is said about how the new strategy will ensure that core European values, such as 'economic, social and territorial cohesion and solidarity' or, for that matter, our 'respect for gender equality' – presented as key to the success of the Lisbon 2020 Strategy – can be maintained in the coming years. The new strategy must be much clearer on such issues and also include specific policy goals and targets. If this is not done, we fear that Social Europe is under threat. Social cohesion and solidarity are not automatic outcomes of 'smart' and 'sustainable' economic growth. They can be achieved only by political means – by committed social and political actors. We believe that the goal of Social Europe must be formulated much more clearly in the new strategy than was the case with the Lisbon Process. This also means that we must analyse the 'old' process in more detail and discuss its problems thoroughly. The present position seems to be to forget about Lisbon and launch the new 2020 strategy. However, if we do not take the opportunity to learn what went wrong in the past we will surely repeat the same mistakes in future.



## 2. Has Lisbon been a disappointment?

Many people today feel that the Lisbon Strategy has not lived up to its expectations. It is easy to agree that Europe has not, to date, become the most competitive region in the world, has not doubled its growth rate or achieved full employment (not even reached the goal of 70 per cent employment as envisaged in the Strategy). What is more, the gap between the best and worst performing EU countries has actually increased since the Lisbon agenda was launched. But is the observation that the targets set have not been fulfilled tantamount to claiming that the Strategy is a failure? It must be pointed out, in all fairness, that any strategy may fail, in absolute terms, to achieve its goals, but that as long as some progress has been made in the right direction it may be regarded as at least partly successful. Accordingly, the most pivotal question is whether or not we have moved in the right direction. With regard to some of the objectives set up in 2000, this is definitely the case. If we look at the level of employment or at the share of unemployed, a move in the right direction was definitely being made during the period up to 2008: while the employment level rose between 2000 and 2008 from around 62 per cent to over 65 per cent, the unemployment figures diminished in most countries. However, as usual, it is quite impossible to determine to what extent this improvement would have occurred anyway, in the absence of a Lisbon Strategy. Even so, it is perhaps reasonable to claim that the European Employment Strategy has helped several countries to introduce 'good practices' in order to put people to work, even though rising demand for more jobs as a consequence of the upturn in the global economy after 2002 was the most important factor. Moreover, it could also be argued that commitment to a social dimension in the Lisbon process has led to increased civil society activism in the social policy field, including perhaps the 'corporate social responsibility' process based upon the Commissions Green paper in 2001 (European Commission 2001). Moreover, discussions concerning the ratification of Lisbon in several countries in Europe have led to an increased awareness of the social dimension in European policy processes.

What is unfortunate, meanwhile, is that other developments seem to have represented moves in the wrong direction. First, there is the issue of the quality of jobs. We may argue about what constitutes a good job or about whether or not a 'bad' job is better than no job at all. However, for example, the numbers of so-called atypical jobs are on the increase in Europe and have been so for most of the last decade. Of course, not all part-time, temporary or fixed-term jobs are necessarily poor quality jobs. But this is indeed true of many of them and the trend towards less security at the workplace appears evident in most

European countries (ETUC and ETUI 2009). A rise in the numbers of non-standard jobs would perhaps be less of a problem if the increase in jobs during the last decade or so been in the highly paid and knowledge-based sector of the economy. According to the rhetoric at least, workers in this sector are expected to be more mobile and to care less about security. Yet there is not much to support the view that atypical work comprises predominantly high-paid jobs in the knowledge sector. Such jobs, rather, are increasing most rapidly in the service industry and are thus affecting, first and foremost, low-paid workers. Perhaps this is also the main explanation of why there are in fact few indications that job quality has improved during the last decade. The so-called 'Job Quality Index' (ETUC and ETUI 2009:36f) which is a joint weighting of a number of variables (including wages) for the Europe15 countries shows a very slight increase for male workers and slight decrease for women with regard to job quality (ETUC and ETUI 2009). This finding indicates, among other things, that the gender gap as it relates to working conditions is in fact increasing in Europe.

Secondly, it is clear that while income differences *between* countries in Europe have tended to diminish quite significantly, income differences *within* countries display an opposite trend (Magnusson and Stråth 2007). The first of these observations is clearly a positive effect of European integration. At least up to 2008, the effect of EU enlargement was that the 'new' countries that have joined the European Union during the last decade were lifted from an extremely low position measured in GDP per capita. However, there is a clear danger at present that, due to the current economic crisis, some of these countries will regress and thus that income differentials between countries within Europe27 will once more start to increase. Increased income differentials within individual countries are, on the other hand, a world-wide phenomenon, propelled probably by increased global competition. There can be no doubt that any strategy conducted at the European level will find it difficult to counter such a global trend. Even so, that this trend must be acknowledged and brought more clearly into focus, including at the level of the European polity, seems very clear. In this respect, the current trend is definitely set in the wrong direction, a situation likely to lead to increased social problems and conflicts and indeed also to tensions between different member countries. Moreover, such tensions also affect the possibility for new candidate countries to join the EU in the foreseeable future.

Thirdly, the claim that the European model(s) can be sustained only on the basis of a new competitive platform (Rodrigues 2003:4, 14) has not been fully substantiated. One main pillar of the Lisbon Strategy was that a knowledge-based economy could be built only on the basis of a reformed European welfare model. Hence it was argued that the 'new economy' required more flexibility on the labour market and increased incentives to work. The concept of 'flexicurity' was introduced as a policy option in the direction of more flexibility and labour mobility, while preserving income and social security at a high level. So far, however, the security side of the equation has been less in evidence than the flexibility component. Equally, much less attention is paid to what is usually termed 'internal' flexibility than to 'external' flexibility. To

increase internal flexibility is to invest in training and encourage the learning of new skills, in other words, to invest in 'human capital'. Increased external flexibility means, on the other hand, that the hiring and firing of employees becomes easier, and flexibility in this latter form most certainly leads to less security for workers while also implying, in the long run, less social cohesion and increased differentials in income and living standards.

As we have seen, a majority of the new 'flexible' jobs have not been created in the high-paid sector but in the low-paid service sector. For workers in this sector flexibility so far has meant less security at the workplace. For the unemployed or workers in atypical jobs flexicurity is regarded as a workfare or job-first strategy which aims to increase unemployed workers' job search activities at any cost. Less attention has accordingly been paid to employees' possibilities of maintaining their income while upgrading their competences, seeking a new job or making plans for a move to another country or region in the search for new work. As such, insofar as efforts have been made to introduce a more competitive platform in Europe, the reforms in question have in many cases been to the detriment of employees' safety net during sickness or unemployment. Hence if flexicurity – both flexibility and security – is necessary in order to increase the competitive edge and build a new knowledge economy, this transformation will surely be halted if the current trend toward less social cohesion is continued. If workers are expected to be more mobile, this requires that they enjoy more labour market security. It is true that some countries, including Denmark and the other Nordic countries, have long had in place some forms of flexicurity arrangement which prove satisfactory, to some degree at least, to both sides of industry. However, these countries' historically developed and institutionalised social relations and practices (many of which are informal in character) are not so easily exported to other countries.

And so there are indeed some reasons to be disappointed with the Lisbon Strategy which has fallen far short of delivering what it was supposed to deliver. Even worse, the trend with regard to important social issues seems to be set in the wrong direction. In some countries, at least, positive results may have been produced by policies operating in the form of the open method of coordination (OMC) so as to spread learning practices in the areas of labour market policy or life-long learning. Regarded as an overall strategy, however, the situation today seems rather to be characterised by less social cohesion than a decade ago and to have less of a focus on social and welfare policy issues than before. This rather gloomy picture is compounded by the failure, during recent years, to develop the social dialogue and involve the social partners more closely in the Lisbon Strategy and the development of the EU. One consequence of this is the present standstill with regard to the introduction of new European legislation on social issues.



### 3. What was the Lisbon Strategy?

As already noted, the aim of the strategy decided at the Lisbon summit of 23/24 March 2000 was to provide a European answer to the new global challenges by speeding up the process towards a knowledge-based economy while preserving European values, including cultural variety and social cohesion. The aim was, accordingly that, by the year 2010 – by means of a gradual increase in R&D investment of up to three per cent of state budgets (almost double the situation in 2000), by more investment in the upgrading of competences, by spreading the use of ITC technology and investing in increased broad-band technology – a solid foundation would be laid for a knowledge-based industrial structure. In this sense, Lisbon constituted a strategy for economic structural change and modernisation aimed at creating many new jobs in the ‘new’ sectors of the economy, while accepting the shrinking numbers of jobs in the old sectors where competition from the emerging countries would lead to off-shoring and relocation. Moreover, following closely the recommendation of the Cardiff summit of 1998, Lisbon also stressed the need for European states to liberalise their own state monopolies, such as energy (electricity and gas), telecommunications, the postal service and railways, etc., the aim being to introduce more competition in order to lower costs and make the services more consumer-friendly. Lastly, a programme to encourage entrepreneurship and to support an environment supportive to innovation and change was envisaged in Lisbon and established in the form of the special Multi-annual Programme for Enterprise and Entrepreneurship. In this rhetoric, the role of innovation was particularly stressed. Emphasis was placed on knowledge as the main competitive factor monitored and disseminated through a process of innovation. To this end, there was a need for further development of innovation systems and of the interface between the universities and other knowledge producers that would bring them more closely into co-operation with business and enterprises. According to Lisbon 2000, a closer governance of the innovation system was necessary on the regional, the national and the EU levels.

The recommendations for reforming (the word more often used was ‘renewing’) the social model(s) in the Lisbon Strategy build, to a large extent, upon the four guidelines in the European Employment Strategy: employability, entrepreneurship, adaptability and equal opportunities. As in the Luxembourg strategy (launched in 1997), a specific target was set up for the employment level, namely 70 per cent. To achieve this goal reforms in the welfare sector were regarded as pivotal. However, a difference was that the guidelines and the recommendations were placed within the Broad Economic Guidelines



which underpinned their role in creating ‘more and better jobs’. For those who wished for a return to full employment as an overreaching commitment for the EU, Lisbon could definitively be regarded as a step in the right direction.

As a consequence of Lisbon and the subsequent summits in Stockholm and Laeken in 2001, ten areas of importance for the creation of better and safer jobs were identified: intrinsic job quality, skills requirements, gender equality, health and safety, flexicurity, inclusion and access to the labour market, work organisation, social dialogue and worker involvement, non-discrimination and productivity. Progress in this field would have required radically stepping up the introduction of new processes (perhaps of the OMC kind). However, as ‘hard’ decisions with regard to social and labour market issues were in the hands of the member states (to be taken either by the state itself or by tri- or bipartite structures on the national labour market level) advances were slow, the EU being in a position to deploy no more than the OMC as a means of speeding up the introduction of such policies.

Adaptation to the other component of the programme for reform (or renewal) of the European social model(s) has, to some extent perhaps, proved easier. Following quite closely the guidelines of employability and adaptability in the Employment Strategy, the Lisbon summit recommended member states to adapt their social protection policies to make them more ‘employment-friendly’, in other words targeted to increase the individual’s motivation to take up work. Social protection and unemployment relief systems should not, according to this rationale, support passivity but instead intensify job search activities. Both benefit and tax systems should be adapted to ‘make work pay’ and be constructed according to the rule of the conditionality of benefits. In the same manner, steps should be taken to encourage late retirement, alongside policies to prohibit early retirement. According to the Lisbon summit, exclusion from the labour market represented a more serious threat to the European social model(s) than the need to protect ‘insiders’ rights. Only through an increased level of employment could growth be enhanced and welfare be protected in the long run. A strong undercurrent at the Lisbon summit and in the discussion at the turn of the millennium was the fear of an ‘ageing’ Europe and its implications for long-run growth and welfare in Europe. The same argument was used to underpin the need for employment-friendly policies and postponed retirement schemes.

## 4. What went wrong?

If we are disappointed with the Lisbon process, then there is a need to ask what exactly went wrong. It is easy enough to claim – as is frequently pointed out – that the global economic development has not worked in Europe's favour during the last decade or so. But this is hardly a very strong argument. Surely not every problem experienced during the last couple of years can be attributed to outside sources. For example, the ITC bubble which burst already in 2001, just after the Lisbon summit, was perhaps a sign that Lisbon's reliance on this sector as a motor of growth and employment might have been over-optimistic. Moreover, European policies to foster economic growth have not been promoted energetically enough to create anything close to the numbers of jobs that were targeted in 2000. Nor has the dynamic transformation to a more knowledge-based economy been as fast as was expected – mainly perhaps as a consequence of inadequate investment in R&D.

These aspects aside, there are factors that have contributed to the problems with the Lisbon process and that relate to the fundamental theoretical basis of the Lisbon Strategy:

*First*, the theoretical underpinning of Lisbon is rather weak and builds on a number of strong but questionable assumptions, of which the following are perhaps the most important:

- That European economic growth and welfare in the future would be dependent upon the transition to a 'knowledge-based' economy.
- That policy governance, in the form of innovation policies, etc., on national, regional and EU levels, could make a pivotal contribution.
- That European social models need to be reformed or renewed in order to enhance the speed of this transition.
- That policy could ensure that social cohesion is guaranteed during the transition to a knowledge-based economy or in a new era of intensified global competition.

Of course none of these assumptions is truly self-evident, although at the time they well reflected the arguments put forward by leading social scientists and politicians. In any case, the policy conclusions that can be drawn from them are even less clear-cut. In discussing what will happen after 2010, after Lisbon, we will have to acknowledge the problem that strategies frequently rely on specific visions and conceptualisations that are bound in time and restrict-

ed to a specific political context. After all, do we really know to what extent sustainable growth and more and better jobs in Europe are necessitated by a transition to a 'knowledge-based economy'? What is the definition of such an economy? Moreover, do we really know whether the knowledge economy will create more or less inequality? Can we be sure that such an economy by itself creates better jobs – or more social cohesion and less economic inequality than the 'older' economy? The follow-up to Lisbon must perhaps be less visionary – but better rooted in real facts?

*Secondly*, there has been a strong imbalance within the Lisbon process as such, especially after the 2005 mid-term review which focused on competitiveness at the expense of social and environmental issues. Undoubtedly, the main reason for this bias pertained to the dominant political preferences within the European Council during the last decade characterised by a growing majority of conservative governments. This led to a strong political momentum to carry through some of the Lisbon points and forget about others. While policies of de-regulation with regard to the public sector, as well as reforms in the social sector to make the benefit system more employment-friendly, have been very much to the fore, social security and the goal to increase the welfare of EU citizens have been less overtly stressed. Moreover, as noted, Lisbon has taken it for granted that 'better jobs' will accrue as an automatic response to structural change and the hoped for transition to a knowledge-based economy. The fact that such a goal cannot be guaranteed without careful governance and political initiatives has tended to be forgotten along the way. In the same manner, very little has been done lately on the EU level in order to create a platform for flexicurity arrangements. For example, very little in the form of OMC has been launched in order to step up the introduction processes and thereby enhance more social equality, lifelong learning or employment security.

What is more, the dominant political preferences during the last decade have also blocked the Commission from putting forward new initiatives and building new political platforms in order to increase social cohesion. Indeed, the balance of power in Europe during the last decade has tipped very much in favour of the European Council and it is hardly surprising, therefore, that the number of directives and OMC initiatives within the social field has declined considerably over the last ten years (Pochet 2008). Since the Commission's failure in 2003 to strengthen the Employment Strategy by imposing more binding commitments on national governments, it is clear that it has been rather passive in this field (Magnusson and Foden 2003).

*Thirdly*, the lack of social partners' involvement in order to enhance social cohesion and introduce more welfare has represented something of a lost opportunity. Certainly, the social partners *have* been involved in European institutions and processes on different levels. The impression is, however, that in the past years we have witnessed more talk than action. Without doubt, the success of the Lisbon Strategy – in the effort to combine economic growth and structural change with social cohesion – necessitates the involvement of the social partners, civil society and NGOs. This was a point also clearly formulated at the Lisbon Summit in 2000 and efforts to involve such actors have no

doubt been made at many levels. At the same time, it is clear that more dialogue could have made it easier to fulfil the Lisbon goals as these might have been seen as more legitimate regarded from the point of view of the social partners.



## 5. After Lisbon, after 2010

The process of replacing the Lisbon Strategy has just got under way, with the publication of the new Commission communication paper 'Europe 2020'. As already noted, social issues do not seem to be high on the agenda. Nor are the problems and shortcomings of Lisbon analysed seriously in order to learn lessons for the future. Another shortcoming is that it does not really discuss the effects of the financial and economic crisis for European governance, which will surely affect the strategy. As the economic crisis affects different member states in different ways, this will certainly challenge macro-economic coordination in the European Union and will definitely put the notion of European solidarity to a severe test. Moreover, the possibilities for new candidate countries to join the Union in coming years also depend on the economic crisis for, as long as unemployment and low economic growth remain common problems for the member countries, there will be little legitimacy for further enlargement. Last but not least, as noted, the cost and difficulties of implementing a more environment-friendly policy in order to combat global warming will represent a further major challenge for European policymaking. Once again, we must stress our demand that there must be no trade-off between a social and a sustainable Europe.

In spite of all this uncertainty, there are undoubtedly some lessons to be learned from the Lisbon process which must be taken into account when we start to discuss what will come after 2010. While we are critical of many aspects of what has been achieved since 2000, we strongly believe that it is necessary for the European Union to have a common strategy for economic and social development. A combined strategy for sustainable and social development in Europe after 2010 should take at least the following points into consideration:

*Firstly*, an increase in welfare in all its dimensions must be an overriding European goal. As we have seen, the issue of increasing European citizens' quality of life was already clearly stated at the Lisbon summit in 2000. It is certainly true that, in a longer time perspective, economic growth and social welfare are intertwining processes. However, we must acknowledge that economic growth can sometimes also, in the medium term, lead to greater inequalities and to less welfare for larger or smaller segments of the population. In order to create social cohesion, public policy must always adjust market processes and even out negative consequences of economic change and transformation. Moreover, there is no guarantee that the transition to a "knowledge economy" – whatever that may be! – is a process that will be beneficial to all. As with

all other scarce resources, it is quite possible to use knowledge as a means of increasing differentials in income and social standing. There is no more of an automatic “trickle down” effect in the “knowledge” economy than in any other. Hence, it is necessary when we gradually transform our economies – upgrading the knowledge sector and losing even more jobs in “old” sectors such as traditional industry and agriculture – that we look closely at the effects of these structural changes on income, employment and general working conditions. Neither to increase GDP per capita to the US level, nor to become the most competitive region in the world, is an end in itself if this leads to high social costs and great welfare losses for many European citizens.

Moreover, social justice and equality must have a more central place in a new strategy after Lisbon. In the present Lisbon process the prevailing idea seems to be that social Europe is something so institutionalised and rooted that it does not have to be politically defended and that no new policies have to be put in place in order to preserve and develop it. It is clear that global market forces during the last decade or so have propelled increasing income and social differentials also *within* European countries. Moreover, while trade liberalisation and the free movement of capital, labour and goods are cornerstones of European cooperation, such processes must be matched by political and institutional initiatives which aim to guarantee that the price of such liberalisation is not increased social injustice and inequality. Especially the current financial crisis shows that, to date, the Lisbon process has placed too much trust in the free play of market forces. Historical evidence undoubtedly demonstrates that the market does not by itself guarantee welfare and social cohesion. It is thus essential to find suitable methods for combating the kind of “short-termism” and financial speculation that has been the main underlying cause of the current crisis – which at this very moment threatens the welfare and jobs of millions of Europeans. It is essential to introduce institutions able to create a higher degree of corporate accountability and responsibility, especially in the financial sector. There can be no doubt that huge sums have been spent on social externalities caused by short-term speculation that could have been spent on something more useful.

*Secondly*, at the same time we must acknowledge that Europe is part of the global world and cannot build its strength on putting up barriers to the outside. Europe is still a rich continent and must take responsibility, together with other partners, for combating global problems such as poverty, the social costs of immigration, climate change, etc. It is essential that Europe, true to its ideals, should take the lead in issues such as fighting the present fast-rising income and social differences in the world. Its role must be to opt for better working conditions, safer and better jobs, etc., also on a global scale. A new European growth strategy must include regulations to prohibit social dumping, both within Europe as well as between Europe and other countries. It must include regulations against corporate relocation which – as is perfectly obvious – will entail grave environmental and social problems. It is important that such regulations should not be used as a veiled form of protectionism that would be to the detriment, more particularly, of the poorer countries.

*Thirdly*, as we have seen, the Lisbon Strategy regarded reform of the European social model(s) as a necessary step to develop the knowledge sector and increase growth. However, there is, in reality, no necessary trade-off between a Europe committed to certain social values and standards and sustainable economic growth and structural change. Of course, this does not imply that all social regulations and benefit systems are working in an optimal way and should be preserved for ever. It is for example crucial that Europe enlarge its working population in the future in order to keep up its level of welfare. Hence many of the targets set in the Employment Strategy are pivotal and must be realised. However, this cannot imply acceptance of a development whereby the necessary efforts to build a knowledge economy entail higher social costs and welfare losses for large numbers of European citizens.

*Fourthly*, the lesson of Lisbon is that it is crucial that member states be committed to create not only *more* jobs but also *better* jobs. The first strategy here is to invest more heavily in R&D in order to develop many more jobs in what the Lisbon summit called the “knowledge economy”. According to Lisbon, the member states should have increased such investments to three per cent of their GDP. This has not happened, for a variety of reasons. However, it is vital that such investments should increase in the future in order to create both more and better jobs. Moreover, besides promoting sectors with higher levels of innovation and value added it is necessary also to raise support for the development of social services, a sector in which there is also a major potential for the creation of high quality jobs and which appears all the more important in the light of the demographic challenges faced by European societies in the coming decades. It is of the utmost importance, what is more, to promote investment in “green” infrastructure and technologies in order to promote a transition to the requirements of a low-carbon economy. It is clear that this transition will necessitate very major investment and that it will, by the same token, serve to create large numbers of new jobs in the future.

Hence, in a new strategy, a clear goal must be formulated to reduce as much as possible the number of “bad” jobs. It is certainly far from easy to define what constitutes a “good job” and there exist important cultural and historical differences in this respect. What is clear, however, is that, if the political system is not committed to keeping down the number of insecure and atypical jobs, any reduction in their numbers is unlikely. It is clear that the necessary instruments, in this case, are mainly controlled by the member states and build on their traditions as well as the peculiarities of their respective industrial relations systems. However, in this field, the European level must be much more active than it has been in the past. It must utilise already existing forms of governance, for example by creating OMCs in order to make progress. It must help to build new coalitions and political platforms for change. Such initiatives must be followed by clearly defined and measured targets in order to minimise insecurity at work and avoid the negative consequences of atypical work. In some cases, such work is inevitable and necessary. However, today it is often used by private and public employers in order to reduce labour costs or escape from social responsibilities. So far, issues such as these have been left mainly to the social partners and the social dialogue but the experience



shows that this has not been enough – as the employers in many cases have blocked the introduction of new initiatives in this field. As such, the creation of progress in this respect must be the responsibility of the European Council. While use of the OMC may well be the best way of achieving progress, the path constituted by “hard law” measures should not be closed off completely, however unrealistic this approach may appear at the present time.

*Fifthly*, the Lisbon process, while emphasising the important role of the social model(s) and its/their associated values, downplayed the potential role of social cohesion, equality and security as instruments for the fostering of economic development and transformation. It is thus that the social model has come to be regarded principally as a cost liable to reduce Europe’s competitive edge. A new programme of growth should emphasise instead the unique opportunity with which this model endows Europe, especially if we seek to build a knowledge-based economy and “invest in people” according to the claim so frequently made (Rodrigues 2003). Social cohesion and security enable people to feel safer in situations where difficult decisions have to be made, for example to invest in education, choose another career or move to another region or country. When faced with the risk of becoming unemployed, it is surely more rational to stay at home and rely on existing networks and informal or formal safety nets than to resort to mobility. This reluctance is at bottom what the much hailed notion of “flexicurity” is all about. Emerging countries also wish to increase welfare and social standards and in this respect Europe can provide them with its experience and even commercially exploit its knowledge as to how to build smart organisations and develop welfare regimes.

*Sixthly* and lastly, a new model for growth in Europe must incorporate much better provision for the inclusion and involvement of the social partners as well as other social actors. An attempt must accordingly be made to embark on a new and fresh start after a period of less activity and commitments by the parties concerned. It must be acknowledged that both trade unions and employer organisations have a long pedigree in Europe and still represent the best grass-roots organisations in the effort to create the kind of social cohesion advocated by the Lisbon process. Hence it is important also for the European level that the social dialogue in Europe should be making progress. A social dialogue that is operating effectively is the responsibility of the whole European polity. It is essential that such a dialogue between the social partners be established and that it should work well in the different member countries. At present this is not the case in some countries, especially within Europe 12. The only alternative to an enhanced social dialogue – which for example can lead to more collective agreements – is to introduce Community legislative provision for increased protection of fundamental rights of workers against the perils of the market place. In either case, there is an urgent need to take a step further in order to introduce better jobs with better security, to increase the possibility of “internal” flexibility (learning and upgrading) and to make sure that it is possible for workers to be “externally” mobile without losing all of their income.

## 6. Conclusion

The Lisbon 2000 summit presented an ambitious plan for growth, structural change and social cohesion in Europe over a ten-year period. These promises have quite evidently not been fulfilled. Neither economic growth nor structural change has taken place to the extent expected, a failure that is at least partially attributable to the sorely inadequate level of investment in R&D. With regard to social cohesion, it is even more obvious that developments have veered in the wrong direction: full employment has not been achieved; the numbers of atypical and insecure jobs are growing fast; and there has been increased inequality in relation to income and levels of social welfare.

There can be no doubt that Europe after Lisbon will continue to need a common strategy for economic growth and sustainable development. But there are many lessons to be learned from the past ten years and we should avoid repeating the most obvious mistakes. From this point of view, the draft 'Europe 2020' is disappointing. A genuinely new strategy will have to adopt a generally different approach when setting priorities. Economic growth is a means to more welfare, not a goal in itself. Social inclusion and common shared welfare are not developments that will happen automatically. An obvious lesson to be learned is that these developments have to be fostered by positive policies and by the creation of political platforms for further initiatives. Social equality and justice must be in the forefront of the new post-Lisbon strategy. No move to a knowledge-based economy (however this is defined) will by itself create full employment, welfare for all and social inclusion. Nor will it automatically imply an environmentally sustainable development able to combat the present threats to our climate. The search for appropriate and sustainable solutions is, rather, above all a *political* issue which Europe must first acknowledge and for which it must then develop appropriate strategies.

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