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***UNICE position on the state of play of the renewed Lisbon Strategy for Growth and Jobs and priorities for the Spring European Council 2006***

The European business community welcomed the refocusing of the Lisbon Strategy on growth and jobs at the Spring European Council 2005 and the start of a new governance cycle with the aim of creating stronger ownership at national level. Now, one year into this cycle, it is time to make a first assessment whether the renewed strategy is delivering the expected results and to propose actions for the Spring Summit 2006.

On the basis of the Commission's Annual Progress Report on the European Growth and Jobs Strategy, which was well received by European business, UNICE puts forward its comments on the following issues:

- 1) State of reforms at EU level
- 2) State of reforms at national level
- 3) Improving governance
- 4) Priorities for the Spring European Council 2006

**1) State of reforms at EU level**

European business commends the European Commission on its good intentions to contribute to growth and job creation in Europe. Most of the priorities put forward in the Commission's "Community Lisbon Programme" are supported by the European business community.

However, tangible results of recent EU activities are still thin on the ground, in particular concerning the creation of an internal market for services, better regulation, or completion of the Doha Development Agenda. The Spring European Council must address the causes for this and find ways to drive EU reform policies forward.

Furthermore, UNICE is concerned that certain issues presented in the name of the Lisbon Strategy will not contribute to, or even hamper, growth and job creation in Europe. In particular, EU support efforts to deal with the social consequences of globalisation and economic restructuring should not be misused to make Europe's economy less flexible and more burdensome by imposing rules on EU level in areas which can better be dealt with on national or regional level. This would be counterproductive to growth and job creation and eventually hinder social development in Europe. Any follow-up actions of the Commission's Communication on restructuring and employment should heed these concerns.

**2) Reforms at national level**

The decisive reforms to get Europe back on track for growth and jobs will have to be carried out at national level throughout Europe but especially in the big European economies Germany, France and Italy.

In the wake of the new governance process for the Lisbon Strategy, all Member States submitted National Reform Programmes (NRPs) to the European Commission, in

which each national government presented its respective reform measures for reaching the Lisbon goals. The majority of UNICE Member Federations has assessed these Programmes to be a promising basis for actions towards more growth and jobs in Europe. They provide good analyses of the challenges each country faces and of the changes needed to respond to them.

However, many of the NRPs could be more ambitious. as they do not present new measures but only measures which are already ongoing or were already announced in the past. Second, most of them lack concrete information on when, how and by whom the announced measures will be carried out. European business therefore urges for an update of the NRPs as soon as possible with more comprehensive and ambitious reform strategies and more details on timing, responsibilities and, where appropriate, financing of the reforms.

### National business federations' assessment of the National Reform Programmes

Ambitious	Satisfactory	Lacks new initiatives
Italy	Germany	Belgium
Estonia	France	Greece
Poland	Netherlands	Spain
Slovenia	Czech Republic	Ireland
	Cyprus	Luxembourg
	Latvia	Austria
	Lithuania	Portugal
	Slovakia	Finland
		Denmark
		Sweden
		United Kingdom
		Hungary
		Malta

Source: UNICE Economic Outlook Spring 2006 (draft version) which will be published on 13 March 2006. For further information consult [www.unice.org](http://www.unice.org).

Key for success of the NRPs will be proper implementation of the announced measures. In stark contrast to the NRP assessment, almost all Member Federations have a negative perception of reform implementation in their countries since Spring 2005. Now a real reform momentum must evolve from the NRPs in each Member State based on strong involvement of stakeholders. UNICE Member Federations will thoroughly assess implementation progress of the NRPs over the coming months and years.

On the three overall reform areas addressed in the NRPs UNICE would like to emphasise:

- **Macro-economic policy:** in view of Europe's ageing population and for the sake of future generations, attaining sustainable public finances must be the most important goal. The great majority of NRPs expresses the right intentions in that respect, but the effective state of public finances in many Member States remains a cause for

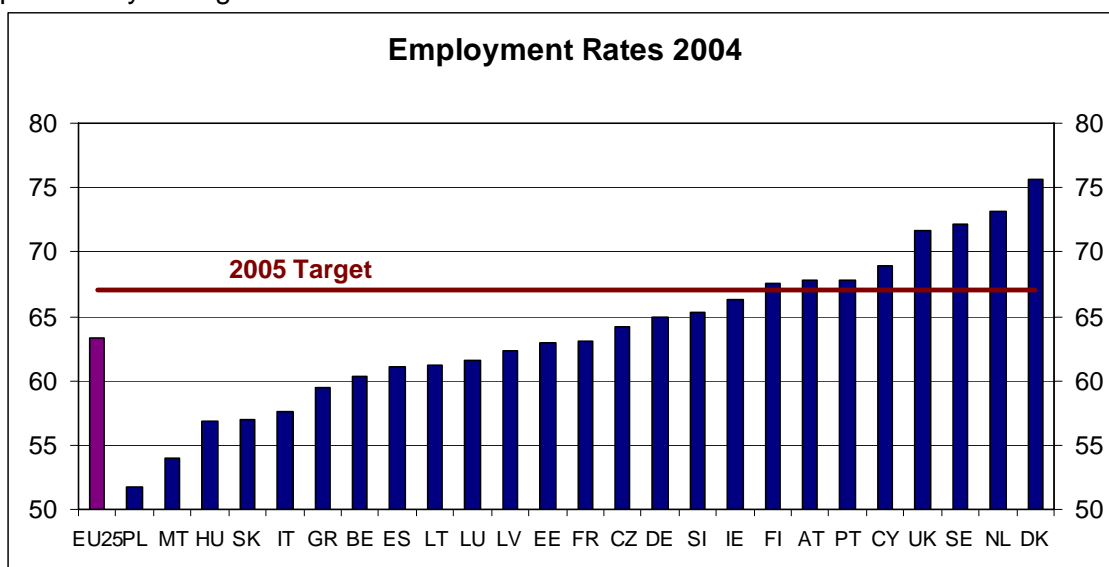
deep concern. It is important that public deficits are tackled on the expenditure side, rather than by raising taxes or social contributions.

- Micro-economic policy: NRPs rightly have different approaches to a common goal: developing the knowledge society. But all knowledge and research is futile for growth and jobs if it is not used for innovation. Company involvement in developing the knowledge society is key, and the business environment must be improved accordingly, notably by lowering the cost burdens on doing business and developing innovations. Moreover, fostering an entrepreneurial mindset throughout society should have a more prominent place in the programmes than is currently the case.
- Employment policy: countries should adopt an approach that supports flexibility and employability, activating people for lifelong learning and mobility rather than protecting jobs. In today's dynamic economy the job for life has become a thing of the past.

### 3) Improving governance

The key word of the growth and jobs strategy in 2006 must be: implementation. Therefore EU institutions and Member States must now devise improved monitoring methods of reform implementation. UNICE subscribes to the Conclusions of the ECOFIN Council from 6 December 2005: *“Member States, the Council and the Commission should monitor and evaluate rigorously the implementation and impact of economic reforms to assess whether the level of action and ambition is commensurate to the challenge.”*

For example, the likely non-attainment by most Member States of the 2005 intermediary employment rate target of 67% is an indicator which countries are in a particularly strong need to reform their labour market:



Source: Eurostat

The European Commission and Council must come up with improved surveillance mechanisms for reform policy. The Commission should further develop its benchmarking tools and promote best practices more vocally. The Council should inject more peer pressure in its assessment of reform implementation.

The involvement of Social Partners is important, at EU and at national level in accordance with national practise. At EU level, a regular consultation process should also take place with the Commission, involving all Commissioners of the “Lisbon Group of Commissioners”.

#### **4) Priorities for the Spring European Council 2006**

Most issues to be decided at this year’s Spring Council will consolidate decisions and commitments already made in the past. First and foremost, UNICE is expecting a firm recommitment to European economic integration and the Internal Market. In the aftermath of the European Parliament’s vote on the services directive, UNICE reacted with great disappointment to the changes approved which deprive the directive of much of its value and put into question the EU’s commitment to fundamental freedoms enshrined in the treaty.

The Commission proposes **four priority areas** in which the EU and Member States, in partnership, should make commitments and agree on concrete targets. The following aspects are of particular importance for UNICE in these areas:

##### **Research and Innovation:**

- **Funding:** all Member States should make increased efforts to reach the R&D spending target of 3% of EU GDP. The right conditions must be created by enabling public-private partnerships, for example with universities. The additional 2% spending target on higher education can help focus policies on developing the knowledge society. On EU level, the objectives of the 7<sup>th</sup> Framework Programme for R&D (FP7) and the Competitiveness and Innovation Framework Programme (CIP) must be upheld in spite of the lesser than expected funding in the Financial Perspectives 2007-2013.
- **‘Aho’ Report:** UNICE fully endorses the need for urgent and more coherent action at the European and national level, urged for once again but this time in the Report by the ‘Aho’ Group “Creating an Innovative Europe” which is a follow-up to last year’s Hampton Court Summit. The findings of the group advocate the need for an innovation-friendly market for business in Europe. Companies, as underlined often in the report, have a crucial role to play in this regard and are a willing partner in seeking to realise the goal of an innovative Europe. Complementary willingness on the part of Member States and institutional actors is overdue.
- **European Institute for Technology (EIT):** there is an unquestionable need to create more world-class research institutions in Europe. Therefore UNICE in principle supports the project to establish an EIT. However, a number of open questions still need to be addressed, in particular as regards business concerns that an EIT could distract attention and funding from existing tools, namely FP7 and CIP.
- **Intellectual property:** The EU has still not fulfilled its commitment to deliver on the Community Patent. Member States must seize the opportunity of the ongoing

Commission consultation to break the deadlock and move forward on the European Patent System.

- State aid: Member States should redeploy state aid so that the share allocated to research and innovation is doubled. The EU must flank Member States' efforts by quickly implementing changes to the state aid rules which would encourage firms to innovate without harming transparent and effective state aid control.

### **Unlocking the business potential, particularly of SMEs:**

- Better regulation: European business and citizens are waiting for concrete simplification of EU and national regulation. The proposed goal to reduce the time to set up a business by half is important. It will help to push simplification efforts in the right direction. But a far broader programme on Better Regulation must be pursued. UNICE welcomes the intentions by several Member States to adopt better regulation agencies based on the Dutch and UK models. On EU level, the creation of an independent body would be best suited to be in charge of legislative impact assessments.
- SMEs: The Spring Summit must reflect a strong commitment and support from Member States to the "Modern SME Policy" presented by the Commission in November 2005: promote entrepreneurial skills, improve SMEs' access to markets, cut red tape, improve SME growth potential and strengthen dialogue and consultation with SME stakeholders. European business particularly expects Member States to commit to the actions and targets proposed by the Commission in its report to the Spring Summit: halving the time needed to set up a business and create one-stop-shops for setting up a business by 2007; participate in the home state taxation pilot project proposed by the Commission. The Spring Council should also recommend swift adoption by Member States of the Commission's proposals for a VAT one-stop shop. All of these measures go in the direction of creating a more dynamic and entrepreneurial Europe, essential to create growth and jobs.

### **Responding to globalisation and ageing:**

- Social security: Securing financial sustainability of social systems must be a top priority of all national reform action. At EU level, business is worried that the current proposal on the portability of supplementary pension rights will not lead to increased worker mobility in Europe but introduce additional burdens and cost for employers.
- Labour market: Member States' labour markets must move from a system in which jobs are protected to a system in which people are prepared to change and to update their qualifications.
- Social cost of restructuring: If restructuring is managed in a pro-active way, social cost can be minimised. The EU can play a useful role by promoting a positive attitude to change. However, dealing with the consequences of restructuring operations is by definition not a matter for the EU level. Concrete responses to the specific problems on the ground can only be discussed, decided and implemented at local level. This should be kept in mind when the rules for the EU Globalisation Adjustment Fund are set up.

**Efficient and integrated EU energy policy:**

European energy policy must coordinate and optimise actions targeting the following two objectives, which must be mutually reinforcing:

- Enable consumers to have wide access to a spectrum of energy sources which is as diversified as possible in terms of both geography and technology, with a view to ensuring a high level of energy supply security through increased cooperation between Member States, and which reflects the need to reduce the carbon intensity of energy supply;
- Establish dynamic competition (within and between sectors) between sources of energy, enabling consumers to benefit from the most competitive prices possible.