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## **Lisbon Strategy for Growth and Jobs : Commission's annual progress report - frequently asked questions**

see [IP/06/71](#)

### **What is the Lisbon Strategy for Growth and Jobs?**

Europe needs economic reforms to benefit from the opportunities and meet the challenges of globalisation and to create the growth and jobs necessary to maintain and improve its prosperity as its population ages.

So when they met at the Lisbon summit in March 2000, European Union leaders set out a new strategy, based on a consensus among Member States, to make Europe more dynamic and competitive, in a sustainable way and while enhancing social inclusion.

### **What are the goals?**

The Lisbon summit set the target of achieving 3% average economic growth and the creation of 20 million jobs by 2010 and identified the main steps necessary to achieve this – far-reaching reforms at European and national level in areas such as macro-economic policy, enterprise, research and development, opening markets and the environment. To reach the objectives of sustainability a set of environment objectives were agreed at the Göteborg summit in 2001.

### **How does it work?**

It is based on a partnership between the Commission and Member States, with an important role also for the European Parliament and other EU institutions. On one hand, a programme for European level reform – the Community Lisbon Programme (see below, [IP/05/973](#) and [MEMO/05/123](#)) - is implemented on the basis of proposals by the Commission adopted by the European Parliament and the Council (Member State Ministers). On the other, Member States undertake reforms at national level on the basis of agreed guidelines endorsed by the Council.

## **What is the Commission's role?**

The Commission draws up the European laws needed to implement the Growth and Jobs Strategy, under the Community Lisbon Programme. Like all European laws, those must then be agreed by the Parliament and Council. The Commission also proposes the guidelines for national reforms adopted by the Council and implemented by Member States. Equally importantly, it works with Member States on that implementation and assesses progress, allowing stakeholders and citizens to see how far the European level programme and each individual Member State has got.

## **Why did the Strategy need re-launching?**

Results were disappointing. It was clear that we had not made enough progress towards meeting the Lisbon goals. While six million jobs had been created by 2004, economic performance was far from the 3% average economic growth objective.

Of course some of the reasons were related to the downturn in the world economy. But it was also clear that recovery was slower in Europe than elsewhere. Faced with the problem of ageing populations and growing competition, EU leaders recognised that something must be done.

As European Commission President Barroso said in Feb 2005 "Lisbon has been blown off course by a combination of economic conditions, international uncertainty, slow progress in the member states and a gradual loss of political focus."

## **What were the problems?**

The judgement of a "mid-term review" led by former Dutch Prime Minister Wim Kok in 2004 concluded that there was a danger of a "kitchen sink" approach, with more and more policies coming in under the Lisbon umbrella and insufficient prioritisation. There were also signs of the process becoming a paper chase with too many reports and not enough action. The Commission shared this view. Hence the streamlining proposed by the Commission and agreed by the Council.

The EU can only do the job if it has the right tools and concentrates on the real priorities. The new simplified and streamlined partnership approach will help get results.

## **What changed?**

The solution was to first to reduce the number of goals and focus the strategy more strongly on boosting jobs and growth and second to make it work better by making the partnership between the Commission and Member States much stronger and clearer.

Instead of a panoply of different policy guidelines, targets and reporting processes we now have one set of guidelines and two main EU wide targets – an employment rate of 70% and R&D investment of 3% of GDP by 2010.

On the basis of these guidelines, Member States prepare succinct National Reform Programmes, covering all the relevant policy areas in one document. The Commission's assessment of the first ones, for 2005-08, is a key part of the report published today. The aim is to help Member States to develop and strengthen their reforms and to learn from, adapt and adopt each other's best ideas.

In parallel, the Commission adopted in July a Community Lisbon Programme, with around 100 EU level measures.

### **In the annual process leading to the report, what happened when?**

At the Spring European Council in March 2005, EU leaders endorsed the new streamlined approach to the Growth and Jobs Strategy. In June, the European Council adopted the single set of guidelines on which each National Reform Programme was to be based.

Member States designated “national coordinators” that are responsible for coordinating work at national level and involving major stakeholders. In many countries – and indeed in the Commission - new mechanisms of internal cooperation were created.

Teams of senior officials from the Commission visited in summer 2005 all Member States to explain the new approach, to discuss with the national coordinators and to listen to Member States’ views. This dialogue paved the way for ensuring that all Member States had a common understanding of how to develop their reform programmes.

Most programmes were submitted to the Commission in late October 2005. In December 2005, the European Council welcomed the Community Lisbon Programme.

### **What’s in the report that’s being published today?**

The Commission has today adopted its “Spring Report” (also known as the “Annual Progress Report”) on the revamped Growth and Jobs Strategy. This report is one of the cornerstones of the new Lisbon process. It includes a four to five page assessment of each Member State’s National Reform Programme. And, above all, it makes clear and concrete proposals for European leaders to commit to when they meet in March and to implement by 2007. (see below)

The Report also contains a succinct general evaluation of National Reform Programmes and structural indicators showing the evolving economic situation for each Member State. In the annexes there is a short list of examples of successful and innovative policies from Member States and more detailed - but still “to the point” - analyses of the macro-economic, micro-economic and employment position at European and national level.

### **In a nutshell, what are the most important steps for achieving more jobs and growth in Europe?**

There are many pieces in the jigsaw puzzle. It is the whole policy mix that counts. We need to make Europe an attractive place to invest and to work. That means budgetary sustainability, better regulation and the right tax and benefit systems. We need to improve education and training to allow more people to reach their full potential, for their own sake and that of society as a whole. We need to invest in research to maintain our comparative advantage. We need more competition to make sure that research feeds through into real innovation, as companies strive to stay ahead of competitive markets. We need to make our economy more adaptable to change and more resistant to external shocks. We need more people of all ages in employment to finance social spending as our populations age. All of these things require substantial European and national level reform.

## **What are the most urgent challenges identified in the Report?**

There are four. First, making a decisive leap in investment for higher education, research and innovation. Second, cutting red tape and creating a business climate that encourages businesses to start and to grow. Third, helping people of all ages to find jobs and removing barriers (such as lack of childcare) that prevent them from doing so. Fourth, guaranteeing a secure and sustainable energy supply.

## **What commitments is the Commission today asking European leaders to make?**

Below are some of the highlights. Where appropriate, these will be the basis of a common programme for national action to be monitored each year.

### ***Knowledge***

- Set clear and ambitious national targets in March for R&D spending by 2010, as while progress has been substantial, the EU as a whole is set to fall short of the 3% target for total public and private investment in R&D;
- Set 2% of GDP as a common target for spending on higher education by 2010;
- Free universities to access top-up private funding and end barriers to public-private partnerships by the end of 2007;
- All technical universities should have a technology transfer office to, for example, commercialise in partnership with industry the inventions, patents, licenses etc that result from their research;
- Set 2009-10 academic year as a target start date for a European Institute of Technology;
- Member States to deliver on their commitment to put in place comprehensive Lifelong Learning Strategies by the end of 2006.
- Proficiency in maths and science to be stepped up to enhance people's ability to innovate; Member States to provide for compulsory teaching of two foreign languages in their national education systems.

### ***Enterprise***

- Establish by the end of 2007 a "one-stop-shop" to help budding entrepreneurs and allow businesses to fulfil all administrative requirements in one place;
- Halve the time needed to set up a business by 2007, set the common goal of one week or less and ensure that recruitment of a first employee needs only one public administration contact point;
- Add entrepreneurship to all national schools curricula by the end of 2007;
- Set up a system to measure administrative burdens by the end of 2007;

### ***Jobs and ageing***

- Adopt a real lifecycle approach to employment by:
  - offering every young person who has left school or university a job, apprenticeship or additional training within six months of becoming unemployed by the end of 2007, and within 100 days by 2010;
  - enhancing efforts to meet national targets for the provision of affordable high-quality childcare, to achieve gender equality at work and to promote a work-life balance;
  - implementing active ageing strategies with more training for those over 45, financial incentives for prolonging working lives, gradual retirement, use of part-time work and improvements to the working environment.
  - reforming public pension systems while securing the sustainability of public finances through fiscal consolidation

## **Energy**

- Electricity and gas markets to be open to all consumers by July 2007 (already the aim);
- Better cooperation between grid and gas pipeline systems in Member States, so from customers' point of view there will be only one European network;
- Stimulation of research on energy efficiency, renewables and on clean energy technologies and incentives to promote their use;
- Energy supply – stronger approach to emergency mechanisms and to ensure EU speaks with one voice in international negotiations and with third country suppliers.

### **What will the Commission do to contribute to all this?**

As well as vigorous political promotion support of the above objectives, continuous monitoring of progress and meeting its own commitments on completing the Community Lisbon Programme, the Commission will:

- Provide guidance on offering targeted fiscal incentives to the private sector to boost R&D;
- Work with Member States to target more structural funding towards, R&D, innovation and communication technologies;
- To improve SME's access to finance, propose further development of EU financial instruments under the competitiveness and innovation framework programme;
- Launch a major exercise to measure the administrative costs arising from EU rules or the way they have been implemented by Member States and make proposals on how to reduce these;
- Remove the obligation to notify certain categories of state aid, to help SMEs;
- Present a report by the end of 2007 on the balance between flexibility and employment security ("flexicurity") focusing among other things on flexible working arrangements, tackling undeclared work, improving lifelong learning, combining flexibility and mobility with adequate income support for people affected by labour market changes, etc;
- Organise an extraordinary social summit;
- Publish in early spring 2006 a Green Paper on all the energy issues referred to above, including on an appropriate European framework to complement Member States' efforts to promote energy efficiency, renewables and clean energy

### **Broadly, how good are the National Reform Programmes?**

The Commission believes that – especially as Member States had very little time to draw them up - they are in general very encouraging, a promising sign that the new partnership is already beginning to work. That said, all can be further improved, some more than others. But, the real test will be how they are implemented.

### **Which are the best and worst National Reform Programmes?**

The Commission does not want a Eurovision song contest approach with national programmes ranked in order. Naming and shaming can work where we are dealing with simple statistical concepts, such as who has and has not implemented the European laws that they have agreed to, but not here.

Each Member State is starting from a different position and faces different challenges. Every National Reform Programme contains excellent and innovative proposals which other Member States can learn from, adapt and adopt. Each also has its weaker points. The Commission has tried to be scrupulously fair and frank in pointing out both strong and weak points in its assessments.

## **What is in the Community Lisbon Programme?**

Adopted last year, it covers around 100 proposals for revising and improving EU policies, laws and funding mechanisms over the years 2005-2008. It concentrates in particular on eight key areas where purely national level action is insufficient:

- supporting knowledge and innovation in Europe,
- reform of state aid policy,
- improvement and simplification of the European regulatory framework in which business operates,
- completion of the internal market for services,
- completion of an ambitious agreement in the Doha round,
- removal of obstacles to the cross-border mobility of workers,
- developing a common approach to economic migration,
- supporting efforts to deal with the social consequences of globalisation and economic restructuring.

For more details see [IP/05/973](#) and [MEMO/05/123](#).

## **How well has the EU done so far in terms of implementing the Community Lisbon Programme?**

Two thirds of the measures in the programme have been adopted by the Commission and cooperation with the Council and with the European Parliament is good. But the real yardsticks are first when and in what form the Council and Parliament adopt key measures and second how they are implemented at national, regional and local level.

## **What is the link between the Growth and Jobs Strategy and the Structural Funds?**

It is a very close link. The Commission is committed to ensuring, already from the beginning when Member States are drawing up their National Strategic Framework documents planning use of the funds for 2007-13, that structural and cohesion funding is used primarily to contribute to the Lisbon objectives. In a single market where those funds will be spent on procuring works, goods and services from all over the EU that will benefit all Member States and not just those directly receiving the most substantial amounts of structural funding.

## **What happens next?**

The Commission's Report will go to the Spring European Council in March, where the Commission will urge heads of state and government to make the commitments required.

The Commission will work with Member States to support their efforts to implement their NRPs, to discuss how programmes can be strengthened and to ensure that other EU instruments like cohesion funding are used effectively to support Growth and Jobs. The Commission will also promote the exchange of good policies between Member States and work to enhance synergy between individual national programmes so the whole sum can better respond to common challenges.

Finally, the Commission will update the Community Lisbon Programme. Two thirds of the EU level measures envisaged for 2005-2008 have already been adopted by the Commission, though they will only produce practical effects once also approved by the European Parliament and the Council.

### **Is any of this really going to make a difference?**

It is already beginning to do so. There is a greater consensus than ever before, right across the mainstream political spectrum, of what needs to be done and agreement between Member States and the Commission on specific challenges in each country.

Many governments – and indeed the Commission - have set up new mechanisms for internal coordination to ensure a consistent overall approach and to set priorities.

The Community Lisbon Programme is broadly on course. National Reform Programmes collectively represent an enormous fund of knowledge, ideas and concrete proposals, which if they are strengthened where necessary and fully put into practice can make an enormous difference.

But the Commission is fully aware that it is early days and that it is delivering real growth and jobs that counts - hence the message to EU leaders that it is "time to move up a gear". It is optimistic, but not complacent.

### **Is the EU now promoting Growth and Jobs at the expense of the environment?**

No. Lisbon aims for sustainable jobs and growth, not a short-term bubble to which social progress and environmental protection are sacrificed.

Environmental protection does not have to be a brake on growth. It can be a motor for growth – if Europe can obtain a first mover advantage in environmental technologies, for example, that can boost demand and bring in considerable export revenue. In the long-term, it is a condition without which growth cannot happen – the planet's resources are not infinite.

The type of knowledge-based economy that is the basis of the Lisbon vision is cleaner, richer and more socially cohesive than what we have now. The Growth and Jobs Strategy and the EU's Sustainable Development Strategy (see [IP/05/1582](#)) are complementary. The key differences between the two are that Lisbon concentrates on economic and employment policy and is medium-term. The Sustainable Development Strategy is wider and long-term.

### **Is there a trade-off between growth and social protection?**

No. A key aspect of the Growth and Jobs Strategy is social inclusion. The best way of achieving that is giving people jobs. This emerges strongly from the National Reform Programmes and the Commission's responses. Strong social protection is perfectly compatible with growth and jobs – the fact that the Nordic countries are in the top five in international surveys on competitiveness proves that. But we need to bring our social models up to date by tackling, for example, disincentives to work and tax systems that discourage job creation.

Perhaps most importantly, we need to face up to demographic changes which mean there will be fewer people of working age and more people needing pensions and healthcare. The best way to deal with that is by getting more people into employment. That is why the Spring Report proposes a lifecycle approach, with stronger efforts to create job opportunities for young people, better childcare facilities for those with families and more opportunities and incentives for older workers.

## **Is the EU maintaining its target of becoming the most competitive knowledge-based economy in the world by 2010?**

The key aim is getting into a rhythm of high sustainable annual growth and low unemployment by 2010. If the US does even better that will not mean the EU strategy has failed. Rather, it will be good news for us all. Nevertheless, the Commission is well aware that Europe needs to compete better. US GDP has increased by 2.7 % annually since 2000 and the EU's by only 1.7%. However, in terms of GDP per capita, the growth gap is smaller (1.7% in the US as opposed to 1.6% in the EU). Possibly even more importantly, the productivity gap has continued to widen. 2010 remains a good time to take stock and there are plenty of ways of measuring – has growth increased, has employment gone up being the two simplest yardsticks.

## **Citizens don't understand what "Lisbon" means. What are you going to do to tell them and consult them?**

We live in democracies and ultimately if the public does not agree, changes will not happen. So communication is key. But to communicate, you need to respond to the interests and concerns of citizens and you need policies and instruments that are easy to understand. We now have those. For example, the revamped Growth and Jobs Strategy sets up simple and transparent procedures showing Member States – and their citizens - what other countries are doing and how well it has worked. An effort to simplify language – for example complementing or replacing "Lisbon" with the more self-explanatory "Growth and Jobs" - is also being made.

The Commission will follow its approach on communication, based on three principles: listening to citizens, talking to people in language they understand and "going local" by communicating close to citizens through its Representations in Member States. Reinforced efforts to communicate on growth and jobs will concentrate on specific target groups such as women and young people and seek to use audiovisual and new media. Promoting the Growth and Jobs Strategy is also a key element in the visits of Commissioners to Member States under the Plan D initiative for democracy, debate and dialogue .

But the Commission cannot alone achieve knowledge of and support for the Growth and Jobs Strategy. Its role is to communicate the longer-term, broader, EU-wide picture of the Growth and Jobs strategy, complementing action by Member States at national, regional and local levels. Key stakeholders also need to play their part. As a start, the Commission is urging Member States to ensure that their "Lisbon national coordinator" has a high political profile. It has instigated dialogue between those coordinators on communication issues. And many Member States have held wide public consultations on their National Reform Programmes.

## **What are the main micro-economic issues covered by the National Reform Programmes?**

The main themes – "knowledge and innovation" as well as "making Europe a more attractive place to invest and work in" – are strongly reflected in the programmes.

Most of the key challenges identified are micro-economic. For example, *all* Member States address research and innovation policies as a priority. Most Member States also identify the business environment, entrepreneurship, sustainable development and selected competition issues among the key challenges to be tackled.



The programmes highlight the large potential benefits for consumers and entrepreneurs from extending and deepening the Internal Market, though the Commission would like more specific action to improve the implementation of EU law and to improve public procurement.

Another widely covered theme is transport and information and communication technology (e.g. broadband) infrastructure. Many Member States are taking measures to use new technology to modernise public services.

The documents mostly refer to synergies between economic growth and environmental protection. Measures to support environmental technologies as well as energy efficiency and renewable energy or the introduction of environmental tax reform, for instance, can yield both economic and environmental benefits.

### **What are the main employment issues covered in the National Reform Programmes?**

The central finding is that reform pays off. The structural changes that Member States have pursued since the mid-1990s have helped to raise the effect of existing growth in terms of creating more jobs, provide more employment-friendly wage developments, and lower structural rates of unemployment. However, progress remains insufficient to fuel more economic and employment growth and a more rapid movement towards the EU employment rate targets.

Member States give most prominence to attracting and retaining more people in employment and in most cases set targets for employment rate growth, though the measures proposed to achieve this are not always sufficient.

The theme of more investment in human capital to improve employment and productivity growth receives widespread attention. Implementing lifelong learning, embracing education, training and adult learning, particularly for the low-skilled, requires a coherent policy linked to the economic and social situation of each Member State.

The programmes do not always pay enough attention to increasing the adaptability of workers and enterprises.