
BDI/BDA position on European Commission's consultation on the future "EU 2020" strategy

1. Current Lisbon strategy for growth and jobs – success factors and problem areas

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The Lisbon reform strategy for growth and jobs agreed in 2000 by European Heads of State and Government expires this year. The strategy has contributed to economic development in the EU. The preparation and adoption of common guidelines for economic and labour market policy has given an important impetus for solving national challenges. The reorientation of the Lisbon strategy in 2005 was the right thing to do. Merging the economic and employment policy guidelines coupled with establishment of a uniform coordination system made the Lisbon process simpler and more transparent. Overall, the strategy has provided a good framework for pushing forward long overdue reforms within EU Member States but also at EU level. In this regard, efforts to make the EU more competitive are not an end in themselves but also a fundamental precondition for progress – including social progress – in the EU. Europe will not be able to reach its social and ecological objectives without a strong and competitive economy.

However, the goal of the Lisbon strategy formulated in 2000 – to make the EU the “most competitive and dynamic knowledge-based economy in the world” – has not been achieved. The jointly decided concrete objectives in the central areas of economic, labour market and research policy have not been met. This is not the fault of the serious global financial and economic crisis alone. Implementation deficits as well as a lack of coherence in the reform plans at both European and national level have hampered the strategy's success from the outset. European Heads of State and Government have translated their fine words at European level into too few deeds at home. The jointly adopted integrated guidelines have provided insufficient stimulus for action in national policy. For its part, the European Commission has been deficient in playing its role in the Lisbon strategy's coordination mechanism. Shortcomings in national reform programmes and national progress reports have not been adequately highlighted. Recommendations to the Member States have lacked bite. Assessments of national progress reports by the European business federation BUSINESSEUROPE and its members were much less positive than those by the European Commission.

At the same time, the European institutions themselves have contributed too little to implementation of the Lisbon strategy. Numerous legislative initiatives in the last ten years have actually thwarted the objective of making the EU the leading economic region of the world rather than smoothing its path. The EU budget and individual financing instruments have been adapted to the Lisbon strategy's priorities only very slowly and inadequately.

International comparisons such as the World Bank's "Doing Business" report show that the reform champions are not in Europe. Even in the boom years, the EU economy grew at only half the rate of the world economy and Europe as a whole gained less dynamically than other regions from expanding global trade. The simple fact is that Europe has exploited its potential too little in the last ten years. For that reason, an unchanged continuation of the Lisbon strategy is insufficient. The aim must be to shape an "EU 2020" strategy that is more coherent and more effective than hitherto. Furthermore, it is essential to incorporate a European industrial and SME policy, external commercial policy as well as modernisation of employment and social systems ("flexicurity") more closely in the "EU 2020" strategy.

2. "EU 2020" strategy – Evaluation of European Commission's consultation paper

The European Commission's consultation paper pursues the aim of the Union taking greater advantage of globalisation. It is positive that the strategy recognises the importance of open, rules-based world trade and seeks cooperation with strategic partners. The focus on market access and themes such as energy and raw materials is welcome. Nevertheless, given the EU's far-reaching dependence on open and ordered world markets as well as the immense implications of international developments for Europe's future options for action, the statements on international interdependence is much too short and vague.

All in all, the consultation paper leans too heavily towards state regulation. The latter should not be seen as a prop for market confidence, rather as a mechanism for preventing market failures and hence strengthening competitiveness. Generally speaking, the consultation paper contains too few concrete proposals for improving the competitiveness of the European economy and too many slogans that are wide open to interpretation.

The proposed new model for EU economic policy is a "sustainable social market economy". The EU is already the most ecologically and socially active economic region in the world. With its call for a modernisation of industry and creation of new environment-friendly business sectors, the Commission does not take sufficiently into account the fact that Europe already is an energy-efficient producer of a host of environment- and climate-friendly products and is working on solutions for the major challenges of the future. The EU is global market leader for environmentally sensitive products and processes.

The contribution of "old" industries to social cohesion is also high. Industry already offers many jobs with the highest salaries and the best job security.

BDI and BDA base their work on the notion of social market economy. German business champions the principle of sustainability. BDA and BDI therefore unreservedly support the "sustainable social market economy" model. The task is to give concrete form to this model. A strengthening of the competitiveness of European businesses is a precondition for meeting social and ecological goals.



The consultation paper focuses on the duty of the Member States to implement reforms, whereas the European Commission's responsibility for the competitiveness of the European economy is insufficiently reflected.

Important themes such as small and medium-sized enterprises (SMEs), the concept of "better regulation" and preventing EU regulation from imposing additional burdens – all of which play a decisive role for more growth and jobs – are only addressed in the margins of the European Commission's consultation paper. These points must be given greater emphasis in the definitive strategy.

2.a. Creating value by basing growth on knowledge

In order to secure knowledge-based growth, especially in the face of global competition, it is urgently necessary that the Barcelona target of spending 3% of GDP on research and development across Europe is finally met.

For realisation of the European research area, it is urgently necessary that the European Commission shows Member States whose innovation systems are uncompetitive what solutions are possible. In the EU Member States such as Germany where there are no tax incentives for research, their introduction is certainly an essential component.

To make the European higher education area a success, Member States must resolutely implement the Bologna reform, grant their universities and research institutions complete autonomy, and grant state resources to universities on the basis of competition. The centrepiece of such competition-based financing should be education vouchers which students can redeem at European universities and which will be the channel for a major share of public spending on universities.

2.b. Empowering people in inclusive societies

The European Commission has declared that 2010 will be the year against poverty and social exclusion. It rightly points out that a job is the best protection against poverty and exclusion. This is precisely why it is so important that the "EU 2020" strategy is also aligned on growth and employment, since jobs cannot be created by statute but have to demonstrate their worth on a daily basis. To that end, workers and companies alike need a high degree of adaptability and flexibility. The European Commission rightly emphasises that often "there are several entries in and exits from the labour market during a working life". Accordingly, it is not merely a matter of protecting existing jobs but above all of maximising the chances for a worker who has lost his or her job to move as smoothly as possible into a new job. The flexicurity concept comes into play here and has to be much better integrated in the new "EU 2020" strategy than has been the case to date in the Lisbon strategy.

Given the shrinking 'half-life of knowledge', lifelong learning is also of central importance. The European Commission rightly refers in the consultation document to the significance of lifelong learning for the European economy. For companies, training means an increase in workers' innovation capacity



and competitiveness, while workers see an increase in their employability. Businesses have long recognised the importance of lifelong learning. As long ago as 1999, European employers spent around 100 billion euros a year on vocational training for their employees. In parallel – and as a function of individual benefit – workers’ individual responsibility and commitment for their level of training and qualifications needs to be bolstered. In order to promote lifelong learning, training possibilities must be geared to possibilities for use on the labour market, and education systems must be structured to allow permeability. This means in particular that the areas of vocational training and university education must be better articulated with each other. This must not compromise academic standards.

BDA and BDI support the increase in self-employment called for by the European Commission. However, it is not enough to call for more and more courageous entrepreneurs without creating the framework conditions for them to succeed. The World Bank’s “Doing Business” report makes it clear that EU Member States still have a lot to do to catch up with their global competitors in this area.

Labour market and social policy is the responsibility of the Member States in the very first line. It is the task of the European Union to flank and support efforts by Member States to modernise their labour markets. The principle of subsidiarity must be strictly applied in this area. Harmonisation of national labour legislation systems would run counter to the principle of subsidiarity and would interfere with firmly embedded traditions and structures.

2.c. Creating a competitive, connected and greener economy

Creation of a competitive, connected and greener economy is essentially a welcome objective, but the European Commission’s one-sided insistence on a “green economy” should be rejected as an unrealistic policy approach for growth, employment and environmental protection. A rigid division of the economy into mutually exclusive “green” and “non-green” sectors leads to a dead end.

Efficient use of raw materials is unquestionably an important factor for competition, bearing in mind the probability of further growth in demand and higher prices. However, careful and sustainable use of raw materials is already an established component of business practice in Europe. Drastic price increases in recent years and the expected continued upward price pressure mean that a further improvement in efficient use of raw materials is a strategic imperative for European companies in international competition. But it is important not to turn this improved efficiency and the quest for lower consumption of raw materials into a self-contained goal. For new technologies, e.g. electric cars, more raw materials will be needed and not less. In this regard, production and use of a product must be given equal consideration. For that reason, the need to secure access to raw materials should not be neglected as compared with the objective of further improving raw materials efficiency.

In order to bring about the ecological restructuring for a green economy, the European Commission wants to build up new, greener industries and



accelerate the ecological modernisation of existing industrial sectors. It proposes to deploy regulation, emission trading, a tax reform, targeted grants, subsidies and loans, public investment and procurement policies, and research and innovation budgets to achieve this goal.

These instruments go well beyond the regulatory framework which should mark out a competition order designed to promote sustainable development. Competition distortions of any description should be avoided as a corollary to the transition to a greener economy.

BDI and BDA expressly welcome the European Commission's embrace of the digital economy as well as the proposed – needs-based – rollout and better connection of infrastructures in the areas of energy, transport and broadband. The success of the “digital economy”, completion of the information society and achievement of climate objectives depend decisively on comprehensive rollout of a modern infrastructure of high-speed networks in Europe. Governments and administrations are encouraged to provide the right legislative and regulatory incentives for the necessary huge investments by the private sector. Furthermore, the switch from analogue to digital radio transmission technology to be completed by 2012 will open up new opportunities. With the frequencies thus freed, rural and isolated regions can be connected to the digital information society via mobile broadband solutions.

What is also needed is an explicit definition of what is to be understood by “digital economy”: this describes the comprehensive incorporation of information and communication technologies in the processes of our knowledge-based economy and society.

By 2020, the potential of information and communication technology (ICT) as a driver of growth, innovation and employment will increase drastically. As well as in the areas of administration, health and education, ICT will develop into an essential success factor in further areas relevant to economy and society. The competitiveness of the entire European economy will be dependent on whether products can be manufactured more efficiently and with greater added value thanks to IT-supported processes than in other parts of the world. For instance, there is great potential for cutting CO₂ emissions using ICT in the following areas: intelligent building design and use, intelligent logistics, intelligent energy networks as well as intelligent motor systems. This potential offered by ICT for meeting central challenges facing society in the future effectively must be underlined much more strongly in the strategy.

The European Commission rightly calls for a better integration of transport networks. This requires an integrated approach. In concrete terms, this means: optimising interfaces between transport modes, improving interconnections between transport modes, and dismantling technical, infrastructure, fiscal, operational and political obstacles. In addition, the efficiency of all transport modes needs to be improved, with the principle of co-modality serving as a guiding principle. This also invalidates the call for “developing alternatives to road transport”, which cannot in itself be a goal for a modern transport policy.



The negative impact of transport and mobility on environment, climate, nature and people needs to be further minimised. Business accepts its responsibility and delivers solutions for the sustainable mobility of the future. Priority must be given to ensuring the maximum possible efficiency improvement for each euro spent. Merely making mobility more expensive without any perceptible benefit for the environment is an inefficient use of resources and therefore runs counter to a strengthening of the competitiveness of the European economy.

In the framework of the “EU 2020” strategy, the opening of transport markets must continue and be completed as rapidly as possible. Fair competition on all submarkets must be promoted consistently. This means an effort to have harmonised market opening in all Member States. Bottlenecks must be removed and limited network capacities must be used more efficiently with investments in transport infrastructures and in intelligent traffic systems.

3. BDA/BDI proposals for framework and content of the future “EU 2020” strategy

The ten-year timeframe proposed by the European Commission is the right choice for the new growth and employment strategy. Experience from the period 2000-2010 has shown that reforms need time before they take effect. The aim must be to set the right course for the longer term rather than tackling short-term issues. In any event, there must be a mid-term review in 2015 in order to make necessary adjustments to the strategy.

The coordination mechanism established in 2005 should be kept intact to the greatest extent possible. It is important that the European Commission in future names reform deficits mercilessly and formulates appropriate recommendations. If the European Commission does not take this role more seriously, the strategy will degenerate into a completely toothless tiger and the national reform programmes into a pure drafting exercise. For their part, national governments must regard action recommendations devised at European level more strongly as action instructions for national policy. The “Mr Lisbon” introduced with the 2005 reorientation as the “face” of the “EU 2020” strategy should also be retained for the period 2010-2020. However, in many Member States he will have to perform this role with greater conviction and push implementation of the “EU 2020” strategy forward. The often promised but seldom delivered involvement of the social partners and stakeholders should be made binding through more concrete requirements.

European policy must be more closely aligned on a true “EU 2020” strategy than was the case with the Lisbon strategy. The EU must not jeopardize the aim for “Europe to lead, compete and prosper as a knowledge-based, connected, greener and more inclusive economy, growing fast and sustainably, creating high levels of employment and social progress” through its own initiatives. All European institutions must accept greater responsibility for the success of the “EU 2020” strategy. This also means that the EU budget and the various EU financial instruments reflect the priorities of the “EU 2020” strategy.



The European Commission's proposal that the strategy should concentrate on a few key indicators is right. Experience with the early years of the Lisbon strategy has shown that too many and sometimes contradictory priorities condemn the strategy to failure. There needs to be a clear vision of what the "EU 2020" strategy stands for, as well as strong political leadership at national and European level for implementing this vision in all policy areas.

With the EU enlargements in 2004 and 2007, the European Union's political, cultural, economic and social diversity has become even wider. For that reason, subsidiarity and proportionality must be given greater consideration as guiding principles for common action in the "EU 2020" strategy. Businesses have benefited from approximation of laws in the internal market, but complete harmonisation is not the right answer in most cases and can lead to more red tape.

State bodies are not the only ones that can shape the "smarter, greener, more competitive economy" that the Commission has in mind. On the contrary: German business is in favour of a devolved policy approach. Not all problems have to be addressed by politicians, and certainly not by European policy-makers; only where there is a genuine need for a national or Europe-wide regulatory framework should legislation be deployed. But many questions are already clarified at company or sectoral level between the social partners. Europe needs an awareness of the different levels which is more geared to identifying "local crisis-solvers".

In this connection, it is important to give more room to the instrument of social dialogue at European level – which BDA and BDI have sought in vain in the Commission's consultation document. In particular, sectoral social dialogues are useful forums for dialogue in which social partners in the most diverse sectors reach agreement on many individual issues.

The "EU 2020" strategy must formulate sustainable objectives for European structural policy. It must open up the way for innovation and dismantling of bureaucratic obstacles. Competitiveness, better regulation, employment-friendly labour legislation, promotion of innovation, support of SMEs and exhausting all employment potential are areas that must be at the heart of these efforts.

4. BDI/BDA proposals for objectives and orientation of the "EU 2020" strategy

4.a. Internal market

BDA and BDI welcome the European Commission's clear commitment to the internal market. The internal market, with its basic freedoms (free movement of goods, persons, services and capital), has greatly contributed to increasing Europe's prosperity. Open, Europe-wide markets for goods and services are the best conditions for growth and employment. In this regard, services are of particular importance for the internal market. They account for around 60 to 70% of economic activity in the EU; they provide an equivalent percentage of jobs in the EU. Despite the services directive



adopted in 2006, the potential of the services market has not yet been fully realised in the EU.

The aim must therefore be to use the potential of the internal market to the full by 2020 and to remove remaining barriers in the internal market. The European Commission must play its role as the guardian of the common rules of the internal market with determination, in particular for competition and against subsidies. Protectionist approaches such as those that are being proposed in the policy debate under the influence of the current difficult economic situation would jeopardise the enormous advantages of the internal market. A large internal market is precisely what is needed if European companies are to be able to hold their own on global markets against competitors with large domestic markets. This means that the development of the internal market must not be impeded by a social progress clause in primary legislation which would downgrade the fundamental freedoms in cases of conflict.

Member States should rapidly agree comprehensive solutions for the Community patent and for the European private company. The Community patent regulation adopted by the EU Competition Council and the Council conclusions for an improved patent system are essentially a good step along this road and a necessary signal that the goal of a unitary, legally certain and affordable patent system will be seriously further pursued in Europe.

BDI and BDA support further harmonisation of EU consumer legislation. But this must take place at an appropriate level. By contrast, the European Commission's proposals for introduction of collective redress in competition law and consumer law run considerable risks of abuse and are in clear contradiction of the fundamental legal principles in continental Europe. They should be firmly rejected. In this connection, a central theme is also the healthcare sector. National social security systems must be structured in such a way that they do not impede the free flow of goods and services in the healthcare sector.

4.b. Better regulation

Many innovations and investments in Europe are hampered by over-regulation. Consistent dismantling of this over-regulation makes a business location attractive, removes obstacles to growth and is therefore essential for the success of the "EU 2020" strategy.

BDA and BDI therefore support the EU "Action programme for reducing administrative burden" which seeks to cut the administrative load on companies arising from information requirements imposed by European rules by 25% in 2012. In addition to measurement and dismantling of information requirements, further measures are necessary. In particular, it is important to streamline the entire corpus of rules and regulations as a next step.

To this end, it would be appropriate to extend the mandate of the independent group of experts. For instance, in the form of a "European regulatory supervision council" based on the German model.



Furthermore, the business community must be involved at an early stage in impact assessment and measurement of the current situation in order to point out and where necessary prevent new and unnecessary bureaucracy generated by European rules. For example, an extension of anti-discrimination legislation through a fifth anti-discrimination directive must be brought to a halt, since it would lead to further administrative burdens and legal uncertainties. In addition, chemicals legislation should be unified centrally under REACH; the parallel legislation that still exists (RoHS, ecolabel, cosmetics, biocides, construction materials, occupational safety and health) should therefore be phased out.

4.c. SME policy

The key to strengthening SMEs and entrepreneurship is creation of good framework conditions for efficient, innovative and internationally successful businesses. This calls for better coordination of all EU policy areas which are relevant for SMEs and family businesses. Of particular importance for this is the “SME test” provided for in the Small Business Act and now incorporated in the European Commission’s impact assessment. It is decisive that the consequences of legislative acts in all relevant policy areas on SMEs are examined as early as the drafting stage.

The central tasks of European SME policy are therefore better regulation, elimination of administrative costs and effective impact assessment. Beyond this, the interests of growing SMEs and larger family businesses need to receive greater consideration. However, a further focusing of European SME policy on small and micro businesses would be highly problematic with a view to strengthening growth and jobs in Europe.

4.d. EU industrial policy

The global financial and economic crisis has shown how important a strong industrial base is for EU Member States. We in Europe need a competitive industry with important production locations and our own research and development centres.

BDI and BDA welcome the European Commission’s intention of working for an integrated EU industrial policy in the framework of the “EU 2020” strategy. In this regard, it is important that the competitiveness of industry receives appropriate attention from all Directorates-General as they draft their legislative proposals. Industrial policy must not be reduced to classical economic themes. For a successful policy for industry, all policy areas with an impact on industry must be connected: transport policy, environment policy, consumer policy, research policy, to name but a few.

A growth-promoting industrial policy does not involve the state becoming active in businesses, or subsidising uncompetitive sectors or even individual companies. Rather, to ensure a competitive and strong industrial base in Europe, what is needed are attractive, stable and predictable framework conditions which stimulate excellence, innovation and sustainability, i.e. conditions in which companies can act and invest. .This is particularly the case in the area of broadband provision. It is estimated that comprehensive



100% broadband coverage in Europe will cost 300 billion euros. However, German business rejects “a massive programme of investment in fibre networks and wireless broadband” by the state and calls fervently for improved framework conditions and planning certainty in order to release effective incentives for massive investments by the private sector.

Only an internationally competitive economy can generate growth and employment. This means that policy for a competitive European economy is also simultaneously the best social policy.

4.e. External economic policy

The “EU 2020” strategy must take greater account of global economic and political interdependence in order to be successful. Global trends such as the rising power of emerging countries and the global challenges of climate protection mean major opportunities but also risks for the European economy. These opportunities and risks must be taken into account in the EU’s strategic planning. Hence, the EU must work globally and offensively for the right framework conditions which are needed for the dissemination of innovative climate-friendly technologies and promote international technology cooperation. This includes reliable protection of intellectual property rights as well as harmonisation and mutual recognition of adequate standards and norms. By contrast, climate duties and other trade policy measures to offset competitive handicaps caused by climate protection requirements must be avoided, since they will weigh down on world trade and can lead to a global wave of protectionism. The best way to give the right incentives for worldwide dissemination of climate-friendly technologies is rapid conclusion of the WTO Doha round with ambitious general duty reductions for all industrial sectors and all countries.

Access to global consumer and procurement markets together with global enforcement of free and transparent trade and investment rules are of central importance for export-oriented German and European companies. The EU is very dependent on imports in particular for industrial raw materials. In the case of a series of metals, the import dependence is even higher than for the energy raw materials oil and gas. The supply of raw materials to the European economy is massively obstructed by a large number of countries due to systematic distortion of trade and competition. According to the European Commission, there are more than 450 export restrictions on trade in raw materials alone, and over 400 raw materials and semi-finished products are concerned. As a result of the economic and financial market crisis, additional trade-distorting and protectionist measures have been adopted. If the European economy is to continue to be a technological leader also in the future, there needs to be security in the supply of raw materials. International trade issues and in particular the existing restrictions on and risks to the secure supply of raw materials should therefore receive greater attention in the “EU 2020” strategy. The EU trade agenda “Global Europe” offers the right guidelines for this.

4.f. Solidity in public finances

The stability and growth pact is a cornerstone of the common currency. BDI and BDA support the European Commission’s commitment to its substance



and its sanction mechanisms. BDI and BDA expressly welcome the European Commission's recommendation for budget consolidation and a stronger focus of the budget structure on growth and employment by increasing public investments. Increasing the growth potential and productivity must be given greater weight.

In the eyes of BDI and BDA, the priorities set for R&D, innovation, education and training and networks are appropriate. The "EU 2020" strategy should also stick to the Barcelona objective of spending 3% of GDP on research and development across Europe. As long as the Community budget does not reflect this priority for R&D, the Barcelona objective will not be met. In future, the EU must earmark a larger share of its budget for research and development.

4.g. Stable and crisis-proof currency

In its tackling of the crisis, the European Central Bank has greatly helped to stabilise financial markets through resolute action. ECB's independence has once more proved its worth. BDI and BDA assume that ECB will change the' current expansive stance in monetary policy as soon as inflation risks become clear. The aim of the "EU 2020" strategy must continue to be to safeguard and widen the stability culture. A high stability of the euro internally and vis-à-vis the outside world is an important condition for growth and employment in Europe.

The introduction of the euro in further countries of the European Union would allow the advantages of the common market to emerge even more clearly. With the abolition of different currencies in Europe and the associated adjustment pressures, the European economy's globalisation chances could be better exploited. This absolutely requires compliance with the new rules of the game and framework conditions. There should be no "convergence discount" for new euro entrants. The large trade imbalances in the euro zone run the risk of latent protectionism. They are also an expression of different levels of competitiveness in a fixed currency relationship. Without a sufficient degree of real convergence, the cohesion of the currency union would be endangered.

4.h. EU financial market reforms

The success of the "EU 2020" strategy will greatly depend on flanking from financial market reforms at European and global level. The financial market crisis has shown that the regulatory framework for financial markets has not kept pace with the increased risks. A new global financial market order must modify the incentive system on markets to the extent that wrong turnings such as those taken in recent years are corrected and avoided in future to the greatest extent possible. German business warns against a return to the careless attitude to risk that led to the financial crisis.

BDI and BDA support the guiding principle "no market, no market participant, no product without appropriate supervision and regulation" which was once more confirmed at the G20 summit in Pittsburgh. Elimination of obvious incentive distortions must be at the heart of financial market regulation. This means that the current financial market rules must



be fundamentally reformed. Banks' capital and liquidity requirements should be adjusted to take account of risk. Also central is the progressive establishment of global financial supervision, a widening of crisis early warning and extended intervention powers for supervisory bodies to stabilise and restructure banks that pose a systemic risk. When current regulatory deficits are eliminated, it is absolutely essential to avoid unwanted side-effects for the real economy. Seamless provision of credit to businesses is an indispensable basis for an economic upswing and a stronger growth dynamic in Europe.

The fragmentation of global financial supervision systems greatly contributed to the onset of the global crisis. The G20 summit in Pittsburgh once more called for a strengthening of international supervision structures for the financial sector. Given the high and growing importance of cross-border financial structures, coordination of supervision as well as cooperation between central banks and supervision authorities at European and global level needs to be intensified. At EU level, the political course has been set for more effective bank, securities and insurance supervision. It is also very necessary to take institutional precautions to work against future systemic risks at an early stage. In this regard, the creation of a systemic risk council is an important step in this direction.

4.i. Employment

Europe and the Member States must take an active stance vis-à-vis the challenges of high unemployment with determined reforms. European labour market and social policy must become more employment-friendly. Entry into the labour market and development through training should be the central approach in the "EU 2020" strategy. The aim must be to offer people more and better chances on the labour market. A core finding of the 2007 EU study "Europe's social reality" is that EU Member States' social systems are very good at giving poor people material support but that they do not manage to give people sufficient new opportunities for integration in the labour market. With the flexicurity concept, an approach has been developed which places this deficit in opportunities centre-stage. The idea underpinning flexicurity is that employment security can be achieved in the first line not by protecting existing jobs but above all by offering improved chances for people who lose a job to find new employment. The new "EU 2020" strategy must fully integrate the flexicurity approach. The flexicurity principles adopted by the European Council in December 2007 must be incorporated in the integrated guidelines. Implementation of the flexicurity concept can be further promoted through exchange of experience. Flexicurity should not remain an empty slogan but must be assigned wide relevance for European and national social policy alike through mainstreaming.

Companies must be given the possibility to create as many jobs as possible as rapidly as possible. To do this, they must not be burdened with additional requirements and rules. BDA and BDI call for a lasting moratorium on administrative burdens for all social policy legislative acts with additional obligations for companies. Existing rules must be verified for employment-friendliness and amended as and when necessary. In 2008 trade unions and employers made the following request in a joint analysis of



European labour markets: “The increasing pressure on workers and employers from globalisation and other economic and social changes requires that labour law responds to these new challenges. The priority is to review, and if necessary, adjust the role that job protection measures play in promoting productive and rewarding transitions into new or existing jobs”.

The EU Employment Task Force headed by Wim Kok highlighted important elements for modernisation of labour markets back in 2004: in order to promote sustainable employment growth, reforms are needed in particular to social security and social contribution systems so that employment incentives are created and non-wage labour costs are reduced. Flexible forms of work should be promoted alongside investments in human capital. These reforms are the task of EU Member States in the first line. The EU institutions must constructively support and flank this process. The “EU 2020” strategy take account of the Employment Task Force’s recommendations – which remain valid – and make them the motor for labour market reforms. This also means that the employment effect of the European Social Fund as the main EU instrument for implementing the European employment strategy should be improved to take full advantage of limited financial resources and that it should focus on its core tasks of preventing and combating unemployment.

4.j. Demography

Demographic trends in Europe will radically change the European economy and European labour markets. The employment structure with ever more older people and ever fewer young people in the EU will place a substantial drag on growth and public budgets in the decades to come. In addition, the reduction in the working-age population by 40 million people and the simultaneous increase in over-65s by 60 million people by 2050 coupled with a 75% increase in people requiring care by 2040 will put social systems under strong pressure. Skills shortages will increase sharply. Even now, training places cannot be filled in many regions. The ageing population not only threatens prosperity in the EU, demographic developments also have major implications for social peace in European societies. A recent survey in Germany by ipos-Institut Mannheim showed that a majority of German citizens fear an exacerbation of the generation conflict against the background of an ageing society and financially weak social security systems.

The inscrutable term “demographic development” needs to be translated into an operational concept and firmly integrated in the “EU 2020” strategy. What are needed are coherent concepts for reforms in the area of modernising social security systems, employment of older workers, a higher employment participation rate among women, education and training, a better work-life balance, increased mobility (including across borders) and easier economic immigration from third countries in order to secure prosperity and social peace in Europe over the long term. The success of the “EU 2020” strategy depends decisively on the extent to which it manages to give coherent responses to the demographic challenge.



5. Conclusion

In recent years Europe has not used its potential to the full. Some reform progress has been made in a few areas thanks to the Lisbon strategy, but overall the EU has fallen short of its possibilities. As the strategy comes to an end, deficits in implementation of central priorities can be observed. This applies in particular for structural reforms at national level, a strengthening of the competitiveness and innovation capacity of companies, promotion of growth and employment through deregulation and greater flexibility in labour markets as well as completion of the internal market.

For the “EU 2020” strategy, this means that the reform process at European and national level must be considerably speeded up. The credibility of the entire “EU 2020” strategy stands or falls with the readiness of governments to show greater resolve in combating the causes of weak growth and high unemployment in the European Union. The strategy will only demonstrate its effect if governments and the European institutions set clear priorities. More value creation is fundamental for all other objectives of the EU, for sustainability and social cohesion.

It is urgently necessary that the “EU 2020” strategy is implemented more coherently than was the case with the Lisbon strategy. In light of the financial and economic crisis, growing global competition and demographic developments, Europe cannot afford to pursue policy approaches which sometimes contradict each other. The competitiveness of the European economy plays a key role for the success of the “EU 2020” strategy. For that reason, the work of the European institutions must focus more clearly on the competitiveness of European companies and measure their decisions against their consequences for the European economy. In the framework of the “EU 2020” strategy, they should organise their work and decision-making procedures in such a way that competitiveness issues are addressed in a cross-disciplinary manner. It is important to improve the framework conditions for companies in a targeted way. In this regard, the entire spectrum of businesses must be promoted, since the one-sided focus on the so-called “green economy” is much too narrow as an approach: all sectors and companies now think about saving resources and environment-friendly technologies or produce in a more environmentally aware fashion.

BDA and BDI support the aim formulated in the consultation paper for “Europe to lead, compete and prosper as a knowledge-based, connected, greener and more inclusive economy, growing fast and sustainably, creating high levels of employment and social progress”. To that end, it is necessary to have coherent reform initiatives in the areas of internal market, better regulation, currency and finance, SME policy, industrial and employment policy, as well as foreign trade and demography. The EU must pursue the “EU 2020” strategy to a successful conclusion. Europe cannot afford a further failure of the growth and employment strategy.



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BDA is the leading organisation dealing with social policy on behalf of the German private business sector as a whole. It represents the interests of small, medium-sized and large companies in all sectors on all issues linked to social and collective bargaining, labour legislation, labour market policy as well as education. BDA works at national, European and international level for the interests of one million businesses which employ 20 million workers and are linked to BDA through their voluntary membership of 6,500 employer confederations. These employer confederations are organised in the 56 national sectoral organisations and 14 regional associations which are direct members of BDA.

Internet: www.arbeitgeber.de
E-Mail: europa@arbeitgeber.de

BDI | Bundesverband der Deutschen Industrie

BDI is the leading organisation representing industrial undertakings and industrial service providers in Germany. Its members are 36 sectoral confederations and groups of confederations. Membership of BDI is voluntary. BDI campaigns for a clear regulatory framework for German and European business policy. Opposed to the tendency towards an extension of state activity, we work in favour of freedom and individual responsibility. The model is the social market economy.

At national level, BDI is the voice of German industry vis-à-vis the German government, both houses of the German parliament, political parties and society generally. At international level, it represents the interests of German industry vis-à-vis all institutions of the EU (with a focus on the European Commission and European Parliament) and all international organisations such as WTO, OECD, World Bank, United Nations and IMF.

Internet: www.bdi.eu
E-Mail: europapolitik@bdi.eu

