



EUROCHAMBRES

Connecting **business to Europe**

Position Paper

January 2010



EU 2020 – The Business Perspective

Response to the Commission Consultation on the future “EU 2020” Strategy

COM(2009)647/2

**Interest representative
Nbr. 0014082722-83
EUROCHAMBRES aisbl
Avenue des Arts 19, A-D
B – 1000 Brussels**

EU 2020 – From WHAT to HOW

EUROCHAMBRES considers that the challenges the European Union has to face in the coming decade are known and thus focuses its comments more on better delivery mechanisms for the EU 2020 strategy.

For a successful implementation of the EU 2020 strategy, EUROCHAMBRES calls on the Commission to:

- *Define key priority areas*
- *Set realistic and clearly defined targets for measuring progress in these key priority areas*
- *Maximise synergies between the different policy areas*
- *Make the strategy business-friendly by applying better regulation principles to its implementation and respecting administrative burden reduction targets*
- *Involve stakeholders at national, regional and local level in the foreseen "partnership for progress"*
- *Effectively communicate the strategy to stakeholders and to the general public*
- *Closely monitor implementation by the member states and hold accountable those that do not respect their targets*
- *Create stronger incentives for member states to meet the targets, linking the attribution of European funds to the implementation of the strategy*
- *Include meaningful benchmarking in the evaluation processes*

INTRODUCTION AND GENERAL REMARKS

When looking back at the achievements of the 2000-2010 "growth and jobs" strategy, the results are mixed. While good progress was achieved in some of the concerned policy areas, the targets, overall, have not been met.

Nonetheless, the strategy has, without doubt, been a valuable exercise. The economic performance of most member states has improved. For example, employment rates in almost all countries rose steadily from the beginning of the Lisbon strategy in 2000. The same is true of employment rates among women and older workers. Structural improvements have also been made in terms of the expansion of broadband, increases in research and development spending, participation in lifelong learning and educational levels among young people.

The major economic downturn that began in 2008 guaranteed that the final 2010 targets would not be met. However, most member states were already well behind schedule even before the recession and the reasons for this must be addressed in the new strategy. One of the main reasons often cited has been the absence of ownership of the strategy by member states. The open method of coordination, due largely to its non-binding nature, does not provide sufficient incentives for individual member states to pursue the goals committedly.

Undoubtedly, insufficient progress in making the macroeconomic environment and monetary and fiscal policy "as supportive as possible" to growth (cfr. Kok report of November 2004 on the mid-term review of the Lisbon strategy) also plays a role.

While the immediate focus is understandably on overcoming the financial crisis and mitigating its negative impact, commitment to the revised Lisbon strategy must remain. If anything, the crisis has underlined that reform is the only option.

The future EU 2020 strategy must avoid the mistakes of the 2000-2010 approach, while at the same time ensuring continuity and addressing new priorities and challenges. The further development of the single market, the creation of a knowledge-based society and the creation of more and better jobs must be the common basis of all efforts. From a business perspective, it is essential that all policy measures under the framework of the strategy are developed and implemented on the bases of the 'think small first' principle.

Europe must remain a key player on the world stage if it is to take advantage of the ongoing process of globalisation. As well as being an internal reform agenda, the EU 2020 strategy must therefore incorporate an open, ambitious and effective external agenda.

THE CHAMBERS' COMMENTS ON THE EUROPEAN COMMISSION'S WORKING DOCUMENT

General comments:

EUROCHAMBRES agrees with the Commission's proposal to pursue the priorities of the current growth and jobs strategy by giving them new impetus and addressing the new challenges confronting the EU. As previously indicated, it is the way in which the priorities are pursued that will make or break the EU 2020 strategy.

Creating "*a new sustainable social market economy, a smarter, greener economy, where our prosperity will come from innovation and from using resources better, and where the key input will be knowledge*" will lay the foundations for the future of Europe. This reflects the essential need for Europe's response to economic, demographic and climatic challenges to be fully interconnected.

Economic growth and competitiveness are key elements in this process, and therefore EUROCHAMBRES considers "*creating a competitive, connected and open economy*" as the fundamental priority that will be closely linked to the others. In order to create jobs and to secure the European social model(s) in a sustainable way, the EU needs growth. This can only be achieved by creating a business friendly environment, taking especially into account the needs of the small and medium sized enterprises that Europe's main source of jobs and growth.

The stimulation of growth by fostering a greener, eco-efficient and less carbon dependent economy in EUROCHAMBRES' view merits special consideration within this priority. It is essential for the survival of the planet to promote a "green and climate change" agenda. For businesses to be in the position to seize the opportunities opening up in this field, they need to benefit from favourable framework conditions.

"*Creating value by basing growth on knowledge*", is besides the points mentioned in the Commission's working document, key to making growth more sustainable,.

"*Empowering people in inclusive societies*" is fundamental for the achievement of the other objectives, as a successful implementation of the EU 2020 strategy is not possible without the active involvement of Europe's citizens.

Besides shaping the political agenda of the next decade, the European Commission needs to reflect on how to reach Europe's citizens and communicate the agenda to them. The new agenda will only work if all actors are involved and endorse the priorities. While the agenda is set at European level, implementation will be at local level, and new ways and methods to bridge the current information and communication gap, leaning heavily on existing networks' ability to reach citizens, need to be explored and delivered.

The Commission's document refers to a "*partnership for progress*" to implement the strategy. This concept must be further fleshed out in order to avoid the pitfalls of the current strategy. Efficient implementation mechanisms are essential, also in view of the fact that the coming years are going to be marked by budgetary austerity. One of the key questions will be: how to do more with less money?

Overall, EUROCHAMBRES welcomes the points mentioned by the European Commission in its document, yet regrets that no targets have been set for the different thematic priorities. Chambers firmly believe that reforms will be more effective if clear goals are defined. Past experience shows that an absence of such concrete targets significantly reduces effectiveness.

The present document seeks to complement the thematic priorities mentioned in the Commission's consultation document, indicating operational goals.

As a general rule, with regard to setting detailed goals and benchmarks for the new period, EUROCHAMBRES emphasise that the implementation of existing goals and instruments must take priority over new initiatives. When developing new benchmarks, national and territorial specificities (e.g. island/mountain/peripheral areas) must be considered and it must be ensured that the member states are taking adequate and effective measures to achieve the goals.

From a business perspective, a high quality regulatory framework (long-term, transparent, and as simple as possible) is indispensable for creating green growth and better jobs. SMEs suffer disproportionately more from regulatory and administrative burdens. The EU2020 strategy must therefore reflect and enhance the better regulation agenda and the Small Business Act. These efforts have to be pursued jointly by the European Institutions and member states in order to deliver further concrete and tangible improvements for businesses.

In particular, we invite the Commission to systematically apply its impact assessment guidelines to all policies concerned, to systematically include an SME test and to liaise with the European Parliament and the European Council in assessing the costs and benefits of legislative proposals and amendments thereto.

The completion of the internal market, ensuring the free circulation of goods and services and thus offering SMEs and consumers greater opportunities, is a further precondition for the successful implementation of the EU 2020 strategy.

The thematic priorities:

Creating a competitive, connected and greener economy

According to the Commission's document, "*the aim for 2020 is to meet our agreed objectives on climate change and energy, strengthen our industrial base, fully unlock the potential of SMEs, and respond to the needs of the future, by raising productivity and reducing pressure on resources*".

The means for achieving this aim are a more efficient use of resources, a greater inter-connectivity of infrastructures and the application of new, greener technologies.

- 1) **Broadband:** The Commission should set precise targets in relation to digital inclusion and aim for an EU-wide minimum broadband speed of 10 mbs by 2020 and increase it to 20 mbs by 2030. As Europe moves towards an 'online single market', a fundamental review of relevant directives (eg. e-commerce) should also take place.
- 2) **Transport:** When rethinking European transport policy, all modes of transport and all aspects have to be equally considered in a balanced and fair way. The different modes of transport should be strengthened according to their respective potential via quality initiatives and transformed into an integrated transport network. As efficient transport contributes to enhancing businesses competitiveness, progress in the reduction of environmental impacts of transportation should be based on technological advances and not on higher transport prices or a reduction in transport.
- 3) **Energy:** Improving existing energy infrastructures is only one piece of the energy puzzle. New connections also need to be built, at global (eg. Nabucco pipeline), as well as EU level (inter-connectors).

One of the first priorities of the EU's industrial policy should be the enhanced global competitiveness of European businesses. EU environmental and climate protection measures must not, therefore, disadvantage European businesses vis à vis their international competitors.

The EU 2020 strategy clearly needs a global vision and Europe needs to act with one voice on the global economic scene. The EU must take a leading role in forging multilateral trade agreements and minimising non-tariff barriers and those barriers that have appeared during the economic crisis. Bilateral free trade agreements should be considered as additional elements/benefits. Europe should take the lead in working towards open markets, providing European companies free access to emerging markets and allowing foreign companies to access European markets.

Fostering a greener, eco-efficient and less carbon dependent economy

Several elements need to be tackled to secure energy supplies and low carbon electricity production:

- 1) Increase energy efficiency across the economy in market oriented ways. The stabilisation and decrease of energy consumption on the medium term is at the same time the most efficient means to decrease Europe's dependency on energy imports.

- 2) Implement an integrated internal market for gas and electricity
- 3) A cost efficient development of renewable energy sources according to the national technical and economic potential
- 4) Diversification of supply channels and transport routes in order to move towards a pan-European supply network that favours the interest of the EU as a whole, and the presence of the EU towards third countries. For this, rapid and efficient communication and coordination structures will be of added value, particularly in times of crisis.

The greening of the economy will create new business opportunities, yet it also implies significant costs for certain parts of the economy, notably industry. Considering these financial implications, the reform process should be carried out smoothly and in a transparent manner for all in terms of objectives to achieve and timeframe.

"Creating value by basing growth on knowledge"

"The aim for 2020 is to achieve a genuine European Knowledge Area, underpinned by a world-class knowledge infrastructure, in which all actors (students, teachers, researchers, education and research institutions and enterprises) benefit from the free circulation of people, knowledge and technology (the 5th freedom)".

Education is the prerequisite for shaping a European workforce that will contribute to sustainable economic growth and competitiveness. Innovation, creativity and research are closely linked to education and all four elements provide the cornerstones of an enhanced European knowledge based economy.

In order to have such systems at our disposal we need:

- 1) A thorough reform of all education levels, from kindergartens up to university and into lifelong learning, taking into account business needs and systematically integrating gender equality,
- 2) Closer cooperation between universities and businesses,
- 3) Greater accessibility to universities (e.g. by people with vocational training background),
- 4) Systematic inclusion of entrepreneurship courses in all curricula,
- 5) Better matching of qualifications/skills demand and supply,
- 6) Enhanced skills forecasting,
- 7) Coherent and comprehensive national lifelong learning strategies in every member state,
- 8) To ensure that vocational training and education is given greater appreciation,
- 9) Firm commitment from the European Commission, the member states and the social partners to the effective implementation of the recommendations adopted at European level

on a European Qualifications Framework and a European Credit System for Vocational Education and Training

Considering the global nature of the economy, broadening the different student mobility programmes is a must, and should be actively pursued at European, as well as member state level.

The first steps towards the European knowledge area have been made. EUROCHAMBRES fully agrees with the further extension of the European Research Area and the creation of more attractive framework conditions for innovation and creativity.

Besides the points mentioned in the working document, Chambers insist that the European research and innovation policy of the coming decade must:

- 1) Actively pursue those goals that offer the highest European added value,
- 2) Address the EU's major challenges (e.g. energy, environment, climate change, air and space flights) of a transnational nature,
- 3) Ensure a more effective and systematic involvement of businesses, particularly SMEs,
- 4) Support world-class clusters activities,
- 5) Facilitate closer cooperation between businesses and research centres, thus leading to a real transfer of knowledge,
- 6) Ensure a rapid implementation of business-friendly – i.e. affordable, coherent and defensible - intellectual property rights protection and a single European patent systems that allows affordable and efficient defence, particularly important in the digital environment,
- 7) Systematically create synergies with other policy areas in line with the subject addressed, in order to maximise results taking into account tighter public budgets.

The current target of 3% GDP expenditure for research should be maintained, providing a concrete figure for member states to work towards. For the member states that are currently already beyond this target, higher targets should be considered for the coming decade, taking into account their potential for further development in this area.

PPPs are one instrument for achieving a closer cooperation between businesses and the research world, yet other instruments should also be investigated. The current structures of the joint technology initiatives are too complex and risk becoming "closed shops" – this should in any case be avoided.

Access to finance is crucial to stimulate innovation, particularly in SMEs. Venture and risk capital are valuable instruments that offer businesses new perspectives. The introduction of additional venture or risk capital mechanisms should not occur at the expense of existing mechanisms, as each target group needs its dedicated instruments.

Empowering people in inclusive societies

"The aim for 2020 is more jobs, higher employment rates of the working age population, better jobs, with higher quality and increased productivity, and fairness, security and opportunities, through a real chance for everyone to enter in the labour market, create new companies, and manage labour market transitions through modern and financially sustainable social and welfare systems".

The transformation of the EU into a greener and smarter economy will generate new job opportunities. Yet, further to the economic crisis, the employment market is first going to be marked by transition phases.

EUROCHAMBRES does not agree with the idea of extending 'short time work' beyond the crisis since this instrument has been implemented specifically to respond to an emergency situation and has very restrictive application mechanisms. The basic elements of this mechanism, namely part-time work combined with training, could offer a valid solution to handling transition periods.

In order to achieve the above-mentioned goals, EUROCHAMBRES and its national members call for a proactive approach by the EU and member states in the following specific areas:

1) Active labour market policies **Leitmotiv: Work pays**

- a) Enable all population groups, and particularly the young and older workers to get into or to stay in employment.
- b) Help citizens to adapt to changing working environments,
- c) Implement targeted action to increase employment among specific groups – women, low skilled people, disabled, migrants, long term unemployed
- d) Integrate the gender dimension into all fields to move away from stereotyping and give equal consideration to women and men
- e) Promote European wide mobility of workers and remove obstacles to mobility,
- f) Enhance offer/demand based matching processes on the labour market according to bottom-up principles
- g) Improve matchmaking between qualifications and labour market needs
- h) Provide for continuous education to ease transition and facilitate re-entering the labour market
- i) Provide all citizens with generic skills that allow them to fully benefit from the digital knowledge economy.

2) Flexicurity and the reform of social systems **Leitmotiv: sustainability**

EU level considerations on how to balance flexibility and security for workers should forward the flexicurity strategy across the EU without interfering with existing, effective national flexicurity approaches. Attention should continue to be paid to the fact that each member state can choose its individual policy mix to implement the flexicurity principle, with the participation of the social partners.

3) Modern family policies **Leitmotiv: together for the future of our children**

Positive measures for a better reconciliation between professional and private life for women as well as men will influence positively female employment rates and, on the long term, also birth rates.

4) Active health and pension systems **Leitmotiv: Fit for work and fit for life**

Considering the rapid ageing of the European population, people will have to stay longer in employment. For the older working population to remain fit for work and for life, awareness about the importance of maintaining good health needs to be raised early in the working life, preventive measures taken and accompanied/promoted by the official health system.

The potential of migrants has to be given higher considered in the EU2020 strategy, as Europe's demographic growth will largely depend on immigration. The faster and better migrants are integrated into society, the higher their economic potential is going to be. An exchange of best practices for an effective integration of immigrants at European level will contribute to mutual learning and to develop national support measures.

Making it happen

What is in some respects most important is how this strategy is going to be delivered. The Commission in its document speaks about *"increased policy co-ordination, better synergies through effective subsidiarity, and strengthened partnership between the EU and member states in the design and delivery of public policies. The integration of different policy instruments is necessary, linking institutional reforms, better regulation, new initiatives and public investment."*

For a successful implementation of the EU 2020 strategy, the following points should be observed:

- 1) **Targets:** EUROCHAMBRES regrets that the consultation document contains no precise objectives. How can member states move forward if they have no target to work to? And subsequently, how can their progress be evaluated if there are no clear targets? The EU 2020 should contain precise key objectives and binding targets for member states, against which they would be evaluated regularly. The targets should be ambitious without being unrealistic. For this reason, the Commission should fix targets bilaterally with each member state, based on their current situation and their potential, rather than adopting a one size fits all approach that may imply no progress for some member states and unattainable expectations for others.
- 2) **Synergy:** The European Commission should investigate all policy fields for synergies/complementarities with the key EU 2020 objectives, and after investigation, organise a systematic co-ordination with the policy fields concerned for any initiatives to be taken. Member states should conduct the same exercise at national, regional and local level, and between the different levels for achieving optimal synergy and results.
- 3) **Partnership:** The subsidiarity principle is a key element of the European construction, and a strengthened partnership between the EU (the Commission) and member states could lead to a better coordination and implementation of public policies. EUROCHAMBRES believes that coordination and implementation will gain in efficiency and effectiveness if regional and the local actors are included in the partnership, and if the partnership is widened to include social and socio-economic partners.
- 4) **Communication:** For the partnership to be efficient, clear communication mechanisms are necessary. The current implementation period has not only suffered from a lack of ownership by member states, but also from clear shortcomings in its communication. For the EU 2020 strategy to be successful, it needs to reach Europe's citizens and

businesses, those actors who are the key drivers for economic growth and prosperity. If they are made part of the solution, they will contribute to the implementation of the strategy. Recovery from the crisis inevitably requires reforms that may appear unpopular to the general public in the short term, so clear and precise communication is an absolute must. For communication to be more efficient, better use of existing network organisations and better consultation mechanisms with stakeholders should be implemented. This call for better consultation mechanisms applies at European, as well as national level.

- 5) **Monitoring:** Progress towards the set targets needs to be monitored continuously, and evaluated regularly. There is no need to reinvent the wheel, yet currently existing evaluation mechanisms should be improved - the annual progress report evaluations using structural indicators, the national reform programmes for growth and jobs (NRPs) and the Spring Council, have been tested and shown some effects – and linked closely to the specific targets advocated above.

There are isolated cases in which the open method of coordination (OMC) has yielded positive results, but EUROCHAMBRES' overall impression of its effectiveness remains negative. The instrument needs to be revitalised and re-branded to take into account the need for greater transparency in the dealings between member states and between member states and the European Commission. Here too, targets and genuinely robust criticism from the Commission are essential to the approach's effectiveness.

- 6) **Finances:** The response to the crisis will necessarily be marked by public budgetary austerity. Therefore maximum efforts should be undertaken to pool resources, create synergies and optimise results. Public private partnerships can help in this respect. The guiding principle for PPPs should be sustainability.

The following general improvements are suggested:

- 1) Structural indicators are useful in evaluating progress, and simplifying monitoring. They should be complemented by other indicators, as structural indicators alone do not provide an accurate picture of the actual development in national economies.
- 2) Meaningful benchmarking – such as a comparison with the best three, etc. – is an appropriate tool for working out the relative positions of the individual member states and drawing conclusions. At European level, this process should lead to a more intensive exchange of best practices.
- 3) "Naming and shaming" of member states who fall short should be enhanced, in parallel with the "faming" of those effectively implementing reforms. To further clarify the delivery status across the broad strategy, rankings should, besides listing countries, also list subjects and be posted on the Commission's homepage.
- 4) Member states could be encouraged to implement the recommendations by using stronger incentives, linking the implementation of EU 2020 objectives to EU financing. For instance in the employment field, if a member state consistently falls short of its targets, the funding from the European Social Fund, which the member state and the Commission determine jointly, could be adapted in such a way that the funds from the ESF are used primarily to finance the measures that are needed to overcome the shortcomings identified in the member state's active labour market policy.

- 5) The EU 2020 steering group should be made up of national coordinators, representatives of the European Parliament and the European Commission, as well as the European social partners, and should monitor the EU 2020 agenda and provide guidance. The Council, in its various formations, should continue to be responsible for preparing the EU 2020 agenda for the European Spring Summit, as previously.
- 6) Greater involvement of European and national social and socio-economic partners in the drafting of the "Integrated guidelines for growth and employment" is crucial in order to achieve broader acceptance of the EU 2020 goals and thus create better conditions for their implementation.

EUROCHAMBRES is the sole European body that serves the interests of every sector and every size of European business and the only one so close to business. EUROCHAMBRES has member organisations in 45 countries representing a network of 1,700 regional and local Chambers with over 19.8 million member companies. Chamber members employ over 120 million employees.

**Further information: Mrs. Birgit Arens, Tel. +32 2 282 08 57, arens@eurochambres.eu
Press contact: Ms. Guendalina Cominotti, Tel. +32 2 282 08 66, cominotti@eurochambres.eu
All our position papers can be downloaded from www.eurochambres.eu/content/default.asp?PageID=145**