

# Innovating Indicators

## Choosing the Right Targets for EU 2020



By Ann Mettler

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2.

Commission Working Document: Consultation on the Future "EU 2020" Strategy, Brussels, 24.11.2009 (COM(2009) 647). [For more on EU 2020, click here.](#)

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**'Give me a place to stand, and I shall move the earth.'**  
Archimedes

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As Europe reaches the end of the decade-long process known as the Lisbon Agenda and prepares to embark on EU 2020, the next 10-year strategy for social and economic development, close attention must be paid to the importance of indicators.<sup>1</sup> For one, indicators command policy and public attention because they are a tangible goalpost, something to strive and work towards, and something to be measured by. Choose the wrong indicator, and you will get 27 countries and the Brussels machinery marching off in an erroneous direction, wasting valuable political (and often financial) capital. By the same token, even if a good and desirable indicator is chosen, failure to achieve the goalpost will render the entire policy process a failure, at least in the eyes of the media, even if genuine advances have been made. And given the diversity of a Europe of 27, including countries at vastly different stages of economic development, can there be "one-size-fits-all" indicators in the first place, applying the same standards of success to Bulgaria and Latvia as you do to Netherlands and Sweden?

It is probably not without reason that the European Commission in its [November 2009 public consultation on EU 2020](#) did not even mention indicators, making neither a commitment to the existing Lisbon Agenda benchmarks – a 70% employment rate and a goal to spend 3% of GDP on research and development – nor listing any new targets.<sup>2</sup> Yet, it is highly unlikely that EU 2020 will be devoid of explicit and measurable policy targets, because for all their shortcomings, they work. Policy processes without tangible goalposts of success are quite meaningless because measuring progress would be left to subjective evaluations rather than objective and comparable analysis. But to be sure, even choosing the right targets and applying sound methods for evaluation is not enough. How we use data and how we relate it to the public at large to make performance more transparent, to raise awareness and to point to best practices, is equally important and too often overlooked by the responsible bodies. "Innovating Indicators," as this e-brief proposes, means not only choosing

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# 'The current crisis will profoundly – and enduringly – change the political and economic landscape.'

3. [Paul Hofheinz, EU 2020: Why Skills are Key to Europe's Future, \(Brussels: Lisbon Council, 2009\).](#)

new, perhaps unconventional targets, but also implies that the chosen benchmarks should be more cutting edge and experimental, perhaps venturing into unknown territory in the hope of reaching more citizens and making the data presented more interesting and less abstract to the masses.

## Why Indicators Matter: The EU 2020 Agenda

Today, Europe finds itself emerging from the most severe recession since the 1930s, which has seen dramatically rising unemployment, threatening to undo the great gains in job creation made in previous years. With public anger at corporate excesses and lack of political leadership at an all time high, it is difficult to imagine a forceful push for change. Yet, that is exactly what is going to be happening, with or without a political programme, such as the Lisbon Agenda or its successor programme, EU 2020, to underpin it. The current crisis will profoundly – and enduringly – change the political and economic landscape. Public finances are under severe strain, just at the moment when the demographic transition towards an ageing and declining population is starting to be felt. Innovation and human capital are the top political priorities of our times, but we never seem to be able to follow through on our pledges if we look at the way public money is being spent and invested, and how we so often purposefully block the change that could empower new market entrants or facilitate the inclusion of societal groups permanently hovering on the fringes of the labour market.<sup>3</sup> And education, an evergreen of popular political goals and societal objectives, is taking a beating, with an unprecedentedly high number of school drop-outs, sowing the seeds of future social exclusion and presenting perhaps the single largest threat to future prosperity and growth.

## Turning Political Goals into Reality

The ultimate problem with the original Lisbon Agenda – and also with transformation programmes at the national level – is that collectively, we are not doing what we purport to want to do. While politicians are often blamed for the discrepancy between rhetorical goals and political reality, it is too simplistic and shortsighted to make them the primary scapegoat. Politicians are but a reflection of the populace they serve, the media world they encounter, and the institutional incentives provided. And in fairness, many politicians do try to bring about necessary changes, but their efforts are drowned in negative media coverage that is too often reduced to a sound bite, in the knee-jerk hostility and purposeful misunderstanding emanating from opposition leaders and vested interests, and the enduring apathy of voters, who are dangerously uninformed about future challenges and the underlying sources of past prosperity, such as competition, trade, economic integration and innovation.

This persistent mismatch between pious goals and political reality threatens to undermine participatory democracy, societal cohesion and systemic credibility.

'As is the case with all areas of politics and policy – including the use and dissemination of indicators – people make a profound difference.'

The looming threat makes it all the more important that political leaders initiate not only a meaningful, inclusive and empowering reflection on what it is that we collectively strive towards, but also formulate indicators and measurements that allow us to assess in a transparent and open manner how well we are doing in achieving our goals.

### *Analysts and Advocates: Why People Make the Difference*

It may be tempting to think that the two most widely known and admired indicator projects – The OECD's [Programme for International Student Assessment \(PISA\)](#) and [Measuring the Progress of Societies](#) (which inspired the [Stiglitz Report](#)) – are successful because of the methodology they deploy or the analysis they provide. While that may certainly be true, it is also important to recognise that the people behind these projects, Andreas Schleicher and Enrico Giovannini, are an integral part of the success story. Both of them are advocates as much as they are analysts. They bring conviction, passion and an outward orientation to their jobs that is unusual in policy circles. They lend a “face” to their respective projects as they tirelessly travel around the world talking to policy makers, media, stakeholders, and other audiences about their work, highlighting why the data they present holds important messages for people and society. Anyone who has seen presentations given by these two gentlemen understands that their work is as much a personal calling as it is a job. As is the case with all areas of politics and policy – including the use and dissemination of indicators – people make a profound difference, for they breathe life into otherwise abstract issue areas, they are a sympathetic face that can explain why change is necessary and they are a public manifestation that there is a real person behind a report and not only a faceless bureaucracy. [Andreas Schleicher](#) is the head of the indicators and analysis division of the directorate for education at the [Organisation for Economic Co-Operation and Development \(OECD\)](#). [Enrico Giovannini](#) is president of the [Italian National Statistics Institute \(ISTAT\)](#). He previously served as chief statistician at the OECD.



*Enrico Giovannini*



*Andreas Schleicher*

# 'Indicators are a key tool to hold decision makers accountable for how well they are doing in achieving the objectives that have put them into public office.'

4. In 2004, the OECD initiated an ambitious global project on "[Measuring the Progress of Societies](#)" in an effort to account more accurately for the vast multitude of conditions that lead to progress and well-being. It challenged the notion that GDP and GDP growth are sufficient on their own to measure progress. For more information, [visit www.oecd.org/progress](#). French President Nicolas Sarkozy subsequently asked Joseph Stiglitz, Nobel prize winning economist, to lead a group drawing up new measurements of economic performance on social progress. [Download Joseph Stiglitz et. al., Report by the Commission on the Measurement of Economic Performance and Social Progress \(2009\)](#)

5. [From Facing the Challenge, The Lisbon Strategy for Growth and Employment: Report from the High-Level Group Chaired by Wim Kok, November 2004, p.16.](#)

How do we know if our societies are doing well in preparing for – and responding to – future challenges? What are the measurements that hold intricate meaning for citizens in comparatively prosperous societies?<sup>4</sup> And are we ultimately using the right indicators to measure a desired policy outcome, or are we only taking into account what can be easily measured, such as R&D spending, and using it as a simplistic proxy for assessing a complex policy phenomenon, like innovation?

## Towards Evidence-Based Policy Making

Despite the evident shortcomings, indicators continue to be the single best tool to assess progress and performance. The global interest, if not movement, towards "evidence-based policy making" is rooted in the idea that policy should not be based on hear-say or ideology, but rather rest on solid evidence, for which measurements of performance and comparison with others are indispensable. Indicators are thus a key tool to hold decision makers accountable for how well they are doing in achieving the objectives that have put them into public office. Perhaps that is why indicators are politically so sensitive, so often scorned by politicians and their civil service as unfair, unbalanced and unable to account for their unique "national circumstances."

It was not without reason that in early 2005, one of the first acts of then newly appointed European Commission President José Manuel Barroso was to stop the "naming and shaming" of member states with regard to their performance on the Lisbon Agenda. This was in response to member states' fierce opposition to being handed a "report card" once a year from Brussels, which national political leaders experienced as publicly humiliating and counter productive in pursuing their domestic policy agendas. In addition, President Barroso oversaw a dramatic streamlining of the indicators used to assess progress. While the Lisbon Agenda I (2000-2005) had turned into something resembling a "Christmas tree," with more and more indicators added to measure more and more objectives, the policy process risked becoming "about everything, and thus about nothing."<sup>5</sup> President Barroso limited the indicators used to assess progress on the Lisbon Agenda to two: a 70% employment rate and a target to spend 3% of gross domestic product on research. For all the shortcomings associated with these two targets, on balance they worked and delivered the desired results. Specifically, they

- provided concrete and measurable targets to assess progress in two key policy areas: employment and research/innovation
- motivated the member states to improve their performance in these two areas
- raised awareness among the public at large on why performance in these two policy areas is important

# 'The risk of contagion will increase the demand for unbiased, rigorous and publicly accessible analyses on the economic and fiscal health of EU member states.'

Without a doubt, one of the most impressive achievements of the Lisbon Agenda is that it moved the public debate – and political attention – to focus on employment, rather than unemployment, with the former indicator being a more accurate and better reflection of the health and dynamism of a labour market than the latter. This shift away from a one-dimensional focus on unemployment, towards a comprehensive emphasis on employment is a clear success of the Lisbon Agenda, and deserves to be recognised as such. Furthermore, some eight EU member states actually reached their Lisbon employment target (Austria, Cyprus, Denmark, Finland, Germany, Netherlands, Sweden and United Kingdom), two reached the R&D target (Finland and Sweden), which is largely overlooked in the predominantly negative press coverage, which portrays the policy process as a complete failure.

## **The Current Crisis as an Opportunity for More Rigorous Benchmarking and Evaluation**

Some 10 years after the introduction of the euro, it is dawning on EU member states, particularly those within the Eurozone, that their fate is intricately linked to the economic performance and fiscal management of other countries. The plight of Ireland and Greece in the current economic crisis is not only a drag on their respective domestic economies but also on Europe at large, particularly the Eurozone. Much debate centered on Germany, the largest European economy, and on whether the country would come to the fiscal rescue of another country, despite the EU's "no bail-out" clause, which prevents members of the Eurozone from supporting other members that are facing unsustainable levels of public debt. Irrespective of whether Germany is prepared to bail out another country or not, this case demonstrates that, in a monetary union, EU members with better economic governance must vigilantly observe what is happening in other, perhaps less disciplined, countries.

The emerging need to keep a check on economically weaker countries might lead to a call from at least some member states for more diligent monitoring and, if necessary, public naming and shaming of countries that do not keep their economic and fiscal house in order. In other words, the risk of contagion will increase the demand for unbiased, rigorous and publicly accessible analyses on the economic and fiscal health of EU member states, in particular Eurozone countries. This is a far cry from earlier times, when EU member states were united in not wanting publicly available, cross-country benchmarking studies about their respective economic state. And herein lies the opportunity, because for the first time in years the European Commission might get a mandate from EU members to provide more hard-hitting, publicly available data. This should be encouraged and made a vital part of the EU 2020 agenda, with the understanding that the goal is not to shame countries but to observe at an early stage the potential for future crises.

**'We need indicators based on output and actual performance, rather than simply measuring inputs, such as R&D spending or the number of patents.'**

6. [See Bloom et al, Management Practice & Productivity: Why They Matter, \(London: Centre for Economic Performance, London School of Economics, 2007\).](#)

### **From Input to Output Indicators**

By contrast, the use of R&D spending as the key indicator for innovation has proven to be overly simplistic and generally speaking insufficient. While by all means greater investment in research and development should be encouraged, it should never automatically be equated with innovation, which is a complex, multi-faceted process that often involves no research spending whatsoever. For instance, in the service sector, which accounts for more than 70% of European economic activity, innovations are often more about speedy changes and adaptations in processes and business models than the result of long-standing research activity carried out by PhDs in laboratories. In particular, we need indicators based on output and actual performance, rather than simply measuring inputs, such as R&D spending or the number of patents granted. An area where the move from input to output measures has delivered truly extraordinary policy impact is in measuring education performance. Thanks to the OECD's [Programme for International Student Assessment \(PISA\)](#), it became possible to measure output rather than input. Instead of taking education spending (=input) as the benchmark, the OECD set out to measure the actual reading and math skills of students (=output). The subsequent results were a thunderclap for many countries, particularly those that spend a lot of money on education while achieving poor results.

Another area where a causal relationship between investment (input) and innovation (output) is assumed is in government ICT investment. From e-government and e-health to smart grids and green growth, investment in ICT is seen as a panacea for lack of productivity, innovation and performance. And while ICT investment is indeed needed, one must understand that it is only an enabler, a potential catalyst. However, in the absence of the ability to restructure or reorganise a given operation, or to change organisational incentives towards rewarding meritocracy and innovation, the possible impact of ICT is likely to be very limited. Against this backdrop, it is not surprising that while huge sums of money have been spent on e-government in many countries, the impact is limited because of continued rigidities and innovation-hostile framework conditions. This calls for more research and investigation with regards to workplace innovation – examining how the actual “on the ground” organisation of work and work processes impacts productivity, performance, job satisfaction and creativity. Lack of innovation is often as much – or more – a management shortcoming as it is a lack of research spending.<sup>6</sup>

### **From Country-Level Targets to European Goals**

One of the EU's better known and popular goals is the 20-20-20 target by 2020: cutting greenhouse gas emissions by 20%; reducing energy consumption by 20% through increased energy efficiency; and meeting 20% of energy needs from renewable resources, by the year 2020. Two things have worked about this goalpost.

## 'A European target, with individualised country targets, offers a promising roadmap for greater progress, broader buy-in and constructive peer pressure.'

7. [Request from EU Environment Ministers, meeting in Luxembourg, on 21 October, 2009.](#)

First, it is very popular, including among political leaders. The targets are clearly understandable to a broad number of people, and they are patriotic and bold, demonstrating first-mover advantage vis-à-vis other part of the world. Presumably, all of the above have led to a seldom witnessed political determination to press ahead with rapid speed in measuring performance, with EU environment ministers calling on the European Commission to complement GDP with “additional robust, reliable and widely recognised indicators to measure progress towards an eco-efficient economy.”<sup>7</sup> Secondly, the 20/20/20 targets are European goalposts, meaning that there is not a uniform indicator that applies to all 27 member states, but rather a Europe-wide commitment of 20% in total, with individual member states contributing according to their state of development and ability. For instance, the renewables target for the UK is 15% by 2020, but 30% in Denmark where already 20% of the electricity needs are met by wind power, and reaches a high of 49% in Sweden, a country that is a global leader in renewables. One can envision a huge amount of peer pressure in delivering on these goals as a country would not want to fall foul of causing failure for the entire EU because it falls short of its target. This new approach to EU-wide targets with individualised commitments perhaps presents the holy grail to compliance, without having to resort to the use of the “naming and shaming” to which many member states object. It also is a way of accounting for different stages of development in different countries, which is more important than before given the diversity of an EU of 27 member states.

In general, if one compares the 20/20/20 goals with two other key EU indicators, the 70% employment rate and the 3% R&D target contained in the original Lisbon Agenda, one immediately sees a difference. While few people would dispute the merit of spending more on research, the 3% goal seems abstract and arbitrary. Most observers would see no inherent benefit of spending 3% over, say, 4%. It's quite meaningless, because the figure that matters most is the private-sector R&D component, which is not separated from this overall target. Second, these targets have been applied uniformly to all EU member states, not taking account of their economic state. While a 3% R&D target is overly ambitious and not reachable (or perhaps even desirable) for countries like Bulgaria or Malta, it is not sufficiently challenging for a country like Sweden, which already spends more than 4% of GDP on R&D. Not surprisingly, the vast majority of countries have not met their Lisbon Agenda R&D spending goal, which in turn has led most observers, particularly the media, to conclude that the entire process has been a failure. In order to avoid such shortcomings in the future, targets not only need to be carefully chosen but they must also be realistic enough to ultimately be reached, otherwise countries can feel overwhelmed and lack the incentive to set everything in motion to deliver on a given goal. A European target, with individualised country (or even regional) targets, offers a promising roadmap for greater progress, broader buy-in and constructive peer pressure.

**'A persistent pattern of under-investment and over-consumption is not sustainable over time and will deprive future generations of political room to maneuver.'**

### **The Time Dimension of Indicators: Avoiding Future Risk and Paving the Way for Sustainability**

One could understand that a first-time visitor to Europe would think that life in the EU is quite good – particularly in comparison to the rest of the world. The standard of living is high, our democratic systems advanced, societal cohesion high, and the infrastructure superb, to mention but a few of Europe's hallmarks. So why do we need all this incessant talk about change, about reform, about modernisation?

For a very simple reason: because the status quo is not sustainable over time. Even before the current economic crisis hit, many member states could only sustain the status quo by running up large budget deficits. As a result, countries have to spend more and more of their budgets on interest expenditures. That is not just unfair to taxpayers, who contribute generously to sustain the system and have to trust that governments spend the money they collect wisely. It is also unfair to future generations, as a persistent pattern of under-investment and over-consumption, added with the burden of servicing an ever-growing public debt, is not sustainable over time and will deprive future generations of political room to maneuver.

Politically, it will be important to exploit the argument that future developments will put current well-being at risk to the fullest.<sup>8</sup> Today's political leaders must demonstrate more convincingly that current actions can either increase or reduce future risk. In addition, citizens need to have a plethora of indicators that are easily understandable at their disposal to comprehend what is at stake. These should include both macro-level data as well as micro-level data that are meaningful and relevant to the individual. With regards to the former, we need complete transparency over expenditure, revenues and public debt. It should not be as difficult as it currently is for citizens to have access to information on how public expenditure is structured.<sup>9</sup> In addition to access to better and more information, citizens deserve to be told why they should care about this data, how for instance under-investment in education will impact them and their family personally over time, or how a steadily rising debt burden will threaten the social welfare and social security systems they are counting on in times of need or in retirement.

With regards to the latter, there are now several countries that tell individuals how much they need to save today to have a given pension in old age. These efforts are to be applauded and expanded across the EU, a continent in which so many continue to have unwavering faith that the state will adequately provide for them. In order not to disappoint these citizens, as well as for the sake and sustainability of Europe's world-class social security systems, it is imperative to provide better and more targeted information that is meaningful to the individual recipient, so that he or she can make informed choices and realistic assessments of the future.

8. For a good illustration of how to visualise policy developments over time, such as demographic outlook, explore the seminal work of Hans Rosling, professor of public health at Karolinska Institute, at [www.gapminder.org](http://www.gapminder.org).

9. In doing research for this e-brief, an expert told me that this data was readily accessible and published by Eurostat and the OECD. Asked where I could specifically find this, I was referred to [this website](#). Perhaps I am a layperson but one cannot expect a majority of citizens to either find this site or draw solid conclusions from the presentation of this data.

# 'What good are the best, most sophisticated indicators when they are only known to a handful of bureaucrats or intellectual elites?'

10. The Swedish region of [Sörmland](#) is an excellent example of a subnational actor that is effectively using indicators to generate interest among citizens and raise awareness. Its "[EU on the Marketsquare](#)" project publicly highlights Sörmland's performance on key aspects of the Lisbon Agenda with other regions. Indicators include, inter alia, population growth, percentage waste, percentage of eco-friendly cars, number of new enterprises.

## **Awareness Raising and Communication Should Be Centre-Stage**

What good are the best, most sophisticated indicators when they are only known to a handful of bureaucrats or intellectual elites? How good is the quality of our democracy when so many citizens are woefully under-informed about areas that are intricately linked to their current and future well-being, such as education, health, environment, pension and tax systems? Despite living through an unprecedented information revolution, thanks to the Internet, social networking tools and other emerging technologies, it is still unnecessarily difficult to get basic information about key statistics. And even if the information can be found, it is often presented in ways that are less than intellectually accessible and meaningful to the average citizen.

The issue at hand seems to be that data is produced mostly for an elite target group – statisticians, policy makers, intellectual leaders, academics, etc. – without sufficient concern for the audience that ultimately counts most, citizens and voters. And given the complexity of some of the issues involved, we need more than just suppliers of data, i.e. statistics offices, to make a difference. There is an entire value chain that needs to be mobilised in order to facilitate a better understanding among citizens. Starting at school, where economic and financial literacy should become a core part of the curriculum, and media outlets, which should provide more quality information, to civil society actors, which could use their unique roots in communities to raise awareness and bolster understanding. If we want to succeed in informing and empowering citizens, awareness raising and communication will be as important as the content itself. That realisation marks an important watershed that the producers and elite consumers of data will likely grapple with, but it is the only way to have a better public discourse about current and future challenges. And it is the key to sustaining a vibrant democracy, with an informed and empowered populace, prepared to take action today to make the European model of society sustainable and enduring for coming generations.

## **Regional and Local Actors are Key**

One way to facilitate this process is to involve regional and local actors more actively. Not only do we need more data that applies to the regional and local level<sup>10</sup> but experience also tells us that citizens identify more with – and are more interested in – their immediate surroundings than in larger entities, such as countries or the European Union. Regional and local institutions are often seen as more legitimate and credible, and they present a level of governance that is less removed from the day-to-day lives of citizens. Against this backdrop, it is advisable to link macro policy and macro indicators more than is currently the case to the regional dimension, and try harder to engage regions and municipalities in the production and dissemination of data, while working actively with regional actors, such as mayors, NGOs, social partners, public administrations, etc.

# 'Not only do our leaders need to be careful to choose the new indicators wisely, but any decision should be made along with a blueprint for delivery.'

One way to engage regions more in ongoing policy processes, such as the EU 2020 programme, and to make the accompanying targets more tangible and relevant, is to break them down by region. Spain, for instance, included a breakdown by region of the main goals of the Lisbon Agenda, in its [National Reform Programme](#). Here, one can see how individual regions perform with regards to key indicators, such as the employment rate, early school leaving rate or life-long learning rate. Uniquely, Spain not only measures its performance at the regional level, but also sets regional targets. For instance, while a region like [Navarra](#), which has an employment rate of 72% (and which has therefore already reached the Lisbon Agenda target of 70%) strives for an employment rate of 75% by 2010, other less-performing regions, such as [Andalusia](#), with its current employment rate of 59,1% has a comparatively more modest (and realistic) 2010 target of 66%. The Spanish case deserves attention and further study, and might be a good model to follow for the EU 2020 Agenda.

## **Going Forward: Reflection on the Political Economy of Indicators**

With the economy scarred by recession and formidable challenges on the horizon – from combating climate change and dealing with an ageing workforce to ensuring fiscal sustainability – there has never been a more urgent need for good and easily accessible indicators. That is why we must initiate a better, broader debate on what kind of indicators we should adopt, and what role we expect those indicators to play in helping us reach our social and economic goals. Do we want to measure how far we are from achieving a goal? Or do we want to measure a final outcome? How do we adequately account for future risk? And what are the actors and institutions that can most credibly relate the social and economic reality captured in the indicators to different audiences, such as the media, the EU member states, society at large? These are only a few of the questions that need urgent answers.

These questions are of special importance now that the details of the EU 2020 programme are being formulated. Not only do our leaders need to be careful to choose the new indicators wisely (for a recommendation of possible indicators, see the box that begins on page 12) but any decision should be made along with a blueprint for delivery, i.e. what is the dissemination strategy, what are the actors involved, who is the key audience, how do we measure success? These are but a few of the issues on which the ultimate success or failure of the EU 2020 agenda will stand or fall.

What's more, we must urgently stop the finger pointing, which is ultimately only a tool to renege on one's responsibility. On the one hand, the European Commission likes to blame the member states for not conceding to the publication of potentially controversial and embarrassing data, when the reality is that even if the Commission could have "named and shamed" in recent years

## ‘Brussels and the EU member states must finally come to grips with the fact that they sit in the same boat. They are responsible not to themselves but to the citizens of Europe.’

it would unlikely have led to major reforms or profound changes in awareness. This is because a one-off data publication is unlikely to lead to anything more than a one-day media rush in the absence of a comprehensive follow-up strategy, regional and other stakeholder engagement, sustained advocacy and a communication plan that surpasses the launch date.

The EU member states, on the other hand, should stop seeing Brussels as the headmaster who uses data to criticise the performance of the pupils. It is a misguided political choice to see oneself as a “pupil,” rather than the recipient of important information that empowers and informs better decision making, that yields key insights, such as lessons to be learned from EU peers, and that can perhaps make unpopular changes at home a bit easier by demonstrating that other countries have had good experiences from a given reform.

If, at the end of the day, leaders of the European institutions do not muster the political courage – or if the EU itself continues to suffer from a lack of a mandate bestowed by the member states – it might be wise to outsource some of the necessary analysis to credible and neutral actors, such as the [Organisation for Economic Co-Operation and Development \(OECD\)](#). The OECD would be well positioned to deliver necessary messages about the EU’s economic and social performance, as well as future threats and the recommended policy responses. As an inter-national think tank, the OECD is well poised to take the political heat that inevitably comes with breaking facts that might be uncomfortable and embarrassing to policy makers.

But ultimately, that is only a short-term solution for Brussels and the member states who must finally come to grips with the fact that they sit in the same boat. They are responsible not to themselves but to the citizens of Europe, who rightfully expect easy access to data and meaningful information that will allow them to form their own judgments about future challenges and opportunities.

## **New Indicators for a New Agenda: EU 2020**

The onset of a new decade and a new strategy, EU 2020, present a unique opportunity to introduce new indicators, which can help drive forward the understanding and awareness of key policy challenges, such as

### **Eco-Efficiency and Low-Carbon Economy**

The accompanying indicators, the 20/20/20 targets, are already formulated and politically endorsed. These indicators should now be made part of a larger re-tooling of the economy, and politically should be “moved” from the sole responsibility of environmental ministers, DG Environment and the new Climate Action commissioner to a broader political framework mapping out a medium- to long-term economic development strategy for Europe, ideally the EU 2020 strategy.

### **Public Finances**

The post-crisis world will be marked by a dramatic rise in deficits and an urgent need to shore up public finances to make them sustainable over time. Thanks to the Stability and Growth Pact, we actually have indicators that are supposed to measure fiscal-policy performance: an annual budget deficit no higher than 3% of GDP and a national debt lower than 60% of GDP. While these limits have done much to entice governments to manage their public finances well, they have not been able to prevent the violation of both targets in many member states, and not only due to the current economic crisis. Going forward – and in the awareness that public finances are going to come under severe stress in coming years – we do not necessarily need new indicators in this field, but we do need a broader information campaign of what happens when these targets are persistently violated. What does it mean for the prospects of a country when debt levels surpass, say, 100% or 120% of GDP? What concretely will it mean for people and their lives? What will it mean for other countries that are peers in a monetary union? Why should we care? We need broadly accepted and widely understood answers to these questions, and we need them urgently. At a minimum, we need a vigorous public debate about how we want our political leaders to spend the taxes they collect, and what kind of expenditure is most likely to pave the way to a prosperous future.

The following are a selection of indicators that could be used in addition to the targets set out by the Stability and Growth Pact:

#### **Quality of Expenditure**

- Every citizen should have access to at least rudimentary information on how public money is spent, i.e. social security, interest expenditure, defence, research, education, transport, etc. While experts will say that this information can be found, for example [here](#) on the Eurostat website, the reality is that the information is neither easy to find nor easy to understand. The European Commission should take it upon itself to a) collect the pertinent data, b) publish it in an easy-to-

understand format, accessible on the Internet and not buried in a 200-page report, and c) draw conclusions by comparing the 27 EU member states, i.e. note which countries have a high quality of expenditure and explain why these countries benefit from this strategic investment in its future.

### **Sustainability of Public Finances**

- Good data should have a time dimension, i.e. we should be able to show how data that is measured today can indicate a threat or a challenge in the future. Apart from climate change, sustainability of public finances will be the key threat to Europe's future. There will be tremendous pressure to increase spending, be it to care for an ageing population or making the necessary technological investment in a low-carbon future. That is why it is necessary to make greater, more publicly visible use of **sustainability gap indicators**, which should clearly illustrate what measures are needed today to ensure long-term sustainability in light of pension projections, demographic developments and countries' initial budgetary position. Against this backdrop, the recent European Commission [Sustainability Report](#) was very welcome and holds the potential to make great strides towards fostering a better understanding of the need for sustainability in public finances.

### **Social Cohesion, Education and Opportunity**

In the aftermath of the current crisis and the threat of rising inequality within our societies, the EU should rightfully bolster the social dimension of the EU 2020 Agenda. But with it should come a recognition that a social model is not static, that policies that have fostered social cohesion in the past might be leading to greater social exclusion now. In that light, we may need to benchmark our current social outcomes against the values we say we possess, holding up a mirror to European society as it has evolved in the last half decade and asking ourselves: do today's policies give us the social outcomes we desire and need? Specifically, do we do enough to provide opportunity to all, to include immigrants, young people, mature workers, women and the low skilled in our traditional model of European prosperity? Or are today's policies excluding those groups (who happen to contain society's weakest members) as consistently, effectively and unjustly as pre-cohesion social models shored up the rich at the expense of the poor? Is it not time to reflect on what "social inclusion" means in increasingly diverse societies, in which the sole male breadwinner and traditional family structures are becoming the exception, not the norm? In order to forgo the ideological, backward-looking debate that inevitably accompanies such reflections, it might be better to simply look at performance, i.e. How many immigrants find opportunity – and inclusion – in our schools, universities and labour markets? How many women can find professional fulfillment and enjoy motherhood? How many people looking for a job are actually able to find one? What is the dependency ratio for pension systems? A good example of a report which simply presents comparative data on these points and allows people to draw their own conclusions is published by the German think tank [berlinpolis](#).

Entitled “[Wie sozial ist Europa?](#)” or “[How Social is Europe?](#)”, the report highlights the performance across Europe of five key dimensions: distribution of income; labour market inclusion; opportunities for education and vocational training; gender equality and generational equity.

In addition to using targets and measurements to inform and stimulate a much-needed debate over social cohesion and the long-term sustainability of our social models, there is one goalpost that needs particular focus, namely the employment rate. Up until now, the 70% employment rate contained in the Lisbon Agenda was actually very useful, with member states making real efforts to reach it. However, what has been largely overlooked is that an analysis of the employment rate needs a much greater focus on skill levels because that is where the crux of the challenge of social inclusion lies. According to 2007 Eurostat figures, in the EU 27, high- and medium-skilled workers reached their Lisbon employment targets with a respective employment rate of 83.8% and 70.2%. However, the employment rate among low skilled was a mere 48.6%. Going forward – and assuming that the 70% employment target will remain part of the EU 2020 strategy – it will be absolutely necessary to provide additional data on the skill composition of the work force, including the corresponding employment rates. These figures will demonstrate that any serious effort to raise employment rates must be accompanied by a simultaneous strategy to invest more in the low skilled and provide greater opportunity and access to additional training (for more, see [EU 2020: Why Skills are Key to Europe's Future by Paul Hofheinz, Lisbon Council policy brief, December 2009](#)). Against this backdrop, the proposed benchmark of tertiary level attainment of 40% of 30-34 year olds by 2020, contained in the Strategic framework for European cooperation in education and training (ET 2020) should definitely be considered for inclusion in EU 2020 (though my colleague, Paul Hofheinz, has argued that graduation rates would show faster, quicker signs of performance improvement and serve as a better benchmark reference.). Looking at labour markets only in terms of employment rates and not in terms of skill levels is too narrow in assessing progress in the EU 2020's self-stated goals of “creating value by basing growth on knowledge” and “empowering people in inclusive societies.”

### **Innovation and Dynamism**

It is difficult, if not impossible, to imagine innovation thriving in an environment of stasis, where the status quo rules and any kind of change comes at a hefty transaction cost. Innovation is as much the ease and acceptance with which new ideas can be brought to fruition as it is about solving societal challenges. Looking back at the Lisbon Agenda I (2000-2005) and Lisbon Agenda II (2005-2010), it was a mistake to position “innovation” so unilaterally as something that pertains only to companies and not to the public sector or the third (non-profit) sector, as a social phenomenon that is mostly about research and technology and not about changes in society and organisations or the broader economy landscape and social structure and that is mostly driven by the incentive to generate private-sector profits rather than

to solve societal challenges or empower users and citizens. The [European Innovation Scoreboard](#), published by the European Commission's DG Enterprise, has tried to widen the scope of innovation, which is certainly to be welcomed, but it is imperative to build on the success of this project, for instance by improving the communication strategy or including other key indicators which are of pertinence to citizens, such as public-sector performance in delivering services.

With the benefit of hindsight – and well-aware of the complexity of measuring “innovation” – there should now be a concerted effort to find measurements that can capture the notion of change, of dynamism, of movement in the economy and society. Ways to measure dynamism could for instance include the following indicators:

- **Productivity growth.** Increases in productivity are invariably the result of dynamic change, often spurred by technology, research and process or business model innovation. As long as a sector or individual company records productivity growth, one can assume that innovation is taking place and that the position vis-à-vis competitors can either be sustained or even be improved. As such, productivity growth is a more suitable measurement for innovation and dynamism than R&D spending, also because it is an output indicator, rather than an input indicator.
- **The number of people who switch jobs in a given year.** Is the Danish flexicurity model, in which some 15% of the workforce switch jobs in a given year, as much as driver of innovation as it is a standard bearer for employment security?
- **The number of highly skilled non-native workers a country or region attracts.** If the world's innovation elite chooses other places to reside, is that not something that should be a great worry, especially in view of Europe's demographic outlook?
- **Birth/death rate of companies or “company demographics.”** While it is well accepted and encouraged that new companies should grow, Europe struggles with the inevitable consequence, namely that as some companies rise, others will decline and eventually even fail. The unilateral focus on entrepreneurship rates is insufficient because entrepreneurs can only thrive in systems that refrain from propping up national champions or that shield individual companies or entire sectors from new entrants or unwanted competition.

Part of the reflection on the successor strategy of the Lisbon Agenda should involve a thorough analysis of indicators, focusing not only on what the indicators should be but also on why they hold intricate importance for citizens, how they can be communicated and how they should be used to raise awareness of current and future challenges and opportunities. This will necessitate not only an internal expert reflection, but also a much broader and more inclusive approach vis-à-vis the citizens of Europe. Only then can we hope to formulate indicators that stand a chance of eliciting the necessary public interest and – if necessary – pressure to improve performance, measure progress and reach targets.

At the same time, our leaders will need to determine if these targets – once agreed and adopted – should be uniformly applied to every member state, irrespective of that country’s state of development, or whether country-specific targets should be adopted? Or, should it be a European-wide target, like the 20/20/20 goals, which allow for an overall goal but with country-specific sub-targets?

Whatever approach is taken, the mantra of “innovating indicators” should accompany the use of targets in the new EU 2020 strategy. There is much to be learned from the original Lisbon Agenda, and even more to be improved upon. That is why the launch of the EU 2020 agenda must be accompanied by an ambitious, hard-hitting and compelling set of goals that are meaningful for the citizens of Europe.

## Summary of Recommended Indicators for EU 2020

### Environmental Sustainability / Climate Change

- 20/20/20 targets (already exists)

### Fiscal Sustainability / Public Finances

- Annual budget deficit below 3% of GDP (already exists via the Stability and Growth Pact)
- Public debt below 60% of GDP (already exists via the Stability and Growth Pact)
- Quality of expenditure (new indicator)
- Sustainability gap indicators (new indicator)

### Social Cohesion, Education and Opportunity

- 40% tertiary graduation rate of 30-34 year olds by 2020 (already exists via the Strategic Framework for European Cooperation in Education and Training, ET 2020)
- 70% (or higher) employment rate (already exists via the Lisbon Strategy)
- Opportunities and access to education and vocational training (new indicator)
- Generational equity (new indicator)

### Innovation and Dynamism

- Productivity growth (new indicator)
- Number of people who switch jobs (new indicator)
- Number of high-skilled immigrants (new indicator)
- Birth / death rate of companies (new indicator)

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By Paul Hofheinz

Innovation **Human Capital** Sustainability  
Knowledge Economy

## Lisbon Council Policy Brief

### EU 2020: Why Skills are Key for Europe's Future

By Paul Hofheinz



Paul Hofheinz is president and co-founder of the Lisbon Council.

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# 'As longevity and access to education improve around the globe, Europe can no longer count on a large lead in scientific know-how, education, and innovation.'

Europe meets the second decade of the third millennium in a precarious position. The long era of prosperity which brought us where we are today is running out of steam. Around the world, educational standards and life expectancy are improving, allowing millions of people to rise out of poverty and enter the global workforce – a development we should welcome, as it has brought much prosperity and well being in its wake.<sup>1</sup> And while Europe's population is set to shrink and age at a rapid pace in coming years and decades, much of the rest of the world will boast young and growing populaces, becoming the burgeoning markets of the future. These rising standards of global prosperity and demographic shifts are imposing economic and social dislocation here in Europe, mostly through the engine of globalisation. The bottom line is, as longevity and access to education improve around the globe, Europe can no longer count on a large lead in scientific know-how, education, and innovation to give us an automatic edge on the rest of the world. And that poses a problem. How do we sustain high wages and comprehensive social systems in an era where many others are able to produce goods and services at least as good as ours – and often at considerably lower costs? How do we generate the wealth, attract the investment and manage existing resources in a way that will allow us to fulfil growing demands and expectations – and pass on a better way of life to our children, as our parents did before us?

And how do we do all of that at a time when our existing consumption patterns – and particularly our dependence on old and dirty forms of energy – are already taxing the capacity of the earth to sustain us?

The answer today is more or less the same as it was yesterday: prosperity will come mostly by producing outstanding products and services that will command a higher price than goods or services produced elsewhere. This was the key to Europe's prosperity for almost four centuries. We led the world in developing and delivering innovative products and services at the high value-added end of the economic scale. We invented the industrial revolution – and led it through successive waves of innovations. And we invented the welfare state, too, adding a flare for social innovation to our already evident economic success.

But where is that innovation today? Are we really busy inventing the high value-added goods and services of tomorrow? Are we preparing our social system for a new set of challenges, which social scientists can see as clearly as others saw the poverty that led to the creation of the original welfare state? Or has the debate bogged down in a defensive, hold-on-to-what-we've-got-at-any-cost posturing, which blocks progress on so many fronts and no longer provides us with real solutions to the problems we face? Today, some would argue that Europe is in an

1. See especially Jeffrey Sachs, *The End of Poverty: How We Can Make It Happen in Our Lifetime*, (New York: Penguin, 2005).

ostrich-like stance, preferring to hide from threats rather than devise ambitious and forward-looking strategies for overcoming them.<sup>2</sup>

To be sure, many European companies operate at the forefront of global economic developments (even today, the world's No. 1 exporter is not China, but Germany – and that despite Germany's high wages and the competitive strain of a strong euro). But our society sometimes seems strangely unwilling to recognise the social and economic challenges we face, or the need for reform to help existing institutions meet new challenges, or of the innate strengths Europe will bring to the process of modernisation should we ever decide to engage in it in a serious, sustained way. The real problem here is not a lack of analysis. We have seen literally thousands of academic conferences devoted to the social challenges of tomorrow – so much so that some analysts have argued that if you judged Europe by the number of conferences convened and papers written on competitiveness issues, we would already be “the most competitive and dynamic knowledge-based economy in the world.”<sup>3</sup> The desk in my office is itself a monument to the number of trees we are apparently willing to sacrifice in the service of this ideal: in the last six years, it has become literally a mountain of papers on social transformation, educational reform, competitiveness, the future of the Lisbon strategy. But why do we have so little to show for this?

Why is the public debate still dominated by fear-driven, retroactive arguments that do so little to lay the groundwork for changes which most political leaders and social scientists know will be necessary? And why do we consistently turn our eyes away from the most pressing social challenges we face, preferring a politically correct debate that enforces and enhances the status quo to a reality-based, modern discussion that could help us move as a society to where we need to go?

This is why a skills and human capital agenda – as proposed by President Barroso in his *Political Guidelines for the Next European Commission* – is so important.<sup>4</sup> Put simply, we need a pro-active, high-profile agenda that answers the social and economic challenges we face in clear and clearly definable terms. No more naval-gazing debates, arguing defensively over developments in the rest of the world as if we resented the prosperity arising elsewhere and had no means at our disposal to make sure that as others rise we remain a prosperous society as well. In their place should come a clearly defined strategy capable of rallying a broad range of Europeans around it and allowing us to retain our place at the forefront of global economic developments.

And therein lie the benefits of embracing an ambitious skills and human capital agenda: First and foremost, the argument behind investing more in skills and human capital is fundamentally correct: as this

2. See André Sapir et al. *Europe's Economic Priorities 2010-2015: Memos to the New Commission*, (Brussels: Bruegel, 2009).

3. Ann Mettler, *From Why to How: Reflections on the Lisbon Agenda Post-2010*, (Brussels: The Lisbon Council, 2008).

4. José Manuel Barroso, *Political Guidelines for the Next European Commission*, 03 September 2009.

# 'We need a pro-active, high-profile agenda that answers the social and economic challenges we face in clear and clearly definable terms.'

paper will show, investing in education always pays, both for society at large as well as for the individual.<sup>5</sup> Put simply, if we want to live better than the rest of the world, we must *be* better than the rest of the world. That means raising the level of education, training and employment opportunities available to our citizens at all strata of society. We must unleash our economic and creative potential once again in ways that will help us make products and services that command high prices in global markets (including our own domestic markets). We must help people learn to think creatively – and to respond flexibly – to a global market place where speed and innovation are as important as technical prowess.<sup>6</sup> We must make sure that knowledge is not the sole property of elites, but is broadly disbursed among the population, giving people the power to invent new ways of organising work, new ways of collaborating to add value, new ways of attaining personal fulfilment, new ways of thinking constructively in a world where the ability to create and deliver new, forward-looking ideas will determine success.

The other reason why the skills agenda is important is that it works politically.<sup>7</sup> What has been missing from the so-called “globalisation debate” is a narrative that allows people to understand the fundamental facts: that globalisation

has been responsible for a dramatic rise in living standards throughout the world (including Europe) and that our government has a coherent strategy for positioning our society to succeed in these fast-changing times. Broadly speaking, it is not difficult to determine the winners from the losers in globalisation. The winners are mostly high-skilled workers in the developed world and low-skilled workers in the developing world. The losers are low-skilled workers in the developed world. The goal now is to make sure that everyone emerges a winner, including those whom social and economic change has left on the sidelines. We must urgently provide a narrative and construct systems that encourage people to embrace modernity and allow them to feel that – even in an age characterised by transformation – the social contract has something in it for them as well.

What is missing in Europe is a broad social consensus around the key issues. First and foremost, we need to embrace globalisation and the sustainable social-market economy upon which it is based because it is absolutely and imperatively in our society’s interest to do so – for the sake of our own well being and for the sake of rising prosperity in the world at large. But we also need to make a concerted effort to reach out to communities, individuals and regions that might be

5. This issue will be discussed at greater length in the section on the economic benefits of education.

6. See especially Daniel H. Pink, *A Whole New Mind: Why Right Brainers Will Rule the Future*, (London: Marshall Cavendish, 2008). See also the groundbreaking work of Frank Levy and Richard J. Murnane, “How Computerized Work and Globalisation Shape Human Skill Demands,” adapted from Levy and Murnane, *The New Division of Labor: How Computers are Creating the Next Job Market*, (Princeton: Princeton University Press, 2004).

7. Curiously, investing in education is a very popular campaign pledge – though it seldom translates to real policy initiatives after elections. Candidates propose increasing investment in education. But once elected to government, other spending priorities take over, leaving politicians a chance to propose raising investment in education again in the next election. The point is, politicians are clever enough to sense the electoral power of a skills agenda in election time. Why aren’t they smart enough to make this a budget priority once elected as well? And why aren’t we smart enough to hold them accountable for this? See also DemosEuropa, *Six Key Messages from Central Europe on the Successor to the Lisbon Strategy*, (Warsaw: DemosEuropa, 2009).

# 'Investing in education always pays, both for society at large as well as for the individual.'

adversely affected – not simply with aid in times when they face difficulties, but with pro-active, ongoing support and investment that will help us ensure this era will be a time of renewed European prosperity. At a minimum, we must urgently “skill up,” as it were, offering more opportunities to people, securing greater involvement of citizens and society in the economic transformation underway, helping to unleash the creative potential in each and every European and making sure our society is equipped to continue performing at the cutting edge of global economic developments.

This is indeed a tall order. It will require convincing governments, businesses and individuals to recognise the contribution we all have to make, as well as the role and importance of skills in future social progress. It will also call on many of us to develop and recognise new skills – such as flexibility and the ability to engage constructively and effectively in so-called life-long learning. And it will involve a budgetary commitment from all of us – governments, businesses and individuals – even now, when budgets are already unprecedentedly tight.<sup>8</sup> And these arguments will need to be made and won not in the cosy corridors of academic conferences, but in the sometimes blunt and never-easy-to-win debates in the town halls and around the kitchen tables where Europe's future will be decided. Against this backdrop, we need:

- I. A large-scale public debate – undertaken and animated on a continuous basis by elected heads of government and state – on the importance and role of skills and human capital for guaranteeing better social outcomes in years to come.
- II. A broad-based programme that will facilitate better access to training and skills for individuals at all ages and levels of need.
- III. An effort to raise awareness of this issue in a long-term, sustainable way – not just with a single speech or conference, but by laying down sustainable and permanent institutions which will promote and encourage skills acquisition, life-long learning and better access to education for decades to come.

## The Economic Benefits of Skills and Education

Research on the economic benefits of education is very much in its infancy, but today we have a much more clear picture thanks mostly to the cutting-edge work at the Organisation for Economic Co-Operation and Development (OECD). *Education at a Glance 2009*, the OECD's flagship publication on education systems in the world's most-developed countries, was released in September 2009, and is a veritable gold mine of interesting

8. Faced with a deep recession and severely stressed government finances in the early 1990s, the government of Finland made a counterintuitive decision: it doubled spending on education, training and research. The result is the growing competitive position of Finland today. See Esko Aho, “The 2008 Jean Monnet Lecture,” delivered to the Lisbon Council.

## 'Individuals who invest in university education receive a higher rate of return on investment than real interest rates – and often significantly so.'

research on the link between educational attainment and prosperity.<sup>9</sup> And the findings are very clear: investment in education pays – always – both for the individual and for society at large.<sup>10</sup> Schleicher (2006) has shown that individuals who invest in university education receive a higher rate of return on investment than real interest rates – and often significantly so.<sup>11</sup> What's more, the return on investment that society itself makes in education pays off as well. Data compiled for the OECD Programme for International Student Assessment (PISA) shows that countries that raise the level of secondary schooling attainment per cohort by one additional year will see 3% to 6% higher gross domestic product growth over time.<sup>12</sup> Using a complex regression, the OECD calculates that tax payers receive a roughly \$50,000 (€34,100) return on investment per student who graduates in terms of additional future tax revenue – even after deducting the public funds that helped the students with their study.<sup>13</sup>

Even more interesting are the signals the market place gives us about the economic value of education. In recent years, the world has seen a surge in university enrolment. As recently as 1995, only one in five OECD school leavers went on to receive a university degree or higher qualification. In 2007,

the figure was twice that – a 100% rise in only 12 years. And yet, there is no sign of decline in the wage premia that workers with tertiary education can command over workers with only secondary qualifications. And this is despite the evident surge in the supply of graduates.<sup>14</sup> Between 1997 and 2003, the wage premia that a tertiary graduate could command grew by 1% on average *per year* in 18 of 22 OECD countries for which data was available.<sup>15</sup> Today, the OECD calculates that a male university graduate is \$82,000 better off in net present value terms than job seekers without a university degree, even after taking account for the opportunity costs of time spent out of the work force to pursue education. In other words, the demand for skilled workers is rising faster than our institutions are able to deliver them.<sup>16</sup>

And there is a moral and social case to be made here, as well. The fact is, Europe's unemployment problem is almost exclusively concentrated among the low skilled (see Charts 1 and 2 on pages 7 and 8 for a breakdown of employment and unemployment prospects based on level of educational attainment.). In 2007, the latest year for which comparable data is available, workers 15 to 64 years old with a tertiary degree enjoyed 83% workforce participation – a situation akin to full employment.<sup>17</sup>

9. OECD, *Education at a Glance 2009*, (Paris: OECD, 2009).

10. *Ibid.*

11. Andreas Schleicher, *The Economics of Knowledge: Why Education is Key to Europe's Success*, (Brussels: The Lisbon Council, 2006).

12. *Ibid.*

13. The figures are from OECD, *Education at a Glance 2009*. The OECD is also working on a new database as part of its Programme for International Assessment of Adult Competencies (PIAAC), which will launch in the next decade. Patterned on the successful PISA project, which has done so much to shape the educational debate surrounding secondary education in the last decade, the PIAAC project will be devoted to the study of adult skills and lifelong learning.

14. *Ibid.*

15. Schleicher, *Economics of Knowledge*. Interestingly, the wage premia that a university graduate can command rose most quickly in Germany, Hungary and Italy, according to OECD data. And yet, these countries each show tertiary attainment levels below the OECD average. It is a sign that the education system in those places is failing to respond to signals that the labour market is giving. See OECD, *Education at a Glance 2009*.

16. Schleicher, *Economics of Knowledge*.

17. Eurostat.

**Chart 1: Employment rates for 15-64 year olds by skill level (2007)**

Skill level is based on UNESCO classifications; medium skilled means secondary or equivalent; high skilled means tertiary attainment or equivalent

Country or Region	High Skilled	Medium Skilled	Low Skilled	Total Workforce
EU27	83.8%	70.2%	48.6%	65.4%
EU25	83.8%	70.6%	49.2%	65.8%
EU15	83.8%	72.3%	51.9%	66.9%
Belgium	83.7%	65.9%	40.5%	62.0%
Bulgaria	84.6%	70.6%	30.6%	61.7%
Czech Republic	84.0%	72.6%	24.2%	66.1%
Denmark	87.6%	81.8%	64.2%	77.1%
Germany	86.0%	73.6%	44.9%	69.4%
Estonia	86.8%	74.4%	33.1%	69.4%
Ireland	85.9%	74.1%	49.3%	69.1%
Greece	81.9%	60.8%	52.3%	61.4%
Spain	82.5%	68.2%	57.5%	65.6%
France	79.6%	69.5%	47.7%	64.6%
Italy	77.7%	67.9%	46.5%	58.7%
Cyprus	86.5%	73.6%	52.8%	71.0%
Latvia	86.9%	74.3%	38.6%	68.3%
Lithuania	88.1%	68.6%	25.9%	64.9%
Luxembourg	83.4%	67.3%	49.8%	64.2%
Hungary	80.0%	64.8%	27.3%	57.3%
Malta	86.0%	72.0%	46.9%	55.7%
Netherlands	87.5%	79.9%	61.0%	76.0%
Austria	86.5%	75.9%	51.9%	71.4%
Poland	82.8%	61.0%	24.9%	57.0%
Portugal	84.2%	64.8%	65.7%	67.8%
Romania	85.8%	63.9%	40.3%	58.8%
Slovenia	87.5%	70.8%	43.1%	67.8%
Slovakia	83.1%	69.0%	14.7%	60.7%
Finland	85.1%	73.9%	46.4%	70.3%
Sweden	87.6%	80.6%	53.4%	74.2%
United Kingdom	87.1%	76.7%	60.0%	71.3%

Source: Eurostat, EU LFS

**Chart 2: Unemployment rates for 15-64 year olds by educational attainment (2007)**

Skill level is based on UNESCO classifications; medium skilled means secondary or equivalent; high skilled means tertiary or equivalent

Country or Region	High Skilled	Medium Skilled	Low Skilled	Total Workforce
EU27	3.9%	6.9%	10.6%	7.1%
EU25	4.0%	6.9%	10.7%	7.2%
EU15	4.0%	6.6%	10.3%	7.0%
Belgium	3.8%	7.6%	12.9%	7.5%
Bulgaria	2.4%	5.8%	17.6%	6.9%
Czech Republic	1.7%	4.7%	20.1%	5.3%
Denmark	3.0%	3.0%	5.6%	3.8%
Germany	3.7%	8.2%	16.8%	8.5%
Estonia	na	4.8%	11.2%	4.7%
Ireland	2.6%	4.4%	7.4%	4.6%
Greece	7.0%	9.8%	7.5%	8.3%
Spain	5.3%	8.1%	10.5%	8.3%
France	5.4%	7.1%	12.2%	7.9%
Italy	4.4%	5.6%	7.3%	6.1%
Cyprus	3.4%	3.9%	4.8%	3.9%
Latvia	3.7%	5.8%	10.3%	6.0%
Lithuania	2.1%	5.1%	7.3%	4.3%
Luxembourg	3.2%	3.4%	5.8%	4.1%
Hungary	2.9%	6.6%	17.3%	7.4%
Malta	na	na	8.5%	6.5%
Netherlands	1.8%	2.9%	5.2%	3.2%
Austria	2.5%	3.7%	8.6%	4.4%
Poland	4.6%	10.3%	15.7%	9.6%
Portugal	7.5%	8.2%	8.2%	8.1%
Romania	2.9%	6.9%	7.1%	6.4%
Slovenia	3.3%	5.0%	6.8%	4.9%
Slovakia	4.1%	9.4%	44.9%	11.1%
Finland	3.6%	7.0%	12.6%	6.9%
Sweden	3.6%	5.3%	12.8%	6.2%
United Kingdom	2.5%	5.1%	9.2%	5.3%

Source: Eurostat, EU LFS

## 'Europe's unemployment problem is almost exclusively concentrated among the low skilled.'

By contrast, workers with secondary degrees enjoyed an employment ratio of 70.2% – a very high level, which, it should be noted in passing, shows that before the economic crisis hit in 2008 Europe was indeed fulfilling its Lisbon Agenda employment target of 70% participation for workers in the medium- and high-skilled categories. But what about the low skilled? Here the numbers are indeed disturbing. Only 48.6% of Europe's low-skilled workers were active in the labour market in 2007. In other words, one out of every two of the low skilled in Europe was out of work or otherwise not available to the labour market in that boom year – a disturbing figure which calls for greater attention at the policy-making level and a concerted policy response if we want to achieve greater levels of social inclusion and equity.

At its heart, the problem is a simple one: Europe's wage structure prices low-skilled workers out of the market, leading to unacceptably high unemployment rates among the low skilled and lack of opportunities presented to this vulnerable societal group. Getting people back to work – and allowing society to benefit from the creative potential that exists in each and every one of us, including the low skilled – will require that we skill up and invest in this large body of people as quickly as we can. The alternative is that we continue to tolerate disproportionate levels of unemployment and social exclusion at the centre of our societies for years to come.

**Chart 3: Expenditure per student in 2006**

On educational institutions, in PPP-adjusted US dollar equivalents



Source: OECD

# ‘Europe’s educational standards and attainment rates have not decreased. What has decreased is our relative standing in the world.’

## What Has Gone Wrong?

To be sure, Europe was and is a leader in world-class education. And it is important to note that our educational standards and attainment rates have not decreased. What has decreased is our relative standing in the world. At the level of formal education, Europe still teaches roughly the same skills to the same, or even slightly increasing, number of students. And international comparisons show that the basic skills we teach are not deteriorating. But the problem is, the rest of the world is improving its educational performance – and quickly at that. The result is that – in an age of unprecedented global competition – Europe has fallen to the middle of the global pack on educational attainment, offering what is by global standards an average education to a roughly average number of people (the notable exception is Finland, which consistently tops international comparisons of secondary school systems.). Countries like Korea, meanwhile, have seen their educational attainment soar, bringing in its wake huge advances in prosperity and longevity.

The challenge in Europe is two-fold:

**Financing:** First and foremost, we invest too little in education at all levels – primary, secondary and tertiary (see Chart 3 on page 9 for details). In many countries, we have a debate over funding for education – whether tertiary education should be free or whether students should

be charged a nominal fee. But this debate largely misses the point. The important thing is that there be adequate investment in education. The source of that investment – public or private – is less important. The United States continues to do relatively well in mobilising resources for education mostly by allowing a mix of public and private funding for tertiary education, with public and private institutions competing side-by-side for students. In Scandinavia, the system is the opposite; education is considered a public good – and in recent years, massive resources have been mobilised with clearly demonstrable results. But the rest of Europe somehow comes down in the middle of this debate – largely refusing to allow private investment in education, but also stopping short of making the major public investment it would take to make up the short fall. The result is chronic underinvestment as compared to global benchmarks in this area.

**Limited Opportunities for Life-Long Learning:** On skills and lifelong learning, our record is not much better. The good news is that – in terms of return on investment – the quickest turn around in raising an individual’s skill level can often be achieved with post-formal education training.<sup>18</sup> But the record also tells us that the people who need training the most are the least likely to get it. Workers who already have a tertiary degree are 50% more likely to receive post formal education training than those

18. See Peer Ederer, *Innovation at Work: The European Human Capital Index*, (Brussels: The Lisbon Council, 2006).

## 'Workers with a tertiary degree are 50% more likely to receive post formal education training than those with only a secondary degree.'

with only a secondary degree, according to OECD data.<sup>19</sup> Going forward, we have to find better ways not just to invest in our universities, but also to provide more training for the low skilled. One way would be to incentivise or require businesses to invest more in the skills of their workers – an option which is much discussed, even if policy makers consistently shy away from forcing the business community to commit actual resources.<sup>20</sup> Another way would be through a more ambitious “flexicurity” programme, which would offer unemployed workers greater career advice and access to training through government-funded job centres during their periods of unemployment.<sup>21</sup> The worst solution would be to do what we do now: ignore the unique problems of low-skilled workers in a high-wage economy, and merely scratch our heads in wonder when we see that a barrage of policy initiatives are not giving us the results we desire.

### What Are the Skills Europe Will Need?

The question still arises: if we are to invest more in skills, what are the skills we need? Are we equipping students with the knowledge they will need tomorrow? Or are we teaching them the wrong skills,

leading to “skills mismatches” and pockets of over-education combined with under-employment?

It's no surprise that a vigorous debate has broken out on this topic. To be sure, we possess excellent data on skills forecasts compiled on an annual basis by the European Centre for the Development of Vocational Training (Cedefop) in Thessaloniki.<sup>22</sup> The European Commission has itself proposed deepening and expanding Europe's skills matching capacity through the *New Skills for New Jobs* Initiative.<sup>23</sup>

Skills matching is a useful exercise, which, among other things, has pointed to a persistent gap developing in Europe around the supply of suitable graduates available for the advanced problem solving jobs that already form the basis of our advanced industrial economy.<sup>24</sup> But the Cedefop project has other problems that have hindered its effectiveness. First and foremost, it has largely failed as a communication exercise (if you search Cedefop on Google, you will find very few articles about their work outside of the Greek media, where the institute is based.). But there are equally difficult questions about the long-term relevance of skills forecasting in an economic environment

19. Schleicher, *Economics of Knowledge*.

20. For more on the UK approach to this problem, see Alexander Park Lord Leitch et al, *Prosperity for All in the Global Economy: World Class Skills, The Leitch Review of Skills* (London: HM Treasury, 2006).

21. Under this scheme, unemployed workers are offered generous, long-term benefits and access to retraining; but social workers are also deployed to make sure that benefit recipients use their benefits to retrain and seek new work. For an excellent description of how flexicurity worked in Denmark, where it was first conceived, see Martin Neil Baily and Jacob Funk Kirkegaard, *Transforming the European Economy*, (Washington DC: Peterson Institute, 2004). See also European Commission, *Towards Common Principles of Flexicurity: More and Better Jobs through Flexibility and Security*, (Luxembourg: Office for Official Publications of the European Communities, 2007).

22. European Centre for the Development of Vocational Training (Cedefop), *Future Skill Supply in Europe: Medium-Term Forecast Up to 2020, Synthesis Report*, (Luxembourg: Office for Official Publications of the European Communities, 2009).

23. European Commission, *New Skills for New Jobs*, (Brussels: European Commission, 2008).

24. Cedefop, *Future Skill Supply in Europe*.

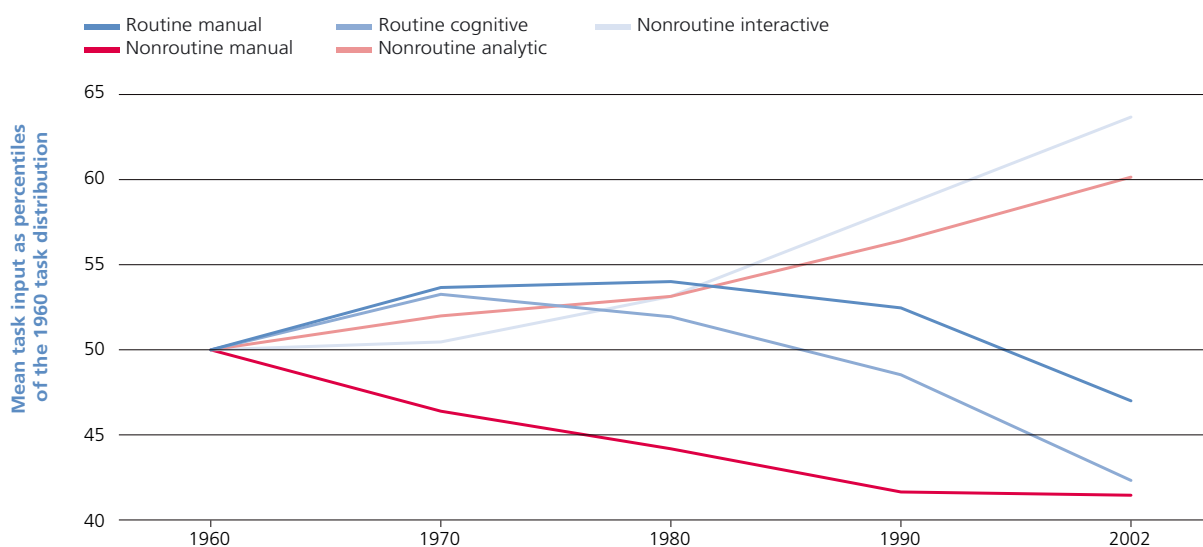
characterised by constant and rapid change, where workers are increasingly being asked not just to perform routine cognitive tasks, but to devise new ways of solving unforeseen problems.<sup>25</sup>

Frank Levy and Richard J. Murnane (2006) have done ground-breaking work in this area. The two authors looked at the evolution of employment and skills in the United States over the last 40 years. They noted that, in the United States, “while some occupations expand, work that can be done at less cost by computers or workers in lower wage countries continue to disappear. The result is both a changing mix of jobs

and a changing mix of tasks in jobs.” The outcome is a rise in jobs that require “complex communication” and “expert thinking,” while demand for workers who could perform “routine cognitive,” “routine manual” and “non-routine manual” tasks has declined as much as eight percent in some cases (see Chart 4 below). The authors say the trend is leading to increased wage inequality, which interestingly is increasingly correlated with the skills and educational attainment of the people affected.

Indeed, it seems that the market place for educated workers is giving us important clues about the skills the economy needs,

**Chart 4: How demand for skills has changed**  
Economy-wide measures of routine and non-routine task input (US)



Source: Levy and Murnane

25. Frank Levy and Richard J. Murnane, “How Computerised Work and Globalisation Shape Human Skill Demands,” adapted from Levy and Murnane, *The New Division of Labour: How Computers are Creating the Next Job Market*, (Princeton: Princeton University Press, 2004).

**‘The most important skill would seem to be the ability to formulate complex solutions to new and unforeseen problems and the capacity to learn new and different skills throughout a lifetime.’**

which we ignore at our peril. Judging from market signals, the most important skill today would seem to be not so much the basic cognitive skills that made people successful in a linear, mass-production, manufacturing-driven economy (though basic skills like literacy and numeracy remain extremely important). Instead, the most important skill would seem to be the ability to formulate complex solutions to new and unforeseen problems and the capacity to learn new and different skills throughout a lifetime.<sup>26</sup> In other words, the best knowledge that an individual can possibly acquire – and this is both more complex and more important than it sounds – is the recognition that a brain is a rechargeable tool which can and should be built up and improved upon throughout a lifetime. This understanding perhaps explains the paradox described in the previous section: under our current system, people who need training the most are the least likely to get it. Stated another way, people who already know the most are the most likely to go out and learn more. This is their fundamental skill. It is what distinguishes their social pathways so dramatically from the low skilled. And this is why a European skills and education agenda is of such utter importance. Somehow, we must find a way not just to supply more educational opportunities, but to create demand for those skills as well – among people at all levels of educational attainment.<sup>27</sup>

And there is evidence that when we do teach skills, we don't always teach the right ones. That is why knowledge must be decoupled from an understanding that a fact once learned is an automatic ticket to prosperity and security. In fact, an education is only an invitation to learn even more. And the willingness to accept that invitation is the difference between upward mobility and social exclusion, between economic relevance and social marginalisation.

### **The Four Deliverables**

A range of policies affect human capital, and to date policy makers have often defined the human capital and education dossiers much too narrowly. When jobs are given out at the government level, leaders often treat human capital and education as if they were relatively minor dossiers (i.e. in comparison with the “important dossiers” of finance or foreign affairs), which could be easily handled by a junior minister. Given the strategic importance of skills acquisition for a high value-added economy like Europe's, skills and human capital should be given much greater political and fiscal priority. In particular, educational attainment and skills acquisition should be a headline issue for prime ministers and finance ministers, who should ensure that adequate resources are made available, adequate reforms are undertaken, the right framework is put in place and sufficient public awareness is raised about the

26. Much interesting work is going on in this area right now. See especially Frank Levy, “How Technology Changes Demand for Human Skills,” OECD PIAAC working paper, forthcoming.

27. A good example is Korea, where the government was able to create a powerful grassroots drive towards greater educational attainment. The results were spectacular: Combined with other successful development strategies, Korean GDP grew 8.7% per year on average for nearly three decades, taking the country from among the world's poorest to among its richest.

importance of these issues on individual and societal development. And they should strive to see the holistic, multi-dimensional aspects of a complex, modern skills agenda, i.e., many things outside the realm of education and education spending have a direct effect on a country's human-capital base. Specifically, political leaders must deliver on four things – what will be called here “the four deliverables” – if they are to devise and implement a successful human capital strategy for their country:

- I. Create it**
- II. Attract it**
- III. Keep it**
- IV. Activate it**

The interesting aspect about these four deliverables is that, for a society to succeed, it must be successful in all four areas. Success in only three areas will result in failure. But success in all four can lead to sustainable growth, greater social cohesion and lasting prosperity. So far, very few countries have managed to succeed in all four areas. Even Finland, which has led in most areas of education and education policy, faces some challenges on activation (with higher levels of unemployment than other top performers, such as Denmark or the Netherlands) and attraction (with low levels of foreign students and workers), which means that even the outliers can find areas where they can improve. Hopefully, this model can help them see where those areas are.

#### **I. Create it**

This deliverable pertains primarily to the formal and informal education systems. It is a country's responsibility to create as much human capital as possible via its formal and informal education systems, with quality education made available to all regardless of socio-economic background.

#### **II. Attract it**

Countries should strive to be magnets of human capital. In the age of globalisation, it is imperative to attract knowledge workers. The education system can play an important role in this regard, as it has in the UK, Australia, Canada, USA and elsewhere. Successful blue-card systems can make a major difference as well, offering employment opportunities to successful foreign graduates. Many of those graduates will go on to become citizens and make a valuable contribution to the society and economy of the countries in which they reside.

#### **III. Keep it**

On advice from the global development community, many African countries have invested heavily in improved schooling and other educational pathways. By and large, this is a very good idea. But the result is that many graduates, once trained, often go elsewhere to

**‘ Somehow, we must find a way not just to supply more educational opportunities, but to create demand for those skills as well.’**

work because there are not enough quality, well-paying jobs for them in their home country. The British health system, for one, is full of quality health professionals who graduated from African training academies. To be wholly successful, a country must have good jobs available for the people it trains and educates. In other words, good human capital development strategy is influenced by much more than just investment in education. Good human capital policy strives to reward and retain those it trains with good and plentiful employment opportunities.

#### **IV. Activate it**

A country can have the smartest workforce in the world, but if most of its workers are unemployed or choose not to work, the benefits for society, as well as the individuals in question, will be limited. Studies show that people learn most of the skills they possess on the job.<sup>28</sup> A good human capital strategy not only gives people access to skills and training, but also keeps them gainfully employed, where they can continue learning and developing. A healthy, dynamic labour market, a growing economy, and low unemployment are important factors in this key deliverable. There should be no lost or forgotten generations, as we have seen in some central

and east European countries after the fall of the Eastern bloc, with entire age cohorts considered too old to train.<sup>29</sup> Social exclusion of this size and scope takes a very negative toll on society, not to mention on the individuals involved.

#### **The Policy Framework: The Three Levers**

Treaties that govern the European Union – most recently the Lisbon Treaty – give Europe very little role in setting or defining education policy.<sup>30</sup> This is an area that falls squarely under the jurisdiction of EU member states. And yet, there is much the EU can do to “encourage cooperation” in the field of education, as the treaties empower it to do – particularly through the mechanism of the “open method of coordination,” in which countries agree to evaluate each other and exchange best practices. Against that backdrop, European leaders have three principal levers through which they can lead a better, improved policy debate on human capital policy. As with the four deliverables described above, the three levers must all be applied to ensure success. Use of only two levers while ignoring one can lead to policy failure as severe as if none of the levers were employed at all. The three levers are:

- I. Pressure**
- II. Persuasion**
- III. Incentives**

28. Ederer, *Innovation at Work: The European Human Capital Index*.

29. Peer Ederer, Philipp Schuller and Stephan Willms, *European Human Capital Index: The Challenge of Central and Eastern Europe* (Brussels: Lisbon Council, 2007).

30. Article 149 of The Treaty of Lisbon says: “The Union shall contribute to the development of quality education by encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting the responsibility of the Member States for the content of teaching and the organisation of education systems and their cultural and linguistic diversity.”

'A country can have the smartest workforce in the world, but if most of those workers are unemployed or choose not to work, the benefits for society, as well as the individuals in question, will be limited.'

### **I. Pressure**

Part of what is missing in Europe is wide-spread knowledge and acceptance of the benefits of becoming a genuine learning society. The European Union can help here. It can commission research and initiate policy processes which lead to better public debate, greater benchmarking and broader public awareness of the challenges we face. Producing and publishing complex composite indicators can be particularly useful here – but the goal is not, as some say, to engage in “naming and shaming.” To the contrary, a well-designed composite indicator should provide helpful, useful information to everyone, bringing transparency to education and economic systems that will help policy makers know what levers they can and should apply in all countries, leaders and laggards.<sup>31</sup> The success of the OECD’s flagship PISA project shows what can be achieved in this way. By providing countries with better data on where they stand vis-à-vis their global peers, the OECD has managed to stir up a very useful public debate on key policy trade offs in this area. It is a model for what can be achieved with careful, judicious and timely use of data.

### **II. Persuasion**

Governments – and particularly government leaders – have the bully

pulpit. They can talk, and people and the media listen. European leaders need to make the case for greater investment in skills much more routinely and consistently, as President Barroso has started to do. They need to use their power and influence to set this vital social agenda as a key priority for coming decades, and not just as an electorally popular footnote found at the bottom of speeches on other themes and topics. They can also help activate and empower pressure groups, particularly in civil society, to exert pressure on key stakeholders, including governments themselves, to do more to increase investment in – and foster the development of – skills and human capital. Ultimately, they need to raise knowledge and demand for skills and skills acquisition. And they need to make better use of one of the most important powers they have today – the power to cajole and persuade.

### **III. Incentives**

Governments can make it worthwhile to pursue education and training. Successful examples include use of the tax system and directly-funded schemes. Individuals will not act unless they are convinced that it will benefit them; and businesses will probably not invest unless they are either forced to do so or are clearly incentivised to do so. Either way,

31. A good example of a composite indicator which – far from merely naming and shaming the countries involved – can actually lead to a better informed, constructive debate on policy tradeoffs is Peer Ederer, Philipp Schuller and Stephan Willms, *University Systems Ranking: Citizens and Society in the Age of Knowledge* (Brussels: The Lisbon Council, 2008).

governments can and must do more to provide incentives for greater access to education and training at all levels. At the European level, funding can and should be increased for the Erasmus programme, which has done so much to promote a European spirit among successive generations of students.<sup>32</sup> The European Globalisation Adjustment Fund, launched in 2006, has also helped educate more than 15,000 workers in eight EU member states. And the social fund itself could be used more pro-actively to promote and encourage skills acquisition and training, particularly in adversely affected communities. These are good, strong vehicles whose success can and should be built upon in years to come.

### What the New European Commission Should Do

The new European Commission is in a position to make a substantive and timely difference in this debate. Specifically, by setting skills and human capital as a policy priority of the EU 2020 agenda, which will replace the Lisbon Strategy in the Spring 2010, it can create a vibrant platform where reform and modernisation will come more easily. And it can set political guidelines that will leave the EU – and its 27 member states – stronger and healthier societies for decades to come. EU member states would benefit from a healthy, vigorous and informed European debate on skills, one that helped generate

demand for further development in this area and built a broader public base for improved skills and education in the member states themselves. With that in mind, the European Commission should launch a broad-based and sustained debate on skills and human capital, working not just to raise the profile of this key dossier but also to lay down institutional reforms that will ensure that the agenda remains at the forefront of public debates. Specifically, this means the following:

- I. **Encourage the European Council to devote one of its annual meetings exclusively to the Skills and Human Capital Agenda.** This move would send a strong signal to citizens, media and organised stakeholders that skills and education are an issue that receives utmost priority at the highest level. Ideally this meeting should set clear targets and milestones on what should be achieved in a given period. It should also raise key issues, such as the need to involve finance ministers and prime ministers more directly in decision making on education-related issues, including funding. The European Commission should initiate a yearly stocktaking at the spring European Council on skills development, making sure that the issue stays on the radar screen.

32. More than two million students have taken part in Erasmus-funded study abroad programmes in the last 20 years.

### Chart 5: Graduation Rates

Percentage of 2007 age cohort with tertiary degree or equivalent

Rank	Country	Graduation Rate
1	Iceland	63%
2	Poland	49%
3	Finland	48%
4	New Zealand	48%
5	Denmark	47%
6	Ireland	45%
7	Netherlands	43%
8	Norway	43%
9	Portugal	43%
10	Sweden	40%
	Proposed EU benchmark	40%
11	Japan	39%
12	Slovak	39%
13	United Kingdom	39%
	OECD average	39%
14	United States	37%
	EU19 average	37%
15	Czech	35%
16	Italy	35%
17	Spain	32%
18	Switzerland	31%
19	Hungary	29%
20	Germany	23%
21	Austria	22%
22	Greece	18%

Source: OECD Education at a Glance 2009

NB: These figures differ from the benchmark proposed by the Education Council of the European Union, which suggests tracking tertiary attainment rates of 30-34 year olds. We believe that figure understates recent progress in some countries and makes true comparisons difficult by only showing improvement over a considerable time period.

# 'The EU 2020 agenda should contain a 40% tertiary educational attainment target by 2020 for all EU member states.'

## II. Develop new targets and indicators.

Targets and indicators are useful – both to help countries understand how and where they need to improve, but also in raising the profile of complex issues to larger, non-expert audiences. Specifically, the EU 2020 agenda should contain a 40% tertiary educational attainment target by 2020 for all EU member states, as already proposed by the Education Council of the European Union (for a look at how countries would fare, see Chart 5 on page 18).<sup>33</sup> This is a crude target, but like the targets from the Lisbon Agenda which the EU 2020 programme will replace, it would have the advantage of focusing attention on raising educational attainment rates – which is an important goal in and of itself. An example of how targets can help focus attention on a given policy area is the Lisbon Agenda's 3% R&D target, which motivated and incentivised countries to invest more in research. Even though only two countries achieved the target, it nonetheless fed an important public debate on the importance of R&D and encouraged countries to raise their game in this area.

## III. Initiate better, more systematic dialogue with a broader array of stakeholders and kick off a grassroots awareness campaign on the importance of skills.

Specifically, if it is to be successful, this dialogue must include discussion of the overall funding issue. It is not enough to praise skills; the European Union and EU member states must encourage stakeholders to mobilise the resources it will take to make education and training available to all. This will require dialogue, and not just with the usual suspects. As a first step, the European Union should organise a major Presidency-led conference, where a variety of stakeholders (such as NGOs working with or representing immigrants, cities and regions, entrepreneurs, national innovation agencies, media representatives, etc) and not only the usual education-debate suspects (i.e. universities, education ministry officials, etc.) are invited. The conference should be used to encourage participants to increase investment in – and access to – education, to seek and find viable funding vehicles for this work, to encourage governments to commit to more ambitious skills and skills-acquisition targets and to benchmark EU member countries with each other and key regions elsewhere (i.e. Asia and North America).

33. See Education Council of the European Union, *Strategic Framework for European Cooperation in Education and Training (ET2020)*, Adoption of Council Conclusions, 8984/09, Brussels, 30 April 2009. See also, European Commission, *Explanatory Note on the Benchmarks Proposed in the Updated Framework for European Cooperation in Education and Training*. Education Ministers have proposed that the benchmark for educational attainment should be the percentage of university graduates among the population aged 30-34. The Lisbon Council supports the adoption of an indicator for measuring educational attainment, but believes that using the most-recently measurable age-cohort (known as the "graduation rate") would be a better indicator. The graduation rate allows countries to perceive, report and track changes in their system much faster than the 30- to 34-year-old age cohort benchmark.

## 'More than is commonly understood, the competitiveness and sustainability agendas have become the social agenda.'

More than is commonly understood, the competitiveness and sustainability agendas have become the social agenda; we face unprecedented challenges, which, should we fail to meet them, pose very grave questions about our ability to maintain our standard of living and to meet current and future social goals. Curiously, the interests of society and the individual are starting to converge. It is in the interest of every individual – man, woman, child or immigrant – to become all that he or she is capable of being. And it is in society's interest to help him or her to do that.


If Europe ever manages successfully to introduce and pursue a skills agenda, it will be a win-win situation – for the individuals in question but also for society at large. And the more pathways to advancement that we can open, the better. The ability of our workers, companies and state institutions to produce high value-added products and services – combined with an effort to do all of this in a more resource efficient and sustainable way – is and will be the key to maintaining our European way of life – today, tomorrow and for generations to come.

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# e-brief

Issue 01/2008

## From Why to How

### Reflections on the Lisbon Agenda Post-2010



By Ann Mettler

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1. This essay reflects the impressions and recommendations that I have formed after more than five years of working actively on the Lisbon Agenda. As co-founder of the Lisbon Council, a Brussels-based think tank whose mission statement is the original Lisbon Agenda, I have spoken to literally hundreds, if not thousands, of people about Europe's reform imperative in general and the Lisbon Agenda in particular. These were people from across the societal spectrum – young, old, women, students, professionals, unemployed, immigrants – as well as many of the officials responsible for implementation and development of the Lisbon Agenda in the European Commission and the European Union member states. I thank all of you – too many to name – for your valuable input and suggestions. And I would particularly like to thank Paul Hofheinz, president and co-founder of the Lisbon Council, for his comments on an early version of this e-brief.

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**‘Philosophers have hitherto only described the world in various ways. The point is to change it.’**

Karl Marx

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Europe has spent the first part of this decade grappling with the reasons why reforms are necessary.<sup>1</sup> *Ad nauseam*, we have been exposed to a seemingly endless stream of studies documenting the urgent – and inevitable – need to prepare our societies for an ageing and declining population, for an economy based on knowledge and innovation, and for an intensely integrated and competitive global arena faced with declining natural resources. Europe's reformers have made the rational, intellectual case for reform time and again. No effort has been spared to assemble the greatest minds, the most renowned experts, the most distinguished economists. Indeed, a vibrant conference circuit has sprung up around the theme of “European competitiveness,” usually assembling the same experts talking to the same elite audiences, all vowing that “we need to communicate better.”

If the plethora of reform agendas throughout Europe, above all the European Union's Lisbon Programme, has taught us anything, it is the real and true limitations of academic reports, high-level conferences and expert testimony to drive forward social and economic change. If the sheer volume of studies, conferences and working groups were enough to determine our success, Europe would undoubtedly be “the most competitive and dynamic, knowledge-based economy in the world” today.

Future reform efforts should recognise that the slow pace of reform we often see is not caused by lack of analysis – you would be hard pressed to find a study on the need for economic reform that has not yet been written – but by a lack of appealing advocacy, a lack of civic engagement that is worthy of the name,

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The opinions expressed in this e-brief are those of the author alone, and do not necessarily reflect the views of the Lisbon Council or any of its associates. Parts of this essay originally appeared in *European Union Policies and Priorities 2008*, a Financial Times publication (London: FT Business, 2008).

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# 'Europe's political leaders and economic analysts must move from "why" to "how," from explaining why reforms are necessary, to showing how they can be implemented.'

2. See Roger Liddle and Frédéric Lerais, *Europe's Social Reality* (Brussels: European Commission, 2007).

and a lack of emotional outreach that calls on citizens' innate desire for sustainability and inter-generational equity.

Going forward, Europe's political leaders and economic analysts must move from "why" to "how," from explaining why reforms are necessary, to showing how they can be implemented. The European Commission should be well positioned to spearhead such an effort. After all, its own Lisbon Agenda has been a useful roadmap for countries across Europe. Its three pillars – the economic, social and environmental – have been instrumental at providing a vision and a narrative guiding us into the 21<sup>st</sup> century. Indeed, it has been remarkable to see that countries that do well usually do so in all three areas – the economic, social and environmental – as seen for example in the Nordic countries, which have not only above average growth but also high levels of social cohesion and environmental protection. That is a far cry from the industrial-age mindset that economic growth comes inevitably at a social and environmental expense. And it is the only way forward for Europe, as there is no evidence whatsoever that countries with depressed, slow-growing economies score better social or environmental results. In fact, the evidence is to the contrary.

Because social, environmental and economic goals go hand in hand in the 21<sup>st</sup> century – and because of the mutually reinforcing nature of these three objectives – it is imperative to stay on the ball, to benchmark with, and learn from, countries that perform better, and to come to grips with the central challenge of our times: embracing change. The single, most urgent challenge that Europe in general and its political leaders in particular have is how to manage change on a continuous, daily basis. Whereas many of Europe's traditional social protection systems are aimed at shielding citizens from change, there is a growing realisation that that is neither realistic nor, in many instances, desirable. Instead, we must shift our systems towards supporting and protecting citizens *during* times of change, for example, change necessitated by developments in one's industry, or job loss, or the need or desire to move, or to top off obsolete skills.<sup>2</sup> That is why future reform agendas need to be active agendas; agendas which intervene, assist, and respond to citizens in times of need or duress.

## A Closer Look at Reforms

As the Lisbon process enters its second decade, and as many national reform programmes run into political difficulties, a new set of assumptions and general stock-taking is urgently needed:

- **Reform is not a neutral, rational exchange where the best argument wins**

If it were that simple, we would be the world's leading reformers. The best academic case for reform cannot prevail in the absence of good political timing,

# 'Future reform agendas need to be active agendas; agendas which intervene, assist, and respond to citizens in times of need or duress.'

3. See Roger Liddle, *A New Social Europe* (London: Fabian Society, September 2007).

4. See Barack Obama, *The Audacity of Hope: Thoughts on Reclaiming the American Dream* (London: Cannongate, 2006).

the existence of reputable and broad reform coalitions, a comprehensive media strategy and a sincere effort to increase public understanding and reach out to average citizens.

## • **Reform needs a new vocabulary**

The current vocabulary used for describing reforms – competitiveness, liberalisation, better regulation, pro-business, pro-market – are an obvious turn off. These phrases are utterly – and demonstrably – unsuitable to appeal to society at large. Indeed, these words and concepts were coined at the very beginning stages of the Lisbon Agenda, when many socialist or social democratic governments were in power – such as the Portuguese government under Prime Minister António Guterres, which devised the original Lisbon Agenda, or the government of the United Kingdom under Prime Minister Tony Blair, or Germany's government under Chancellor Gerhard Schröder.<sup>3</sup> These governments all needed to demonstrate economic competence, and wanted to convey a welcoming message to the private sector. While the unappealing rhetoric may have served certain socialist/social democratic governments well, it was a kiss of death for the Lisbon Agenda overall. For while the media and citizens believe that a socialist/social democratic leader retains his strong social credentials, even when reaching out to business, they do not have the same expectations of a conservative leader. As more and more conservative leaders won elections across Europe, the rhetoric remained the same, but the distrust vis-à-vis the Lisbon Agenda, as well as domestic reform agendas, grew exponentially. That is why we urgently need a more appealing, more accurate way of describing reform efforts, irrespective of whether a left or right government is in power. We need words and concepts that people can relate to and intuitively understand to be important, such as intergenerational equity, consumer empowerment, sustainability, entrepreneurship, inclusive labour markets and equity in opportunity. No citizen is going to be motivated to support a reform agenda because it is good for business. That is not a European anomaly but would be no different in other parts of the world, such as the United States.<sup>4</sup>

## • **Reform needs a vision**

Knowing what we do about the difficulty of implementing reforms, it seems fair to conclude that no politician in his or her right mind will pursue reforms for reforms' sake. There must be sound and good reasons, and of course there are. But why are the arguments for reform always so defensive – a fearful response to globalisation, to the rise of China and India, to cheaper labour at our Eastern borders, and so on? Europeans need to know where the journey is going. They need to know that “reform” is more than a political excuse for trimming benefits and working longer. One of the best political visions Europe has ever formulated was the original Lisbon Agenda, with its three pillars, the social, environmental

# 'Europeans need to know where the journey is going. They need to know that "reform" is more than a political excuse for trimming benefits and working longer.'

and economic dimension. These values are ingrained in the European DNA, and the themes the Lisbon Agenda contains – a dynamic, knowledge-based economy, sustainable economic growth, more and better jobs, greater social cohesion – are exactly the issues that Europe has, and will continue to, grapple with, and they are all something most European citizens would agree we aspire to.

- **Reforms need ambassadors**

More important than initial analyses of the problem, reforms need to be communicated, advocated and explained. That necessitates likable, charismatic and engaged people who can carry a reform agenda forward. In other words, the person or organisation that says something is as important – if not more important – as what is being said. And how something is explained is as important – if not more important – as what is being explained. That is why a thorough assessment needs to take place about the people and interest groups that are currently involved in reform processes. Are they suitable? Are they willing and capable of engaging the world at large or are they inherently comfortable in their reclusive "reform bubble" of expert reports, civil servant consultations and academic conferences? Is it useful to parade yet another CEO or economics professor – probably someone over 50, and almost certainly male – on the national talk shows making the case for change, or can that form of "advocacy" be downright counter-productive and harmful for the cause of reform?

- **On their own, business is not an effective advocate for reform**

Much of Europe's political discourse continues to be orchestrated through a prism deeply rooted in a 19<sup>th</sup> century, industrial, class-war view of the world. Business, in this point of view, is the proponent of economic change, innovation and sound fiscal and monetary policy. There are three problems with this assumption: not only do many businesses feel no responsibility – or expertise – to engage in broad, macroeconomic issues, they also fear any kind of controversy or negative media coverage. Little wonder that the silence of the business community can be deafening at a moment when a reformer who stood up for change is sacrificed on the altar of public opinion. But even if you give business the benefit of the doubt, and accept that they carry the flag for reform, are they suitable advocates? In much of continental Europe, strong support by the business community for a given policy leads to a knee-jerk reaction among pretty much all other organised interests. If anything, business should be part of a broad coalition, consisting also of a variety of non-business stakeholders. That is how trust can be built, and success be achieved. And it is important to realise, also in the business community itself, that policy agendas that are not expressly "pro-business" are by no means "anti-business." We must rid ourselves of the superficial black-and-white evaluations of policies, as they are neither worthy of our intellectual heritage nor suitable for the diverse,

# 'Who says something is as important as what is being said. And how something is explained is as important as what is being explained.'

5. European Commission, *Eurobarometer 67/Spring 2007, Special Eurobarometer Europeans Knowledge on Economical Indicators*. See also Alan S. Blinder Alan B. Krueger, "What does the Public Know about Economic Policy, and How Does it Know it?" (*National Bureau of Economic Research Working Paper*, 2004).

6. Zapera.com, *Market Research Study on Financial Literacy with 18-19 year-olds and their parents* (2008).

multi-faceted societies of the kinds we have in Europe. And we must make business leaders understand that – first and foremost – they are European citizens, they are sons and daughters, they are brothers and sisters, fathers and mothers, and they are leaders in their communities. They have an innate interest in Europe's future prosperity and well-being, not because of the companies they represent but because of who they are and where they come from. As such, a citizen reform agenda by no means excludes business, but it does strive to compel business to represent more than simply their company's interest, and encourages engagement that is inspired by more than the bottom line.

- **Reform needs collaborative, sustained and coherent actions**

Every month or so, another study forecasts Europe's doomsday, when demographic decline kicks in, when China and India will overtake us, when our government coffers will run dry and our social security systems will come apart. Add in a few more competitiveness conferences, the odd "CEOs form group to champion reform" or "economics professors meet in closed strategy session," and you have an array of disjointed, incoherent and sometimes even contradictory actions that have very limited impact on the overall policy agenda.

Comprehensive, societal change of the type that is needed in Europe needs sustained, year-round presence and advocacy, and strong incentives to come together to produce coherent actions with real, measurable impact. That is a far cry from today's reform arena that is marked by ad-hoc, isolated and disjointed actions, where many groups that purport to support the same cause are at times actively fighting each other and engage in petty turf battles. And it will be the European Commission's job to bring interests together (including from its own various departments), to provide incentives to collaborate and – particularly for the economic directorate-generals – to be open for input and recommendations from non-business or non-economic stakeholders. Without Commission leadership in this area, any future reform agenda will continue to suffer from the marginalisation inflicted on isolated, uncoordinated actions.

- **Reform is easier in populations with a high degree of economic and financial literacy**

The good news is that we live in thriving democracies, with active interest groups, a strong civil society and populations that to a high degree exercise their right to vote. The bad news is that far too many Europeans do not understand the most basic economic concepts, such as the relationship of supply and demand, or basic economic statistics. A recent Eurobarometer poll showed that only 8% of respondents in the EU-27 were able to state the correct growth figure for their country, while only 11% knew the correct unemployment rate.<sup>5</sup> Another survey commissioned by Danske Bank found that 44% of Finnish parents do not know the concept of "interest rate" while 74% of adults in Ireland do not know what "disposable income" is.<sup>6</sup> Another

# 'Reformers must take responsibility for their actions. Media can tear apart a reform – and the reformer – without ever being held accountable for the consequences.'

7. Stefan Theil, "Europe's Philosophy of Failure" (*Foreign Policy*, January-February 2008). See also *ibid*, "Europe's School Books Demonise Enterprise," *Financial Times*, 8 January 2008.

study by the German Marshall Fund finds school books in Europe's largest economies, Germany and France, spewing anti-entrepreneurial sentiments, and exhibiting downright contempt for economic activity and the integration of markets.<sup>7</sup> How can citizens understand the extraordinary pressure exerted on public finances through high budget deficits and debt servicing if they do not understand what an "interest rate" is? How can they even begin to grasp the threat of fiscal sustainability in the face of an ageing and declining population, if they do not understand their own personal finances? And how can they trust technological progress and innovation if they are taught to correlate it with job loss and decreased power vis-à-vis employers? Citizens who do not have a grasp of even the most basic economic indicators, and who lack knowledge of rudimentary economics, will have a difficult time making sense of current public debates.

- **Reform needs a media strategy upfront, and not as an afterthought**

In an increasingly commercial media business, news is what sells, and what sells are big headlines and controversial statements. Against this backdrop, it can be very difficult, indeed impossible, for reformers to get a fair hearing. In the quest for "balanced" reporting, every naysayer group, no matter how small, gets news coverage that can be on par or greater than that of the reformer. By definition, reformers think ahead, they try to lead. Media tends to follow, not lead. Reformers must take responsibility for their actions. Media can tear apart a reform – and the reformer – without ever being held accountable for the consequences. Media writes again and again about "painful reforms" but never seems to ask itself where the pain is in Europe. Is it in the reformed countries or the unreformed ones? The media creates perceptions and to a reformer, public perception is political reality. Political leaders seem to have learnt from this experience, from the demolition that occurs by the media in the communication between them and the citizenry, and have rightfully concluded that there are benefits to circumventing the media and addressing citizens directly, as French President Nicolas Sarkozy, for instance, has been known to do through direct TV appearances, or as German Chancellor Angela Merkel does through weekly Podcasts. Either way, every reformer must figure out early on which organised interest will support a reform publicly, and as vocally as the opponents will fight it. In the absence of publicly supportive interest groups, it can be better not to pursue a reform because the political cost and collateral damage can be extraordinary, while the chances of success are minimal.

Going forward, one thing is certain: reform is no temporary phenomenon. Reforms are here to stay because there are no long-term alternatives to them. If anything, reforms will accelerate in coming years and decades, as the realities of a declining and ageing population sets in. As a result, political leaders will turn into full-time change managers, who need comprehensive strategies for bringing their citizens along.

# 'Political leaders will turn into full-time change managers, who need comprehensive strategies for bringing their citizens along.'

8. See William W. Lewis and Ann Mettler, *Consumers and Competition: Unlocking Europe's Drivers of Productivity* (Brussels: Lisbon Council, 2007).

Against this backdrop, Europe's reformers must learn that an analysis is only the beginning of a process, not the end. If we hope to move our continent forward, if we want to excel in the 21<sup>st</sup> century networked and knowledge-based economy, if we hope to sustain our values and prosperity for generations to come, then we must urgently – and collaboratively – move from “why” to “how.”

## Priorities for a Post-2010 Reform Agenda

Specifically, this means focusing reform agendas in general and the Lisbon Agenda in particular on the citizen/consumer and on European values, such as inclusion, opportunity and sustainability. That calls for a dramatic shift – away from the Lisbon Agenda as a token Business Agenda, towards a sincere and comprehensive focus on the needs and aspirations of the citizens of Europe. Coincidentally, an agenda focused on the citizen/consumer will have the positive side effect of bringing about better economic outcomes, as businesses that have to compete for the citizen/consumer's attention invariably perform better by raising productivity levels and delivering superior innovation.<sup>8</sup>

Whatever will follow the Lisbon Agenda post-2010, it will need to be – simply stated –

- more interesting
- more visible
- more relevant

to the lives of ordinary citizens. It will need to offer citizens the opportunity to be a part of a progressive and inclusive coalition for change and modernity. Think of a “Kyoto Protocol” or “Millennium Development Goals” for the renewal of Europe, for the sustainability of a societal model, based on values and inclusion, for which much of the rest of the world rightly envies us. Let's help people understand, to paraphrase the wise Italian author Giuseppe Tomasi di Lampedusa, that “the more things have to remain the same, the more things will have to change.” Let's make an effort of a reform programme so comprehensive and so ambitious that it is commensurate with the task at hand, which is no less than to successfully move our societies into modernity, and to make what we have today sustainable over time, treating the interests of young people and future generations as seriously as we treat our own.

Against this backdrop – and in view of the need to begin devising a strategy for the Lisbon Agenda post-2010 – a new reform programme should focus more than is currently the case on:

# ‘Whatever will follow the Lisbon Agenda post-2010, it will need to be – simply stated – more interesting, more visible and more relevant to the lives of ordinary people.’

- **Citizens**

Place the European citizen at the heart of the post-2010 reform agenda. Experience with the Lisbon Agenda I (2000-2005) and Lisbon Agenda II (2005-2010) has shown that putting business – even small- and medium-sized businesses – in the centre of attention leads to lack of impact, or even worse, downright rejection. As long as Brussels suggests, even implicitly, that reforms benefit first and foremost business, no breakthrough will be achieved. What it will require from the European Commission is a serious engagement with the citizen, meaning that directorate generals which to date have not entertained contacts with non-business groups or focused much on how their actions will impact citizens, will have to do so. And everyone should realise that a citizen-focused agenda is not an anti-business agenda. That kind of thinking – what is good for the people must be bad for business – does not belong in this century and is not reconcilable with European values.

To date, most of the European Commission’s activities that focus on citizens tend to be completely removed from economics, and from the very real issues that are on citizens’ minds, such as employment, sustainability of pension systems, globalisation, immigration, etc. There seems to be an implicit assumption that citizens are against any kind of change and will automatically reject reforms. That cannot be corroborated by election results across Europe, and should make the Commission more daring in reaching out to citizens and engaging them in a forward-looking, inclusive process about their future. The vast majority of European citizens are mature adults who intuitively understand that the future will bring very real challenges. They are not first and foremost looking for cosmetic solutions to their problems, or well-meant public relations exercises. They deserve to be engaged in a meaningful dialogue that takes their concerns seriously and which does not consciously leave out economic issues because they hold the potential to cause controversy or because the “stakeholders” have not hammered out a universally accepted consensus position. To be sure, placing the citizen at the heart of the post-2010 reform agenda necessitates a dramatic, radical re-think on the side of the Commission, but in the long-run it offers the prospect of having lasting impact and providing meaningful counsel to the citizens of Europe. And there is no need to re-invent the wheel. Parts of the European Commission have an impressive and extensive track record of engaging citizens in their activities, thereby lending credibility and achieving greater impact and more success.

- **Innovation – economic and social**

To date, the policy prescriptions for innovation in the Lisbon Agenda are too squarely focused on the private sector and industry, and in particular on research and development, patents and researchers. This focus is essentially correct; but it is also way too narrow, fails to appeal to society at large and does

# 'As long as Europe is a place where conformity and mediocrity are too readily rewarded, nothing will change.'

9. OECD, *Promoting Innovation in Services* (Paris: OECD, 2005).

10. For a good review of the changing nature of innovation, see A Special Report on Innovation, *The Economist*, 13 October 2007.

11. See Eric von Hippel, *Democratizing Innovation* (Cambridge: MIT Press, 2005). See also Charles Leadbeater, *The User Innovation Revolution: How Business Can Unlock the Value of Customers' Ideas* (London: National Consumer Council, 2006).

not account adequately for current realities. The very nature of innovation has changed dramatically in recent decades, a time when Europe has moved from an economy based primarily on manufacturing and industry to an economy based on knowledge, information and services. Once incremental and slow-moving, innovation today is marked by its disruptive nature, its speed that can remake entire industries in a matter of months, not years.<sup>9</sup> Think for instance of the impact that Google or Linux have had, or Skype, Wikipedia, Amazon, the I-Phone, or YouTube, to name but a few. Innovation in services is often not the result of R&D spending or long-standing research, but is based on changes in processes, and business models, making it a much broader, societal phenomenon, touching on many more people than was previously the case.<sup>10</sup> And while companies at large are of course impacted, innovation first and foremost empowers the innovator, the entrepreneur and of course also the citizen/consumer. Without his or her choices and purchasing decisions, trends cannot be developed, new products be successfully launched or innovative ideas be brought in the mainstream of society.<sup>11</sup> This is as true for the private as for the public sector. Innovation that does not ultimately serve the interests of the citizen/consumer or benefit society at large is arguably of limited social or economic value.

Understanding that innovation is a social phenomenon that touches all people is more reflective of 21<sup>st</sup> century realities, and has the very real potential to excite citizens, as they are brought into a broad and pro-active debate about shaping their future. The vision must be one where the citizen/consumer is an agent of change, a catalyst for innovation, a driver of better, more sustainable products and services, in the private as well as the public sector. In line with this thinking, out go the abstract concepts of innovation, knowledge economy and entrepreneurship, enter the more tangible, real and important actors: innovators, knowledge workers and entrepreneurs. Enough of hiding behind sterile, abstract concepts. Policy makers' job is to breathe life into these ideas, and to put the emphasis where it should be: on the individual, on the citizen, on the consumer, on the entrepreneur, on the innovator. No more conferences on entrepreneurship without a single entrepreneur present. No more papers on innovation by people who do not have an innovative bone in their bodies. Instead, let us celebrate those who bring about changes, bring them into the policy arena, recognise them and build them up as role models for others. And, most importantly, make Europe a place where new ideas can fly, create an environment that is open to change and renewal, even if it is uncomfortable or threatening upfront. That will ultimately be Europe's true test of innovation, far more than the number of researchers or the level of R&D spending. As long as it is easier to make ideas fly elsewhere, they will fly elsewhere; it is as simple as that. And as long as Europe is a place where conformity and mediocrity are too readily rewarded,

# 'Citizens and interest groups know very well whether it pays to be innovative or not.'

12. See Julian Le Grand, *The Other Invisible Hand: Delivering Public Services through Choice and Competition* (Princeton: Princeton University Press, 2007).

13. See William W. Lewis, *The Power of Productivity: Wealth, Poverty, and the Threat to Global Stability* (Chicago: University of Chicago Press, 2004).

nothing will change. After all, it is all about incentives and not sanctimonious pledges to embrace “innovation.” Citizens and interest groups know very well whether it pays to be innovative or not.

That puts the onus on the very people who are supposed to spread innovation in society, such as directorates with responsibilities for enterprise, education, economy. Instead of talking about the importance of innovation, they themselves should hold their units accountable as to how innovative they are. This will ultimately also be a test for the Lisbon Agenda – does it need more talk about innovation or does the Lisbon Agenda itself need to *be* more innovative? Actors who talk about the importance of innovation without having the capacity – or willingness – to be innovative themselves ultimately discredit the entire concept.

- **Consumers**

One of the key ways to include citizens in economic policy making and reform efforts is through their status as consumer, not only in terms of consumption of consumer goods but also as consumers of public services, such as education, health and transport.<sup>12</sup> Reforms that are undertaken with the citizen/consumer in mind have a far greater chance of being accepted, and of being successful. And economically, they also make sense, because consumer-oriented policies – and the productivity-enhancing effects they have through stimulating competition and innovation – are among the most important determinants of a country’s economic wealth and long-term prosperity. Experience has shown – and research confirmed – that over time, a political and regulatory focus on consumers rather than producers appears to be a key indicator of a country’s economic success, and accounts for much of the difference in wealth and prosperity as measured by gross domestic product (GDP) per capita between developed parts of the world, such as Europe, Japan and the United States.<sup>13</sup> Experience also shows that companies that are relentless in their focus on serving consumer needs and interests are successful over time, and are often true – and deserving – national champions. They thrive in intensely competitive environments which compel them to deliver innovations, increase productivity and produce higher value-added products and services. More than ever before, the consumer is an agent of change and innovation in an open, networked and global economy. Empowering the consumer – and shifting the political focus from producers to consumers – holds the prospect of better economic and social outcomes, not to mention the opportunity to actively engage millions of European citizens in the policy process.

- **Education, skills and human capital**

Preparing the citizens of Europe for the realities of an ageing and declining workforce, as well as a globally integrated economy, in which countries engage us not in a dash to the bottom but a race to the top, is perhaps the single biggest

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# 'This will ultimately be a test for the Lisbon Agenda – does it need more talk about innovation or does the Lisbon Agenda itself need to be more innovative?'

14. Andreas Schleicher, *The Economics of Knowledge: Why Education is Key to Europe's Success* (Brussels: The Lisbon Council, 2006).

15. Peer Ederer, *Innovation at Work: The European Human Capital Index* (Brussels: The Lisbon Council, 2006). See also CEDEFOP, *Future Skill Needs in Europe. Synthesis Report* (Thessaloniki, February 2008).

16. Lisbon Council and Allianz SE, "Energy Efficiency and Economic Growth," *The 2008 European Growth and Jobs Monitor* (Brussels: The Lisbon Council, 2008).

17. European Commission, "Attitudes on Issues Related to EU Energy Policy," *Flash Eurobarometer 206a* – The Gallup Organisation (April 2007)

challenge we face.<sup>14</sup> It poses important, and difficult questions, such as whose responsibility is it to top up skill levels – the national government where the citizen resides? Or the employer or individual? The question is, who is going to pay for the massive and sustained investment that will be needed to keep our workforce out at the cutting-edge of global developments? Who is in charge of skills policy? Is it the education ministries, as has traditionally been the case, or should – given its importance to economic growth – responsibilities for skills development be transferred to economics and finance ministries? Or given the pronounced link between high skills and high employment rates – to the labour and social ministries? While there are no easy answers to these questions, there is most certainly an important role for the European Commission to play. First and foremost, we need a concerted effort to raise awareness that employment, social cohesion and long-term prosperity are intricately linked with investments in education and skills, as well as the quality of our human capital.<sup>15</sup> Re-focusing the post-2010 Lisbon Agenda on citizens, and as a natural progression, on investment in people, will go a long way to raising genuine interest among citizens, and helping them understand why education, skills and human capital are more important than ever. Secondly, the European Commission should use its resources in general – and the European Social Fund in particular – to lead a campaign to invest in people, and put this imminent policy challenge at the top of its agenda.

## • Sustainability and productivity

Europe has a significant advantage vis-à-vis other parts of the world, and that is its innate understanding of the need for greater sustainability in the environment. That understanding – coupled with our global political leadership on the issue, as well as a head-start on eco-innovation and environmental technologies – is a unique "first-mover" competitive advantage that we can build on in coming years and decades. As a next step, Europe should be leading a global debate on resource and energy productivity, and its importance to future growth and prosperity.<sup>16</sup> In terms of public outreach, nothing has been as popular, or as warmly embraced by European citizens, than the European Commission's leadership on climate change and the environment.<sup>17</sup> The challenge at hand will be to continue on this very successful – and inspiring – path, while at the same time expanding the concept and popular understanding of the need for greater sustainability in other areas, above all public finances and social security systems. Nothing will pose a greater dilemma to intergenerational equity and the long-term prospects of the European way of life than the ageing – and in many countries actual decline – of our population. Given the tremendous pressures this trend will exert on public coffers, as well as the working age population, in which by 2050 there will be one person over the age of 65 for every two people of working age (up from one person for every five people in 2000), fiscal sustainability will be a top issue on the political

# 'As we must get more out of fewer inputs, productivity will become a modern means of sustainability.'

18. European Commission, "The Long-Term Sustainability of Public Finances in the European Union" (*European Economy*, No. 4 / 2006).

19. See Bernard Spitz, *Le papy-krach* (Paris: Bernard Grasset, 2006).

20. OECD, *Where Immigrant Students Succeed*. (Paris: OECD, 2006).

21. *Ibid.* *A Profile of Immigrant Populations in the 21st Century* (Paris: OECD, 2008).

horizon.<sup>18</sup> Against this backdrop, it is conceivable that the central societal friction in many European countries will change profoundly in the years and decades to come, and that a conflict over the way resources are shared between generations could emerge alongside the more traditional, industrial-era conflict between labour and capital.<sup>19</sup> In order to prevent such a scenario, and offer pro-active solutions to a future with fewer people of working age, policy makers need to stress the vital importance of fiscal sustainability. At the same time, they need to rehabilitate the concept – and broaden the understanding – of productivity. In an age of profound demographic change and limited natural resources, productivity growth will be imperative to meeting the challenges of the future. In other words, as we move to get more out of fewer inputs, productivity will become a modern means of sustainability – for our social security systems and for our environment and natural resources. In this respect, ensuring productivity in the public and private sectors should be a top political priority – not to mention a sign of fairness towards the citizens who count on political leaders to ensure sustainability across the board.

## • Migration and integration

One of Europe's key future economic and social challenges is the integration of groups traditionally marginalised in its labour market, such as the young, the old, women, mature workers and the low-skilled. But perhaps most urgently, Europe needs to do a much better job of integrating immigrants and ethnic minorities, starting in schools and continuing in the labour market, where they often record twice the unemployment rate of the native population.<sup>20</sup> This is not only socially unjust but also economically unwise given that immigrants across OECD countries, including in Europe, are actually better educated on average than native-born people, with nearly one in four having completed tertiary education compared to one in five native-born. In addition, immigrants' valuable skills are under-utilised; recent OECD data shows they are more likely to be overqualified for their job than a native person.<sup>21</sup> That understandably leads to frustration and feelings of marginalisation and lack of opportunity among immigrant communities. At the same time – and concurrent with the effort to better integrate various societal groups – Europe will need more immigration in years and decades to come to offset the effects of an ageing and declining population. This immigration must not only be seen as absorbing migrants from poorer neighbouring countries, but also as an active stake in the global war for talent. Europe must do a much better job of attracting internationally sought-after high-flyers, the skilled professionals who have the capacity to spearhead innovation, deliver top performance and energise entire industry sectors (could one imagine Silicon Valley without the contribution of high-skilled, tech-savvy immigrants? Or London as a global financial hub with a homogenous, UK-centred workforce and restrictive immigration laws?).

**'Instead of control and micro-management, the powers that be should welcome opinions, divergence, and a certain level of unruliness.'**

22. See Don Tapscott and Anthony D. Williams, *Wikinomics: How Mass Collaboration Changes Everything* (Toronto: Atlantic Books, 2007).

Either way, the issues of migration and integration must be at the heart of a successful Europe, and they should warrant much greater attention in future reform programmes.

### **Disperse and Increase Ownership: Put Citizens and the Issues They Care about at the Heart of a Post-2010 Reform Strategy**

To date – and to its detriment – the Lisbon Agenda has been more about indicators and concepts than about progress and people. That must change going forward, because policy programmes that degenerate into bureaucratic check-box exercises are doomed to fail. At the same time, the European Commission needs to stop micro-managing the agenda, trying to control every aspect of it, such as who is involved, who has a say, who is important. Despite the proven lack of interest and sometimes downright incompetence of groups that have been entrusted with advocating the Lisbon Agenda, the Commission has failed to either take note of the lack of impact their traditional allies have had, or to mobilise others, who perhaps could have done a better job. Going forward, if the list of stakeholders is not expanded – and the Commission more welcoming of broad input and collaborative relationships – the chances of success and impact for a post-2010 reform programme will be minimal. Instead of control and micro-management, the powers that be should welcome opinions, divergence, and a certain level of unruliness. We need an open, collaborative policy space where views can be articulated and exchanged, where new ideas and innovative actions can thrive and where a spirit of intellectual curiosity and entrepreneurial mindsets prevail.<sup>22</sup> Engaging the citizens of Europe in a healthy, multifaceted debate about our future is not only a sign of respect and genuine outreach, but it is the only way to spur the kind of forward-looking, solution-oriented dialogue we so urgently need.

With regards to interest groups that are so very prominent in the daily execution of reform programmes, the European Commission should seek to bring in new voices and stakeholders, such as consumer groups, immigrant or youth organisations, regional representatives, universities as well as caring individuals, or “ambassadors” for reform. Given their general absence in this debate despite their evident stake in a positive outcome, particular attention should be paid to engaging women and people under the age of 40. We urgently need new blood – and more passion – in the reform debate. After all, this debate is about no less than our future. In addition, the European Commission should try to shore up reformers and progressives in all the involved interest groups, even those that have to date been hostile or indifferent to the Lisbon Agenda. Experience shows that it is better to seek to actively involve stakeholders, rather than exclude them. Stakeholders have responsibilities and have to take stances. Excluding them gives them the best possible excuse for stonewalling, for opposing, for sabotaging. Instead, interest groups should be encouraged to think not only in their nicely carved-out niche interest, but to take holistic and long-ranging concerns

## 'We urgently need new blood – and more passion – in the reform debate.'

into account, as of course the European Commission has to do. That means that instead of focusing only on one aspect, a group should receive strong incentives to answer questions on feasibility and long-term impact. For example, any group which opposes raising the retirement age should answer how pay-as-you-go pension systems will be made sustainable for the future; any group that opposes private funding in higher education should answer how they are going to raise the necessary public sector funds in view of precarious public finances; any group that fights against flexicurity should answer how it intends to build a thriving labour market which produces jobs for marginalised societal groups and prevent a two-tier labour market of insiders and outsiders. To date, it has been too easy for groups opposed to change. We have allowed them to seize the moral high-ground and dominate public opinion. If reformers cannot counter these arguments and explain compellingly and convincingly why change is necessary, we have no one other than ourselves to blame.

And one thing is certain: whatever follows the Lisbon Agenda should be marked by the principle of "Think Big." We need an effort that is commensurate with the importance of moving an entire continent into a new economic, social and environmental age. This will require not only a shift in political focus but also in budgetary priorities – an issue which plagues the European Union, which despite the rhetoric and good intentions it expresses every day, continues to spend an exorbitant amount of the annual budget on farm subsidies. In the future, let's put our money where our mouth is.

### **From an Agenda of Fear to an Agenda of Ideas and Projects**

For too long – and to its detriment – the Lisbon Agenda has been a patient platform for those who want to express fear – fear about not keeping track with economic progress in other parts of the world, fear about declining social standards, fear about losing jobs, fear about a future that will be worse than the past. While there is certainly a time and place to express fear, it will be important for a post-2010 reform programme to put a greater emphasis on constructive actions and tangible ideas. It is always easier to express a negative opinion or fearful sentiment than it is to actually do something about the challenges we bemoan. In the future, individuals and organisations should be evaluated, measured and recognised much more by what new ideas they produce and actions they actually take than by what they verbally contribute to the policy process.

Above all, projects and initiatives are needed because there are few formal systems in place at the European level to achieve the reform goals. Particularly Lisbon I (2000-2005) suffered from a lofty goal – to become the most competitive economy by 2010 – without having the necessary means for the European Commission to deliver. The Open Method of Coordination has been useful as a comparative learning tool but has often lacked the teeth to bring about real and demonstrable

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change. In the absence of tools to deliver, the Lisbon Agenda itself – as well as the Commission's efforts – were undermined.

Lisbon II (2005-2010) sought to avoid this trap and set out a more realistic goal, growth and jobs, as well as a clearly defined division of labour between the European Commission and the member states. Sharing responsibilities and dividing up tasks has definitely worked better and delivered more results, and can therefore be viewed as a technical success. Whether the Lisbon process can be considered a political success is a different matter. As long as member state governments have nothing to fear from domestic stakeholders for not delivering on Lisbon, the process itself is arguably of limited impact. And as so few civil society projects accompany the formal Lisbon process, it is very difficult to foresee where the pressure – or even interest – in the agenda should come from.

It will be important for the Lisbon Agenda's successor programme to turn what has been a technical success to date into a political success in the future. Realising what can – and cannot – be done within the remit given to the European Commission is perhaps the first step towards building a realistic reform programme that will be taken seriously and be attractive to support. In addition to the supranational powers bestowed on the European Commission – in competition, trade and the single market – it has many other levers at its disposal to bring about change. While the Commission's budget of €100 billion per annum is largely influenced by the priorities set out by the European Parliament and the Council of Ministers, there is sufficient leeway within these priorities to ensure that worthwhile projects can get off the ground and true innovation be driven forward throughout all parts of society.

In addition, the European Commission has incredible means to highlight issues – and launch projects – it deems important for Europe's renewal, ranging from initiating a Year of Innovation and Creativity in 2009, helping found a European Institute of Technology, calling for a European Skills Review, launching a social reality stocktaking, planning an Erasmus Programme for Entrepreneurs and more. When the European Commission uses its "bully pulpit" to advocate a cause or an agenda, Europe listens. The challenge now will be to turn appeals into action, and to convert one-off media coverage into issues that receive sustained, year-round attention. And finally, the Open Method of Coordination is actually very useful. For the areas where the EU has no competencies and can only call on member states to initiate reforms, it is of tremendous help to highlight best practices around Europe. One thing is for sure: for every policy issue, there is a global leader somewhere in Europe. We do not need to look across the Atlantic or Pacific for best performance as there is in virtually all instances a country, a region or an organisation in Europe which is itself the global benchmark in a given area.

'The truth is that there is way more flexibility, way more creativity, way more promise in Europe than we give ourselves credit for.'

In the meantime, there are thousands of people and organisations across Europe working to make Europe more innovative, more inclusive, more sustainable, and thousands of worthwhile projects and initiatives. There are also thousands who contribute a lot more – and are recognised way less – to the Lisbon Agenda than the many actors who seem to have a professional mandate to tear down new ideas, innovative responses and forward-looking projects. Sometimes, it appears to me that there is a “Second Life” Europe ([www.secondlife.com](http://www.secondlife.com)), a seemingly virtual world of hard-working entrepreneurs, engaged citizens, risk-taking innovators – operating alongside world-class economic and social development – that is seldom officially recognised or reported on, neither by the media nor the traditional interest groups. It constitutes a self-organising, collaborative and eclectic community of doers who believe in a positive future, or who are at least prepared to work towards positive outcomes, for themselves and their communities. They don't wait around for a top-down mandate to engage – theirs is bottom-up advocacy and social entrepreneurship. To empower these change agents and give them tools to bring their ideas and projects to fruition will do a lot more to create a dynamic, creative Europe than to orchestrate another carefully staged, controlled, top-down policy programme, which is proven to put off the very innovators and entrepreneurs that we supposedly want to engage.

The truth is that there is way more flexibility, way more creativity, way more promise in Europe than we give ourselves credit for. But much of our intellectual and societal elites remain convinced that Europe's best times are passé and are determined to communicate their bleak outlook – which says more about their own failure as elites than about the true potential of our continent – at every possible occasion. Their perennial, tired and unimaginative motto appears to be “no, we can't,” rather than “yes, we can.” Another decade of this defeatist attitude, and love-fest of professional naysayers and doubters, will be devastating and downright dangerous, not to mention irresponsible towards our young citizens who need – and deserve – a positive vision of the future. That is why Lisbon must move from an agenda of fear to an agenda of ideas and projects – if not before 2010, then definitely afterwards.

### Embrace Pioneers and Encourage Experimentation

In my experience, it is always the same organisations, regions and countries that are interested in the Lisbon Agenda, that take it seriously, that initiate projects and bring it to life. These actors have the potential – and willingness – to move much further than the Lisbon Agenda prescribes but they are held back by an institutional approach that focuses excessively on processes (rather than outcomes) and that tends to cater to the lowest common denominator. We have to seriously ask ourselves if the very way the Lisbon process is designed is conducive to celebrating and recognising the best, of pushing actors to deliver more, of creating a space for excellence and achievement. Groups of pioneers would undoubtedly form –

# 'The prospect that an innovation – that an action taken – might not lead to success is too often a reason for not taking action at all.'

23. See Ann Mettler, "A Two-Speed Europe, At Last," *The Wall Street Journal Europe*, 09 June 2005.

24. For a good example of a national body with a mandate for policy experimentation aimed at fostering innovation and creativity, see the National Endowment for Science, Technology and the Arts in the United Kingdom, [www.nesta.org.uk](http://www.nesta.org.uk).

if encouraged to – which in turn would have a much better potential of bringing the laggards along than any well-meant policy appeal.<sup>23</sup>

Innovation is an organic, dynamic process, and there is no evidence whatsoever that more talk about innovation actually leads to more innovation. Innovation must be preceded by action, and innovation can never come about by doing the same thing, with the same actors, and the same approaches. It's been amazing to see over the years how policy circles expect different outcomes while administering the exact same inputs that have not led to innovation in the past. They must realise that innovation is first and foremost about doing things differently. And it is in the nature of innovation that a positive outcome cannot be predicted and guaranteed. That makes many people, particularly in policy circles, very uncomfortable because their power comes from control, and the prospect that an innovation – that an action taken – might not lead to success is too often a reason for not taking action at all.

Innovation cannot be "decided" by committee. It is an inherently disruptive, unpredictable process. No matter how high of a priority it is for policy circles, I have my very grave doubts whether many political leaders or civil servants, whether in Brussels or in the Member States, have the potential to identify the next big thing on the horizon, or realise what the next wave of innovation will bring. Most of Europe's political class and public service has never worked in a company, let alone been a driver of innovation in a complex, dynamic and intensely competitive market space. Most of Europe's political class and public sector has never been rewarded for being innovative, for taking risks, for pushing the boundaries. They have, however, often been recognised for towing the line, for not causing problems, for doing their jobs quietly and acquiescently. And it is for that reason that we should expect of our political class and public service less innovation – which implicitly suggests a positive outcome, which they cannot guarantee – and instead actively encourage experimentation – which allows space for making mistakes.<sup>24</sup> And anyone who knows the process of innovation is aware that for every successful innovation there was at least one experiment that ended in failure. If we understand innovation to be a non-linear, experimental process, we exponentially increase our chances of being truly innovative, and of producing results that benefit society.

An excellent example of public sector experimentation, which ultimately led to a successful innovation, is the concept of flexicurity. Today, with the benefit of hindsight, we know that making Denmark's labour market more flexible, while guaranteeing more security, led to a remarkable job boom, a rise in prosperity, a more dynamic economy and better social outcomes. But at the time, flexicurity was an experiment, a courageous and visionary policy proposal that many doubted could work and that was fiercely opposed by numerous actors. Initiated by one of Europe's most charismatic and innovative political leaders, Poul Nyrup Rasmussen, former Prime Minister of Denmark and today president of the Party of European

**‘Modernisation cannot be brought about in seclusion; profound societal change will not be the result of elitist, academic exchanges and in a democracy, the future will be devised by the many, not the few.’**

25.  
European Commission, A Citizens’  
Agenda: Delivering Results for  
Europe (Brussels: European  
Commission, 10 May 2006).

Socialists, he put his personal reputation – and political future – on the line to pursue this policy. It is easy to hold up flexicurity today as a role model with important policy implications for the rest of Europe (and the world), because we know it has worked. But we must remember that what preceded this innovation was an entrepreneurial, risk-taking leader, Poul Nyrup Rasmussen, a concrete action, and a diligent execution, without any guarantee of success.

### **Towards a New Vision**

In terms of strategy, the European Commission should adopt soonest an overtly outward-leaning stance, meaning that any future reform effort should be – at best – a progressive, forward-looking social movement or – at the least – a publicly noticeable and widely recognised policy programme. Either option will require a concerted outreach effort because modernisation cannot be brought about in seclusion; profound societal change will not be the result of elitist, academic exchanges; and in a democracy, the future will be devised by the many, not the few. That is why the best way forward is to practice the open, collaborative innovation that officials so often praise, but unfortunately fail to internalise, as they jealously guard their competencies, and excessively rely on internal processes and analyses, sometimes forgetting that eight years into a top European Commission policy priority, most of Europe does not even know what the “Lisbon Agenda” is. The European Commission is not a think tank, but a body that is supposed to make life better for its citizens. It will ultimately not be measured on input, but on output and impact. It is not surprising that one of the most popular initiatives the European Commission has recently undertaken was the launch of a Citizen Agenda, started in May 2006, which is supposed to deliver “tangible benefits” to the people of Europe.<sup>25</sup> It marked a welcome u-turn from the “pro-business” stance of the Barroso Commission’s early days. Interestingly, the subsequent actions undertaken, which benefitted citizens by seeking to enforce competition rules, making industry sectors more accountable and transparent and the single market more effective, has not harmed the economy one bit. To the contrary, President Barroso’s realisation that a traditionally pitched pro-business policy and the protection of national champions leads to economically adverse outcomes has been a boon to growth, job creation and innovation, not to mention the renewed enthusiasm for “Europe” across the continent. Now is the time to build on recent successes, now is the time to learn from past mistakes, now is the time to get things right for the next decade of this century. The future is ours for the making.

## Changing Priorities, Language and Positioning of the Lisbon Agenda

It has been little noticed, but the Lisbon Agenda itself has profoundly changed in recent years. The European Commission has streamlined it after the mid-term review in 2005, focusing it on growth and jobs in general and these four key priorities in particular:

- Research & development and innovation
- A more dynamic business environment
- Investing in people
- Greening the economy

What has been more impressive – and significant – than streamlining the priorities has been how the positioning of the Lisbon Agenda has evolved. More and more, an emphasis on the citizen has emerged, and an accompanying emphasis on issues that directly impact the citizen – such as education, skills and human capital – or that are of great interest to the citizen, such as climate change and energy security. The latter manifested itself in unusual excitement – and unprecedented advocacy – when in 2007, under the German EU Presidency, protesters took to the street to demand more stringent emission targets. It was the first time that the spring European Council, which focuses on the Lisbon Agenda, was so closely watched and accompanied by ambitious demands, civil society advocacy and targets that would make the EU a global leader. It was an exciting moment, and marked in many ways a watershed.

The Portuguese EU Presidency, which followed in the second half of 2007, made the Lisbon Agenda a top priority, despite being very preoccupied with concluding the Lisbon Treaty. But the Portuguese managed to introduce a genuinely new element into the Lisbon Agenda, namely an external dimension, to be used in dealings with third countries. It also deepened the emphasis on the citizen by introducing skills as a top priority (via the introduction of a programme titled “New Skills for New Jobs”).

On 11 December 2007, the European Commission launched the new Lisbon Package for the next cycle 2008-2010. It retained the emphasis on the above priorities, and underlined the need for implementation and staying the course. But it was clear that there was more thought than ever given to the citizen, which translated for instance into specific, new targets, such as limiting the number of school drop outs.

The emphasis on the citizen was warmly embraced by the Slovenian EU Presidency (Spring 2008) as well as the European Commission in the run-up to, and during,

the spring European Council. In a promising turn of events, the citizen became the focus of attention, and the language used was fundamentally different from the technocratic, business-focused rhetoric of the past. Issues like demography, the situation of young people, creativity, migration and skills made a debut, as demonstrated in these excerpts of the Slovenian Presidency's statements on the Lisbon Agenda:

*...the new emphases of the strategy are, in essence, heightened concern for citizens and social issues, the response to climate change, and a more modern view of innovation and creativity... Concern for citizens increasingly in the foreground: The European Council called for the adoption of a new social agenda which addresses social challenges, demographic changes, the situation of young people, the importance of education, migration and intercultural dialogue...*

Not only did we see a shift in language but we also witnessed a much more prominent, and hands-on, attitude by the Lisbon Coordinators of Portugal and Slovenia, Carlos Zorrinho and Žiga Turk. They were accessible, open to innovative ideas, and genuinely new in their approach to Lisbon. It was beneficial that they did not combine their dossiers with others, such as economy or finance. Experience has shown that where the Mr. or Mrs. Lisbon is also a minister of finance or economy, the Lisbon process has not sufficiently been prioritised. It is better to have a designated and committed person in this job.

What are the prospects for the future? The increased emphasis on the citizen is likely here to stay. France with its strong social credentials will certainly wish to continue the trend, as will the Swedes who will take up the EU Presidency in the second half of 2009. France has already done a lot of preparatory work with regards to the Lisbon Agenda, and has assigned a prominent thought leader, Laurent Cohen-Tanugi, with drawing up an important report on Europe in the Global Economy.

Finally, the Presidency Conclusions of the spring 2008 European Council clearly indicated a continued commitment to an EU-level reform programme after 2010 to "lock in the progress achieved by the renewed Lisbon Strategy for growth and jobs." It subsequently invited a reflection on the Lisbon Strategy in the post-2010 period, to which this e-brief is intended as a contribution.