

EU 2020: What's in the Pipeline?

By Ann Mettler

The launch of the public consultation on the EU 2020 strategy was delayed by about two months because of several items on the EU agenda: first the delay in the Barroso reappointment, then the Irish referendum on the Lisbon Treaty, followed by the stalemate with Vasclav Klaus, followed by the speculation on who would become President of the European Council and High Representative for Foreign Affairs. All in all, valuable time was lost and Brussels and the media were overly preoccupied with institutional issues – very much at the expense of more substantive dossiers, such as the successor programme of the Lisbon Agenda, EU 2020.

But now that the consultation was launched on 24 November, what should we make of the accompanying vision document? At first, one has the impression that it's the usual laundry list of "feel-good" policy initiatives, a greener, smarter, more socially cohesive economy. Who would be against that? But a second look reveals a number of new approaches and initiatives that are markedly different from the Lisbon Agenda, and that have the potential to lay the grounds for future success. Among the noteworthy differences are:

On Themes and Issues

- While the old Lisbon Agenda was narrowed down to an easy-to-remember slogan, "Growth and Jobs", **the thematic priorities of EU 2020 are more complex:**
 - 1) Crating value by basing growth on knowledge (previously "Growth")
 - 2) Empowering people in inclusive societies (previously "Jobs")
 - 3) Creating a competitive, connected and greener economy (previously the environmental pillar of the Lisbon Agenda)
- The **wording and positioning of the EU 2020 strategy is very important, and is vastly improved from the "old" rhetoric**, which was tired and unimaginative. It is to be applauded that the Commission is using this language to deflect criticism upfront. While the old Lisbon Agenda never had the goal to undermine social progress (to the contrary), the lack of language acknowledging the importance of social goals was used against the Commission and the Lisbon Agenda. This can hopefully be avoided this time around as it leads to a "dialogue" that has frankly exhausted itself, namely the "social versus economic versus environmental" argument. It is exactly this kind of zero-sum thinking - what is good for the economy, must be bad for social cohesion and the environment - that the Lisbon Agenda and now EU 2020 seek to overcome.

- There is a clear recognition that **innovation is a broad societal phenomenon**, which entails more than research and development. This is a big step forward from the old Lisbon Agenda, which too often used R&D spending as a simplistic proxy for innovation. While the broader understanding of innovation is to be welcome, the document itself is short on detail, which may be due to the fact that the Commission is working concomitantly on an EU Innovation Act, which is also due to be launched at the spring European Council 2010. It is likely that these broader ideas on innovation will be more fleshed out in the EU Innovation Act.
- The same is true to some extent for the passage on “**digital economy**”, which is short on details, particularly a recognition that the success of the digital economy is to a large extent dependent on the behaviour and attitudes of users, as well as a company landscape that rewards disruptive innovation and embraces meritocracy and that is prepared to challenge economic incumbents and other vested interests.
- There is a new and welcome **emphasis on mobility**, including (finally) recognition of the fact that working people will likely change jobs, even careers, several times throughout their lives. There clearly seems to be commitment to use the social protection systems to help people during times of transitions and mobility (such as move from one job to the next, or moving from unemployment to self-employment), in an embrace of active labour market policies, particularly **flexicurity**, which the paper lends strong endorsement to.
- Interestingly, there is for the first time **more of a focus on people who do not have permanent, full-time, protected jobs**. It mentions, for instance, the self-employed (some 15% of the working population, set to grow in the future), and notices the unequal treatment they receive under most social security systems. That’s of course absolutely true but also a first to be mentioned in a policy document like this. Likewise, the paper mentions the abysmal employment rates of immigrants. This move towards recognising the heterogeneity of the labour market, in which a smaller and smaller share of workers have (or want) jobs for life, is long overdue and should be welcome.
- While not mentioned with great forcefulness, the theme of **consumers, competition, single market** runs through the paper and is recognised as a driver of economic success. For instance, ensuring effective competition of network industries is mentioned, and the “need to make markets work for people”, apparently building on the track-record that Commissioners Kuneva (consumer affairs), Reding (information society) and Kroes (competition) have set in the Barroso I Commission.
- **Industrial policy is making a comeback**, as a policy designed to “tackle structural excess capacities” and “facilitate restructuring in a socially acceptable way whilst maintaining a level playing field.” One cannot help but think of the car industry in general and of Opel in particular when reading this. And of course the Commission is absolutely right when it says that such industries and companies need European solutions in order to prevent a state aid competition between member states. While industrial policy has a backward connotation, it is smart to bring it back, not only because it is necessary to facilitate the inevitable restructuring of certain industries but also because it continues to be popular with countries like Germany and France.

- More than before, there appears to be a recognition that **public finances are an integral part of the EU 2020 agenda**, including both the size of budget deficits (which is on an unsustainable path in almost all EU countries), as well as an emphasis on quality of public expenditure (i.e. saying the EU 2020 goals cannot be reached without making a proper investment in key areas, such as education and innovation). As the paper rightly points out, **aligning policy priorities with budget priorities must also happen with regards to the EU budget**, stating that the Commission “intends to take them [the priorities] up in the budget review it will publish next year and in its proposals for the next multi-annual financial framework.” This is very smart, to first get the European Council to agree on EU 2020 priorities and *then* start the reflection on the EU budget, which will inevitably show the complete lack of alignment between what we supposedly want to achieve at the European level, and how we spend EU funds.

On Governance

- It is clear – and understandable – that the **Commission does not want the sole responsibility for the EU 2020 Strategy**. It has learned from the experience of the Lisbon Agenda, where ostensibly the Commission was in charge but in reality only the member states could make it a success. For instance, the 70% employment target could only be reached at national level. Brussels did not have the power to directly intervene in domestic labour markets, and neither could it force member states to spend more on R&D, another of the key targets.
- Against this backdrop, it is **smart to highlight the degrees of interdependencies** that exist in Europe, for instance interdependence between the member states, between different levels of government (EU, national, local), between different policies and between Europe and the rest of the world. These interdependencies, according to the Commission, will require “increased policy co-ordination, better synergies through effective subsidiarity, and strengthened partnership between the EU and member states in the design and delivery of public policies.” While that’s true, the paper does not explain how this different modus operandi will be orchestrated and designed.
- Not surprisingly, the Commission sees the **European Council clearly in the driver seat**, “since it is the body which ensures the integration of policies and manages the interdependence between Member States and the EU.” The Commission is thus calling on the European Council to “steer the strategy, making the key decisions and setting the objectives.”
- But there is also a recognition that the **Commission will use its own powers**, such as internal market, trade, competition, Stability and Growth Pact, **to make advances** and take responsibility for driving forward progress in the areas where it has competencies.
- There is a **smarter division of labour**: the Commission will do what it can within the powers assigned to it, while also playing a coordinating and supportive role of the entire process. It will also monitor progress and provide commentary and evaluation to the performance of member states. However, the onus is clearly on the member states. With regards to the **European Parliament**, the Commission mentions that it would like it to **play a greater role**, for instance by “expressing views of the EU 2020 strategy before the

spring European Council.” Finally, the paper also invites the **social partners, civil society, national parliaments and regions** to lend their active support.

- There is a clear desire on the part of the European Commission to **make the process more inclusive and to give more ownership to others**. That is very smart, as that was one of the major shortcomings of the previous strategy.

What is not mentioned?

- Quite tellingly, the **Lisbon Coordinators**, which are assigned by member states to support and coordinate the Lisbon Agenda on a national and EU level, are not mentioned. This is likely due to the fact that this group has never worked very well. For starters, there were huge differences in rank, with some member states nominating ministers, others civil servants, and for the most part, the holders of the post were in weak positions domestically, having either no civil service to support them or not high enough of a standing in the government to really make a difference. This omission may signal the end of the Lisbon Coordinators group, or at the very least implicitly recognises that this body needs serious re-thinking and revision.
- Interestingly, there is also very little overt mention of the **role of the public sector in delivering on EU 2020**. Not only is the public sector a sizable part of the economy but it is also often the key stumbling block for modernisation, i.e. the system’s inability to renew itself and adapt to new realities. The public sector is due for major changes in coming years and decades, partly due to the crunch in public finances which will necessitate profound change but also due to the onset of new technologies and more demanding users/consumers. Devising a future policy blueprint for Europe, and not taking proper account of the importance and size of the public sector, appears a major omission from what is supposed to be a holistic strategy.
- It is **not clear what role indicators will play in the new strategy**. While the paper mentions that the European Council should “fix a small number of headline objectives”, it is not clear if that makes reference to indicators, and whether the new strategy will be based on the “old” indicators of 70% employment rate and 3% R&D target or whether new indicators will be introduced. Indicators are tricky: they really do help to focus policy attention on the goals at hand, i.e. member states really did try to spend more on R&D and raise their employment rate. But it can also divert attention from areas that might potentially be more important (i.e. is R&D spending more important than education spending?), not to mention the fact that when targets are not reached, the entire policy process is considered a failure. It will be very interesting to see what will happen with regards to indicators and if new ones are added or old ones removed. The paper seems purposefully vague on this issue.

Timeline

- 24 November 2009 – 15 January 2020: Public Consultation
- 1 January, 2010: Spanish EU Presidency starts
- Early 2010: Commission proposals on EU 2020 tabled
- 25-26 March 2010: Spring European Council will set strategy for next 5 years