

e-brief

Issue 01/2008

From Why to How

Reflections on the Lisbon Agenda Post-2010



By Ann Mettler

Ann Mettler is executive director of the Lisbon Council

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.

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

Karl Marx

Europe has spent the first part of this decade grappling with the reasons why reforms are necessary.¹ *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,

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).

'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 21st 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 21st 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.² 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.³ 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.⁴

• **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

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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 19th 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.⁵ 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.⁶ 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.⁷ 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 21st 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.⁸

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:

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- **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.⁹ 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.¹⁰ 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.¹¹ 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 21st 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.¹² 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.¹³ 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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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.¹⁴ 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.¹⁵ 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.¹⁶ 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.¹⁷ 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.¹⁸ 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.¹⁹ 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.²⁰ 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.²¹ 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.²² 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), 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.

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

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.²⁴ 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.²⁵ 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.