

Brussels, 12 April 2005



## The new Integrated economic and employment guidelines

On March 22 and 23, the Heads of State and Government of the EU endorsed the revision of the Lisbon Strategy as proposed by the Commission.<sup>1</sup> The Spring European Council approved the simplified governance arrangement with one set of Integrated Guidelines dealing with macro-economic, micro-economic and employment issues. Taking stock of the unsatisfactory results half way to the 2010 target, the Commission proposed a fundamental revision of the original strategy. To overcome the rather limited implementation of reform in Member States so far, the Commission has proposed focusing partnership with Member States on growth and jobs and introduced a Lisbon Action Plan<sup>2</sup> that outlines actions to be taken at EU and at national level under three policy areas:

### ***Making Europe a more attractive place to invest and work***

- (1) Extend and deepen the internal market
- (2) Ensure open and competitive markets inside and outside Europe
- (3) Improve European and national regulation
- (4) Expand and improve European infrastructure

### ***Knowledge and innovation for growth***

- (5) Increase and improve investment in Research and Development
- (6) Facilitate innovation, the uptake of ICT and the sustainable use of resources
- (7) Contribute to a strong European industrial base

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<sup>1</sup> Communication to the Spring European Council: "Working together for Growth and Jobs: A new Start for the Lisbon Strategy", Brussels, 2 February 2005, COM (2005) 24.

<sup>2</sup> Companion document to the Communication to the Spring European Council: "Lisbon Action Plan incorporating EU Lisbon programme and recommendations for actions to member states for inclusion in their national Lisbon programmes", Brussels, 2 February 2005, SEC (2005) 192.

### **Creating more and better jobs**

- (8) Attract more people into employment and modernise social protection systems
- (9) Improve the adaptability of workers and enterprises and the flexibility of labour markets
- (10) Invest more in human capital through better education and skills.

The Commission proposal for the integrated guidelines package is mainly based on the priority action areas as identified in its Lisbon mid-term review. While the macroeconomic guidelines (covering for instance budgetary policy, reduction of public debts and EMU issues) have no counterpart in the Lisbon Action Programme, the micro-economic guidelines build on Lisbon action areas (1) to (7), and the employment guidelines build on Lisbon action areas (8) to (10).

#### **Integrated guidelines for growth and jobs (2005-2008)**

##### **Macroeconomic guidelines**

- (1) Secure economic stability
- (2) Safeguard economic sustainability
- (3) Promote an efficient allocation of resources
- (4) Promote greater coherence between macroeconomic and structural policies
- (5) Ensure that wage developments contribute to macroeconomic stability and growth
- (6) Contribute to a dynamic and well-functioning EMU

##### **Microeconomic guidelines**

- (7) Extend and deepen the internal market
- (8) Ensure open and competitive markets
- (9) Create a more attractive business environment
- (10) Promote a more entrepreneurial culture and create a supportive environment for SMEs
- (11) Expand and improve European infrastructure and complete agreed priority cross-border projects
- (12) Increase and improve investment in R&D
- (13) Facilitate innovation
- (14) Encourage the sustainable use of resources
- (15) Contribute to a strong industrial base

##### **Employment guidelines**

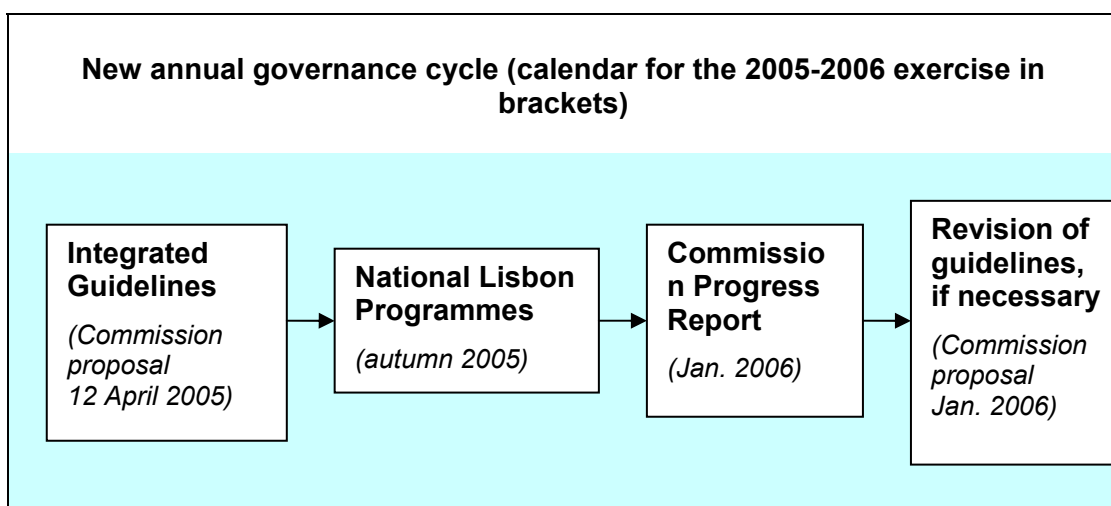
- (16) Implement employment policies aiming towards full employment, improving quality and productivity at work, and strengthening social and territorial cohesion
- (17) Promote a lifecycle approach to work
- (18) Ensure inclusive labour markets for job-seekers and disadvantaged people
- (19) Improve matching of labour market needs
- (20) Promote flexibility combined with employment security and reduce labour market segmentation
- (21) Ensure employment-friendly wage and other labour costs developments
- (22) Expand and improve investment in human capital
- (23) Adapt education and training systems in response to new workplace requirements.

The full text of the integrated guidelines is available at:

[http://europa.eu.int/growthandjobs/index\\_en.htm](http://europa.eu.int/growthandjobs/index_en.htm)

### **A new governance cycle**

In order to make Lisbon work, the delivery mechanisms of the Lisbon strategy need to be improved. The Broad Economic Policy Guidelines and Employment Guidelines have been merged in a single integrated guideline package allowing for a clear strategic vision of European challenges in the fields of macro- and microeconomics as well as employment. This integrated approach is intended to leverage the guidelines, which are the cornerstones of EU economic policy, and make them a driving force of the Lisbon strategy. Modernizing economic and employment coordination in the EU will help deliver on the new Lisbon objectives to create growth and jobs. The proposed **integrated guidelines** will constitute the beginning of a new governance cycle. On the basis of the guidelines, Member States will draw up 3-year national reform programmes. Member States will report each autumn on the implementation of the reform programmes in a single national Lisbon report. The Commission will analyse and summarise these reports in an EU Annual Progress Report in January each year. On the basis of the progress report, the Commission can propose amendments to the integrated guidelines, if necessary.



As limited time will have lapsed between the presentation of the national Lisbon programmes in the autumn and the first Progress Report in January 2006, the Commission will in the 2006 Progress Report mainly comment on reforms underway across the Union. The first more substantial EU reporting on the actual implementation of the Member States national reform programmes will take place in the 2007 Annual Progress Report following Member States presentation of their first national Lisbon report in the autumn of 2006.

## What are the integrated guidelines?

A new simplified and integrated guideline package (IGP) has been established that brings together two sets of existing guidelines: the Broad Economic Policy Guidelines (BEPGs, Treaty art. 128) and the Employment Guidelines (EGs; Treaty art. 99). The new integrated guidelines are the central policy-making instrument for the development and implementation of the Lisbon strategy. Following the Commission's adoption of the guidelines today, they will later need to be endorsed by the European Council in June and formally adopted by the Council after that. The new integrated guidelines will apply over a three-year period, i.e. 2005-2008. In 2006 and 2007, updates of the guidelines could be issued if needed. The next set of new guidelines will be adopted at the beginning of the new three-year cycle in the summer of 2008.

## What is the role of the guidelines?

The new integrated guidelines constitute the beginning of a new governance cycle and form the basis for Member States' national Lisbon/Reform programmes. These will cover a period of three years and will spell out the action to be taken at the national level in order to achieve the Lisbon objectives of growth and jobs. While the guidelines will provide the basic structure for the presentation of national Lisbon programmes in the autumn, they leave sufficient scope for Member States to set national priorities according to their specific situations. The Commission is preparing a "guidance document" on the presentation and the content of the national Lisbon programmes. The involvement of relevant stakeholders at regional and national level, including parliaments, can help to raise awareness of the need for structural reforms, improve the quality of implementation and increase the sense of ownership of the Lisbon strategy. In order to enhance their internal coordination, Member States can choose to appoint a national Lisbon coordinator or "Mr/Ms Lisbon".

## Why do we need a new start for Lisbon?

- Insufficient progress has been made to reach the Lisbon objectives.
- Although **EU productivity levels** were growing faster than those in the US for five decades, since 1996 the EU has been lagging the US every single year. Labour productivity in the US is now growing twice as fast as in Europe. As a result our relative levels of wealth have also started slipping.
- **Europe is not investing enough**: investment has – on average – been growing by only 1.7% per year compared with 5.4% per year in the USA.
- **We are not spending enough on Research & Development**: the USA is spending about € 100 billion more on R&D than Europe. The EU has only 25% of the number of patents per head of population found in the USA.
- Finally, while in the USA 32% of population has **university or similar degree**, this percentage stands at only 19% in Europe. In addition, the USA is also investing about twice the amount per student as most European countries.
- These trends, if not addressed, will drag down the potential **growth rate to slightly over 1%** - or a third of the Lisbon objective.
- 2004, the **average growth** of the Euro area was a meagre 2.2%, while the US economy grew by 4.3%, Japan by 4.4%, India by 6.4% and China by 9%.
- We need to revamp the Lisbon Strategy because the **delivery process** which has become too **complicated** and is poorly understood. It generates much paper, but little action. Responsibilities between the national and the European level have become blurred. Limited ownership of member states is the result.