



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.7.2005
COM(2005) 330 final

**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT**

**Common Actions for Growth and Employment:
The Community Lisbon Programme**

[SEC(2005) 981]

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Common Actions for Growth and Employment: The Community Lisbon Programme

1. A MESSAGE OF CONFIDENCE AND DETERMINATION

The message at the heart of the Lisbon partnership for growth and employment is one of confidence and determination: the challenges facing Europe's society, economy and environment are surmountable. If managed well they can be turned into new opportunities for Europe to grow and create more jobs.

At present, Europe finds itself at a crucial crossroads facing both internal and external challenges. On the one hand, Europe must address the challenge of ageing populations which in the long-run will result in a considerable shrinking of the working-age population while increasing the share of retired persons. Unless the decline in the size of the workforce is compensated by increases in labour productivity, potential growth will drop dramatically to around 1% by 2040, which is only half of the current level. Such a decline in economic performance together with a rise in age-related expenditures would put the European social model under considerable stress. On the other hand, the increased pace of globalisation has exposed the EU economy to mounting competition from abroad. The range of economic activities exposed to external competition has widened, now including the production of both high-tech and labour intensive goods and services. R&D investment in the EU has become close to stagnation. If current trends continue, R&D investment will be at 2,2 % of GDP in 2010, considerably lower than the agreed objective of 3%. Against this background important decisions need to be taken which will determine Europe's economic and social future.

On 2 February 2005, the **Commission proposed a new start for the Lisbon Strategy** focusing the European Union's efforts on two principal tasks – delivering stronger, lasting growth and more and better jobs.¹ The institutions of the European Union have begun to turn the new momentum for a re-launch into concrete action since. The **European Council of March**, as well as the European Parliament and the European social partners, **gave full support** to the Commission's proposal to re-launch and refocus the Lisbon Strategy.

The goal of the Lisbon partnership for growth and employment is to modernize our economy in order to secure our unique social model in the face of increasingly global markets, technological change, environmental pressures, and an ageing population. This strategy is also to be seen in the wider context of the sustainable development requirement that present needs have to be met without compromising the ability of future generations to meet their own needs.

We have the resources to sustain our high living standards, but we need to take action to unlock them. Europe will need to invest more in its young people, education, research and innovation, so that we can provide our society with the assets and outlook to generate wealth

¹ COM (2005) 24 of 2.2.2005

and provide security for every citizen. We will further open markets, cut red tape and invest in modern infrastructure so that our enterprises can grow, innovate and create new jobs. And we will take the necessary steps to develop a skilled and entrepreneurial workforce so that all Europeans can enjoy the benefits of a society with high employment, a high level of social protection and a healthy environment. All these steps will be taken against a background of sound macroeconomic policies.

The goal itself is compelling, but the steps to get there need explaining. The challenges facing our society today provoke a sense of uncertainty and pessimism in some of our citizens. Social and economic progress often entails significant changes in the life of individuals, with risks as well as benefits. Citizen's legitimate worries need to be taken seriously; the benefits of our new strategy to citizens' daily lives need to be properly explained..

Boosting growth and creating jobs are the keys for unlocking the resources needed to meet our economic and social ambitions and are important to reach our environmental objectives. Recent public debate has shown them to be of immense importance to our citizens. The re-launch of this ambitious project aims to ensure both. Some policy actions will take time to show visible effects. Others will deliver early benefits. In all cases, they must be approached with a strong sense of urgency and collective responsibility. There is no time to lose.

2. A MANDATE FOR ACTION

One important element of the Lisbon re-launch is the overhaul of its governance structure to define more clearly the respective responsibilities at the national and the Community level in order to better match tasks and competences. The Commission must complement the efforts of Member States. As a consequence, policy actions at Community and Member-States level have been split into complementary but separate agendas.

While the success of the Lisbon partnership for growth and employment depends predominantly on the Member States and their determination to introduce the necessary structural reforms, the Community dimension of the strategy contributes essential value added. Indeed, maximum synergies and efficiency can only be achieved if national reform measures are complemented with action at the Community level. The policy measures presented in the Community Lisbon Programme all offer **a clear value added** because of action being taken or coordinated at the Community level. This added value is particularly obvious for Community policies related to internal market, to improvement of infrastructure and to creating better framework conditions for business. Much more stress must also be put on policies promoting knowledge, education and skills in order to strengthen EU competitiveness and sustainable growth while ensuring social and territorial cohesion.

The European Council in June endorsed the Integrated Guidelines for Growth and Jobs, which constitute a basis for Member States' national programmes for growth and jobs. The European Council also invited the Commission to present, as a counterpart to the national programmes a "**Community Lisbon Programme**" covering all actions at Community level. This programme will follow the structure of the integrated guidelines for growth and jobs. Policy measures proposed under this programme fall under three main areas:

- Knowledge and innovation for growth,
- Making Europe a more attractive place to invest and work,

- Creating more and better jobs

Progress at both national and Community level will be reviewed in a single EU Annual Progress Report. As far as the Community level is concerned, the report will be based on regular monitoring of the actions listed in this Community Lisbon Programme. The EU Annual Progress Report will also evaluate the implementation of Member States' national programmes. On the basis of this annual assessment the Commission will identify, if necessary, further actions needed at the Community level and will revise the Community Lisbon Programme accordingly.

Despite the absence of an agreement on the **financial perspectives for the years 2007-2013**, the Commission counts on an agreement in the near future, and urges Member States to decide on adequate financing of actions relevant to competitiveness for growth and employment.

3. THE COMMUNITY LISBON PROGRAMME – AN AGENDA FOR GROWTH AND JOBS

The design and implementation of macroeconomic, microeconomic and employment policies lies primarily with Member States and will be set out in national reform programmes this autumn. The Integrated Guidelines for Growth and Jobs provide guidance for such policies.

The Community contributes to the overall economic and employment policy agenda by completing the internal market and by implementing common policies and activities that support and complement national policies. It will in particular **concentrate on a number of key actions** with high value-added:

- the support of knowledge and innovation in Europe,
- the reform of the state aid policy,
- the improvement and simplification of the regulatory framework in which business operates,
- the completion of the Internal Market for services,
- the completion of an ambitious agreement in the Doha round,
- the removal of obstacles to physical, labour and academic mobility,
- the development of a common approach to economic migration,
- the support of efforts to deal with the social consequences of economic restructuring.

The full list of measures of the Community Lisbon Programme is annexed², setting out measures foreseen in the regulatory domain, financial instruments and proposals for policy development. Efforts to raise the Union's growth potential need to be undertaken against a background of sound macroeconomic policies. The recently agreed improvement in the implementation of the Stability and Growth Pact will help achieve better macroeconomic

² SEC(2005) 981 of 20.7.2005

stability in the EU, an essential element for delivering sustainable economic growth and job creation.

The Commission has proposed that programmes supported by the **Structural Funds and Cohesion Fund** target investments in knowledge, innovation and research capacities as well as improved education and vocational training, thus equipping workers with the skills to master change and take up new activities. They will contribute to improving the attractiveness of Member States, regions and cities through support for economic infrastructure. Major infrastructure investment in transport, environment and energy is necessary in regions that are lagging behind, especially in the new Member States, in order to encourage growth and long-term convergence with the rest of the Union. By improving accessibility, efficient infrastructure networks are one of the preconditions for business growth and job creation in these areas.

The new **rural development fund** will focus more specifically on the creation of growth and jobs in rural areas, while protecting and enhancing natural resources. Resources will be focussed on forward looking investments in people, innovation, know-how and capital in the farm and forestry sectors, take-up of ICT in rural areas and on creating more and better jobs through rural diversification, particularly for women and young people.

The Commission has just presented a set of **Community strategic guidelines for 2007-2013³ targeting the next generation of cohesion policy and rural development programmes more on growth and jobs**. The guidelines seek to align cohesion and rural development policy closely with the Lisbon agenda and they set out a framework to ensure that the priorities –attractiveness of Europe as a place to invest and work, knowledge and innovation, and more and better jobs for all – are reflected in operational programmes at national and regional level.

The horizontal contribution of the **European Investment Bank (EIB) and the European Investment Fund (EIF)** in terms of financing– particularly through the EIB's Innovation 2010 Initiative - should also be emphasized.

3.1. Knowledge and innovation– engines of sustainable growth

Knowledge is a critical factor with which Europe can preserve its international competitive advantage. It is by pooling resources and ensuring a competitive environment for research based on excellence that the EU can best contribute to improve the research potential of Europe. Greater and more efficient investment in knowledge and innovation is needed in order to meet the overall EU target for research investment of 3% of GDP and to develop the capacities and the tools to make Europe more competitive, create jobs and ensure sustainable growth. While the main responsibility for encouraging higher and better investment lies with Member States, the Community will complement this effort from the Community budget to stimulate, organise and exploit all forms of EU-level co-operation in research, innovation and education. A **combination of Community regulation and Community funding** will serve to promote technological innovation and to attract people and capital into European research and into innovative business ventures.

³ COM(2005) 299 of 5.7.2005 and COM(2005) 304 of 5.7.2005

In the regulatory field, the Commission announced a comprehensive reform of state aid policy to promote growth, jobs and cohesion⁴. A number of revisions are foreseen to facilitate the targeting of State aid towards supporting knowledge and innovation. The State Aid Framework for R&D will be revised notably to increase collaboration between public research institutes and industry and may be extended to cover new provisions to support innovation, especially for small and medium-sized enterprises (SMEs). In addition, it is foreseen that state support to young and innovative companies is facilitated, not only through direct financial support, but also by facilitating access to risk capital funding. Measures in favour of a supportive environment for innovation, including aid to training, mobility, and clustering may also benefit from more flexible provisions. Altogether, the reform will improve the general conditions for innovation in a simpler administrative framework for Member States. Because competitive markets remain the best instrument for fostering innovation and knowledge, the new rules will ensure that state aid is granted only where spill-overs for society are significant and competitive conditions are not distorted.

With regard to Community funding, the Commission proposed two major spending programmes for the period 2007 to 2013, namely the **Seventh Framework Programme for Research, Technological development and Demonstration (RTD) activities⁵** and the **Competitiveness and Innovation Framework Programme⁶**.

The proposal for a 7th RTD Framework Programme addresses the promotion of excellence and the fragmentation of European research efforts, the free movement of knowledge and researchers, Europe's weakness in exploiting research results, and the promotion of R&D-driven regional clusters. The activities proposed are highly relevant to industry's needs, benefiting from the strategic research agendas developed by industry-led Technology Platforms. They include increased research and innovation in **Information and Communication Technologies (ICTs)**. Furthermore, the initiative "i2010 – a European information society for growth and employment" aims at supporting the production and use of these technologies as a key driver for social and economic development.

The RTD Framework Programme introduces a new and more ambitious approach to large-scale public private partnerships in fields of major interest for European competitiveness. These will be identified through dialogue with industry - in particular through Joint Technology Initiatives, which are currently envisaged in the fields of innovative medicine, nanoelectronics, embedded systems, aeronautics and air transport, hydrogen and fuel cells, and global monitoring for environment and security.⁷ It also introduces a new risk-sharing mechanism to improve access to EIB loans.

The RTD Framework Programme will pay particular attention to **growth opportunities for SMEs**, helping them to carry out or outsource research, develop new technology-based products and markets, expand networks, exploit research results, acquire technological know-how and train their employees to master the skills of change – and thereby create more of jobs.

The **Competitiveness and Innovation Framework Programme** will be primarily geared towards SMEs and entrepreneurs. By improving access to markets, finance and support

⁴ COM(2005) 107 of 7.6.2005

⁵ COM (2005) 119 of 6.4.2005

⁶ COM (2005) 121 of 6.4.2005

⁷ SEC (2005) 800 of 10.6.2005

services, it will support innovative businesses, promote the uptake of ICTs and environmental technologies, and facilitate their funding through risk capital.

The **Trans-European network budget lines** support the practical application of RTD knowledge and innovation programmes, through industrial projects which should help to reduce congestion and increase productivity. The most important are Galileo (satellite-based radio navigation for all modes of transport), ERTMS (railways) and SESAME (air traffic control) and other Intelligent Transport Systems applications.

There is significant economic, environmental and employment potential in **environmental, energy-efficient and renewable energy technologies**. The Commission will therefore step up its promotion of the development and application of environmental technologies and the uptake of eco-innovations, in particular through the Environmental Technologies Action Plan (ETAP)⁸. Such technologies will be supported by increased research and technology dissemination efforts on the one hand, and through public and private investments via the Structural Funds and the European Investment Bank, notably to promote low-carbon technologies.

Agreement on the **Community Patent** remains a vital element of the Union's commitment to promote a knowledge-driven, innovative economy. The Community will support efforts to maintain a **strong industrial capacity** by jointly addressing research, regulatory and financing challenges at the European level where, for reasons of scale or scope, individual Member States cannot successfully tackle market and public-policy failures in isolation.

3.2. Making Europe a more attractive place to invest and work

In order to attract more investment, generate employment and accelerate growth, it is important to facilitate market-entry within sectors and between Member States. The Community will therefore give **top priority to the completion of the internal market and to improving the regulatory environment** as the two most important policy levers to create jobs and improve Europe's growth performance.

Better regulation has a significant positive impact on the framework conditions for economic growth, employment and productivity. By improving the quality of legislation, it creates the right incentives for business, cutting unnecessary costs and removing obstacles to adaptation and innovation. The measures foreseen in the 'better regulation' initiatives by the Commission and the Council Presidencies need to be implemented rapidly.

The Commission will continue its work mainly in three areas:

- New policy initiatives in the Commission Legislative and Work Programme, such as white papers, legislative proposals and expenditure programmes, will all be subject of a solid impact assessment.
- Thorough screening of proposals pending before the Council/Parliament will lead potentially to modification, replacement or withdrawal of such proposals.
- Simplification of key existing legislation will be pursued and a new phase of the simplification programme will be launched on the basis of sectoral action plans.

⁸ COM(2004) 38 of 28.1.2004 and COM(2005) 16 of 27.1.2005

Inefficient regulation, difficult market access and insufficient competitive pressure can inhibit innovation in sectors with high growth potential and reduce benefits to consumers. The Commission therefore has launched a series of sectoral reviews to identify obstacles inhibiting growth and innovation in key sectors, with a particular view to SMEs. Moreover, the Commission will outline a new approach to taking **SME concerns** into account when proposing Community legislation and policies.

The internal market for services must be made fully operational, while preserving the European social model. The **services sector** has been responsible for almost all the new jobs created in the EU in the period 1997-2002. Services now account for 70% of EU value added. However, services only account for around 20% of intra-EU trade. The completion of a single market in services should lead to an increase in the GDP level by 0.6% and of the employment level by 0.3% (up to 600.000 jobs) in the medium term. The Commission will work constructively with the European Parliament, the Council and other stakeholders within the legislative process to secure a broad consensus on the amended Service Directive.

The provision of effective and high quality **Services of General Economic Interest (SGEI)** is a key component of the European welfare state, is essential for ensuring social and territorial cohesion, and contributes to competitiveness. Following up on its 2004 White Paper on SGEI, the Commission will take initiatives to provide more guidance on this principle.

The full integration of **financial markets** will also contribute to raising output and employment by allowing more efficient allocation of capital and creating better conditions for business finance. As the bulk of legislation has already been adopted, attention must now shift to implementation and consistent application of the rules. At the same time it is important that any remaining market-entry barriers are addressed.

For the Single Market to work effectively, the free flow of goods, services and people requires adequate and sustainable infrastructure, which in turn is an important location factor for business investment. Community funds and regulation will complement national efforts to promote the interconnection, interoperability and accessibility of national networks. The Union should step up its efforts to concentrate the support available from the TEN transport budget line and other Community budgetary and financial instruments on the 30 major transport priority axes and projects selected by the Decision on the Community Guidelines⁹. Member States must deliver on their commitments to begin work on 45 “**quick start**” **cross-border projects for transport, energy and broadband networks, R&D and innovation**. European coordination on a project-by-project basis must be matched by a clear commitment on the part of the Member States concerned to launch a planning and financing process.

In order to overcome the obstacles encountered by enterprises operating in several Member States due to the existence of different rules governing how companies are taxed in each of the 25 Member States, the Commission is trying to achieve an agreement on a **common consolidated corporate tax base** and its implementation.

The Community is committed to the completion of an ambitious agreement in the **Doha round**, complemented by bilateral and regional trade agreements. The Commission will continue to pursue its **regulatory and administrative dialogue** at the international level, including bilateral aviation and maritime service agreements, as this is a means to ensure that

⁹ Decision of 29.4.2004 amending decision 1692/96/EC.

our standards are maintained and applied elsewhere. Furthermore, the Commission will drive forward its Strategy for the Enforcement of Intellectual Property Rights in Third Countries in an effort to halt the increase in piracy and counterfeiting. A new initiative will also be launched to press for better market access to third countries' procurement markets.

3.3. Creating more and better jobs

If Europe is to achieve full employment, improve quality and productivity at work and strengthen social and territorial cohesion it must attract and retain more people in employment, increase labour supply, modernise social protection systems, improve the adaptability of workers and enterprises and increase investment in human capital through better education and skills.

These objectives and priorities are also at the core of the recently launched **Social Agenda**¹⁰ and are reflected in the integrated guidelines for growth and jobs. While the main responsibility for employment, social protection, education and training policies lies with national public authorities, the Community will complement their efforts. European social partners will be invited to play a major role.

The Community is committed to **improving the anticipation and management of economic restructuring**. Restructuring and relocation are inevitable consequences of economic progress and market integration. When they occur, however, they may have destabilizing consequences on the citizens and communities affected. In such cases, all available instruments should be mobilised to help those affected to master the changes and turn them into new opportunities, while providing adequate security and safety nets. In this respect, the Commission will follow-up on its Communication on restructuring and employment¹¹ on a sectoral and regional basis. The Commission also believes it is important to establish a fund to help people and regions most negatively affected by the process of economic restructuring, and a reserve for unforeseen consequences of structural change.

To facilitate **occupational and geographic mobility** and open up the employment opportunities arising from a pan-European labour market, the Community will remove obstacles to labour mobility. The Commission will follow up on the adoption of the Directive on the recognition of professional qualifications and will propose a European Qualifications Framework, supporting recognition of qualifications and competences by creating the conditions for transparency and mutual trust, thus facilitating academic and professional mobility in a wider context than the regulated professions

In order to tap the world's human capital and mine its wealth of knowledge, the Commission will work towards a **common framework for managing economic migration** at EU level and proposes accelerated admission procedures for longer term stays of third country researchers and the facilitation of uniform short-stay visas.

To raise employment and productivity and strengthen social cohesion, the Community supports and supplements Member States' efforts in the domains of **human capital, education, vocational training**, including a particular focus on integrating young people, as set out in the **European Youth Pact**¹². In order to attract and keep more people in

¹⁰ COM (2005) 33 of 9.02.2005

¹¹ COM (2005) 120 of 31.3.2005

¹² COM (2005) 206 of 30.05.2005

employment the Commission will assist Member States in developing active ageing strategies, including measures to increase healthy life years. To complement the activities of the European Social Fund, the Commission proposed a Lifelong Learning Programme to support EU-wide activities and networking in this field.

The Commission intends to support **universities** and providers of tertiary education in their efforts to contribute more fully to achieving the Lisbon goals, for example by mobilising all sources of EU funding for their modernisation, and by strengthening cooperation under the Education and Training 2010 programme to complement the Bologna process. The Commission will also examine the establishment of a European Institute of Technology in order to attract the very best minds and ideas from around the world.

4. CONCLUSION

In order to ensure the credibility of the renewed Lisbon partnership for growth and employment and to enlist the continued support of European citizens, action has to be taken immediately to achieve visible results. In particular, measures on Community level should concentrate on key actions, such as the support of knowledge and innovation in Europe, the reform of the state aid policy, better regulation, the Internal Market for services, the completion of the Doha round, the removal of obstacles to mobility, economic migration, and the social consequences of economic restructuring. It will also be essential to align cohesion and rural development policy more closely with the Lisbon partnership for growth and employment. The Commission calls on the other institutions of the European Union to make a concerted effort to deliver quickly on these policies.

Synergies and complementarities between the Community Programme and the Member States reform programmes are key to the success of the renewed Lisbon strategy. In the spirit of the partnership for growth and jobs and in order to implement this Programme successfully, the European Commission will work closely together with the European Parliament and the Council of Ministers and draw on the expertise of other EU institutions, such as the European Economic and Social Committee, the Committee of the Regions and, in the financial field, the European Investment Bank.

The Lisbon partnership requires a long-term communication strategy that not only keeps our citizens informed, but engages them in the process. The main thrust of our communication efforts must be at national, regional and local levels. This is why there must be close and continual coordination with national governments, parliaments, regions, cities and civil society. This will provide the democratic legitimisation of the strategy itself and the basis for it to succeed.

We have entered a crucial stage, both in a political and in an economic sense. We expect Member States to come up with credible and ambitious action plans to make Lisbon work. Europe has to show the way. Europe has to show that it can choose. It has to substantiate its choices. The choices need to be ambitious but realistic. By showing leadership the Commission can stimulate and encourage Member States to do the same. It is only by the combined forces of the Commission, the European Parliament and the Member States that Europe can reach the ambitious goals set in the renewed Lisbon agenda. Now is the time to deliver.