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**STIMULATING GROWTH AND EMPLOYMENT IN THE EU:
WHAT IS THE RELEVANCE OF THE LISBON AGENDA
IN A GLOBALISING WORLD?**

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The Lisbon Agenda

- **In March 2000, the EU Heads of States and Governments agreed to make the EU "the most competitive and dynamic knowledge-driven economy by 2010".**
- **Concern to catch up with USA as a highly competitive knowledge-driven economic system – but unlike the USA the EU must have a strong social dimension.**

The Lisbon Agenda – View of Commission

- **The main issues for the realisation of the Lisbon agenda were:**
- **Increase in R&D and investment to boost growth.**
- **Development of business friendly policies.**
- **Protection of key elements of the social model.**
- **End result increase in employment and with many of the new jobs being highly paid with all workers having high standard employment conditions and all of the population having good social protection.**

The Lisbon Agenda – View of UNICE

- **Better regulation with compulsory business assessment for new legislative proposals.**
- **Reforms of social security systems.**
- **Increased investment in R&D and innovation by Member States & universities and industry.**
- **Reductions of company tax levels.**
- **Better education on entrepreneurship.**
- **More flexible regulation of labour markets.**
- **Implementation of internal market legislation.**

The Lisbon Agenda – View of ETUC

- **Trade unions reject the one-sided use of the Lisbon strategy to legitimise "neo-liberal policy approaches", saying that "the Lisbon Strategy must be implemented in a manner that is economically, socially and ecologically balanced."**

The Lisbon Agenda – View of Green/EFA Group in EP

- **Call upon Member States and the Commission to recognise that economic growth, social cohesion, and environmental protection must go hand in hand.**

The Kok Report

- **Kok report 2004**

- **Conceded that there had been little progress to implement the Lisbon Agenda.**
- **Recommended a focus on policies to promote growth and employment.**
- **Advised against a move towards a US type of minimal social welfare system.**

Conflict between employers and trade unions

- **Most employers have an emphasis on deregulation, completion of the internal market, labour market reforms, a business friendly approach to law making by the EU, and a perceived need to embrace the globalisation process.**
- **Trade Unions seek to protect social model and to avoid 'social dumping' from the deregulation and internal market process and strong concerns about the globalisation process – protection of employment conditions a top priority.**

National Business Systems

- **Countries have different national business systems determined by their institutional systems and norms of behaviour.**
- **National business systems largely determine the rules of the**

game for economic, political and social transactions connected to business transactions.

- **These systems are largely path determined by history and normally they change slowly.**
- **They can however experience rapid change in periods of crises but they still retain strong institutional and norms of behaviour patterns over long periods of time.**

National Business Systems Type 1

- **National business systems geared towards open economies (active participation in globalisation process), extension of internal market based on mutual recognition with most aspects of EU based social protection at minimal level, and flexible labour markets - UK and to a lesser extent Ireland.**

National Business Systems Type 2

- **National business systems concerned to protect social model (or to have slow pace of reform of this model) and to protect and encourage national (European) champions in key industries, major concerns about the globalisation process, and strong emphasis on protecting employment conditions – France and to a lesser extent Germany, Italy and Spain.**

National Business Systems Type 3

- **National business systems geared towards globalisation process and development of high employment (with reformed social model) founded on knowledge-based industries, labour markets geared towards encouraging high productivity with high wages (to pay high taxes for social protection) – the Netherlands and Scandinavian countries**

National Business Systems Type 4

- **Emerging national business systems with an uncertain orientation towards social model and the globalisation process but with problems of catching up to the labour productivity levels of the richer members of the EU – new member states and the countries with aspirations to join the EU.**

Market Orientated Model

Strong market based reforms

Social model conditions largely determined by member states

Increased growth and employment

Business friendly policies

Open to globalisation process

Economic stability

Market Orientated Model

- **Support from most employers, member states with national business systems types 1, 3 and some type 4.**
- **Problems with the extent of minimal EU laws connected to the social model – conflict between type 1 and types 3 and 4.**
- **Problems with labour that cannot attain productivity levels to compete in competitive EU markets and problems adjusting to an open approach to the rest of the world in trade and investment.**

Market Orientated Model

- **Opposition from many of the countries with national business systems type 2 (and possibly some in national business systems type 4), trade unions, Green and Socialist**

groups in the European Parliament.

- **Likelihood of good progress with Lisbon Agenda with this model is low.**

Social Orientated Model

Weak market based reforms

Social model conditions increasingly determined by EU laws and policies

Increased growth and employment

Business policies geared towards European champions

Cautious approach to globalisation process

Economic Stability

Social Orientated Model

- **Support from trade unions, member states with national business models type 2 (and possible some with national business systems type 4), Green and Socialist groups in European Parliament.**
- **Problems of low competitiveness and loss of private sector jobs in face of competitive pressures from globalisation process.**

Social Orientated Model

- **Problems with most employers and member states with national business systems type 1, 2 and possibly some with type 4.**
- **Opposition from some of member states with national business systems type 2 (eg, Germany) to reluctance to adjust to the pressures of globalisation.**
- **Likelihood of good progress with Lisbon Agenda with this model is low.**

Possible Scenarios

- **Rapid movement of national business systems towards type 1 with adoption of market orientated model with strong opposition from trade unions and Green and Socialist groups in European Parliament – most unlikely outcome.**

Possible Scenarios

- **Rapid movement of national business systems towards type 2 with adoption of social orientated model with strong opposition from employers – most unlikely outcome.**
- **Very slow evolution of type 2 national business systems towards a more market orientated model with continuing opposition to market model by trade unions, Green and Socialist groups in European Parliament – leading to continuing stagnation until crises forces change – most likely outcome.**

Possible Solution I

- **Crises leads to radical review of approach to national business systems.**
- **Adoption of a more market orientated approach which embraces the globalisation process and has increasing freedom to member states to develop their own version of the social model – in effect take social dimension out of the Lisbon Agenda.**

Possible Solution I

- **Monetary Union relaxed (with no or very few member states adopting the euro).**
- **Allow member states that are struggling to achieve growth**

necessary to significantly reduce employment to adjust by use of macroeconomic policy - some type of exchange rate adjustment to stimulate growth.

- **End of the vision of Social Europe and move towards a looser Union largely based on the integration of markets for goods, services and capital .**

Possible Solution II

- **Crises leads to core group of countries with movement towards reform of the social model with a more market orientated approach but with commitment to continue the quest for Social Europe and monetary union.**
- **Other countries develop a more market orientated approach with a looser connection to Social Europe and little connection to monetary union.**
- **A decisive break from the evolution of an increasingly integrated political, economic and social Europe.**