



European Economic and Social Committee

ECO/109
Evaluation of structural
reforms

Brussels, 30 October 2003

OPINION

of the European Economic and Social Committee

on the

**Assessment of the experiences gathered by the EESC to evaluate the economic, social and
employment impact of structural reforms in the EU**

On 27 March 2003, the European Parliament decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Assessment of the experiences gathered by the EESC to evaluate the economic, social and employment impact of structural reforms in the EU.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 16 October 2003. The rapporteur was **Mr Vever**.

At its 403rd plenary session, held on 29 and 30 October 2003 (meeting of 30 October), the Economic and Social Committee adopted the following opinion by 74 votes to 27, with 26 abstentions:

On 27 March 2003 the EESC was requested by the European Parliament to evaluate the economic, social and employment impact of structural reforms in the EU. The EESC asked its counterparts and socio-professional correspondents in the various EU countries if they would like to contribute to this evaluation. The process included the organisation by the EESC – with an eye on this opinion and another request from the Commission for an opinion on the Lisbon strategy – of a conference in Brussels on 8-10 October 2003 ("The Contribution of Organised Civil Society to the Lisbon Process: For a More Participatory Union"). The reflections made lead the EESC to make the following comments.

1. **Summary**

1.1 The EESC reaffirms its support for the structural reforms carried out in the countries of the Union, particularly following the Lisbon mandate, aimed at making Europe more competitive and ensuring that its economic and social development model is sustainable. It also points out that the issue is a demanding one: it involves not only doing better than before but, above all, doing better than elsewhere. Now, the EESC is concerned by a growing gap between the aims set for these reforms, the delays in implementing many of them, and the persistent deterioration in growth and employment in Europe. Without a turnaround, there is a risk of this strategy of reforms degenerating into a "bubble", with an inflation of objectives, concepts and participating states, but as many deficits as regards sharing of responsibility, implementation and impact.

1.2 The EESC would stress first of all the need to make the Lisbon mandate more credible to Europeans and thus disarm criticism about its real significance and social cost: it should be spelt out more clearly that we are justified in having the common ambition of being the prime beneficiaries of the world's number one market, and that the reforms planned will determine the future of our European type of development in an open economy.

1.3 The EESC is greatly concerned about the current absence of real growth prospects for Europeans; this greatly complicates the implementation of reforms, because it feeds disquiet and weakens social cohesion. The EESC agrees that there is a need for a European growth initiative, which

has been the subject of several convergent proposals (e.g. Italian Council presidency, EU Commission, Sapir report, Franco-German statement) and which has just been supported by the European Council of 16 and 17 October 2003. The EESC therefore recommends that the transnational research and infrastructure investments on which our future depends should be promoted, in particular through loans and public/private sector partnerships on a European scale, though without any relaxation of the discipline that the stability pact imposes on national budgets.

1.4 In particular the EESC deplores the absence of a common economic policy consistent with the creation of the euro: this should be put right without further delay, and should include an alignment and simplification of tax provisions on a European scale. The integration of the employment guidelines and the broad economic policy guidelines into a more effective policy mix would also be a useful step towards better economic and social governance throughout the EU.

1.5 The EESC notes that the single market is still far from being completed even as it is being enlarged: its identity, cohesion and security should be strengthened, in particular by contemplating transnational Community inspections, the joint management of external customs, a European statute open to SMEs and even the emergence of services of general interest on a European scale in those areas where this would be justified. New initiatives remain necessary to ensure higher quality and a real simplification of red tape in Europe (more impact analyses, where the EESC is ready to play its part, and more occupational self-regulation).

1.6 The EESC is also concerned by the extent to which the EU lags behind in the field of research, just at a time when the Lisbon aim of competitiveness is based on the trump cards of a knowledge-based economy. It would be particularly advisable to boost the budget appropriations for the framework research programme so it can achieve a real threshold of effectiveness, while at the same time focusing it more on authentically European technological programmes. European technological innovation would get a big boost if there was a greater convergence of defence policies as part of a common security and foreign policy, including a more effective mutual opening-up of the relevant public procurement markets.

1.7 While stressing how the various structural reforms interact on one another, the EESC would point out that their state of implementation from one country to another varies greatly in the different areas that they cover: opening-up of markets, access to funding, public spending equilibrium, encouraging innovation, adapting the labour market, modernising social protection, improving education and training, simplifying red tape and consolidating sustainable development. The EESC also notes that the reforms are generally further advanced in those states that have respected the discipline of the stability pact than in the others. The EESC would stress the need for more detailed information on national states of play and proposes incorporating into the Europa website a database highlighting best practices involving the Lisbon strategy reforms.

1.8 The EESC would emphasise the central role that the actors of organised civil society have to play to ensure the reforms are a success, and regrets that this obvious fact, which is explicitly mentioned by the Lisbon mandate, is not yet stressed enough in all the Member States. The preparation of the spring summits should be the subject of systematic national debates with business

circles, the social partners and other civil society players. Initiatives from them should be given more encouragement and highlighted in the annual reports of the states and the Commission, such as in the database recommended by the EESC on best practices in implementing the Lisbon reforms. The EESC, for its part, intends to contribute directly to this improvement of information.

1.9 The EESC would conclude by stressing the need to ensure that the structural reforms are, on the one hand, backed up by a revival of economic growth through the completion of the single market and the development of trans-European investments and, on the other hand, are discussed better, better understood and better allocated among all those who have to share responsibility for them: they must not only be pushed forward by political leaders but also be backed up "on the ground" by the economic and social players. The EESC is convinced that this greater synergy between political decision-makers and civil society players will decide the success or failure of the structural reforms now being carried out in the EU.

2. The processes of structural reform carried out in the EU

2.1 The various structural reform processes

2.1.1 The economy and society constantly have to adapt and reform. But reforms have recently gathered pace under the pressure of social developments, commercial and cultural exchanges, technological changes, European integration and economic globalisation. Many structural reform "processes" regarding economic, social and employment matters have thus been set in motion in the EU during the past decade, with a view to restoring EU competitiveness, boosting its economic growth, creating more jobs and ensuring the sustainability of its development and its environment. Some of these reforms (e.g. continued opening-up of the single market, introduction of the euro) have been undertaken primarily at European level, with the EU institutions playing a leading role. Other reforms, however, have been initiated by one state or another at a strictly national level, according to autonomous policy guidelines, at the initiative of its public authorities (e.g. economic liberalisation in the United Kingdom), or within a framework of close cooperation with the social partners (e.g. the Wassenaar economic and social contractual process carried out in the Netherlands). In recent years, structural reforms have gathered pace in all the Member States in accordance with guidelines adopted jointly by the 15 Member States and implemented in each of them. While these reforms fall under the heading of shared objectives, including periodic and comparative assessments, each Member State is allowed a high degree of freedom of initiative and application in the light of the diversity of national contexts and situations. Many interactions have thus developed around these reforms between the various levels of power and between the Member States.

2.1.2 With the Maastricht Treaty of 1993 and the coming of the single currency, one central economic reform process at European level has been the machinery of the stability pact, accompanied by the annual adoption of the broad economic policy guidelines. The 15 Member States also agreed in Cardiff in June 1998 to launch structural reforms designed to open up the markets in goods, services and capital.

2.1.3 The 1997 Treaty of Amsterdam, while specifying that the stability pact also included a growth target for jobs (hence the official title of "stability and growth pact"), supplemented the adoption of broad economic policy guidelines with guidelines for employment, which were then spelt out by the Luxembourg process in November 1997. The Cologne summit in June 1999 also drew up recommendations as part of a European employment pact.

2.1.4 An overview of the various structural reform processes was then undertaken under the Lisbon strategy agreed to by the 15 Member States in March 2000. Taking as its foundation the new assets of the knowledge-based economy, this strategy set itself the ambitious target of putting the EU in the forefront of world competitiveness by 2010, organising a revival of the single market (particularly in financial services, intellectual property and the opening-up of the energy sector and infrastructures) and pushing through a series of economic, social and administrative reforms in the Member States (particularly as regards training, research, the labour market, social welfare and administrative simplification). Fifteen years on, this Lisbon strategy is a logical extension of the 1992 programme that the Delors I Commission launched in 1985 with a view to completing the European single market by that date, and also of the White Paper on growth, employment and competitiveness, which the Delors II Commission presented in 1993 to boost the impact of the programme for the single market.

2.1.5 The 15 added to this raft of reforms in Gothenburg in June 2001 by deciding on an overall approach for taking the requirements of sustainable development into account in all EU policies.

2.1.6 Since 2003, an integrated cycle decided by the Barcelona European Council of March 2002 has been set in motion by the Commission to improve the interaction of these various economic, social and employment reforms, with a central role confirmed for the spring summit, as well as other rendezvous for the other quarterly European summits and for the various Council meetings throughout the year, with three years being allowed for adjustment to these reforms.

2.2 The aims of the structural reforms

2.2.1 The main aim of the reforms is to boost the economic competitiveness of a Europe that is largely open to the world, while consolidating and adapting the European model of society founded on mutual dialogue and fundamental social rights. These structural reforms that will determine the future are made necessary by the need for sustainable European economic and social development in a world of accelerating change.

2.2.2 The European economy today has to compete with both our large high-tech industrial partners, particularly the USA and Japan, and the new low-cost emerging economies. The main structural changes concerning the competitiveness of the European economy are linked to:

2.2.2.1 the acceleration of technological change, which is global and which goes hand in hand with the increased obsolescence of products and technology, fiercer worldwide competition and

relocation on a large scale to countries where costs are lower, many of which, moreover, are constantly making progress as regards education, training and vocational and technological skills;

2.2.2.2 the WTO trade negotiations, which are scheduled to continue - despite the recent failure of the Cancun ministerial conference in September 2003 - in order to implement the Doha agenda, which involves a broad programme to support international development and the opening-up of economies on a worldwide scale, covering industrial products, services and agriculture, and equipped with new framework rules on competition, intellectual property, public health, and the environment;

2.2.2.3 changes in social behaviour, affecting jobs and the labour market in particular, with a continuation of the recent reduction in annual working time, which is often managed in a more flexible and personalised manner;

2.2.2.4 an ageing of the population, which affects all European countries and raises a series of questions concerning both better management of the various age groups on the labour market and the question of how to finance social welfare.

2.2.3 Another important objective of the reforms is to strengthen EU cohesion around its single market, an issue which will be even more important with the enlargement of the EU to 25 in 2004.

2.2.4 Moreover, the arrival of the euro needs to be accompanied by a policy of economic convergence by the Member States, in accordance with the criteria of the stability and growth pact.

2.2.5 Finally, there is a need to ensure that economic and social development in Europe is sustainable, as regards the balance of public finance, the viability of jobs (competitiveness, training, mobility), the solvency of social security - especially retirement and health provisions - the strengthening of social cohesion and environmental protection.

2.3 **Public perception of the reforms**

2.3.1 As regards these various objectives, certain questions have also been raised about the sense, the effectiveness and even the feasibility of the reforms, following the major slowdown in economic growth, the disturbances on the financial and stock markets over the past two years and the rise in unemployment. In particular, the highly ambitious goal set in Lisbon to make Europe the most competitive economy in the world by 2010 seems to many to be over-optimistic. This particular aim was set in March 2000 at a time when European growth, driven by the emergence of the "new economy," finally seemed to have emerged from a 25-year slowdown and rejoined, some hoped for a fairly long period, the club of high annual growth rates, even exceeding double-digit level in the case of Ireland. But this economic scenario quickly changed with the bursting of the technological and stock exchange bubble and the renewal of international tensions. In addition, the aim of maximum competitiveness laid down in Lisbon may also arouse fears, insofar as opinion may wonder about the price to be paid to catch up with competitors in the developing countries, where wages and social

protection are incomparably lower and the most emergent economies, such as China, combine these features with productivity, industrialisation, investments and technologies of the highest level. Such doubts should not be underestimated and could even, if they were left unanswered, contribute directly to jeopardising the success of the processes undertaken.

2.3.2 The EESC, for its part, is still confident that the goals of the reforms adopted in Lisbon, including that of world competitiveness, will be achieved provided they are "read" in an appropriate manner. The EESC basically sees the Lisbon objective as the 15's clearly expressed political will to give themselves the means of ensuring their growth, their jobs and the sustainability of their economic and social development model through reforms that ensure their compatibility with the increasing constraints of an economy open to international competition by taking as their base our best real or potential assets, especially education and training, the spirit and capability of innovation and the pooling of our principal resources. In particular, it is perfectly legitimate and feasible for Europe, its companies and its citizens to seek to be the prime beneficiaries of the world's number one market – 500 million producers and consumers with diversified but, overall, comparatively high real incomes – following the completion and improvement of their single unified and enlarged market. Such a view can only consolidate the credibility of the Lisbon goals, even if all kinds of challenges must be met to achieve them.

2.3.3 The EESC does not underestimate the determination and perseverance now required to implement these reforms. Major progress has already been achieved, but the greatest efforts still lie ahead of us if we are to have any hope of achieving these goals. This means in particular an improvement in the methods for implementing them.

3. EESC comments on structural reform methods

3.1 The main areas of progress on reform methods

3.1.1 The Lisbon strategy has, firstly, given the 15 the "road map" which had hitherto been lacking. By setting a series of goals to be achieved between now and 2010 and deadlines for implementing reforms, it has provided a multiannual timetable of operations for us to join forces and together build an attractive, open and competitive Europe Site. The annual review of this strategy at a spring summit, makes it possible to draw up assessments, make comparisons and update priorities accordingly.

3.1.2 The open coordination method, which has by and large been chosen in the various Member States for undertaking these reforms, puts a new spin on the subsidiarity concept, which is no longer a pretext for dividing up European and national powers. Instead, the proper application of subsidiarity should enable useful links and "bridges" to be established between the European, national and, where appropriate, regional or local levels of power, while at the same time justifying a mutual "peer review" of policies from country to country that will encourage the spread of best practices.

3.1.3 Moreover, the public authorities, whether they be European, national or even regional, are not the only ones affected by the reforms: the private sector, the social partners and the whole of

organised civil society also have a leading role to play, as the Lisbon mandate indicates very explicitly. It should particularly be emphasised that UNICE and ETUC played an active role in preparing the spring summits by presenting their contributions before each of them, and by taking part, with the Commission, in preparatory summits of the social partners at the invitation of the Council presidency. In addition, by recently reaching agreement on a multiannual timetable for organising their social dialogue, UNICE, CEEP, UEAPME and ETUC affirmed their wish to fulfil one hundred per cent their autonomous and contractual role in defining and implementing structural reforms at European level. This illustrates the growth of a "horizontal" dimension to the subsidiarity concept (with responsibilities being shared out between public authorities, civil society associations and the private sector), in addition to its traditional "vertical" dimension (Europe, states, regions).

3.1.4 Several national professional organisations have also taken the initiative to make their own critical and reasoned assessment of the state of progress of these reforms, including their spontaneous or contractual contributions, and present them directly to the spring summit. Evidence of this can be found in the detailed national reports of the member federations of UNICE, which concern each of the fifteen EU Member States - plus Norway and Turkey – drawn up for the last spring summit in March 2003 in Brussels¹.

3.1.5 The interactions between economic guidelines, employment guidelines, completion of the single market and structural reforms are also clear and have been demonstrated since the beginning of 2003, when the Commission brought out its annual reports on these different areas at the same time as part of an overall "implementation" report.

3.2 The main weaknesses in reform methods

3.2.1 Coordination between the various economic, social and environmental processes, which has been undertaken by the Commission since 2003, still remains embryonic since so far it is still too formal and has no decisive impact on national political choices. It has not yet been followed by sufficiently permanent cooperation between the various Councils of ministers or between the Member States themselves, so, whatever happens, a "running in" period will be necessary as regards procedures and behaviour, especially during the first three-year coordination cycle (2003-2006).

3.2.2 One thing in particular to be deplored is a definite lack of concrete information from the Member States about the real state of national reforms at each spring summit. The Member States now seem to favour new debates on the goals already set in Lisbon, even if this means adding new guidelines - without any clear justification - instead of helping to assess and compare national reforms, something that the Commission is finding very difficult to do with any accuracy in the absence of any such collaboration from the Member States.

3.2.3 This lack of information generally goes hand in hand with delays in implementation and breakdowns in discipline on the part of the Member States. It is worth mentioning here the

¹ (www.unice.org/lisbon)

growing difficulties that many Member States have in meeting the stability pact's requirements on equilibrium in public finances, the persistent deficiencies in transposing directives into national law and the growing number of violations of the rules of the single market.

3.2.4 Also worth emphasising, in several Member States, is the alarming lack of involvement of the social partners and civil society in both the definition and implementation of reforms, and in the drawing-up of reports on their progress. This situation, moreover, was largely behind the member federations of UNICE presenting their own national reports to the last spring summit.

4. EESC comments on the results of the structural reforms

4.1 The structural reforms carried out in the EU, particularly through the Lisbon strategy, have mainly concerned the following fields, though they are intended to provide each other with mutual enhancement:

- continued opening-up of the markets,
- improved access to funding,
- balanced public spending without increasing the tax burden,
- fostering innovation,
- adapting the labour market,
- modernising social welfare,
- boosting education and training,
- cutting red tape,
- consolidating sustainable development.

4.2 As regards the opening-up of markets, the most significant progress has been made in the telecommunications and, to a lesser degree and with some delays, energy sectors – gas, electricity - where prices are often still too high. The postal sector, which is most often in the public sector, is still highly compartmentalised, despite initial limited liberalisation in Europe. There are still interconnection, equipment and modernisation delays in transport infrastructures, due mainly to the actual implementation of trans-European network projects being put off too often.

4.3 As regards access to funding, the progress achieved and ongoing in the integration of European financial markets is largely due to the introduction of the euro. Various measures have also been taken in several countries to facilitate access to start-up funding and help SMEs. But access to venture capital is still grossly inadequate in Europe, particularly when compared with the United States, which harms the vitality of SMEs and innovative companies on the European market. In addition, unification of the European financial market is still too dependent on rules that have been delayed, when self-regulation initiatives by the professionals concerned could have been encouraged more.

4.4 As regards public sector deficits, everyone can see that situations are very different from one country to another: the reports of the Commission and Council stressed that while certain Member States can be pleased to have achieved a positive balance in their public sector finance (cf. Denmark, Finland, Ireland, Luxembourg, Sweden), others have seen their deficits grow alarmingly (cf. Germany, France, Italy and, until recently, Portugal), reaching or exceeding the limits fixed by the stability pact. Those countries which have big deficits today are also those which, comparatively, have been lagging behind in implementing structural reforms. Countries which have a better balance on public sector financing are generally further forward with their structural reforms, even if some of them, particularly in northern Europe, also have high taxation.

4.5 As regards stimulating innovation, the general use of the Internet and the widespread access of companies to new technologies has made it possible to improve significantly the quality of goods and services, and make a lot of progress on productivity. This trend is often accompanied by the use of international divisions of labour to take account of comparative advantages, including wages, an increase in sub-contracting and the relocation of manufacturing (cf. textile, electronics, toys, etc.), or even of services (cf. business accounting) to emergent non-EU economies. But research expenditure, although significant in many countries (cf. Finland, Sweden, France) remains insufficient in several countries and far below the objective of 3% of GNP fixed by the Lisbon strategy. They are also too much out of step with each other and with the European common R&D policy. Finally, the lack of a real alignment of economic and technological defence resources under the heading of foreign and security policy badly affects Europe's position in this field and its derivatives (cf. new materials, electronics, etc.). As regards the granting of patents, some countries maintain a good national level (cf. Finland, Sweden) but Europe on average continues to lag way behind the USA or Japan. The absence of a Community patent, pending the translation of the recent political agreement into concrete facts, casts a dampener on the situation.

4.6 As regards improving the labour market, situations vary greatly from country to country, as the appended tables show. Even if none are problem-free, some have a high level of employment overall, while others have to cope with structural under-employment and an alarming level of unemployment. Major reforms are in hand to improve the operation of the labour market, particularly to improve flexibility and the matching of vacancies to job applications, bearing in mind the ageing of the population. The consultations with the social partners, and the negotiations with them and between them, aim in particular to ensure that the new measures actually lead to better jobs and working conditions in the face of the challenge of international competitiveness. Some interesting initiatives have been taken, for example in France, to encourage job seekers to start their own businesses by cutting red tape and ensuring that, at least initially, they do not lose their unemployment benefit.

4.7 As regards the modernisation of social security, many reforms are in hand to restore financial equilibrium in the face of the ageing of the population affecting all EU Member States. This involves in particular adapting the length of benefit contribution to longer life expectancy, reforming pension schemes in both the public and private sectors, so as to reflect the best practice of both sectors, and ensuring that "seniors" are not encouraged, or even forced, to leave the labour market

prematurely². The use of supplementary insurance schemes and pension funds is encouraged. While such reforms are spreading, they are also encountering problems of implementation and effectiveness, particularly too much early retirement (cf. Belgium, France, Greece).

4.8 As regards education and training, most EU countries have highly efficient and developed educational systems (particularly in northern Europe), which, however, are sometimes still too divorced from economic needs and realities. Initiatives have been taken recently, for instance through legislation, interprofessional agreements, and exchange programmes, to improve these links and develop apprenticeship schemes (cf. France, Luxembourg, Spain, Italy, Portugal). The generalisation of internet access also helps to improve training.

4.9 As regards the simplification of rules, this is a need common to all EU countries, even if some (cf. Denmark, Finland, the UK, Sweden) have started sooner than others to introduce programmes and methods to remedy this. Priority is generally given to simplifying the procedures for setting up companies and small firms, because of their impact on economic activity and jobs. This necessary simplification of administrative charges and procedures should be accompanied by more effective combating of the underground economy, which may get even bigger with EU enlargement. Another priority is the best way to transpose EU directives, where, as the six-monthly scoreboards published by the Commission show, situations vary greatly from country to country, but where the longest national delays (cf. France, Greece, Italy) should nevertheless be reduced following government measures.

4.10 As regards sustainable development, the national measures taken to implement the Kyoto agreements are having variable results. Environmental protection is by tradition more anchored in legislation, programmes and codes of conduct in the countries of the North, but new measures have been taken in the other EU countries, and exchanges of good practices have had some success (cf. voluntary codes, company governance, environmental protection charters, labels, checks and the distribution of emission licences, etc.).

5. The EESC's conclusions on the impact of structural reforms

5.1 The EESC notes first of all that all the countries of the EU have actually undertaken structural reforms, with common objectives, to revitalise their competitiveness, strengthen growth, boost jobs and to ensure the sustainability of their economic and social development.

5.2 The main areas where progress has been made, and which enable us to remain confident about the Lisbon strategy despite the delays in implementing it, concern:

5.2.1 the awareness of the need for reforms in view of the challenges of competitiveness and demographic and technological changes, irrespective of traditional political divisions;

²

Older workers, OJ C 14, 16.1.2001, SOC/039

5.2.2 the development - even if it needs to be stepped up - of initiatives taken by business and socio-professional circles, particularly on a European scale, to help make the reforms a success;

5.2.3 in particular, the involvement of the social partners in the development of the reforms concerning working life and social issues (cf. training, labour market, social protection);

5.2.4 with the opening-up of telecommunications, speedier distribution of information technology and access to the Internet;

5.2.5 more concern about sustainability and the future (cf. management of public finance, reform of social welfare, consumer safety, environmental protection).

5.3 The main delays which must be made up, and which would make it possible in particular to rectify economic growth, concern:

5.3.1 completing the single market in fields such as energy, transport infrastructures and services, including financial services, so as to improve reliability and reduce costs: the EESC thus deplores the fact that Europe persists in not giving priority to its single market in order to ensure its growth;

5.3.2 better balance in public finances, under conditions that favour investments and growth, and a start towards European harmonisation of the main tax rules impacting directly on the operation of the single market;

5.3.3 real European dynamism in technological research, which at present is inadequate in terms of the ambitions proclaimed in Lisbon;

5.3.4 simpler rules and greater rigour in transposing EU directives into national law.

5.4 The EESC also stresses that:

5.4.1 national situations and the state of progress on reform vary greatly from one country to another:

5.4.1.1 on the whole, indicators are often better in the northern EU countries (cf. opening-up of markets, public finance equilibrium, productivity, education, research, employment, environment), although this progress coincides with the constraints of heavier taxation;

5.4.1.2 the countries of the south, which mostly lag behind, have taken corrective steps, but they need more time to overcome these handicaps, especially as many of them are long-standing and of a cultural nature;

5.4.1.3 the state of national public finances often reveals the state of reforms, as bigger deficits are often a sign of delays in implementation.

5.4.2 At present even the best-placed EU countries perform worse than their biggest international competitors (when over and above progress and delays from one year to another, the issue is not so much for the EU countries to do better than before, but to do better than elsewhere).

5.4.3 The public's perception of the reforms is often lukewarm if not critical, owing to fears of losing acquired advantages without any visible quid pro quo in terms of more jobs or sustainable social welfare, as these positive effects are taking their time to appear (cf. weakness of growth, higher unemployment). Now, the EESC is concerned by a growing gap between the aims set for these reforms, the delays in implementing many of them, and the persistent deterioration in growth and employment in Europe. The European strategy of reforms should not be allowed to degenerate into a "bubble", with an inflation of objectives, concepts and participating states coinciding with equally growing deficits as regards sharing of responsibility, implementation and real impact.

6. EESC recommendations for boosting the impact of the structural reforms

6.1 The current deficiencies in terms of the economic, social and employment impact of the structural reforms, which make public opinion ask questions, lead the EESC to submit the following recommendations.

6.2 The EESC notes first of all that while the EU correctly identified, in particular at the Lisbon Summit, the main structural reforms needed at European and national level, the application of "good governance of the reform" is still largely lacking in practice. The EESC should not therefore place too much stress on the importance of better methods to carry out the structural reforms. In this connection, the EESC would stress the following priorities:

6.2.1 One prime condition for making the reforms a success is to try harder to explain their goals: in particular, awareness and understanding of the issues must be improved. The preparation of the spring summits should give rise, in the various Member States, to genuine debates involving representatives of organised civil society.

6.2.2 This requirement goes hand in hand with better consultation of socio-professional organisations on the reforms to be carried out, their prospects, their effects, their conditions and their state of implementation. Through these consultations, it is also advisable to seek an optimal distribution of the contributions necessary, together with better co-responsibility in the implementation of reforms. In addition to the legislator and the public authorities, the actors of civil society also have an important role to play (initiatives by socio-economic groups, social partners' agreements, etc.). The states should therefore encourage the actors of civil society more to assume all their responsibilities in implementing the reforms, by delegating as much as possible to them, rather than the public authorities.

6.2.3 The state of implementation of the reforms should be better spelt out in the annual reports of the Member States and the Commission at the spring summit, which should mention not

only the measures taken by the public authorities but also the initiatives taken by the socio-economic groups and the social partners concerning these reforms.

6.2.4 Following the refocusing of the monitoring and evaluation of the processes set up at the beginning of 2003, with the annual presentation of a summary report by the Commission, steps must be taken to ensure that this mutual interaction of processes becomes more effective. One could thus better integrate the employment guidelines and the broad economic policy guidelines, and not just synchronise the two. This would help simplify the annual process of setting the EU's economic and social guidelines.

6.2.5 It is also advisable to improve the effectiveness of benchmarking, making it possible to disseminate the best practices. To this end, it would be useful to create within the Europa website, under the Lisbon strategy, an observation and data base on the structural reforms in the EU, prompting the states and the actors of civil society to contribute all the useful elements of information needed to develop it. The EESC, for its part, intends to contribute directly towards improving the information on the initiatives taken by the actors of civil society in the reforms.

6.2.6 Close attention must be paid to the optimum inclusion in the Lisbon strategy of the ten new Member States from central Europe and the Mediterranean - and to involving the other candidate states for membership - taking into account their specific features and in particular the lack of development that most of them have compared with the 15 current Member States, though this does not rule out new Member States also being able to enjoy certain comparative advantages in the reforms. These countries should be invited to present their reform programme and the state of its progress at the next spring summit in March 2004.

6.3 As regards the scope and content of the reforms, the EESC would particularly stress the following priorities:

6.3.1 The adoption of the single currency is showing increasingly clearly that there is a need for common economic governance, something that the Member States have now refused, other than a - still embryonic - system of coordination from Brussels. Such common governance will obviously mean an alignment of taxation, and in particular a single regulation to eliminate double taxation, instead of bilateral agreements (which are as complicated as they are varied), so as to simplify taxes on intra-Community trade and harmonise bases of assessment. The EESC is preparing an opinion on these various taxation issues.

6.3.2 The stability pact to counter public sector deficits is a useful safety net and a clear expression of the solidarity linking all the states belonging to the euro. It should therefore be respected. These provisions should not make us forget the growth target which is also present in the spirit and letter of the pact, an area where the reasons for dissatisfaction are equal to those concerning deficits: it would be illusory to wish to tackle national public deficits in an effective and sustainable manner without agreeing together on a European policy that opens up real prospects for growth. It would be just as illusory to try and bring often rigorous structural reforms to a successful conclusion without offering such positive and credible prospects to Europeans.

6.3.3 This means using the single market with more determination as a privileged growth factor for the European economy, by speeding up the mutual liberalisation necessary for its completion and imposing more rigour in transposing EU rules into national law. Better management of the single market is more than ever necessary with the enlargement from 15 to 25 Member States in 2004. This means improving its cohesion, identity, fluidity and security. This would justify, both in cooperation with and as a complement to national administrations, contemplating the introduction of:

6.3.3.1 genuine Community inspections of the single market;

6.3.3.2 common management of European customs posts at the external borders;

6.3.3.3 better transnational coordination of public services, which could prepare, in certain fields where it would be justified, the emergence of services of general interest on a European scale;

6.3.4 Steps should also be taken to encourage more firms of all sizes to really use the single European market as their own real internal market, and redeploy themselves on this scale. The EESC would recall its proposals for a simplified European statute open to small and medium-sized enterprises, and reiterates its request to the Commission to submit such a draft statute³.

6.3.5 Another reform essential for the European economy is, as the Lisbon strategy rightly points out, the promotion of the knowledge-based economy: the EU countries do not invest enough in the technologies of the future, and, when they do so, they are too unfocused. The EU framework programme for research, whose low budget (barely 5% of national research budgets) is scattered too thinly between the Member States, should be clearly upgraded in order to reach a real threshold of effectiveness and be concentrated more on authentically European technological programmes suitable for supporting growth in the EU countries. The framing of a more convergent approach in the field of defence under the heading of a common security and foreign policy, in its various aspects (presence in space, harmonisation of armaments, new dual-use civilian and military technologies, etc.), and including a more effective mutual liberalisation of the corresponding public contracts, should play a key role in giving this new dimension to European technological innovation.

6.3.6 Recovery on the jobs market will come above all from a recovery of growth, brought about by the economic reforms (cf. deepening of the internal market, encouragement of operators' initiatives, attraction of investments, etc.). The social reforms for jobs (cf. education and training, employability, better labour market fluidity) must be conceived to go hand in hand with these economic reforms, and optimise their impact on jobs. The positive examples of jobs market recovery in the Netherlands, UK, Ireland and Denmark are good illustrations of this.

6.3.7 The EESC is therefore in favour of a European growth initiative, as proposed in July by the Italian Council presidency, the Commission, and also the high-level working party chaired by

³ European Company Statute for SMEs - OJ C125 27/05/02 INT/109

André Sapir. In September, France and Germany also submitted joint guidelines of a similar nature. The European Council of 16 and 17 October 2003 has itself just supported the need for such an initiative, the actual details of which should be decided on at the European Council of 12 and 13 December 2003. This would involve defining and implementing on a European scale new growth incentives to boost investments in research and new technologies – as indicated previously – and in the transnational transport, energy, telecommunications and environmental infrastructures that will be needed if the enlarged single market is to operate properly. The negative short-term effects that the necessary rigours of the stability pact regarding national budgets may have on growth would be offset by increasing loans and funding from the European Investment Bank for such investments, involving private investors through new public/private sector partnerships and thus helping, by these and other measures, to restore the confidence of the various players in the European economy.

6.3.8 The reforms of social welfare, which have to ensure the financial equilibrium of the various schemes (unemployment, health, retirement), are made particularly necessary by the ageing population, the rise in the cost of health cover, and the increased rigour which is necessary in public finance. Like the social reforms for employment, they involve close consultation of the social partners, who may be required, via the contractual policy, to play a major role in the measures to be taken.

6.3.9 Legislative and administrative rules also need to be improved and simplified, and a lot of progress still needs to be made here in addition to the several positive initiatives taken by the Commission (e.g. codifications, White Paper on governance, measures announced by the European simplification programme). This means in particular:

6.3.9.1 a new "less red tape" culture geared to users' needs at both European level - with a code of conduct for the EU institutions - and in the Member States, which should give parallel undertakings and implement them at national level with rapid, concrete and measurable results;

6.3.9.2 improving impact studies on plans for new rules, ensuring their autonomy and their quality; the EESC attaches great importance to these impact studies and is ready to help improve them as part of its advisory mission.

6.3.10 Finally, support must be given to initiatives by the socio-economic players, who decide whether or not Europe adapts to its new economic and social environment. These initiatives must provide more systematic back-up for economic and social structural reforms and increase their positive impact. They should be better supported by the public authorities at both European and national level. This means in particular:

6.3.10.1 more room for freedoms and responsibilities, particularly on a European scale, while ensuring a more effective application of refocused rules;

6.3.10.2 better use of self-regulation and co-regulation as part of a partnership with the public authorities, especially in areas concerning social dialogue, the recognition of professional qualifications, services, environmental protection, trade and consumers.

6.4 In conclusion, the EESC is convinced of the need to ensure that the structural reforms needed to make the EU more competitive are, firstly, backed up by a revival of economic growth through the completion of the single market and the development of trans-European investments and, secondly, are discussed, understood and allocated better at the various levels among political decision-makers and the players in organised civil society. This involves optimising the European economy by invigorating its autonomous growth capacity and ensuring better synchronisation of the efforts required to bring this about. The effective impact of these reforms in a difficult economic and social landscape, and therefore their success or failure, will depend ultimately on them being not only pushed forward by political leaders through laws and regulations but also - and above all - on them being supported and passed on by the economic and social players in their specific capacity as contractual partners and creators of initiatives "on the ground."

Brussels, 30 October 2003.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
Economic and Social Committee

Roger Briesch

Patrick Venturini

Appendix: Main economic and social indicators
