

**European perspectives for Employment and
Social Policy within the Lisbon Strategy**

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by

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Ladies and Gentlemen,

It is an honour for me to be addressing today the Board of the European Banking Federation and I would like to thank the President of the Greek Banking Federation, Mr Karatzas, for his invitation.

Many of the issues of interest to you and the members of your Federation are related to European policy. Clearly I am involved in discussing these issues, alongside all the others, in the meetings of the European Commission when we prepare legislative proposals and when subsequently we negotiate these with the European Parliament and the Council of Ministers.

My colleague Mr Bolkestein, for example, is continually informing us on the progress of the taxation package. And we recently discussed the issue of the information you have to make public in order to ensure transparency.

However, I will not speak on these topics today as there are others more competent than me to do so. The message in this context that I would like to transmit to your sector is that, after the wide circulation and success of the Euro, European citizens have high expectations of all of us. They wonder for example, why interest rates vary from Member State to Member State, and why they cannot take out a mortgage from any bank they choose anywhere in Europe. And those citizens who are more knowledgeable on European issues wonder why we do not ask for oil prices to be

quoted in Euros or why the EU does not have a single voice in the G7 or the IMF.

All these and many more questions have to do with the future of the European Union at a time of difficulties. We live in a very difficult economic and political context. We are constantly revising downwards our forecasted rates of growth, future oil prices are unpredictable because of the war, and the economy is generally suffering from lack of confidence and growing uncertainties not only post-September 11th but post-Iraq.

And of course, over and beyond these more immediate concerns we are facing an imminent enlargement which is the biggest the Union has seen to date, and needs to be seriously taken into account in our strategies. And all this, in the midst of major debates about the future shape of the European Union and its institutions.

The uncertainties we face range from the shape of the new EU Convention and the ratification of enlargement, to the respect of the Growth and Stability Pact by the major EU economies (France and Germany), and also include uncertainties regarding the availability of financial measures to underpin our policies - the so called next "financial perspectives package".

There are many challenges facing the EU today. They are well known, but I will briefly mention the most important, as they form the background to any discussion:

- a first challenge concerns the present and future of the EMU, and in particular its competitiveness and cohesion.
- a second challenge concerns the present and future of European societies which are increasingly multicultural, and the possibility for all citizens to feel safe everywhere and to enjoy the same rights everywhere, and,
- a third challenge concerns the present and future international role of the EU, that is to say its economic and political relations with the rest of the world.

These challenges are central to the "European Project", critical for achieving the European vision which we all share. They are linked with two further particular challenges of this point in time, firstly, the realisation of the enlarged European Union - a Union of 25 and perhaps 30 Members. And secondly the decisions on the ways and means by which we will consolidate the European institutions and their way of working. Of particular concern in relation to this is the democratic legitimacy of the European institutions and their ability to take and implement decisions.

The challenges are serious, but I believe we are well placed to face them. Europe may not be a military power, or have strong military aspirations. But we are a major global player.

- We are the world's leading exporter of goods – to a value of 1000 billion euros – a fifth of the world total.

- We are the world's leading exporter of services, including those of the financial sector – to a value of 300 billion – a quarter of the world's total.
- We have a higher GDP than the USA.
- We are providing 55% of the world's aid to developing countries, and
- We are the world's leading source of foreign direct investment – to a value of over 350 billion euros a year.

We have a global vision which is backed not just by governments, but by Europe's social partners and civic society too. And - as we have seen in our discussions with the ILO World Commission on the Social Consequences of Globalisation - we are increasingly seen as a World regional model of development. Admired, not least, in much of Asia, Africa and the Southern Americas.

Our global strength has been built, though, on our growing interdependence. A single European market of nearly 10,000 billion euros a year, and a new single currency. With 90 per cent of EU production consumed within our borders. And, on average, two thirds of a Member State's trade being with other EU members.

However, Europe is much more than an economic union. With our social and political goals - of rising living standards for all - embodied in the Treaty, and increasingly strengthened by the new commitments and policy directions set by Europe's Heads of State at the Lisbon summit and since.

In March 2000 the Lisbon European Council launched the Union's decade long strategy for economic, social and environmental renewal. One can argue that conditions today could hardly be more different. Political uncertainty and the protracted downturn over the last eighteen months have knocked business and consumer confidence. But, I believe that the vulnerability of our economy to external conditions reinforces the case for accelerating the pace of change and implementing the Lisbon Strategy.

It is a strategy which will make the Union stronger and provides it with an opportunity to show global leadership. The Commission, and I personally, believe that it remains the right course for an enlarged Union. Its added value lies in its co-ordinated, comprehensive and mutually reinforcing approach. Past achievements - ten years of the internal market, five years of a European Employment Strategy and the first anniversary of the arrival of the euro - show the Union's capacity to deliver ambitious reforms. In many areas, they are already driving growth and job creation within flexible, strong and open markets, but pressure for further structural reforms must be maintained. In this respect, reforms in the financial services and the modernisation of competition rules are important.

As far as my policy area is concerned I would like to underline that the Lisbon Summit gave us, for the first time in the EU's history, not only a commitment to full employment – highly significant in itself – but a commitment to quantitative targets for employment by the end of this decade. Not expressed in terms of unemployment

figures but in terms of employment rates. The percentage of people of working age who are in work.

These targets – an overall employment rate of 70%, including an employment rate of 60% for women, with the target added at Stockholm of 50% of older workers – provide a clear benchmark, and the ultimate political test, for Europe's leaders.

The higher levels of high-quality employment that we have achieved since Lisbon – creating at least 5 million additional jobs, with a majority of them being taken by women – is a measure of our success. We saw job creation without any obvious inflationary pressures. Without any reductions in the quality of our jobs. And in the face of a variety of difficulties, not least a slowing ageing workforce. But of course much more remains to be done.

Reforms have proved their value. Although the performance varies across Member States, and despite the recent economic downturn, unemployment and long-term unemployment have been significantly reduced over the five years of the Employment Strategy. This shows that the European labour market has been able to deliver new jobs. Nevertheless, this should not lead to complacency.

I would like to underline that the Lisbon Strategy and the structural changes which have been undertaken to date have helped us to withstand the recent economic downturn. However, the ambitious goals for 2010 will only be achieved if economic, employment and social reforms are pursued with vigour.

And let us be clear that the scale of our ambitions remains enormous. Because we have been successful in the past, we now need to confirm our ambitions in the future. More than 15 million new jobs need to be created by 2010 to achieve the Lisbon targets. This will be even more difficult in the context of an ageing working population and important additional efforts will be needed to increase labour participation.

To sustain economic growth, we also need to accelerate productivity growth, which has been faltering, by building on the positive synergies between quality and productivity at work.

Finally, we need to take up the challenge of cohesion and to effectively address the risk of rising disparities, which will increase further as a result of enlargement. Many people are at risk of falling behind as a consequence of economic and social restructuring and a successful integration in the labour market will remain the key pathway towards social inclusion.

This is why we are moving on to develop the same processes of co-operative reform with respect to our different national social protection systems, pension schemes, and even health services.

Which is not to say that we have turned our backs on European-wide standards and on regulation. We still need that. Outlawing bad practice. Providing the basis for recourse. Promoting higher standards. As we do in health and safety. Equality between men

and women. Anti-discrimination. And labour standards such as part-time work and temporary work.

But at the same time, we are encouraging companies to do even better, to go beyond the basic legal requirements, and we are doing this with our corporate social responsibility initiatives. And we are continually highlighting that CSR is in their business interests, as well as those of their workers, customers, or localities. There is a clear business case for values: the add value.

I would like to say here that the banking sector has been doing well in the overall EU policy context.

First of all, with only one recent exception in Austria, there has been so little concern from the Commission regarding competition within the banking sector, at European or national level.

We have concentrated much more, at European level, on removing obstacles to efficiency and co-operation across Member States. On creating the environment in which businesses and people can flourish. Setting standards and providing sanctions where necessary. But looking to raise performance, and encourage improvement wherever we can.

Secondly, in terms of the labour market, it is impressive to see that five and a half million people are employed in financial mediation across the Union. With a modest, but positive, growth in employment of more than half a percent a year overall over the past 5 or 6 years.

With practically half the workers in your industries being women, and almost all of the recent job increases having gone to women.

Thirdly, the path-breaking good practice agreements, like the joint declaration you made with the trade unions in December on life-long learning, are demonstrating the willingness of your sector to achieve a fruitful social dialogue.

And finally, you have shown determination to progress in relation to enlargement, through the various round table meetings you have held with the social partners in almost all of the candidate countries.

On the other hand, you – like us - no doubt see some difficult times ahead. Not just because of our current concerns – but which may well drag on much longer than some people think. But because of longer term developments - where technology and changing market needs could transform what you do, and how you do it.

Over many years, your businesses have successfully exploited new market opportunities and new technologies, as our modern economies and societies have evolved.

But market maturity arrives everywhere eventually. And while I am sure there is more innovation to come, and new opportunities to exploit, it is probable that some, at least, will be labour saving.

As you plan and prepare for these changes, I would ask you to stay with the approach you have adopted so far. Not only respecting

what you have to respect under European law, but also applying best practice modern human resource management approaches.

Thinking and planning staff needs and developments. Re-deploying wherever possible. Retraining wherever needed. Helping those who want or need to leave. Leaving the doors open for returns. Maintaining and extending family friendly policies.

The only way to help the European workforce face the challenges of change successfully is by allowing for the timely development of the employability and adaptability of workers.

An increase in investment by employers in the training of adults is imperative, in order to promote the adaptability of the workforce, raise productivity, encourage active ageing, and help redeployment for workers affected by restructuring.

Companies in the EU are increasingly investing in vocational training of adults but levels remain generally low, at an average of about 2.5% of the labour costs of all enterprises, ranging from 1% in Portugal to 3% in Denmark. A greater effort must be made for investment in human capital. And I hope that the banking sector recognises this.

I am pleased to note that interesting action is being pursued through banking sectoral social dialogue committee meetings at EU level. Where plans are being outlined to develop some form of joint action on CSR between the social partners and the banking sector. By collecting information on existing best practices in banks

in Europe, and analysing and drawing conclusions based on this data.

The concept of Corporate Social Responsibility is a very important one and implies a continuous commitment by business; to behave fairly and responsibly; to contribute to economic development; and to improve the quality of life of the work force and their families as well as of the local community and society at large. Especially in times of restructuring and change. I would encourage you to continue your work on CSR.

From our own side, as you may know, a Multi-stakeholder Forum on Corporate Social Responsibility, chaired by the Commission, was launched in October 2002, bringing together European representative organisations of employers, business networks, trade unions and civil society, to promote innovation, convergence, and transparency in CSR practices and tools. These tools will be available to all.

Ladies and gentlemen,

In concluding, I would like to underline that our Lisbon objective is full employment, but we clearly need economic growth to create jobs. Employment policy is not enough. The economic arithmetic is clear. Productivity increases by 1 and a half to 2 per cent in Europe every year. We need that much economic growth just to stand still in terms of employment. Therefore we obviously need at 3 per cent or more a year economic growth, sustained for several years, in order to start to be able to reach the Lisbon targets.

We need to encourage the reform and modernisation in each of the three specific policy areas - social, economic, employment - but at the same time we need to build on the synergies between these different policies. So that policies work to re-enforce, rather than fight, one another. And so that they contribute to sustainable growth.

This fact was well understood at the Lisbon European Summit in March 2000. Which recognised that the world around us was changing. That globalisation is increasing competition: that social change and economic change are creating new models and patterns of work, family and social life ; that we face rapid technological change, with the ongoing shift to the services economy, the challenge of demographic ageing, the challenges of sustainable development – not to speak of the challenge of enlargement. How we face these will affect our future growth.

Over the last three years, we have tried to respond to those challenges. We have created an important new phase in the development of the Union: allowing us to strengthen, not only the crucial, positive, interaction between growth and structural change in both product and labour markets, but also to address the crucial social dimension.

We are highlighting the challenge of investing in human capital, in education and training. Because we have recognised that a high performance, competitive, modern, economy has to be built around an inclusive society – in which all can contribute to the full extent of their capabilities.

A European high-performing labour market has to be built on quality – on raising standards – not on cutting down costs to the bare minimum.

This two-way interconnection between inclusion and economic performance - between cohesion and competitiveness - is central to Europe's strategic approach. Social inclusion is not only about social justice - though it certainly is about that. Social inclusion is a positive economic factor, since exclusion brings major economic costs - costs of crime, of unemployment, of poor health.

That is why, since we launched the Social Policy Agenda in the year 2000, we have been working to strengthen the triangular relationship between economic performance, employment and social policy. Working to update and modernise our European model. So that economic and social policies not only work together, but are relevant to our new social, family and work environment needs.

But we need to do much more. To tackle long term challenges like demography and poverty. To successfully integrate the growing immigrant labour force. To face up to the current difficult economic climate. And to prepare for the successful enlargement of the Union.

Very clearly, enlargement will lead to a new employment situation in the European Union. The future new Member States show higher unemployment and lower employment rates than the

present ones and to reach the Lisbon targets in an enlarged EU will require even more ambitious policies.

Present and future Member States share a number of problems, including that of demographic development which unavoidably will lead to decreasing and ageing labour forces.

Enlargement will also bring even more to the forefront the economic and social restructuring which is going on and in some sectors still accelerating. This constitutes a particular challenge for the future Member States, where sectoral change is still well behind the present EU.

And of course, the new Member States will have to face other major economic challenges such as how they can join the euro zone, and how they can liberalise capital movements and the provision of financial services.

Enlargement clearly reinforces the case for accelerating progress in the EU towards the Lisbon agenda. The new Member States are increasingly familiar with Lisbon's logic and working methods. It forms the basis of many of the policies that they are now adopting and efforts to integrate them further into the process must accelerate.

Enlargement does not, however, require a wholesale rewriting of the Lisbon strategy or the relaxation of its key targets for the whole of the Union rather than for individual countries. They remain valid

for a Union of 25 or more. As was confirmed by the conclusions of the recent Brussels European Council.

I would like to end on an optimistic note. Difficulties and crises are not only negative - they can also have positive outcomes. We are living in a period of crisis which confirms globalisation and its risks, but also highlights opportunities. In the context of global balance, Europe can be a strong and steady point of reference of economic and political stability. We are facing strong challenges, but together, we can build a strong European Union based on solid economic and social foundations and on European values.

Thank you.