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CEEP Opinion

on the Commission's Communication Europe 2020 – A strategy for smart, sustainable and inclusive growth
Public Services – the 'hidden' infrastructure of the smarter, more sustainable and inclusive growth

Executive Summary

- CEEP welcomes the Commission's Communication "Europe 2020: A European strategy for smart, sustainable and inclusive growth". However, we regret to see that public services and their role in achieving the inclusive and sustainable growth by 2020 are ignored by the Commission.
- The defined Europe 2020 headline targets are build around challenges such as increasing employment, improving education, fighting poverty, that need sound public services to be addressed effectively.
- Public services provide the core infrastructure for the functioning of the economy and civil society. They are key investors in the economy (i.e. contribution to more than 153 billion € to EU investments in 2006) and stabilisers in time of crisis. They employ more than 30% of the European workforce.
- Public services contribute to smart, sustainable and inclusive growth
- For all those reasons CEEP ask for :
 1. The European Commission to act according to the Lisbon Treaty and in particular its Art 14 and its Protocol. Indeed, the key role recognised to Services of General Interests in primary law is totally ignored by the Europe 2020 strategy.
 2. Continued investment in Services of General Interest to ensure economic recovery.
 3. The recognition by European and national policy makers that any private sector growth is dependent upon strong and efficient public services.
 4. The creation of the necessary conditions and long term investments allowing public services to exercise their leading role in the fight against climate change.
 5. The involvement of public services employers at all levels (European, national regional and local) in the governance and implementation of the Europe 2020 strategy.

Introduction

CEEP welcomes the Commission's Communication "Europe 2020: A European strategy for smart, sustainable and inclusive growth". However, we regret to see that public services and their role in achieving the inclusive and sustainable growth by 2020 are ignored by the Commission. This is surprising, especially when considering that the defined Europe 2020 headline targets are built around challenges such as increasing employment, improving education, fighting poverty, that need sound public services to be addressed effectively. Indeed, public services provide the core infrastructure for the functioning of the economy and civil society. They are key investors in the economy. To give an example, taken from the recent CEEP project "Mapping of public services", the infrastructure networks (water management, electricity, postal sector, telecommunication, public transport and railway) contributed in 2006 for more than 153 billion € to the EU investments making these sectors as one of the main investors in Europe.

Moreover, public services acted as stabilisers in time of crisis. This is shown, amongst other things, by the fact that 75% of providers of Services of General Interest had seen no decrease in their staff numbers despite the financial crisis. These are the findings of a survey made in February 2010 in the context of the Mapping of public services project.

Overall, public services' providers contribute directly to more than 26% of the EU 27 GDP. More than 500 000 enterprises provide those services in Europe (private, public, mixed-owned enterprises, NGO, etc.). All together they employ more than 64 million people in Europe providing services to about 500 million Europeans.

For all those reasons they can not be ignored by the strategy that will lead Europe towards the next decade.

Exit from the current crisis

The worst economic crisis in decades continues to haunt us and the European Union needs to show the full potential that stems from cooperation between its Member States. According to the Stability and Growth Pact, Member States must respect an annual budget deficit no higher than 3% of GDP and have a national debt lower than 60% of GDP.

In this context, EU governments have announced that public spending will have to be restricted and taxes will have to be raised. The implications for public services will be that the financial room for manoeuvre will diminish via lower income and/or cuts in public spending. In terms of the provision of Services of General Interest, difficult economic and fiscal situation would exercise further pressure on public enterprises to tighten their economic activities, resulting in heavy constraints on Services of General Interest to deliver the high quality services that European citizens expect.

CEEP is deeply concerned that reducing public services expenditure will be seen as a 'quick fix' to stabilising economies and reducing financial deficits. Since the size of the fiscal consolidation effort will be enormous it might be desirable to spread it over a much longer time period than over a couple of years. We are also of the opinion that without some sort of compensatory measures impacting on the short term, the collateral damage could be enormous. Furthermore, a significant reduction in investment in public services will lead to

loss of jobs which will not, in the short or medium term, be countered by a growth in private sector employment.

Furthermore, necessary structural reforms are needed to combat the effects of the current crisis as well as responding to the long term challenges of globalization and an ageing population. We share the view of the European Commission that reforms are needed of age-related expenditure and serious discussions about raising the effective retirement ages to ensure that age-related public expenditure is financially viable is unavoidable. Workers will need to work longer and the existing provisions stipulating that employees can work longer than 65 are obviously not enough.

Additionally, it is also important that all Member States take appropriate action to implement Union law effectively. Bearing in mind that the administrative capacity for this task varies considerably in the different Member states, we would like to call on the European Commission to make full use of Article 197 in the Lisbon Treaty. The consequences otherwise could be very serious, as we already have witnessed during the crisis.

Smart growth

Innovation

CEEP welcomes the initiative “Innovation Union” dealing with Research and Development (R&D) and innovation policy and its refocusing “on the challenges facing our society”. R&D spending in Europe is lagging behind other large economies such as the U.S and Japan, and the long-standing target to invest 3% of GDP in research needs to be fulfilled in order to these challenges ahead of us.

We welcome with interest the Commission’s drive to “speed up setting of interoperable standards” as a tool to ensure effective achievement of the Single Market in addition to EU legislation. However, CEEP calls for any new standard to be based on a broad consensus which takes full account of the views of the enterprises that produce the standard and of those who will have to put it into practice, such as public community users, citizens and workers. Only by doing so viable and realistic solutions can be put in place.

Education, training and life long learning

Education is one of the largest employment sectors in the labour market. Its strategic importance is, in the EUROPE 2020 Strategy, unparalleled and Europe’s aspirations for global leadership in the knowledge economy rest ultimately on the quality of our education. CEEP firmly believes that we need every citizen to have sound basic skills. Vocational Education and Training systems (VET) must be tuned to the rapidly changing needs of the labour market. Higher education and research institutions, in partnership with business where appropriate, must give Europe the decisive competitive edge to generate sustainable high quality jobs and the economic platform to pay for advanced social provision and environmental protection.

However, it needs to be pointed out that not everybody will be able to adapt easily into the knowledge society of tomorrow. Certainly, specific programmes can decrease the number of those excluded from society and labour markets. But still there will remain a certain segment of people who need and look for low-skilled work and have to make a living from it.

Moreover, the level of early school drop out and low achievement remains too high in the EU. It is a proven fact that young people with low educational attainment have even greater difficulties in accessing labour market opportunities. Even in times of economic crisis it is therefore important to continue to address the causes of early drop out and low attainment. The prevention of early school leaving requires appropriate government investment in the education system and flanking social measures in areas of high deprivation. For that reason, CEEP fully supports the target of reducing the drop out rate to 10% from the current 15%.

However, we have concerns over the target to increase the share of the population having completed tertiary education. We think that the scope of this target is too narrow. Getting people into higher education is not the only solution to meet the long-term challenges the European Union are facing. Education in the form of informal and non-formal learning as well as vocational training and adult education is equally important in this aspect and therefore we do not find it appropriate to limit the target specifically to higher education.

Digital Society

CEEP welcomes the ambitious EUROPE 2020 Strategy objectives and the importance given in the Strategy to high-speed broadband networks and services, as key drivers of growth, innovation and welfare. The success of new networks and services can only be measured by the degree to which EU citizens and businesses take-up services and access content through new devices and platforms. An ambitious and comprehensive European digital agenda should provide the right incentives for all citizens to adopt new technologies. It should promote the production and the dissemination of high quality and diverse content together with the investment in new networks and platforms.

In the context of economical recovery, the deployment of high speed broadband infrastructure and the capacity of the private and public sectors to fully exploit the benefits of broadband networks and services are crucial to increase employment, further reduce CO2 emissions, boost education levels and improve social cohesion. In the fast changing world of near future, high speed broadband networks are able to generate up to one million additional jobs and spur considerable additional economic activity. A better integration of broadband-enabled applications in sectors such as energy, transport or building could lead to a 15% reduction of CO2 emissions by 2020. Broadband-enabled applications also play a significant role in improving access to education and public services in remote or less developed areas.

CEEP members are ready to participate in shaping the Digital Agenda policy framework and play their part through the investment in high speed networks and innovative services and content (fixed and mobile broadband access, e-education and e-health platforms, e-assistance services for the elderly or disabled, online content offers), developing the potential of Communications for smart, sustainable and inclusive growth.

Sustainable growth

Combating climate change and promoting clean and efficient energy

CEEP warmly welcomes the aim of decoupling economic growth from rising energy consumption. More generally “Get less in – more out” as stated by Commissioner Potočnik is

a good summary of what should guide EU policies towards resource efficiency. But decoupling growth from increasing waste production would also be much welcomed.

If for energy policy, the goals are already ciphered with the 20-20-20 target, we are much concerned by the remaining 80% of energy that would still be produced from traditional sources in which the first place is taken by fossil fuels. To improve the security of supply, the diversification of the energy mix, both in terms of the technology used and the geographic origin of the source of energy, should always be promoted on top of the use of low-carbon sources including renewables.

CEEP sees energy efficiency enhancement as the win-win-win solution, on the supply as on the demand sides. Indeed it decreases

- the amount of energy sources required, which improves both competitiveness of industry and affordability for the users,
- the dependency on imported sources, and
- the quantity of GHG emissions produced.

A better use of energy should also be improved by smart metering, enabling the consumers to control their energy consumption.

The energy sector needs efficient investments with fair prices (prices covering total costs); this can result in higher prices that are, at the same time, an incentive for energy efficient behaviour. To promote the competitiveness of the economy and household welfare, these prices are expected to be not too high.

If the EU intends to reach higher objectives than the 20-20-20 by 2020, it should at the same time create sustainable policies and long term objectives allowing the necessary time for investments to produce results. This requirement goes not only for investments in the energy chain from production to consumption, but for all network service investments as public transport, water or telecommunications. Therefore, the Europe 2020 strategy should provide a long term vision and broad approach when it comes to those sectors. Unfortunately this is not always reflected in the strategy. To make an example out of several, the promotion of public transport is an essential way to reach climate objectives while enhancing citizens' mobility. This is completely ignored by the Europe 2020 strategy, which limits the link between the fight against climate change and transport to the promotion of electric cars as a "clean mode of transport".

The climate change policies should also "strengthen our economies' resilience to climate risks and our capacity for disaster prevention and response", as stated in the Strategy. We insist accordingly on the need to plan specific adaptation measures, particularly in the water and soil management and territorial planning. Concerning the sustainable resource management of water only, a lot of legislation, research and funding is already necessary to maintain the all-in-all positive situation in the Northern and Central parts of Europe and to address the problematic situation in the Southern (and partly Eastern) regions of Europe where 1/3 of the population is threatened by droughts and water scarcity.

A "greener economy" should not be focused on climate change only. A good management of waste, soil and water is required to improve citizens' welfare. The danger of land filling or

the overuse of water in agriculture (60% or more in some Members States of water use is taken by agriculture) should be addressed as essential parts of an environment strategy. We regret that water management is not mentioned at all in the proposed strategy. Water is not a commercial product but a heritage which must be protected, defended and treated as such. That is why instead of liberalisation a constant modernisation of water management is required. A sustainable water management is essential to ensure citizens' welfare in the coming decade.

Competitiveness

The European Union is competing with other economies outside Europe and for the moment key competitors such as China and North America are outrunning us. We need to increase our competitiveness within fields such as innovation, productivity and technology and CEEP therefore welcomes the flagship initiative "an industrial policy for the globalisation era".

Public services are performing as infrastructure for private business prosperity. A prerequisite for the success of private companies, and in particular SMEs, are high quality public services such as education and training systems, transport infrastructure and so on. This should have been duly acknowledged in the above mentioned flagship initiative.

Inclusive growth

Employment

The crisis has hit the labour market very hard and the unemployment rate is for the moment around 10% for EU27 and according to the forecasts more people will lose their job during 2010. This matter is of immediate concern and policies to promote employment creation are needed. Vulnerable groups are most at risk during times of crisis. Young people have been shown to be among the first "victims" of the economic downturn. CEEP is of the opinion that special attention needs to address the alarming high youth unemployment in Europe. In this context, we would have welcomed a specific target addressing this issue in the general 75% employment target for the entire workforce.

Furthermore, we welcome the emphasis put on flexicurity both in the Europe 2020 Strategy and in the Integrated Guidelines. Implementing flexicurity principles is one way to deal with the raising unemployment. All pillars of the flexicurity model should be addressed at the same time: i.e. while it might be necessary to make access to the labour market more flexible to ensure employment opportunities, this must be underpinned with Life Long Learning, social protection and active labour market policy measures to ensure that employability can be maintained.

Skills

In the light of the current crisis, and taken into account future challenges such as globalisation and an ageing population, it is more important than ever to continue investing in skills upgrading and skills matching. The European Union needs skilled worker and to ensure employability we need to encourage comprehensive life-long learning strategies. CEEP's particular interest in this agenda is threefold: firstly, as provider of Services of General Interest, including education services, our members are at the forefront of ensuring that supply matches demand in the labour market. CEEP members thus have a key role to play in meeting the current and future skills agenda. Secondly, prior to the recession and to

some extent throughout the recession, many of the services provided by our members are vital in the context of social and demographic change and have continued to grow in terms of their employment potential. It is therefore essential that education providers take on board the growing skills needs of the service economy. Finally, as employers and employer's organisations, CEEP members have a significant track record of providing innovative skills solutions and ensuring ongoing training provision and a commitment to providing employment opportunities, even in difficult economic times. We ask for this role to be fully acknowledged in the implementation of the Europe 2020 strategy.

Fighting poverty

To ensure economic, social and territorial cohesion it is of vital importance that concrete measures are taken to combat poverty and promote active inclusion. CEEP believes that it is necessary to actively enhance labour market participation among all groups in our society. The recently adopted framework agreement on Inclusive Labour Markets is just one example how the European social partners actively can contribute within this field. Europe cannot afford having people being left outside and policies need to be adopted that encourage participation in the labour force of disabled people, old people, immigrants and other vulnerable groups. Ensuring equal opportunities is of outmost importance and policies needs to be adopted to promote work life balance.

However, CEEP is concerned of setting a specific number as a target on reducing poverty. The difficulty of defining poverty could cause problems when evaluating the progress made within this field and this needs to be taken into account.

Missing links and bottlenecks

It is true that the Single Market is a unique achievement of Europe and that it brought a lot of benefits for its citizens. The most recent and obvious one is that the Single Market has effectively prevented the temptation to implement national safeguard and restrictive measures that would have aggravated the effects of the crisis.

It is also true that the Single Market policies have not delivered their full potential: A number of additional costs and barriers hinder cross-border transactions; product standardisation at EU level often fails to keep in pace with new requirements; the Service Directive is not fully implemented by Member States etc... However, the reluctance to the further European integration observed lately in some Member States should not be regarded as coming from the integration fatigue. We should be careful when diagnosing 'the diseases' of the Single Market in order to be able to cure them. One of the reasons is an overly business-minded approach to the Single Market aimed at maximising profits in the short term and leaving the social dimension of Europe far in the second place.

Public services are at the core of the European social model and yet they were treated only within the framework of competition rules. Now the Lisbon Treaty puts them on an equal footing, placing them amongst the 'shared values of the Union'.

However, despite the positive developments supported by primary law, the EUROPE 2020 strategy sends us worrying signals again, leaving the role of public services completely out.

Also the emerging views from the Commission about further liberalisation processes to be carried out add to the worries of Public Service providers. This shows indeed Europe's unwillingness to learn from past mistakes and demonstrates the lack of evaluation and evidence-based policy making. Efficient functioning of so-called network industries lies not only on their competitiveness but also on their provision of high quality and affordable services of general (economic) interest to citizens. Further steps to increase competition in those network industries should only be taken when it is clearly assessed that social and economic progress would not be jeopardised. Social and territorial cohesion, or solidarity, is not an automatic result from well-functioning markets.

CEEP agrees with the idea that the challenge now is to put the rules of competition 'in coherence' with social policies. Reconciling the Services of General Interest with the Single Market policies is one of the necessary steps to be made in order to meet this challenge. To reach that goal, stable and sustainable framework conditions to provide these services need to be put in place. We need legal certainty because it defines our action level playing field and secures the much needed investment in these services. However, legal certainty should not restrict the room for manoeuvre for the providers of public services, which is necessary to adapt to social, cultural and economic differences across the EU.

Governance and implementation of the Strategy

One of the reasons behind the failure of the Lisbon Strategy to meet its targets was the absence of binding instruments and efficient initiatives at EU-level. The various flagships initiatives introduced in the EUROPE 2020 Strategy are in this respect welcome, pointing out various initiatives that the European Commission is planning to launch to reach the five headline targets.

However, the governance mechanism continues to be dominated by soft mechanisms such as benchmarking, monitoring and recommendations. CEEP urges the European Commission to use any mean necessary to make sure that the Member States fulfill their obligations and undertake the essential reforms that are needed in within the next ten years to come.

Furthermore, even though the Member States are the main actors in implementing the EUROPE 2020 Strategy, we want to underline that without proper involvement of social partners, at all levels, as well as local and regional authorities and other stake holders in the implementation process, the EUROPE 2020 Strategy is doomed to fail. We cannot repeat previous mistakes and we therefore urge the Member states and the European Commission to actively promote the involvement of these actors in the implementation process. Failure is not an option!

Conclusions

The EUROPE 2020 Strategy will be an important instrument for the European Union to meet its short-term challenges of reaching a successful recovery from the current economic crisis as well as meeting our long-term challenges that stems from globalisation, climate change and an ageing population.

Public services are crucial to the functioning of economy and civil society. They give essential support to citizens and economy, and they also showed their stabilizing function in times of crisis. In addition, public services and Services of General Interest are apt to become one of the major job creation sectors in the future, especially as new needs linked to ageing population and the greening of the economy emerge. Still there is no explicit reference made in the EUROPE 2020 Strategy to the role of Services of General Interest in achieving its goals and targets. Therefore, CEEP would like to put forward the following

KEY RECOMMENDATIONS

- Explicit reference should be made in Europe 2020' to the role of Services of General Interest in achieving its goals and targets. We ask that this role is now taken into account when developing the flagship initiatives.
- Continued investment in Services of General Interest is required to ensure economic recovery.
- The flagship initiatives should take into account that any private sector growth is dependent upon strong and efficient public services.
- Achievement of climate change and energy targets is dependent upon the leadership of the public services and the structures and environments which they create.
- It is the public services that will respond, amongst other, to the demographic challenges Europe faces. The implementation of Europe 2020 Strategy needs to reflect this.