Opinion of the European Economic and Social Committee on 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Annual Growth Survey 2012'

COM(2011) 815 final

(2012/C 143/12)

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On 23 November 2011 the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Annual Growth Survey 2012

COM (2011) 815 final.

On 6 December 2011 the Committee Bureau instructed the Europe 2020 Steering Committee to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr David CROUGHAN as rapporteur-general at its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), and adopted the following opinion by 171 votes to 19 with 21 abstentions.

INTRODUCTION

i The present draft opinion, issued in view of the Spring European Council, comments on the Commission's "Annual growth survey" (AGS) 2012.

ii The AGS launches the 2012 European semester of economic governance, which is also the first under the agreed enhanced economic governance legal framework ("the six pack").

iii The AGS sets out what the Commission believes must be the EU's priorities for the coming 12 months in terms of economic and budgetary policies and reforms to boost growth and employment under the Europe 2020 strategy. Once endorsed by the March European Council, these priorities will have to be taken into consideration by the Member States in their national policies and budgets.

iv In **Part I**, the current draft opinion intends to comment on **general issued related to the AGS** such as: its focus on growth, on fiscal consolidation and on the implementation of reforms agreed in the framework of the European semester as well as the implication of organised civil society and social partners in the AGS process.

v The **Part II** brings together **specific comments and recommendations on various EU policies.** They answer in detail to the five priorities put forward by the Commission in the AGS: pursuing differentiated, growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness; tackling unemployment and the social consequences of the crisis; and modernising public administration. These contributions come from various recent EESC opinions and update the Committee's position on the AGS 2011 (1) adopted in March 2011.

vi The present draft opinion is also a follow-up to the opinion on the European semester 2011, adopted by the Committee in December 2011 (2).

PART I

EESC MESSAGES IN VIEW OF THE SPRING EUROPEAN COUNCIL

Unlike all recent Summits, the Union must demonstrate its political capacity to tackle the debt crisis by ambitious and sufficient measures to restore confidence. A much greater emphasis on growth is one of those measures.

A. ***INTRODUCTION***

1. The AGS 2012 is issued by the Commission in a **bleak context**: the Union is experiencing the worst financial, economic, social and confidence crisis in its history. The consequences of the crisis are broad: difficulties for households and companies, escalating youth and long-term unemployment, increased number of people at risk of poverty and exclusion, concern in our societies, risk of increased nationalism and populism.

2. The Committee is **gravely concerned about the lack of implementation at national level** of the commitments agreed upon in the European semester process. More than ever, the EU

(1) Opinion of the European Economic and Social Committee on the Annual Growth Survey: advancing the EU's comprehensive response to the crisis COM(2011) 11 final, OJ C 132, 3.5.2011, p. 26–38.

(2) Opinion of EESC on Concluding the first European semester of economic policy coordination: Guidance for national polices in 2011-2012, OJ C 43, 15.2.2012, p. 8–12.

needs to demonstrate its capacity to act effectively to restore the confidence of consumers and investors, giving ambitious answers to current challenges. Without **decisive action and effective implementation of reforms by European institutions and by Member States**, Europe is facing a long term growth crisis and increasing divergence, leading to further pressure on the Eurozone.

3. As the 2012 European Semester process begins with substantially **downgraded growth forecasts** and the significant possibility of recession, the Committee regrets that the **December 2011 European Summit** failed to restore the trust and confidence in the governance of the European Union, which has been progressively eroded from one summit outcome to the next over the past eighteen months. The evident unwillingness of the Summit to face the deep rooted problems exposed by the AGS has resulted in continuing policy prescriptions that lack the confidence of governments and investors across the globe and in particular the confidence of European citizens.

4. The Committee believes that the **remedies** proposed to date for the sovereign debt and the financial crisis connected with it are **partial** and may therefore keep some deeply indebted countries away from the markets for a longer time than planned, and run the grave risk of further contagion to some larger Member States. A disorderly default in Greece is still a possibility; such an event could have a serious negative effect on other countries facing sovereign debt problems and could set in train a course of events that could have serious consequences for not just the European economy but the global economy. The European Union has not found a way for its undoubted economic strength to protect Member States in difficulty from financial attacks; this has resulted in global markets seriously weakening the European edifice by attacking its structural fragmentation. The problem is therefore as much political as it is economic.

5. The Committee is alarmed that the high degree of uncertainty thus generated is having a **damaging impact on the real economy** of the Union in terms of lower investment, output and employment as investors seek safer havens and even make plans for the possibility of a euro zone break-up with the horrendous global consequences that that would entail.

6. Experiences of past crises of European integration have demonstrated that Europe has the resources to find solutions. The Committee calls on the European institutions and the Member States to have **political courage and vision** and to support greater integration and a boosting of the economy and investments which is now the only possible resolution of the crisis.

7. The EU needs to move beyond the current emergency piecemeal approach to the crisis, taking **lasting solutions** to the structural challenges that this crisis has exposed, thus ensuring the well-being of Europeans in the long term. This requires building the necessary European firewall against further attacks, giving time for those countries in stress to recover, and the introduction of specific additional measures to boost European economic growth.

8. Side by side with the necessary move to bring the debt crisis under credible European management is a **greater fiscal union.** The Committee welcomes the introduction into the European semester process the much closer surveillance of budgetary policy of Member States and the commitments required by Member States under the fiscal compact, even if it is necessary to stress the need for an analysis of the social impact of such measures. However, the new structure for European economic governance must safeguard the autonomy of the social partners and their freedom to conclude collective agreements.

9. Furthermore, the Committee reiterates its full support to the overarching **Europe 2020 strategy** that offers a positive vision for the future and a coherent framework for carrying out forward-looking reforms for smart, sustainable and inclusive growth. It also recalls the need for a good balance between the economic, employment and social aspects of the strategy.

10. The Committee is deeply concerned that there has been a **worrying diminution of the Community method** in favour of an inter-governmental approach, in the main conducted by very few Member States, which has contributed to the constrained nature of the policy response. In part, because the Community institutions have played a subordinate role to the inter-governmental approach that has been adopted in the last two years, the European Union's acute problems have been tackled not from the perspective of the Union but from the perspective and political exigencies of individual Member States.

11. The Committee notes that, within five years at most following the entry into force of the Treaty on Stability, Coordination and Governance in the EMU agreed by 25 Member States on 30 January, on the basis of an assessment of the experience with its implementation, the necessary steps will be taken with the aim of **incorporating the substance of this treaty** into the legal framework of the European Union. The Committee, therefore, urges that those countries that have opted out ([3]) of the intergovernmental process giving rise to the Treaty will reconsider their position in this regard.

12. The Committee supports a **strong role for the European Commission**, encouraging it to table bold proposals and a **full involvement of the European Parliament** in the European semester process, for the latter's greater transparency and legitimacy.

13. The Committee thanks the Commission for having published the AGS 2012, at the end of November 2011, earlier than initially foreseen. Although the timeline remains tight, it allowed the EESC to hold discussions on this AGS, to consult its network of national ESCs/similar institutions and to issue the present opinion before annual priorities are decided upon by the Spring European Council.

([3]) The United Kingdom and the Czech Republic.

B. ***APPROPRIATE FOCUS ON GROWTH***

14. The Committee considers that the AGS 2012 is, in several ways, an improvement on its predecessor.

15. The Committee welcomes the general focus on growth, and notes with satisfaction that the AGS 2012 takes on board many ideas reflected in the past opinion of the EESC on the Annual growth survey 2011 [4].

16. The EESC emphasises that **without a sufficient rate of growth the sovereign debt crisis cannot be resolved**, especially in those countries in stress. Low priority to growth would carry with it a high risk of driving many economies in the Union into recession and some even into depression.

17. The AGS recognises that **financial markets** are assessing the sustainability of Member States government debt on the basis of long-term growth prospects, on their ability to take far reaching decisions on structural reform and their commitment to improve competitiveness.

18. The Committee is in agreement with the AGS that growth prospects for all Member States in the EU depend on **dealing decisively with the sovereign debt crisis and implementing sound economic policies** and that too much political time and energy is being spent on emergency measures and not enough time is being devoted to implementing the policy changes that will bring our economies back to higher growth levels.

19. The Committee fully agrees that the focus needs to be simultaneously on reform measures that have a short term growth effect and on the right growth model for the medium term.

20. The Committee reiterates that the 3 aspects of growth - smart, sustainable and inclusive - are interlinked and mutually reinforcing. **Equal attention** has to be given to the economy, social and environment aspect.

21. Restoring growth must be coherent with other objectives enshrined in the Lisbon treaty, including people's well-being. The need for reform should be seen as an **opportunity** to turn our way of living to a more sustainable one.

22. Emphasis on growth-enhancing reforms is needed in **all** Member States.

23. **Specific situation of five Member States under EU – IMF financial assistance programmes** [5]

23.1 The Committee considers that the Commission and the Council, via detailed country specific recommendations, should keep on encouraging Member States to foresee and implement long term growth policies. The Committee regrets that in 2011, the only recommendation given to **the five Member States under EU – IMF financial** assistance was to continue implementing measures laid down in the decisions granting them financial assistance.

23.2 The Committee is now **alarmed** at the Commission's decision that these five countries should not be required to engage in the preparation of the **second round of NRPs** in 2012. The EESC recognises that the NRPs cover much the same ground and that these countries do submit their national targets in relation to the Europe 2020 strategy. Nevertheless, this removes these countries from the new governance process at the heart of Europe 2020, which was designed to achieve necessary economic convergence through reforms and the adoption of best practice. In particular this will inhibit the involvement of the citizens and social partners at national level in participating in the implementation and review of NRPs. This flies in the face of the March 2011 European Council conclusions ensuring full involvement of national parliaments, social partners and other stakeholders with the new framework of the European semester.

24. **Investing in growth – a particular challenge in the current context**

24.1 The Committee is aware that identifying appropriate growth measures can be particularly **challenging**. The current difficult position of the EU in terms of growth is not due to the crisis alone, but also to additional problems which are impacting on its economic performance, such as loss of competitiveness, globalisation, resource scarcity (energy, skills, etc.), climate change and population ageing.

24.2 Achieving the objectives of Europe 2020 will require **significant investment**: e.g. in ICT, traditional and new infrastructure, R&D and innovation, education and skills and energy efficiency. Investment in the green economy will stimulate innovation and demand for new products that will increase growth while contributing to the sustainability of the global economy.

24.3 This is a particular challenge in times of austerity. Yet, the benefits from such public investment at the national or European level in the direction of smart, sustainable and inclusive growth are significant and can have an important **leverage effect**, encouraging private additional investment.

24.4 The Committee is of the opinion that the Union needs **more investment in projects** that promote structural change and that can help to put Member States' economies on a path of sustainable growth. Suitable projects should be in line with the Europe 2020 objectives, for example, long-term infrastructure projects that are of major public interest and have revenue potential.

(4) Opinion of the European Economic and Social Committee on the Annual Growth Survey: advancing the EU's comprehensive response to the crisis COM(2011) 11 final, OJ C 132, 3.5.2011, p. 26–38.

(5) Greece, Ireland, Latvia, Portugal and Romania.

24.5 In this context, the Committee fully supports the **Europe 2020 Project Bond Initiative** [6] to finance large-scale infrastructure projects in energy, transport and ICT. This will be positive for the project bond markets and will help the promoters of individual projects to attract long-term private sector debt financing.

24.6 The Committee considers that more needs to be done at European level to generate investment. The available structural funds have to be channelled to strengthen competitiveness and return to growth. EU funding should be conditional on results and compatibility with the objectives of the EU 2020 strategy.

24.7 The Committee welcomes the fast adoption by the Parliament and the Council of an agreement on **increasing co-financing rates** for structural funds in countries under financial assistance from EU, ECB, and IMF – to enable the rapid mobilisation of EU funds in support of growth and better absorption [7].

24.8 Given the severe pressure on national and European budgets, Member States and European legislators must make hard choices and set priorities, in order to "**invest in growth-enhancing items**" such as education and skills, R&D – innovation, environment, networks, e.g. high-speed internet, energy and transport interconnections.

24.9 The important role of **entrepreneurship**, social entrepreneurship and business creation - in particular **SMEs**, including social enterprises - in recovery must be underlined. They are key drivers of economic growth, entrepreneurial innovation and skill and an important source of job creation.

24.10 Unemployment is reaching intolerable levels in many EU countries, with huge social and economic costs. For this reason measures for the short and medium term will be essential in order to facilitate the access of young people and women, the reinstatement of workers expelled from the labour market because of the crisis, vocational training and retraining. In the EU, 17,6 million jobs will have to be created before 2020.

C. ***TOO STRONG FOCUS ON FISCAL CONSOLIDATION***

25. The Committee fully agrees that budgetary consolidation is necessary to correct severe fiscal imbalances and restore confidence. However, the Committee is concerned about the heavy weight given to **austerity measures** in the fiscal compact. An effective social impact assessment of these measures must be carried out and every effort must be made to ensure that they do not increase the risk of poverty and social exclusion. The Committee considers that the right balance needs to be struck between fiscal consolidation and growth. Fiscal discipline by itself and austerity will not suffice to put the EU on a sustainable path. If to a certain degree austerity is necessary, then measures must be socially balanced, and take account of the way in which measures affect the various social groups. The Committee agrees with the Managing Director of the IMF, Christine Lagarde who warned that "resorting to across-the-board, across-the-continent budgetary cuts will only add to the recessionary pressures".

26. The Committee is concerned that the **Treaty on Stability, Coordination and Governance in the EMU** agreed by 25 Member States on 30 January will not bring a resolution to this current crisis. While it must result in more compliance with the SGP in the future, it is nevertheless deficient in its concentration on fiscal balance, making no reference to the early warning system and the scoreboard that is designed to prevent imbalances building up elsewhere in the economy such as in the private sector, loss of competitiveness or property bubbles, all of which were significant factors in this crisis. Economic growth is part of the solution and requires some rigorous specified measures to stimulate growth, especially in those Member States in danger of falling into a deep recession. Consolidation efforts and reform must go hand in hand with measures to stimulate growth.

27. The Committee is concerned that the AGS calls for increased austerity to meet budgetary consolidation targets **even in the event of a deteriorating macro economic climate.** It advocates Member States benefitting from financial assistance programmes to "continue to meet agreed budgetary targets in spite of possibly changing macro economic conditions"; it advocates Member States with a significant adjustment gap under the excessive deficit procedure to "step up their consolidation efforts and possible downward revisions of the main macro economic scenario should not result in delays in the correction of excessive deficits".

28. **Stabilisation through Eurobonds**

28.1 Financial institutions invest in government bonds which they expect to be risk free for their own balance sheet purposes; that is why currently institutions prefer to lodge money with the ECB than buy the riskier bonds of some Member States, thus starving the finance system of liquidity.

28.2 To overcome this requires a greater and more credible European bulwark to be built against market pressures by an

(6) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions A pilot for the Europe 2020 Project Bond Initiative – COM(2011) 0660 final.

(7) Position of the European Parliament adopted at first reading on 13 December 2011 with a view to the adoption of Regulation (EU) No …/2011 of the European Parliament and of the Council amending Council Regulation (EC) No 1698/2005 as regards certain provisions relating to financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability - P7_TC1-COD(2011)0209.

even fuller role being played by the European Central Bank either directly or indirectly through the auspices of the EFSF or EMS.

28.3 The Committee recognises that the important implications for moral hazard are real and require solution; this problem, however, is pale by comparison with the possible break-up of the euro zone. Given the unwillingness of Member States to underwrite the debts of other Member States and the difficulties of the ECB fulfilling this role, the Committee calls for urgent consideration **to be given to the introduction of stability bonds.** Following the publication by the Commission of a Green paper on stability bonds, the Committee is considering this issue in a separate opinion.

D. ***RIGHT FOCUS ON IMPLEMENTATION***

29. The Europe 2020 strategy aims to ensure that the European union can compete in ever increasing global competition. The Committee, therefore, strongly supports the Commission for the **great emphasis** it is putting throughout the AGS on the lack of proper implementation of reforms at the national level.

30. The Committee notes with great concern that, in spite of the urgency of the situation, the progress by Member States in **implementing** the guidance of the 2011 AGS is **below expectations**. Decisions taken at EU level take too much time to come through in national policy decision**s**.

31. The EESC **urges the Member States to fully implement the reforms** that they have committed to in their National Reform Programmes. They have to take ownership of the changes that are needed in terms of future economic governance. This emphasises the need to reinforce the European semester process through greater involvement of national parliaments, social partners and organised civil society in Member States in debating and monitoring the progress of implementation of NRPs.

32. The Committee deplores that commitments set in the National Reform Programmes 2011 are insufficient to meet most of the EU-level **targets**; in light of the growing concern that Europe 2020 targets will not be met, the Committee calls upon the Commission and Member State governments, in particular, to redouble their efforts and rectify this slippage that has been identified so early in the programme and ensure that governments, stakeholders and citizens in every country take ownership of and implement their reform programme.

33. The EESC also calls on the Commission to make sure that all Member States, including the ones under EU-IMF financial assistance, contribute to the headline targets according to their potential.

E. ***IMPORTANCE OF THE AGS AND IMPLICATION OF ORGANISED CIVIL SOCIETY AND SOCIAL PARTNERS***

34. The AGS is the basis for building the necessary **common understanding about the priorities for action at national and EU level for 2012**, which should then feed into national economic and budgetary decisions and the drafting of National Reform Programmes (NRPs) and Stability and Convergence Programmes (SCPs) by the Member States.

35. Therefore, the AGS has an important **political role** and the Committee considers that it should not be limited to a technocratic process but must take into account the views of the European Parliament and key stakeholders such as organised civil society and the social partners.

36. In the current context of a total lack of confidence in the manner in which the crisis has been dealt with to date and a lack of confidence in the Union itself, Europe needs to bring its people along. **Social and civil dialogue** must be strengthened at all levels in order to build a broad consensus on the need for reforms.

37. Measures aimed at improving European economic governance should be accompanied by steps to improve its legitimacy, accountability and **ownership**.

38. The Committee calls for a **better, effective involvement of organised civil society stakeholders in the European semester**: at the EU level, as regards the AGS and the drafting of country specific recommendations and at the national level throughout the process of drafting, implementing and monitoring future NRPs. Detailed information should be provided in the NRPs on the extent to which stakeholders have been actively involved in the process and on how their input was taken into account.

39. The Europe 2020 growth strategy can only be achieved if the whole society feels committed and each of the actors takes his/her full responsibility. In a time when important decisions impacting the lives of all stakeholders are taken, their **co-ownership** of reforms is more then ever necessary.

40. The Committee intends to remain actively involved in the implementation phase of the EU 2020 strategy and the follow-up of the AGS 2012. It will continue the joint work with its network of national ESCs/similar organisations in order to improve the **consultation, the participation and mobilisation of organised civil society** both at the European and national levels.

PART II

COMMITTEE'S PROPOSALS ON THE PRIORITIES PUT FORWARD BY THE EUROPEAN COMMISSION

i The Committee supports the five priorities that, according to the Commission, should form the basis of policy emphasis in

2012: pursuing differentiated, growth-friendly fiscal consolidation; restoring normal lending to the economy; promoting growth and competitiveness; tackling unemployment and the social consequences of the crisis; and modernising public administration.

ii This part II presents a series of specific contributions in relation to the above-mentioned priorities. These statements are mainly quotations from various EESC opinions that were adopted by the Committee in 2011 and constitute a follow-up of the EESC's position on the AGS 2011 ([8]) adopted in March 2011.

1. Pursuing differentiated growth-friendly fiscal consolidation

1.1 *Fiscal consolidation*

1.1.1 The EESC reiterates its views expressed in the EESC Opinion on the Annual Growth Survey 2011 under the point 1 "Implementing a rigorous fiscal consolidation" and point 2 "Correcting macro economic imbalances".

1.1.2 As regards fiscal consolidation, as pointed out in point 1.1 and 1.2 of its opinion on the AGS 2011 ([9]), the EESC believes that the issue consists in **rebalancing public finances whilst avoiding reducing demand**, leading to a recession that would generate further deficits pushing the European economy into a downward spiral. Debt reduction programmes should be set up in a way that is compatible with the economic recovery and the social and employment objectives set out in the Europe 2020 strategy.

1.1.3 Europe needs to step up economic governance to guarantee **fiscal discipline** in each Member State, especially in the Euro area. The agreed reform package, the so-called six-pack, together with new regulatory proposals and the accompanying the European semester for better coordination of economic and national budget policies and for closer EU surveillance, must be implemented swiftly and correctly.

1.1.4 However, fiscal discipline in Member States is not enough as a pre-condition for growth and employment and economic and social cohesion. Indeed, the Committee is concerned that the current conditions for issuance of sovereign debt bonds have led to a market situation that risks undermining restored stability and growth.

1.1.5 This is why the Committee welcomes the Green Paper on the feasibility of introducing **Stability Bonds.** The Committee believes that under the condition of strict rules and a corresponding governance at EU-level to exclude moral hazard and promote responsible and predictable governmental behaviour in Member States, the management of sovereign debts with joint guarantees in the euro area will be an important contribution for overcoming acute problems as well as the austerity-growth deadlock.

1.1.6 Progress in this area will also enable the **European Central Bank (ECB)** to phase-out its government bond-purchase programme currently needed to enable individual Member States to refinance public debts. Instead, the ECB could decide to back the new stability bonds giving additional assurance to market actors, at least in a transitory phase.

1.2 *Prioritisation of growth-friendly expenditure*

1.2.1 The Committee expresses its full support to the prioritisation of **growth-friendly expenditure**. It must, in particular, be ensured that measures designed to cope with the economic crisis and sovereign debt do not jeopardise public investment in education and training. A particular focus by Member States is needed on public investment in education, research and vocational training when considering medium-term budgetary targets.

1.2.2 Public support measures for **research and innovation**, with specific, dedicated programmes, have proven to be extremely important to the Energy Intensive Industries. The EESC calls on the European Commission, the Council and the Parliament to reinforce these programmes, focused on energy efficiency and diversification and make them a permanent part of development initiatives.

1.2.3 Moreover, given today's difficult economic climate, the EESC recommends investing even more strongly in **research, development, deployment and training, and in the scientific activities** that are applied to energy intensive industries. These investments should be given sufficient backing in the next framework programme and should make it possible to exchange experience and results at European level, at the very least. European and national programmes should focus more on energy efficiency research and innovations.

1.3 *Active labour markets policies and employment services*

1.3.1 As the Committee already pointed out in its opinion on the AGS 2011 ([10]), "activating" people to seek work should be achieved chiefly by providing efficient service through job centres and less by supposed "incentives" via unemployment benefits. (…) With the current record levels of unemployed, the **labour market** problem is not one of insufficient labour supply generally but rather the lack of skilled workers in some Member States and the huge shortage in available employment. More consideration must be given to developing an intelligent supply policy that promotes growth and innovation and helps to create more jobs.

1.3.2 The Committee has stressed that **public employment services** have a duty to play a more active role in training

([8]) Opinion of the European Economic and Social Committee on the *Annual Growth Survey: advancing the EU's comprehensive response to the crisis* COM(2011) 11 final, OJ C 132, 3.5.2011, p. 26–38.

([9]) Ibid.

([10]) Ibid.

policies for priority target-groups, such as people with fewer skills and qualifications or in precarious jobs, or the most vulnerable groups, such as people with disabilities, older unemployed workers and immigrants. Public employment services should also play a more active role in finding jobs for the long-term unemployed and in developing active employment and vocational training policies. Many countries need to substantially extend the targeted support offered by government agencies, whereby disadvantaged job seekers should receive special attention.

1.4 *Reform and modernisation of pensions systems*

1.4.1 While seeing the need for reforming and modernising pensions systems, the Committee considers that the pressure on pension schemes is due more to the lack of jobs and investment than to demography. What is needed is initiatives to foster extended working life, flanked by effective growth and employment policies. Only a real **"active ageing" policy**, aimed at increased participation in training and lifelong learning, can sustainably boost employment rates for older people, who give up work early due to health problems, the intensity of work, early dismissals, and lack of opportunities for training or re-entering the labour market. The EESC is also very sceptical about the usefulness of postponing the legal retirement age to respond to demographic challenges. A rise in legal retirement age can increase pressure on other pillars of social security, such as invalidity pensions or minimum income, as happened in some Member States, making the progress towards healthier public finances fake. For the EESC, it seems much more appropriate to bring the actual age of retirement closer to the current legal age.

1.4.2 More specifically, the EESC believes that systematic changes are needed to make working conditions favourable for **older people**, based on a package of measures including in particular: incentives for companies to create jobs that accommodate older workers and to stabilise employment among older workers, a pro-active labour market policy to reintegrate older unemployed people into the labour market providing a full range of advisory and support services for job-seekers, measures to ensure that people are physically and mentally able to remain in work longer, measures to increase the inclusiveness of workplaces for older people with disabilities, measures to increase people's willingness to work for longer which must include a positive attitude to lifelong learning and preventive healthcare, developing health-enhancing working time models that are negotiated between the social partners and apply over the entire career span, measures introduced by companies, through collective agreements or by law to achieve more participation of older people in continuing training, awareness-raising measures in support of older workers, including broad-based social awareness-raising campaigns to combat stereotyping and prejudice against older workers and make "ageing" a positive concept, advice and support for companies, particularly SMEs, in forward-looking human resource management and developing work organisation so as to accommodate older workers, creating appropriate incentives for recruiting older people and keeping them in employment, without distorting competition, creating socially acceptable incentives to stay in work longer, for all those who can find work and are fit to work and, where possible or desirable, developing innovative and attractive models to facilitate the transition from work to retirement within statutory pension systems.

1.4.3 Furthermore, as concerns the Directive 2003/41/EC on the activities and supervision of **institutions for occupational retirement provision**, the EESC reiterates the point 5.7 of its opinion on the AGS 2011 ([11]).

1.5 *Growth-friendly tax policies*

1.5.1 The EESC reiterates the point 1.4 of its opinion on the AGS 2011 ([12]) whereas the **tax burden** should be shifted towards new sources of revenue.

1.5.2 The EESC is of the opinion that the **financial sector** should also contribute to the fiscal consolidation efforts in a fair and substantial way.

The introduction of a Financial Transaction Tax (**FTT**) at global level should be preferred over an EU-wide FTT. However, if it emerges that the adoption of a FTT at global level is not feasible, then the EESC would envisage the adoption of an EU FTT.

1.5.3 In the field of Value Added Tax (**VAT**), the Committee unreservedly endorses the Commission's initiative to consider overhauling the VAT system. Operational costs for users and administrative charges should be reduced while cutting back attempted fraud. One particularly sensitive issue is that of dealing with cross-border transactions.

1.5.4 The EESC supports and approves the proposal for a new "Regulation governing administrative cooperation in the field of **excise duty**" ([13]) as being a necessary and useful to ensure effective tax collection and to fight excise tax fraud.

1.5.5 In order to remove double taxation and enhance administrative simplification in cross-border situations, the EESC recommends the establishment of **one-stop shop services** whereby citizens can acquire information, pay taxes and receive the necessary certificates and documentation to be used across the entire EU, as well as the simplification of administrative procedures applied to cross-border situations.

1.5.6 In this context the EESC calls for the setting-up of a **Cross-Border Taxation Observatory** exercise under the auspices of the European Commission to gain, on an on-going basis, a detailed and practical understanding of existing tax barriers and their evolution.

([11]) Ibid.
([12]) Ibid.
([13]) See COM(2011) 730.

1.5.7 The EESC supports the proposal for a common consolidated corporate tax base (**CCCTB**) because it creates better conditions for companies that operate across borders.

1.5.8 The EESC expects that a CCCTB will lead to a significant reduction in tax compliance costs and the removal of distortions in intra-EU competition caused by tax rules. In this way, the CCCTB should promote fair, sustainable competition which has a beneficial effect on growth and jobs.

1.5.9 The Committee supports the review of the Energy Taxation Directive (**ETD**) that enables Member States wishing to do so to shift part of the burden of taxation from labour or capital to a form of taxation which encourages environmentally responsible behaviour and is favourable to energy efficiency, in accordance with the Europe 2020 strategy.

1.5.10 The CO_2 tax factor complements the Emission Trading Scheme (EU **ETS**).

1.5.11 However, the EESC regrets that the recast ETD is not more ambitious and coherent. The Commission took the initiative of including exemptions and derogations in the text designed to please certain Member States or not displease others.

1.5.12 The price signal given by taxation is not getting across when it comes to heating fuels and the recast ETD may not change this.

1.5.13 Some sectors (such as agriculture, construction, public transport etc.) remain wholly or partly exempt. It is difficult to see any coherence in all these exemptions, particularly as the need for them may not be understood by those who do not benefit from them.

2. **Restoring normal lending to the economy**

2.1 *A healthy financial system*

2.1.1 It is important to address the serious shortcomings in the **regulation and supervision of international finance.** The growing disequilibrium between the privatisation of profits and socialisation of losses in the financial sector must be addressed as a matter of urgency. Regulatory framework conditions must be set so that financial intermediaries assume their primary role of serving the real economy, providing credits for real projects, by investing in assets instead of betting on liabilities. Any public support given to financial institutions must be accompanied by the necessary improvements in corporate governance, as a first step towards fundamentally reforming the industry in support of the growth and jobs agenda.

2.1.2 The EESC shares the Commission's concerns that the support of **failing financial institutions** at the costs of public finances and the level playing field within the internal market is no longer acceptable in the future. The EESC hopes that the Commission will conduct a thorough impact assessment of the costs, human resources and legislative reforms needed. A realistic proposal should be accompanied by a timeframe of hiring human resources, taking into account that the latter might not be immediately available in the market.

2.1.3 The EESC recognises that the European Commission has responded to growing complexity and lack of transparency in the financial system. The Committee therefore calls on the financial industry to **apply the new legislation properly** and to self-regulate in order to foster appropriate and honest practices and making it easier to access transparent financial products.

2.1.4 The EESC calls for **financial education** to become a compulsory subject on the school curriculum, and this education should be followed up in training and retraining programmes for workers. As a subject, financial education should encourage responsible saving and promote socially responsible financial products. Financial education that is accessible to everyone will benefit society as a whole.

2.1.5 The EESC reiterates the point 3.6 of its opinion on the AGS 2011 [14] and welcomes the initiatives on **short selling and credit default swaps**. These will eliminate conflicting regimes and bring clarity to this area of the financial markets and will give competent authorities powers to require additional transparency for the instruments covered by the regulation.

2.1.6 The EESC welcomes the provisions for market transparency which it expects to be very beneficial. It welcomes the regulatory role of the European security and markets authority (ESMA) but draws attention to the fact that excessive intervention could destabilize markets.

2.1.7 The EESC judges that in order to establish a workable **bank resolution funds scheme**, Member States should agree beforehand on the adoption of common methods and uniform rules in order to avoid distortions of competition.

2.1.8 A major concern is the macroeconomic scenario. The EESC is concerned that bank resolution funds will impact the lending potential of the banking sector by **diverting resources.**

2.1.9 The EESC believes that before any steps are taken to introduce **bank levies**, the Commission should conduct a thorough assessment of the cumulative effects of levies and bank resolution funds. Making a decision on introducing bank resolution funds requires an estimation of how much the entire scheme would cost, to what extent it would impact the lending potential of the banking sector, and how long it will take before it is made strong enough or it reaches its target size. The EESC recommends tailoring these estimates to a worst case scenario.

2.1.10 The EESC expressly welcomes the fact that the proposed regulation will in future prohibit **multilateral interchange fees for direct debits**. This creates clarity and

(14) Ibid.

transparency in the complex contractual relationships underlying payment transactions. This will be of particular benefit to small and medium-sized enterprises.

2.1.11 The impact study conducted by the Commission found that SMEs would not be especially disadvantaged by the new capital requirements but the Committee remains *mefiant* and requires that the Commission closely monitors the development of **bank lending and bank charges to SMEs**. In addition, the EESC supports the risk rating review for SME lending to be conducted by the Commission.

2.1.12 The counterweight to the new regulation must be the implementation of **recovery and resolution regimes** based on devices such as living wills. While the state will continue to provide guarantees for small deposits, the moral hazard represented by unlimited state support to failed banks must be removed. If the situation is clear enough, investors, creditors and directors will have to take direct responsibility for the future health of each credit institution.

3. **Promoting growth and competitiveness for today and tomorrow**

3.1 The EESC reiterates its views expressed in the EESC Opinion on the Annual growth survey 2011 under point 8 "Tapping the potential of the single market", point 9 "Attracting private capital to finance growth" and point 10 "Creating cost-effective access to energy".

3.2 *Research and innovation*

3.2.1 The EESC recommends that the European Commission should develop an integrated strategy for **research and innovation** taking additional structural measures within the Commission and the consultative bodies that support it, as well as to finally raise the future budget for research and innovation.

3.2.2 The EESC welcomes further the essential political task to create reliable, **innovation-friendly Europe-wide boundary conditions and frameworks** with sufficient leeway, thus relieving potential inventors and innovation processes of the burden of the present fragmentation and overloading of regulatory frameworks and bureaucracies diversified across 27 Member States plus the Commission.

3.2.3 The Committee recommends concentrating much more effort on **removing any obstacles** opposing or hindering the swift introduction of innovations and the creation of an **Innovation Union**. In order to support the whole innovation cycle more effectively, the Committee calls for the rules on state aid, budgets, procurement and competition, which could prove an obstacle [15] to this goal, to be thoroughly reviewed in collaboration with the relevant stakeholders. This is because of the balance and/or possible conflict between competition law and promoting innovation. For this reason, competition, state-aid and public procurement law should not be drafted and implemented in such a way that it becomes an obstacle to innovation; there may even be a need for reforms. Innovations sometimes also need to be protected so that they are not acquired by competitors wishing to block the innovation process.

3.2.4 The Committee welcomes in particular the fact that innovations are understood and defined in terms of their **broader ramifications**.

3.2.5 The Committee recommends adapting support measures, funding, and performance criteria to – on the one hand – the more **incremental** innovations which respond to prevailing market forces and societal needs and – on the other – more **revolutionary** innovations which shape market forces and create new societal needs, but often have to overcome a difficult barren period at the beginning.

3.2.6 The Committee emphasises the important role of **SMEs and micro-enterprises** in the innovation process and recommends tailoring support and measures to their specific demands in particular. It furthermore recommends considering whether and how start-ups could be exempted for an appropriate period from most of the otherwise normal procedures and regulations and whether further special incentives might be introduced. The same applies to social economy enterprises.

3.3 *Single market*

3.3.1 The EESC welcomes the Commission's ambition to boost growth and to strengthen confidence in the single market. The Committee recalls that the single market is a **centrepiece of European integration**, with the potential to deliver directly-felt benefits to European stakeholders and to generate sustainable growth for Europe's economies. In the current environment, this makes a functioning, future-oriented single market not merely desirable but essential for the political and economic future of the European Union. To deliver these benefits, it is crucial that the Commission's proposals are ambitious and go beyond tackling only low-level, detailed challenges.

3.3.2 The EESC wants to reiterate its call for a holistic approach. While it thinks that promoting growth and business potential is essential, the Committee finds however that the proposals should focus more on **consumers and citizens** as independent players in the creation of the single market.

3.3.3 The EESC calls **for zero tolerance of non-implementation of EU legislation by Member States** and reminds the Council and the Commission that delayed, inconsistent and incomplete implementation remains a major barrier to a functioning single market. It would very much welcome publication of correlation tables by Member States that would contribute to better promotion and understanding of single market.

3.4 *EU digital single market*

3.4.1 As regards the EU digital single market, the EESC reiterates the point 8.12 of its opinion on the AGS 2011 and

(15) OJ C 218, 11.9.2009, p. 8, point 4.8.

has confirmed in several opinions issued in 2011 [16] its strong support to the implementation of the **Digital Agenda in Europe** to deliver sustainable economic and social benefits from a digital single market based on high-quality and high-speed internet connectivity, available at affordable prices to citizens throughout the EU.

3.4.2 In this context, the Committee is pleased to note the Commission's creative approach for co-investment arrangements in promoting fast and ultra-fast broadband deployment, but calls for more ambitious connectivity targets to keep Europe globally competitive. The Committee stresses the critical importance of **Net Neutrality principles** as fundamental political targets at EU level and calls for an urgent and proactive approach to enshrine these principles in EU law, thus ensuring that the internet is kept open across Europe.

3.4.3 On the "e-Government Action Plan and the Interoperability Framework", the EESC endorses the Commission's action plan for a sustainable and innovative form of **e-Government**, reminding that the 2009 Malmö Ministerial Conference's commitments should be kept. The Committee also advocates a **platform for exchanging information**, experiences and codes based on free software as described in the European Interoperability Framework, stressing that most obstacles are currently resulting from the lack of a cross-border legal basis, from differences in national legislation and by Member States adopting solutions that are mutually incompatible.

3.4.4 On "Enhancing Digital Literacy, e-Skills and e-Inclusion", the EESC considers that unequal Information and Communication Technologies (ICT) access is primarily an extension of financial and social inequalities and stressed that ALL citizens are entitled to a critical grasp of the contents of all media tools. The Committee also argues that the EU and the Member States should guarantee digital accessibility through **lifelong e-skills training** for professional and/or personal reasons, as well as for citizenship, while access to infrastructure and tools must be seen as a fundamental right.

3.5 *Information society*

3.5.1 As regards the "**New Roaming Regulation**", the EESC considers that the proposed cuts in price caps are proportionate and appropriate for guaranteeing availability and access to a service of general economic interest at affordable prices, while constituting a step in the right direction, i.e. the removal in the medium term of any specific form of roaming price. Nevertheless, the Committee regrets that the Commission's proposal was not accompanied by an assessment of the new measures' impact on employment and working conditions in the mobile telecoms sector.

3.6 *Energy*

3.6.1 The EESC feels that the efficiency of cross-border energy markets bolsters security of supply, optimal crisis management and a lower risk of additional costs, which are inevitably passed on to the final user. Steady improvements in the internal market in energy generate considerable savings, benefiting both companies and private users.

3.6.2 The EESC notes that the playing field is not levelled and **discrimination** persists in the EU's wholesale energy markets; market integration is completely inadequate partly as a result of structural deficiencies in the network and especially in cross-border interconnection. There are still major obstacles impeding non-discriminatory access to the network and the sale of electricity.

3.6.3 The Committee believes that it is imperative to continue **building a Europe of energy**, in which the general interests of the EU and of consumers are protected, energy supply is guaranteed, social, environmental and economic sustainability is safeguarded by means of well-designed policies which share out the benefits and ensure that the costs are reasonable, and market integrity is defended as a crucial component in the development of the social market economy.

3.6.4 The EESC calls for an **integrated approach** to be adopted between internal and external policies and related policies such as neighbourhood policy or those related to environmental protection. Energy unilateralism must be ended through a robust common policy on energy solidarity, based on diversification, an energy mix adapted to the conditions and features of each individual Member State, and above all on environmental sustainability.

3.6.5 As regards the **energy contribution to growth**, the EESC:

— points out that energy efficiency and saving are predominantly dependent on action by citizens, business and workers, their change of behaviour,

— underlines that energy saving should foster economic development, social wellbeing and quality of life,

— underlines the importance of choosing the right instruments and believes that voluntary agreements are useful while compulsory measures are needed when positive incentives do not work,

— underlines the importance of cogeneration as highly efficient energy production,

— does not support setting a binding overall target for energy efficiency but recommends that efforts are focused on achieving real results, and

— emphasises the need to ensure financial support and investment to realise the big potential in new Member States.

[16] e.g. opinions OJ C 107, 6.4.2011, p. 53; OJ C 376, 22.12.2011, p. 92; OJ C 318, 29.10.2011, p. 9; OJ C 24, 28.1.2012, p. 131; OJ C 24, 28.1.2012, p. 139.

3.6.6 On the **Energy Action Plan**, the EESC recommends to the Commission to:

— make and publish a thorough study of white certificates,

— use targeted measures to deal with individual cases of large untapped energy efficiency potentials, also ensuring that state aid, in specific cases, can be provided,

— require ensured access to the grid for electricity from cogeneration in order to enlarge the share of cogeneration in heat and power production.

3.6.7 On measures to enhance **behavioural change**, the EESC recommends to the Commission to:

— put the energy user in the centre,

— enhance the role of the public sector as an example on energy efficiency to be followed by businesses and households,

— study people's behaviour and segment information and awareness measures to different groups of users,

— ensure that users benefit from action,

— provide, when necessary, carefully designed effective incentives even modest ones can bring results,

— both builders and governments to ensure that additional investments in buildings are reflected in value,

— increase and adapt education and training in the building sector,

— promote training for public administrations in energy efficiency, including green public procurement,

— the Commission to study problems and if needed revise provisions on energy performance certificates for buildings and the new system of eco-labelling of appliances,

— the Commission to evaluate the effects on energy users of the rolling out of smart metering and propose additional measures to achieve real benefits,

— continue and develop well functioning national long term voluntary agreement systems and apply them also to the public sector,

— truly involve all stakeholders – citizens, enterprises, workers.

3.6.8 The EESC calls for stronger measures to combat **energy poverty**, which is in danger of excluding increasingly large groups of people (green options can be costly in terms of higher prices and/or taxes, especially for the more vulnerable population groups), and for European expertise to be pooled to create new "green" jobs - effective, sustainable and competitive - and reduce inequalities ([17]), giving consumers "access to energy services and jobs created by the low-carbon economy" ([18]).

3.7 *Transport*

3.7.1 As regards the transport contribution to growth, the EESC agrees that the 2050 **60 % CO_2 emissions reduction goal** of the Transport White Paper is in line with the EU's overall position on climate protection and that it has struck a balance between the need for quick reductions of greenhouse gases in society and the possibility of rapidly using alternative fuel sources for the important work of the transport sector in the Union's economy. The Committee suggests that this long-term roadmap objective be accompanied by a number of more specific measurable, medium-term objectives for reducing oil dependence, noise and atmospheric pollution.

3.7.2 The Commission considers the need to enhance the competiveness of **alternative modes to road transport**. The Committee supports this aim, as long as it is done by promoting higher capacity and quality in rail, inland waterways and short sea shipping as well as efficient intermodal services, and not by hindering development of efficient and sustainable road services within the EU.

3.7.3 As regards transport in the internal market, the EESC recognises the vital role of transport as a **factor for competitiveness and prosperity**, the need to create an integrated European transport system, as well as the need to improve sustainability and promote low carbon transport modes, energy and resource efficiency, security and independence of supply and the reduction of traffic congestion. The EESC can approve the emphasis put on optimised multimodal logistic chains and a more efficient use of transport infrastructure. It also supports the Roadmap's strategy to make use of a larger share of market-driven measures compared to previous versions of the White Paper.

3.8 *Industry*

3.8.1 As regards industry, the EESC strongly endorses the **holistic approach** and an enhanced interlinking of EU policies as well as a deepened coordination towards industry between the EU and the Member States. The goal is a sustainable, competitive European industrial sector in the global economy.

3.8.2 The enhanced interlinkage should, in the view of the EESC, lead to integrated approaches in a **fully developed**

([17]) OJ C 48, 15.2.2011, p. 65.
([18]) OJ C 48, 15.2.2011, p. 81.

internal market within a social market economy through smart legislation, R&D and innovation, access to finance, energy-efficient and low-carbon economy, policies in the fields of the environment, transport, competition and employment, the improvement of skills and competences, trade and related issues, and access to raw materials.

3.8.3 In spite of clear progress, fragmentation of the internal market and a lack of focus has persisted, partly due to disparities in approaches to business. The relation between the **completion of the internal market and industrial policies** is too often overlooked. The EESC has repeatedly urged to put in place the right conditions, taking into account the need of tailor-made rules for sectors and thematic issues which take into consideration the broadly ramified world wide value networks.

3.8.4 Industrial policy concerns all sorts of interconnected **manufacturing and services**. The boundaries between sectors are blurring. SMEs are becoming increasingly important both in terms of added value and job creation. These factors require smart horizontal and sectoral legislation and/or regulation, and accompanying measures. The complexity of international networks and integrated manufacturing processes should be taken into account.

3.9 *Services*

3.9.1 The EESC considers the Commission's conclusions on **the impact of the Services Directive** and on the functioning of the services sector to be premature. The directive has been in force for only a few years. Not all the Member States are equally satisfied with the directive and they need to implement it in their own legislation in their own way.

3.9.2 **The Services Directive** was drafted under the old treaty, in which the single market was still the top priority. Under the Lisbon Treaty, other interests are regarded as equivalent, rather than subordinate, to economic interests. It is interesting to look at how legislation and case-law developed under the old treaty relates to the new treaty.

3.10 *External growth dimension*

3.10.1 As regards the external growth dimension and the **security of raw materials**, the EESC urges a more active foreign policy regarding security of raw materials for EU industry. For this purpose key guidelines of raw material diplomacy should be defined and agreed between Member States. Bilateral trade agreements and diplomacy are of utmost importance to secure the critical raw materials for EU based industry. These represent an immediate and tough challenge for the newly established EU diplomatic service. There needs to be not only a direct focus to secure the vital raw materials but also to create a positive environment for EU interests in target countries. The fact that EU is among the world's most popular and important markets have to be exploited.

3.10.2 As regards access to **third countries' public markets**, the EESC believes that the EU must increase negotiating power to improve access to these markets, in line with its primary and secondary legislation, given that the EU has opened up over 80 % of its public markets while the other major developed economies have only opened up 20 % of theirs.

3.10.3 The EESC strongly urges the European Parliament, the Council and the Commission to ensure more effective, strategic **defence of the EU's interests** in the area of access to public markets both internally and internationally, strengthening its global credibility but also increasing the shelf-life and development of the European economic and social model.

3.10.4 As an external component of the EU 2020 strategy, an **EU trade policy** would aim to ensure that trade would help deliver the sustained growth we currently need to emerge from the crisis whilst guaranteeing the sustainability of the social market economy and supporting the transition to a low-carbon economy. The Committee feels that, on some issues, the existing legislation on trade should be clarified, particularly as regards subsidies and state aids, and that the EU's rules and values should be upheld by applying to the WTO Dispute Settlement Body (DSB) if necessary, in order to feed into case-law that better reflects its concept of fair competition, particularly as regards the emerging countries.

3.10.5 As concerns **trade and investment**, the EESC considers it essential that EU investor security is maintained, both in the interests of EU business and developing countries. The EESC welcomes the new competence of the European Commission in Foreign Direct Investment (FDI), which will enhance bargaining power of the EU and should result in the EU becoming a more important actor, and enable better access to key third country markets whilst protecting investors, thereby enhancing our international competitiveness. At the same time, the EESC insists that the EU's trade and investment policy has to be consistent with economic and other policies of the Union, including protection of the environment, decent work, health and safety at work and development. EU investment agreements should result in combining an open investment environment with effective protection for EU investors and ensuring operational flexibility in the countries in which they are investing. To this end, the Committee urges that the EU should seize this opportunity to improve and update the investment agreements it negotiates, building on its own strengths rather than merely imitate others. The EU needs to take a critical look at recent developments in international investment law, as well as in investment policy and practice (including investor-state arbitration), to ensure that its thinking and approach to future investment treaties and investment chapters in free trade agreements is both state of the art and sustainable.

3.10.6 The EESC believes that the **internationalisation of SMEs** must be stepped up in order to increase their access to new markets and, therefore, their job-creation capacity.

3.10.7 **Bilateral trade agreements** such as the recent free-trade agreements with Colombia, Peru and South Korea, offer many potential benefits that can come from exploiting the new opportunities it offers, and these should be adequately publicised to businesses. The Committee believes that bilateral agreements must be seen as compatible with and indeed eventually strengthening multilateralism. Our prosperity depends on trade, as the EC states. However, the Committee stresses there must be a qualitative change in the approach to this new series of negotiations: the bilateral approach may allow more respect to regional and national differences than is the case with multilateral agreements which per force follow a broader approach. The EESC underlines the importance of these agreements to promote and encourage the acceptance and development of best practice in environmental improvement and the promotion of sustainable development as well as the development of higher social and employment standards. In the bilateral negotiations, Europe must make it clear that it stands by its collective preferences on social matters and in the areas of food safety and the environment. International trade is part of the problem and part of the solution for issues of food security at world level. The rules of world trade should encourage food security, particularly for the less advanced countries, and ensure that they have duty-free access to developed countries' markets but also for emerging countries, in line with the principle of special and differential treatment.

3.10.8 The EESC welcomes the proposal from the vice-president of the European Commission, Antonio Tajani, to introduce a "**competitiveness test**" before a commercial partnership agreement between the EU and other third countries is signed. It also agrees that it would be necessary to assess the effects on industrial competitiveness of all other policy initiatives (such as energy, trade, environmental, social and consumer-protection policies) prior to their implementation.

3.10.9 In order to develop a green economy in a globalised competitive environment and maintain its leading role in this area, Europe should, in its own interests and in the interest of the climate, retain its ambitious goal of reducing greenhouse gas emissions. The Committee suggests carrying out impact assessment studies (on competitiveness, employment and the environment) and public debates to plan for the transitions between 2020 and 2050 and stabilise the projections of economic stakeholders and individuals.

3.11 *Mobilising the EU budget for growth and competitiveness*

3.11.1 The EESC feels that due to the economic and financial crisis and the cascade of growing deficits in most Member States, the European Union today does not have the **budgetary means** to implement either its political strategy or the commitments deriving from the new Lisbon Treaty.

3.11.2 The EESC feels that the European **budget must be strengthened and have a leverage effect.** National and European budgets should complement each other in order to achieve economies of scale meeting the EU's major political objectives.

3.11.3 The EESC demands that the EU budget must be a **model** of governance, effectiveness, transparency and control of administrative expenditure.

3.11.4 The EESC is of the opinion that the "**juste retour" principle** must be abandoned as it is contrary to the values of solidarity and mutual benefit which underpin European integration. Rather, the subsidiarity principle needs to be applied by transferring to European level that which has lost its meaning and effectiveness at national level. The EESC congratulates the European Commission on proposing a return to the principle of own resources which can be newly created or substituted for national taxes.

3.11.5 The EESC insists on an appropriate level of private and public financial resources for **competitiveness and innovation** counterbalancing shrinking budgets. The EESC very much welcomes the announced improvement of cross-border conditions for venture capital as well as the proposals for public and private EU project bonds for investments in energy, transport and ICT. Project bonds for other areas, e.g. research and demonstration projects, should be examined. The structural and cohesion funds have also to focus on industrial policy goals. New innovative ideas are to be developed to attract private capital to the industrial sector.

3.11.6 Maintaining, even extending, the EU's financial resources in **R&D** is paramount. **Large European projects** – such as those in the field of energy- and the realisation of a pan-European infrastructure, co-financed by one or more Member States, should induce leverage effects.

3.11.7 In October 2010, the Commission adopted a communication entitled: *Regional Policy contributing to smart growth in Europe 2020* ([19]) which clearly underscores the importance of developing innovation and research and development throughout the Union and highlights the role that regional policy can play in this matter. That communication also highlights the relative slow uptake hitherto of **funding available for Innovation.** It is therefore a missed opportunity that the proposal made by the Commission in 2011 amending Council Regulation (EC) No 1083/2006 as regards certain provisions relating to financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability (COM(2011) 482 final) does not allow for up to 100 % financing by the Union of innovation projects, which would particularly be of benefit to SMEs.

3.11.8 The EESC has always supported the **trans-European transport networks programme** and it reaffirms its support for this programme again. However it notes that the needs of the enlarged Europe in the field of transport infrastructure have grown and some thought has to be given to the matter of how to adapt existing policy and instruments of its implementation to the forthcoming challenges.

([19]) See document COM(2010) 553.

3.11.9 A higher market share of the **alternative modes** requires major infrastructure investments, including investment in road transport infrastructure. The general recourse to private investments and infrastructure charging cannot be considered as a panacea. The Committee is, as stated in a number of earlier opinions, in favour of internalisation in the transport sector. The Committee agrees that according to the concept of "**polluter pays**", economic instruments are to reflect the true cost of transport for our societies, so as to influence market behaviour in a sustainable direction. In this respect, the revenues from these additional charges should be earmarked to develop sustainable transport and to optimise the whole transport system in order to achieve a genuine sustainable mobility policy. They should also be kept separate from charges that are established for a financing purpose, that is according to the "user pays" principle.

3.11.10 The EESC believes it is essential to adopt **policy mixes** including:

— energy efficiency measures;

— safe CO_2 capture and storage (CCS) systems;

— competitive development of renewables;

— conversion of power plant, to low carbon energy production;

— measures to expand high-efficiency combined heat and power production (CHP).

3.11.11 With regard to the integrated European energy mix toolbox, the EESC believes it is essential to establish without delay a consensual **programme for investment** in the following fields:

— smart grids and enhancement of energy transmission networks;

— research and development of joint programmes in the areas of energy sustainability, nanoscience and nanotechnologies, IT applications for network macrosystems, and home micro-systems;

— ability to regulate complex systems and provide a stable reference framework for industry and public and private operators;

— reinforcement of structured, interactive dialogue with the social partners, consumers and the public.

3.11.12 The EESC calls for the prioritisation of all **the energy diversification projects** carried out within the European neighbourhood, such as the Caspian Sea-Black Sea-EU energy corridor, and, in particular, the Nabucco pipeline, Liquefied Natural Gas Infrastructure (LNG), the interconnection of electricity grids and the completion of the Euro-Mediterranean electricity (Med-ring) and gas infrastructure rings as well as the new oil infrastructure projects of European interest such as the Odessa-Gdańsk and Constanța-Trieste projects as well as Nord Stream.

4. Tackling unemployment and the social consequences of the crisis

4.1.1 The EESC believes that the most important **prerequisite for the creation of new jobs** is sustainable, stable economic growth. The EESC welcomes the fact that a number of institutions and organisations have made proposals for emerging from the crisis that take account of the social dimension of recovery.

4.1.2 The Committee believes that it is important to develop initiatives that facilitate the development of **sectors with the highest employment potential**, including in the low-carbon, resource-efficient economy ("green jobs"), health and social sectors ("silver jobs") and in the digital economy.

4.1.3 The EESC identifies the following priority actions: developing the potential of new **entrepreneurship**, especially among women, **youth employment** and support for the "Youth on the Move" flagship objective.

4.1.4 The EESC considers it essential to promote an **entrepreneurial culture** and a spirit of initiative in an environment that supports entrepreneurs, understands market risks and values human capital, while respecting collective agreements and national practices.

4.1.5 In particular, the EESC calls for a roadmap to create – as of now – the necessary conditions for the **development of new innovative enterprises and support for existing SMEs** in order to contribute to creating new jobs, which are needed to emerge from the crisis, and in order to return to sustainable growth. The measures adopted should be programmed at the European, national and regional levels, and should include commercial and non-commercial or social economy enterprises. Alongside this roadmap, provision should be made for the training of unemployed workers and young people to access these new jobs.

4.1.6 Promotion of **green jobs** must involve a combination of stick and carrot measures providing the necessary resources without dipping significantly into the already-empty public coffers. The issue of funding will be crucial and requires all of the parties concerned to play the game, because the EU 2020 strategy and the aid programmes will not be able to work if the Member States' hands are tied in terms of their budget. Businesses which commit to better quality jobs and more sustainable production should be encouraged and supported. They require a clear, stable regulatory framework, ideally with internationally-agreed rules. Rapid, consensual resolution of the European patent issue would, of course, be a step in the right direction.

4.1.7 As the Committee pointed out in it opinion on the AGS 2011 **appropriate wage policies** have a key role to play in dealing with the crisis. Keeping wage rises in step with productivity growth and targeted in the national economy as a whole will, from a macro-economic viewpoint, make sure a proper balance is struck between sufficient growth in demand and price competitiveness. The social partners must therefore work to avoid wage restraints along the lines of a beggar-thy-neighbour policy and gear wage policy instead towards productivity. To this end, the EESC categorically rejects the suggestion also contained in the Commission communication on the AGS 2012, that it is necessary to intervene in national wage-fixing schemes by requiring, among other things, "reform measures" for the decentralisation of collective bargaining. The autonomy of the social partners and their freedom to conclude collective agreements must under no circumstances continue to be questioned, as has been explained very clearly in the Six-pack Regulation No 1176/2011 (package of six measures).

4.1.8 The EESC notes that businesses have recourse to various types of employment. This results in **new types of work**: precarious jobs where people are employed on temporary contracts for low pay with little social protection and no legal protection. Not all temporary work is precarious – highly skilled freelancers can do very well for themselves on the labour market on the basis of individual orders, but it is, by definition, precarious when it comes to low-skilled and unskilled jobs in manufacturing and services. Flexicurity may be a way of meeting businesses' need for flexible work, but only on condition that the associated security is comparable to that provided by permanent job.

4.2 *Structural mismatch between the supply and demand for labour*

4.2.1 A key element in solving the problems lies in good and efficient **cooperation between education institutions, business, the social partners and public authorities**, notably with regard to anticipating future skills needs and taking the relevant initiatives in terms of general education and vocational education and training (VET). The Committee has called for an improvement of the quality and efficiency of VET so as to enhance its attractiveness and relevance. To set the number of young people getting into university as the only indicator is misleading when formulating education policy and not relevant to the needs of the labour markets in terms of skills. Education and training systems need to be balanced.

4.2.2 Demographic change – an ageing working population and fewer young people entering the labour market – and rapid technological developments in production processes mean that Europe is facing a serious shortage of **skilled manpower**. It is therefore of the utmost importance that everyone should gain long-term access to the labour market and that nobody should be excluded. The EESC stresses that employees must have the opportunity to keep their skills and professional qualifications up to date and to learn new skills during their working life, as this will enable them to adapt to changes in their working environment and provides a response to the demand for skilled workers on the labour market. Handling this process efficiently and effectively is one of the most important tasks facing the EU if it is to remain able to compete with other regions of the world.

4.2.3 The EESC stresses that employees must have access to **vocational training programmes**, in particular. Research has shown that it is often the employees who are most in need of training who are least likely to make use of it, so different measures will be needed for different categories of employees.

4.2.4 A large proportion of the budget must go to the **lowest skilled workers**, as they are the most in need of additional training. This could be achieved by allocating training budgets to individual employees, with the amount being inversely proportional to their level of training so that the least skilled workers are eligible for the most money.

4.2.5 **Older workers** need a personnel policy that takes greater account of age. At a time when many EU Member States are raising their pension age, many older people lose their place on the labour market before reaching the current pension age, for example because they cannot keep up with changes. Specific, targeted training could help to resolve this issue.

4.2.6 It is very important for education and training to be **effective**. A number of Member States are experimenting with new, more effective training methods and are rediscovering the importance of workplace learning. The EESC highlights the importance of further developing projects of this kind, and urges the Commission to promote this by ensuring that examples of good practice in the field are exchanged.

4.3 *Supporting employment, especially of young and long-term unemployed people*

4.3.1 The EESC reiterates its demand for **quantifiable European targets for youth employment**: in particular, 1) a target for a significant reduction in youth unemployment, as well as 2) a maximum waiting period of four months for young people looking for work or education. Leaving specific targets for youth employment at the level of Member States has borne little fruit; only a few countries have included corresponding targets in their National Reform Programmes.

4.3.2 The EESC is pleased that its demand that Member States guarantee that all young people have the opportunity for further education or are involved in activation measures within four months of completing compulsory schooling has taken the form of a proposed "**Youth Guarantee**" in the "Youth on the Move" flagship initiative.

4.3.3 Member States with especially fraught labour market conditions as far as youth employment is concerned, and which must currently meet restrictive budget targets, should be given easier access to **EU funding** set aside for measures like the "Youth Guarantee". What are needed are pragmatic and flexible procedures and simplified administration of fund use, up to and including temporary suspension of national co-financing arrangements by tapping funds such as the ESF and other European funds.

4.3.4 The EESC has repeatedly stressed the importance of maintaining, and where necessary boosting, national and **European funding for education, training and employment of young people** – despite the reassessment of budget priorities necessitated in all EU countries by the economic crisis. For this reason the EESC asks that adequate funding be secured for youth-focused initiatives as part of financial planning from 2014.

4.3.5 Some countries have improved access to **unemployment payments** for disadvantaged groups during the crisis, including youth, with corresponding conditionality. However, these measures were of limited duration or are at risk of reversal as part of planned austerity measures. The EESC urges that the requirements for young people's entitlement to unemployment benefits be generally reviewed, and that the prospects of those looking for work, but who so far have enjoyed no entitlement, be improved. It is also recommended that corresponding targets be written into national reform programmes. This would significantly contribute to alleviating the precarious situation faced by many young people in their transition to the job market.

4.3.6 It is not just the unemployment rate that is twice as high for 15-24-year-olds as it is for adults, but also the proportion facing **insecure working conditions** (in some countries, higher than 60 %), unregulated traineeships and internships (above all in southern Europe), and work for which they are over-qualified. The EESC warns against impermanent solutions offering few long-term prospects when it comes to integration in the job market: instead of settling for precarious employment and insecure employment contracts, measures should be taken to guarantee that fixed-term employment and poorly-paid positions with little social security do not become the norm for young people. As far as the Commission **initiative on internships** is concerned, the EESC supports a corresponding European quality framework to which companies should also be persuaded to sign up, so that they offer in-work training opportunities with secure contracts for poorly educated youth in particular. The dual system of apprenticeships with general education and training yields positive results in a number of countries, and should be studied with a view to its partial application elsewhere.

4.3.7 The continuing crisis-related stagnation in the demand for labour is leading to an increase in long-term unemployment, resulting in serious difficulties in placement on the job market and consequently a growth in poverty as measured by the proportion of the population of working age or below who live in households which have no contact with the labour market. **The EESC recommends that the Member States pay particular attention to setting up inclusive intermediate labour markets in which public resources would create an appropriate number of suitable jobs** to ensure that the long-term unemployed remain in contact with the world of work and improve their knowledge. This will prevent an increase in poverty, in terms of loss of contact with the labour market, and enable the workers included to make a smooth transition into the open labour market once the crisis is over.

4.4 *Social entrepreneurship*

4.4.1 Social enterprises are key elements of the **European social model**. They make an important contribution to society and contribute to the EU2020 targets by creating jobs, developing innovative solutions to meet public needs and by building social cohesion, inclusion and active citizenship.

4.4.2 The Committee believes that the promotion of social entrepreneurship, especially during the current harsh economic climate, will harness both its **growth potential and its added social value.** In order to realise its potential, a comprehensive political framework should be developed and implemented involving a broad range of stakeholders from all sectors of society (civil society, private, public) at all levels, (local, regional, national and European).

4.4.3 Member States and the EU institutions must ensure that social enterprises are included and taken into account in **public policy initiatives and programmes aimed at enterprises** on equal terms with other forms of businesses.

4.4.4 Better **access to capital** and tailored finance instruments are priorities for social enterprises. The Commission should collect and share existing good practice and innovation initiatives in the Member States, such as hybrid capital and forms of interplay between public and private capital and ensure that the current EU regulatory framework does not hinder the development of new instruments.

4.4.5 It is key that the **next structural fund programming** period explicitly includes programmes for starting up and developing social enterprises.

4.4.6 The Commission should launch an EU-wide exercise comparing **approaches to public financing** which are particularly suitable for social enterprise. The Commission should encourage and assess the prevalence of tenders with social considerations and tackle the issue of "gold plating" in procurement. When reviewing the State aid rules, the Commission should consider full exemption of social services of general interest, or provide notification exemption for all small-scale public services and certain social services in order to encourage more start-ups of social enterprises.

4.4.7 Due to their varied legal forms and specific social missions, **tax advantages** that do exist in certain Member States should be reviewed and shared in order to encourage the development of appropriate rules.

4.5 *Protecting the vulnerable*

4.5.1 As the Committee already pointed out in it opinion on the AGS 2011 and as the Commission also implicitly recognises, **social welfare benefits** must be regarded as a productive investment that benefits everyone. Unemployment benefits associated with dynamic labour market policies can stabilise the economy and promote active adaptation to change thanks to the improvement of skills and effective initiatives on job-seeking and retraining. It is advisable to remain cautious about measures which aim to tighten eligibility criteria. The risk is that persons who are excluded will be further marginalised, which represents a major obstacle to finding a/another job. Such weeding-out policies may have a perverse effect of displacing people to other welfare sectors, such as social assistance or work incapacity, which is undesirable.

4.5.2 The EESC highlights the fact that employees need **social protection and a secure income** if they are to be able to function optimally, without fear for the future, in a rapidly changing society.

4.5.3 The EESC urges the EU institutions to maintain **European social standards** with more conviction. The lack of decisiveness in this area has led to a growing number of working poor, rising inequality, ever greater fear for the future and, at the same time, a rise in citizens' distrust in one another, social institutions and government – not just national governments, but also the EU institutions, as demonstrated by the rise in euroscepticism in a number of Member States.

4.5.4 In the view of the EESC, **austerity measures** must not be allowed to increase the risk of poverty or exacerbate inequalities that have already grown in recent years. Care should be taken to ensure that the measures taken in response to the crisis do not run counter to the objectives of stimulating demand and employment and cushioning social impacts. The Member States should also make sure that measures taken to tackle the economic crisis and government debt do not jeopardise employment policy investments or undermine general and vocational education. The EESC calls for comprehensive impact assessments in order to establish how the EU goal of showing at least 20 million people a path out of poverty and exclusion by 2020 can be reached.

4.5.5 Austerity measures hit people who depend on social security payments hardest, including those with insecure employment and other disadvantaged groups in the labour market. As a rule, the people who are worst affected by unemployment are those with limited access to income support. Adequate, effective and sustainable social security networks are therefore needed, taking particular account of the worst affected and most socially disadvantaged groups in the labour market.

5. **Modernising public administration**

5.1.1 Regarding the modernising of the public administration, in the EESC's view good governance implies **multilevel governance and partnerships with representative organised civil society at regional level.**

5.1.2 "**Multilevel governance**" is a flexible structure of relations between Commission, governments, and regional and local authorities, tailor-made according to specific situations and thematic considerations rather than a hierarchical framework of competences between governmental layers. Good governance is characterised by open-minded relations and a less strict application of the "subsidiarity" principle.

5.1.3 **Partnership** is a key instrument of collective commitment and contributes to better efficiency of public expenditure and public policies. New forms of effective partnership could be instrumental to this end. Such platforms could accompany the innovation strategy, with the participation and assistance of all stakeholders – public and private, including the banks – and with simple, clear and effective rules governing the projects for their duration and establishing timelines, responsibilities, and possible sanctions.

5.1.4 The EESC would urge the EU institutions, as well as the Member States and the regions, to place the Small Business Act (SBA) "**Think Small First**" principle at the heart of EU, national and regional decision-making. It also recommends that the Member States and the regions adopt this as the basis for their policies on SMEs and for their economic and industrial policies. Ultimately, the Committee believes that the SBA should take a more binding form, especially for the EU institutions. In this context, the EESC is against the European Commission's current proposal on exempting SMEs and microenterprises from EU legislation.

5.1.5 The EESC believes that the appointment of national **SME envoys** should help the Member States to apply the SBA. The EESC also advocates appointing regional SME envoys.

5.1.6 All that remains is to move on to the "**act small first**" **stage**. The SBA will not succeed unless a genuine "multi-stakeholder and multilevel governance partnership" is established. The economic and social partners and all representative public and private stakeholders must be involved in political discussions and the legislative process from the very beginning. The EESC therefore calls for organisations representing the different categories of SMEs to be fully involved in the legislative and decision-making process at all levels.

5.1.7 The EESC agrees with the Council and the Commission as to the desirability of effective multilevel governance and better governance in **applying EU-Funds and implementing EU-policies.** The question is not "if", but "how". It is a matter of fine-tuning bottom-up initiatives and top-down framework conditions.

5.1.8 The Committee is particularly satisfied to note the proposal to ensure **greater participation by the public and other stakeholders** in drafting, transposing and implementing Community legislation, specifically by extending public consultation periods and by streamlining infringement proceedings and making them more effective.

5.1.9 The EESC welcomes the modernisation of EU public procurement policy with a higher degree of efficiency in the context of a better functioning single market that is more innovative, greener, and more social. The EESC underlines the impact and importance of innovative, environmental and social aspects of Europe 2020 also for public procurement.

5.1.10 The EESC emphasises that the principles of openness and transparency as well as efficiency, legal certainty, value for money, competition, accessibility to the market for SMEs and liberal professions, proportionality, increasing cross-border contracts, avoidance of discrimination and corruption, and the need for professionalism remain as valid as before.

5.1.11 Unnecessary bureaucracy has to be reduced for the best results for everybody. Complicated legislation and widespread Gold Plating in Member States must be avoided.

5.1.12 The EESC recommends an analysis of best practices and examples in Member States followed by measures to open up markets.

5.1.13 The EESC welcomes the interest the Commission has shown in strengthening political, legislative and administrative **procedures** to ensure that Community law is devised and applied in a more rational, appropriate manner throughout the policy cycle.

5.1.14 The EESC considers that aspects such as the way in which **ex ante impact assessments** are carried out by all Community institutions responsible for implementing them, the nature and membership of the body responsible for monitoring impact assessments, the parameters used, and the ways and means of ensuring greater transparency, should be more clearly defined.

5.1.15 The Committee welcomes the initiative to modernise public administrations by setting up "**points of single contact**", and can only applaud the development of administrative cooperation in cross-border matters. This cooperation also needs to be extended to policy areas where compliance with obligations is at stake.

5.1.16 The EESC welcomes the Commission’s intention of improving the governance of the single market through greater administrative cooperation, developing the Internal Market Information System (IMI).

5.1.17 The Internal Market Information system is the main technical tool for the cooperation between the national administrations and has additional potential as an interface for single market users.

5.1.18 The EESC believes that the IMI can play a decisive role in overhauling administrative cooperation in the internal market and ensuring it meets the needs and expectations of individuals, businesses and civil society organisations who may have a future part to play in developing and operating the system.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON