



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 1 March 2000 (03.03)
(OR. fr)**

6602/00

LIMITE

**SOC 71
AG 19
ECOFIN 64
MI 34
IND 13
RECH 23
EDUC 36**

COVER NOTE

Subject : Preparation of the special European Council in Lisbon on 23 and 24 March 2000
– Commission contribution

Delegations will find attached the Commission contribution submitted with a view to the special European Council in Lisbon, and the accompanying letter sent by Mr R. Prodi, President of the European Commission, to Mr A. Guterres, Prime Minister of Portugal and President of the Council of the European Union.

Romano PRODI
President of the European Commission

Brussels 24 February 2000

Portugal has taken the initiative of convening under its Presidency a special European Council meeting on the subject of "Employment, economic reforms and social cohesion - towards a Europe based on innovation and knowledge". This initiative has been backed up by intensive preparatory work. I wish to pay particular tribute to the Presidency document, which sets out an ambitious programme that I fully endorse. The Commission will provide active support to ensure that this initiative is a success.

The Lisbon European Council will be a major milestone in the European venture. As you have yourself suggested, we must together make this meeting the starting-point of a long-term strategy for our socio-economic policies.

The time is ripe for decisive action. The single market and economic and monetary union have helped to create a favourable macro-economic outlook. Without relaxing our discipline, we should make use of the room for manoeuvre offered by the economic upturn.

There is also an urgent need for action. Europe is facing both a technological and a social challenge. Only if we embark on the necessary reforms resolutely and without delay will we be able to make up the ground we have lost in the new knowledge economy. Nor will our citizens agree to the modernisation of our economy unless we strengthen social cohesion. Public support for the European venture is essential if our action is to be successful.

What I am expecting from the Lisbon summit is both agreement on the approach to be taken and a political commitment to pursue it. We should focus our efforts on a limited number of measures that are necessary for speeding up change, set clear objectives and devise methods for measuring progress. The consolidated paper I am forwarding to you establishes the priorities on which the Commission wishes to secure precise, operational commitments in Lisbon. Those priorities are geared to two main objectives: pursuing the necessary economic reforms to foster the growth of the knowledge economy and strengthening the European social model.

Mr António GUTERRES
Prime Minister
President of the Council of the European Union

The conditions are right for us to embark on an ambitious programme of change. But we must also ensure that it is consistent and kept on track. Only the European Council can provide the necessary overview and drive. The European Council is the ideal framework for linking together the various existing processes most effectively and imparting the necessary political impetus to ensure that action is well-integrated, or for establishing broad economic policy guidelines. This could be achieved by the European Council meeting once a year in the spring to take stock of the economic and social situation.

The Lisbon European Council must show that the Union is capable of delivering a cohesive Europe which is at the forefront of the knowledge economy.

It must send out a signal of optimism, justified by the favourable macro-economic outlook, a signal of confidence, borne out by the huge potential we have in Europe, and a signal of our determination to put the requisite measures into effect. The Commission is ready to set the necessary work in hand and provide the follow-up. It is seeking a mandate from Lisbon and knows that it can count on your Presidency.

I am sending a copy of this letter to the other members of the European Council.

Brussels, 28 February 2000

**THE LISBON EUROPEAN COUNCIL – AN AGENDA OF
ECONOMIC AND SOCIAL RENEWAL FOR EUROPE**

**CONTRIBUTION OF THE EUROPEAN COMMISSION TO
THE SPECIAL EUROPEAN COUNCIL IN LISBON,
23 – 24 MARCH 2000**

THE LISBON EUROPEAN COUNCIL – AN AGENDA OF ECONOMIC AND SOCIAL RENEWAL FOR EUROPE

INTRODUCTION

Over the last decade, the European Union has achieved a great deal: the internal market, economic and monetary union, the launch of the euro on time. This has been made possible by implementing the 1992 internal market programme, establishing sound monetary and fiscal policies, and appropriate wage development. This has led to economic convergence and macro-economic stability.

*Solid
achievements
over the last
decade*

As a result, the macroeconomic outlook is now positive. 3% growth is forecast for 2000 and 2001, and net job creation expected to be above 1% - meaning 1.5 million new jobs each year. The EU's balance of payments remains healthy, and the euro, after only one year, has captured over 40% of the international bond market. European inflation has been stifled, public sector deficits reduced remarkably, low interest rates established and the stock of government debt in terms of GDP set on a downward path. In short, the EU has an economic policy framework that is beginning to yield results.

*Good macro-
economic
outlook*

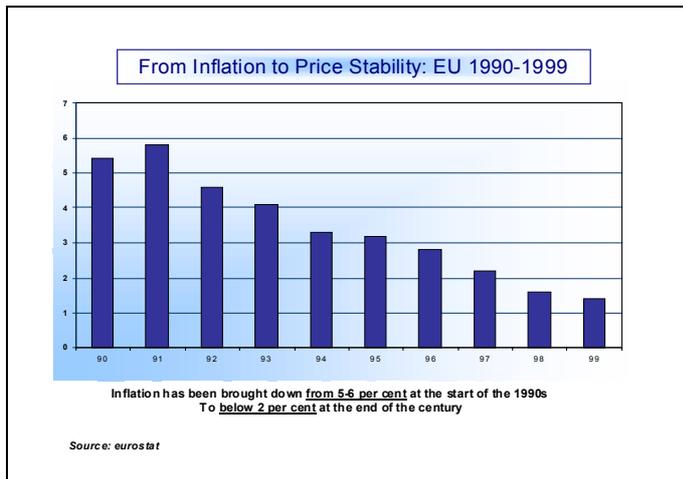
But today, the EU, like every other region, is facing a paradigm shift driven by globalisation and the new knowledge economy. This is impacting on every facet of life and requires a radical transformation of Europe's economy and society. The Union needs to shape this change swiftly according to its values and its concept of society.

*But the Union
faces a
paradigm shift
to the New
Economy*

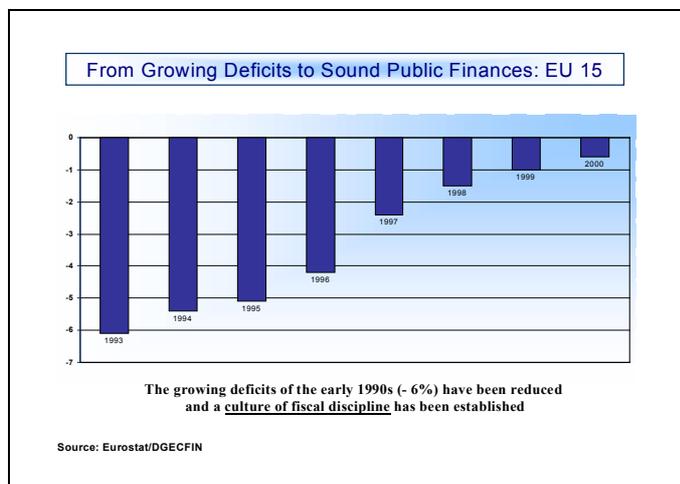
We need to reorient our policies to capture the benefits of the new knowledge based society: the current economic outlook – the best for a generation – provides a unique opportunity to do so.

*Economic
conditions best
for a
generation*

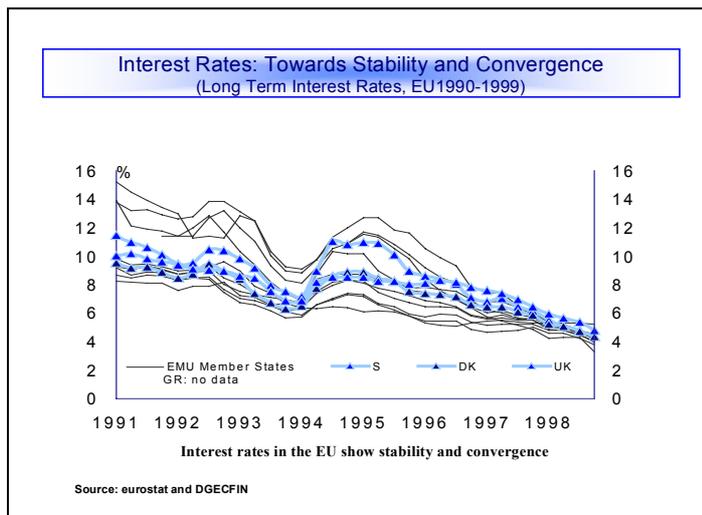
We have the best economic conditions for a generation.....



The shift to sound public finances is marked...



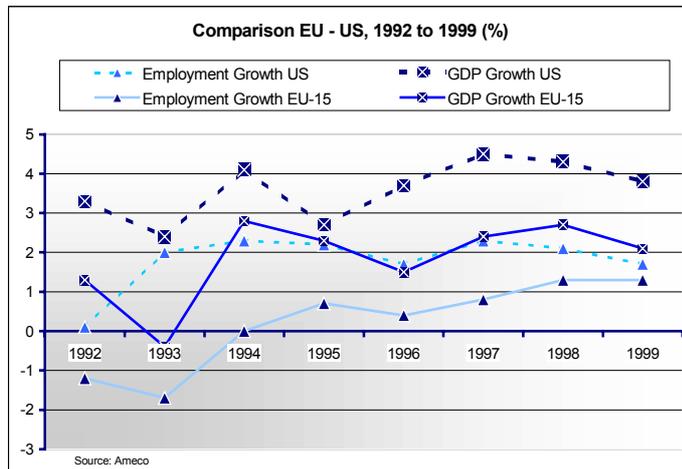
Interest rates in Europe have undergone a significant long term convergence...



In spite of this positive outlook, weaknesses persist. The EU's growth *But weaknesses*

rates have consistently been less than the US, unemployment remains *persist* unacceptably high and too many people are excluded from society. The European economy is simply not as dynamic as some of our major competitors.

Europe lags the US in growth and employment

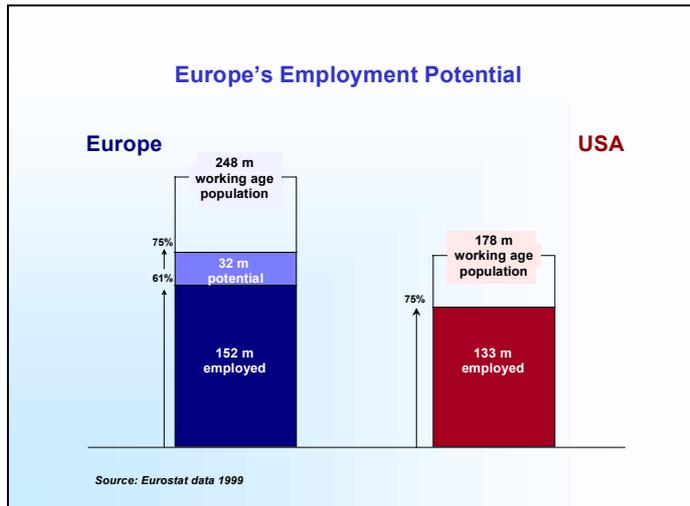


The challenges ahead

The employment challenge. At present, around 10% of the European workforce (15 million people) is unemployed. However, if all the Member States were to match the best employment rates achieved in the EU and the US, then an additional 30 million people, double the current number of unemployed would be in work. This is Europe’s “full employment” potential.

Unemployment still 10%

Unemployment in Europe is a story of unfilled potential ...



The main features of Europe's employment deficit are:

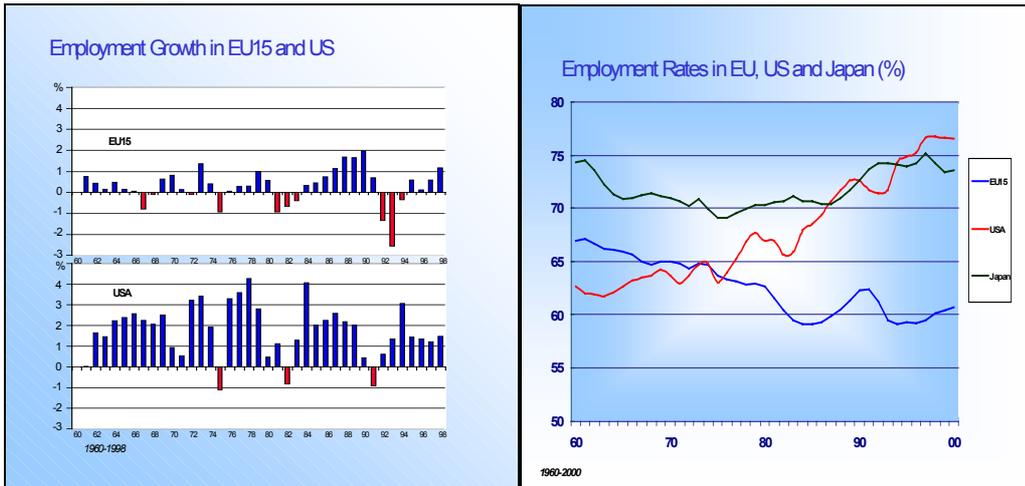
- A **gender gap** – only half of the women in the EU are in work compared to two thirds in the US.
- A **services gap** - the EU has a much lower level of employment in the services sector than the US.
- **Marked regional imbalances** - EU unemployment is concentrated in Germany, France, Italy and Spain and is highest in the south, outlying regions and declining industrial areas.
- **Long term structural unemployment** – half of those out of work have been unemployed for more than a year.
- A **skills gap** – particularly noticeable in Information Technology, due to under investment in education and training.
- An **age gap** – the rate of employment in the 55-65 age group is too low.

6 key reasons for Europe's employment deficit

6 reasons for change!

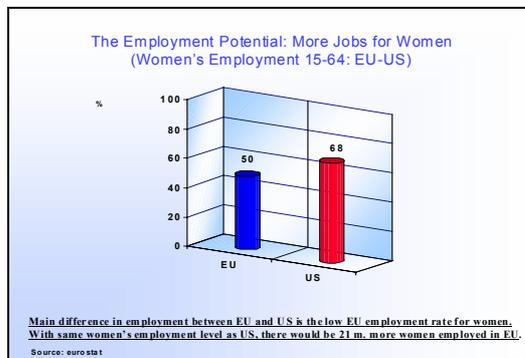
These gaps must be reduced. They can be if labour market, fiscal and structural policies are fully targeted on them.

There is potential for job creation and higher employment rates in the EU ...

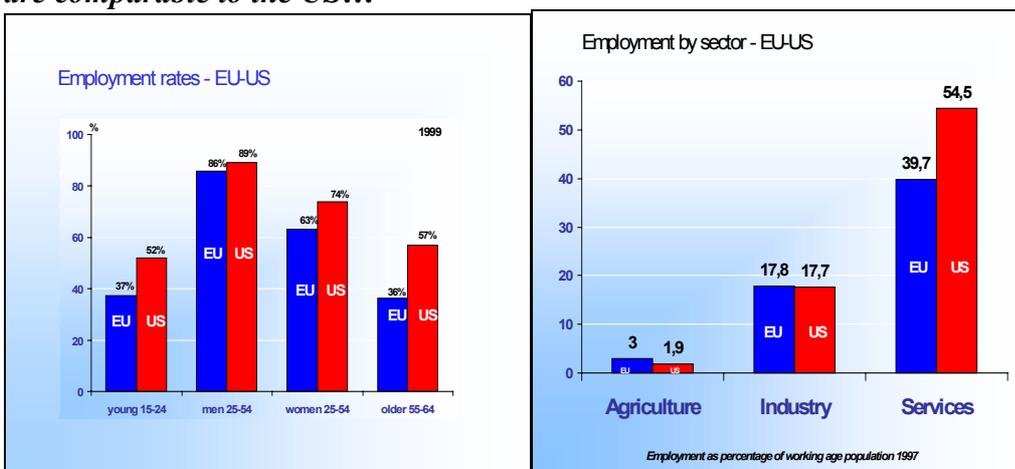


Source : European Commission

There is potential to get many more women into the workforce...



...and there is potential for significantly higher levels of employment in the services sector and among people aged 55-65 years. However, the European rates of employment in industrial sectors and among working men aged 24-55 are comparable to the US...



Source : European Commission

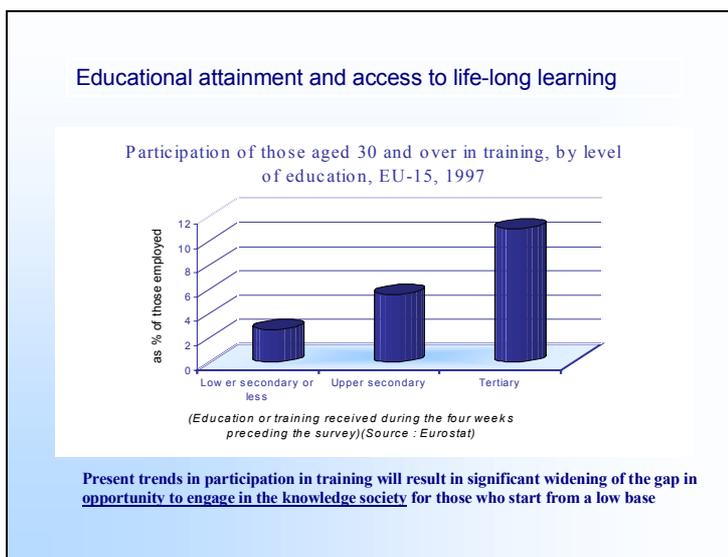
The skill gap. The knowledge economy is profoundly changing the type of skills required for work - highly-skilled non manual workers are increasingly needed, particularly in the fast and medium growth sectors of the economy. Information technologies can help reduce long-term structural unemployment by making the labour force more adaptable and training people for the new jobs that will become available. There are already between half and one million vacant jobs in the Information Technology area in the Union.

The knowledge economy means changing skills needed for work

The investments in education and training needed to deliver these skills are not yet in place; yet they are crucial. For example, evidence shows that those leaving school with few qualifications are least likely to continue to train during their working lives. Given the continuous pace of change, adapting our basic educational structure to new needs and extra investment in life long learning and training are now essential for long term economic and social success.

Education and training are vital

Europe must ensure a higher level of educational achievement amongst school leavers if they are to participate in the knowledge economy...



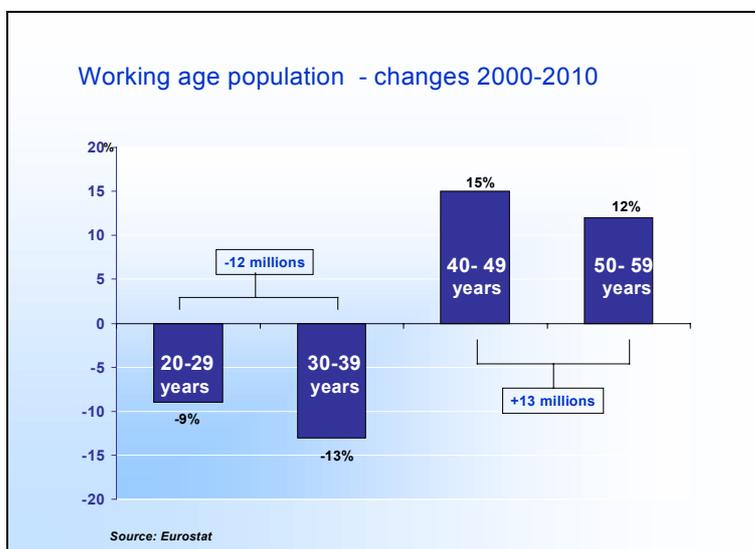
The main social challenges. The costs of underemployment, poverty and social exclusion are colossal. The Commission estimates that the

under-use of available human resources and the wider costs of wastage in the economy (including ill health, crime, and the related costs) could be between one and two thousand billion €/year (12-20% of GDP). These are cancers at the heart of European society - wasted resources crying out to be more productively used. The key challenge now is to move from an agenda of tackling social exclusion to one which secures social inclusion and mainstreams it at the heart of all policy making.

The importance of social inclusion

At the same time, Europe is facing the considerable challenge of an ageing population and its implications for the sustainability of our welfare and pension systems. The European social model itself must therefore be adapted to delivering the full potential of the knowledge based society.

Ageing population

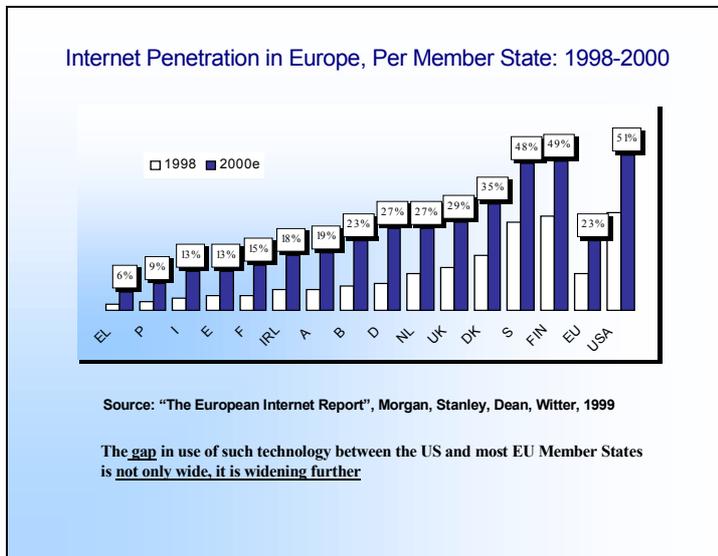


The need for much greater dynamism within the European economy. The European economy needs to be much more dynamic. Too many markets are still fragmented. Not enough small and medium-sized companies are growing into world-beating ones. There is not enough enterprise and too few entrepreneurs. Barriers abound in European capital markets, including risk capital. The Union's research performance is lagging behind our major competitors and it is too difficult and time consuming to get European ideas into the market place. We have to remove these impediments to greater economic dynamism.

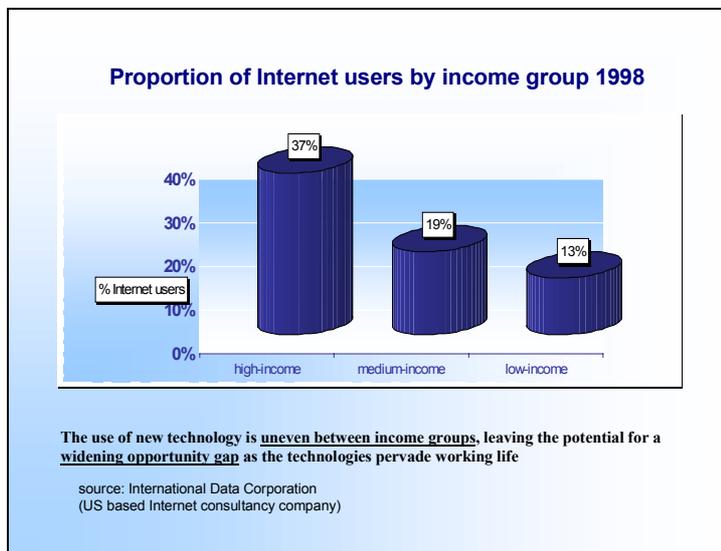
The European economy must become more dynamic

The challenge of the knowledge economy. Europe lags the US in taking up new technologies, notably the Internet. The comparatively

high cost of internet access here is an important factor, despite telecoms liberalisation in Europe. The effects of competition still have to be felt fully in local access networks. European telecommunications charges must fall further if the Internet is to be accessible to all.



At the same time, if current trends were allowed to continue the Internet could be further widen social and economic disparities within the Union.

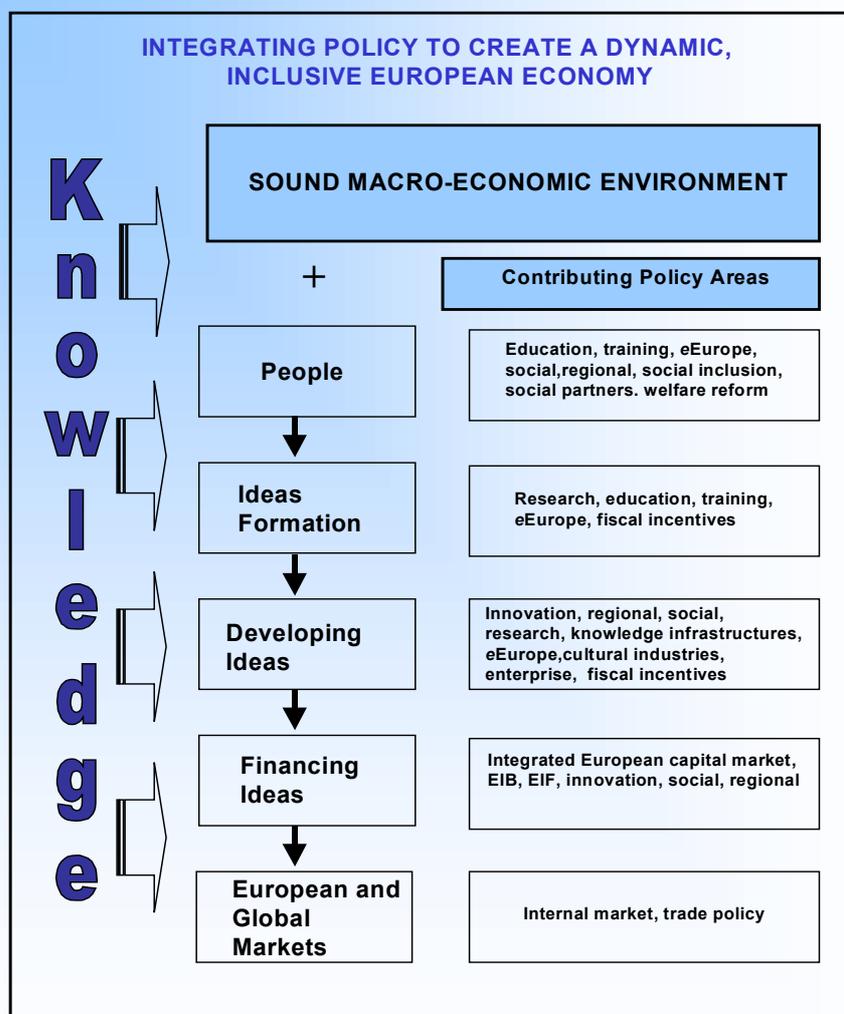


The way forward

The way forward for the Union is to confront these challenges head on. We must build on the stability we have achieved and take advantage of the favourable economic outlook to ensure sustained economic growth, full employment and social cohesion. This requires a new, positive vision of the future and a series of policies to deliver it.

*Confronting
the challenges*

This is a complex task. It requires a fully integrated and operational approach linking economic, social and political objectives with dates and deadlines for achieving them. The core of this strategy is to continue and accelerate the structural changes already underway.



The overall political aims must be:

- **To establish an inclusive, dynamic and knowledge based economy,**
- **To produce accelerated and sustained economic growth,**
- **To restore full employment as the key objective of economic and social policy, and reduce unemployment to the levels already achieved by the best performing countries, and**
- **To modernise our social protection systems**

Key political objectives

The European Commission believes that the starting point is to sustain Europe's sound macro-economic policy. This has to be continued and the new orientations outlined below consistent with it. The main medium term priorities are to stick to the growth and stability pact targets; to maintain wage moderation; to improve the quality and sustainability of public finances; to use the growth window to try to restructure and reduce the overall tax burden; to reduce the fiscal pressure on labour, and to carry through difficult reforms of our tax and benefit systems, including crucially, pensions reform.

The medium term macro-economic priorities

Given a stable macro-economic framework, the European Commission believes the Union's response should focus on two main policy strands:

- **Pursuing economic reform to prepare the knowledge economy, and**
- **Strengthening the European social model by investing in people.**

Two main policy strands: economic reform and investing in human capital

There must be full co-ordination at European, national, regional and local level, while respecting subsidiarity.

The Lisbon European Council provides a unique opportunity for the Union to shape its long term goals - to identify priorities, to establish targets and monitoring mechanisms, and to define who does what. We must link these targets to our different processes for co-ordinating employment policy (Luxembourg), structural reform (Cardiff) and macroeconomic dialogue (Cologne) and weave them more tightly together to ensure coherence, with the European Council providing the direction and political impulse. In this framework, no new processes are needed, but Europe must make better use of the full range of existing instruments available.

The Lisbon European Council must shape the long term agenda of the Union

PURSUING ECONOMIC REFORM TO PREPARE THE KNOWLEDGE ECONOMY

In order to build the New Economy, the European Commission considers that Europe should focus on six priorities:

- *eEurope*
- The Internal Market
- Financial Services
- Enterprise
- A European Research Area
- A Review of Financial Instruments

6 priorities for economic reform

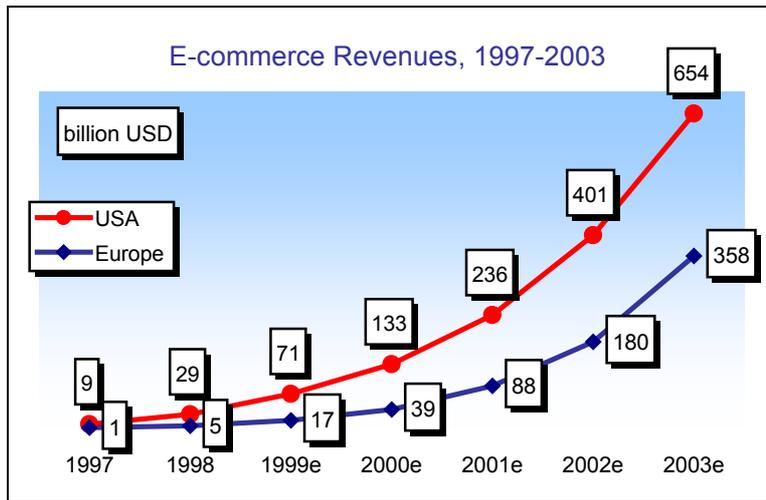
This involves continuing and accelerating the work already under way and taking new initiatives to release Europe's innovative and entrepreneurial potential. The measures outlined below are predicated on, and must be consistent with, maintaining the quality and sustainability of public finances.

***eEurope* – an information society for all**

The uptake of digital technologies is likely to be the main driver of substantial growth in the EU over the next decade. The challenge for Europe is to create the conditions in which this potential can be realised - to use the productivity gains achieved to make the economy more dynamic and create jobs. This pattern can already be seen in the US but is not yet visible in the EU.

*e-Europe
Agreeing the package with rigorous monitoring at Feira,
June 2000*

E-Commerce revenues are growing much faster in the US than in Europe....

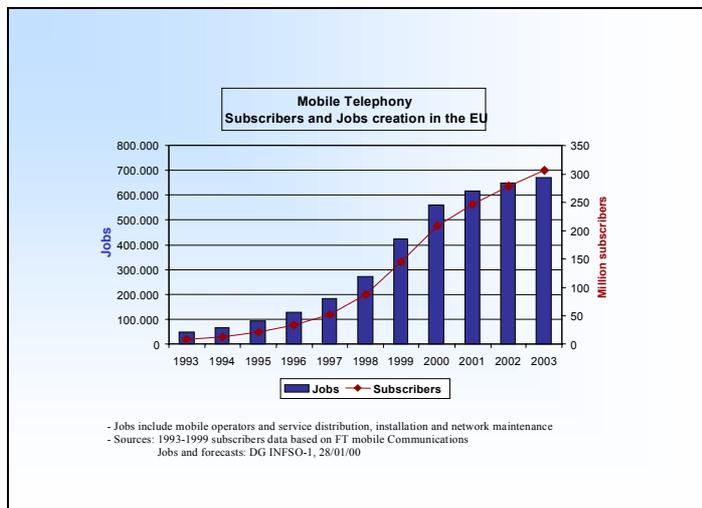


Source: eStats 1999

The eEurope initiative is designed to ensure that Europe catches up. The US is leading in Internet penetration and usage, in e-commerce and in the number of high-tech start-ups. But Europe is a world leader in mobile communications, which will be an invaluable asset as the Internet increasingly goes mobile. The jobs potential of this sector alone has already been proven.

Europe has a lead in mobile communications

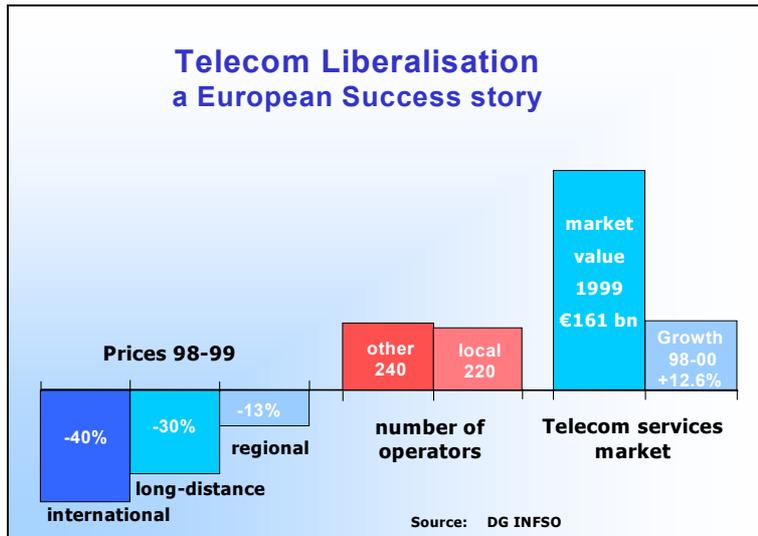
Europe's lead in mobile communications has been translated into jobs



Open European telecommunications markets are beginning to pay dividends – yielding lower access prices and spurring innovation, but much remains to be done to adapt today’s framework to the reality of converging telecoms, Internet and media markets. To enable Europe to catch up in Internet usage, our priority must be to foster competition in local networks .

Local telecoms competition essential

The impact of telecoms liberalisation is clearly being felt...



An internal market for electronic commerce will also speed the drive towards the New Economy by providing a transparent legal framework for business and consumers. It is equally important to build consumer trust in e-commerce, for example, by developing effective mechanisms for resolving disputes.

*Agreement
needed on
e-commerce
framework*

The eEurope initiative is a dynamic programme to project the Union into the new knowledge economy. It also includes ambitious targets (outlined below) for digital literacy and for connecting all European schools to the Internet.

*eEurope is a
dynamic
programme of
change*

The European Commission believes that in addition to targets for schools and digital literacy the following should be the top eEurope priorities for Lisbon :

- To agree on the central objectives of the initiative, leaving the final Action Plan to be endorsed in Feira
- To open up local access markets to competition, and thus substantially, reduce the cost of Internet access by the end of 2000
- To reach agreement during 2000 on the pending e-commerce legislation and agreement during 2001 on the telecoms review package

Internal market – improving the underperforming sectors

The EU's internal market is beginning to function well, particularly for goods. It remains central to the creation of an economic climate that stimulates growth, competitiveness and innovation. However, a number of major areas are still underperforming. These require urgent attention in order to improve the Union's medium term economic outlook, as part of an overall strategy for structural reform. Among the most important are:

*The new
Internal
Market
priorities*

- **Public procurement.** This represents 12% of GDP, but the level of cross border purchasing remains well below the rising rate of intra-EU trade flows for goods and services.
- **Regulatory costs** are far too high placing unnecessary and costly burdens on European enterprise. The costs of red tape, partly at European level, but mostly due to national and regional over-regulation, have been estimated by the OECD to be between 3 and 5% the EU's GDP. A new initiative is needed to improve the regulatory environment at all levels. Furthermore, the **cost of protecting intellectual property is too high**. In particular, patent protection in the EU should be as simple and inexpensive to acquire, and its scope as comprehensive, as in the US. There is a real need for a Community patent.
- **Cross border barriers to trade in services** are too common, stunting pan-European development and job creation prospects in the sector. Yet with e-commerce, services are set to grow beyond their current share of over 60% of the European economy. Efforts must therefore be made to remove them.
- **Energy and aviation markets** remain uncompleted. Both of these markets are very substantial markets with a direct impact on business costs and consumer spending.

*Further
internal
market benefits
are possible*

The European Commission believes that priorities should now be set in the Internal Market Strategy, including the following targets:

- Rapid progress by June 2000 on the European Company Statute
- A strategy for removing all remaining barriers to services to be developed by the end of 2000 in order to secure 5% year on year growth in cross-border services trade
- A Community patent to be adopted by 2001
- Further co-ordinated action to cut regulatory costs and simplify the business environment in 2001
- New public procurement rules should be in place by 2002 and all government procurement should be possible electronically by 2003
- The date of 2004 to be set for the full liberalisation and integration of European energy markets, the creation of a single European sky and the development of rail freight freeways.

Progress needed in services, energy and aviation

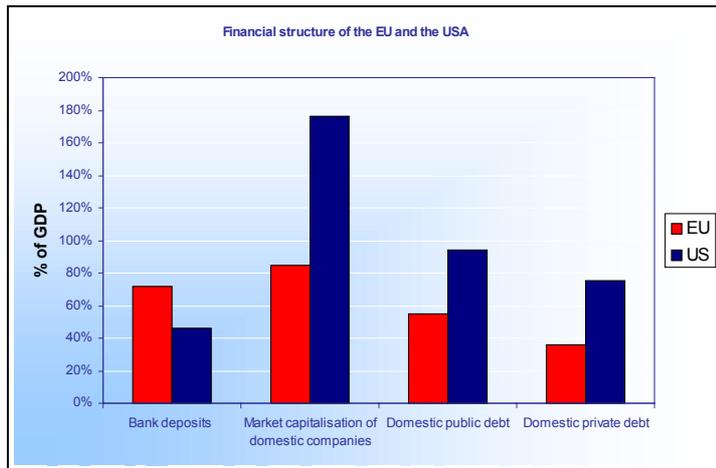
Fully integrated financial markets by 2005

The Union agreed last year an ambitious action plan to transform its financial services to meet the challenges of the 21st century: to deliver an integrated capital market and a dynamic financial services industry that can serve investors, businesses and consumers alike.

The importance of this can be illustrated, for example, by the fact that stock market capitalisation of EU Member States is only about one half of the US level. This reduces financing options for business and drives up the costs of capital. European capital markets are also too fragmented – 33 stock exchanges (compared to just two in the US); 11 cross-border payment systems (compared to one in the US). Administrative and legal obstacles abound.

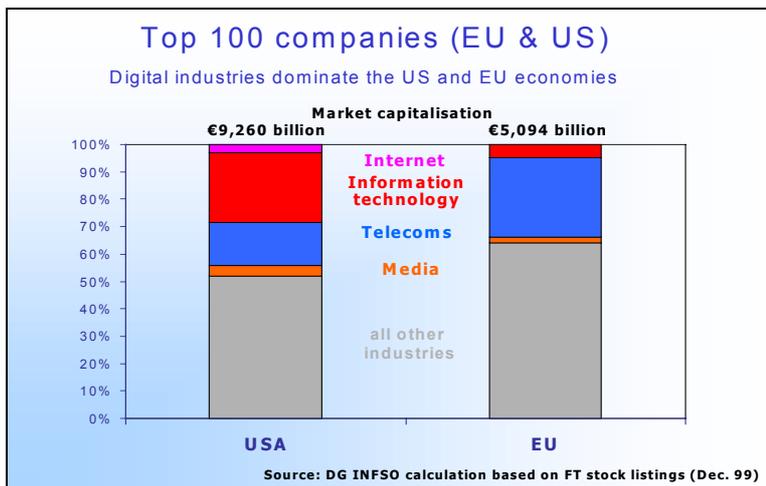
Huge gains to be had from an integrated European capital market complementing the euro

Market Capitalisation in the US is much larger than in Europe...



Source: European Commission based on data from Bank for International Settlements, International Federation of stock exchanges, OECD

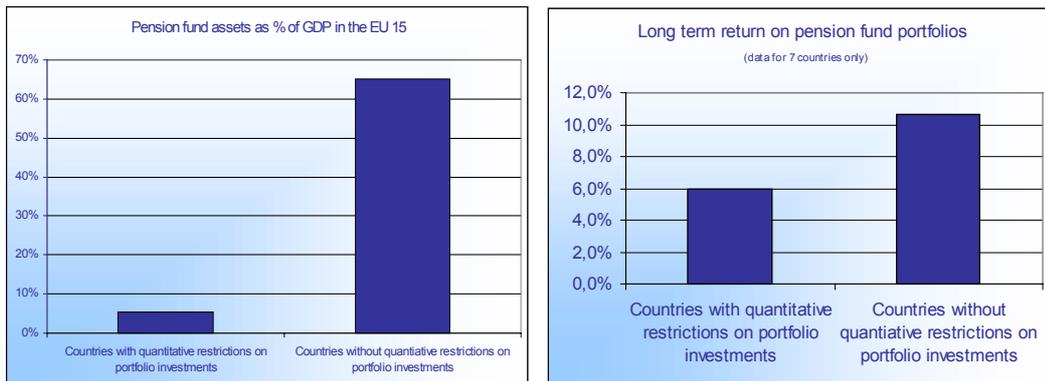
Digital industries are starting to dominate...



One striking area in which progress is needed is that of portfolio restrictions on the investment activities of pension funds. If, in relative terms, each of the Member States had equivalent investments in private pension funds as the Netherlands, an extra five thousand billion euro could be available in EU capital markets. This would ease future pressure on social security systems, reduce the cost of capital and increase venture capital. Later this year, the European Commission will bring forward a new proposal to enable supplementary pension funds to operate at pan-European level.

Major importance of pan-European pension funds

Pension fund restrictions are holding back growth...



Source: European Commission

The time has come for a firm commitment to complete the integration of the financial services and capital market on the basis of the Financial Services Action Plan already tabled. Europe's objective should be to have financial markets as competitive, dynamic and effective as any in the world.

2005 date for competition of fully integrated financial services markets

The European Commission believes that Lisbon should agree:

- To make rapid progress by June 2000 on (i) key pending legislative proposals affecting Europe's capital markets, (i.e. on take-overs and on the liquidation of banks and insurance companies), and (ii) the tax package.
- To establish priorities by June 2000 in relation to financial services
- To fully implement the Risk Capital Action Plan by 2003
- To complete the Financial Services Action Plan by 2005.

Enterprise Europe

Europe must also become more **entrepreneurial and innovative**. Jobs in the new economy will primarily be created by vibrant small and medium sized firms – with a small number of them growing rapidly to become leading global companies.

Developing European entrepreneurship

This calls for a twin strategy. First, we have to build a dynamic business environment in which companies can be created, grow, and innovate within competitive markets. It must be an attractive and simple environment that really helps small businesses and it must be supported by risk capital finance and an effective innovation policy.

A twin strategy is required

Secondly, we have to encourage risk taking and the spirit of enterprise. We must, for example, encourage women entrepreneurs, give entrepreneurs a second chance, improve incentives for the workforce with employee ownership schemes, provide business incubators and break down the cultural barriers to risk-taking at all levels.

Enterprise Europe 2005 – A major benchmarking exercise

The European Commission believes that Lisbon should endorse setting up an integrated benchmark and best practice strategy to drive progress and to create “Enterprise Europe” by 2005.

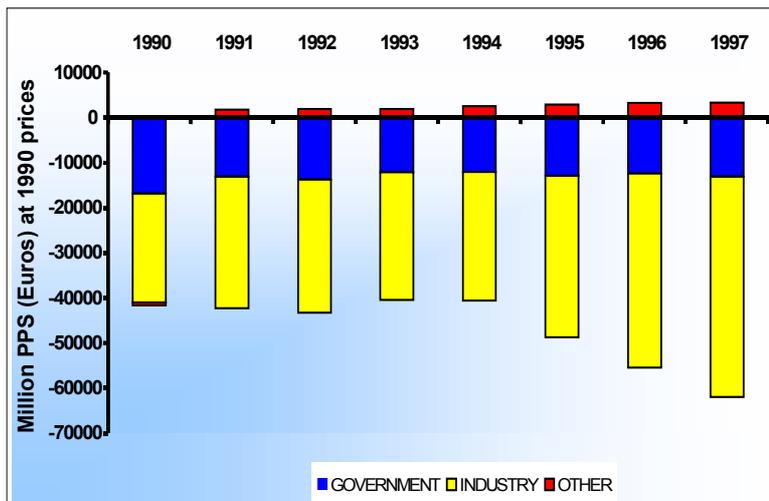
Creating a true European research area

Research and technology account for between 25 and 50% of economic growth and is a principal driving force for competitiveness and employment. In the knowledge based society, they will, more than ever, be an engine of economic and social progress. In the global economy, technology and research represents tomorrow’s jobs.

Research is a factor for future economic growth

Research in Europe remains fragmented and compartmentalised. This is worrying. The Union is again lagging behind its major competitors in key areas – and the gap is widening.

European R&D spending is behind the US and the gap is increasing ...



Source: DG Research, OECD

To reinvigorate European research – to stimulate competitiveness and employment – we have to develop a genuine “*European Research Area*”. Research activities at both Union and national level must be better integrated and co-ordinated to become as efficient, attractive and innovative as anywhere in the world.

True European research area needed

The key elements are networking centres of excellence; a common approach to research infrastructure and promoting top class broad band electronic research networks; using tax, patent and risk capital incentives to stimulate research; developing a common system of scientific and technological references for public policies; encouraging our research workers to be more mobile and making Europe attractive to the best brains in the world.

The key elements of the European research area

The European Commission recommends the following targets:

- Creating “virtual centres of excellence” for Europe by the end of 2000 by integrating the activities of existing centres through broadband electronic networks
- “Mapping” research and development excellence in Europe by 2001.
- Annual benchmarking of research activities, performances and policies at all levels – first report in 2001
- Enhancing the mobility of researchers in Europe, by opening up scientific careers and national research institutes. Targets to be set for a minimum level of non-national participation by 2002
- Setting common objectives for improving the environment for private investment in research, and for creating technological “start ups” in Europe by 2002

Reviewing the Community’s financial instruments

All the Community’s financial instruments must now be reviewed to ensure they can play their full role in preparing the knowledge based society – along with the EIF and EIB.

*Review of all
Community
financial
instruments*

Where necessary proposals could be made to reorient these instruments by the end of 2000.

STRENGTHENING THE EUROPEAN SOCIAL MODEL BY INVESTING IN PEOPLE

Building on the values of the European social model

The European social model can help manage the changes which the knowledge based society is bringing about. If managed successfully these changes can enrich and benefit the lives of all of Europe’s citizens by creating employment, offering innovative and inclusive ways of participating in society, and stimulating economic growth.

*The European
social model
can help the
transition to
the new
knowledge
based society*

If not, there is a real risk of social exclusion being exacerbated by uneven development throughout the Union, insufficient creation of quality jobs and major skills shortages. These problems would compound the Union’s existing social challenges of unemployment, social exclusion and poverty. They would place additional strain on

our social protection systems and make it more difficult to modernise education and training for the new knowledge economy.

The real challenge for the Union at Lisbon is therefore to channel the immense potential of the knowledge based society to help us resolve these problems. The key is to put people at the centre of the Union's policies. This means investing in people, increasing knowledge and skills; establishing life-long learning for life-long opportunities; ensuring full participation in society; helping the workforce to become more adaptable; and making social protection more sustainable and "active" to deal with an ageing population; and ensuring equality of opportunity - In short, enriching the European concept of public service.

Putting people at the centre - a sine qua non for success

The European Commission proposes the following measures:

- Establishing on a permanent basis the High Level Group to ensure closer co-operation with the Member States on modernising social protection systems
- Launching a comprehensive study on the requirements for secure and sustainable pension provision that ensures solidarity between generations.

Employment – the key target

The European Commission believes that unemployment can be significantly reduced if we meet these challenges above, alongside our priorities for economic reform and macro-economic stability. In Lisbon the Union must set itself the goal of restoring full employment as the key objective of economic and social policy.

Restoring full employment as the objective of economic and social policy

The European Commission considers that this goal could be met by:

- Raising employment rates from 61% today to more than 65% by 2005 and as close to 70% as possible by 2010.
- Reducing by 2010 the average level of unemployment in the EU to the levels already achieved by the best performing countries (around 4%).
- Increasing the number of women in employment from 51% today to more than 60% by 2010.

Education and training – the best investment for the knowledge economy

Education and training are perhaps **the** vital parameters for preparing for the knowledge based society. 80% of companies consider IT skills their number one training priority. Completion of upper secondary education is the main educational passport to participation in the knowledge economy and society. Low educational achievement leads inexorably to high drop out rates, low earnings and few possibilities for further learning. And it is extremely costly for society. The new knowledge based society will have profound implications for the very nature of our basic educational systems requiring all our Member States to rethink how pre-school, primary and secondary systems can be adjusted to the new realities; some structured collective reflection at European level on the basic thrust of these changes would help improve exchange of best practice and avoid the risks of fragmentation.

Vital role of education to prepare everyone for the knowledge economy

Lifelong learning must also play a central part in our strategy – for knowledge access, skills improvement, and social inclusion. All Europeans must have **lifetime opportunities** to participate in the knowledge society of the future. This is the way to build European capacity and potential in a sustainable fashion.

Lifelong learning for lifelong chances

This demands an increased share of human resources investment along with commitments to connect all schools/classrooms to the Internet and to train a new generation of teachers. At all costs the Union must avoid a two tier knowledge based society, which would simply exacerbate social exclusion.

The European Commission proposes the following targets:

- All schools to be connected to the Internet by 2001
- All teachers to be skilled in the use of the Internet and multimedia resources by 2002
- Digital literacy skills for all workers and school leavers by 2003 and all citizens by 2005.
- The share of investment in human resources as a proportion of GDP should be raised by a quarter by 2005 and by 50% by 2010.
- The number of 18 to 24 year olds with only lower secondary level education and who are not in further education and training must be halved by 2004-5.
- Public access to Internet/knowledge resource centres in all localities and free on-site training should be guaranteed by 2002 and access to life long training for all with minimum entitlement should be guaranteed by 2005
- Dialogue at European level on the future direction of education systems.

Towards social inclusion – not exclusion

Many factors cause social exclusion but among the most important are unemployment, poor skills, inadequate education and training, a lack of access to knowledge and a lack of opportunity.

The new knowledge based society offers the most promising avenue yet for overcoming exclusion, but it requires social protection systems to become more active, modern and sustainable. They must provide incentives for work, ensure sustainable pension provision within an “ageing” population and offer a stable environment within which the transition to a knowledge based society can take place.

The knowledge based society can help to overcome social exclusion

The European Commission proposes the following targets:

- A comprehensive action plan for promoting inclusiveness in the knowledge economy (to be decided at Feira, June 2000)
- Reducing the numbers living below the poverty line from 18% today to 15% in 2005 and 10% in 2010
- Halving child poverty by 2010

A new dynamic for the social dialogue

The social partners have a crucial role to play in helping to manage the transition to a knowledge based economy and society. Their contribution is needed not only as a result of the radical change in the world of work, but also because of the need to ensure a common understanding on all the elements required for a dynamic economy – in the linked chain from people to ideas to finance to market.

The knowledge economy must draw on an effective social dialogue

The European Commission would like to encourage the social partners to launch discussions this year on all aspects of the knowledge economy – especially life long learning, employability, services employment, social inclusion and new forms of employee participation, such as employee ownership schemes.

DELIVERY, METHOD AND FOLLOW UP

The European Commission considers that these measures require action at European, national, regional and local level making full use of the instruments available (regulation, closer co-ordination, benchmarking, peer review, and dialogue with business, citizens and with the social partners).

Co-ordinated action required using all instruments available

These measures form an integrated set of proposals which must be implemented in parallel. This means that the macro-economic, structural reform and employment processes need to be much more closely integrated using the stated targets as overall political priorities. The quality and sustainability of public finances should be given priority in the surveillance exercises and in particular in the Broad Economic Policy Guidelines. Appropriate benchmarking techniques should be set up to track progress. No new processes are necessary.

Policies must be consistent with sustainable public finances and the existing processes more tightly linked

The European Council should steer this process of reform, including giving mandates to the different Council formations. At least once a year, preferably in the Spring, the European Council should evaluate

The European Council should evaluate progress each

progress towards the targets and examine the Union's overall economic and social perspectives. Individual Council formations and the European Parliament will also play an important role in ensuring that the measures are delivered on time.

The measures proposed here are ambitious. They should be. But they are achievable. European citizens want a Union that works – a Union that can deliver growth, full employment, stability and security. They want an inclusive, dynamic society – in which everyone has a fair chance to participate. A Europe of social justice. A caring society. Using, not wasting, society's scarce resources to build sustainable capacity and opportunity for all.

If we can summon the political energy, that was so evident in 1992 and in the construction of economic and monetary union, we can deliver these measures – and with them the renaissance of Europe.

