

OECD FORUM 2005

FUELLING THE FUTURE: Security, Stability, Development

Europe's economy: Which way to Lisbon?

Stefan Löfven – Deputy President, The Swedish Metalworkers' Union

A short answer to the question in the title of this seminar is that the way to Lisbon must be one where we acknowledge that growth and social cohesion are *mutually* dependent on each other for a successful development in Europe.

Europe needs higher growth, but growth is not an end in itself. It is the means to develop and maintain quality of life for everyone in our society. Growth that makes half the population winners while the other half become losers is not consistent with our goal. In my view, growth is vital for our possibilities to continue building an equal welfare society.

Higher growth also implies more of change. Changes can create fear and insecurity. A true welfare state makes changes easier, helps everybody to become winners *and* is a mechanism to share the benefits of growth more even. The market contribution, combined with the welfare distribution, is the solution. To reach Lisbon, the objective of transforming the European Union into the world's most competitive knowledge-based economy, remains a valid goal.

Increased global competition is a challenge for Europe, in the bumpy terrain to Lisbon. *One* change in the global economy is that the framework is so much broader today.

- Big open economies like China, India, Brazil and Russia are now added to the world market.
- The labour force has more than doubled.
- Globalisation is leading to a new international division of labour and the manufacturing industries are spread all over the world.
- Europe meets new competitors on the global market. At the same time the opening up of growing new markets is a great opportunity for European industry to increase trade and growth.

Walls have fallen. Step by step the principle of market economy and democracy is penetrating the world. Now, Europe imports the comprehensive effect of other people's progress. This rapidly changing world economic environment has a big impact on the European economies. The development forces the European Union to reposition and upgrade existing economic activities. A strategy for finding the way to Lisbon must rest on this fact.

In a road map to Lisbon we must work together. Working together for growth and jobs means the creation of open markets and sound macro-economic foundations, but also an industrial policy able to safeguard and strengthen the industrial base of Europe.

Globalisation and the new economy imply that restructuring will remain a key feature of Europe's industry for many more years.

Our trade union answer is that we are in favour of change, but we expect a proper management of the restructuring processes and the necessary tools have to be provided. Agreeing with change requires possibilities taking part in it, participating in the decision-making process and respecting the interests of all parties involved.

In order to get us back on the road to Lisbon, we would like to highlight policy areas:

1. Openness to international trade

International trade is crucial for growth in Europe as well as for the rest of the world. There is no alternative to this. Building barriers to trade might have a positive effect in the short run, but is not a sustainable concept. The trade unions ambition is to distribute the benefits of globalisation more even, both on the national and the international level. We must employ a strategy where everybody can share the gains of more international trade. Therefore we want to promote fair international trade.

To be able to promote fair trade governments must guarantee core labour rights on a global basis. International framework agreements between trade unions and companies can ensure that workers' rights are respected and developed everywhere and that companies recognise and negotiate with trade unions in their different locations. You could also include a workers' right clause in the constitution of WTO. Strengthening the ILO is important.

To promote workers' rights globally is an important task for the European Union when external trade is on the agenda. Europe has to support all kinds of global governance in order to create a level-playing field able to prevent worldwide social and ecological dumping.

2. Supporting continuous technological change

To make Europe a competitive knowledge-based economy implies strong efforts on promoting further technological development and change. Technical development and innovation is, and has always been, crucial for economic growth. Technological change creates new opportunities for production of goods and services, trade, investments and communication.

The new information technology is penetrating nearly all aspects of life. The effect on the economy is higher productivity and changes of relative prices. (We have to stress policies that promote the possibilities of the continuous digitalisation both in production and in the use of new technology.)

3. Strengthen the industrial base and the innovation system

The implementation of the Lisbon strategy must take into account the important role of industrial production for the economies in the European Union. Although industrial production employs fewer people directly, it will still be the base for creating jobs and value added in the whole economy.

We must maintain the position of Europe as a global power in industrial sectors that are strategic, provide high added value or have high potential for further growth. The only policy to deal with new patterns of international labour division is to promote fast growing industries with high technology input and to induce mainstream or mid-tech industries to upgrade technological efforts.

Stopping the de-industrialisation trend in Europe does not mean preservation of the status quo. Well-developed industrial policies have to contribute to an orderly transition from a resource-based to a knowledge-based industry. This transition will inevitably lead to changes in

- production concepts,
- organisation models,
- required skills and the distribution of employment.

Innovation is the key to improve Europe's international competitiveness.

4. Strong and adequate labour force policies

When international competition gets tougher and technological change increases, it is even more important that our welfare system works and delivers well-educated, adaptable and confident people. Well-developed social security is instrumental in facilitating the adjustment process in the labour market and promoting long-term growth. Lowering social protection is not the answer. The trick is to provide social support that encourages employment.

Education and training systems must be improved so that enough young people are graduating with the appropriate skills to obtain jobs in dynamic and high-value sectors. Of central importance is also the need to adapt and raise skill levels through investing in lifelong learning. It is necessary to equip people with the tools they need to adapt in a changing labour market. A good education and a willingness to constantly upgrade one's skills, is in the long run the only way to remain employable.

Our *labour market policy* must find the right balance between flexibility and security. A flexible labour market is one where workers constantly can acquire and renew their skills, and where a combination of active labour market policies, training and social support underpins the path from one job to another. The purpose must be to get people back to work as soon as possible.

Future prosperity in Europe depends on a balanced blend of growth, environmental sustainability and social inclusion. Social cohesion and environmental protection are necessary conditions for all dynamic and sustainable economies. The three pillars of the Lisbon strategy reinforce each other. The European social model must be preserved not only because it contributes to social cohesion, but also because it functions as a productive factor by managing change in a socially acceptable way and creating safety nets that enhance confidence.

In conclusion, we must release the possibilities of growth in Europe, while at the same time make sure the gains are fairly distributed by building equal welfare societies. Europe needs better growth performance to stem those pressures threatening the European

model, which derive both from global competition and the demographic changes of ageing affecting Europe. This cause merits the direct support, involvement and cooperation of

- European institutions,
- national governments,
- regional authorities
- organisations representing trade unions, businesses and civil society at large.

That is the way to Lisbon!