III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

470TH PLENARY SESSION HELD ON 15 AND 16 MARCH 2011

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
(2011/C 132/06)

Rapporteur-general: Mr SMYTH

On 12 January 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 Annual Growth Survey: advancing the EU’s comprehensive response to the crisis


On 18 January 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 Smyth as rapporteur-general at its 470th plenary session, held on 15 and 16 March 2011 (meeting of 15 March 2011), and adopted the following opinion by 164 votes to eight with seven abstentions.

PART I: ANNUAL GROWTH SURVEY MISSES OPPORTUNITY TO PROVIDE POLICY PROPOSALS DIRECTLY TARGETING SMART, SUSTAINABLE AND INCLUSIVE GROWTH

1. The Committee fully supports the Europe 2020 Strategy as well as the progress towards ex-ante fiscal policy coordination in the European Semester and hopes that, at least for countries in the euro area, the current legislative proposals for European economic policy coordination will be the first step towards a genuine common economic policy and the full coordination of fiscal policies.

2. The Committee is concerned about the worrying trend in the discussion on economic governance in Europe towards limited, unfocused intergovernmental proposals in place of the Community method.

3. The Committee therefore encourages the European Commission to stand up for European integration by making bold, balanced and inclusive proposals that will help Europe get on a smart, sustainable and inclusive growth path in the spirit of the still young Europe 2020 Strategy.

4. In this context, the Committee underlines that the Annual Growth Survey (AGS) should have an extremely important role to play in order to advance with inclusive policy reform in the Member States and at European level. The Committee commends the Commission for having chosen a comprehensive format for the AGS with 10 enumerated priorities under three large headings, with the intention to allow for precise discussion on the issues at stake.

5. The Committee regrets, however, that in this first Annual Growth Survey the European Commission has missed the opportunity to continue with the Europe 2020 spirit of directly targeting smart, sustainable, and inclusive growth, focusing instead on fiscal consolidation in a narrow way,
combined with proposals regarding labour markets that are often imbalanced and lacking the European dimension of the single market with its future-oriented growth drivers.

6. As regards fiscal consolidation, the Committee regrets that the proposals for consolidation are exclusively focussed on the expenditure side – complemented by a proposal to possibly consider broadening the base for indirect taxes in some Member States. Given that the current sovereign debt crisis has its origins in a financial crisis and the associated immense public financial support that had to be mobilised to save that sector from causing a total system breakdown, the Committee would have expected a series of proposals in order to obtain the contribution of the financial sector to help getting public budgets back on a sustainable track. Furthermore, concrete and ambitious proposals to control the financial markets are a precondition to create confidence and avoid further turbulences.

7. The Committee underlines that it will be impossible to consolidate the public budgets without a sufficient rate of economic growth. It regrets that the Commission has not set out a growth scenario that maximises the potential of the single market, but concentrates instead on drastic fiscal consolidation as the prerequisite for growth. Much more attention should be focused on growth drivers that will enable Member States to consolidate budgets while being on a sustainable growth path. To do so, the Committee believes that a balanced macroeconomic policy that duly combines supply- and demand-side aspects must constitute an integral part of any future-oriented economic strategy. This would include that Member States with current account surpluses should be encouraged to continue an expansive stance and tackle their lack of domestic demand.

8. A forward-looking approach to labour markets, pension reform, unemployment and flexicurity will build on the creation of sustainable jobs, the creation of job opportunities, exploiting the potential of new economic sectors and clean energy. The EESC considers that the social dialogue has at vital role in any labour market related policy. Social security systems are also crucial as automatic social and economic stabilisers which help support development and productivity, alleviate poverty and promote economic and social cohesion, all of which are needed to acquire the support of public opinion for the European project. As we look to smart, sustainable and inclusive growth, it is important to build on these core institutions constituting the foundations of the European social market economy. The Committee therefore insists that Commission proposals directed to Member States which clearly interfere with their collective bargaining systems and job security practices are strictly out of place.

9. Moreover, the EESC believes that the European Commission must clarify its position on the quotas and closed shops which have an impact on the professional sectors. A distinction should be made between what concerns non-discriminatory public services and services of general interest and what might constitute real obstacles to the potential of the single market. As regards rules on trade, it is also essential to study in depth all of their consequences on jobs in the sector and to apply the subsidiarity principle to matters such as zoning and opening hours which must depend mainly on local, cultural, weather or other conditions.

10. At the same time, the Committee feels that the AGS devotes insufficient attention to the European growth potential of the single market, making only passing reference to the decisive Single Market Act and failing to develop key aspects of it which are conducive to smart, sustainable and inclusive growth, such as EU patents, a European ‘professional card’, European infrastructural projects, cross-border lending, integrated mortgage markets, social entrepreneurship and social investment funds.

11. In the following part the Committee sets out its specific proposals to the 10 points advanced by the European Commission in more detail. By doing so it hopes to direct the discussion more towards the issues really at stake.

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**PART II: COMMITTEE PROPOSALS ON THE 10 POINTS ADVANCED BY THE EUROPEAN COMMISSION**

1. Implementing a rigorous fiscal consolidation

1.1 The EESC believes that the issue is rebalancing public finances whilst avoiding reducing demand, leading to a recession that would generate further deficits pushing the European economy into a downward spiral.

1.2 The EESC recommends that in order to avoid jeopardising the aims of the European Economic Recovery programme, 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) See EESC opinion on The implications of the sovereign debt crisis for EU governance, OJ C 51 of 17.2.2011, p. 15.
1.3 Member States’ tax base will have to be broadened, not least by the closure of tax havens, an end to tax competition and measures to tackle tax evasion and fraud (\(^3\)).

1.4 The tax burden should be shifted towards new sources of revenue, such as financial transaction taxes, energy taxes, levies on financial institutions, levies on CO\(_2\) emissions (subject to reorganisation of the carbon trading market), etc. Taxing in this way could ease pressure on public budgets and help redirect resources towards sustainable investment in the real economy. It could also help in providing new own resources for the European Union budget (\(^3\)). The tax on financial transactions also implies that the financial sector will pay back some of the public subsidies (\(^4\)).

1.5 The EESC believes that sanctions have to be balanced with greater European solidarity in the management of sovereign debt (\(^5\)).

2. Correcting macro economic imbalances

2.1 The EESC believes that a balanced macroeconomic policy that duly combines supply- and demand-side aspects must constitute an integral part of any future-oriented economic strategy. The EESC underlines the need to reduce the large differences in current account balances. The EESC hopes that, at least for countries in the euro area, European economic policy coordination will be the first step towards a genuine common economic policy and the coordination of budget policies (\(^6\)).

2.2 The EESC emphasises the role of non-price factors such as product differentiation, technological content, product quality, the quality of product-related services (after-sales), etc. in creating macroeconomic imbalances. Variables need to be identified that can indicate their level and evolution within the EMU Member States.

2.3 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 (\(^7\)).

2.4 If closer economic policy coordination extends not only to fiscal and monetary policy, but also to tighter wage policy coordination in the euro area, then freedom in collective bargaining must be respected; government targets for collective bargaining, let alone government-decreed wage cuts, are unacceptable and must be rejected (\(^8\)).

3. Ensuring stability of the financial sector

3.1 The Committee believes that work should be stepped up on shaping the post-crisis financial system, which should be transparent, socially and ethically responsible, better supervised, and innovative; its growth should be balanced, compatible with the rest of the economic system, geared towards generating medium- and long-term value and sustainable growth (\(^9\)).

3.2 The Committee proposes encouraging harmonisation of national legislation protecting users of products and financial services (consumers, businesses etc.), without undermining Member States’ competences to preserve higher national standards. Provision could also be made for the presence of one or more consumer representatives, chosen by the social partners and consumer associations, at the European supervisory authorities (now the European System of Financial Supervision - ESFS) (\(^10\)).

3.3 The Committee proposes encouraging, in the wider sense of the term, the financial information production network, facilitating the inclusion of more players and the introduction of new rules intended to achieve more transparent, effective assessment methods, particularly as regards derivatives (\(^11\)).


(\(^2\)) See EESC opinion on the Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions: Enhancing economic policy coordination for stability, growth and jobs – Tools for stronger EU economic governance, OJ C 107 of 6-4-2011, p. 7.

(\(^3\)) See EESC opinion After the crisis: a new financial system for the internal market, OJ C 48 of 15.2.2011, p. 38.


(\(^6\)) See EESC opinion on A Programme for Europe: proposals of civil society, CESE 593/2009, Fiche 1, point 2.

(\(^7\)) Further policy proposals regarding taxation can be found in point 8.

(\(^8\)) See EESC opinion on the Financial transaction tax, OJ C 44 of 11.2.2011, p. 81.

(\(^9\)) OJ C 51 of 17.2.2011, p. 15, op. cit.

(\(^10\)) OJ C 44 of 15.2.2011, p. 37.
3.4 The Committee proposes moving on from the current system of self-regulation, also at international level. The process of coordinating the various competent authorities needs to be pursued, with strict rules to apply to all devised and the certainty that they will be enforced. The EU should make every effort to achieve this objective in international bodies (12).

3.5 The Committee welcomes legislative initiatives to bolster financial market regulation and transparency, including better supervision of credit rating agencies, corporate governance and directors’ pay and remuneration policies (13).

3.6 The Committee welcomes the proposal for a Regulation on Short Selling and certain aspects of Credit Default Swaps, which will help eliminate conflicting regimes and bring clarity to this area of the financial markets (14).

3.7 Given the role played by rating agencies in the recent crisis on the securities and financial markets, the Committee welcomes the fact that a three-phase programme has been put in place to regulate the role which these agencies play on behalf of investors and consumers. The EESC welcomes the inclusion of sovereign debt in the public consultation underway (15).

3.8 The Committee would propose the regular publication of a state aid monitoring report to provide a detailed picture of progress in implementing measures and quantify the fall-out on markets, with a view to preparing a plan for maximising industrial sector potential by strengthening companies, with a view to preparing a plan for maximising progress in implementing measures and quantify the fall-out on a state aid monitoring report to provide a detailed picture of the financial markets (16).

3.9 The Committee is of the view that taxpayers’ money should not be used again to cover bank losses and supports in principle the establishment of a harmonised network of national ex-ante bank resolution funds (BRF) linked to a set of coordinated national crisis management arrangements. However, in order to establish a workable bank resolution funds scheme, Member States should preferably agree beforehand on the adoption of common methods and uniform rules in order to avoid distortions of competition.

3.10 It could be an efficient part of a European financial policy to keep some bank capital public to provide insight into the banking sector (17).

4. Making work more attractive

4.1 In the view of the Committee, action is needed to make transitions pay and improve access to employment, especially for some specific groups with problems. This should be achieved by increasing job opportunities, by reducing disincentives to work, improving the structure of tax and benefits to make work pay, including the tax burden on second earners and by ensuring access to services necessary to enable participation. For those who cannot work, adequate income support and access to Services of General Interest must be provided (18).

4.2 The Committee supports broad access to high-quality childcare as an opportunity to increase the quality of life and help reconcile working, private and family life, in addition to strengthening the labour market participation of women and generating a higher income for the family (19).

4.3 Eurostat should focus more on undeclared work both in specific national situations, requiring action by Member States, and in criminal networks with links to illegal immigration, which could justify greater judicial cooperation and an increased role for the EU, especially as regards impact on the internal market and competition. Action should be taken at EU level to encourage the social partners in Member States to launch national and sectoral projects among themselves and in cooperation with the authorities in order to combat undeclared work and reduce the informal economy. The social partners could also work together at EU level to analyse and publicise good practices in Member States. The fight against undeclared work calls for effective cross-border cooperation and surveillance by Member State authorities and dissemination of information on the sanctions arising (20).

4.4 It important not only to coordinate labour tax and social contribution structures within the EU but also to factor into the analysis aspects regarding trade between the Union and the rest of the world (21).

(1) OJ C 54 of 19.2.2011, p. 37, op. cit.
(14) See EESC opinion on the Proposal for a Regulation of the European Parliament and of the Council on Short Selling and certain aspects of Credit Default Swaps, OJ C 84 of 17.3.2011, p. 34.
(18) See EESC opinion on Social inclusion, OJ C 128 of 18.5.2010, p. 10.
(20) See EESC opinion on the Green Paper – Modernising labour law to meet the challenges of the 21st century, OJ C 175, 27.7.2007, p. 65.
5. Reforming pensions systems

5.1 The Committee is of the opinion that projections on demographics should be analysed and monitored on a regular basis to allow adequate and timely adjustments of pension systems to new conditions. However, these projections, including future public expenditure on pensions, must be used and viewed with care, as they may include many assumptions hard to predict in the long term (22).

5.2 Automatic adjustment mechanisms for retirement age, based either on longer life expectancy or demographic change, are not supported by the Committee. Most of these mechanisms automatically increase retirement age in correlation with extended life expectancy and other economic or labour market parameters. Such fundamental decisions on living conditions should be taken by parliaments, not computers, after a broad public debate, including social partners and other important stakeholders. In addition, any Member State introducing this mechanism should take into account the fact that although it reduces public pressure against reforms, in the absence of real job opportunities for older workers it could shift financial support for these workers to other social security pillars. Thus, implementing bluntly this mechanism to make pensions adequate and sustainable would fail to deliver the promised benefits. Increasing the effective retirement age should not be a stand-alone measure but should also be flanked by measures to improve employment opportunities for people close to retirement (23).

5.3 The Committee supports promoting the employment of older workers but believes that discouraging early retirement schemes is something that requires in-depth discussion on conditions, scope, political flanking measures, etc., so as not to create social problems for elderly people in particular (24).

5.4 The Committee doubts that a mere rise in legal retirement age can solve the problems connected with demographic challenges. On the contrary, it believes that this could push millions of elderly people below the poverty line, particularly women. What is needed is to increase the effective retirement age using 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. In addition, experience from some Member States shows that a rise in legal retirement age can increase pressure on other pillars of social security, such as invalidity pensions or minimum income, making the progress towards healthier public finances fake. Alongside lifelong vocational learning, active labour market measures, financial incentives to continue in employment, including for self-employed workers, and changing corporate attitudes to older employees, the following measures must also be promoted to offer new choices to older workers:

- amending legislation which, in some Member States, does not allow salaries and pensions to be combined for pensioners or beneficiaries of invalidity pensions who wish to work;

- introducing a bonus system to encourage workers to continue working beyond the legal age of retirement: benefits accrued after reaching retirement age should be more attractive than those acquired previously;

- encouraging the Member States to work with the social partners on the issue of onerous employment;

- offering comprehensive advice and support for jobseekers and rehabilitation measures for long-term reintegration into the labour market;

- implementing socially acceptable incentives for later retirement and, where desirable, development of attractive models for a flexible transition from work to retirement;

- measures alleviating the physical and mental burden of work enabling employees to remain longer in employment;

- encouraging older workers to upgrade their skills;

- awareness-raising among older workers and companies, especially SMEs, about innovative staff management and organisation of work favourable to older workers (25).

5.5 The EESC believes that Pay-As-You-Go mandatory schemes must continue to play a fundamental role in assuring future pensions and therefore special attention should be devoted to them in order to reverse the observed tendency in many EU countries towards decreased replacement ratios (26).

(22) See EESC opinion on the Green Paper – Towards adequate, sustainable and safe European pension systems, OJ C 84 of 17.3.2011, p. 38.
(23) OJ C 84 of 17.3.2011, p. 38, op. cit.
(26) OJ C 84 of 17.3.2011, p. 38, op. cit.
5.6 The Committee notes the possibility of additional individual voluntary private pension schemes, functioning alongside the current pension systems. In this context, the possibility of European guarantees could be studied in order to benefit cross-border workers. Since future pensions are determined by individuals’ income and life expectancy, which penalises women in particular, special attention should be paid to the private pension schemes established in some countries to reduce the risk of poverty among elderly women (27).

5.7 The Committee asks the Commission to review the Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision to ensure that:

— employees and union representatives are consulted about pension investments and the associated risks and that their views are respected;

— Member States use best practice to ensure that company pensions acquired by employees are shielded from bankruptcy (28).

5.8 Monitoring the general level of pension system liabilities is fundamental. The current European framework could be supplemented by monitoring and reporting on implicit pension liabilities using an approved methodology. Consideration could be given to revising Stability and Growth Pact rules to ensure that the outcome of reforms (including the shift from fully Pay-As-You-Go to partially funded pension systems) leading to changes in the financing of pension systems, which increase explicit and reduce implicit liabilities, are reflected appropriately. If this were done, such reforms, aimed at resolving long-term sustainability challenges, would not be penalised in the short term due to higher explicit public debt. However, promoting today effective reforms on the basis of 2060 projections may lead to missing the target of adequacy and sustainability of pensions. The Committee recommends supplementing mandatory Pay-As-You-Go pension systems with buffer funds on a case-by-case basis in order to avoid risks of rapid adjustments for the most vulnerable (29).

6. Getting the unemployed back to work

6.1 In the view of the Committee, ‘activating’ people to seek work should be achieved chiefly by providing an efficient service through job centres and less by supposed ‘incentives’ via unemployment benefits. Under the shadow of the crisis especially, the Committee sees no need for tightening the rules for unemployment insurance. 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 (30).

6.2 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 (31).

6.3 Work is not necessarily a safeguard against poverty, therefore job creation should be concentrated on the provision of more secure and adequately paid employment. It is essential to enhance work attractiveness and make work pay for all, including disadvantaged people, i.e. to find a way to ensure an effective balance between tax and benefit systems (32).

6.4 The scope of the European Globalisation Adjustment Fund was rightly extended to help workers made redundant as a result of the current international economic crisis (33).


(28) See EESC opinion on The impact of private equity, hedge and sovereign funds on industrial change in Europe, OJ C 128, 18.5.2010, p. 56.


6.5 The Committee supported the efforts made at the Prague Employment Summit for action at national and European levels based on social dialogue, job creation and measures to boost demand (35).

6.6 The Committee has stressed the importance of promoting entrepreneurial activity and an entrepreneurial mindset if the economic growth needed to successfully maintain Europe's social model is to be fostered. A distinction should be made between real entrepreneurship and economically dependent self-employed work. In many cases the switch to economically dependent self-employed work is not strictly a voluntary choice, but rather one that has been imposed by external factors such as outsourcing of production or the company restructuring, with the resulting layoffs (36).

6.7 Social protection systems have not only helped to shield Europeans from the most severe effects of the financial crisis but have also played a counter-cyclical role in stabilising the economy. In the absence of ambitious convergence policies, these systems could be jeopardised by, in particular, competition practices developed by certain Member States which use a fall in social expenditure as a lever to attract foreign investment. This process, which is already a reality in the European manufacturing and services sectors, OJ C 318, 23.12.2009, p. 1.

6.8 The Committee welcomed that many EU countries at the beginning of the present jobs crisis implemented publicly subsidised active employment policy instruments, enabling employees to be kept on and engage in further training instead of being laid off. Arrangements enabling companies to keep employees on during the crisis, combined with solid income support for employees whose hours are cut, are a much smarter way of getting to grips with the crisis than simply laying off skilled employees as soon as orders fall off, as it ensures that sufficiently skilled workers are available once the economy recovers. Such arrangements should be extended to EU countries where they are currently lacking and to employees on non-standard employment contracts (37).

7. **Balancing security and flexibility**

7.1 Flexicurity should not be understood as measures to facilitate the dismissal of workers currently in employment or to undermine social protection, either in general or for the unemployed in particular. Measures enhancing the security side of flexicurity must currently be the top priority (38).

7.2 The use of short-term work arrangements shows that in most countries there is sufficient flexibility on labour markets to enable companies to respond quickly when orders dry up. Calls for the watering down of existing labour protection rules are unfounded (39).

7.3 Labour market changes have led to an increasing share of part-time and fixed-term work. These types of employment may have helped to ease entry into employment and increase employment rates in Europe. But workers in temporary employment tend to be less productive, receive less employer-supported training and are more prone to work-related accidents. They also risk getting stuck in temporary employment. New risks should be taken into account and transitions should be rewarded in the implementation of flexicurity, but permanent job contracts should not be systematically abolished. The European social partners have called for adequate security for workers under all forms of contracts (40).

7.4 Flexicurity can only work if employees are properly trained. There is a strong link between new skills and the creation of new jobs. It is in companies’ full interest to invest in the continuous training of their staff. It is the employees’ responsibility to continue to undergo training (41).

7.5 An employment strategy aimed at establishing a sustainable economy could be built on knowledge and know-how that is already well-developed in the Member States. The EU needs skilled jobs and must use these strong points to its advantage. Member States should therefore invest more in their education and continuing training systems, not least in promoting science, technology and engineering. The current level of public investment in education is totally inadequate; it should be part of a coherent life-long learning strategy (42).

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(34) See EESC opinion on New trends in self-employed work: the specific case of economically dependent self-employed, OJ C 18, 19.1.2011 p. 44.


(37) See EESC opinion on How flexicurity could be used for restructuring against the backdrop of global development, OJ C 18, 19.1.2011 p. 44.

(38) See EESC opinion on How flexicurity could be used for restructuring against the backdrop of global development, OJ C 318, 23.12.2009, p. 70, op. cit.


7.6 Temporary labour market measures must ensure that short-term employment is combined with appropriate training, especially in health and safety at work, and with guaranteed pay levels (43).

7.7 It is urgent and vital to re-orientate young people towards technological and scientific subjects at all educational and training levels, in order to avoid values associated with production being destroyed and replaced with financial and speculative values (44).

7.8 The Committee welcomes the Commission’s initiative to enhance validation of non-formal learning and better visibility of competences acquired outside the formal education system (such as through a European Skills Passport).

7.9 The EESC calls for better professional management in educational innovation. Improving the EU’s education and training systems is essential to increase employability and reduce inequality. The institutional changes in education hardly keep up with the society’s needs. Institutions must take account of the need for a close relationship between changes, innovation, education and training (45).

7.10 The EESC calls for the reintegration of education and training into real life, bringing it closer to both the public needs and the habits of the new generations of learners (46).

7.11 The Committee supports the idea of setting up sector councils on employment and skills at European level, involving stakeholders in managing sectoral changes and in anticipating new jobs and skills adapted to supply and demand (47).

7.12 European sectoral councils could support the management of sectoral changes and help meet the goals of the ‘New skills for new jobs’ initiative and would be useful when decisions are taken concerning sectoral changes at European level (48).

8. **Tapping the potential of the Single Market**

8.1 A dynamic Single Market is both a pre-requisite and a support for a successful Europe 2020 strategy. The Committee therefore urges the EU Commission and Member States to take the necessary important and decisive steps for the completion of the Single Market whilst safeguarding and further developing economic, social and environmental standards. The EESC believes that the rules relating to the professions are consumer protection rules, which ensure that the European internal market and international markets are able to function and prevent market distortions, especially those which led to the international financial crisis (49).

8.2 It is important that the Services directive is implemented in full compliance with the spirit and rules of the Single Market. Effective and clear implementing rules are needed for the proper application and achievement of the goals of the Posting of Workers Directive, namely fair competition between enterprises, respect for the rights of workers and avoidance of social dumping (50).

8.3 The important role played by the service sector in economic and social development must be recognised as a matter of urgency. Priorities should be established in the following order:

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— **Action on Business Services Policies and a High Level Group.** A High Level Group on Business Services should be set up to undertake deeper analysis of the sector.

— **Labour Market Policies in Business Services.** From a social perspective, an in-depth examination is required at sectoral level of the challenges being created by the new types of employment generated by interactions between business services and manufacturing industry. This analysis needs to encompass education, training and life-long learning, as well as the employment conditions of workers, including those involved in outsourcing processes. To achieve this objective the agenda for social dialogue should be extended to look at the specific changes in labour conditions and job opportunities resulting from structural changes affecting the business services.

— **Business Services in Innovation Policies.** R&D and innovation programmes and actions for service innovation should be strongly promoted.

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(45) See EESC opinion on Matching skills to the needs of industry and services undergoing change – In what way could the establishment of sector councils on employment and skills at European level contribute to this objective? OJ C 347, 18.12.2010, p. 1.
(49) See EESC opinion on The Lisbon Agenda and the Internal Market, OJ C 347, 18.12.2010, p. 8.
— Business Services Standards Development. Enterprises should be encouraged to help establish standards through self-regulation after thorough consultation with users of business services.

— Promoting Service Science as a new discipline in education and training.

— The Internal Market and Regulation affecting Business Services. No impact assessment has been carried out of the Services Directive on business services. This deserves a major effort, especially once the directive has been transposed into national legislation.

— Further Improvements in Business Services Statistics. Member States are urged to collaborate more in order to improve statistics on business services (51).

8.4 Consumer protection aspirations in the internal services market must play a greater role. The palpable uncertainty regarding the legal situation in cross-border services must be countered with an information strategy at national and EU level. The desire for accurate information on the service and the provider must not be underestimated (52).

8.5 As regards the retail industry, it is important that commercial success is not penalised, except when practices are involved which are incompatible with the completion of the internal market, in particular the existence of clear evidence of abuse of market power or harm to consumers in contravention of Article 81 of the EU Treaty (53).

8.6 As regards the a European framework for intellectual property, the Committee supports the establishment of an EU Counterfeiting and Illegal Copies Observatory, which would collate and disseminate useful information on how counterfeiters operate and offer support specifically geared to SMEs and SMIs. The Commission should regularly publish a report on the data collected by the Observatory and its activities (54).

8.7 The Committee rejects the idea of any special set of rules of the kind introduced into the legislation of some Member States for the exercise of copyright on the internet, and which may infringe the individual's privacy. Instead, it advocates active education and training measures for consumers, especially young people (55).

8.8 The Committee advocates, essentially for orphan works, a harmonised system for the registration of copyright and related rights, to be updated periodically so that rights holders can easily be found. This system could detail the character and title of the work, as well as the various rights holders. It calls on the Commission to look into the feasibility of such an idea (56).

8.9 The Committee reiterates its request that the European Union Patent be created and properly implemented in all Member States (57).

8.10 The global dimension to the Internal Market requires further joint efforts. A suitable EU Action Plan should be aimed at:

— developing the EU’s external policies and the external aspects of its other policies in accordance with a structural logic, strengthening their overall coherence and increasing the unity with which Member States act;

— ensuring a balanced opening of markets including the respect of the ILO core labour standards through the conclusion of the Doha round and structured dialogue with its key partners;

— enhancing its role as an international regulatory power and pursuing an international policy based on the promotion of rights;

— safeguarding the interest of workers, consumers and local producers in trading partner markets;

— strengthening the international dimension of the euro;

— adopting the goal of building a wide area of special development and economic growth, involving the rapid completion of the enlargement of the Union, the Neighbourhood Policy, the Mediterranean Union, and a stronger partnership with Africa (58).

8.11 The Committee underpins the need to foster the emergence of a European identity, an identity that is inclusive, representative of all its citizens and that is vested in respect for European values (59).

(52) See EESC opinion on The internal market in services – requirements as regards the labour market and consumer protection, OJ C 175, 27.7.2007, p. 14.
(53) See EESC opinion on Developments in the retail industry and impact on suppliers and consumers, OJ C 175, 28.7.2009, p. 57.
(54) See EESC opinion on the Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee. Enhancing the enforcement of intellectual property rights in the internal market, OJ C 18, 19.1.2011, p. 105.
8.11 There are still impediments to the development of digital delivery that should be thoroughly investigated and solutions found so that European business service firms can be more aggressive and expand more outside EU borders. Such impediments include the lack of standards and interoperability, trust and security in e-commerce, the lack of investment in fixed and mobile broadband infrastructure and the still too low uptake of ICT by SMEs.

8.12 Major barriers to e-inclusion must be addressed, by high-speed internet connectivity, ICT skills and development of products or services suitable to the needs of an ageing society and people with disabilities, funding for better coordinated ICT innovation, support for ICT products and services based on open standards, the Galileo programme in the Digital Agenda, and the development and availability of useful online content and services, with privacy guaranteed and personal data safely stored.

8.13 Member States must develop powerful national R&D-programmes of their own in the fields of ICT and on FET, in order to become strong partners for European and for international cooperation. A larger part of the structural funds should be invested for this purpose.

8.14 Regarding SMEs, the Committee reiterates its proposals for an ambitious European Small Business Act, including:

— a binding legal instrument to govern application of the Think small first principle, ensuring, by way of maximum compulsion, the effective, practical implementation of these governance principles, at EU level and in the Member States and regions;

— a roadmap accompanied by a precise timetable and suitable means for implementing specific, large-scale SBAE initiatives;

— clear commitments on reducing red tape, particularly as regards the once only principle for all administrative formalities;

— reorganisation of the Commission's services to provide SMEs with a genuine partner and instruments to promote the Europeanisation of companies;

— European tools to act as a lever to promote capitalisation, networking, investment and life-long learning in SMEs;

— a coherent policy framework across all EU policies so that SMEs are considered the rule rather than the exception;

— national interpretation of the SBAE's objectives, including by means of legislation; and

— a return to the practice of permanent consultation of intermediary organisations and the social partners.

8.15 The Committee calls for the introduction of a common consolidated corporate tax base (CCCTB) in a bid to simplify and render more equitable and transparent tax practices across the Member States. It is also important to consider extending cooperation and coordination on corporation tax.

8.16 The Committee highlights the need for a simple, harmonised indirect taxation system, reducing the administrative burden and bringing patent benefits for businesses and individuals, guaranteeing fair taxation and certain revenue for public finances, reducing the risks of tax fraud, and contributing to the development and completion of the internal market.


(60) See EESC opinion on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A Digital Agenda for Europe, OJ C 54, 19.2.2011, p. 58.

(61) See EESC opinion on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Moving the ICT frontiers – a strategy for research on future and emerging technologies in Europe, OJ C 255, 22.9.2010, p. 54.


(63) See the recent Commission Communication on Implementing the Community Programme for improved growth and employment and the enhanced competitiveness of EU business: Further Progress during 2006 and next steps towards a proposal on the Common Consolidated Corporate Tax Base (CCCTB) (COM(2007) 223 final, 2.5.2007).

(64) OJ C 120, 16.8.2008, p. 51, op. cit.

8.17 As regards VAT fraud, resistance to change is having detrimental effects on Member States’ and the EU’s finances; particular interests are taking precedence over the common good (66).

9. Attracting private capital to finance growth

9.1 The Commission’s proposals to attract greater levels of private capital to finance growth are somewhat tentative. At a time when most Member States’ public finances are either severely constrained or being cut back, the need to find alternative sources of finance to stimulate growth should be given a much greater priority. The proposal to introduce EU project bonds will help with some important infrastructural investments but there should also be a more systematic effort to mobilise European pension fund investment. This could be achieved by encouraging member states to incentivise their pension funds to invest in and to co-finance national infrastructures.

9.2 By allowing the EIB to issue Eurobonds, or rather EU-bonds covering all 27 Member States, new capital could be raised for the public sector without total reliance of the private financial sector. Financial resources should be found upstream, for instance from Institutions of Occupational Retirement Provision (IORP) so that the EIB becomes an interface between these capital resources and its investments. Eurobonds are also possible instruments for long-term private savings. The Committee welcomes the rapid introduction of project bonds, but this must not be an alternative to or substitute for the creation of Eurobonds (67).

9.3 Concerning financing structures for SMEs in the context of the current financial situation, the proposal to liberalise venture capital funds to enable them to operate across the Union is welcome but long overdue. Consideration should also be given to finding ways of increasing the supply of venture funding as the European market enlarges. For example the establishment of regional mini-platforms co-ordinated by a European Network would create a new tool to interface between these capital resources and its investments. Vitaminin bonds are also possible instruments for long-term private savings. The Committee welcomes the rapid introduction of project bonds, but this must not be an alternative to or substitute for the creation of Eurobonds (67).

9.4 There is an acknowledged market failure in the provision of early-stage capital for technology spin outs and start-ups. In an effort to correct this through initiatives such as business angels and seed capital funds have helped them but research centres and universities across Europe still struggle to transfer knowledge to the marketplace. The demand for such early-stage capital is growing but the supply remains fairly static. Greater effort should be made to incentivise capital rich individuals and institutions to contribute greater levels of risk finance for technology start-ups and for prototype activity.

9.5 Practical methods for assisting SMEs such as mediation, tax breaks, prompt payments and measures that facilitate the quick dispersal of funds through state aid exemptions are to be encouraged in particular for those sectors that are most exposed to globalisation and the ongoing effects of the economic and financial crisis (68).

10. Creating cost-effective access to energy

10.1 The measures contained in the Third Energy Package must be implemented in order to establish a real energy market based on cooperation between States, better interlinking of networks and operators and greater powers for national regulators (70).

10.2 Energy efficiency is the precursor to the technological leap which will allow the transition to a low carbon economy. Progress has been achieved but Member States must do more to develop renewables in their investment plans, to ensure that the private sector firms operating on energy efficiency products and services are given the right stable framework of regulation and incentives (71).

10.3 The Committee has submitted to the Energy Council of 4 February 2011 a proposal to establish energy efficiency objectives for specific key sectors such as transport and the construction industry, including measures such as:

— internalising the external costs of all forms of energy so that the market turns naturally to those forms that produce the lowest carbon dioxide emissions;

— boosting information and training for new energy-efficiency technologies, e.g. in the construction sector, public works and transport;

(66) See EESC opinion on the Proposal for a Council Regulation on administrative cooperation and combating fraud in the field of value added tax, OJ C 347, 18.12.2010, p. 73.
(68) See EESC opinion on Financing structures for SMEs in the context of the current financial situation, OJ C 48, 15.2.2011, p. 33.
— using the potential offered by ICTs more effectively so that energy efficiency is enhanced at every level of production and consumption.

10.4 The Committee recalls that buildings, accounting for 40% of final energy demand in the European Union, represent the single largest consumer of energy. As much as half the potential for gains in energy efficiency can be secured in the built environment and at negative economic cost. Such savings could by themselves achieve the EU’s commitments under the Kyoto Protocol. Moreover, these energy savings can be achieved using technologies that already exist today. Furthermore, raising the energy performance of buildings has only positive effects, creating useful employment, reducing running costs, increased comfort and a cleaner environment. This should be an absolute priority for the European Union. The Committee equally recognises the importance of new and further developed basic materials in domestic and office appliances as well as other sectors such as energy or transport (72).

10.5 The energy-intensive industries must indeed contribute towards energy and climate policy aims. Energy and environment policy instruments must be carefully examined and designed in terms of the extent to which they impact on the competitiveness of these industries (73).

10.6 The excellent environmental performance of many glass and ceramic products (insulation materials, double-glazed windows, etc.) should be promoted as an energy-saving benchmark for the EU construction industry. Furthermore, this technology should be included in any envisaged transfer of technology to those non-EU countries with high energy-saving potential (74).

10.7 The Committee proposes to examine whether, given the current crisis and the need to adopt a sustainable approach, the current regulations (in the areas of telecommunications, postal services, electricity) are sufficient to prevent a reduction in the quality of services provided and the emergence of phenomena such as exclusion, social fragmentation and poverty. Equally, it would be useful to establish whether new areas should be subject to a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights’ defined as Community principles by Protocol No 26 annexed to the Lisbon Treaty (75).

10.8 Studies should be carried on the feasibility of a European energy SGI which could be harnessed for the common energy policy. Caught between national disparities and the common need to build a European single market, the European institutions and the national governments or the Member States are, however, struggling to get to grips with the idea of Community services of general interest (whether economic or otherwise). The idea of establishing European energy services has, for example, not found favour with political decision-makers. Nonetheless, Community SGIs are necessary for the continued process of European integration. Services of this kind will be an expression of European solidarity and a response to the challenges which will face the Union. A ‘Single European Grid’ has to be established as well as joint projects and structures to plan and manage it. The grid will need to be capable of smart management and operation at all levels so as to optimise the matching of supply and demand (76).

10.9 The energy-intensive industries require secure energy supplies, drawn from an appropriate European energy mix, which should not exclude any energy source (coal, renewable energy nuclear energy) and be based upon efficient competition on the electricity and gas markets ultimately resulting in reasonable prices of energy supplies. The interests of national energy policies should be more strongly embedded in an integrated European concept, because so far the energy market has not kept pace with the single market for industrial goods. Although some Member States have decided not to use nuclear energy, maintaining electricity generation based on fission in the EU would also mean keeping the know-how on this technology in Europe. Of course, continuing the nuclear option would require a high safety level and well-trained employees (77).

10.10 In terms of the development of EU-wide standards for energy efficient products, the Committee points to Commission initiatives such as the Energy Star Regulation, the standards of which have become compulsory for public procurement for office equipment, the harmonised standards for the energy consumption of buildings and the increased powers of the national regulators in the area of energy efficiency. It considers voluntary agreements with national energy operators as useful, but it should be clear from any agreements approved that failure to meet the targets will result in the imposition of compulsory standards (78).

(75) See EESC opinion on What services of general interest do we need to combat the crisis? OJ C 48, 15.2.2011, p. 77.
(76) See EESC opinion on Services of general economic interest: how should responsibilities be divided up between the EU and the Member States? OJ C 128, 18.5.2010, p. 65.
10.11 In the same context, the Committee considers it essential to carefully assess the impacts of high energy prices on poorer households and vulnerable people and shape EU and member state policies accordingly. Such households should be priority candidates for assistance with installing energy efficiency measures (79).

10.12 The EESC supports the action taken to bring about effective co-modality and optimisation and the inclusion of different modes of transport in one network to establish an integrated transport system and ensure maximum transport fluidity (80).

10.13 The EESC notes the transport sector's dependence on fossil fuels, with the consequences that this has as regards emissions and security and independence of supply, and is well aware that resources, particularly oil, are limited; it therefore considers that future European transport policy, while maintaining the sector's competitiveness as part of the strategy for 2020, must pursue four main objectives: the promotion of low-carbon modes of transport, energy efficiency, security and independence of supply and the reduction of traffic congestion (81).

10.14 The main challenges to be faced and the issues to be integrated into a sustainable transport policy are (i) growing urbanisation and the demand for comfort in daily journeys, (ii) the preservation of public health, which means reducing emissions of pollutants and greenhouse gases, (iii) maintaining a trading economy that incorporates the need to reduce emissions, (iv) defining homogenous territories so as to build a real integrated transport policy and (v) getting stakeholders in the economy and the general public on board so that they contribute towards implementing new policies and new types of behaviour in the field of mobility (82).

10.15 The Committee has also supported EU initiatives for clean and energy efficient vehicles and recommended further actions. It stresses there is keen competition between the industry players in the motor industry, battery industry and energy supply industry to develop the best technologies at the keenest prices. This competition is itself a powerful driver for innovation and should not be inhibited, but market incentives are needed to move decisively towards the next generation of plug in hybrids and all-electric vehicles (83).

Brussels, 15 March 2011.

The President
of the European Economic and Social Committee
Staffan NILSSON

(83) See EESC opinion Toward the wider uptake of electric vehicles, OJ C 44, 11.2.2011, p. 47.