

Jobs, Innovation and Growth

John Monks
John Cridland
Sylvia Walby
Sarah Lambert

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Foreword

The European Union Beyond the Crisis?

Michael Scriven

The global financial crisis has had an enormous impact on the way people think about future economic development in Europe and beyond. Growing levels of national debt following the large scale bail-out of the banking sector allied to the on-going difficulties experienced by businesses in gaining credit have led to increasingly gloomy predictions for future economic growth, job creation and employment in general.

Jose Manuel Barroso, President of the European Commission, is none the less resolutely upbeat in the midst of this generally dispiriting economic environment. He remains confident that the European Union 'can come out of the present crisis stronger than ever'.¹ His faith in the EU's inner capacity to weather the storm and overcome present difficulties is based on two primary convictions: first that the EU has clearly defined its overall strategic direction as the creation of an inclusive low-carbon social market economy; second that the solidarity and sense of urgency emerging from within the EU in the aftermath of the crisis has engendered the necessary momentum and initiative to achieve success – both the objective and the necessary will to achieve the objective are in Barroso's view in place in Europe at the beginning of 2010.²

The ideas expressed in the speeches delivered by four prominent commentators at the iCES Europe in the World Lecture organised in partnership with the European Commission Representation in the UK and held at Regent's College on 24 November 2009, offer an instructive backdrop to this Presidential expression of belief: John Monks (General Secretary of the European Trade Union Confederation), John Cridland (Deputy Director-General of the Confederation of British Industry), Sylvia Walby (UNESCO Chair in Gender Research and Professor of Sociology, Lancaster University), and Sarah Lambert (Acting Head of the European Commission Representation in the UK).

John Monks from a trade union perspective highlighted the catalytic effect of the financial crisis on perceptions of the UK economy and of Europe. At one level the crisis had abruptly placed in the foreground the UK's over-dependence on what he perceived as an 'overblown' financial services sector; at another level the attractions of the European Union with its democratising influences, supportive welfare state and public services, single European market and strong single currency were becoming increasingly evident. Given the undoubted down-side of an economy predicated on short-term returns on investment, he argued for the espousal of a German style stakeholder economy that prizes the virtues of a social market in which employers and unions work in partnership.

John Cridland from the employers' perspective, whilst accepting that 'financial engineering (was) yesterday's story', was none the less keen to track a mid way path between a European social market model and a more flexible and 'liberal' UK model. In particular, he highlighted the positive aspects of the UK's flexible labour market that enabled a greater capacity to adapt to new job opportunities, thereby reducing long-term unemployment. Selecting from the patchwork quilt of models across Europe and from the various pillars of EU policy initiatives, he prioritised climate change and energy security as the initiatives most likely to kick-start the European economy. Although the Lisbon agenda had so far, he argued, failed to deliver its ambition to become the most dynamic economy by 2012, a focus on low-carbon economic initiatives and a flexible labour market could in his view be the key to future success.

Several aspects of these ideas are echoed in the analysis of Sylvia Walby although from a very different perspective. Centring her account on an analysis of the development of a successful knowledge economy, she gave prominence not only to the human capital dimension of knowledge-driven initiatives in the education and health sectors in contrast to the financial sector, but also to the gendered effects of these initiatives in domains where as many women as men are employed. Flexibility in this sense is concerned with removing discrimination in labour markets as a stimulus to improving market productivity since gender discrimination is simply 'destructive of productivity'. The EU's ambition to become the world's leading knowledge economy as set out in the Lisbon agenda, she maintained, needed to become a catalyst for equal treatment in employment.

Setting out the position of the EU Commission, Sarah Lambert focused specifically on the transformational proposals outlined in President Barroso's recently published consultation paper on the EU 2020 agenda. The ambition to create a low-carbon, sustainable, digitally driven knowledge-based economy that will create global competitive advantage is the basis for an optimistic rather than a doom-laden view of the future. Such an economy would be underpinned by significant eco-innovations, smarter infrastructures for transport and energy, emission trading systems, tax reform and targeted R&D investment.

The ensuing debate raised a series of issues on the prospects for growth in an unpromising economic environment: the balance to be maintained between the economic dynamism of the single market and the need for compensatory social measures to mitigate economic hardship experienced by vulnerable and disadvantaged groups; the dangers inherent in cutting investment in R&D and education, the catalyst and life-blood of a knowledge economy; the desirability of facilitating job creation through support for SMEs; the genuine opportunities emerging in advanced manufacturing and in the energy sector as capitalism re-invents itself in the context of a low-carbon economy; whether continuing growth is sustainable and even desirable given the planet's finite natural resources.

Underlying all these issues and concerns, however, the question to resolve from a European perspective in this debate on 'jobs, innovation and growth' is whether President Barroso's optimistic aspirations will be fulfilled. Much depends on the ability of the constituent parts of the European Union to act in unison, the extent to which the sense of solidarity and common purpose engendered by the trauma of the global financial and economic crisis has instilled within the psyche of the Commission and of the 27 Member States a genuine sense of collective purpose – the European Union acting as a unified whole for the benefit of all European citizens. Only time will tell whether a new spirit of collective governance will take Europe effectively beyond the crisis.

Notes

1.J. M. Barroso, 'Beyond the Crisis', *The Economist – The World in 2010*, p. 50.2.Ibid.

John Monks

General Secretary of the European Trade Union Confederation (ETUC)



John Monks is General Secretary of the European Trade Union Confederation (ETUC). He joined the Trades Union Congress in 1969 after gaining a degree in Economic History from Nottingham University. He was Head of the TUC's Organization and Industrial Relations Department (1977-1987), a Member of the Council of the Advisory Conciliation and Arbitration Service (ACAS) (1979-1995) and Member of the UK Economic and Social Research Council (1988-1991). He was Deputy General Secretary of the TUC (1987-1993), General Secretary of the TUC (1993-2003), Vice Chairman, Learning and Skills Council, Chairman of the Adult Learning Committee (1998-2004) and Chairman of the Co-operative Commission UK (1999-2000). In 2003 he became General Secretary, ETUC (re-elected in 2007).

John Monks is also Chairman of the People's History Museum, Manchester and a Member of the Councils of the European Policy Centres, Brussels, and the Centre for European Studies, London. He holds several university honorary degrees and is Fellow of the City and Guilds of London Institute.

Social Europe – Current Trade Union Perspectives

John Monks

Over the last year or so we have had the biggest case of market failure in human history. The potential debts of rescuing the UK banks are somewhere in the region of 1.5 trillion pounds, 1½ times our GDP. And while Wall Street was the main source, London was an enthusiastic player in the casinos of financial capitalism.

Meanwhile even a 25% devaluation of the pound relative to the euro is not prompting the surge in exports that normally follows major devaluations. Perhaps we will soon see big improvement – I hope so – but the sluggish response suggests that British industry may possibly be too anorexic and too feeble to take advantage of this huge potential gain of competitiveness.

I don't blame it all on the CBI! But pre-crisis I did not notice – maybe I missed it – the CBI raging against the unbalanced nature of the UK economy, with on the one hand, an overblown, over-mighty, overpaid financial services sector and, on the other, an over-leveraged, low investment, shrinking manufacturing sector.

But tonight is not primarily about points scoring or about Britain, or even Britain in Europe, but about Europe and the world. Let me start by referring to some facts about Europe's many achievements, too often overlooked in this country:

- It now has 27 members with others queuing up to join;
- a project which has reintroduced and reinforced democracy in the former fascist countries of Greece, Portugal and Spain, and more recently in 10 former Communist states;
- a union of 490 million citizens and a GDP which is 30% of the world with the best welfare states, public services and generally applicable employment standards anywhere in the world;
- a single market, common negotiations on trade deals and a competition policy which has, *inter alia*, made possible cheap air travel, and has had the guts to take on the market domination of Microsoft;
- free movement of labour and the emergence of a single European labour market;

- and of course, 15 countries sharing a single currency, the euro, whose major problem, unlike sterling, is that it is too strong; and again there is a queue forming of countries wanting to join.

In the social sphere, the achievements were well described in a pamphlet by David Lea and Stephen Hughes MEP. Key features include four weeks paid holiday, a voice at work through information and consultation rights and European Works Councils, protection for migrant workers, fixed-term and part-time workers, a wide raft of health and safety standards, equal pay and sex discrimination laws and, most recently, a directive on equality for agency workers.

These are the laws which are labelled by the Conservatives as the excesses and abuses of social legislation when in truth, they are Europe's most popular feature, and not a matter of controversy anywhere else.

The measures are being exported to the applicant states, as it is an obligation on them to introduce these measures as they are joining the EU. In this way, free trade unionism and social dialogue together with democracy are being strengthened throughout Europe.

These are all substantial achievements although the social ones were initially opposed by successive UK governments egged on by the CBI and a new opt-out as proposed by Mr Cameron would be another depressing low point in Britain's relations with the EU. Everyone is out of step except us.

In fact, the current recession is proving the virtues of social Europe. Before the crisis, the business world's pressure was all for less red tape, lower social standards, more liberalisation and, in truth, less trade union influence. Now social Europe, with its welfare states, is riding out the crisis in rather better shape than the USA, where unemployment is above 10% and where the loss of a job often means a loss, not just of income, but of family health care and pension entitlement as well. And in truth, the best EU examples are using publicly supported short-time working schemes to keep down the level of unemployment rather more successfully than the UK. In the Netherlands, the fall in GDP is about the same as in the UK but unemployment is only around 5%.

I acknowledge the scope for reform. That's why the ETUC made an agreement on 'flexicurity' with Business Europe. This is a concept

developed in Denmark to give individuals employment, rather than job security, with good benefits and income protection, skills and opportunity for work rather than being tied to a job which might become redundant. But it also means employers being responsible and adopting long-termist perspectives as much as possible.

And this brings me to what I hope will be the next question to be faced by social Europe – how can we apply the social market throughout the EU and modify Anglo-Saxon capitalism to act in more responsible and more long-termist ways?

I don't accept the argument that globalisation means that we must all face downward pressure on living standards. I am less worried, frankly, about China and the rest of Asia than I am about the demands from investors for short-term gain.

Herr Ackermann of Deutsche Bank famously declared 20% as the new norm for an acceptable return on capital. Investment banks, hedge funds and private equity, and capital markets more generally, were working on that basis until the recession, and many investors continue to do so even though inflation is negligible. The pressure on companies, certainly in the English speaking world, but increasingly more generally, is to provide high profits regularly and quickly. As one London investor told me – 'I do have long-term investments; they are short-term investments that have gone wrong'.

The result is that CEOs more and more resemble football managers. Two bad sets of quarterly reports and you are out. The tenure of chief executives is getting shorter and often ends in failure, or judicious escape. A new, whizz kid Messiah is then recruited and comes in with a message of change and a mandate to restructure as he or she aims to pump up shareholder value. Financial engineering is becoming the dominant skill of too many chief executives.

This system brought our banks to the edge of disaster – and it has made many companies anorexic and fragile. For short-term reporting, investments are cut, research and development is cut, training is cut, jobs are cut – and cost-cutting of this kind, which is like a farmer eating his seed corn, is, too often, applauded, and rewarded, in the investment community.

The system of quarterly reporting and linking executive pay to short-term shareholder value has become a monster, unsustainable for many companies once they move into maturity. Frankly the system is too tough. It breeds greater income inequality, and workers bear the costs.

There are, fortunately, impressive examples of best practice and no-one gets more pleasure than I about change being handled smoothly and successfully by employers and unions. I have a long commitment to the partnership agenda. But it is not easy to implement when so many company chiefs and styles change like the fashions in Paris or Milan.

All concerned need to review corporate governance so that it reinforces long-term profits and partnerships rather than just rewards get-rich-quick spivs. The present systems are often not fit for purpose. Take climate change, that other big crisis that we face. Developing the means of combating carbon emissions is expensive and I am far from clear that the investment and financial services worlds regard this sector as a good bet, unless there are incentives and guaranteed markets based on public money and policy. Yet the restructuring implications are enormous for sectors with high carbon emissions, and if they are to survive, they will need public help – yet for the next few years with all the pressure on budgets, it is hard to see where and how that help can be funded.

In the early 1990s, Will Hutton sold 40,000 copies of a book *The State We're In*, where he extolled the German style stakeholder economy over the shareholder value economy.¹ Has he not now been proved right? And should we not now move in the UK to embrace the social market economy that is proving its worth in many parts of the EU in the current tough times? That's my challenge to John Cridland and to the CBI.

Notes

1. Hutton, W., (1995), *The State We're In: Why Britain is in Crisis and How to Overcome It*, Jonathan Cape.

John Cridland

Deputy Director-General of the Confederation of British Industry (CBI)



John Cridland is Deputy Director-General of the Confederation of British Industry (CBI) responsible for the management of the CBI's policy and membership activities.

He is a key spokesman for the business community in the media and on public platforms, and has extended the CBI's global footprint and its reputation for policy leadership. He is also Vice Chair of the National Learning and Skills Council and a member of the Council of Cranfield University.

John studied history at Christ's College Cambridge and joined the CBI in 1982. He has been Director of Environmental Affairs and of Human Resources Policy. He spent 10 years on the Low Pay Commission and the ACAS Council, and was also a member of the Commission on Environmental Markets and Economic Performance. He was awarded the CBE in 2006.

Putting Growth First

John Cridland

Tonight's subject matter is apposite. I can't think of three things that the UK – and all its fellow EU Member States for that matter – need more right now than growth, innovation and jobs. Once we've got these, it'd be good to add stability to the list as well. The sort of unpredictability we've had following the financial crisis is damaging to business confidence, which needs to be a cornerstone of efforts to tackle unemployment and reduce massive fiscal deficits.

At the recent CBI Annual Conference, the Prime Minister in his speech made specific mention of the need not just for UK growth but for growth across Europe to create the ten million new jobs the continent needs. And it was welcome that Mr Brown reported that Prime Minister Zapatero has assured him that the top priority for Spain's Presidency of the European Council will be growth and jobs.

But calling for a growth strategy is the easy bit. Rather more challenging is to say where growth will come from. We are all somewhat chastened by credit crunch and recession. We know that the growth in the next decade will neither look the same nor be the same as that of the last decade.

So in my presentation I will outline how I believe the world of business has changed, sum up the CBI's priorities for growth in Europe, and finally draw some conclusions about the do's and don'ts of moving forward.

I agree with John Monks to a degree that financial engineering is yesterday's story. Over the last decade the combination of low interest rates, low economic volatility, rising asset prices and steady growth led to a high appetite for risk. Then came the credit crunch and what now looks like a very different world, and there is at least a question mark about whether banks will have the fire power to finance a sustained period of economic recovery and growth. At the same time companies tell me that they will take lower risks with their balance sheets for some time to come.

More volatile business conditions also point to more conservative balance sheet structures, with a greater weight given to equity, and also to a more collaborative business environment with less emphasis on transactions and more on relationships. Companies also tell us that they want to reduce supply chain risk and work more through partnerships and joint ventures.

This then raises some interesting questions:

- How do we finance the growth of small and medium sized enterprises who in the UK in contrast to a number of other big countries have fewer options when it comes to raising money?
- How do we get more alternative corporate finance for larger companies given that private sector bond market in the UK is easily the smallest in the G7?
- And if business models evolve as I anticipate, how do we encourage a longer-term view of shareholder value with management's priority being more on innovation and wealth creation than immediate profit maximization?

Now as a country which has one of the world's most open economies we must be prepared to learn from the successes of other countries. Several of the new elements of Britain's business model which I have just outlined could well draw on continental practice. Take Germany's approach to financing its smaller firms sector, for example, or its lower dependence on debt finance.

But we should not fall into the trap of adopting any one national model for jobs, innovation and growth. Success is more likely to come from blending elements from different models. For example, I would most certainly not import the European Social Model. Europe is a patchwork quilt of different labour markets reflecting different national law, custom and practice. Our labour market flexibility has served us well in this recession, as it has over the last decade. UK unemployment will peak lower than the three million which we feared because of employers and employees making use of that very flexibility on hours, working patterns and pay.

Even though the UK is in the longest recession in 60 years, and our employment rate has fallen from 74.8% to 72.6%, this is still higher

than France, Germany, the US or Japan. What is more telling is how long people are unemployed, as we know there will always be some people out of work at any one time as they move between roles. Long-term unemployment reduces future job prospects, adversely impacts on family and social life and can have a terrible effect on mental and physical health.

The UK's flexible labour market means people get back into work quicker than for many of our EU neighbours. OECD figures show that in Germany last year, more than 50% of unemployed people said they have been looking for a job for more than a year. In the UK, this figure was four times smaller. New employment regulation in the UK has added over £70bn to business costs since 1998. We've already, some would argue, gone over the tipping point. In the most recent CBI Employment Trends Survey, nearly half of employers said they felt the UK is a less attractive place to do business compared with five years ago. More than two thirds – 67% - feel employment regulation has become a serious burden.

Employers also expressed concern that the Agency Workers Directive will reduce this flexibility still further, and cut work opportunities for labour market entrants – and so it is vital that government does not gold plate the directive and make it more burdensome for business when it's implemented in 2011. In an increasingly globalised world, companies will choose to locate wherever is best for them. And labour market flexibility is the single most important factor in determining where mobile global companies locate, with 90% of bosses saying it's influential in their decision.

The CBI's vision for the European Union has a clear framework of priorities for action where Europe needs to act together and then, as I have just described, we favour each Member State funding its policy mix which promotes its own competitiveness.

The overall framework for the EU which I believe would help to create growth, innovation and then jobs has five pillars:

- Creating a low carbon future and securing energy supply
- Renewing the commitment to open markets and free trade

- Reporting the financial system to restore economic confidence
- Repairing competitiveness through labour market flexibility
- Fulfilling the potential of the European Single Market

Of these challenges I believe that the EU has made the most exciting progress of late on climate change and energy security. With the Emissions Trading Scheme the EU has shown real leadership and imagination. I know that this is very much flavour of the month with Copenhagen just around the corner, but we believe that setting an ambitious path for reducing emissions while supporting business competitiveness is already a key driver of the move to a low-carbon economy. It's this sector that we believe will be a source of jobs and growth, especially if we equip the workforce with the skills needed to make the most of it.

I think that the European story on climate change will have turned out to be more successful than that on the Lisbon agenda. I regret that the Lisbon agenda has been broadly unsuccessful in its original aim of delivering growth, innovation and jobs. Now nobody could point a finger at the Lisbon agenda and suggest it lacked ambition in calling for the EU to have the most dynamic economy in the world by 2010. And the EU has hardly been idle since the Lisbon process began in 2000. We have seen numerous communications and action plans on how to create an entrepreneurial and innovative environment for growth. The results, however, have been disappointing.

While EU member governments bought into the Lisbon agenda, the big gestures made at the supranational level were not followed through at a national level. Albeit to different extents, Member States have brought about inadequate structural and economic reforms and haven't taken the hard decisions necessary to modernise.

Brussels, meanwhile, has continued to pursue a packed legislative agenda, particularly in the area of social policy. The cumulative effective of all this regulation, has hampered any shift to that dynamic EU economy Lisbon targeted. President Barroso did his best in his first commission to refocus the agenda on growth and jobs, but the economic downturn and the financial crisis meant any progress stalled or went into reverse gear.

The EU should of course play a co-ordinating role in the growth agenda, but much of the real action must lie at a national level. The EU does not have competence in areas where some of the most pressing need for this action is, for example in education, skills and lifelong learning, and indeed most of the innovation agenda.

So what conclusion would I draw from this analysis? The pressing question of our day is 'where is growth going to come from?'

The end of the recession is in sight, but British business sees little sign of new demand, and business investment, public spending and personal consumption remain constrained. Models of growth are also likely to be different going forward. Business will be more cautious about financial risk and keener on supply chain partnerships. While the new growth recipe will be different it must continue to be a blend of elements. The new blend may contain less financial engineering, it is likely to be built on a low-carbon future, but it will most certainly need even more labour market flexibility. There can be no one-size-fits-all solution here. The fate of the Lisbon Agenda demonstrates that national factors still play large – Britain has much to learn, but it still has much to offer.

Professor Sylvia Walby
UNESCO Chair in Gender Research and Professor of
Sociology at Lancaster University



Professor Sylvia Walby is UNESCO Chair in Gender Research and Professor of Sociology at Lancaster University. She is President of the International Sociological Association's Research Committee on Economy and Society and was the founding President of the European Sociological Association.

She is an Academician of the UK Academy of Social Sciences and a Fellow of the Royal Society of Arts, Manufactures and Commerce. Professor Walby is coordinator of the Gender Equality Research Network International (GENie) and was awarded an OBE for services to equal opportunities and diversity in 2008.

Her most recent book is: *Globalization and Inequalities: Complexity and Contested Modernities* (Sage 2009); earlier publications include *Gendering The Knowledge Economy: Comparative Perspectives* (Palgrave 2007) and *European Societies: Fusion or Fission?* (Routledge 1999).

Knowledge, Equalities, Productivity and the European Union

Sylvia Walby

Jobs, innovation and growth are always important. Achieving them is especially challenging in the context of the global financial and economic crisis. What should the policies be to promote 'jobs, innovation and growth' in the context of an integrated global economy?¹

The knowledge economy is the future, but which knowledge economy?

Any successful economy in the future will be a knowledge economy. It is in the transformation to a knowledge economy that the key to 'jobs, innovation and growth' lies. But what is the knowledge economy? There are quite different definitions, which have divergent implications. It has been suggested that the future economy will have strong 'high technology manufacturing'.²

But there are at least two other definitions, including information or ICT and also knowledge intensive services (e.g. education and health).³ Employment in high technology manufacturing is small compared with overall employment. More important is the development of information and communication work, in both manufacturing and services. More important still is the knowledge intensive service sector, where around 40% of British employment is currently located. The different types of knowledge economy each have quite a different balance of fixed and human capital. High technology has more fixed capital, knowledge intensive service work is focused on human capital. It is human capital not fixed capital that is the future. As many Asian countries have discovered, investments in human capital, in education, are key to economic growth. These distinctions are also gendered. High technology manufacturing employs largely men; knowledge intensive services employ at least as many women as men. Policy priorities here have gendered effects.

This is not an argument for growth in innovative financial services. Such unregulated innovations have proved disastrous for the real economy of employment and production. But in turning away from

financial services, we should not reject the importance of other knowledge intensive services, especially education and health.

Equality and fairness in labour markets is productive

A productive economy requires efficient markets. This means markets in which there is no discrimination interfering with the best allocation of resources. This applies as much to labour markets and the efficient allocation of human resources as it does to product markets.⁴

Removing discrimination in labour markets is thus good for the productivity of the economy. Yet even after three decades of equal treatment laws, and a significant reduction in gender pay gaps among those who work full-time, there is evidence that substantial discrimination remains. These days, this is much less often direct discrimination, where employers consciously select, for example, white male workers, than it is historic entrenched practices buried deep in career, promotion and pay structures and occupational and industrial segregation. Nevertheless, despite substantial achievements, the goal of fair markets unmarked by discriminatory practices remains an elusive goal. Who, today, would disagree? Not many; this has become an area of consensus. The disagreements today are over how best to achieve this goal, not over whether it is desirable.

Flexibility is another feature of labour markets that is often welcomed for its contribution to productivity.⁵ But what kind of flexibility? The flexibility to facilitate easy combination of employment and caring, which assists continuity of employment, income and protection of employer-specific skills, is one that is important to both employees and employers.

Financial crisis

The financial crisis has had devastating consequences on the real economy. There is a consensus on this. The questions are: firstly, how to stop it happening again; and secondly, how best to ameliorate its impact.⁶

In order to stop it happening again structural changes in the finance industry and its regulation are required. There is a need to reduce excessive risk taking and excessive financialisation; a need for banking to become boring again rather than the equivalent of a casino.

There is a gender dimension to this.⁷ The mono-cultural, white male decision-taking environment has a greater tendency to develop herd-like behaviour than those with greater diversity. When women are included in financial decision-making, the tendency to excessive risk-taking is reduced. In addition a different range of knowledge about financial and economic decision-making is introduced. Gender inequality in financial decision-making is part of the cause of the crisis, and reducing this would make for sounder finances.

The amelioration of the impact of the financial crisis has led to much state intervention and financial support, not least to the banks. These policies themselves have a gender dimension, not least in the selection of some industries and activities rather than others to support.

European Union

What is the role of the European Union in 'jobs, innovation and growth'? The European Union is key to the governance of the economy; more economic regulation occurs at the EU level than at Member State level.

Knowledge Economy

The EU has taken a lead on the development of the knowledge economy: indeed the aim of the 'Lisbon agenda' was to make the EU the best knowledge economy in the world.⁸ Has it done enough and has it done it well? The EU initially used broad and inclusive concepts of the knowledge economy. More recently, under the pressure of the financial and economic crisis, there has been a tendency to narrow the definition, moving away the protecting and building of human capital towards fixed capital, in its recommended emergency measures to counteract the recession.⁹

Productivity and equality

The EU has taken the lead on regulating the economy to make its markets more fair and efficient, including in relation to equalities. Following the Treaty of Amsterdam, the EU developed Directives to widen and deepen rules to provide for equal treatment, not only on grounds of gender, ethnicity and disability, but also age, religion and sexual orientation.

Conclusions

The European Union has been important in driving forward the agenda on the knowledge economy and on equal treatment in employment, each of which makes important contributions to jobs, innovation and growth, through their significance for productivity and efficiency. Its potential contribution to the reform of financial governance should also be welcomed.

Notes

1. Walby, S. (2009) *Globalization and Inequalities: Complexity and Contested Modernities*. London: Sage.
2. For example, see John Monk's contribution.
3. Walby, S., Gottfried, H., Gottschall, K., and Osawa, M., (eds) (2007) *Gendering the Knowledge Economy: Comparative Perspectives*. London: Palgrave. UN Statistics Division (2005) *Information Sector*. http://unstats.un.org/unsd/cr/registry/docs/i31_information.pdf; UN Statistics Division (2005) *Information and Communication Technology (ICT)* http://unstats.un.org/unsd/cr/registry/docs/i31_ict.pdf; Eurostat (2005) *Technology and Knowledge Intensive Sectors*: http://europa.eu.int/estatref/info/sdds/en/hrst/hrst_sectors.pdf
4. Walby, S. and Olsen, W. (2002) *The Impact of Women's Position in the Labour Market on Pay and Implications for Productivity* London: Department of Trade and Industry Women and Equality Unit; Olsen, W. and Walby, S. (2004) *Modelling Gender Pay Gaps*. Manchester: Equal Opportunities Commission.
5. For example, see John Cridland's contribution.
6. The World Bank has issued several reports on this: World Bank (2008) *Weathering the Storm: Economic Policy Responses to the Financial Crisis*.

<http://siteresources.worldbank.org/NEWS/Resources/weatheringstorm.pdf>;

World Bank (2009a) *Financial Crisis*.

<http://www.worldbank.org/html/extldr/financialcrisis/>;

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World Bank (2009c) *The Global Economic Crisis: Assessing Vulnerability with a Poverty Lens*.

<http://siteresources.worldbank.org/NEWS/Resources/WBGVulnerableCountriesBrief.pdf>

7. Walby, S. (2009) 'Gender in the financial crisis', *Commonwealth Finance Ministers Reference Report 2009*, 75-78.

8. European Commission (2000) *The Lisbon Special European Council (March 2000). Towards a Europe of Innovation and Knowledge*.

9. See, for example, Commission of the European Communities (CEC) (2009) *Driving European Recovery*. Volumes I and II. Communication for Spring European Council. COM (2009) 114 final. Brussels.

Sarah Lambert
Head European Commission Representation in the UK



Sarah Lambert is Head of the European Commission's Representation in the UK and has been working in London since 2003.

She joined the Commission's press service in 1995 before moving in 1999 to the communications unit of DGMARKT. Before joining the European Commission she worked as a foreign correspondent for Reuters and The Independent in London, the US, Paris and Brussels.

Europe 2020 – A Transformational Agenda

Sarah Lambert

I would like to pull together a few of the strands of these excellent presentations that we have been hearing. John Monks has spoken of the European social model and above all, the need to end 'short-termism' and financial engineering. He has asked the question: has the Anglo Saxon model of capitalism failed? John Cridland whilst being quite critical of the Lisbon strategy sees the climate change agenda as the big idea as it were for growth and innovation in the coming decade and also notes that it is one area where the European Commission and indeed the European project has been at its most successful. Sylvia Walby has spoken about the need to concentrate on human rather than fixed capital and reviewed the role that the Commission has been playing in regulation, i.e in actually ensuring a level playing field particularly in the issue of equalities and gender equality.

Now, I think there is a surprising amount of commonality in all these presentations, insofar as we are celebrating this year the twentieth anniversary of the Fall of the Berlin wall which triggered the movement of eastern and central European economies into a market economy. Indeed it was the European method, that is to say the rather bureaucratic insistence on human rights, on an ability to actually deliver on the full body of European legislation to have the democratic institutions in place, the rule of law, that brought these countries in. And so I think that we might see that actually the European project is perhaps at its best when it is at its most ambitious and it is perhaps one of the advantages of the European Commission, and part of the role of the Commission to think ambitiously.

So when John Monks talks about the need for an end to 'short-termism' certainly the Commission is utterly committed to looking at the longer term. John Cridland talks about climate change as being a great moment, and I think that's absolutely true. For those of you who know the legislative process in the European Union well, the notion that these 20/20 targets could have been agreed by 27 Member States some of whom are still burning dirty coal, some of whom have nuclear programmes, others don't. The fact that 27 Member States could have come together in just over a year and now be leading the world - and indeed Europe has said that if the rest of world can meet a 30% reduction in green house gases it can match that - I think that shows

that when the political will is there, when Europe pulls together it can do great things.

Now, the topic tonight is 'jobs, innovation and growth' and I do agree that it should actually be 'growth, innovation and jobs'. The Commission President Jose Manuel Barroso, in laying out his guidelines for the new Commission has stated clearly that he believes that we should working for a Europe that puts opportunity, responsibility and solidarity at the heart of the social market economy, that if Europe is to exploit its full potential as the leading force of progress in a challenging world, it must be open, competitive and prosperous. And this might seem wishful thinking in the grips of a recession that has seen unemployment across the EU increase by 9.2% from September last year to September 2009. 22.1 million people across Europe are now without work. But I would argue that the Lisbon agenda has notwithstanding indeed proved a catalyst for growth and jobs. Until the current crisis, EU GDP had grown each year since 2005 and the EU reduced unemployment from 12% to 7% in the decade to 2008.

But what we need now is to come out of the crisis and to have an economic recovery plan which will over the next decade focus on how to entrench economic recovery by creating value through knowledge, empowering people in inclusive societies, and creating a competitive, connected and greener economy. And indeed the timing of this conference is most appropriate because today the European Commission has produced its consultation paper on the EU 2020 agenda which is what will replace the Lisbon strategy and which, we hope, will set Europe on the path to what the President has called, a transformational agenda. Well how?

First of all we need to create value by basing growth on knowledge. Education in Europe must improve from pre-school to higher education, to increase productivity, support vulnerable groups, and help fight inequality and poverty. The framework conditions for innovation and creativity can still be much improved in Europe. For example and perhaps this is unduly bureaucratic but it works, by modernising the EU's intellectual property rights system. Access to credit should also be boosted through pooled private and public sources of growth capital.

The EU needs a European digital agenda to deliver a real online single market so consumers can benefit from competitive prices offered in other Member States and SMEs can break into large markets. Internet access and skills are becoming necessary for full

participation in daily life, achieving digital inclusion as a key part of overall social inclusion.

But of course the crisis has changed the game and particularly for those now facing unemployment, because many of those pre-crisis jobs have been destroyed and will not return. And Europe cannot prosper unless workers have the skills to contribute to and benefit from a knowledge-based economy, and as Sylvia Walby has emphasised, we need to define better what that economy is.

Supply and demand need to be better matched through labour mobility across and within borders and through better anticipation of future skills needs. The Commission is determined to advance the 'flexicurity' agenda and to ensure that it is better understood in terms not only of flexibility from employees but also of employers and governments, shouldering more responsibility for investing in and protecting people. Those who cannot find a job should be supported both financially and through individualised help to regain access to the labour market.

And the context for all this is, of course, the low-carbon sustainable economy. The future will see high energy prices, carbon constraints and greater competition for resources and markets. All of these are of course risks, but they also present opportunities to create a new economy with a strong, global, competitive advantage. So yes, like many of the speakers here, we do not see this period as a period of gloom and doom but rather as a new opportunity to stimulate growth, create new jobs and help the EU meet its climate change goals.

The policies at EU and national level to promote eco-innovation and energy efficient products and systems, should include emission trading, tax reform, subsidies and loans, public investment and procurement and the targeting of research and innovation budgets. We need smarter transport infrastructures and a smarter grid for energy as well as a 100% broadband coverage as far as possible. The EU and Member States should work together to make the right strategic investments to make two-thirds of electricity generation both low-carbon and more secure by the early 20/20s.

The key to success, however, will be collective governance. And this is indeed what Europe is established to deliver. It is not a top-down project, it is a bottom-up project. The European Union takes under its auspices those things that Member States deem are better done at the collective level.

The strength of the Commission is that it can draft a framework for this new EU 20/20 strategy and indeed this is what the consultation is designed to deliver. But it is the European Council, Member States acting collectively who need to steer it, make the key decisions and set the objectives based on those proposals. And we would like to see the European Parliament play a significantly greater role and national parliaments also.

Now, it is true in a sense that the Lisbon strategy, the original Lisbon strategy, has not delivered on all its ambitious objectives. But essentially what we need to do now is to pull together all the very different strands: the renewed social agenda, the stability and growth pact, the competition and state aid policies, the sustainable development strategy, everything we are doing on climate change and energy and on an enhanced European research area to channel financial resources into innovation. And we need to pull them together into a coherent whole, in other words, the transformation agenda.

The next months and years will determine how strongly we recover from the economic crisis but delivering innovation, growths and job will be the yardstick by which Europe is judged and I think that we are all up to the challenge.

Learning from the Financial Crisis: Global Imbalances and Lessons for Europe

iCES Occasional Paper 01

Sir John Gieve

The Institute of Contemporary European Studies (iCES) Occasional Paper Series features the ideas of key opinion formers in contemporary European affairs.

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Sir John Gieve was Deputy Governor of the Bank of England from January 2006 to February 2009. In addition to his membership of the Monetary Policy Committee, he had specific responsibility for the Bank of England's Financial Stability work and was a member of the FSA.

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Leon Brittan, David Hannay, Jan Zielonka
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Lord Brittan was European Commissioner for Competition 1989-1992 and Vice President of the European Commission 1995-1999. Lord Hannay was UK Permanent Representative to the European Communities 1985-1990 and the UK Permanent Representative to the United Nations 1990-1995. Professor Jan Zielonka is Ralf Dahrendorf Fellow at St Antony's College, Oxford, and author of *Europe as Empire: The Nature of the Enlarged European Union*.

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Jobs, Innovation and Growth

John Monks, John Cridland, Sylvia Walby,
Sarah Lambert

The Institute of Contemporary European Studies (ICES) Occasional Paper Series features the ideas of key opinion formers in contemporary European affairs.

In this volume John Monks, John Cridland, Sylvia Walby and Sarah Lambert review the prospects for jobs, innovation and growth in the context of a continuing global financial and economic crisis. An increasing emphasis on innovative and flexible solutions to the challenges emerging in a global market place is the backdrop to a critical assessment of growth possibilities from a variety of perspectives: trade unions, employers, gender and equality, the European Commission.

John Monks is General Secretary of the European Trade Union Confederation (ETUC) and previously General Secretary of the Trades Union Congress (TUC). John Cridland is Deputy-General of the Confederation of British Industry (CBI) and Vice Chair of the National Learning and Skills Council. Professor Sylvia Walby is UNESCO Chair in Gender Research and author of *Globalisation and Inequalities: Complexity and Contested Modernities* (Sage, 2009). Sarah Lambert is Head of the European Commission Representation in the UK.

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