

Does Lisbon Strategy matter? The Czech Experience.

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Summary

The paper analyses the role of the Lisbon Strategy in the preparation of the Czech Republic to enter the European Union – and within first two years of the country’s full EU membership. It tries to identify the place of this strategy among other external and internal factors influencing its economic and social development, including the capacity of the country to apply the open method of coordination, in various policy fields.

1 The Lisbon Strategy as one of the factors of postcommunist societal transformation

In general, the European Union has played an active role in supporting and mediating modernization in the New Member States. Its positive influence can be identified in various fields. Well worth noting is the EU’s assistance to institution and capacity building (e.g. PHARE projects), specifically designed modernization efforts – a reform of public administration, regulatory reform, training of professionals (including civil servants), implementation of new methods of public management and administration, collaboration in the field of education, etc.

The history of systematic preparation of the postcommunist candidate countries¹ for accession started with the launching of the Copenhagen criteria of accession (1993). These criteria have been designed more as a technical (economic and political) instrument from above than as an appropriate tool to steer peoples’ living conditions in the candidate countries. Legal, economic and political issues prevailed.

First, candidate countries were asked to reform their national economies to be able to compete – and be compatible – with market economies of the Old Member States.

They had to build robust and reliable institutions of political democracy. They were asked to adjust their legal and administrative systems to *acquis communautaire*. These tasks have been (at least in the formation of the corresponding institutional framework) successfully fulfilled by the beginning of the 21st century. The fast progress in both economic and political adjustment to these requirements has been astonishing and deserves high evaluation.

On the other hand, genuine social goals were at the very bottom of the then list of priorities – limited to the preservation of individual human rights and the building of a loosely defined framework for social policy making. The containment or reduction of poverty and income inequalities, labour rights, a living wage and the alleviation of the fate of the marginalized groups, in other words, fight against social exclusion, did not form an integral part of the Copenhagen criteria reform agendas. Most of national social policies in the candidate countries in the beginning and the middle of the 1990s “consisted of the withdrawal of the state and the improvement of efficiency by the privatisation and marketisation of the services. These steps were to be completed by the reduction of the coverage and standards of all social benefits except social assistance, a well-targeted safety net for the poor.” (Ferge undated).

The European Council launched the economic nucleus of Lisbon Strategy in March 2000, and enriched it by its social dimension in Nice in December 2000. Very soon, the environmental dimension followed suit (Gothenburg Summit, June 2001). It was the stream of new political initiatives, stressing the importance of human resources, quality of life, social cohesion, in short, the ‘social fabric’ of contemporary societies. The Czech Republic was asked to take part in the Lisbon Strategy negotiations only after the 2002 Barcelona Summit, when the preparation of the New Member States to enter the EU – until then organized within the logic of the Copenhagen criteria – had just been completed. The fully fledged participation in the Lisbon Strategy started only with the country’s accession to the EU in May 2004. Thus, social policy moved to the top of the EU political agenda of enlargement as late as one decade after setting up the Copenhagen criteria of accession.

Thus the Lisbon Strategy, developed under the auspices of the Old Member States, had no relevance to the accession process as such. Nevertheless, between 2002 and 2004 it became an inspiration for the creation of national political programmes. A new coalition government of Prime Minister Vladimír Špidla, leader of the Czech Social Democratic Party, came to power in July 2002. The coalition agreement and the new government’s declaration comprised all the Lisbon Strategy goals. The Office of the Government’s Department for the

European integration,ⁱⁱ which had existed since 1998, was re-named the Department for EU issues, in May 2003.ⁱⁱⁱ Along with the Inter-ministerial Commission for the Implementation of the Lisbon Strategy Goals^{iv} it supervises its implementation in the Czech Republic.

The original Lisbon strategy was amended by its environmental dimension at the Gothenburg Summit in 2001. It conceptualized sustainable development as consisting of three pillars: economic, social and environmental. A Strategy of Sustainable Development was approved by the Czech government in 2004 (Strategie 2004). The New European Commission redefined the Lisbon Strategy by prioritizing economic growth, education, research and development, and fighting the unemployment in 2005. In the meantime, Vladimír Špidla resigned as Prime Minister. His successor, Stanislav Gross, installed a new deputy prime minister for the economy, Martin Jahn. One of his tasks was to prepare a Strategy of Economic Growth (Strategie 2005) and National Lisbon Programme 2005-2008^v (National 2005). Both documents were approved by the government in 2005 and submit to the European Commission. Typically, the Czech National Lisbon Programme 2005-2008 consists of three parts: macroeconomic (notably continuing public finances reform), microeconomic (measures to strengthen and increase competitiveness) and employment (labour market flexibility, the inclusion in the labour market, and education). Thus the 2005 programmatic shift at the European Union level found a favourable response in the Czech Republic.

The Czech scholarly community has discussed the nature and implementation potential of the Lisbon Strategy in general and in the Czech Republic in particular. The whole spectrum of positions has occurred. Some economists challenged the inclusion of social cohesion, environmental goals and sustainable development concept as such. Even the scholars, who in principle agreed with the structure of the Lisbon Strategy goals and the usefulness of such a programmatic effort, have found it quite difficult to see it as a realistic document, namely its ambitious part that endeavours to make the EU *“the most competitive and dynamic knowledge-based economy in the world by 2010”*.

By the same token, neither the governments of the candidate countries nor the EU institutions were able to prevent the rent-seeking institutions of the global financial market, inspired by the influential ideology of the Washington Consensus and the corresponding policies of the International Monetary Fund and the World Bank in the 1990s, to seize the opportunity and try to implement radical changes in various fields of social policy. The World Bank was

indeed seen as the major agenda-setting actor in economic and social policy making in the region, prioritizing narrowly defined economic rationing using the regulatory power of market over broader societal aims achieved by the balanced influence of the state, market and civic sector. (Potůček 1999, Orenstein – Haas 2002, Ferge undated).^{vi}

Open method of coordination (OMC)

In terms of technique and procedure, the Czech Republic has had no problems with the application of OMC. It was used several times for the preparation of National Employment Action Plans; it was applied in the process of the preparation of the first National Action Plan of Social Inclusion etc. The serious problem lies not with formal application but with the administrative and political context in which it is being applied. To cut the long story short:

- a. Czech public administration does not possess specific organizational structures that would have the capacity to deal with strategic issues.
- b. Czech civil servants are not trained and experienced in dealing with strategic issues in their professional life.
- c. Czech politicians in general do not appreciate the importance of strategic thinking and decision making for the realization of their political missions.

As a result, the real impact of OMC in governance at the national level has been dramatically below its potential influence. In other words, operative and tactical tasks, short term interests, lack of time and professional blindness severally limit the effects of OMC's application. At the same time, clear positive effects can be recognized in raising the level of general awareness of civil servants about EU problematique.

Genuine national programmatic initiative

An interesting example of the original national initiative was the elaboration of *The Social Doctrine of the Czech Republic*. (Sociální 2002) Its aim was to build a broad national consensus concerning the future orientation, goals, priorities and corresponding instruments of Czech social policy. Five preparatory conferences in 1998-2000 were a "joint venture" of the academic community concentrated around the non-profit Socioklub, the Ministry of Labour and Social Affairs and the Senate (the upper house of the Czech Parliament). The document, elaborated by a group of experts from various fields and with various political affiliations, got mentioned, in the coalition agreement statement of political parties in power in July 2002, as the starting point for the further development of government social policy and

its priorities and approaches for the period till 2006. Nevertheless, until its resignation in 2004, the government failed to find sufficient capacity and motivation for consequent steps: real social policy decisions mostly stemmed from either urgent problems or articulated strong demands of various pressure groups.

2 Changing Public Policies

What has been the specific impact of this interplay of various influences on specific policy fields in the Czech Republic?

Social inclusion

The European Commission has asked all the candidate countries' governments to elaborate Joint Inclusion Memoranda in order to identify key problems and policy measures to combat poverty and social exclusion in 2002. The agenda of social inclusion was formally set up with the preparation and approval of this document by the representatives of the European Commission and the Czech Government in 2004. (Joint 2004) The preparation and approval of National Action Plan of Social Inclusion 2004-2006 followed suit. (National 2005) The document sums up other valid and prepared policies, action plans, strategies, programs and governmental decrees that have some relevance to the issue of social inclusion. The soft spot of the document is the lack of explicit goals, a poorly defined responsibility for the implementation, and missing links to the budgetary process. Significantly, the Ministry of Finance laid out on the whole preparatory process. (Atkinson et al. 2005, Potůček 2005)

Active and passive labour market policies

The Employment Act came into force as of the start of 1991. The state employment policy, in accordance with this Act, is towards achieving a balance between labour supply and demand, towards the productive utilization of the workforce resources, and towards securing the rights of citizens to employment. This is interpreted as the right of those who want and are able to work and are actually engaged in the process of seeking employment. These people have the right to have work brokered for them in suitable positions, the right to re-qualification as needed for such work, and to material security before starting a job and in the event of losing employment. By 1990 a network of regional Labour Offices was created to administrate state employment policy in the regions.

The relevance of the EU as a partner in employment policy making became visible only with the innovation of domestic employment policy making, which started in the end of the 1990s: the annual elaboration and implementation of the National Employment Action Plans, guided by the European Employment Strategy (Národní 2004). Inspired by and consulted with the Commission and applying various schemes proved to be effective in other countries, this EU activity represents an added value - even if the country, along with the other Member States, still faces an unacceptably high level of unemployment. The state of preparation and implementation of the national documents' standards is not advanced, either: poorly defined goals and responsibilities, lack of program evaluation, poor inter-sectoral coordination, and missing links to budgetary resources make enough room for further improvements. (Jabůrková-Mátl 2006)

Family policy

The EU green paper on “Confronting demographic change: a new solidarity between the generations” is very topical for the Czech Republic, which has one of the lowest birth rates in Europe and a rapidly ageing population.^{vii} The Minister of Labour and Social Affairs, Zdeněk Škromach welcomed it at the Conference “Confronting demographic change: a new solidarity between the generations” (Brussels, 11-12 July 2005), and pointed out that the Czech government sees the family as a legitimate subject of public interest. The Contribution of the Czech Republic to this document was elaborated by the Ministry of Labour and Social Affairs and the Ministry of Health, submitted to public discussion, and finally approved by the Committee for the EU^{viii} and passed to the European Commission by the end of 2005. The upper chamber of the Czech Parliament, the Senate, organized a public hearing on the EU green paper on demographic change on 29. June 2005, and passed a resolution on 6. October 2005. Being composed mostly of right-wing political parties, it has condemned the open coordination and all other non-legislative procedures applied by the EU in the Member States, and rejected any intervention of the state into the privacy of family life (such as division of household chores). The Green Paper positively influenced the process of preparation and approval of The Conception of Family Policy that was articulated and approved in the Czech Republic as late as in 2005 (Koncepce 2005).^{ix} Domestic factors were decisive, though: a persistent very low fertility rate (at about 1,2), and ideological orientation of policy makers (Christian and Social Democrats in power as governmental coalition partners).

Pension reform

After minor changes in old age pension legislation in the early 1990s, there was a significant legislative change in the framework of the compulsory structure of social insurance with the passing of a new law on old-age pensions in 1995. An increase in the statutory retirement age limit was approved to be introduced incrementally up until 2007. The statutory retirement age for women, originally 53-57 was raised to 57-61 (the actual limit depends on the number of children), while for men it increased from 60 to 62. The law on base pension insurance conceives the old-age pension as of two-components made up of a fixed amount paid to all and one that is dependent on the number of years worked and the working income received; the law is built on the principle of substantial redistribution of accumulated finances towards persons with a lower level of earnings. Old-age pensions for persons with higher working incomes are affected by a regressively acting calculation formula.

Since 1995 there has been a public discussion about the reform of the whole concept of the old-age pension system. It was initiated by experts from international financial institutions, namely the International Monetary Fund and the World Bank, who strongly recommended that the country opt for compulsory private co-insurance. This new type of old-age insurance would complement the pay-as-you-go public scheme that would gradually lose its importance in the total amount of redistributed resources. It was argued that this change would be inevitable due to demographic trends (aging of the population) and the demand for investment in the national economy that would be satisfied by the newly established and privately run for-profit pension funds. By contrast to Poland, Hungary, and recently also Slovakia, who had introduced this model, the Czech Republic resisted the pressure. There were two main factors that could explain this significant difference:

- (1) The country was not in as deep fiscal crisis as other central and eastern European countries and was less dependent on loans provided by these organizations;
- (2) There were strong political opponents of this idea, namely the consecutive Social Democrat-led governments and the trade unions that stressed the risks of such a reform due to the fragility of financial markets and institutions and the huge demand for additional financial inputs over a couple of decades within introducing such a reform.

One of the stimuli for the establishment and operation of the cross-party task force for pension reform in 2004-2005 was, once again, the EU green paper on “Confronting demographic change: a new solidarity between the generations”. The government has established this force

in order to simulate the consequences of alternative pension reform options and thus contribute to rational discussion of the representatives of different ideological views.

Social policy agenda

There has not been developed any comprehensive national policy inspired by the new EU Social Agenda launched in the beginning of 2005. Nevertheless, there is apparent piecemeal progress on the majority of its issues.

- The establishment of the above mentioned cross-party task force for pension reform.
- The new Labour Code was prepared and approved by Parliament in 2006.
- The tripartite body has matured, gained legitimacy, and due to its relatively smooth functioning there have been minimal strikes and other forms of open protests.
- The issue of gender equality has been discussed and new approaches were taken to close the gender gap in job opportunities, wages and other living conditions.
- The promotion of families (especially those with children), and young people (potential parents) became the core issue of a new Conception of Family Policy (Koncepce 2005).
- There were other partial agendas (such as the broad issue of social inclusion, etc.) considered and realized as mentioned through this paper.

European economic and monetary union

The Czech authorities (government, Ministry of Finance and the Czech National Bank) have officially declared their intent to join the Euro zone by 2010. In view of positive economic developments, this plan seems to be realistic. Nevertheless, debate (namely among social scientists) is still on whether this move will be productive as some nationally sensitive and effective economic and social policy instruments will be lost on the country which has not yet fully recovered from the legacy of its Communist past.

Enlargement – national positions concerning free movement of labour and goods, and socio-political chapters

The Czech authorities are generally well aware of the positive impact of implementation of the core European Union principles and goals on the future socio-economic development of a

country, country extremely dependent on foreign trade and foreign investment, technology, and experience, and neighbored exclusively by EU Member States. Thus the Czech government often encounters delays in the full application of these principles by some Old Member States, typically in the free movement of labour. This is a paradoxical situation as the Czech Republic has for several years been a net importer of labour from the other Member States. Even Czech politicians who are genuine supporters of Europeanization have found it difficult to sell this paradox at home...

Conclusions

The EU's role in shaping certain domestic policy fields, namely social policy, should not be overestimated; the obvious discrepancy between the Copenhagen Criteria of accession, covering a very limited part of the social welfare agenda and installed in 1993, and the Lisbon strategy, stretched as an explicit and balanced public policy program for the candidate countries as late as in 2002 and politically and administratively executed only since 2004, opened a considerable space for other, more active and influential international actors, namely the World Bank and International Monetary Fund led by the Washington Consensus' neo-liberal ideology of the 1990s (Potůček 2004). This institutional weakness created a sharp socio-political tension: The new Member States entered the European Union with their health, social, and employment policies not developed enough to cope with the legitimate demands of this strategic policy document. There is an urgent need to solve the discrepancy between the enormous public tasks of high employment, capacity building in health and social services, alleviation of poverty, and strengthening social cohesion in the New Member States, and their insufficient social, economic, and administrative implementation capacities.

The situation has been slowly changing only from the beginning of this century: the European Union has helped with pushing the social policy issues higher on the political agenda ladder, with institution building, and with the transfer of skills and money from the old Member States. Nevertheless, the Open Method of Coordination proved to be too weak an instrument in this respect.

National initiatives within the New Member States would be an added value to this EU-centered effort. A programmatic document called *The Social Doctrine of the Czech Republic*, developed by a group of scholars for this purpose in the Czech Republic, might become an

inspiration for other countries, even if it failed to directly influence the social policy making in the country. (Sociální 2002)

All in all, only the institutions of the enlarged EU have the potential to become the main – if not the only - institutional umbrella against the pressures of economic globalization in preventing further widening of the gap between those who work and those who are unemployed, those who have and those who have not, those included and those excluded in the Member States.

The social dimension of the Lisbon Strategy is the - even if somewhat virtual - blueprint for the future.

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ⁱ Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia.

ⁱⁱ Odbor pro evropskou integraci.

ⁱⁱⁱ Odbor pro záležitosti EU.

^{iv} Meziresortní komise Úřadu vlády ČR pro naplňování cílů Lisabonské strategie.

^v Národní Lisabonský program 2005-2008.

^{vi} The most important example are the reforms of the national old age pension systems, which open doors for private insurance funds by introducing the compulsory private (co-)insurance.

^{vii} The National programme on preparation for aging for 2003-2007 was approved by the Czech government as soon as on 15.5. 2002. (Národní 2002)

^{viii} Výbor pro EU. It is the main coordinative body of the Czech public administration toward the EU. Its Chairman is the Minister of Foreign Affairs.

^{ix} Koncepce rodinné politiky (2005).