

**BRIEFING
PAPER
#110**

DRAGHI REPORT – IS THE FUTURE OF EUROPE ALL ABOUT COMPETITIVENESS? SOLIDAR SEES MORE SOCIAL JUSTICE IN IT

The long-awaited report authored by Mario Draghi, the famous former European Central Bank President, is titled “EU competitiveness: Looking ahead” and was presented on 9th September 2024. It was requested by the European Commission and reflects his personal vision of the future of European competitiveness. Besides mirroring Draghi’s own view, this report is particularly important for the future of the EU as a whole, setting a clear political and policy direction for the next five years.

But what is the role of Social Europe in this vision? And what will the EU follow when the direction indicated by the Social Pillar, which was defined in the European Commission’s own words as the “beacon guiding us towards a strong social Europe”, and the one indicated by the imperative of competitiveness will diverge? While to answer this last question we will have to wait and see, in this Briefing Paper SOLIDAR summarises the vision contained in the Draghi report and analyses its implications for Social Europe.





INTRODUCTION

Competitiveness is the shiny buzzword of the new Commission's mandate. The Commissioners designate have mentioned this term multiple times during the hearings, in relation to all sorts of areas, clearly defining the overall framework in which their work will be carried out. This surely does not come as a surprise, as the renewed focus on competitiveness was anticipated by the mission letters sent by Ursula von der Leyen last September and is fully aligned with a world view expressed by the Commission's President and supported by several liberal and right-wing political forces in the European Parliament. A world view that is more and more influenced by geopolitical pressures and that supports the race to an economic growth that can sustain Europe's securitisation.

The Draghi report comes as a sort of programmatic declaration of the new Commission, which seems to be set on making competitiveness its main beacon. But what is the role of Social Europe in this vision? And what will the EU follow when the direction indicated by the Social Pillar, which was defined in the European Commission's own words as the "beacon guiding us towards a strong social Europe"¹, and the one indicated by the imperative of competitiveness will diverge? While to answer this last question we will have to wait and see, in this Briefing Paper SOLIDAR summarises the vision contained in the Draghi report and analyses its implications for Social Europe.

1 European Commission (2021) "The European Pillar of Social Rights Action Plan": <https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/>



WHAT IS THE REPORT ABOUT?

The report authored by Mario Draghi, the famous former European Central Bank President, is titled “EU competitiveness: Looking ahead” and was presented to the European Commission on 9th September 2024. This report was requested by the Commission itself and reflects his personal vision of the future of European competitiveness. As mentioned above, albeit mirroring Draghi’s own view, this report is particularly important for the future of the EU as a whole as it stems from the Commission’s will to investigate more this subject, setting a clear political and policy direction for the next five years. Furthermore, Mario Draghi is a well-known and respected economist, whose views will be particularly relevant for an increasingly conservative and business-friendly Commission.

In his report, Mario Draghi begins by describing the starting point of today’s Europe and identifies three main transformation that Europe is facing:

(1) the need to find new growth engines and foster innovation; (2) the need to bring down high energy prices while continuing to decarbonise and shift to a circular economy; (3) the need to react to a less stable geopolitical world. This should be done, in his view, through three main solutions: **(1) close the competitiveness gap; (2) develop a joint plan for decarbonization and competitiveness; (3) increase security while reducing dependencies.**

Mario Draghi then describes a new industrial strategy for Europe that should address the three transformations mentioned above. To do so, the strategy should lay of several building blocks:

- Full implementation of the Single Market;
- Industrial, competition and trade policies;
- Massive investment needs unseen for half a century in Europe;
- Reform the EU’s governance, increasing the depth of coordination and reducing the regulatory burden.

In this initial part, the author also mentions that while working towards the solutions identified, the EU should preserve its social model. Of course, this is a very important specification. However, what is missing is the awareness that the European Social Model is an essential part of what makes (and should make more and more in the future) the EU really competitive globally and not simply an add-on to more important objectives. A clear call for strengthening the welfare state in Europe as one of the main tools that can support Europe in facing the ongoing transformations described, on equal footing with a renewed industrial strategy is astonishingly lacking. To say this in the words of Anton Hemerijck and David Bokhorst “*cumulative social policy returns, reaped over the life course, generate a cycle of well-being in terms of higher employment, gender equality, lower intergenerational poverty, higher productivity and growth, and improved fiscal sustainability.*”² Moreover, even when mentioned, the need to protect social inclusion is tied to the labour market and the implications that the digital

² A.Hemerijck and D. Bokhorst (2024) Why social investment holds the key to delivering on the Draghi report: <https://www.socialeurope.eu/why-social-investment-holds-the-key-to-delivering-on-the-draghi-report#:~:text=Effectively%2C%20there%20is%20a%20'life,growth%2C%20and%20improved%20fiscal%20sustainability.>



transition will have on it and the need for new skills for workers. In this sense, the report fails to adopt a more comprehensive approach to social inclusion, that also includes people that are not active in the labour market, and that looks at participation in society beyond working life.

Finally, in the last sections of the report, Draghi looks at the changes that are needed to strengthen EU governance and how the investments needed can be financed.



SOLIDAR's HIGHLIGHTS

In the body of the report, each of the three transformations are addressed in more detail. For each of them, we identified key elements that we agree or disagree with.

1. Skills for competitiveness or competences to thrive in society?

The need for developing the right digital skills, including with respect to AI, is clearly highlighted in the report and is indicated as the key to boosting Europe's competitiveness vis-a-vis other global actors, like the US. In parallel, boosting innovation as well as the research and development domain is also considered essential. In this perspective though, no reference to the need to build transversal competences to equip people with the right instruments to navigate a world with an increasingly pervasive use of digital technologies in all domains is made. This is despite the fact that the report itself flags that "around 42% of Europeans lack basic digital skills, including 37% of those in the workforce", which points towards the need for a more holistic approach to education and lifelong learning. Moreover, Draghi calls for the development of digital skills and the allocation of the needed funds at higher education level, namely at academic level, excluding other levels of education, and consequently lower-paid jobs from the transformation he envisions. On the bright side, the former head of the ECB suggests that Erasmus+ is reinforced, with a five-fold increase in its funding. Also, he does not forget adult learning in the framework of the reskilling and upskilling processes that will be made necessary by the green and digital transition.

2. Economic growth and better standards of living – the illusion of a direct connection

Clearly, this sets off a hierarchy between respectively the needs of industry and those of society in the vision of Mario Draghi. Or rather, the conviction that by fixing the issues of EU industries the social problems will also, more or less automatically, be tackled. In fact, the report reads "The core focus of a competitiveness agenda should be to raise productivity growth, which is the most important driver of long-term growth and leads to rising standards of living over time." However, it is well known that economic growth does not automatically lead to better standards of living for all without adequate wealth redistribution policies and a robust welfare system accompanying it.³ Also, the wide use of GDP as an indicator (alternated only once by the Gini index used to describe the current social situation in the EU) confirms the perspective of the report strongly anchored in orthodox economics, which falls short on questioning what should the ultimate objective of the economy be. That is to say: improving the wellbeing of people while preserving a thriving planet. Unfortunately, this is a blind spot in this report. In this sense, the approach described by Draghi is not compatible with SOLIDAR's vision of a just transition, in which social and environmental objectives go hand in hand and are the drivers of the policy and economic systemic shifts needed to achieve a more just society that lives within planetary boundaries.

Moreover, the report never once mentions the term "well-being economy" (or any synonym) with

³ Michael Jannings (2022) Why economic growth alone does not make better, healthier societies: <https://www.soas.ac.uk/about/blog/why-economic-growth-alone-does-not-make-better-healthier-society>



reference to an economic model that prioritises the well-being of people and the planet above everything else, including indiscriminate economic growth and arbitrary financial rules. In fact, social and solidarity economy and other kinds of economic models that go beyond economic growth are not explored as a solution to the challenges Europe is facing. On the other hand, “circular economy” is mentioned as an economic model to be pursued to ensure environmental sustainability, which is a welcome reference, albeit too limited.

3 Can we reduce everything to a competition?

Throughout the whole report, Draghi identifies EU competitors. These include China and the US, as well as Russia. As already mentioned, this is only to a minimal extent applied to social standards and competition is clearly seen as a race with external forces, instead of a race for upward social convergence and towards a more ambitious implementation of our own EU values and the respect of fundamental rights in the EU and globally. In addition, there is another aspect that underlines a certain short-sightedness of this report. In its plan for a new industry, Draghi does not address the sector of essential services, including social services and healthcare. Public services are the backbone of our social model and therefore of what makes us competitive. Adequately funding such services should be seen as the most remunerative form of investment – surely not as a mere cost – and should be highly prioritised, even before industrial development. To give an example, it is undeniable that care is one of the key sectors for the future of Europe: it is a sector with low CO₂ emissions – what could be defined as a sector dense of “green jobs” - and it is a sector that will help address one of the epochal challenges we

face: an ageing population. By taking the example of healthcare, it is also clear that competitiveness cannot be used as an indicator of what is good for our society. How would a competitive healthcare sector even look like? And more generally, how do essential and social services adapt to the imperative of competition? Evidently, this does not make sense, and competitiveness cannot and should not be the principle that drives the transitions we are facing. Social justice should.

4 More clean energy – definitely, but at what cost?

To contrast the high energy costs that affect people living in Europe, the text highlights the strategic role of producing clean energy, that the Draghi report identifies including renewable and nuclear energy. In order to source the raw materials that are necessary for the energy transition, the report recommends strengthening trade relations with producing countries, following a neo-colonial approach that subordinates the development and the needs of such countries to the economic needs of Europe therefore failing to recommend an approach that would sustain a globally just transition towards a cleaner world. Furthermore, Draghi indicates the extraction of key raw materials like lithium from EU territories, such as Portugal, as a complementary solution. However, here as well he does not stress the need to protect the communities, workers and territories affected by the negative externalities of this activity. This approach is compatible with the so-called “green extractivism” which just like fossil fuel extraction impacts “various dimensions of local life including development, community well-being, social unity, cultural heritage, and much more” in the name of economic growth, but it is disguised as a step towards the green transition.⁴

4 EEB (2023) “Sacrifice Zones for Sustainability? Green Extractivism and the Struggle for a Just Transition”: <https://eeb.org/library/sacrifice-zones-for-sustainability-green-extractivism-and-the-struggle-for-a-just-transition-2/>



5. Ambitious funding should not lead to support for the private businesses with no strings attached

Mario Draghi, as a former banker, surely does not underestimate the need for massive resources to sustain the investment needed for his plan for Europe, that he estimates at 800 billion euros. The number of resources needed is bound to increase even more if one considers the necessary social measures that actors like SOLIDAR see as an essential element of our vision of the future of the EU. In the report, Draghi suggests an increased public support for the private sector, also through an advantageous taxation system, to allow it to have the necessary space to invest in the sectors he indicated as key. Quite concerningly, he does not refer to any kind of social and environmental conditionality to be attached to such public support to businesses. While SOLIDAR recognises the need to mobilise all possible funding to support a just transition, we believe that public resources should be prioritised by eliminating the obstacles that hinder public funding, such as the illogic austerity approach re-introduced by the recently approved new EU fiscal rules⁵. In fact, as noticed by Finance Watch, private capital does not have the necessary features to finance such measures, due, for instance, to its quest for short-term gains and its risk-averse nature⁶. Moreover, it is important to note that the stimulus to private investment should never come at the expense of public resources, therefore the reduction in taxation is not sustainable nor strategic. Lastly, **social and environmental conditionalities** must be the backbone of any reform that concerns the relationship between

the public and the private sector (main contractors and sub-contractors likewise), from procurement rules to any other form of support. This should be non-negotiable.

6. A new governance model is needed: SOLIDAR agrees (to a certain extent)!

There is one thing that the Draghi report advocates for and that SOLIDAR fully agrees with, and it is the call for overcoming the consensus as a decision-making rule in the Council and expanding the application of the qualified majority voting. This is crucial in view of candidate countries joining the Union, as Mario Draghi highlights. Moreover, this would also allow for more bold actions by the EU, like pushing for taxation systems that are more progressive and that effectively redistribute wealth to create a fairer society and sustain a just green transition. At the same time, unlike Draghi, SOLIDAR does not see as a priority the reduction of red tape for EU companies. While we appreciate the need to avoid overburdening them with unnecessary regulations, we also strongly believe in the need to impose limits on the private sector in order to steer its activities towards the public good. Also, we are skeptical about the idea of creating a new coordination mechanism (the “Competitiveness Coordination Framework”) that would cover economic policies and strategic objectives leaving only fiscal policies under the European Semester. Decoupling investment from socio-economic objectives would risk further weakening social objectives vis-à-vis economic and fiscal ones.

5 SOLIDAR (2024) New Fiscal Rules Threaten Europe’s Investments in its Future: <https://www.solidar.org/news-and-statements/new-fiscal-rules-europe-investments-future/>

6 Finance Watch (2024), The trillion-euro problem: how to meet Europe’s investment needs: <https://www.finance-watch.org/blog/the-trillion-euro-problem-how-to-meet-europes-investment-needs/>



CONCLUSION

While duly taking into account that the Draghi report is greatly focused on industrial policy, it is still evident that the framework of competitiveness is not sufficient to respond to the challenges that the EU is facing and will face in the future. **A more holistic and imaginative approach is needed. Social justice and sustainability must be the polar star in this vision, as this is what would make the EU a truly competitive region and a leader in the just transition, while fully respecting of our founding values and fundamental rights.** In his address to the European Parliament, Mario Draghi writes *“The European Union exists to ensure that Europe’s fundamental values are always upheld: democracy, freedom, peace, equity and prosperity in a sustainable environment. If Europe cannot any longer deliver these values for its people, it will have lost its reason for being.”* Yet, by reading his report, it seems that the reason for being of the EU is to compete with other global powers and remain attached at all costs to an outdated economic model and continuous growth. Much more should be done to preserve EU’s reason of being.

Furthermore, the participation of stakeholders (including trade unions and civil society organisations) in the decision-making process that will lead to the changes anticipated by Draghi is presented as a necessary condition for it, but rather as a strategic condition for having a peaceful process, instead of an essential feature of the Europe that we want. For being a great supporter of innovation and competitiveness, Mario Draghi lacks ambition and foresight in this report, which still is a detailed analysis of EU’s industrial policy. Progressive civil society organisations, like SOLIDAR, will have to bring more of these ingredients to the discussion tables with the EU institutions to promote a more hopeful and transformative vision for the future of Social Europe, now more than ever before.

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SOLIDAR is a European and worldwide network of Civil Society Organisations (CSOs) working to advance social justice through a just transition in Europe and worldwide. Our over 50 member organisations are based in 27 countries (19 of which are EU countries) and include national CSOs in Europe, as non-EU, EU-wide and organisations active at the international level.



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