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"Stimulate innovation for corporate social responsibility"

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Ladies and Gentlemen,

Introduction

I should first like to thank the Finnish Presidency for giving us the opportunity through this conference to take a closer look at the link between two themes which are important to the European society of today and tomorrow, namely innovation and corporate social responsibility.

This link is close because, firstly, competitiveness and innovation are central to the Lisbon strategy, which sets out to make the European Union the world's most competitive knowledge-based economy by the year 2010, and, secondly, because corporate social responsibility in Europe is essential to sustainable growth and development.

In other words, the two themes are complementary and share the same objective.

I am convinced that it is the promotion of innovation in the context or corporate social responsibility that will in the longer term determine the health of our economies and consequently the stability and future of the European Union.

As the European Council reminded us in March 2005, when relaunching the Lisbon strategy after a mid-term review, (and I quote): "Europe must renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital". The European Council also stressed the need for the European Union to "make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility".

As things currently stand, the economic outlook is good. Economic activity is picking up, fiscal revenue is increasing and unemployment is starting to fall. It is therefore essential to invest more in knowledge and innovation, while at the same time placing an emphasis on corporate social responsibility.

It is all the more important to invest in knowledge and innovation as all the studies show that innovation plays a major role in maintaining competitiveness. If innovation policies are to bear fruit, we have to develop an environment in which people are creative.

Innovation is first and foremost the result of the initiative of one or several employees or entrepreneurs. Curiosity and imagination must therefore be stimulated by providing lifelong learning and training, and promoting working conditions conducive to autonomy and reflection.

Lastly, the business sector must be in tune with its environment in order to provide appropriate responses to the expectations of those around them, be they consumers, suppliers, public authorities or other, i.e. what are commonly referred to as the 'stakeholders'. In other words, corporate responsibility feeds off and stimulates innovation and this combination drives competitiveness.

We all know that without a competitive economy our social ambitions would have no substance. It is by innovating that we can head off and better manage risks. The survival of our social model therefore hinges largely on innovation.

In other words, if we are to preserve our values, we have to create value. Innovation is the driving force of responsible competitiveness and accompanies the changes taking place in our societies.

Let me first remind you briefly of the main challenges facing the European Union, after which I will look at the responses which the European Union should provide.

Challenges

What are the challenges facing us? Here are a few.

I will begin by globalisation, which offers extraordinary opportunities for the companies, workers and citizens of Europe. This globalisation is a way out of poverty for millions of people in the rapidly developing countries, generating changes in the way production is organised and a chain reaction of restructuring.

This sometimes has an adverse effect on the workers and areas most concerned. It is therefore vital to soften the impact of the adjustments to our economies that are necessary to face up to international competition. This is, moreover, where the globalisation adjustment fund proposed by the Commission comes in.

Secondly, technical changes are giving rise to a knowledge-based economy which strengthens Europe's specialisation in more knowledge-intensive activities. Take, for example, qualifications in employment: between 1995 and 2004, the proportion of jobs requiring very high qualifications rose from 20% to 24% of the total number of jobs in the 15-strong Europe, while the proportion of less-qualified jobs fell from 34% to 25%.

On top of this, demographic changes — 20 million fewer young people and 40 million more elderly people in 20 years time — mean a potential loss in terms of wealth creation if innovation and training do not keep up with developments, and if we fail to place the emphasis on the productivity of labour and capital.

Lastly, discrimination is another challenge to which we have to rise. If we want to achieve comprehensive integration in employment, an objective which is at the heart of the growth and employment partnership, we have to remove the obstacles which still prevent certain groups from playing a full part in the economic and social life of the country they live in.

We cannot allow millions of people to be excluded from the labour market or prevented from fulfilling their occupational potential because of their sex, race or ethnic origin, religious persuasion or convictions, disability, age or sexual orientation. If we want to achieve full employment we cannot do without this pool of talent.

I am delighted to see that an increasing number of European companies are adopting strategies to promote diversity and equality. These companies have understood that by opening up recruitment and maintaining qualified people in their jobs, they enhance their human capital in the process.

Securing a broad range of complementary skills plays a major role in economic and commercial success. The coexistence of diverse profiles is a mirror of the society we live in and this makes consumer comprehension and satisfaction easier.

This offers a genuine competitive advantage. Diversity is a driving force in cultural change, a change which is central to the process of corporate social responsibility.

Reponses

In order to face up to the different challenges I have just described, European companies need to take action on several fronts. Firstly, the dynamism of the European economy hinges on its capacity to generate a sufficient flow of innovation.

Stiff competition stimulates innovation in companies which have the capacity to gain access to the most effective technologies, so there are grounds for optimism for European businesses. Many big European companies are world leaders. And if we look at the number of patents they secure in relation to the size of their workforce the small and medium-sized enterprises are the most innovative.

This prompts me to ask the following question:

What type of innovative action do we need in Europe to face up to these challenges?

Corporate responsibility should be visible through innovation which is consonant with the European objective of increasing productivity and quality at the same time.

This was the Commission's message in the Communication it adopted in March 2006 on corporate responsibility. The European Council held that same month welcomed this Communication and stressed the useful role companies can play through corporate responsibility.

This Communication establishes the link between corporate social responsibility and the growth and employment partnership, by pursuing the ambition to make Europe a pole of excellence with regard to corporate social responsibility.

The Communication urges companies to contribute to public policy objectives. These include "more integrated labour markets and higher levels of social inclusion"; "investment in skills development", which is crucial if companies are to remain competitive in a global economy; the development of environmental technologies and "tackling poverty at a global level ".

Innovation is one of the eight priority objectives set out in the Communication. I have just mentioned certain others and, as you can see, most are social and societal. The hope is for "better innovation performance, especially with regard to innovations that address societal problems, as a result of more intensive interaction with external stakeholders and the creation of working environments more conducive to innovation".

These innovations are spearheaded by the companies of the business sector. We need to encourage a cross-disciplinary approach and networking. The March Communication on corporate social responsibility seeks to further this networking, which also concerns the academic networks working on corporate social responsibility.

We therefore need radical innovations in the interests of sustainable competitiveness.

We need a virtuous circle of innovation blending in social requirements with innovation.

This is what has to be achieved if Europe is to be at the leading edge in many sectors.

By way of example, let me quote the field of environmental technology and eco-industries, vectors of technological growth. This sector has substantial potential in terms of market and job creation.

These are technologies which can result in radical changes both in lifestyles and investment patterns. If innovation is not taken on board by the greatest number, social cohesion is not possible in our knowledge-based economies.

It is by linking innovation and lifelong learning that Europe will continue to develop its capacity, which is unique in the world, for combining economic performance and social justice.

There is in this context a particularly important aspect of lifelong learning. I refer to the information and communication technologies.

It is absolutely essential to secure the broadest access possible for our people to these technologies, as the lack of knowledge and particularly the lack of skills in this area is a growing obstacle to the integration of people on the employment market and in our information society.

Broadly speaking, there are four causes of what is commonly referred to as the “digital divide”:

- poverty and social exclusion
- low level of study and/or electronic illiteracy
- little or no access in certain remote regions
- personal factors and circumstances, age or invalidity.

The fight against exclusion requires energetic action. Reducing the “digital divide” therefore has to be one of the key objectives of the Lisbon strategy. Moreover, on 13 September 2005, the European Commission adopted a Communication on electronic accessibility.

Conclusion

Summing up, I should like to ask what I consider to be an essential question.

Should we therefore be seeking higher productivity at any cost, at a time when a higher rate of employment bringing in those on the fringes of the labour market is just as important?

I would say no. Recent studies show that some 70% of productivity growth is derived from social innovation, i.e. innovative initiatives in management, in education, in the organisation of work.

As I have stressed, we need a virtuous circle blending in social requirements with innovation, which is why I consider that one of the major areas of innovation, at the heart of socially responsible approaches, is dialogue with all the players concerned.

The success of responsible initiatives depends on the integration and the participation of all players in determining and following up commitments on sustainable corporate development. Organising the dialogue between the internal players — shareholders, employees, trade unions — and the external players — associations, NGOs, civil society — requires innovative practices.

It is with a view to furthering this dialogue with and between all the players concerned that the Commission will in December organise a European Forum on corporate social responsibility. The Commission hopes to organise such meetings on a regular basis in order to facilitate and promote dialogue between all the players of corporate social responsibility and in order to allow continuous monitoring of progress achieved in the Union in this field.

I therefore urge you to continue to focus on this area and I thank you for your attention!