ETUC Resolution towards a mid -term evaluation of the Europe 2020 strategy

Adopted at the Executive Committee 11-12 March 2014

Europe 2020 not yet fit for purpose

In the very beginning, the Europe 2020 strategy, like its predecessor the Lisbon Strategy, relied on instruments which were not efficient, in particular, the open method of coordination. Then economic governance structures were established to better coordinate economic policies, and Europe 2020 had to fit into this new governance architecture, which was not conceived to help it reach Europe 2020 (namely employment or social) objectives.

Europe 2020 is not on the same footing as the procedures of the European Semester and the Annual Growth Survey (AGS). Furthermore, the goals of Europe 2020 and the five priorities of the Semester (fiscal consolidation, restoring lending, promoting growth and competitiveness, tackling unemployment and social consequences, modernising public administration) are neither identical nor coherent.[1] The Commission underscores that „the order of this list does not reflect a hierarchy of priorities", but is proud of the "substantial progress made on fiscal consolidation": "Progress in fiscal consolidation is visible over time", "the process of consolidation is noticeable at country level" etc. (AGS 2014). In terms of priorities linked to a corrective policy, there are some doubts, as the first priority "fiscal consolidation" is the only one linked to corrective measures.

Comparing the AGS and Europe 2020 shows that these two strategies head in opposite directions: The AGS underscores that "some important progress has already been achieved" through REFIT and the Commission announces an "annual REFIT scoreboard" to simplify the business environment and reduce red tape. The ETUC underscores that no important progress has been achieved on the Europe 2020 objectives.

The goals of Europe 2020 are clearly subordinate to the economic goals of the European Semester. The Commission pretends that the "framework has started to deliver results" but this cannot be said of the Europe 2020 goals. The policies of the European Semester might be appropriate for attaining its goals, but not the 2020 goals. For instance, austerity is a policy which may be appropriate for enforcing fiscal consolidation – but the austerity policy has counterproductive and negative effects on innovation, research and development, on the alleviation of poverty, employment, and climate change, and is in fact, a hindrance.

On the contrary, one could say that the current economic governance architecture diminishes the capacity to reach the goals. How might structural reforms, decimated public services, or budget consolidation, help for instance to increase the R&D budget? While hundreds of billions have been poured into bailout funds since the start of the financial crisis in 2008, no substantive increase in R&D is discernible. It can be concluded that the new governance architecture will not help, but rather hinder, the realisation of the Europe 2020 goals. And some European policies, as the strategy for equality between women and men are completely overlooked and ignored by Europe 2020.

On unemployment, the AGS 2014 concedes that the rates "remain historically high", "leading to growing divergence in employment and social outcomes". Mass

[1] *"five key targets have been set for the EU to achieve by the end of the decade… employment; education; research and innovation; social inclusion and poverty reduction; and climate/energy. The strategy also includes seven 'flagship initiatives' … supporting the Europe 2020 priorities such as innovation, the digital economy, employment, youth, industrial policy, poverty, and resource efficiency."*

unemployment is increasing with already 26 million Europeans unemployed, with youth unemployment figures ranging alarmingly high in many Member States, and the risk of poverty increasing with 120 million Europeans living in or at risk of poverty. The social impact of the crisis is immense; the economic and financial crisis is creating conditions for a widespread social crisis with a growing gap in the distribution of resources. There is growing evidence that the crisis is having a disproportionate impact on women who were already disadvantaged on the labour market and at greater risk of poverty and social exclusion. The recent development of economic governance has increased disequilibrium and social imbalances.

Towards a new approach to Europe 2020

In view of the mid-term review of Europe 2020 scheduled for 2015 several options are available:

- add more indicators and a scoreboard and continue to ask the Commission to make the goals binding; or go further and;
- link Europe 2020 to new tools and put Europe 2020 on the same binding level as economic governance; or
- abandon the Europe 2020 strategy and ask for a more efficient instrument together with an ambitious social policy agenda.

In order to transform Europe 2020 into a success story, first and foremost, the austerity policy has to end and a second, more appropriate policy in favour of employment, research and innovation, education, the alleviation of poverty and against climate change has to be designed. The European Semester gives the main priority to fiscal consolidation and does not have a positive effect on the 2020 goals.

Interestingly, the language of the Commission has shifted recently. While there are still the 5 targets and 7 flagship initiatives[2] to achieve Europe 2020, the instrument is no longer the open method of coordination, but the new economic governance structures which are presented as having been put in place to achieve the 2020 objectives. The delivery of Europe 2020 seems to depend on economic governance, but the latter looks more like a pill to swallow. "The delivery of Europe 2020 relies heavily on the new governance structures and processes that the EU has been putting in place since 2010. At the heart of these is the European Semester, (…) reform commitments by the Member States and country-specific recommendations"[3]. Here we are entering a circle with a snake who bites its own tail. Europe 2020 is presented as containing the objective of the new economic governance structure. But part of this new governance structure are austerity and fiscal consolidation policies which impede the capacities of the Member States to reach the objectives.

The solution advocated by the Commission is to add some additional indicators and a scoreboard so that in the end the delivery will be complete and encompassing. "By helping to detect key employment and social challenges in the EU, and to ensure a timely policy response, the scoreboard would also help with meeting the Europe 2020 targets. (…) The ultimate aim of these comprehensive tools is to identify and commonly agree on a set of key labour market and social challenges that Member States face on their progress towards the Europe 2020 objectives. The scoreboard would not represent a re-statement of the Europe 2020 policy ambition, but would rather aim to detect developments in the socioeconomic situation across the EU that require closer monitoring. Its purpose and character would be complementary to those of these monitoring tools."

In other words, the scoreboard would help to identify key challenges (like the well-known need for labour market reforms, flexibility etc. pp.). However, nothing seems to be

[2] *http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index_en.htm*

[3] *http://www.etuc.org/documents/etuc-position-europe-2020-strategy-%E2%80%93-assessment#.UzKzofldXbQ*

foreseen which could complement the old and new indicators with a system triggering preventive and corrective actions in order to deliver on the Europe 2020 goals. Adding more indicators to the already existing ones might improve the knowledge base and the analysis of trends across Europe, but has no immediate corrective effect, so will not be able to alter economic policy.

Europe 2020 - towards new tools to deliver

The ETUC is now at a crossroads – either to defend the old approach to Europe 2020 based on OMC and the de facto subordination under the economic governance procedures, or use the opportunity to redefine the rules for Europe 2020. The discrepancy between the ambitious employment target and dramatically high unemployment must be tackled urgently and not diluted in an unspecific long term approach. A lost generation must be avoided at any price.

The Europe 2020 targets must be anchored in a new architecture of social and economic governance on an equal footing with the economic goals, together with an ambitious social agenda.

- The Commission has to monitor from within the economic governance structure;
- that the reports from the Member States follow the Europe 2020 goals
- and has to take them up in the country specific recommendations.

If this tool is not sufficient to steer it in the right direction of convergence, approximation and real progress towards the 2020 goals, the Commission should propose more ambitious incentives to reach the Europe 2020 employment and social goals.

The ETUC can continue to support the Europe 2020 goals under the following conditions:

- the Commission incorporates the 2020 goals into a new architecture of social and economic governance, in particular the European Semester, taking them into account in the AGS and the CSR but on an equal footing, and not subordinated, to economic and fiscal goals;

- the social and employment indicators should be linked to regular (yearly) decisions on preventive and corrective measures to achieve the objectives – for instance a budget increase to reach the 3% R&D, specific measures and investments to increase high quality employment, etc.

Once these conditions are fulfilled a new potential beyond the outdated and partially failed approach can be developed. The ETUC is ready to participate in the process of re-determining the rules in a new pro-active approach which is necessary right now and which cannot wait for the mid-term review in 2015.

In many Member States the participation of social partners continues to be rather formal or insufficient. The ETUC reiterates its demand[4] that the involvement of the social partners needs to be organised in a serious way and systematically, as well at European and national level, and that trade union suggestions are taken into account.

[4] *ETUC position on Europe 2020 Strategy – an Assessment. Adopted at the Meeting of 5-6 March: 2013http://www.etuc.org/sites/www.etuc.org/files/EN-ETUC_Position_on_Europe_2020_Strategy_-_an_Assessment_2.pdf*

Annex

Towards mid-term evaluation of the strategy Europe 2020

Previous ETUC Statements on Europe 2020

The ETUC analysed the situation in March 2013 and came to the following conclusions: “when Europe 2020 was presented, the expectations were high but a first assessment shows that the actors involved have been unable to keep their promises. The majority of affiliates agree that the Europe 2020 strategy is not efficient, as the objectives are not really treated as binding, or as obligatory in the same way as other criteria (e.g. austerity, deficit criteria etc.). The instruments, in particular the flagship initiatives, are being considered as not very or only partly effective in achieving the objectives, some even consider the strategy as purely symbolic policymaking.”[5]

The ETUC sounded a pessimistic note on the future outlook for the Europe 2020 strategy: “due to the supremacy of economic objectives and neoliberalism in general, to the encouragement of flexicurity, the majority of affiliates don’t believe that the Europe 2020 strategy will, in the end, deliver its objectives.” As the main reason for this realistic view the new economic governance structure was identified: “In fact, the new governance framework institutionalises a structural bias towards the domination of economic over social governance; the Europe 2020 being subsumed into the European Semester. At best, the objectives are conceived as aiming at balancing or cushioning the social consequences of the austerity policy.” The structural bias towards the subordination of social policy and Europe 2020 goals was institutionalised in the new governance structure. Therefore, the ETUC Executive Committee concluded: “the conclusion can be drawn that a radical policy change is necessary to stop the antisocial bias of European policy. … Therefore, the ETUC demands that: the Europe 2020 objectives are incorporated into the framework of an alternative and more balanced economic governance structure.”

Europe 2020 Strategy Put Off Track

The statistical office of the EU, Eurostat, confirmed the pessimistic assessments in October 2013 in a publication on the Europe 2020 strategy. In each chapter, for each of the five headline indicators of the strategy – on employment, research and development, climate change and energy, education and poverty and social inclusion[6], past trends are presented, covering the period since 2000 or 2005 and include the latest data available (2011 or 2012). In this way the distance between the defined targets becomes more and more evident.
The employment rate of people aged 20 to 64 years increased between 2005 and 2008, peaking at 70.3 % in 2008. The trend was reversed in 2009 when the economic crisis fully hit the European labour market, bringing the employment rate down to its 2006 level of 69.0 %. During the next three years the employment rate came to a standstill at 68.5 % without any progress being recorded towards the Europe 2020 target of 75 %.
Between 2009 and 2011 R&D expenditure stabilised at about 2 % of gross domestic product (GDP). This has put the EU off the track of its Europe 2020 target of raising combined public and private R&D expenditure to 3 % of GDP.
In the period 2005 to 2007 greenhouse gas emissions remained almost constant, but started declining in 2008, mainly as a result of the economic crisis and the slow economic

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[5] http://www.etuc.org/documents/etuc-position-europe-2020-strategy-%E2%80%93-assessment#

ETUC position on Europe 2020 strategy – an assessment, adopted at the Executive Committee meeting of 5-6 March 2013

[6] http://epp.eurostat.ec.europa.e Y_OFFPUB/KS-02-13-238/EN/KS-02-13-238-EN.PDF

recovery which dramatically reduced industrial activity, transport volumes and energy demand. The mild winter of 2010/11 further pushed down energy demand and emissions.
The fall from 15.8 % in 2005 to 12.8 % in 2012 represents considerable progress towards the headline target of reducing early leavers from education and training to less than 10 % by 2020. Nevertheless, demographic trends might render the Europe 2020 target unfeasible if efforts to keep people in education are not stepped up.

In 2011 the EU was about 24 million people out from its target to reduce the number of people at risk of poverty or social exclusion by 20 million by 2020 compared with the level in 2008. Without adequate policy measures to rapidly reverse this escalating poverty trend, the EU risks moving away from the Europe 2020 headline target on poverty. Despite the cushioning role of automatic stabilisers and other discretionary policies adopted across the EU, the number of people at risk of poverty or social exclusion climbed to almost 120 million in 2011.

Taking the available official indicators one by one (12.1.2014)[7], the result becomes quite clear.

The employment rate has remained at 68.5 - target is 75.0.
R&D expenditure – has increased slightly from 2.01 to 2.06 - target is 3.0.
Greenhouse gas emissions are indeed dropping from 85.7 to 83.0 (2011) - target 80.0.
The share of renewable energy has slightly increased from 12.5 to 13.0 (2011) - target 20.0.
Primary energy consumption has dropped from 1644.6 to 1583.0 (2011) - target 1474.
Final energy consumption has dropped from 1152.5 to 1103.3 (2011) - target 1078.
The share of early school leavers has dropped from 14.0 to 12.8 - target 10.0.
Tertiary education has been increased from 33.5 to 35.8 - target 40.0.
The people at risk of poverty increased from 116847 to 123118 - target: reduction by at least 20 million people.

These indicators show that the benefits of the Europe 2020 strategy mostly failed to materialise and are certainly overstated in official discourses. There is quasi stagnation in many areas – and in addition, one can ask if the indicators reflect reality adequately for instance, on unemployment. The conclusion from these data 2010-2012 is that the current economic governance and austerity policies do not help to fulfil the objectives of Europe 2020. The existing broad consensus on the Europe 2020 goals, for instance, all agree on the need to invest more in R&D, is not a sufficient condition to ensure that progress is being realised.

Turning a Blind Eye to Reality and Real Trends

References to the omnipresent “Europe 2020” can be found all over the European institutions, in Commission documents, speeches by the Commission President, as well as in the declarations of the Council, or reports from the European Parliament. Everybody agrees on the objectives, however the question is whether these 2020 objectives are as important as other objectives or less?

Most topics or keywords in European policy are linked to Europe 2020 in one way or the other, but some are not.

In October 2012 the Commission presented a communication “A Stronger European Industry for Growth and Economic Recovery” designed to increase the manufacturing share of GDP from its current level of around 16% to 20% by 2020 to promote the re-

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[7] *2010 compared to the newest available data from 2012 unless noted otherwise;*
http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators

industrialisation of Europe[8]. The communication shows the Commission's intention to put industry back at the heart of the EU's economy - it is presented as a "flagship initiative of the Europe 2020 strategy"[9].
Economic governance. "To ensure that the Europe 2020 strategy delivers, a strong and effective system of economic governance has been set up to coordinate policy actions between the EU and national levels."
Growth. "The Europe 2020 strategy is about delivering growth that is smart, sustainable and inclusive."
Interestingly enough, there is no mention of Europe 2020 in the Commission's communication on "REFIT – fit for growth" (2 October 2013).

Of all the members of the European Commission, Commissioner Andor continues to pay most tribute to the Europe 2020 strategy.

In the communication on the social dimension of the Economic and Monetary Union (EMU) (2 October 2013)[10] a chapter deals with "The overall social dimension of the Europe 2020 strategy" containing a re-definition of Europe 2020. "The targets are already shaping social policies in the EU." This assumption is far from being a realistic assessment.

Furthermore, the Communication claims: "the adoption of the Europe 2020 strategy put social policy at the core of EU economic strategy for the first time." Isn't it more the other way round – the Europe 2020 strategy side-lined the social policy agenda?
The Commission is convinced that the Europe 2020 strategy is well implemented and will finally deliver. "With Europe 2020, the EU set headline targets for raising the employment rate, reducing early school leaving, increasing the proportion of completing tertiary education or equivalent and lifting at least 20 million people out of poverty. These are the heart of its strategy for smart, sustainable and inclusive growth. The targets are already shaping social policies in the EU. Key policies adopted and measures taken at EU level are being implemented, for example the Employment Package presented in April 2012, the December 2012 Youth Employment Package, and the February 2013 Social Investment Package." The Commission seems convinced that Europe 2020 is on track and delivering.

The Communication regrets that some inconvenient factors outside of the Commission's competence, and completely unrelated to European policies, make it hard to fulfil the targets. "The economic crisis has made it harder to meet the Europe 2020 targets: employment has suffered in most Member States and disparities in the employment and social situations of Member States have been growing. Some 26.6 million people were unemployed in the EU-28 in July 2013, including over 19.2 million in the euro area. Nearly a quarter of economically active young people in Europe are unemployed: 23.4% (5.6 million) in the EU-28 in July 2013 and 24% (3.5 million) in the euro area. Poverty and social exclusion have been on the rise since 2009, especially in Member States in southern and eastern Europe." The failures of the Europe 2020 policy are ducked by blaming the crisis.

In spite of the crisis, the Commission pretends that the Europe 2020 strategy has delivered an effective economic governance architecture. "Overall, the Europe 2020 strategy delivers an effective system of economic governance which has been set up to coordinate policy actions between the EU and national levels." Again one has to ask the question whether it doesn't look more like the other way around? Economic governance has encapsulated and neutralised the Europe 2020 objectives. There is a coordination of economic policy accompanied by the subordination of social policy.

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[8] *"With the renewed industrial strategy outlined in this Communication, the Commission seeks to reverse the declining role of industry in Europe from its current level of around 16% of GDP to as much as 20% by 2020." (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0582:FIN:EN:PDF, page 4)*

[9] http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index_en.htm

[10] http://ec.europa.eu/commission_2010-2014/president/news/archives/2013/10/pdf/20131002_1-emu_en.pdf