

## ETUC position on Europe 2020 Strategy – an Assessment

Adopted at the Meeting of 5-6 March 2013

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Commission President Barroso presented the Europe 2020 strategy in the following words underlining its ambitions: “Europe 2020 is the EU's growth strategy for the coming decade. In a changing world, we want the EU to become a smart, sustainable and inclusive economy. These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion. Concretely, the Union has set five ambitious objectives – on employment, innovation, education, social inclusion and climate/energy – to be reached by 2020. Each Member State has adopted its own national targets in each of these areas. Concrete actions at EU and national levels underpin the strategy.”<sup>1</sup>

In an initial commentary to the new strategy proposal the ETUC was rather doubtful: “The immediate priority for us all is not 2020 but the implementation at the European level of a bigger recovery plan for jobs, new schemes to get the unemployed, especially the young, into decent work and learning. In fact, much of the next decade will be dominated by the consequences of the current economic crisis. Unemployment is likely to remain higher than pre-crisis levels up to at least 2015/2016; and taxation will be higher and public spending lower as debts have to be repaid.”<sup>2</sup> This critical reaction is also due to the fact that there is not a clear enough definition or understanding of how the goals can be reached.

Nevertheless, the trade unions supported the Europe 2020 objectives themselves, as most of them are – if they are taken seriously and are pursued in the right way – traditional trade union objectives: full employment, quality jobs, the reduction of social inequalities and of poverty etc. However, Europe 2020 appears to be a highly complicated strategy. The complexity can be seen from the fact that it covers five targets, eight indicators and seven flagship initiatives (see annex giving an overview). This therefore raises the question about its overall coherence and efficiency of its tools. Some ETUC affiliates even argue that the multitude of processes is undermining the role of the social partners.

Moreover, a year after the Europe 2020 strategy was adopted, it was put on an austerity regime and locked into the new economic governance architecture which prescribed hard indicators for fiscal consolidation. Sidelined Europe 2020 objectives were thus transformed into second tier goals which might be fulfilled in the new framework of austerity but which were no longer considered obligatory as fiscal ones. The question must be raised about the deadlock of Europe 2020 within the economic governance framework.

### **I The responses to the ETUC questionnaire demonstrate the insufficient involvement of the social partners**

The involvement of social partners in the Europe 2020 Strategy was identified as key to its successful implementation. It is for this reason that the ETUC launched its own questionnaire in order to evaluate the participation of the trade unions in the process. The answers received showed that participation levels were very uneven.

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<sup>1</sup> [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

<sup>2</sup> <http://www.etuc.org/a/6875> “EU2020”. An initial ETUC Commentary; 15.1.2010

A first group of affiliates responding to the ETUC questionnaire felt that they were consulted as much as in any ordinary consultation procedure. This small minority of affiliates was quite satisfied with the level of involvement. A second broader group of affiliates were invited by their government to discuss the Europe 2020 Strategy implementation via specific or existing permanent tripartite format bodies. This second group agreed that the policy documents of their respective governments basically remained unchanged for different reasons (blockage in tripartite institutions, format of a hearing with many participants etc.). Most of these affiliates stress that their involvement must be strengthened in the sense that their proposals must be taken into account. However, an important third group of affiliates has not been invited at all by their government to discuss or only for information purposes. To this list of affiliates who are not invited by their governments have to be added the Member States under the Troika regime which are not part of the European Semester/Europe 2020 process.

The National Reform Programmes and the Country Specific Recommendations were adopted without the proper involvement of the social partners. An overwhelming majority of affiliates was not involved in the process or the topic was dealt with as collateral or incidental to the general discussion on the implementation of Europe 2020. The European Parliament shares the ETUC's critical analysis.<sup>3</sup>

The specific discussion on the National Job Plans proposed by the Commission was not organized in the case of the majority of Member States.<sup>4</sup> Some affiliates have written to their governments to stress the need for such National Job Plans. Correspondingly, most of the affiliates were not involved in the adoption of the Country Specific Recommendations. Very few insist on direct links to the government to influence decision-making. Affiliates from two countries only (Sweden, Italy) were able to influence the CSR in 2012 and only those from 1 Member State (Sweden) were able to do so within the proper consultation process.

It is clear that, up until now, a majority of the 85 ETUC member organizations has not really been involved in the process which poses the question of its democratic legitimacy. The involvement of social partners at national and European level is not timely enough and often just a formality. The method of organizing big hearings does not allow the taking into account of specific social partners' input, neither on the implementation nor the National reform plans nor the other facets of the Europe 2020 strategy. Another discussion process is needed to enable proposals and initiatives from the social partners to be taken up – there is room for improvement. It is necessary to bridge the gap between ambitious rhetoric or the good intentions and the reality of not taking opinions sufficiently into consideration. The overall conclusion must be that the involvement of the social partners needs to be organized in a serious way.

## **II. Europe 2020: caught between high expectations and disappointing outcomes – its framework and instruments seem to be inappropriate and are failing to deliver**

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

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<sup>3</sup> *The European Parliament called upon the Commission to include the Europe 2020 Strategy in the European Semester and to ensure that it is better reflected in the Country Specific Recommendations such as policies aimed at tackling youth unemployment and combating poverty. The EP is concerned that, in many Member States, national parliaments, social partners and civil society were not involved in the European Semester process and therefore urges the Commission to ensure that more democratic legitimacy be given to the process through the involvement of national parliaments, social partners and civil society. See EP resolution "on the European Semester for economic policy coordination: implementation of 2012 priorities" on 26 October 2012.*

<sup>4</sup> *One affiliate received the offer to submit comments before the NRP was written, but was not invited to discussions.*

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.

Looking more systematically at the different aspects of Europe 2020, neither the New Skills and Jobs, nor the initiative on Youth (despite both being promising and welcome proposals), nor the one on industrial policy have delivered the results which are necessary for achieving the objectives up until now. Even the Commission in its Progress Report admits that the commitments set out by the Member States are insufficient to meet the targets and that the results have not been the ones expected. Despite the Commission's finding that the commitments set out by the Member States in their National Reform Programmes (NRPs) are insufficient to meet most of the Europe 2020 targets, none was urged in the Country Specific Recommendations to be more ambitious with their national targets.

The ETUC's sceptical initial assessment of the inadequacy of the Europe 2020 framework for delivering on its promises (particularly in relation to employment and poverty) has, unfortunately, been shown to be correct. There is no clear majority of opinions however on what could and should be improved, except for the wrong economic policy. Most affiliates see the introduction of more binding instruments as a two-edged sword as these instruments could be used against a more social policy and in favour of even stricter economic governance. But on the other hand it is rather useful to have this strategy, as some affiliates argue, because it can be used to put forward an argument in favour of a more social policy. Therefore the ETUC will examine the effectiveness of the Europe 2020 instruments in greater depth and asks the European institutions to do the same.

### **III. The European governance framework makes the Europe 2020 objectives difficult or impossible to achieve – a policy change is necessary**

Many affiliates see goodwill on the part of their governments towards implementing Europe 2020, but other affiliates see less goodwill or think that their government prioritizes deficit reduction above all other objectives. In general, the European policy framework of austerity and fiscal consolidation is seen as an impediment to progress in achieving the Europe 2020 objectives. The austerity policy and economic governance procedures have increased unemployment, poverty, and economic and social divergence instead of convergence. 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.

The tensions between the goal of fiscal consolidation and austerity on the one hand and the Europe 2020 targets on the other are widening the gap between the promises and the reality. Some of the objectives (green economy, more resource efficiency, innovation, industrial policy, poverty reduction, skills, youth guarantee...) point in the right direction, but the transposition cannot work under the austerity regimes and the fiscal compact which substantially reduce the investments needed. The questions of how to find the necessary funding and how to get out of the crisis remain unanswered.

It is indeed necessary to invest in active labour market programmes in order to achieve the full employment goal (75%). Between 2008 and the end of 2012 the EU27 unemployment rate climbed from around 7 % to 10.7 %, equating to about 26 million unemployed people. Across the EU more than one in five young people is unemployed (22%), with youth unemployment exceeding 50 % in some Member States. What is clear is that the surplus countries increase spending, while the deficit countries cut

spending. In other words, there are cuts in active labour market policy in the countries where unemployment is the highest and the need the greatest.

Equally, to achieve the innovation goal (the 3 % goal was not achieved within the decade of the Lisbon strategy), or the climate change and energy goals, huge investment and an intelligent and sustainable industrial policy is needed.

In the same way, a great deal of investment is necessary to achieve the education and the anti-poverty goals. The current wage devaluation strategy advocated by the Troika in line with the austerity policy has proven to be the wrong tool. More than 115 million people are in danger of social exclusion in the EU27 because they are at an aggravated risk of poverty, are severely materially deprived or live in households with very low work intensity.

In fact, the new governance framework institutionalizes 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 Europe 2020 objectives are taken into account in the Country Specific Recommendations, but they are not being respected in the same way that the deficit criteria are. It is necessary to put the former on the same footing as the latter in order to make them equally binding so that no Member State can treat them purely as suggestions. Current economic policies focus on the wrong instruments and supply-side measures, like fostering price-competitiveness and improving conditions for employers. This – in the eyes of many policy-makers – is supposed to foster growth and employment. From our point of view, promoting jobs and employment can currently be achieved by increasing demand. The supply-sided measures which are brought forward by the European Commission and others thus are counterproductive and rather lead to a decline in demand, economic growth and job creation.

The conclusion can be drawn that a radical policy change is necessary to stop the antisocial bias of European policy. If the social dimension is not put on the same footing as the economic objectives, the European project runs the risk of creating another unbalanced structure which will jeopardize the achievement of the social objectives.

Therefore, the ETUC demands that:

- the Europe 2020 objectives are incorporated into the framework of an alternative and more balanced economic governance structure. Employment, education, innovation, poverty reduction and climate protection targets must be as binding as those of fiscal consolidation;
- the Commission and the European Parliament conduct an investigation into the relevance of the existing framework, namely its instruments, for achieving the objectives;
- the national and European social partners are fully involved in the Europe 2020 process – and that trade union suggestions are taken into account.

## Annex I:

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### The main elements of the Europe 2020 strategy

In this chapter we try to summarise the functioning of the Europe 2020 strategy and try to identify the direction of the 5 targets, translated into national targets and measured by 8 indicators, the 7 flagship initiatives and the European Semester to monitor progress of the Europe 2020 strategy. The Commission explains the strategy as follows:

1. "Five EU targets for 2020"
  - Employment: at least 75% of 20-64 year-olds employed
  - R&D/innovation: 3% of the EU's GDP invested in R&D/innovation
  - Climate change/energy: greenhouse gas emissions 20% lower than in 1990 (or 30% if conditions are right); 20% of energy from renewable sources; 20% increase in energy efficiency
  - Education: reduce school drop-out rates to below 10%; at least 40% of 30-34-year-olds completing third level [tertiary] education
  - Poverty/social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion".<sup>5</sup>

These targets resemble very much the objectives of the Lisbon strategy which were persistently supported by the ETUC, whereas the ETUC became increasingly doubtful of the means to implement the strategy. These targets are translated into national targets and measured by eight indicators.

2. The eight indicators are
  - "Employment rate by sex, age group 20-64
  - Gross domestic expenditure on R&D (GERD)
  - Greenhouse gas emissions, base year 1990
  - Share of renewables in gross final energy consumption
  - Energy intensity of the economy (proxy indicator for Energy savings, which is under development)
  - Early leavers from education and training by sex
  - Tertiary educational attainment by sex, age group 30-34
  - People at risk of poverty or social exclusion (union of three sub-indicators: People living in households with very low work intensity, People at-risk-of-poverty after social transfers, Severely materially deprived people)"
3. Seven flagship initiatives are meant to boost a smart, sustainable and inclusive growth:
  - "Digital agenda for Europe: creating sustainable economic and social benefits from a digital single market based on fast, secure internet and interoperable applications.
  - Innovation Union: turning ideas into jobs, green growth and social progress with action to support innovation and innovative businesses
  - Youth on the move: mobility programmes offering young Europeans the opportunity to study, train, work or start a business in another EU country
  - Resource efficient Europe: supporting the shift towards a resource-efficient, low-carbon economy that offers opportunities for sustainable growth
  - An industrial policy for the globalisation era: maintaining and supporting a strong, diversified and competitive industrial base in Europe, offering well-paid jobs in a less carbon intensive economy

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<sup>5</sup> The descriptive parts are taken from the Commission homepage ([http://europa.eu/newsroom/highlights/europe2020/index\\_en.htm](http://europa.eu/newsroom/highlights/europe2020/index_en.htm)).

- An agenda for new skills and jobs: concrete actions to improve flexibility and security in the job market, ensure people have the right skills for today's jobs, improve the quality of jobs and the conditions for job creation
  - European platform against poverty: coordinating national actions by identifying best practices and promoting learning, establishing EU-wide rules and making funding available”
4. Monitoring progress functions through the European Semester, i.e. an annual cycle of economic and fiscal policy coordination, a new architecture for economic governance. The European semester means the EU and the euro zone will coordinate ex ante their budgetary and economic policies, in line with both the Stability and Growth Pact and the Europe 2020 strategy. The European semester starts with the publication of the Annual Growth Survey (AGS):
- End of the year – the Commission presents its annual growth survey (Annual growth survey 2012 – 23 November 2011; Annual Growth Survey 2011 – 12 January 2011 )
  - March – the European Council takes stock of: the overall macroeconomic situation, progress towards the five EU-level targets, progress under the flagship initiatives and sets economic policy priorities (Spring Council Conclusions – 24-25 March 2011)
  - April – EU countries submit their medium-term budgetary and economic strategies (National reform programmes and stability programmes by country)
  - June – the European Council and Commission provide country-specific policy advice on economic and budgetary policies (Country-specific recommendations 2012 – 30 May 2012; Country-specific recommendations 2011 – 27 June 2011)