

# Introduction

In 2010 the new mid-term growth strategy for the European Union was presented. It was named Europe 2020, with reference to the time horizon within which the targets it set should be reached. The Europe 2020 strategy is aimed at fostering smart, sustainable and inclusive growth and thereby helping member states to deliver high levels of employment, productivity and social cohesion. Europe 2020 follows on from the former Lisbon Strategy and, while many policy formulations are common to the two strategies, there are also numerous changes in terms of content and especially governance.

In essence, the Europe 2020 strategy has set five targets intended for implementation in a decentralised manner: an employment rate of 75% among the population aged 20-64 years; research and development spending totalling 3% of GDP; less than 10% of early school leavers and at least 40% of 30-34 year-olds with tertiary educational attainment; 20 million less people living in poverty; and finally, with regard to emission gasses, a 20% ghg reduction, a 20% increase in energy efficiency and a 20% share of renewable energy in total energy consumption. The implementation of strategies to reach these targets is to take place primarily via ten broad integrated guidelines, adopted in June 2010, dealing with macroeconomic surveillance and the thematic coordination (see overview p.112). These integrated guidelines are supported by means of seven 'flagship initiatives'. As a frame for the integrated guidelines and the flagship initiatives there is the European semester with its focus on economic, fiscal and monetary stability (Pochet 2010a).

In the course of 2010 and early 2011, Europe 2020 has been fleshed out, formalised and put in place. As this 2011 edition of *Benchmarking Working Europe* goes to press, there remain many open ends and crucial issues to be resolved, especially in terms of settling the framework for the economic coordination and governance that will lay the foundations for Europe's capacity to meet its main goal, namely increasing the wellbeing of its population.

Furthermore, the definition and implementation of the Europe 2020 strategy is taking place at a time when the emphasis of macroeconomic policy and discourse in the European Union is shifting markedly away from how to prevent the occurrence of ano-

ther 'Great Depression' and in the direction of how to rectify the consequences for public finances of the financial and economic crisis. There is cause for concern about the current emphasis on fiscal consolidation, the correction of macroeconomic imbalances by keeping labour cost developments in check, and the asymmetric correction of current account imbalances, and such an approach seems hardly the best way of laying the ground for Europe's ability to foster smart, sustainable and inclusive growth and enhance the overall wellbeing of its population.

*Benchmarking Working Europe* first appeared in 2001 and was aimed at contributing to an assessment of the Lisbon Strategy on the basis of a benchmarking exercise incorporating indicators relevant to the promotion of a Social Europe. Its foundations were laid within the framework of the Lisbon Strategy, with a clear focus on labour market and social developments. The Lisbon Strategy came to an end in 2010 and the new mid-term strategy for the European Union, embarked upon in 2011, is Europe 2020. The new strategy thus marks, simultaneously, both a continuation and a break for *Benchmarking Working Europe*. It represents a continuation insofar as *Benchmarking Working Europe* will continue to offer a contribution to the EU Spring summit and provide a genuine benchmarking exercise applied to the world of labour and social affairs and grounded in effective labour and social rights. It will also continue to establish what progress – or lack of it – has taken place in selected areas of importance to the trade unions and of significance for a social Europe. The break, meanwhile, is marked by the addition of new chapters – on education and innovation – as well as a completely new layout.

Accordingly, this year's edition of *Benchmarking Working Europe* focuses on attempting a critical assessment of the Europe 2020 strategy and its various components. The questions addressed this year include the following: Is the Europe 2020 strategy moving us, in accordance with its promise, in the right direction towards smart, sustainable and inclusive growth? Will it be able to provide a framework for the creation of more and better-quality jobs? Are the policies and indicators set to promote an increase in social cohesion? And how can workers better participate in the achievement of these various aims?

The various components of the analysis contained in this year's *Benchmarking Working Europe* give rise to concern with regard to both the shape of the Europe 2020 strategy and the state of the European economic, employment and social indicators.

The careful analysis of the current and currently foreseen macroeconomic conditions and policies leaves little room for optimism on the question of whether they are likely to support the Europe 2020 objectives of smart, sustainable and inclusive growth. The exceptional and highly critical economic circumstances are not alone to blame; equally important factors would seem to be the macroeconomic policy choices already promoted and to be expected in the years to come. It does not appear that, in designing the economic policy aspects of the EU2020 strategy, the most appropriate lessons have been drawn from the crisis. The focus on fiscal 'rectitude' has been increased further, despite the lack of evidence that it was an important cause of the crisis. So much misguided rectitude threatens to kill the recovery – and the fiscal rules themselves will be the next victim, repeating the experience of the mid-2000s crisis of the Stability and Growth Pact. The extension of surveillance to macroeconomic imbalances is welcome in principle but flawed in practice.

In terms of employment and labour market issues, the Europe 2020 strategy and the corresponding guidelines resemble the Lisbon Strategy not only as regards its general targets (increasing employment, reducing structural unemployment and fighting segmentation) but also as regards its instruments (strengthening of, among others, active labour market policies (ALMPs), lifelong learning, ensuring adequate social security systems, and balancing flexibility and security). A stronger focus, however, is now placed on youth, education and better skills matching, as well as on labour market transitions (e.g. between unemployment and work or between work and care). The indicators display dramatic differences with regard to not only employment and unemployment rates but also the incidence and impact of non-standard forms of employment. This begs important questions concerning the extent to which such jobs serve as stepping stones to regular employment or whether their incidence has a tendency to become chronic. Furthermore, there is little or no recognition

of the prolonged impact of the crisis on the labour market situation, apart from an even stronger insistence on the need to make labour markets even more flexible in the effort to prevent long-term unemployment.

The foregoing considerations lead on to concern about the subsequent potential impact on low-wage incidence and poverty. Here the Benchmarking exercise clearly displays that there is good reason to raise alarm signals. Not only has Europe witnessed an increase in the long-term trend of income inequalities, but most EU member states are also currently witnessing a decrease in real wages that will inevitably be compounded by the deepening of the effect of the austerity packages and the freezing or decreasing of public sector wages. This concern is exacerbated by the creation of a new indicator to measure poverty and social exclusion, within which one defining feature of poverty becomes 'joblessness'. The result is that member states, by actually targeting 'joblessness' while claiming to target poverty, may seek to push people into low-paid jobs, thereby increasing the numbers of working poor but achieving nothing in the fight against poverty.

Social protection is a vital feature of Europe and its ability to redistribute the fruits of growth. The Europe 2020 strategy sets out a framework for social protection based on the need to focus on the quality of social protection systems and priority-setting; on promoting the need to enhance the efficiency and effectiveness of social protection systems, with a clearer focus on their capacity to deliver. In its present state, however, the strategy seems rather less clear about what it is that social protection systems should be delivering – apart from providing more incentives for employment while ensuring that costs are contained. As this strategy is currently configured, there seems to be little room for the notion that its ultimate goal should be an overall increase in wellbeing.

In terms of delivering on smart and sustainable growth, the analysis reveals the low level of ambition displayed by the Europe 2020 strategy. Europe seems to be on track for fulfilling the Europe 2020 climate goals, in formal terms at least. The benchmarking shows, however, that this performance is not based on any radical reorientation of economic activity but is primarily attributable to one-off effects of crisis and is not, as such, sustainable. It seems that while there is a consen-

sus in Europe that reversing climate change is the overall policy priority and that the transformation towards a resource-efficient and low-carbon economy will be the decisive trend of the future, the concrete economic tools and foundations for this process are broadly lacking. With regard to innovation, which is perceived as the foundation for any viable growth strategy in Europe, the conclusions are rather similar. While it is fair enough to put forward a target for spending on research and development, the real challenges lies in the ability to transform the top-down strategy of Europe 2020 into a bottom-up process whereby both the public and private sector engage in promoting and sharing innovation in a coordinated and synchronised manner. Given the macro-economic scenarios for the future, this strand of the strategy would appear to be particularly challenging in terms not only of financing but also of engaging all actors in society to invest in the future.

In order to make any of the above remotely realistic, Europe will need a well educated workforce, and this requirement is certainly most clearly reflected and elaborated in the Europe 2020 strategy. Even so, there remain numerous important and yet barely addressed aspects, namely, the ability of an economy to provide the jobs that match the skills of a well-educated population; an awareness that the *raison d'être* of education is not solely economic but of vital significance in the workings of a democratic society; and the failure of a strategy based to a strong extent on the establishment of quasi markets. For all these reasons and more, the importance of education is such that governments should think twice before reducing its share of their national budgets, for its potentially anti-cyclical economic and social impact cannot be allowed to rest exclusively on the investment efforts made in this sphere by individuals. Furthermore, while strong investment in knowledge is very likely to bring economic growth, the sequence 'increased economic growth → increased employment rate → more affluent populations → less poverty and more social cohesion' is not so clear-cut.

The final chapter of this edition of *Benchmarking Working Europe* assesses the role of European social dialogue and worker representation in ensuring that European integration benefits workers. The assessment comes up with two main conclusions. First of all, the role of social partners and their

contribution to achieving the Europe 2020 targets have been largely sidelined, especially in comparison with previous experiences on the European level. Secondly, little or nothing is said about how to improve and enhance European industrial relations over the next ten years, and this represents a clear break with the Lisbon Strategy in which the 'social agenda' contained a set of items designed to enhance and improve the quality of European industrial relations. While it is too early to draw conclusions with regard to the implications of the above observations, there is clearly every reason to keep an extremely close eye on the nature and incidence of European social partner involvement in the effort to achieve the Europe 2020 targets.

There would seem, in conclusion, to be cause to question the underlying foundation of the current Europe 2020 strategy with its primary emphasis on fiscal consolidation and its neglect of the need for economic growth and quality jobs. Several of the contributions to this volume show, in no uncertain terms, that it is rather by raising social and environmental standards and wellbeing that we might succeed in achieving a sustainable growth pattern and a healthier and more cohesive society for the future.

The major problem is that, if the (macro)economics are wrong, all the other laudable targets and procedures in the Europe 2020 strategy – raising education standards and R&D spending, reducing poverty – will prove entirely illusory, further undermining the credibility of Europe.

*Benchmarking Working Europe* will continue, over the next ten years, to monitor and assess Europe 2020 and to offer its bid on whether the Europe 2020 strategy is a fairytale, a nightmare or a reality. We hope you will derive both interest and benefit from your reading of this year's edition of *Benchmarking Working Europe*.

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