

EESC: Europe 2020 – paths for reinventing Europe’s future – 6 July 2015

- **Georgios Dassis – President of Workers Group in EESC**

Poverty continues to increase. The will to invest in employment was set with the target in 2010, but isn't seen as a constant. Crisis has benefited the wealthy and isn't creating growth and jobs. The more this happens, the less growth is created and distributed fairly. Productivity has continued to increase, before wealth was being shared out more equally, but from 2008 it reversed. Austerity has increased with suffering for those at the bottom. How can we improve things? Will we have an EU in 2030? Commissioner Thyssen seems now more concerned about the social situation. We have a recent proposal on legislating better, but the trend is not to legislate at all. We've lost the aim of harmonization. Issue of stakeholders – what are they? experts? We need a dialogue with civil society.

We need urgent practical actions – extreme poverty is increasing, we should provide a basic living income to prevent people starving and freezing, funded by the EU. Minimum wage is necessary as well, as has happened in Germany, but salaries depend on social partners and should be obligatory for all. We also need actions on participative democracy.

Quick Survey results

- **Result of Question by SENDSTEPS – economic governance by EU was main factor preventing reaching Europe 2020 targets, followed by economic governance by MS.**
- **Europe 2020 should be revised with regard to Post Millennium Goals...**

- **Maria Joao Rodriguez, S+D**

Europe 2020 is an agenda for the civil society and should bring some wisdom to Europe.

We have a divorce between our potential for a new development strategy and the current governance model. Europe could be the continent with the best way of life, but we are in crisis.

Focussing on the solutions – Europe needs an ambitious strategy for development – economic, social and environmental, creating new kind of jobs, and that enables all MS to implement the strategy. Proposals for updating the strategy: **aligning the strategy with post 2015 development agenda – which is for sustainable development and adapted to Europe**. Digital revolution will change everything. We need to combine a powerful investment initiative with reforms – but these reforms are to increase growth potential – innovation for sustainable development, - education and training, innovation, supporting SME's and making pension schemes sustainable.

We need to update the targets of the strategy – ie low carbon economy, digital revolution, in a way that will reduce inequalities. When we have stronger growth we can reduce our fiscal deficits, not the other way round. I would propose 3 big initiatives – Energy, Digital Union and Social Investment – Investing in people – skills, good public services and creating social cohesion. Also develop investment innovation communities with all the relevant actors – big and small companies/research/agencies/NGOs and civil society.

The European Semester must be reformed. There's been a divorce with Europe 2020. European Semester has become a machinery to focus on fiscal consolidation, but the rest has been lost ie people and development. **The Semester must be the instrument to deliver Europe 2020.** When we start each year, this targets should be the focus, underpinned by the guidelines, then define the main imbalances, then produce the CSRs – shouldn't be only about fiscal consolidation but investment and reforms, and therefore have more promising NRPs, involving Civil society all over the process. This is the proper way to develop the European Semester.

Eurozone is working as a machine for divergence. All MS should have the same conditions to invest. We don't have fair competition. This is at the root of European integration. So conclude

the Banking Union, as said in the 5 Presidents Report – but it's not enough. Need more coordination of economic policies for growth, and to build something new – a fiscal capacity for the Eurozone. National fiscal capacity is limited. We should count on EU capacity, in the 5P report it's too vague.

Need political leadership to drive Europe 2020. We should align cycle with electoral cycle – ie to 2019. EU leaders should be replaced if they don't deliver. The EU is still possible. What are the links with the investment plan? Not enough money for the investment gap, but step in right direction. Social investment is included, after pressure of EP. Can we use it to finance education and training, better social services???

Panel 1: Economic and Environmental Panel.

Hosted by Lobo Xavier/with a focus on business concerns.

Laura Fort – PIXMIX – highlighted the need for new skills. She runs an innovative video game firm. Education is vital, but we must look at what skills are needed, not just collecting data but what we do with it. Also the environmental/energy innovation will only be driven forward with adequate training programmes.

Luca Jahier, President of Other Interests/EESC

We have to focus on what brings us together not what divides us.

He talked about the Greek crisis, and the mismanagement by EU institutions. This means we are at a turning point, - economic, social and political. He doubts there is political will to launch Europe 2020, it will now happen in December. Rumours are that it is dead. The focus is on macroeconomic solutions, leaving the democratic and social to one side. Inter-governmentalism, has undermined civil dialogue. We also see revised prejudice, north v south, creditor v debtor. Citizens have less trust in EU institutions. They think Brussels is not doing enough to improve their daily life. This is reflected at national level. Risk of Grexit and Brexit, etc – we need to reinvent Europe's future, as too many challenges undermine it.

What role can Europe 2020 play? Needs to be upgraded. More investment in innovative capacity in R+D, Energy, Social Innovation and investment. Also imperative to invest in education and training – lifelong learning for key skills. The commitment is to a highly competitive social market economy. **We need to develop alternative indicators. The AGS and European Semester should be rebalanced to include binding social indicators and beyond GDP, and with the data produced at the same regularity as the economic by EUROSTAT.** Is EU2020 sufficient for a Europe of tomorrow? **Revised strategy should include better civil society participation** – with more ambition, rule of law and new democratic accountability. There is a growing demand for social welfare, and lowering capacity of the state –so we need a new concept – to expand the offer. Backing social investment is crucial.

Andrea Saltelli, European Centre for Governance in Complexity, Bergen.

Are we in a post crisis reality? The EU focuses on 'technical knowledge' with it's own agenda. We are removing '**uncomfortable knowledge**' =collapse of trust, corruption and surging inequality..Luxembourg is 2nd highest country in financial secrecy. We talk about debt, but we owe money to Africa.,.,

Growing inequality are we doing something about it? Picketty has made proposals. = Global tax competition, growth slow down and unequal access to financial returns, but also OECD and IMF.

Promoting research per se is not the answer - there is a crisis in the governance of Science. There have been 4 International conferences on science integrity (2007-15). But 85% of research resources are wasted (Ioannides) – false or exaggerated... Lancet says that 200 billion dollars were wasted in 2010.

Upskilling human resources is not just about increasing science graduates – what kind of education? What kind of jobs?

Smart economy/means loss of jobs so we need to anticipate change and discuss openly the choices. He highlighted the need to emphasize the human dimension of service provision, not just digital/technological which will cut jobs - See Anthony Atkinson book on Inequality.

A major problem is the deindustrialization of the periphery, which started before the financial crisis. We have growing and persistent trade deficits. The **Euro area creates divergence, not convergence.**

Questions: How to bring the EU back to hearts and minds....and ensure competitiveness?

- Admit past mistakes, do something for the rule of law.
- Scientists should not be left to make the decisions – don't leave them alone.s
- We need to rewrite the narrative for the EU. Before it was to make peace and support democracy. Today we need progress – and restore an idea of future and towards the next generation.
- **We would be more competitive if we were more unequal.**

Marcus Scheiblecker/ Austrian Institute of Economic Research.

We need environmental and social growth. He presented a 7th Framework project which commissioned a study of 10 million Euros on welfare, wealth and work for EU – ie towards a socio-ecological transition. WIFO is coordinator with 30 countries. 25 February 2016, will present results.

- Very ambitious goals around restarting growth, full employment, reducing debt and divergence, lower income spread, social payments to investment, transparency and emission trading.
- Major focus on de-burdening labour and making business feasible.
- On supply side – missing social and ecological innovations, shifting investment to intangibles, ie education and in people, entrepreneurship also in schools, mobility and migration, incomes/gender and education.
- On the demand side: less inequality would increase growth by 2%, would triple GDP, beyond – with higher consumption and growth. Need a redistribution debate and foster both elements – supply and demand.
- Strategy is inconsistent. Strategic Investment Fund is not sufficient. Strategic approach means attacking more than one problem at a time.
- There proposal: restarting growth, with env/social innovation as the driver.
- Redistribution is heavily opposed but is necessary.

PM Session: Social Challenges

Led by the President of the Europe 2020 Task Force: Stefano Palmieri

- **Mary Collins/Semester Alliance**

Presented the work of the Semester Alliance and current assessment. of the Semester including the CSR. Highlighted the missing area of gender and equality, the need to mainstream objectives and go beyond labour market participation to tackle also gender pay and pension gaps. The loss of the Maternity Leave Directive was a major step back. She highlighted the success of 3 cross-sectoral pilot alliances in BG, DK and IE. European Semester had become focussed on economic governance, which prioritised cuts in spending, which had a huge impact on social and environmental targets. “We’ve lost sight of Europe 2020, Semester has become a tool in itself, Let’s bring it back”. In the new CSRs, a step backwards had been taken with a drop in poverty CSRs from 12 to 6, no focus on quality jobs, only punitive activation and conditionality, and the Environmental target completely erased. Civil society engagement was mainly lipservice, raising concerns about democratic legitimacy. Calls for restoring Europe 2020, and a democratic participation process, which gives priority to the social and environmental, equality goals. She believed that the Charter of Fundamental Rights should become a basic reference document.

- **Alain Delmas/ Vice President of the CESE/France**

Europe 2020 has been superseded by other objectives. It should be above economic goals and all economic actors invested in the same goals. Inequality is increasing, and has prevented us from exiting from the Crisis. 20% of highest earners have 5.2% more. IMF Study shows that the gap between the rich and poor has increased, as inequalities grow. **Social and civil dialogue should be an objective of the strategy.** Precarious jobs do not lead to a transition to more stable jobs. Need to put quality employment at the heart.

- **Francesco Saraceno/ Director of OFCE**

The dominant narrative: the Berlin view – the central idea is the limited role of the state as we live in a world of efficient markets. So EU calls for a retreat of governments, and blames the crisis on governments that intervene. Aim is to minimize government. Puts the blame on a sub-set of countries, like Greece and the other peripheral countries. No role for fiscal or monetary policy in boosting growth. The institutional consequences means it’s become embedded in economic governance, fiscal consolidations and discipline, with monetary policy reduced to price stability. Really the Berlin view is the Washington consensus, already embedded in the Maastricht Treaty.

Alternative view - Structural imbalances – non optimal currency area. Convergence of interest rates, led to capital flows from core to periphery. Capital used for consumption – private and public. Led to corresponding high inequality and global imbalances. Need for symmetric adjustment and coordinated fiscal policies. Role of ECB in debt management.

Making sense of the 2 narratives: Why the alternative view is backed by evidence!

- The state of public finances before the crisis – only in 1 country was there a problem with deficit and public spending before the crisis ie Greece that fits with the Berlin view. The others are similar ie PT, FR, IT. Moreover the 2 countries who performed very well were Spain and Ireland!! So there is no evidence that they were being profligate. It’s a scatter picture.
- The pattern in the total expenditure – the countries in the periphery/Mediterranean had huge current account expenditure. They were spending too much, whereas the core and centre spent too little. **So there was an imbalance in the whole in the EMU.** The facts support the structural imbalances.
- **Eurozone needs its own fiscal capacity.** No monetary union has survived without evolving a fiscal/political union. But politically unfeasible. Can put into place surrogates of fiscal

federalism: Eurobonds, common deposit insurance, a fully fledged lender of last resort, and an EU wide Unemployment Benefits scheme.

- **2013 – Unemployment Benefit scheme working paper was developed by the Commission:** need to correct imbalances, proposes budget neutrality. Main criticisms came on principle of subsidiarity and permanent contributions. The benefit should be additional and precede national benefits. Main issue is the computation of contribution to the unemployment funds. It's an EU fund. MS chip in, then draw from it. So no problem of compliance

- **Wolfgang Kowalsky/ Political Adviser, ETUC.**

- **Key Recommendations**

1. **Fulfill ambitious expectations of Europe 2020 by reformatting.** There is an asymmetry between the Semester and Europe 2020. **Europe 2020 can only work outside an austerity framework.** He highlighted the limitations of the OMC as an instrument-ie also with the Lisbon Strategy – they are not fit for purpose. Other tools could be used ie comply and explain, also missing gender and quality of work.
2. **Invest in smart, sustainable and inclusive growth** – with an ambitious investment plan. A missed opportunity to exit the crisis. Picketty says there must be a debt compact, not just with the finance minister. ETUC calls for New Path for Europe – Investment/Quality jobs and Equality.
3. **Make the difference now!** – failure ducked by blaming the crisis.
4. **End austerity to allow 2020 strategy to deliver.** 2020 locked into economic governance architecture with indicators for fiscal consolidation, so goals and processes are not consistent. Counter-productive structural reforms. Full of good will and good intentions. Better regulation is not just no regulation.
5. **Trigger preventative and corrective measures** to deliver. The OMC on Europe 2020 is subordinate to European Semester – could use other tools complain or explain, corrective preventive measures.
6. **Link the strategy to other policy challenges, in particular a Social Agenda.** There needs to be a moratorium, promoting a just transition.
7. **Don't allow MS to break EU level targets into less ambitious national targets,** ie MS targets don't add up to 75%. Should have an incentive based approach linked to EU financing.
8. **Organize an open and pluralistic societal** debate on the EU crisis strategy – highly sceptical of on-line consultations that count all contributions as equal. This merely allows the Commission to pick and choose in a pre-defined Commission Strategy.

Lazlo Andor/Hertie School of Governance.

Civil Society has expressed their need for a shared vision. But not everybody agrees that the EU should have long-term goals – the current thinking is that we just do what is absolutely necessary. Nobody is challenging the need for smart, sustainable and inclusive growth, but there was complacency in the Commission and nobody realized that the EU architecture of the EMU was so weak. Three pillars are equally important, but also mutually reinforcing. Circular economy, highlighted that sustainable and inclusive growth are mutually supporting. Survival is not enough. An EU programme for long-term development and convergence is necessary for the future of the EU. But what methodology? Do we need targets? What kind of indicators? Last year there was a big conference on the poverty target and beyond GDP indicators. **Europe 2020 was primarily about the quality of economic growth.** The sum of the national ambitions didn't add up to the EU target. Good advice needed on practical use on targets. Deviation from targets was already seen in 2011, 12 and 13. We need more instruments, not to reduce the ambitions. ie in employment and social policy, this is why the Commission came up with

the social investment, employment and youth employment packages. Only completed with social dimension of the EMU in 2013. Maria Joao explained the problem of divergence. Need to take action. **Without EMU reform, it's impossible to restore chance of delivering Europe 2020, to rebalance the social divergences. More should be said about the role of the MAFF, Structural Funds.**

Short term objectives overtook the long-term one's. It's not just that they are economic. Semester has been helpful to design better pension reform, with adequacy and sustainability – so social and economic together. Roma Inclusion is another example.

Europe 2020 is not in fashion nor the idea that we're stronger together, with fear of rising popularity of Eurosceptics. But we could miss opportunities. Polarisation (economic, financial, political and social) has gone on too long, but cannot be overcome by only technocratic solutions, it's not just getting figures right, we need qualitative elements. Need a wide a consensus about the European Social Model – ie social protection/working conditions. Not obvious when Europe 2020 started that the fight against poverty was connected to fight against inequality. After Picketty and Obama, this has become clearer and also the implications – both from OECD and IMF in terms of lost economic potential. This needs to be integrated in Europe 2020. Must restore ambition and credibility to Europe 2020.

Stefano Palmieri/President of Europe 2020 Task Force/EESC – Summing Up

Reminds us of Article 3 of the Treaty of Lisbon and that this must underpin Europe 2020 and the Semester.

- Need to review the 7 flagship initiatives and respond to new challenges. – An investment plan that includes social investment, lifelong learning strategy and providing new skills.
- Integrate the 2015 sustainable development goals.
- Link targets to European Fund for Strategic Investment.
- Important priorities are: the Social dimension, strengthening social protection, Active labour market, skills, lifelong learning, tailored programmes for disadvantaged groups as pre-requisites for sustainable growth.
- Commission must keep the poverty target and there must be more emphasis on social inclusion policies, with specific chapters and more extensive CSR.
- Need to improve governance, with a set of verifiable indicators. Embed involvement of economic/social actors and reps of organized scivil society at national and European level. Allow for a systematic feedback from the stakeholders and an adequate system of social impact assessment of the policies prepared, particularly economic.