



THE SOCIAL DIMENSION OF "EUROPE 2020" STRATEGY: THE INCLUSIVE GROWTHⁱ

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Abstract

The article analyzes the complex issues of inclusive growth from the perspective strategy "Europe 2020". The inclusive growth could be achieved by increasing employment in the EU, and is closely linked to the other objectives of the "Europe 2020", as: research and development (R & D), climate change and energy, education and combating poverty. The progress in one field depends on how the other objects are implemented. High levels of education help to better employability and higher rates of employment support poverty reduction. Moreover, a greater capacity for R & D, together with better resource efficiency will improve competitiveness and promote the creation of new jobs. The same positive impact on creating new jobs has the investments in energy efficiency projects and the renewable energy incentives.

Key words:

Employment, Strategy, Achievements, Limits, Inclusive Growth

JEL Codes:

J21, J22, J23, J64, J68

1. Shaping the inclusive growth

Inclusion requires equal opportunities in terms of access to resources and to the labor market. Ranieri and Ramos (2013) point out that it is not very easy to define the inclusive growth because the definitions vary and tend to be vague. In general, what appears to be widely recognized it is that *inclusive growth involves improving living conditions for a large majority of the population, particularly for the disadvantaged people by creating equal opportunities and reducing barriers to achieving these objectives*. Policies for combating poverty and inequality do not necessarily include the creation of productive employment that goes beyond income and is one of the basic factors in almost every conceptualization of inclusive growth (Ranieri and Ramos, 2013).

Stiglitz (2013) points out that after the global financial crisis in 2008 was born a broad global consensus on the idea that more inequality leads to instability and instability contributes to increased inequality. Stiglitz (2013) considers that *"on long-time, reduced inequality and sustained growth may be two sides of the same coin"*. Stiglitz (2013) quotes the former IMF Managing Director Dominique Strauss-Kann which said that *"ultimately employment and equity are building blocks of economic stability and prosperity, of political stability and peace."* According to Stiglitz (2013), *"the most important influencing welfare government policy, with important consequences for distribution is to maintain full employment"*. Throughout the book *"The price of*

inequality: how a divided society today endangers our future," Stiglitz states that what matters the most is what kind of growth (quality of growth) is promoted. To support this, Stiglitz (2013) calls the Universal Declaration of Human Rights, which emphasizes not only the importance of civil rights but also of the economic rights, and not only the property rights but also the economic rights of ordinary people.

The inclusive growth means a direct link between macro and micro factors of economic growth (Ianchovichina and Lundstrom, 2009). Consequently, the two authors emphasize *the importance of structural changes to diversify their economic activity and to stimulate the free competition, by "the creative destruction" of jobs and companies*. In their view, the policies for inclusive growth are an important component of any government strategy for sustainable economic growth. They underline that the main instrument for sustainable and inclusive growth is employment growth, which generates jobs and income for individuals - salary in all types of companies, or their engagement in an economic activity. According to Ianchovichina and Lundstrom (2009), the chances of individuals to be employed depend on the use of the opportunities available resources in the economy and it should not be neglected that an inclusive growth requires reform measures which are implemented in the short term, but whose results can be seen in the medium or long term.

Anand *et al.*, (2013) emphasized that *macroeconomic*

stability, human capital and structural changes prove to be determinants of inclusive growth in emerging markets. According to these authors, the inclusive economic growth is favored by a number of factors such as: the degree of convergence, the education and the productive investment. Likewise, the structural change, the globalization, the openness to trade and the foreign direct investment can greatly predetermine the inclusive economic growth.

2. The social dimension of the Strategy “Europe 2020”

The inclusive growth represents the social dimension of the Strategy "Europe 2020". The European Commission pursues an inclusive growth, and is aiming, by 2020, that 75% of the active population aged between 20 and 64 years old will have a place for work. Also, the strategy "Europe 2020" will contribute to other EU goals: reducing the dropout rate below 10%, getting a percentage of 40% of young people with higher education or technical training and reducing the number of people at risk of poverty and social exclusion by at least 20 million persons.

Inclusive growth based on "Europe 2020" requires an economic model based on high occupancy levels, ensuring economic, social and territorial cohesion. The EU vision, inclusive growth requires:

- increasing the employment rate in the EU - more jobs and better, especially for women, young and older workers;
- supporting the unemployed to find a job through investment in skills and training;
- modernizing labor markets and social protection systems;
- ensuring the benefits of growth to all citizens.

2.1. Achieving the inclusive growth by increasing employment

The recent international financial economic crisis has hit the European Union economy. The downturn of GDP growth rate of -4.4%, in 2009, led to less productive investments, lowering consumer confidence and created a vicious cycle, causing a sharp decline in demand and a decrease of business plans of many companies along with a sharp rise in unemployment. Later in the EU-28, growth of 2.1% in 2010 and 1.8% in 2011, alternated with periods of recession in 2012 (-0.5%) and stagnation in 2013 (0.2%) in condition that and unemployment continued to record high levels, constantly. Thus, in the euro area (EA-17), seasonally adjusted unemployment rate was 12.2% in 2013 (10.2% in 2010 and 11.4% in 2012), and its level stood at 11% in EU - 28 (9.7% in 2010 and 10.5% in 2012).

In 2014, the labor market situation in the EU was still influenced by the economic crisis but, as in previous

year, showed visible signs of recovery. However, the differences in the development of national labor markets of Member States have not diminished. In 2014, the employment in the EU for persons aged 20-64 years increased to 64.9%, an increase of 0.8 percentage points compared to 2013. For the euro area (EA-19) the employment rate increased slightly to 63.9% (0.4 percentage points). The employment rate of the population aged 20-64 years has exceeded 70% in six EU member states, in 2014. The highest employment rates were recorded by Sweden (74.9%), the Netherlands (73.9%) and Germany (73.8%).

The European Commission communication entitled "Towards a job-rich recovery" states that the support for the creation of employment and labor reallocation should be designed to activities, sectors and enterprises based on sustainable growth, especially among SMEs, given that in the period 2002-2010, SMEs have created 85% of the net increase in employment. In this respect, the European Commission (2012) proposes a series of measures:

a. The stimulation the creation of jobs across the economy by encouraging demand for labor by:

- Targeting subsidies for the new jobs;
- Reducing the tax burden on labor costs in a budget by switching to environmental taxes, consumption taxes or property, with proper monitoring of redistributive effects;
- Promoting and supporting self-employment and social enterprises;
- Transforming informal or undeclared work in a regulated employment;
- Providing incentives to net salaries at the expense of social benefits;
- Upgrading wages by correlating wages to productivity developments and encouraging the creation of new jobs.

b. The exploitation the potential of creating jobs in key sectors, which means:

- Creating jobs in eco-economy;
- As a result of an aging population and in order to meet the highest quality standards of the medical services and the increased demand for personalized care and necessary social services, it is necessary to stimulate the rapid growth of the number of jobs in the health and social services;
- Demand for IT professionals is growing and there are prospects of creating new jobs in these areas;

c. The mobilization of EU funds to create new jobs

There is a substantial funding to promote social cohesion, particularly through the EU Structural instruments and investments. For example, the European Social Fund focuses on the issues of unemployment and poverty, improving workforce skills training and job creation, support measures, especially

for young people, through Youth Employment Initiative.

3. The achievements and the limits of the inclusive growth

It is noteworthy that in the past three decades, despite long periods of economic growth in many Member States, socio-economic inequalities in the European Union increased. This is why the new strategy "Europe 2020" concluded that employment is the most effective instrument for meeting rising inequalities and ensuring protection against social exclusion and poverty. However, the project "a smart, sustainable and inclusive growth", as theorized in the "Europe 2020" seems to have a neoliberal approach to social protection (Scharpf, 2012).

On the other hand, the project of the European Social Model, namely "the European Social Space", using the expression Jacques Delors - act as a counterweight to the idea of the European Single Market. Ebner (2014) shows that as leader, the EU should provide a set of common social policies in order to create a unique welfare model. In this way, the EU should strengthen its social dimension, pushing European integration process forward. However, this is still far from being achieved, and harmonizing different national welfare models, nowadays, appears unlikely to be reliable (Ebner, 2014).

In its Communication "*Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth*", the European Commission (2014) reviewed the progress towards the objectives of the strategy and noted that its reasons in 2014 are as stringent as in 2010. European Commission (2014) stresses that the EU is on track to meet or approach the objectives of education or climate and energy, but the situation is different for targets on employment, research and development or poverty reduction. However, the existence of commitments by member states allowed focusing on fundamentals with long-term action that are essential for the future economic growth and social welfare model in the EU. Translating these targets at the national level also contributed to highlighting some differences, namely the differences between Member States with the best results and those with poorer results and other gaps which were increasingly between regions of a single Member State or between neighboring regions of different Member States.

Lastly, the European Commission (2014) points out that there are inequalities exacerbated in the distribution of wealth and income to particular areas and that it is essential to involve the active participation of the regions and cities to implement EU policies to achieve the objectives of "Europe 2020". The European Commission recommends that these challenges be addressed during the review and the subsequent

adjustment of the strategy.

Diamond *et al.*, (2015) concluded that the process of industrialization and the related decline of employment in manufacturing have been driven by technological developments and increasing consumer demand for services. Diamond *et al.*, (2015) believe that because of these structural trends, the vast majority of EU Member States have contributed to increasing "temporary" working arrangements, by introducing the idea of "insider" and "outsider" in labor market employment and the long term unemployment. In addition, the implementation of policies associated with austerity programs, have been introduced the conditionality of the social benefits and have been increased the retirement age in many of the EU member states.

There was much debate about the future of the European Union, concerning a "new model of social state", generically called "European Social Model", strengthened by the launch of the Lisbon Strategy. But the recent economic crisis has accentuated the negative impact of pre-existing conditions (high levels of social spending), raising profound questions about the sustainability and success of this project. And while old problems like unemployment and poverty have worsened in a number of Member States, new problems have emerged (increasing youth unemployment, growing inequality), while the EU has never had a uniform model welfare.

The enlargement has served only to diversify European welfare model. According Diamond *et al.*, (2015), respecting the diversity of the models of welfare, pre-crisis common assumption was based on the idea of convergence of the social standards and on the sustainable economic growth. Lisbon Strategy promoted the idea that "the European Social Model", despite its distinctive national options, with its own institutional independence, can meet the common challenges of the EU by establishing common principles for action and reform. The impact of the crisis has made this assumption to be reassessed. Therefore, they underline that the differences between regions and Member States is increasingly obvious and the goal of a single model of welfare has diminished gradually. Following the increasing inequality between Member States, the migration of population to the richest countries was emphasized. Public concerns about the social and economic impact of free movement of labor have intensified in particular with regard to the viability of multiculturalism and the prospects for more integrated societies (Diamond *et al.*, 2015).

Subsequently, in response to the challenges of the crisis, the main instrument for inclusive economic growth is considered to be the fight against inequality in Member States and between Member States. Bogliacino (2014) stresses that the strategy "Europe

2020" identified as a priority the development of the qualifications supply as a fundamental tool in resolving imbalances in the labor market (increasing long-term unemployment). According to Bogliacino (2014) an effective educational system is necessary to achieve equality in the labor market and to solve the main source of income inequality. Also, Bolgliacino (2014) proposes: the enhance of the innovation capacities (human capital, financing facilities), the modernization of industry, the promoting new competitive industries that produce high added value and the efficient use of energy resources. Lastly, Bolgliacino (2014) pointed out that in some countries in the Euro zone, the cumulated deficits and the high asset prices have contributed to the financial crisis, which has been associated with an increase in income inequality.

4. Conclusions

The Commission Communication "Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth", emphasizes that by meeting the national targets will be achieved an employment rate of 74% in EU, below the target set for 2020. The national performances are still very heterogeneous. Sweden and Germany have high rates of employment and are approaching the national targets, while Spain, Greece, Bulgaria and Hungary are the opposite site. European Commission (2014) warns that to meet the target of 75% is required additional workforce, around 16 million people, which may come from a potential labor force, composed mostly of young people, women, and people adults aged and inactive so far, including migrants.

The European Semester provides a framework for the coordination and the monitoring of economic and social reforms to achieve the objectives of the "Europe 2020". The challenges and the solutions are reflected in the country-specific recommendations. The social policies are an active part of the "Europe 2020", therefore the European Commission also supports Member States' efforts to face their social challenges by the actions set out in the Platform against Poverty and the Social Exclusion and Social Investment Package as well as the EU funds, especially the European Social Fund.

On the 26th February 2016, the European Commission published "Country Report Romania 2016", which included the annual economic and social challenges faced by this Member State. The report on Romania shows that the employment rate recorded an upward trend in the last 10 years (67.8% in the third quarter of 2015), but remains below the EU average and below the national target "Europe 2020" (a level of 70%). The European Commission underlines that in this challenge, the Romanian government intends to implement a program to stimulate internal and external mobility, focusing on highly skilled workers. In Romania, in 2015,

employment growth was concentrated in the major economic sectors with high added value, while the highest levels of growth of this indicator were in IT, as well as industry and construction. However, in Romania, integrating young people into the labor market remains the major challenge, where, in 2015, the youth unemployment rate was 22% above the EU average of 19.8%. In comparison, the lowest unemployment rates among young people aged under 25 were recorded in Germany (7.0%), Denmark (10.3%) and the Czech Republic (10.9%) at the highest in Greece (48.6% in October 2015), Spain (46.0%), Croatia (44.1% in the fourth quarter of 2015) and Italy (37.9% in December 2015).

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