

Contribution to the Public Consultation on the Europe 2020 Strategy

Europe 2020 is the European Union's ten-year growth and jobs strategy that was launched in 2010. It aims at overcoming the grave consequences of the unprecedented crisis in the Union's common history and at creating the conditions for a smart, sustainable and inclusive growth. To operationalize that vision, the Strategy sets out five headline targets to be achieved by 2020, which were translated into national objectives with significant variation among member states. Seven flagship initiatives setting out a number of specific actions at both EU and national levels were agreed and are being implemented.

The five headline targets to be achieved by 2020 are:

- 75% of the population aged 20-64 is employed
- 3% of the EU's GDP is invested in R&D
- The 20/20/20 targets regarding climate change and energy sustainability are met (i.e. 20% of EU energy consumption comes from renewable energy, 20% improvement in energy efficiency and 20% reduction of greenhouse gas emissions compared to 1990 levels)
- The share of early school leavers is under 10% and at least 40% of the 30-34 year olds have a tertiary degree
- 20 million fewer people are in or at risk of poverty and social exclusion

In its response to the public consultation, the ILO welcomes the general approach taken by the Europe 2020 Strategy and the overall objective of smart, sustainable and inclusive growth. In order to strengthen the Strategy for the years ahead, the ILO underlines four priorities which taken together support a comprehensive employment policy at the EU level. These priorities relate to the ILO 2013 Oslo Declaration: "Restoring confidence in jobs and growth¹":

The four priorities are to:

1. Gear up policies and programmes to reach headline targets
2. Give due attention to the quality of employment
3. Better apply employment and social indicators in EU economic governance
4. Uphold human, social and labour rights and strengthen social dialogue.

¹ http://www.ilo.org/global/meetings-and-events/regional-meetings/europe-and-central-asia/erm-9/WCMS_210356/lang-en/index.htm

Building on its comparative advantages, being complementary and further pursuing the implementation of the Oslo Declaration, the ILO will continue as appropriate to work with EU member states and the European Commission in the difficult task of attaining the targets under the Europe 2020 Strategy. The ILO is active in a range of areas in the EU, stretching from the formalization of undeclared work to the promotion of small and medium sized enterprises, assisting with achieving efficiently structured public employment services and boosting vocational training and apprenticeships, including under the European Youth Guarantee. The ILO is also fostering the attainment of successful social dialogue to build consensus for tackling these economic and social challenges.

1. Gear up policies and programmes to reach headline targets

On 19 March 2014 the European Commission (EC) took stock of the progress made thus far towards the headline targets². While it concluded that the climate and energy efficiency targets were on track, progress toward employment and poverty reduction targets were found to be severely lagging behind with national employment rates varying strongly across member states. In fact, for the EU-28 between 2008 and 2013 the employment rate decreased from 70.3 down to 68.4%³ while the number of people at risk of poverty and social exclusion increased from 114 million in 2009 to approximately 124 million in 2012⁴. At the same time the youth unemployment rate soared and stood at 22.2 %⁵ in May 2014 while skyrocketing in some member states to more than 50%. As a result, the targets on employment and poverty were assessed as unlikely to be achieved by 2020. This is confirmed by ILO projections for the EU and other developed economies which indicate only a mild increase in employment for the coming years under the current policy scenario.⁶

However, the poor performance towards the realization of these objectives so far should not turn down the level of ambition agreed upon in 2010 by the member states. It should, instead, lead to a stronger focus on these targets in the second half of the Europe 2020 implementation period while making a distinction between the policies needed immediately to recover from the crisis and other measures aimed at sustaining the employment and poverty targets in the longer run. Equally important would be to give a new impetus to the Strategy at the national level to encourage the achievement of national targets.

² COM (2014)130: [Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth](#)

³ http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=en&pcode=t2020_10&tableSelection=1 (20-64 year olds)

⁴ http://ec.europa.eu/europe2020/pdf/europe2020stocktaking_en.pdf p.14

⁵ http://www.eurofound.europa.eu/spotlight-on/youth/youth-employment-initiative-is-it-delivering?utm_source=email_webupdate&utm_medium=email&utm_campaign=webupdate20140728

⁶ ILO Global Employment Trends 2013 http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_202326.pdf p.156

In its 2014 Global Employment Trends, the ILO warned against the risk of a jobless recovery in Europe and called for truly inclusive growth creating jobs, with a particular attention to young workers and the long term unemployed⁷. ILO research indicates that spending on labour market programmes helps job-seekers to find new employment opportunities more rapidly than without support, while at the same time it sustains disposable income and demand. Spending on active labour market policy is important to prevent skill erosion and labour market detachment, both being a concern in the EU as recent Eurostat data indicate that the long-term unemployment rate in the EU-28 rose from 3.9% in 2010 to 5.1% in 2013⁸ and the rate of young people neither in education nor employment or training (NEET) reached almost 16% of the population aged 15-29 in 2013⁹.

The need to boost investment in the real economy to restore growth and jobs in the EU is increasingly recognized including by the next president of the EC¹⁰ and redirecting and mobilizing public and private funding both at national and EU levels, while keeping up efforts to consolidate public finances, is a necessity.

As jobs are created by sustainable enterprises in an enabling business environment and in conditions of equal access to funding, ensuring that enterprises - SMEs in particular - have effective access to credit must remain a priority at both the EU and national levels. Excessive differences on the cost and availability of finance to SMEs across EU member states should be addressed. For example, with interest rates on loans up to €0.25 million at 7.1 per cent in 2013¹¹, SMEs in Greece have persistently faced unfavourable credit conditions with respect to their European counterparts. No less important for sustainable enterprises is labour market regulation that is fair and encourages the creation and maintenance of jobs. Reforms are needed in EU crisis countries to address still obstacles in this regard.

A job-friendly recovery strategy including well- targeted public and private investment, access to credit for enterprises, particularly SMEs, well-designed labour market programmes and reforms and youth guarantee schemes could put the member states back on track on their employment and poverty targets on the shorter term while other measures could be envisaged to sustain the headline targets on the longer term.

2. Give due attention to the quality of employment

Choosing headline targets is not a neutral exercise. The five headline targets of the Europe 2020 Strategy shape to a certain extent the nature of Europe's desired growth model. Keeping the focus on these five fundamentals appears desirable. However, there might be a case for a closer

⁷ ILO Global Employment Trends 2014 <http://www.ilo.org/global/research/global-reports/global-employment-trends/2014/lang-en/index.htm>; also Global Employment Trends Snapshot Europe http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-brussels/documents/publication/wcms_234868.pdf

⁸ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdsc330&plugin=0>

⁹ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=yth_empl_150&lang=en

¹⁰ JC Juncker: *A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change*, 2014

¹¹ http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/access-to-finance-indicators/loans/loans-additional/index_en.htm

monitoring of those trends which might have long lasting effects on this growth model. Two trends would deserve particular attention:

1. *In-work poverty*

Employment is by far the most important route to escape poverty and employment rates are undoubtedly important indicators in this regard. Still, there is a certain risk of in-work poverty.

The EC Quarterly Employment and Social Analysis (June 2014)¹² notes a recent and modest increase in employment. However, at the same time it voiced concerns over the quality of jobs as the driver of job creation were found to be mostly part-time and temporary jobs. The report noted an increase by 2% or 480 000 workers in temporary employment in the year to the last quarter of 2013, and a decrease for the same period in the number of full-time workers in the EU by 0.6 million¹³. Moreover, past reports found that the majority of workers holding a temporary employment do so involuntarily and would prefer to be in full-time employment¹⁴. There is also evidence that EU workers on temporary contracts earn significantly less than those with permanent contracts.¹⁵

In addition, Eurostat data (EU-27) on *in-work-at-risk-of-poverty rate* indicate a raise from 8.4% in 2007 to 9.1% in 2012¹⁶ (from 7.7% in 2007 to 8.5% in 2012 for women and from 9% in 2007 to 9.7% in 2012 for men). They further note an increase in the *at-risk-of-poverty rate* from 16.3% in 2009 to almost 17 % in 2012 in the EU-27¹⁷. The availability of a gender segregated *at-risk-of-poverty rate* would be highly desirable.

In light of these findings it might be worth considering including a specific gender sensitive indicator on in-work poverty under the headline target on employment and defining a specific initiative to address the growing number of working poor in the EU.

2. *Income Inequality*

It is increasingly recognized that high levels of inequality were one of the underlying causes of the 2008 crisis¹⁸ and represent both a threat to prosperity and a drag on economic growth. There are therefore strong reasons to closely monitor and, wherever relevant, redress excessive levels of inequalities.

Over the last 30 years, income inequalities have risen in the EU as in most industrialized countries. While the situation varies between countries, in the EU as a whole the growing imbalance between pay increases and productivity has resulted in a decline in labour's share of

¹² <http://ec.europa.eu/social/main.jsp?langId=en&catId=113&newsId=2087&furtherNews=yes>

¹³ <http://ec.europa.eu/social/main.jsp?langId=en&catId=113&newsId=2087&furtherNews=yes> p.14-15

¹⁴ 2013 ILO Report of the Director-General Jobs, growth and social justice p.28

http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_205270.pdf

¹⁵ 2010 European Commission, *Employment in Europe 2010* p. 13: on average 14% less

¹⁶ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tesov110>: For women it was from 7.7% in 2007 to 8.5% in 2012, for men from 9% in 2007 to 9.7% in 2012

¹⁷ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li03&lang=en

¹⁸ http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_168161.pdf 2011:69

value added. Many European workers, especially the lower paid, have not benefitted from increases in productivity in recent decades. Furthermore, since 2010 the crisis has tended to intensify the long-term trend of wage polarization and labour market segmentation, which together with less redistributive tax and benefit systems have fuelled rising inequalities in some member states. According to Eurostat, in 2012 the top 20% in an EU member state earned on average 5.1 times as much as the bottom 20%¹⁹. While this ratio remained relatively stable between 2007 and 2012 at the EU- 27 level, there are significant variations across member states. In Spain for example, in 2012 the top 20% earned 7.2 more than the bottom segment compared to a ratio of 5.5 in 2007.

Ensuring that wage and productivity growth are aligned²⁰ can help reduce income inequalities. Improved social dialogue and effective collective bargaining mechanisms could play a crucial role in keeping wage and productivity growth on track. While it is up to social partners at the national level to decide on collective bargaining arrangements, a 2012 ILO study found that effective application of coordinated collective bargaining could actually facilitate the adjustment to a more competitive Eurozone while giving the clear signal that responses are fair²¹.

In light of the severe negative consequences excessive inequalities entail for social cohesion, economic growth and prospects, more EU coordinated efforts need to be vested to reduce them. Yet at this stage, there is no clearly defined process to address excessive levels of inequalities under EU economic governance mechanisms. A first step could be to include a specific sub-target under the Europe 2020 Strategy allowing for closer monitoring of inequality indicators taking into consideration the gender dimension. Further analysis, specific recommendations or initiatives could be created to address excessive levels.

3. Better apply employment and social indicators in EU economic governance

Reaching the 2020 headline targets requires an enabling macroeconomic environment in which member states can improve both their social situation and the productive basis of their economy in the long run. Reconciling the objective of fiscal consolidation with the ones set out in the Europe 2020 Strategy remains a necessity but also a challenge for several member states.

The European Semester brings much needed coordination to existing EU economic and governance processes – namely the procedures of the Stability and Growth Pact (e.g. convergence/stability programmes), the Macroeconomic Imbalances Procedure (e.g. Alert mechanism, in-depth reviews) and the Europe 2020 process (e.g. national reform programmes).

Whereas the reinforced Stability and Growth Pact²² and the Macroeconomic Imbalances Procedure²³ allow member states whose fiscal consolidation and budgetary objectives are off-

¹⁹ http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Income_distribution_statistics

²⁰ ILO Building a Sustainable Job-Rich Recovery (2011)

http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_168161.pdf p.69

²¹ ILO Eurozone JobCrisis : Trends and Policy Responses (2012) http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_184965.pdf p15

²² the so-called Two-Pack (Reg 472/2013; Reg 473/2013), as well as the SGP in particular (Reg 1173/2011, Reg 1175/2011; Reg 1177/2011, Directive 2011/85/EU)

²³ Reg 1174/2011, Reg 1176/2011s

target to be placed under increased surveillance (in extreme cases even becoming subject to sanctions), nothing is envisaged if employment and social targets are off track, even though for the future of the EU – particularly for its credibility among its own citizens - it would be essential to reduce unemployment rates, create job opportunities and lift people out of poverty.

Recently, positive measures have been taken to try to better reflect the social and employment situation in EU governance mechanisms. In 2013, additional auxiliary indicators were introduced in the Alert Mechanism Report of the Macroeconomic Imbalance Procedure in order to allow a better understanding of the risks involved and to help identify relevant policy measures correcting these imbalances. In addition in case of macroeconomic imbalances, the corrective plans to be drawn by the member states must “*take into account the economic and social impact of the policy actions and shall be consistent with the broad economic policy guidelines and the employment guidelines.*”²⁴ Likewise a scoreboard of social indicators was introduced in the draft Joint Employment Report accompanying the Annual Growth Survey (AGS). These are interesting starting points allowing for better consideration of social and employment targets in the economic governance architecture of the EU.

As an inclusive growth strategy requires a balanced approach to macroeconomic and employment objectives enabling the achievement of targets in all areas, there is a case for constant review of the current approach in EU governance in order to ensure greater policy coherence on macroeconomic, labour market, employment, and social protection issues. As stressed in the 2013 ILO Oslo Declaration, fiscal consolidation, structural reform and competitiveness, on the one hand, and stimulus packages, investment in the real economy, quality jobs, increased credit for enterprises, on the other, should not be competing paradigms.

It might therefore appear appropriate to intensify the surveillance on employment and social targets and increase the incentives for member states to reach them, including through the introduction of a system of accountability in which member states would be invited to describe and assess the policies and programmes in place to achieve the targets. The involvement of the social partners and, as the case may be, anti-poverty civil society organisations in these discussions at the national level would be highly desirable.

Finally, reaching the headline targets formulated for the EU as a whole might also require member states to coordinate policy in specific areas in order to create an environment of certainty that has positive impacts on economic and employment growth.

4. Uphold human, social and labour rights and strengthen social dialogue.

The EU is based on the values of human dignity, freedom, democracy, equality, the rule of law and respect for human rights. EU institutions and the member states are bound by the EU Charter on Fundamental Rights. Today several member states are still struggling to tackle the consequences of the crisis while at the same time upholding human rights, particularly the economic and social ones. In its 2013 annual conclusions, the European Committee of Social

²⁴ Art 8 of 1176/2011 on the prevention and correction of macroeconomic imbalances.

Rights (ECSR) noted more than 180 violations of the European Social Charter across 38 European States – several of which took place in EU Member states – and stressed the need for “*European governments and international organisations to pay greater attention to social and economic rights when implementing austerity measures*”²⁵. Likewise the ILO supervisory mechanism noted with concern the measures taken that have affected or weakened social dialogue, collective bargaining and social security systems, in countries such as Greece, Portugal or Spain²⁶.

The Flagship Initiative “European Platform against Poverty” created under the Europe 2020 Strategy has the objective to “*raise awareness and recognise the fundamental rights of people experiencing poverty and social exclusion, enabling them to live in dignity and take an active part in society.*”²⁷ It would be desirable that the Mid-Term review of the Europe 2020 Strategy takes full account of the conclusions reached by the ILO and Council of Europe’s supervisory systems regarding the upholding of human, social and labour rights in time of crisis.

As the implementation gap of the Europe 2020 Strategy can be explained to a certain extent by the lack of ownership at the national level, a genuine involvement of social partners and other stakeholders is necessary to deliver on the headline targets. Stronger efforts should be made to strengthen social dialogue in EU member states, particularly in those affected by the crisis as well as in most of the Eastern European countries where social dialogue, including collective bargaining, have no strong roots and in some cases have been further weakened by policies taken as a response to the crisis. The recommendation of the EC inviting member states to discuss national reform programmes and Stability or Convergence Programmes with national parliaments and all relevant parties including social partners should be re-emphasised and given effect. Social dialogue, including collective bargaining are indeed instrumental to building consensus and undertaking the necessary reforms at the national level, as illustrated in countries

²⁵ Quote by Secretary General of the Council of Europe, Thorbjørn Jagland: <http://hub.coe.int/web/coe-portal/press/pressreleases> (press release DC011(2014) of 28/01/14) - Report “Safeguarding human rights in times of economic crisis – CoE Commissioner for Human rights http://www.enetenglish.gr/resources/article-iles/prems162913_gbr_1700_safeguardinghumanrights_web.pdf”

²⁶ 2014 Greece C102 (p. 80): The Conference Committee on the Application of Standards “... observed that the continuous contraction of the social security system in terms of coverage and benefits had affected all branches of social security and in some instances resulted in reducing the overall level of protection below the levels laid down in Articles 65–67 of the Convention. In this context, the Committee invited the Government to continue to keep the functioning of the social security system under review and to adjust it, as necessary, making full use of ILO technical assistance to support the quantitative analysis of those options.” http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_246782.pdf

2011 Greece C98 (p.68) http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_157818.pdf

2013 Greece C98 (p.76), Spain C122 (p.109) http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_216456.pdf

2014 Greece C102 (p.80), Portugal C122 (p.103) http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_246782.pdf

²⁷ Europe 2020 strategy <http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf> p.17

such as Austria, Germany, France, The Netherlands and Finland²⁸ where the social partners came up with innovative initiatives to mitigate the social and employment effects of the crisis.

²⁸ 2013 ILO Report of the Director-General Jobs, growth and social justice p.35
http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_205270.pdf