

## **Economic crisis and the "social" dimension of “Europe 2020”**

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### **ABSTRACT**

*“Europe 2020” has been the new EU strategy for a “smart, sustainable and non-exclusive growth. This article reports the objectives of the “Europe 2020” strategy and makes a critical valuation/assessment of the social dimension of this European strategy. Unquestionably, “Europe 2020” is initially presented to be more social than the Lisbon Strategy, since it brings the European political agenda back into poverty and social exclusion. Also, for the first time, it mentions quantitative objectives and proposals to deal with them. However, as it was demonstrated in practice from its ten-year implementation, it has failed to fulfil its stated objectives, since the social dimension of the European Integration has remained unattainable.*

**KEYWORDS:** “Europe 2020”, social dimension, smart-sustainable-non-exclusive growth.

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### **I. INTRODUCTION**

The European Union has experienced the deepest crisis of its history in recent years. A crisis that emerged as a result of the giant turbulence that broke out in the US financial markets of the USA in 2007 and which quickly evolved to a global economic crisis. A crisis which seemed to threaten itself, for the first time since its establishment, even with collapse, and it's expected to significantly affect the development of capitalism in the predicted future. From the countries of the EU those of Memoranda or those that have signed Loan Agreements have been particularly affected (Greece, Portugal, Ireland, Cyprus, Italy and Spain), which have accepted successive downgrades of their creditworthiness from the markets. This resulted in the first four being forced to pursue economic adjustment programmes under the auspices of the European Commission, the ECB and the IMF ("Troika"). On the other hand, Italy and Spain avoided the memorandum lane and attempted to face the crisis with lending by the European Central Bank and by adopting national financial rationalization programmes. In the context of the economic crisis, the “Europe 2020” Strategy (2011-2020) was instituted as successor to the Lisbon Strategy and it constituted the ten-year strategy of the European Union for a "smart, sustainable and non-exclusive growth". Having as a goal the coordination of social and economic policy, it instituted for the first time quantitative objectives for dealing with poverty and social exclusion. However, the recent effects of the crisis on the public economy, deficits and public debt have led the “Europe 2020” strategy to emphasise economic stability and rationalization. This has led to a dramatic rise of poverty, social exclusion, thus leaving behind its vision for non-exclusive growth of societies, as well as reintegration of the excluded and unemployed into the labour market. Regarding employment, the objectives of the “Europe 2020” strategy have remained especially ambitious as in the Lisbon Strategy.

The new economic governance that was created, aiming basically at avoiding excessive imbalances, imposing clearer and stricter rules, better coordination of national fiscal and macroeconomic policies and the stricter governance of Member States within the EU, they have made it doubtful to reinforce the social dimension of European integration. Furthermore, the new economic governance brought a dangerous pressure on labour and social rights (Guillen, Petmezidou 2014), while it set and the European Social Model under the sovereignty of the contestation.

The purpose of this article is to refer thoroughly to the “Europe 2020” strategy and its objectives. A critical assessment of the “Europe 2020” strategy is also being made in the context of its “social dimension”.

### **II. METHODOLOGY**

Methodological, this article was based on the collection and processing of primary and secondary material. In particular, primary sources containing the Greek legislation, studies and reports of European and International Organisations (OECD, Eurofound, etc.) have been used. Secondary sources were also utilised by Greek and foreign-language bibliography and arthrography, but also by national and international statistical databases.

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### **III. THE "EUROPE 2020" STRATEGY AND CRITICAL ASSESSMENT OF THE "SOCIAL DIMENSION"**

On 3rd March 2010, the European Commission proposed "Europe 2020" or "European Strategy 2020", which was approved by the European Council on 26th March 2010 as the new strategy for the next ten years (2011-2020), having as a goal to set the European Union a sustainable non-exclusive economy offering high levels of employment, productivity, competitiveness and social cohesion (Feronas, 2013, European Commission, 2010a). In particular, the "Europe 2020" strategy, as successor to the "Lisbon 2000-2010" strategy, was aimed at coordinating social, but also economic policy, based on a "Smart, Sustainable and Non-Exclusive Growth" (European Commission, 2010a).

In particular, "Europe 2020" has pursued to achieve a:

- "Smart growth", through the promotion and enhancement of knowledge, research and innovation as driving forces of our future growth.
- "Sustainable growth", by promoting a more "green" and more competitive economy, with a proper use of resources in efficiency.
- "Non-exclusive growth", by promoting a high employment economy that would achieve social and territorial cohesion.

According to the President of the European Council Herman Van Rompuy (26/3/2010), the "Europe 2020" Strategy summarises the European social economy model with a strong environmental dimension.

The establishment for the first time of the "Europe 2020" quantitative objectives for combating poverty and social exclusion at EU level is a positive progress (even at the symbolic level), implying the intention of its social dimension to be at the same high political profile as its other political priorities (Feronas, 2013, Vandembrouck & Vleminckx, 2011).

However, as it was demonstrated by its ten-year implementation, "Europe 2020" was not an appropriate strategy to confront the problems of poverty and social exclusion facing an ever increasing number of EU citizens, as a significant impact of the economic crisis. Thus, as a result of this weakness "Europe 2020" was a setback in relation to its predecessor, the Lisbon Strategy, in the context of its social dimension.

In a historical flashback, the developments in the EU countries did not justify the Lisbon expectations in the decade 2000-2010 to reduce poverty. The political objective of "Europe 2020" to reduce 20 million people plagued by the risk of poverty and social exclusion was semantically remarkable as it constituted a positive progress, although it may have been proven in practice that it is politically and technically over-optimistic as up to 2020, with quantitative terms, it was calculated that people at risk of poverty and social exclusion would be reduced to 15 million against the initial target of 20 million (Venieris, 2013, Feronas, 2013, Copeland and Daly, 2012, Frazer and Marlier, 2012).

Clearly, a major factor in poverty reduction and social exclusion was the reintegration of excluded people into the labour market, as well as the promotion of quality jobs that would improve working conditions. In particular, the objectives of the "Europe 2020" strategy in the field of employment for the age of 20-64 years old were the increase of their participation in the labour market from 70% to 75%. It has also been a goal the development of skilled labour force that would meet the needs of the labour market, to enhance the quality of job positions and lifelong learning.

Thus, the initial goal for 75% of employment in the EU by 2020, as well as the employment rates established for the countries joining the "Memoranda", is disappointing. Unfortunately, the crisis in these countries of Memoranda has taken significant proportions, while at the same time a mutation of the forms under which it was manifested, appeared. Since the debt crisis they have passed through the fiscal crisis and from the fiscal crisis in a particularly serious employment crisis. In this ominous environment, the role of employment policies in a recession period was crucial in order to reduce directly the negative effects of the recession, but also to pave the way for recovery, minimising the time lag of employment adjustment to the improvement of the economic environment. This would achieve a "smart and sustainable non-exclusive growth". The main interventions in the labour market during the recession period can be codified in three major categories of Active Employment Policies:

- 1) Actions to maintain employment
- 2) Actions to create new job positions
- 3) Actions for Training.

However, regarding their effectiveness, the APE (Active Policies of Employment) in the crisis period acted as policies to strengthen labour offer with a view to support compression policies of labour remuneration and create flexible industrial relationships. Unemployment rates have also remained high.

Undoubtedly, the effects of the economic crisis on the public economy and on public debt have led the majority of Member States to cuts in social costs, since fiscal stability has been detrimental to social policies.

Even Europe's basic instrument, the "European Social Fund" (ESF), which has worked by investing in Europe's "human capital" (i.e. workers, young people and jobseekers), as well as the use of this tool to support

employment, support citizens in finding better job positions and ensuring more equitable employment opportunities for all EU citizens, did not respond to the highest degree as it should have. At the time of the crisis the amount of ESF funds has been significantly reduced, leading to the non-achievement of its ambitious objectives and key priorities.

In practice, ESF funding in Active Employment Policies at the time of crisis doesn't consist a broader "development model" for employment but only a temporary anti-unemployment remedy.

In the context of "Europe 2020", the leaders of the old continent give greater emphasis to economic and fiscal stability as a top priority, as a result most countries of the EU with a particular reference to the countries of Memoranda or countries that have signed Loan Agreements, having been led to the sweeping increase of unemployment, poverty and social exclusion. More generally, social rights are limited, while the vision of "non-exclusive growth" aimed at reducing 20 million poor people has already been forgotten.

It is worth noting that the "Ten Integrated Guidelines" for the implementation of the "Europe 2020" Strategy, that were adopted by the European Council in October 2010, focused mainly on the economy, on employment (at moderate level) and with limited references on social policy. In particular, six of them concerned the economic policies of the Member States and the European Union and four the employment and social policy of the Member States. Small references were made to work poverty, to working quality, to social protection, while the agreed priorities in housing policy, in childhood, but also in the poverty of the elderly were ignored.

**Table 1: The "Ten Integrated Guidelines" for "Europe 2020"**

<b>ECONOMY</b> <b>Smart and Sustainable Growth</b>	<b>EMPLOYMENT</b> <b>Non-exclusive Growth</b>
1. Ensuring the quality and sustainability of public finances.	7. Increase of the labour market participation and reduction of structural unemployment. For the age of 20-64 years old the employment rate varies from at least 70% to 75%.
2. Facing macroeconomic imbalances.	8. Development of a skilled workforce responding to labour market needs, promotion of the job positions quality and lifelong learning.
3. Reducing the imbalances in the euro area.	9. Improvement of the performance of education and training at all levels and increase of participation in higher education. • Reduction of school leakages from 15% to 10%. • For ages of 30-34 years old, an increase of the higher education degree from 31% to at least 40%.
4. Optimising support for research and growth and innovation, reinforcement of the knowledge triangle and activation of the potential of digital economy. • Investing 3% of GDP in research, growth, innovation.	10. Promotion of social integration and combat against poverty. • Reduction by 20,000,000 people in poverty and social exclusion conditions or a 25% reduction of people living below the poverty line (Guillen & Petmezidou 2014, Venieris 2013).
5. Improvement of the efficiency in the use of resources and reduction of greenhouse gas emissions. • In comparison with 1990, a 20% reduction (or 30% in case of an international agreement) of greenhouse gas emissions and 20% increase in renewable energy sources and 20% increase in energy efficiency.	
6. Improvement of the environment for businesses and consumers and modernization of the industrial base.	

*Source: Feronas 2013, Venieris 2013, Degryse 2012, European Commission 2010a, Guillen & Petmezidou 2014. Data processing: our estimation.*

The experience gained of the implementation of the "Europe 2020" strategy has given a disappointing picture of the social dimension of European integration. The tools of the new economic governance - "European Semester," "Six Pack", "Two Pack", "Euro plus Pack", "Fiscal Compact" — they confirmed and reinforced the goal for an economic and fiscal stability. Also, out of all these tools only the "European Semester" and the "Euro plus pack" mentioned the perspective of full time employment.

At this point it is worth noting that the "new tools of economic governance" have exerted a strong pressure on labour and social rights, since the social dimension of European Integration has become questionable and they called into question the European Social Model (ESM). In particular, the function of the "economic governance" tools has been integrated into the following context:

### **European Semester**

The European Semester was a "Europe 2020" tool and operated as an annual cycle of Economic Policy Coordination. The objective was to prevent excessive imbalances, to monitor and the Coordination of the Economic and Fiscal Affairs of the Member States (Amstrong 2012: 9, Feronas 2013). In particular, its

jurisdiction included a number of issues [Article 2 of the Legislation (EU) No 1175 / 2011) such as: a) Coordination of Economic Policy, b) Employment Policy, c) Public Economy d) Structural reforms, e) Recommendations i.e. the start of procedures for correcting possible fiscal or structural imbalances and (f) National Budgets (Degryse, 2012, European Commission, 2012).

### **Six pack**

The European Commission on 29th September 2010 formally proposed the reinforcement of the Stability and Growth Pact and the new economic governance in the context of the sixth package. The primary objective of Six Pack was to implement more stringent governance within the European Union. More specifically, the Six Pack was consisted of Six legislative acts, five regulations and a directive. Its four texts dealt with fiscal issues and the reform of the Stability and Growth Pact, while the other two texts focused on the detection and the correction of macroeconomic imbalances in the Eurozone and the European Union (Degryse, 2012).

### **Two Pack**

The European Commission on 23rd November 2011 proposed two Regulations, known as Two Pack, in which an additional coordination and supervision in fiscal matters were introduced in all Member States of euro area having as a result the requirement of greater fiscal discipline of its Member States (Degryse, 2012).

### **Euro plus Pack**

On 11th March 2011, Euro Plus Pack was issued and its main objective was to enhance competitiveness, promote employment, contribute to the sustainability of public finances, reinforce financial stability and coordinate tax policy. In order to achieve the above objectives, some EU Member States made specific commitments for a list of political reforms (Degryse, 2012).

### **Fiscal Compact**

The establishment of the new European Economic Governance was concluded with the Treaty on Stability, on Coordination and on Governance or on the so-called "Fiscal Compact" marking an additional stage for the reinforcement of the economic governance with a focus on fiscal rigour, discipline and surveillance (Degryse, 2012).

In accordance with the above, the vision of "Europe 2020" for non-exclusive growth has been sidelined, and social rights have been trampled at the expense of competitiveness, economic and fiscal growth. In real terms, "Europe 2020" did not appear to be social at all. National governments repeated behaviours corresponding to the past and performances that don't correspond to present performances, while the vast majority of Member States appeared hostile to the development of social policies at European level.

It is a fact that the neo-liberal austerity policy followed by the European Union to tackle the crisis has contributed to further undermining and contestation of the European Social Model. As Quiggin claims, the policy of expansionary austerity is not described as an "economic idea-zombie" but as a political strategy of a war category.

It is a fact that the neo-liberal European Social Model, (ESM), introduced in the second decade of 1980 by Jacques Delors, is in doubt and its ability to guarantee high social cohesion in times of crisis is lifted.

In particular, the essential ingredients of the ESM, a concept introduced by Jacques Delors, consists mainly of:

- a) pursuing a macro-economic policy aimed at high levels and full-time employment
- b) a policy that will allow real wage increases, reflecting the growth of productivity and adopting minimum European wages, that result in the reduction of low wage employees,
- c) supporting social security systems which provide a high level of social protection on the compensation schemes for the unemployed
- d) maintaining a strong public sector which will contribute both to the provision of services of general interest and the stabilisation of the level of employment
- e) the provision of participation rights at company level and institutions to provide employees with a high degree of designation and
- f) the integration of a social progress clause in the EU Treaty which will give priority to basic social rights in relation to market freedoms.

Through the tough deregulation policies that were imposed on the labour market in the countries of the Memoranda, some of the above main components of the ESM are downgraded or even eliminated. Undoubtedly, the recipe for austerity policy leads to the collapse of the economy. The austerity and liberalisation mixture threatens to tip the balance in favour of the capital and against work for the predictable future. In particular, the coordinated attack on the foundations of labour law, labour rights and social protection during the crisis period was aimed at the demolition of whole aspects of the European Social Model (Venieris, 2013, Pochet and Degryse, 2012).

#### IV. CONCLUSIONS

This article attempted to mention the objectives of the "Europe 2020" strategy and to make a critical valuation/assessment of the social dimension of this strategy. "Europe 2020" appears to be more social than the Lisbon Strategy, after bringing the European political agenda back into poverty and social exclusion. Also, for the first time, it mentions quantitative objectives and proposals to deal with them. However, as it was demonstrated in practice since its ten-year implementation, it has failed to fulfil its stated objectives for a "smart, sustainable and non-exclusive growth" as the social dimension of the European Integration has remained unattainable.

It is a fact that the course of the 21st century on the occasion of the global economic crisis leaves more social ruins than new structures. The expansion of labour insecurity, precarity, unemployment, poverty and social exclusion, especially in the countries of Memoranda or countries that have signed Loan Agreements refer to a general crisis of global capitalism that is intertwined with the distorted economic architecture of the European Integration. The gap of "North-South" countries at almost all levels demonstrates the inequality and diversity that corrode European territory on which the hope of federalism in Europe is grown (Venieris, 2013). As it is claimed and confirmed by sociologists, the current crisis cannot be effectively overcome by reforms, which intensify even more the recession, but also nor by the better control of financial operations, on the contrary we should focus on the creation of a new society based not on the redistribution of national income but on the declaration of the human universal rights as the only possible weapon against the apparent triumph of the globalised economy (Touraine, 2011). There should be a long-term vision for the need to build a New Society without excluded people as a necessary condition for achieving a "smart, sustainable and economic growth" (Feronas, 2013). In this context, the adoption of common European institutions, common labour and social standards, a common fiscal and tax policy on the full dimension of the European Integration (Sakellarpoulos, 2011) is also undeniable. Clearly, the future of the European Social Model, which will overcome the crisis (economic, social and political) also depends on its ability to integrate innovative and bold ideas. A bold idea could be the "Basic Income", that is, a social benefit at the same height for everyone, access to which doesn't require neither a low income nor the payment of insurance contributions but only the citizen's status. Thus, through "Basic Income", the hope of combating poverty and social exclusion is born (Matsagganis, 2013, Parijs, 1995). The opinion of G. Esping-Andersen to achieve social integration within the family environment and the fight against social exclusion based on a child-centred social investment strategy is also a bold idea for the survival of the European Social Model. The exact implementation of these innovative ideas, eventually, so that they function additionally to achieve the effective way out of the crisis across Europe, with a "smart, sustainable, and non-exclusive growth" may lead to the completion of a European integration that will be based on European social policy and social justice.

In conclusion, this crisis could also be an opportunity for a radical change that will contribute to the balance of social forces in favour of the labour market both at the Centre and in the Region, both in the North and in the South. Through appropriate political, social alliances, innovative and bold ideas Europe, and in particular the countries of Memoranda or countries that have signed Loan Agreements that followed an Agreement Memoranda or economic reorganization programmes, will escape the clamp of debt, austerity, and will bring about the possible construction of the European Integration and the "Federalization" of countries.

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