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ΕΛΙΑΜΕΠ

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ΙΔΡΥΜΑ ΣΤΑΥΡΟΣ ΝΙΑΡΧΟΣ  
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## STUDY GUIDE



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## Table of Contents

1. Introduction.....	2
2. Exploring the notions' interlinks.....	3
3. Unemployment in the EU; let's talk numbers .....	4
4. Priorities for sustainable growth under the scope of Europe 2020 .....	6
5. EU's Policies implemented over this theme.....	9
6. Conclusion .....	10

## 1. Introduction

The Economic and Monetary Union of the European Union (EMU) is without a doubt the most courageous and innovative step of the European integration project so far.

The enlargement of the EMU has led to the need of the institutionalization of the Euro Area meetings. This is how the Euro Summit was born. Leaders of the Eurozone found a forum where they could *“discuss strategic directions for economic policies in order to increase convergence between Euro Area Member States”*. The Euro Summit is described as a necessary tool for the functioning of the EMU and was formalized in the article 12 of the Treaty on Stability, Coordination and Governance (TSCG) that entered into force on the 1st of January 2013 that requires a minimum of two Euro Summits per year.

The institutionalization of the Euro Summit is a critical step for a better economic governance of the Euro Area. It is a significant indicator of interstate cooperation, allowing leaders a closer collaboration in order to avoid renewal of past mistakes that have dearly taken a toll on the European project and the lives of European citizens belonging in the Eurozone. It is crucial for European leaders to have a formal forum for discussion of the Euro Area policies.

Even though the Euro Summit normally consists of the Eurozone’s Heads of State or Government, for the purpose of our simulation leaders will be accompanied by their respective Ministers of Finance. In the simulation will also participate, as provided by article 12, the President of the European Commission and the President of the European Central Bank (for more details you may refer to the Euro Summit Simulation’s Rules of Procedure).

In fact, this simulation is designed to further train the already high-skilled European youth on the functioning and the negotiating procedures of the Euro Area. The crisis that we have been trying to overcome for the past six years has severely shaken up the architecture of the Eurozone influencing not only the European currency’s weight on the international scene, but more directly the everyday life of the European citizens, us. This crisis has generated great divergence among and within Euro Area Member States. Thus, in order to tackle the different political and social phenomena produced by the current situation, it is of crucial importance to find sustainable solutions for the Euro Area.

Consequently, we have chosen the following title as our debate thematic: *“Growth - Jobs - Cohesion”*.

First, the title has been drawn from the agenda of the current Greek presidency of the European Council. Moreover, we strongly believe that this specific title truly touches the core essence of both the issues troubling the Union and the solutions that need to be implemented in order to ensure a sustainable future of prosperity for Europe. It is also the greatest challenge EU faces and will concern Europe for the following years. Being the new European generation, a step away from entering the labor market, this subject reflects directly on our future.

For all these reasons, we, the European youth, should not remain passive waiting for decisions to be taken by others on problems that concern us. This simulation is our tool to raise our voice about our very own future. Nevertheless, if we want to be taken seriously, it is essential to demonstrate knowledge on the subject. This study guide aims to provide participants with the necessary data and information to launch their own research in relevance to their role assignment.

## 2. Exploring the notions' interlinks

One's first reaction could easily be that these three terms concern different policy areas. However, the European project's philosophy is built on interlinking policy areas starting from a purely economic union and moving towards a political one.

Therefore, it is essential to take under consideration these factors simultaneously. It is even more essential that these factors are being taken under consideration simultaneously by the Greek agenda, Greece being the country that has suffered the most violent consequences of the current fiscal crisis in the Euro Area. Statistics show that we are gradually arriving to the end of the long recession that has been troubling the EU for the past years. However, we are becoming more and more alerted of different negative scenarios concerning what is called a "jobless recovery".

A "jobless recovery", as the term indicates, means that despite the gradual general economic recovery, unemployment rates remain high. Consequently, gaps have emerged in national societies with big parts of the population unemployed. Moreover, divergence is also being generated among different Member States especially between the Northern block and the so-called periphery, as Southern Member States suffered more intense austerity policies than the Northern ones.

The process of the European integration has been significantly slowed down. The crisis of the Eurozone has a leading role in this situation. States find it difficult to cooperate so closely in an environment where they no longer trust each other but they also find it extremely difficult to persuade their overtaxed unemployed citizens that the Euro Area has more pros than cons. Inequalities and lack of cohesion both on an interstate and an internal scope generate severe tensions, blockage and a strong negative attitude towards the European philosophy.

Therefore, this overall situation has taken a big toll on the general cohesion of the EU. The Institutions and national governments have suffered a big loss of legitimacy and have been the subject of heavy criticism due to tensions created on national scales but also between European nations. These imbalances are very difficult to tackle without a major policy shift from austerity towards sustainable growth throughout the whole of Europe and vice-versa European cohesion is an essential element of any new policy trend from now on. A Europe of two-speeds is simply not operational, even more in regard to Eurozone.

For all the above reasons, the three notions of Growth, Jobs and Cohesion cannot be studied apart in the EU policy-making process, they coexist and they constitute elements and conditions of one another.

### 3. Unemployment in the EU; let's about numbers

As we have mentioned previously, unemployment has reached unprecedented levels in the EU during the crisis. Tackling the problem of unemployment should not be seen autonomously; it constitutes a necessary condition to create a sustainable growth environment and to relieve social tensions within and between Member States.

According to Eurostat, 19,241 million men and women in the Euro Area were unemployed in November 2013. Compared to October 2013, the number of unemployed people by 4,000 in the Euro Area. Compared to November 2012, unemployment rose by 452 000 in the Euro Area.

The above numbers converted into proportions indicate that Euro Area seasonally-adjusted unemployment rate was 12.1% in November 2013 compared to 11.8% in November 2012.

The divergence on this matter between Member States is striking. While States such as Austria (4.8%), Germany (5.2%) and Luxembourg (6.1%) keep their

unemployment rates low, the periphery is greatly struggling presenting some shocking numbers, for example Greece 27.8% of unemployment in November 2013 and Spain 26.7% for the same month.

In regard to certain population groups, we are able to conclude that youth unemployment seems to be the most directly affected by the business cycle in general, explaining why youth unemployment remains at such high levels with catastrophic social and economic consequences for them as individuals, for their Member States but also for Europe in general. More precisely, in November 2013, 3,575 million people under the age of 25 (24.2%) were unemployed in the Euro Area. Compared to November 2012, youth unemployment increased by 2,000 in the Euro Area. Here still, there is a wide dispersion between Member States, with the September 2013 figures ranging from 7.7% in Germany and 8.7% in Austria to 57.7% and 54.8% in Greece.

Furthermore, unemployment differentiates between genders. With the onset of the crisis, it was the male dominated sectors that were affected the most, raising the male unemployment. More specifically, employment rates for men aging between 20 and 64 have significantly decreased from 77.9% in 2008 to 74.5% in 2012. On the contrary, female employment in Europe was less affected and has even slightly increased over the last years.

Increase of 3.3% points since 2008 has been also been recorded in employment rates for older European workers (55-64), reaching 48.8% in 2012. Certain countries (Belgium, Germany, France, Italy, Luxembourg and the Netherlands) have even presented significant rise in the employment of the specific group, especially female (5% points).

As for educational levels, decreases in employment have been larger for the low-skilled and lower for highly educated individuals. Third-country nationals (20-64) have also been affected by the crisis that dropped their employment rate by 1.7% points since 2010 down to 56.8% in 2012.

The last five years, permanent employment was significantly diminished but even greater was the decrease that short-time employment faced. After four years of declining course, full-employment is down by 8.3 million (-4.6%) since 2008. On the contrary, part-time employment has seen a rise of 6.4% since 2008, which means 2.5 million (more) part-time jobs. In the last years, the most significant losses have been recorded in construction (-4.5%), agriculture (-1.5%) and manufacturing (1.2%). A sector that not only was not negatively

affected but has even grown by 2.5% is Information and Communication Technology (ICT). The above figures are indicative for the whole of EU.

These last years, Europe is confronted to an unprecedentedly volatile fiscal, political and social situation in a non-cohesive way among its Member States. Signs of recovery may have appeared in certain Member States, but this is not predicted to be neither proximate nor stable. A variety of reasons add to the formation of this unsustainable economic complex. First of all, the high sovereign debt of certain countries in combination with the justifiable mistrust towards the banking sector resilience, result inevitably in the shattering of financial systems and credit markets, accompanied by the consequent reduced consumer demand especially in the recovering economies. Reformation of the State structures and adjustment to the emerging needs are imperative so as to respond to the fragmentation of the labor market and the particularly high unemployment rates. Therefore, for the time to come, neither significant improvement should be expected, nor the social depression will be defused.

#### 4. Priorities for sustainable growth under the scope of Europe 2020

European Union as it is clearly mentioned at the third Article §1 of the Treaty on the European Union, aims *"to promote peace, its values and the well-being of its people"*. Under this fundamental Article of the Lisbon Treaty, EU realizes the need of establishing a more cohesive policy on the light of the current fiscal crisis. Europe 2020 Strategy starts by recognizing that *"Europe faces a moment of transformation"*. The challenges EU, and more specifically the Eurozone, faces nowadays are continuously growing, competitiveness seems to fail reaching the criteria to make EU an equal player to the international arena and the leaders of the Union are increasingly concerned by the growth levels of what they used to qualify as under-developed economies. Europe 2020 recognizes the weaknesses of EU and its member states and aims to assist on building a strong united economy, boost productivity and make sustainable growth at every level synonym of the European Union social and territorial cohesion. Europe 2020 Strategy mainly focuses on three key pillars: smart, sustainable and inclusive growth.

Member states have to follow a transparent policy based on mutual effort to implement the proposals made at the 7 flagship initiatives created under the pre-mentioned key pillars and to reach the targets set for 2020. Recognizing that EU has the ability and capabilities to become a key player in the global economy, this strategy strongly supports that greater investments from the member states - as

well as the main institutions of EU - for R&D and ICT products and services should be made, cohesion through social inclusion should be achieved and the Union should focus on creating jobs from new innovating fields of expertise (eg. "green" economy), which are predicted to be the future of the world as we know it. "Business as usual", which obviously has led Europe at the current situation, has to stop being followed by member states and the great financial and productivity gaps between EU's economies should start eliminating by a stronger and more cohesive monetary system. It is essential for action to be made equally and concurrently at national, EU's and international level, so as to achieve the ambitious targets set for Europe's short (and long) future.

Thus, the Europe 2020 Strategy is a useful tool to be taken under consideration by the Euro Summit. In fact, this strategy summarizes our topic; there is no cohesion in an environment of asymmetric growth and there can be no sustainable growth without jobs.

At the Europe 2020 Strategy, smart growth is described as focusing on "developing an economy based on knowledge and innovation". The current investment of EU on R&D of lower than 2% of Europe's GDP has to immediately increase to at least 3% by 2020, when USA's current invest on the same factor is 2,6% and Japan's 3,4%. Horizon 2020, the key financial instrument implementing Europe's 2020 Strategy goals, clearly highlights that investment on R&D, at the same time on public and private sector, can only lead to innovation, keep the talented scientists of EU at Europe's territory and, therefore, bring productivity and competitiveness for Europe. Without R&D generous investments, is obvious that EU will face extremely high risk of remaining aside of the world economic competition the following years.

Moreover, great attention is given to investment on new technologies, ICT products and services, information and communication technologies, named as "digital society". The global demand for new and innovative technologies reaches € 2,000 billion of the global market, in which EU's firms share is only one quarter of the total amount . Free and without barriers access to internet from each citizen of EU and every area (rural or urban) is also a key element that assists on innovation, and pays attention on Europe 2020 Strategy. Education, training and lifelong learning maintains also the interest and is added to the smart growth value, since equal access to every educational level, competitive tertiary educational system (in contrast with USA's, China's and Japan' systems), tenuous training to reach labor market needs will create strong labor force, increase employment rates on EU's territory and improve efficiency and productivity as to lead on innovation for the Union. Youth unemployment of at least 23% of EU's youth is certainly a huge problem to be resolved by focusing on better

educational and training quality and creation of more employment opportunities.

Sustainable growth is considered by Europe 2020 Strategy as the key factor that will ensure and guarantee the viability of the Union and make EU gradually one of the most competitive markets of the world. Attention is given to sustainable growth, since this is expected to give more long-term results. Building of an environment friendly to resources efficiency, sustainable and competitive united economy and giving the appropriate boosting on new technologies, green policies and economy and SME's will reassure the establishment of sustainable growth. Especially, Europe 2020 Strategy proposes to combat climate change by meeting the "20/20/20" climate/energy goals, focus on clean and efficient energy and open EU market to more energy suppliers by 2020. This can add an extra of 0,6% to 0,8% GDP at the current one of EU. Focus on renewable energy market, which is predicted to be the future of the world, is estimated to create more than 600,000 new jobs and great competitive advantage for EU.

Last but not least, inclusive growth refers to high employment opportunities and empowering of the citizens with effective educational and training system, modernizing of labor markets, social and territorial cohesion and inclusion, improving welfare systems, fighting of high poverty rates, gender equality as well as empowering of corporate social responsibility of the private sector.

Single market has to be reformed and complete all the remaining gaps which pose barriers for trade inside and outside the Union. Even if the national systems of 18 Member States have been consolidated, there is still pendency to be arranged, such as building a united taxation system and free access for businesses and consumers to products and services beyond each member state's border. Furthermore, the single market should be open to services for every person or business under the Services Directive, ensuring at the same time the provided quality. Entrepreneurship and SME's should be supported by EU funding and policies, reducing the legislative barriers, while a European Contract Law are proposed to be established.

The European Commission inaugurated 7 Flagship Initiatives to implement Europe 2020 Strategy, focused on the three pillars of smart, sustainable and inclusive growth. For smart growth the Flagship Initiatives are "Innovation Union", "Youth on the Move" and "A Digital Agenda for Europe", for sustainable growth, the "Resource efficient Europe", "An industrial Policy for the Globalization era" and for inclusive growth "An agenda for new skills and jobs" and the "European Platform against Poverty"

## 5. EU's Policies implemented over this theme

Interconnected with Europe 2020 Strategy is the European Semester which is designed to monitor and commission at EU level the implementation of the targets, following a country-specific recommendation policy. European Semester is a six-month cycle of economic (eg. macroeconomic), fiscal (eg. budgetary) and structural coordinating policy. European Commission sets the targets to be implemented for the upcoming year by shaping the Annual Growth Survey, which delivers to the European Parliament and along with Parliament's contributions, provide the recommendations to the European Semester, which is in charge of "guiding" Member States to apply at national level. Indicatively, the Annual Growth Report of 2014 highlights the need for deepening the European Semester, maintains the importance of implementing Europe 2020 strategies and stresses out the need of implementing the Single Market Act I & II (SMA), as adopted on April 2011 & October 2012, accordingly. SMA is designed to foster integration of the Single Market, stimulate growth and prosperity, create new jobs and boost confidence, focusing on access to finance for SMEs, mobility of the citizens, intellectual property rights protection, better quality and services for consumers, networks improvement, digital single market, social entrepreneurship, taxation system, social cohesion and business environment modernizing.

The other basic instrument to fund Europe 2020 Initiatives, especially "Innovation Union" is the Multiannual Financial Framework (MFF) for 2014-2020, which - as voted on December 2013 by the European Parliament - is about to reinforce EU competitiveness, create jobs and sustainable growth by investing on R&D and education € 125,61 billion (more than 37% increase of the MFF 2007-2013 expenditure) and creating the Youth Employment Initiative with € 6 billion, half of which are invested by European Social Fund. MFF 2014-2020 is strongly supported by European Commission and the European Investment Bank (EIB), since they are the key actors on implementation of MFF as a priority. Also, the Compact for Growth and Jobs, agreed by European Council on 2012, aims at mobilizing € 120 billion in order to help domestic capabilities for growth on tackling unemployment (youth mainly), modernizing public administration and developing e-government services.

Furthermore, special attention is given by European decision-makers to dramatic high youth unemployment rates and the appropriate implementation of policies such as the "Youth Guarantee" and the "Youth on the Move" Initiatives. Investment on human capital, especially youth, determines the future of European Union the following decades. As social indicators refer, Europe's

people are ageing faster than expected and youth are facing great threats for their future, that leads them abandon Europe for other countries outside of it. Youth Guarantee as is characteristically described on the Official Website is *“a new approach to tackling youth unemployment which ensures that all young people under 25 – whether registered with employment services or not – get a good-quality, concrete offer within 4 months of them leaving formal education or becoming unemployed.”*

## 6. Conclusion

It would be unrealistic and naive to claim that Europe after its 60 and more years of existence has nowadays reached a satisfying level of growth, inequalities between Member States have elapsed, citizens of this Union feel as being an inadequate part of it and transparency within the EU leads the community to face united the common threats.

Moreover, it would be unfair to say that EU's bodies have neglected to take actions and tackle all these threats and challenges so as to create a more stable and viable environment for businesses, investments and, of course, the citizens. Why then, despite all these policies implemented, EU maintains these levels of threats and economic deficiency?

Undoubtedly, the current crisis has played an eminent role, since it has deepened the gap among EU's economies and revealed the structural problems smaller economies face. But great attention should be given to the lack of political will and strong coherent and coordinated policy originating by Member States. The examples are numerous; delayed action on emerging situations resulting to leaving exposed the members that failed to reach the same growth pace as the more developed of the EU. These examples have brought controversy to the citizens and mistrust towards the Institutions, national authorities and the European project as a whole. And this will lead on to gradually abandoning of the EU's ideas, estranging civilians with it and inciting them to move for other mainland and countries outside the EU to invest their knowledge gained of the European educational system as well as their talent, transforming the EU to a land of elderlies.

Therefore, it is of high importance for the Member States of the Eurozone to intrude on the challenges and problematic described in this Study Guide so as to give EU citizens and entrepreneurs incentives to work united for building the future of Europe. The challenge for you lies on a double scale; we are looking for solutions that will enable the European economies to stand strong on an

international level and at the same time implement policies on an internal scale (infra-EU and nationally) in order to eliminate the divergences that this crisis brought to light.

As it is also described in the Europe 2020 Strategy, the EU's advantage is that some of the greatest leaders of G20 are members of this Union, the history of this land is one of the most ancient in the world and disposing a workforce of 500 million citizens can give the Union the necessary improvement and the needed competitiveness for the following decades, if treated appropriately. Last but not least, as Robert Schumann said on May 9th, 1950 "Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity". The challenge will be to see if Europe will verify its leader's oracle.