

University of Florence

Department of Political and Social Science

Master's programme of International Relations and
European Studies

Economics of European Integration

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The EU strategy for Growth and Employment : from Lisbon Strategy to Next Generation EU

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Structure of the lecture

Introduction

I – The European strategies to support growth and employment (2000-2020)

II – Next Generation EU (2020-2027) : new EU strategy for growth and employment ?

Conclusion, ongoing research and opportunities for students

Introduction

- **The current situation in the EU ?**
- 27 Member States in the EU (since the UK Brexit at the end of 2019)
- 20 Member States in the EMU (7 countries not belonging to the EMU, Croatia is the last country to join the euro area, on 1 January 2023)

- **The European focus on employment and growth :**
- A very early focus (officially since 2000 but already before)
- An overall strategy
- A 10 years strategy in general
- Many difficulties to overcome

- **Milestones :**
- The Lisbon Strategy (2000-2010)
- The Europe 2020 Strategy (2010-2020)
- Next Generation EU (2020-2027)

I – The European strategies to support growth and employment (2000-2020)



The Lisbon Strategy (2000-2010) : objectives and contrasting results

- **General framework :**
- Lisbon Strategy or Lisbon Agenda or Lisbon Process
- A strategy adopted in march 2000 by the EU Council
- A favorable economic context (growth, low unemployment, reduction of public deficits ...)
- At the end of the 2000 : a deep analysis and evaluation of the methods used and the results achieved

- **The overall strategy :**
- The aim : “to make the EU the most competitive and the most dynamic knowledge economy in the world”
- How to reach this objective ? A strategy founded on a large coordination of national economic policies (with the Open Method of Coordination between Member States)
- How to assess this objective ? Specific targets and various indicators

- **The final goals :**
- Growth
- Employment (for women and senior especially)
- Environment

- **The intermediate targets to reach the final goals :**
- Education
- Research and development
- Fiscal discipline
- Internal market
-
- More than hundred intermediate targets !

- **Disappointed results :**
- Objectives have not been achieved
- But the dynamics to support growth and employment in the EU is launched
- Several reasons to explain the failure of this strategy

- **A problem of definition :**
- A too ambitious strategy
- A too busy schedule
- Too many indicators (more than hundred indicators !)
- A problem of consistency between indicators
- A strategy excessively focused on outcomes, not enough on means to achieve it
- Not enough consideration for social dimension
- Not enough consideration for national features (strengths, weaknesses)

- **A problem of political governance :**
- Concerned areas mainly national competences in the hand of Member States
- The implementation of the recommended reforms only depends on Member States' good-will
- No sanction when objectives are not achieved
- Lack of an iconic leader to support this strategy (as Jacques Delors for the single market for instance)
- No financial resources

- **A less and less favorable economic context :**
- Successive enlargements (2004, 2007 ...) have weakened the achievement of objectives
- The financial crisis of 2008 becoming an economic and social crisis

The Europe 2020 Strategy (2010-2020)

- **The overall strategy:**
- Strategy which applies from 2010 and follows the Lisbon Strategy
- A strategy adopted in March 2010 by the EU Council
- Take into account the lessons of past failure :
 - ✓ A less ambitious strategy : “to support a smart, sustainable and inclusive growth in the EU”
 - ✓ With less indicators : only 5 key targets for the EU in 2020
 - ✓ A burden-sharing between national and community action
 - ✓ Overall targets translated into national targets to enable Member States to check its own progress toward these goals and to reflect national specificities
 - ✓ The targets are interrelated and mutually reinforced. For instance :
 - education improvements help employability and reduce poverty
 - More R&D and innovation combined with more efficient use of resources makes EU more competitive and creates jobs
 - More investment in cleaner technologies enable to create jobs and fight climate change

- **The 5 key targets for the EU in 2020 :**

1. Employment : 75% of the 20-64 year-olds to be employed

2. Research and Development : 3% of the EU's GDP to be invested in Research and Development

3. Climate change and energy sustainability :

- 20% of energy from renewables
- 20% increase in energy efficiency
- greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990

4. Education :

- reducing the rates of early school leaving below 10%
- at least 40% of 30-34 year-olds completing third level education

5. Fighting poverty and social exclusion : at least 20 million fewer people in or at risk of poverty and social exclusion

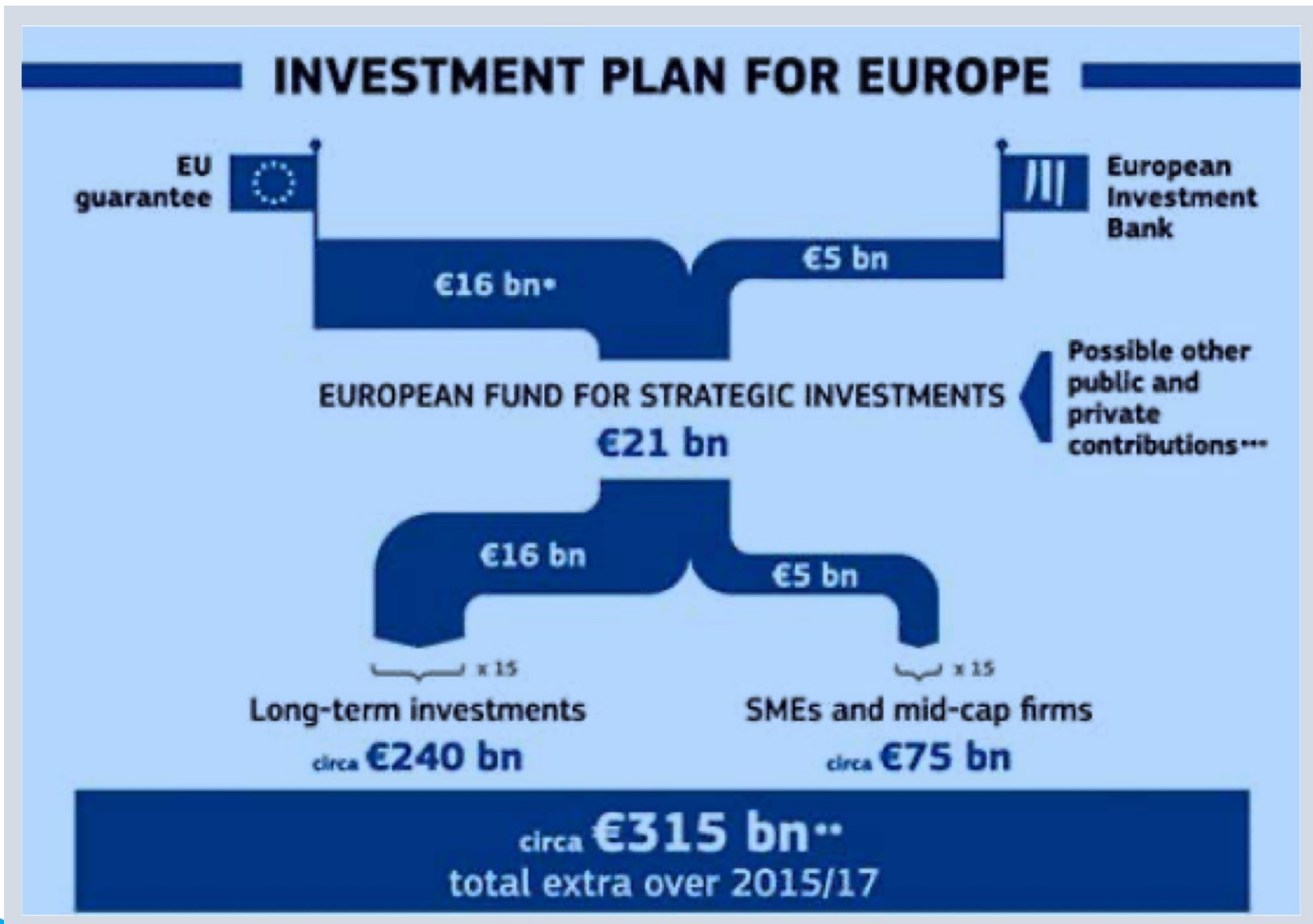
EU/Member States targets	Employment rate (in %)	R&D in % of GDP	CO ² emission reduction targets ²	Renewable energy	Energy efficiency – reduction of energy consumption in Mtoe	Early school leaving in %	Tertiary education in %	Reduction of population at risk of poverty or social exclusion in number of persons
EU headline target	75%	3%	-20% (compared to 1990 levels)	20%	20% increase in energy efficiency equalling 368 Mtoe	10%	40%	20,000,000
Estimated EU ³	73.70-74%	2.65-2.72%	-20% (compared to 1990 levels)	20%	206.9 Mtoe	10.30-10.50%	37.50-38.0%	Result cannot be calculated because of differences in national methodologies

Europe 2020 targets¹

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AT	77-78%	3.76%	-16%	34%	7.16	9.5%	38%	235,000
BE	73.2%	3.0%	-15%	13%	9.80	9.5%	47%	380,000
BG	76%	1.5%	20%	16%	3.20	11%	36%	260,000
CY	75-77%	0.5%	-5%	13%	0.46	10%	46%	27,000
CZ	75%	1% (public sector only)	9%	13%	n.a.	5.5%	32%	Maintaining the number of persons at risk of poverty or social exclusion at the level of 2008 (15.3% of total population) with efforts to reduce it by 30,000
DE	77%	3%	-14%	18%	38.30	<10%	42%	330,000 (long-term unemployed)
DK	80%	3%	-20%	30%	0.83	<10%	At least 40%	22,000 (household with low work intensity)
EE	76%	3%	11%	25%	0.71	9.5%	40%	Reduce the at risk of poverty rate (after social transfers) to 15% (from 17.5% in 2010)
EL	70%	to be revised	-4%	18%	2.70	9.7%	32%	450,000
ES	74%	3%	-10%	20%	25.20	15%	44%	1,400,000-1,500,000
FI	78%	4%	-16%	38%	4.21	8%	42% (narrow national definition)	150,000

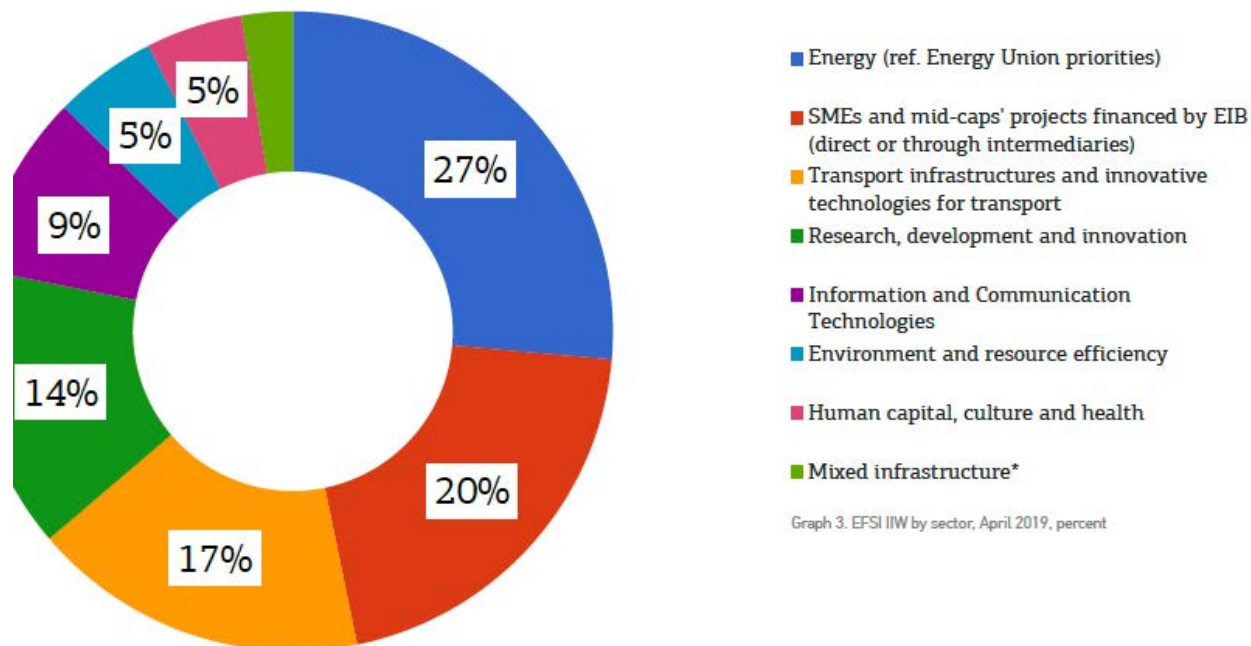
Member States targets	Employment rate (in %)	R&D in % of GDP	CO ² emission reduction targets	Renewable energy	Energy efficiency – reduction of energy consumption in Mtoe	Early school leaving in %	Tertiary education in %	Reduction of population at risk of poverty or social exclusion in number of persons
FR	75%	3%	-14%	23%	34.00	9.5%	50%	Reduction of the anchored at risk of poverty rate by one third for the period 2007-2012 or by 1,600 000 people
HU	75%	1.8%	10%	14.65%	2.96	10%	30.3%	450,000
IE	69-71%	approx.2% (2.5% GNP)	-20%	16%	2.75	8%	60%	186,000 by 2016
IT	67-69%	1.53%	-13%	17%	27.90	15-16%	26-27%	2,200,000
LT	72.8%	1.9%	15%	23%	1.14	<9%	40%	170,000
LU	73%	2.3-2.6%	-20%	11%	0.20	<10%	40%	No target
LV	73%	1.5%	17%	40%	0.67	13.4%	34-36%	121,000
MT	62.9%	0.67%	5%	10%	0.24	29%	33%	6,560
NL	80 %	2,5 %	-16%	14%	n.a.	<8 %	>40% 45% expected in 2020	100,000
PL	71%	1.7%	14%	15.48%	14.00	4.5%	45%	1,500,000
PT	75%	2.7-3.3%	1%	31%	6.00	10%	40%	200,000
RO	70%	2%	19%	24%	10.00	11.3%	26.7%	580,000
SE	Well over 80%	4%	-17%	49%	12.80	<10%	40-45%	Reduction of the % of women and men who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14% by 2020
SI	75%	3%	4%	25%	n.a.	5%	40%	40,000
SK	72%	1%	13%	14%	1.65	6%	40%	170,000
UK	No target in NRP	No target in NRP	-16%	15%	n.a.	No target in NRP	No target in NRP	Existing numerical targets of the 2010 Child Poverty Act

- **The Juncker Plans :**
Juncker Plan (2015-2018) and Juncker Plan 2.0 (2018-2020) :



- Main results by area :

EFSI key figures



Graph 3. EFSI IIV by sector, April 2019, percent

- The Lisbon Strategie (2000-2010) : not a success story
- The Europe 2020 Strategy (2010-2020) : tangible results thanks to the Juncker plans
- What about Europe 2030 strategy ?no new global strategy planned post 2020
- but the pandemic crisis will force policymakers to decide to seize it

Part II – Next Generation EU (2020-2027) : new EU strategy for growth and employment?

Aim and scope, conditions and tools

- **What does it mean ? Main features**

- Aim : to finance the national recovery plans implemented by the 27 EU Member States to face the pandemic crisis between 2021 and 2027 (90 % of the NGEU for Member States)
- Amount of the loan : a large European loan amounting to 750 billion euros
- Features of the loan : 30-year loan (to reimburse between 2028 and 2058)
- Tools : credits (to reimburse by countries) and grants

- **Conditions to benefit from it?** To benefit from this European loan, each country must implement a recovery plan that meets 4 conditions:

- (1) devote 37% of the recovery plan's public spending to the fight against global warming,
- (2) earmark 20% for the digitization of the economy ,
- (3) take into account the reform recommendations of the European Commission resulting from the European Semester,
- (4) respect the rule of law (particularly in terms of the fight against fraud or reform of the public procurement code).

Implementation : allocation between countries, financing and assessment

Recovery and Resilience Facility €723.8 billion

● €338.0 billion in grants ● €385.8 billion in loans

POWER UP
Clean technologies and renewables

RENOVATE
Energy efficiency of buildings

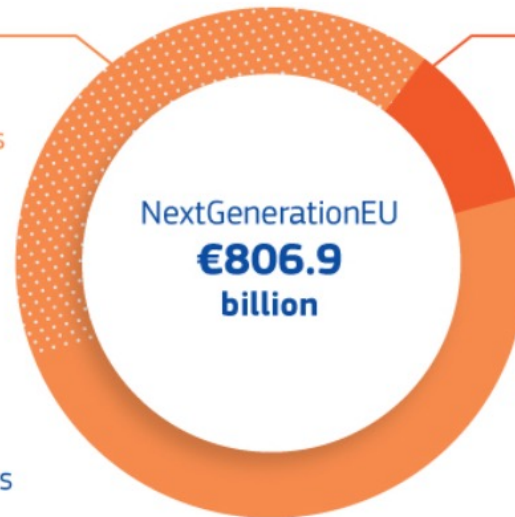
RECHARGE AND REFUEL
Sustainable transport and charging stations

CONNECT
Roll-out of rapid broadband services

MODERNISE
Digitalisation of public administration

SCALE UP
Data cloud and sustainable processors

RESKILL AND UPSKILL
Education and training to support digital skills



NextGenerationEU contribution to other programmes €83.1 billion

REACT-EU
€50.6 billion

JUST TRANSITION FUND
€10.9 billion

RURAL DEVELOPMENT
€8.1 billion

INVESTEU
€6.1 billion

HORIZON EUROPE
€5.4 billion

RESCEU
€2.0 billion

Coronavirus: EU recovery plan

Countries to receive the most from the European Commission proposal

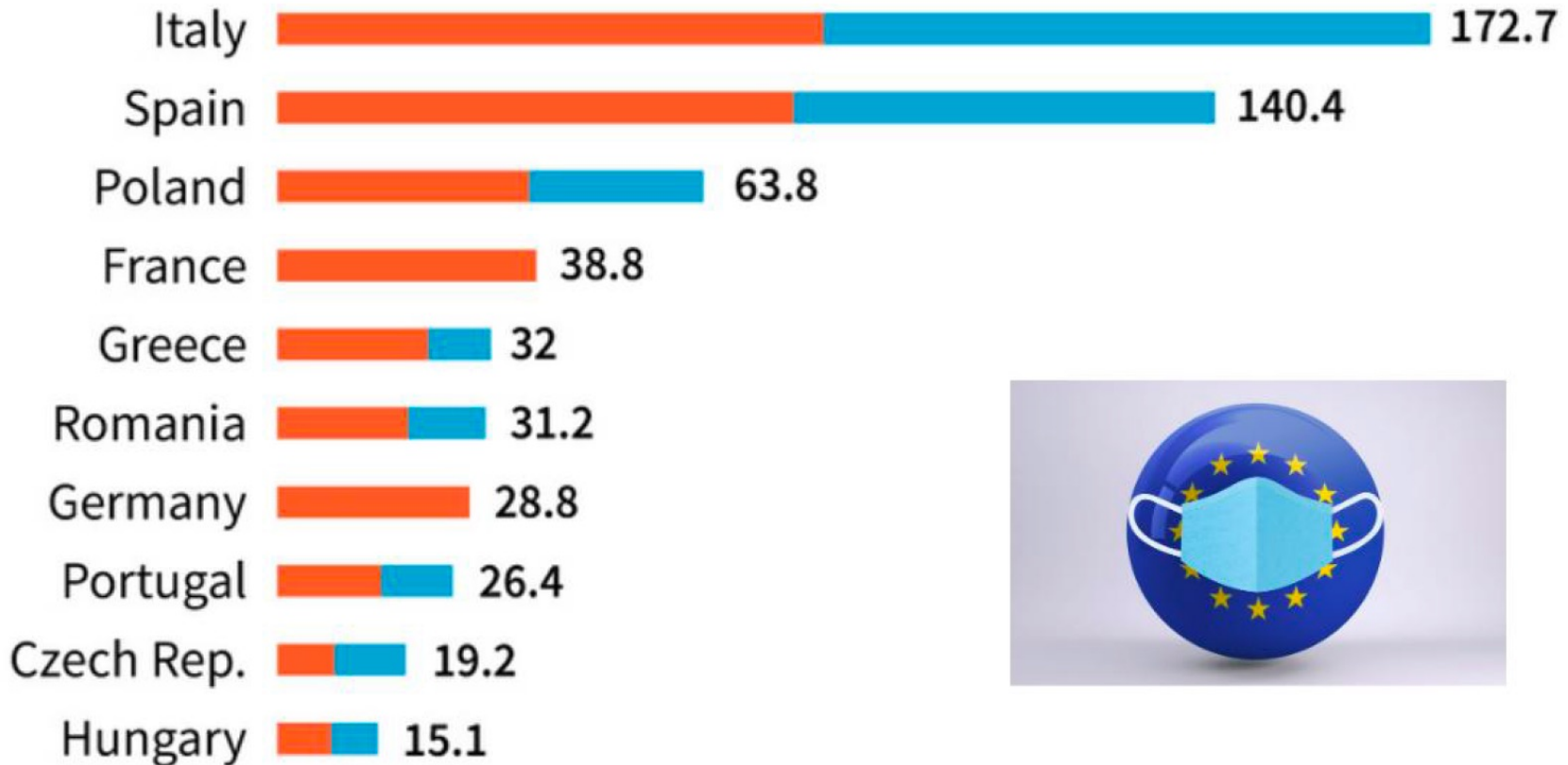
In billions of €



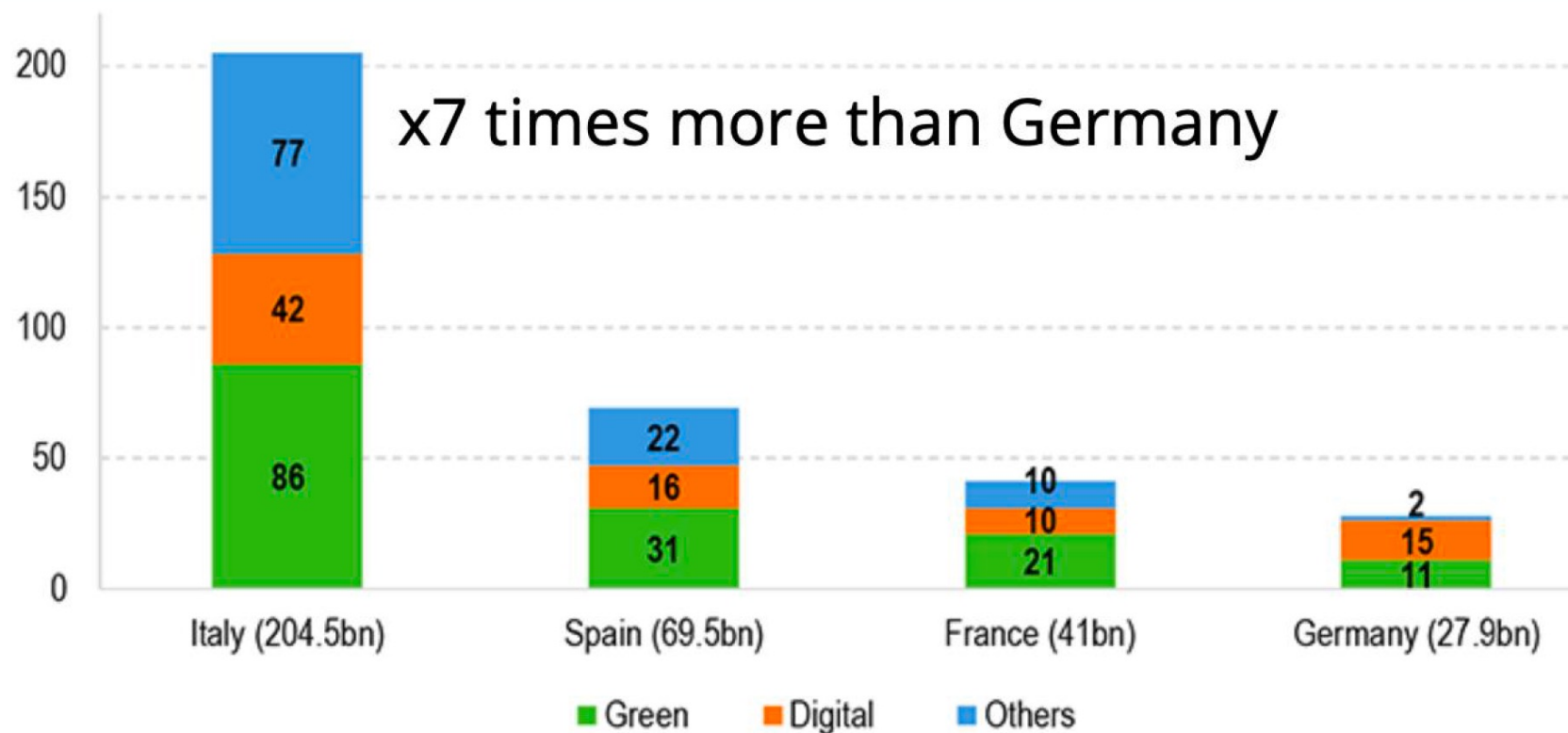
Grants



Loans



NGEU: Ressource allocation, €bn 4 main euro countries



- **Next Generation EU (2021-2027) in a nutshell**

Total amount	Determinants of amount for each EU Member State	Conditions to satisfy for national recovery plan	Future new European own resources (if agreement)
750 billion euros	population	37% to the fight against global warming	new contribution on non-recycled plastic waste (since 2021)
	GDP / capita ratio	20% for the digitization of the economy	for 2023 : carbon border adjustment mechanism
	unemployment rate before the pandemic crisis	introduce reform recommendations of the European Commission	for 2023 : enlargement of system of emission allowance trading
		respect the rule of law	for 2023 : GAFAM tax
			for 2026 : a new common base for corporate tax
			for 2026 : a tax on financial transactions

- **An innovative strategy that corrects the shortcomings of previous ones :**
 - ✓ A clear objective: to make the EU greener, more digital, more resilient and better adapted to meet future challenges (long-run objectives) in addition to the recovery measures
 - ✓ Innovative financial resources : a 30-years European loan amounting to 750 billion euros
 - ✓ Delegation of implementation to countries : national ownership and stronger involvement of all stakeholders
 - ✓ Allocation of funds based on country needs, not on the usual distribution keys
 - ✓ Flexible tools : credits (to reimburse by countries) or grants
 - ✓ Performance-based financing by country

For dataset by country :

<https://www.bruegel.org/dataset/european-union-countries-recovery-and-resilience-plans>

▪ **Main challenges in 2023 :**

- ✓ Implementation of the programs in the various countries

(for Italy for example, irrecoverable delays in the implementation, European Commission froze the 3rd payment => bureaucratic slowness, lack of qualified technicians, lack of infrastructure, cumbersome procedures for tendering for construction sites => Rome has spent less than 10% of the sums planned (the Italian recovery plan provided for more than 150,000 projects to be funded !)

- ✓ Financial resources ? European Union is still trying to find a way to repay its 750 billion € (to date, €6.5 billion of revenue per year => has already been secured, while €15-20 billion per year will be needed from 2028).

- ✓ Ability of the European Commission to monitor and verify projects: very weak long-term socio-economic-environmental impact: unknown : The puzzle of European Union recovery plan assessments : The European Commission monitoring

<https://www.bruegel.org/blog-post/puzzle-european-union-recovery-plan-assessments>

Conclusion, ongoing research and opportunities for students

- **Future avenues and challenges for the EU and the EMU:**
- Threats linked to successive interest rate increase by the ECB
- Ability to reimburse the European loan
- Next reform of the Stability and Growth Pact in 2024 : announce of reform proposals by the EC
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- **My ongoing research on fiscal discipline :**
- Fiscal discipline and government performance (for allocative and redistributive function mainly, following the financial assistance program to countries during the 2008 financial crisis)
- Trust and fiscal policy/fiscal credibility/transparence/trust in government (indicators and impact in behavioral macroeconomic models)
- Political cycles/Government announce/disciplinary role of financial markets (2008 crisis and Lizz Truss example)
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- **Opportunities for Florence students** (if interested, please contact abarbier@unistra.fr)
- Doctoral positions in Strasbourg
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