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## Article

# The European Dream- a More Social EU. from the Economic and Financial Crisis to Europe's 2020 Agenda

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# "THE EUROPEAN DREAM"- A MORE SOCIAL EU. FROM THE ECONOMIC AND FINANCIAL CRISIS TO EUROPE'S 2020 AGENDA

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**Abstract:** *Major challenges have been created by the unprecedented international economic and financial crisis (starting Autumn 2008) with significant impact on the EU's social sector calling into question not only the banking sector, but also many of the achievements that had already been taken for granted in the EU like the Schengen Area or the Euro zone. This article argues that, in the last five years, the impact of the crisis throughout Europe has become more evident on the employment market, the relation of the majority with the immigrants, minorities and the marginal members of the society. Our approach underlines that there is a real need for increased European trans-national socio-economic cooperation and policies in order to deal with the causes of the crisis and such a "coherent European exit strategy" could be Europe 2020 Strategy.*

**Keywords:** EU policy-making; economic crisis; immigrants; social policy; trans-national cooperation.

**JEL Classification:** O52; E32.

## INTRODUCTION

According to many economists, the financial crisis that hit the global economy since the summer of 2007 is without precedent in contemporary economic history, with significant impact on the EU's social sector. Its size and extent are breath-taking questioning not only the banking sector, but also many of the achievements that had already been taken for granted in the EU like the Schengen Area, the Euro zone or the EU integration process. Although the crisis has many features in common with similar financial-stress driven recession episodes in the past (see the Great Depression of the 1930s), its socio-economic and security impact throughout Europe is far more evident on the employment market, the relation of the majority with the immigrants, minorities and

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the marginal members of the society. This situation calls for an integrated trans-national approach to deal with the socio-economic effects of the crisis and this strategy could be Europe's 2020 Strategy.

## **1. THE EFFECTS OF THE ECONOMIC CRISIS ON THE EUROPEAN UNION**

Far from being over, the European crisis is getting worse and its socio-economic and security effects are becoming more visible due to "disturbing levels of poverty and deprivation among children and youth" according to an article from The Guardian (Smith, 2014). The causes of the economic crisis resemble those of other events of this type, like "long periods of rapid credit growth, low risk premiums, abundant availability of liquidity, strong leveraging, soaring asset prices and the development of bubbles in the real estate sector" (European Commission, 2009, p.1).

Although EU politicians talk about overcoming the crisis, austerity and economic realities of different countries severely affected by it, such as Romania, Greece, Bulgaria, Portugal, Spain, Italy or Cyprus come to contradict the EU political optimism / populism. In Cyprus, the rate of poverty among citizens aged over 65 reached 29.3% (Smith, 2014), while in Greece the situation is even worst.

The bankruptcy of Greece posed many questions in term of managing inter- and transnational relations. Furthermore, it contributed to the public perception of the EU as an oxygen mask that can resuscitate any patient (Bunce, 2003), regardless of how serious the problems might be. In this context, the internationally acknowledged coma of Greece is both relevant and harmful, since it leads to a destructive argument that might encourage other countries to follow the pattern: if there were bailout plans for Greece, no matter how serious their financial problems were, there should be a way out for other EU members, as well.

The country's political scene has undergone important changes, causing the rise and popular support for extreme right-wing parties, hasty measures and populist discourse. This crisis has also the potential to undermine all institutions and progress made by the European Union in order to achieve the "United States of Europe" (Ivan, 2009).

Considering the EU the saving solution to all its citizens' problems, even to the deficient internal management is not a new issue. The European officials and the institutions they represent have often been perceived as a viable alternative to the slow, corrupt and incompetent leadership at national level. Still, the recent years' development has proved some failures in terms of European consolidation. To begin with, the lack of mechanisms of control on the Member States and Greece is a particularly pertinent example in this respect, since European officials have failed to identify the

real problems, being target of the downright deceit of the Greek authorities. The absence of such procedures hampers the avoidance of further similar cases, threatening, at the same time, the security of the EU's countries. The positive aspect is that all that speculation occurred immediately after the crisis has not emerged into something real, remaining pure supposition. Moreover, the EU does not seem to react when citizens of two of its member states (the United Kingdom and the Netherlands) are prejudiced following the Iceland banking collapse, taking into consideration the wider context of Iceland's accession process to the EU (BBC News, 2011).

Another aspect that indicates the vulnerability of the EU is the way it organizes its expenditure. The financial report of the European Court of Auditors published in November 2010 indicates major errors of calculation of the 2009 spending on agriculture, structural funds, research, education and foreign aid, categories that bring together more than 90% of the EU budget (European Court of Auditors, 2010). These errors can be traced back to the activity of the Member States, where irregularities are annually observed by the regulatory authorities in Luxembourg. Still, the sum that the European Commission recovered from inaccurate or misleading project implementation in 2009 was with approximately 400 million larger than in the previous year. Regardless of the reasons underlying such a process, the improvement of the management of EU expenditure can avoid or at least diminish further issues in this respect.

The examples presented above illustrate how the EU has neither the self-sufficient potential nor the plans for problem-solving at macro level. The existence of disruptions is imminent within such an institution as the EU, but it is of the utmost important how these issues are dealt with. We argue that there is no reason for a country with an ailing economy to wait for the saving intervention of the EU. European support should be useful, but not addictive.

## **2. THE CONSEQUENCES OF THE CRISIS ON THE SCHENGEN AREA**

The consequences of this crisis are not totally identifiable because it has not finished yet and its effects extend beyond national borders or development sectors. On the other hand, it is possible to identify some outcomes arising from the economic recession. The magnitude and the consequences of the crisis emphasized the need for a unified reaction and for political coordination between EU's member states from a geopolitical perspective since the EU has to act as a single political actor (McNamara, 2010, p.22).

The severe financial instabilities and the strong economic recession that brought the political ascension of populist anti-European parties alongside with the resurgence of nationalism and protectionism are also affecting the Schengen accession process\*.

Amid economic crisis, the increased levels of unemployment, inflation and cuts in the budget in several sectors, governments have brought to the forefront of political discussions the issue of illegal immigration and, consequently, the agreement of free movement. The main concern was the wave of unemployed from the states of Central and Eastern Europe, mainly Romania and Bulgaria. At the same time, the severe crises in Greece, Ireland and Portugal began to raise questions not only about the Schengen Area but also about the euro zone survival (Arestis & Sawyer, 2012, p. 3). Experts underlined the fact that an important cause of the euro crisis was the EU's lack of competence in harmonizing national economies with different levels of competitiveness and various levels of financial difficulty (Corbu, Ștefăniță, 2013, p.8).

In this context, the Schengen integration process (based on the Schengen Agreement<sup>†</sup>) faced substantial mutations, with repercussions on the very idea of participation, inclusion, or having full rights within a form of security based on entirely different principles.

Lately for that matter, due to national security reasons, some of the Schengen Member States have reinstated controls at the internal borders for a limited period, especially on the occasion of certain events. In this respect, Norway applied these measures during the Nobel Prize ceremony or Poland, which conducted such activities during the European Football Championship. Denmark, followed partially by France and Germany tried to unilaterally impose internal border controls (Câmpeanu, 2013).

In 2013, after the Boston attacks in the United States, the Schengen Member States took into consideration an increase in security at the internal borders. In this context, the European Union decided to reform the Schengen Agreement, so that since 2014, the Member States will be able to reinstate controls at the national borders for a maximum of 2 years. Thus, an emergency mechanism was adopted which can be activated by the Schengen states fearing a massive immigration wave.

This mechanism has increased the wave of xenophobia, as demonstrated by French case: the ascent of the National Front in local/national polls, the anti-Roma campaign and the nationalist discourse.

The decision was communicated to the European Commissioner for Internal Affairs, Cecilia Malmström. She stated that the Member States, the European Commission and the European

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\* We are referring here to Romanian and Bulgarian cases and not to Cyprus case (who can't join because of the so-called Republic of Northern Cyprus, which is not subject to EU rules).

<sup>†</sup> *The Schengen Agreement* was signed between the Governments of the Benelux Economic Union, the Federal Republic of Germany and the French Republic states on the gradual abolition of checks at their common borders in Schengen on the 14<sup>th</sup> of June 1985.

Parliament reached a common view in this respect. The new regulations will come into force after a transition period in the fall of 2014. Nevertheless, the agreement is required to be approved by the plenary of the European Parliament and The Member States, but the gesture can be only considered a formality at this point (Diaconu, Colintineanu, 2013).

The reform allows for the possibility of internal border controls to be applied only in exceptional cases and only as a last resort, when a European state can no longer protect its external borders and when the internal security of the European states is threatened, unilateral endeavors being forbidden by the new project.

In an optimistic scenario, the crisis might prove to be a catalyst for positive socio-economic and political changes, but at the same time it can turn into a high risk political instrument called “the fear of immigrants”. In political discourses, through amalgamation and contextualization, themes such as foreigners, immigrants are identified as the cause of several internal socio-economic and security-related issues, in an attempt to cover the policymakers’ failure in identifying viable measures to overcome the economic crisis.

### **3. THE EFFECTS OF THE LABOR MARKET AND THE MEASURES TAKEN TO FIGHT AGAINST UNEMPLOYMENT**

The social and unemployment situation within the EU remained critical in the fourth quarter of 2012, the number of jobs decreasing and the rate of unemployment rising globally, while the financial situation of households was still severe, according to the latest Quarterly Bulletin of the European Commission on employment and social situation. In some Member States, the negative effects of budget cuts and increased taxes upon employment and living standards are more and more apparent. The statistics also show that the net immigration from outside the EU decreased, and furthermore, the crisis has a negative impact on the birth rate (European Commission, 2013a).

Unemployment continued to rise in January 2013, affecting 26.2 million people in the EU (19 million in the Euro zone), i.e. 10.8% of the active population (11.9% in the Euro zone). The gap in terms of unemployment rate between the South/periphery and the North of the Euro zone reached an unprecedented value of 10 percentage points in 2012. The EU GDP contracted by 0.5% during the fourth quarter of 2012, being the largest decline since the beginning of 2009. The global level of employment in the EU decreased with 0.4% in 2012, positive developments being registered only in respect of part-time jobs. Only in the fourth quarter of 2012, the level of employment decreased with 0.2% as compared to the previous quarter (European Commission, 2013a).

In March 2013, the European Council confirmed that the tackling of the unemployment issue and the social consequences of the crisis represent a major priority of the EU policies as well as the national state policies. Thus, in February 2013, the Commission presented a set of measures regarding social investments (European Commission, 2013b). This set, which is an integrated strategic framework taking into consideration social, economic and budgetary differences between the Member States offer them guidelines for a greater efficiency and effectiveness of the social policies in response to the challenges they face. As a result, they focus on: adapting social protection systems to the needs of the people going through critical stages of life; additional measures need to be taken to reduce the risk of social exclusion and thus avoid greater social costs in the future; simplified and better oriented social policies, targeting new adequate and sustainable social protection systems; some states achieve better results in the social domain than others do, despite the fact that they have similar or smaller budgets, which proves that it is possible to streamline social policy spending; modernizing active inclusion strategies applied by the Member States; childcare services and education with affordable and quality costs; preventing premature school dropout; professional training; support for employment, housing assistance and accessibility to medical services are all policy areas with a strong social dimension.

The set concerning social investments is closely related to the European platform regarding the fight against poverty and social exclusion. This initiative provides the Member States with guidelines and favorable directions for the necessary national reforms to achieve the common objectives agreed upon in the 2020 Europe Strategy (smart, sustainable, inclusive growth with greater coordination of national and European policy<sup>\*</sup>).

#### **4. EUROPE 2020 – A COHERENT EUROPEAN EXIT STRATEGY?**

Taking for example Spain, in the context of the economic crisis, the number of people at risk of poverty or social exclusion increased to 12.37 million in 2011 (27% of the general population, 30.6% of children). In 2011, the share of people living in households with low labor force increased to 12.2%, while severe poverty reached 3.9%. The rate of unemployed people also rose to 40.4%, and poverty in the labor field (among workers) to 12.3%, this being the third highest level within the European Union (Social Europe. Current Challenges and the Way forward Annual Report of the Social Protection Committee 2012, 2013, p.220).

In this context, in terms of social inclusion, Spain's objective is to reduce the risk of poverty for 1.4-1.5 million people by 2020, using the indicator developed by the European Commission,

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<sup>\*</sup> For details about *Europe 2020*, see [http://ec.europa.eu/europe2020/index\\_en.html](http://ec.europa.eu/europe2020/index_en.html).



according to which the European Union is trying to reduce the risk of poverty and social exclusion for 20 million people by 2020. This objective is closely related to employment and educational goals set by Europe 2020, namely 75% of the 20-64 year-olds to be employed and at least 40% of 30-34-year-olds completing third level education (*Europe 2020 targets*).

Each year in April, every EU member state has to submit two progress reports (Stability/convergence programmes and National reform programmes ) to explain what they are doing to move closer to the Europe 2020 national targets. Dialogue between national, regional and local government will bring the EU's priorities closer to people, strengthening the feeling of ownership needed to get everyone involved in moving Europe towards the 2020 targets\*. In the context of bringing EU much closer to the people, the civil society is being actively involved in fulfilling the Europe 2020 goals by adopting them as being their own.

According to the 2012 country progress reports, in the context of the prolonged crisis effects, the situation in terms of national employment rates target varies from country to country (from 62.9 % in Malta to 80 % in Denmark, the Netherlands and Sweden) (*Europe 2020 Targets: Employment Rate*, p.2) with direct consequences on the general Europe 2020 goals. In this situation the EU member states shall endeavor considerable effort to reach the target of 75 % proposed by the European Commission in March 2010.

In this context, the success of the Europe 2020 Strategy depends on an integrated and coherent approach to all areas of action, with a special focus on social, economic and employment, along with a close collaboration between all levels of government, relevant stakeholders and civil society.

As we saw during our analysis, the economic crisis managed to challenge many of the achievements that had already been taken for granted in the EU like the Schengen Area, the Euro zone or the EU integration process with important socio-economic and security impact. Another aspect worth mentioning is the effect on the relation of the majority with the immigrants, minorities and the marginal members of the society.

In a Europe under economic crisis and a European Union under identity crisis, the immigrants, the unemployed, the marginal members of the society continue to be the ideal scapegoats in political discourses highlighting the lack of real social EU integration. Since the process of European integration was mostly based on economic instruments, the recovery of the economic situation is mandatory for continuing the Europeanization process (Corbu, Ștefăniță, 2013, p.6).

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\* For more details see [http://ec.europa.eu/europe2020/who-does-what/member-states/index\\_en.htm](http://ec.europa.eu/europe2020/who-does-what/member-states/index_en.htm)



## CONCLUSIONS

Hence, we argue that the role of the EU within the international system is undoubtedly an important one, but poorly shaped so far. The significant degree of heterogeneity among member states further influences the decision-making process when it is expected from the EU to act and react as a coherent actor on the world stage. The economic crisis that broke up in 2008 was a real test for the EU's capability to successfully manage the relations within it. The problems of some Member States and their further appeal to receive financial support from the richer ones (especially from Germany) have weakened its ability to aggregate various national interests and to create a common European vision. The economic crisis managed to challenge many of the achievements that had already been taken for granted in the EU like the Schengen Area, the Euro zone or the EU integration process with important socio-economic and security impact.

In this context, the 2020 European Strategy can be a viable solution for the Union to escape the crisis and can contribute to the "European dream" – a Europe closer to its citizens, if it continues to publish actual measures, implementation plans and budgetary provisions, consultations and coordination between various institutional actors. As for the rest, most actions are a continuation of already existing policies, programmes and networks.

It is time for the challenge of change in EU!

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