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JOURNAL FOR A PROGRESSIVE ECONOMY

The Road(s) Ahead

Key Issues for the New Parliamentary Term

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PROGRESSIVE ECONOMY

The Progressive Economy Initiative was launched in 2012 and is supported by the Socialists and Democrats Group in the European Parliament.

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WHAT IS PROGRESSIVE ECONOMY?

Progressive Economy is an initiative launched in 2012 with a major objective: generate a truly public and informed debate on economic and social policy at national, European and global levels and actively promote **progressive thinking** at academic and at political levels. Progressive Economy is a long-term initiative with a **strategic vision** of its contribution to progressive thinking and action. Without public debate, without clear policy choices, there can be no real democracy. Lack of choice breeds frustration, populism and the growth of anti-politics. **Progressives have a duty** to demonstrate to citizens that they do have a choice and to do what it takes to win the **battle of ideas** in these core areas for the future of our societies. The Progressive Economy initiative - through its **three activity blocks** - provides a new and open space for public and informed debate, which is contributing to build a contemporary progressive economic and social vision for Europe.

FIRST ACTIVITY BLOCK: PEAC

PEAC stands for **"Progressive Economy Academics"** and designates the Progressive Economy networking project among economists active in the scientific community. PEAC also takes inspiration from the word "peak": the point of highest activity, quality, or achievement. PEAC is a major project inside the Progressive Economy initiative. The quality and academic relevance of the project is secured through its **Scientific Board**, composed of leading European and international academics from the economic and social research fields. The aim of PEAC is to foster theoretical and empirical research on economic and social issues, and to facilitate the **transmission of this research into progressive politics,** with a particular focus on European economic and social challenges.

PEAC's activities include meetings of the Scientific Board, **Policy Roundtables** between the members of the SB and key policy makers, scientific work on specific topics of particular long term relevance, focused expert contributions in the form of Briefing Papers, a **Call for Papers**, following the success of the first edition launched in 2013, with the aim of awarding the winning papers at the Annual Forum in April 2015. PEAC also provides **an online platform for academics** to discuss and debate issues of mutual interest.

SECOND ACTIVITY BLOCK: PEPA

PEPA stands for **"Progressive Economy Parliamentary Alliance"** and embraces the Progressive Economy networking project among Members of national Parliaments and Senate belonging to the progressive political family. The aim of PEPA is to strengthen the political cooperation of the European and national parliamentary levels and deepening the democratic dimension of European economic and social governance at EU, Eurozone and Member States' levels. To support its policy work, PEPA will notably rely on input from the Progressive Economy's other range of activities, including the Progressive Economy Scientific Board.

PEPA's activities include **parliamentary meetings** held in the premises of national Parliaments, participation in the **Policy Roundtables** and a dedicated members' only PEPA space on the Progressive Economy website for online exchanges and networking.

THIRD ACTIVITY BLOCK: VISIBILITY

Disseminating and promoting the progressive thinking developed at academic and political levels is at the core of the Progressive Economy initiative. To provide visibility to these ideas, a number of initiatives have been created.

Every year, the Progressive Economy initiative gives support to the so-called **"independent Annual Growth Survey"** Report (iAGS). The iAGS is an independent annual report first published in November 2012 providing detailed analysis, forecasts and recommendations for the European economy. It is produced by three economic institutes: OFCE (Paris), IMK (Düsseldorf) and ECLM (Copenhagen) and provides an essential opportunity to challenge and complement and the Commission's own Annual Growth Survey on the basis of equally solid analysis, forecasting and policy recommendations.

An **Annual Forum** is held every year in spring at the premises of the European Parliament in Brussels. The first Annual Forum was held in March 2013 and the second one in March 2014. The next one is planned to take place in April 2015 around the theme of "sustainable development". Through the high quality of the speakers and the consequent very strong participation the Annual Forum keeps on fostering the networks established by the initiative and contributes to disseminating progressive ideas and it is evolving into a major annual gathering for progressives engaged in economic and social issues.

Policy Roundtables among academics and policy-makers are held to foster and expand the Progressive Economy network, to exchange views and formulate policy proposals.

The **Journal for a Progressive Economy** is a quarterly publication of contributions from academics and policymakers the aim of which is the circulation and the promotion of progressive thinking and the transmission of knowledge and ideas between the academic and political spheres. Each edition has a specific theme around which several articles are prepared.

The initiative, in its different forms, generates a lot of ideas - we make full use of all the available **social media tools**.

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FOREWORD

by the President of the S&D Group

Dear friends,

Welcome to this, the fourth edition of the Journal for a Progressive Economy, which focuses on the major challenges ahead for the EU, as we face this new legislative term. This edition is different to the previous editions, as it is co-edited by three of our foremost colleagues in the Socialists and Democrats Group in the European Parliament, S&D Vice-President Maria João Rodrigues MEP, Agnes Jongerius MEP and Jakob von Weizsäcker MEP. Our three co-editors have invited contributions from academics and political figures of their choosing, as well as making a contribution themselves, in order to outline what they believe are the most critical challenges facing our Union.

The coming legislative term presents our Union with many economic challenges. Years of painful austerity have meant that many Europeans are still suffering – economic inequality has increased, living standards have fallen and all the while unemployment has soared, particularly amongst our youth. We have no alternatives but to overcome these problems, and through investment, growth and flexibility restore the trust of our citizens. There is no more time for a middle of the road strategy. This is the time for brave and wise decisions. In this journal, you will find some ideas that could help our economy to recover and to save Europe from the hands of social conflict, populism and European disintegration.

This edition of the Progressive Economy Journal is divided into three sections, one for each of our distinguished co-editors. Maria's section presents a mid-term review of the Europe 2020 strategy and new financial instruments for growth, Jakob's contributions examine the potential roadmaps for the completion of the Economic and Monetary Union and Agnes's section outlines what a new social agenda for the coming legislative term might look like. I hope that this journal can stimulate discussion here in the European Parliament and can provide a small contribution towards the debate on how to build a fairer Europe, based on the principles of solidarity and equality.

The issues covered in this edition of the Journal, and many more, will be addressed at the Progressive Economy public events that will take place during 2015. Details will be available on the Progressive Economy website – progressiveeconomy.eu.

I hope to see you there!

Grazie mille,

Gianni Pittella MEP
President of the S&D Group in the European Parliament

Challenge nº: 1

Mid-term review of the Europe 2020 strategy and new financial instruments for growth

Co-editor: Maria João Rodrigues

A NEW AMBITION for the EUROPE 2020 STRATEGY

by Maria João Rodrigues

The moment has come to define the main features of the European growth strategy for the next five years: strategic objectives and priorities, key initiatives, financial and political means. We need to overcome a period of painful failure! But first, we should start with a vision.

A VISION FOR EUROPE'S FUTURE

The world is changing fast under globalization pressures in all areas, and powerful new economies are emerging, particularly in Asia. Global governance is becoming less multilateral and more multipolar, with coordination mechanisms (G-20, bilateral strategic partnerships) to deal with common challenges: climate change, financial regulation, poverty and development. Technological revolutions in the areas of energy, information, materials and life sciences are changing our way of life. Throughout this process, and especially after the financial crisis starting in 2008, social inequalities have increased, even if absolute poverty is declining. The middle classes are expanding in developing countries while they are shrinking in developed countries. This is the case in Europe, particularly in the more peripheral countries.

Nevertheless, in spite of losing ground, Europe can remain a laboratory for the future, as the continent with **the best way of life in terms of well-being:** environmental protection, access to health care and inclusive social security, creative professional activities, access to lifelong learning knowledge and culture, democratic participation in companies, towns, local, national and transnational levels of governance.

We Europeans should aim to live in low-carbon and smart houses, move in low-carbon and smart public transport and cars, work in low-carbon and smart companies and business models, live in greener and smarter cities and towns, count on sustainable and fair welfare systems, have widespread access to knowledge and culture and be connected and mobile across Europe.

This is not at all utopian; this is possible, provided we have a pro-active agenda for the next phase of the Europe 2020 Strategy. The main challenge will be to create conditions for all Member States to move forward in this direction, overcoming the large financial, economic and social **divergences** brought about by the crisis, particularly the Eurozone crisis. The scale of these divergences can no longer be ignored.

> **"The middle classes are expanding in developing countries while they are shrinking in developed ones."**

MARIA JOÃO **RODRIGUES**
Member of the European Parliament, S&D Vice-President

Maria João Rodrigues is currently a Member of the European Parliament, S&D Group Vice-Chair, Social and Economic Model, was Minister of Employment in Portugal and has been a policy maker working with the European Institutions since 2000. The main outcomes she has been working for are:

- The EU Strategy for growth and jobs, the Lisbon Strategy followed by the EU2020 Strategy
- The EU agenda for globalization and the strategic partnerships with the USA, China, Russia, India and Brazil for a new growth model
- The development of several policy areas: employment, education, innovation, research, regional and industrial policies
- Special EU initiatives: the new Erasmus for mobility, New Skills for New Jobs
- The responses to the euro-zone crisis
- The final negotiation of the Lisbon Treaty

In academic terms, she was professor of European economic policies in the European Studies Institute - Université Libre de Bruxelles and in the Lisbon University Institute. She was also the chair of the European Commission Advisory Board for socio-economic sciences.

STRATEGIC GOALS AND PRIORITIES OF EUROPE 2020

Europe 2020 should aim at strong economic recovery and job creation with a clear strategic direction for structural change: promoting sustainable development, in the broad meaning of the concept, in the economic, social and environmental dimensions and with an intergenerational perspective. The **strategic goal** of a greener, smarter and inclusive economy should be understood like this.

The **headline targets** should be updated accordingly:

- In the environmental dimension, the headline targets for a low carbon economy should reflect the new ambition already set for 2030.
- In the economic dimension, besides the target on investing in R&D (3%) and the general employment rate (75%), a new target should be introduced focusing on the employment rate of young people. Taking also into account their higher educational level, young people are certainly the best human resource Europe possesses in order to increase its productivity, and we can no longer waste it.
- In the social area, the existing targets of reducing the dropout rate to 10% and raising the percentage of the population aged 20-34 with tertiary education to 40% remain valid, as well as reducing the national poverty line by 25%.

Nevertheless, these headline targets can only be attained if the **strategic priorities** are the following:

- Investment and job creation in forward looking areas should become the overriding priority.
- Stepping up the transition to a low-carbon economy the main driver.
- Reducing social inequalities, including across generations and regions, should become the main concern.
- Completing the single market, including convergence on higher standards is also a central task.
- Budgetary and tax policies should be conducted to re-balance budgets while respecting the above priorities.

This set of strategic priorities should be duly reflected in the next version of the **integrated guidelines** encompassing the **economic and employment guidelines.**

These strategic priorities should also be reflected in the interpretation of the current Stability and Growth Pact and the Fiscal Compact as well as in the macro-economic surveillance process (notably in scoreboard indicators and their interpretation).

The same should happen with the existing **Flagship Initiatives:**

- "Resource efficient Europe" should reflect the new ambitions for energy transition and for Energy Union.
- "An Industrial policy for the globalization era" should build not only on this energy transition but also on the on-going digital revolution.
- "Innovation Union" should count on powerful innovation platforms involving all relevant stakeholders, have a stronger focus on new societal needs, SMEs and job creation, particularly for young people.
- "Youth on the move", should integrate the Youth Guarantee plans as well as improving the conditions for European citizenship in cross-European mobility.
- " A digital agenda for Europe" should pave the way for new investments and job creation in a large range of sectors using creative industries and IT engineering to instil smart solutions in housing, transport, energy management, manufacturing, rural development, social services, business services, education and training and leisure.
- The "Agenda for new skills and new jobs" should put the focus on delivering the necessary skills and managing the professional transitions which must underpin investment and job creation in all these areas.
- The "European platform against poverty" should build on more powerful concepts of social investment and European citizenship. Minimum wage and minimum income are key ingredients and the list of basic social rights should be enriched with affordable, sustainable energy, transport and housing, access to lifelong learning, broadband and digital services. The digital and energy divide should also be fought actively.

RESHUFFLING EUROPE 2020 GOVERNANCE

These Flagship Initiatives can only be effective if their governance is organized around powerful **investment communities** involving users, entrepreneurs, business, research, education and training institutions, funding bodies and other relevant stakeholders. They should focus on the headline targets, identify and implement the necessary measures, mobilize different financial resources according to a governance framework which identifies clear responsibilities at local, regional, national and European levels.

At the European institutional level, a more systematic collaboration needs to be organized between the European Commission, the European Parliament and the European Council, while respecting their political differences.

Each integrated guideline and each Flagship Initiative should count on a clear leading Committee in the European Parliament and on a clear leading formation in the Council. Both of them should have closer direct exchanges with the Member States' legislative and executive powers. This should improve connections with the national parliaments and public administrations. National public administrations should enhance their capacity to operate in a multilevel and multi-stakeholder environment.

New concepts to develop the governance of the Europe 2020 Strategy have already been referred to: innovation platforms, investment communities. Others should also be mentioned: social networks for problem-solving, transition clubs and transition towns to foster energy transition, public-private agencies to foster strategic investment and sound financial innovation.

Nevertheless, the success of all these ideas will depend hugely on new solutions to overcome the major bottleneck of the European Growth Strategy so far (since the Lisbon Strategy, starting in 2000!): **supportive financial means.** This issue will be discussed by the following authors.

An ambitious European Investment Plan should become the main engine of the Europe 2020 Strategy.

Completing the Economic and Monetary Union to overcome the current divergences inside the Eurozone and build up a **stronger fiscal capacity** to support strategic investments are political developments we can no longer delay.

CONDITIONS for the ACHIEVEMENT of the EUROPE 2020 TARGETS

by Laszlo Andor

When the Europe 2020 strategy was launched in 2010, its social dimension – together with the employment, poverty reduction and education targets – was welcome. The Commission was aiming at setting ambitious, but at the same time realistic targets.

It was understood that by restoring job-creation to the level of the pre-crisis, a 75% employment rate was within reach, though in many countries progress required significant increase in women's participation, effective active ageing policies, and combatting youth unemployment and inactivity.

In 2010, many thought that the poverty reduction target (lifting at least 20 million people out of poverty or social exclusion) was not ambitious enough. At the same time, the composite indicator measuring the level of poverty and social exclusion (merging 'at risk of poverty', 'jobless households' and 'material deprivation') was received with ambivalence and suspicion by some.

LASZLO
ANDOR
Former EU Commissioner for Employment, Social Affairs and Inclusion

Laszlo Andor is a former EU Commissioner for Employment, Social Affairs and Inclusion.

He graduated from the Karl Marx University of Economic Sciences, today Corvinus University, Budapest in 1989. He went on to earn an MA in Development Economics at the University of Manchester and earned his Ph.D. at the Hungarian Academy of Sciences, writing his dissertation on theoretical approaches to the international debt crisis. Since 2000, he has been Associate Professor at the Department of Economic Policy, Corvinus University of Budapest.

In 2003, he became an adviser to the Prime Minister of Hungary and served as a member of the board of directors at the European Bank for Reconstruction and Development from 2005.

In August 2014, he was awarded the Legion of Honour by French President, Francois Hollande.

Member States were expected to follow the ambition-cum-realism approach of the Commission, but it was already seen in Spring 2011 that the aggregate progress the Member States were planning did not reach the target set at the level of the EU. Hence a pre-condition for meeting the targets is that (most) Member States should actually raise their ambition in terms of creating jobs and reducing poverty and social exclusion.

However, the above subjective factor has been coupled with an objective one, which is the 2011-13 Eurozone crisis, which resulted in a second recession, and pushed unemployment to a record high level (11% in the EU and 12% in the Eurozone). The crisis also produced rising poverty and inequality in most EU countries but especially on the Eurozone periphery.

In 2012-13, the Commission produced four major policy documents in the area of employment and social affairs to facilitate progress towards the targets under the new conditions (Employment Package, Youth Employment Package, White Paper on Pensions, Social Investment Package). These documents offer a wide range of ideas, actions and policies that can help Member States to improve their employment and social policy performance, and move towards the 2020 targets.

However, the crux of the matter is that EU Member States have not been uniformly good or bad, but rather polarized in terms of their growth, employment and social experience in recent years. This polarization was well demonstrated by the scoreboard of employment and social indicators, introduced by the Commission Communication to Strengthen the Social Dimension of the EMU.

Thus a general pre-condition for the EU to move in a consistent and sustainable way towards the Europe 2020 targets is to overcome the imbalances and polarization in the Eurozone. This means using the scoreboard more forcefully within the European Semester, including the Country Specific Recommendations, and also restoring the EMU reform agenda as launched in 2012.

Social democrats have a major responsibility to clarify that polarization within the EMU will not be overcome, and the potential for convergence will not be restored without achieving a

higher level of solidarity in the EU, and especially among countries using the single currency.

Deepening the EMU appears among the priorities of the new Commission, but this should, as soon as possible, produce strong and effective solidarity instruments, alongside better policy coordination. The ECB should be unambiguously empowered to use all available instruments to fend off deflation and reflate the EU economy, and the EU in general needs to have a better management of imbalances and aggregate demand.

It is not enough for the EU to only just avoid a third recession. We would need a robust recovery policy that also ensures that this recovery is balanced and job-rich. The on-going policy initiatives, like the EU-wide Youth Guarantee, have to be reinforced. Low wages have to be given a boost in most countries, especially in the core countries of the Eurozone. The emerging investment plan needs to have a meaningful social investment chapter.

Raising the banner of investment has been the most important development of 2014 for European policy. Why was this necessary? Two reasons have to be highlighted. First, EMU reform has not been deep or fast enough, which means that the resources and confidence are still insufficient for a more dynamic recovery and job creation in the private sector. Secondly, not enough has happened to revamp Europe's broken business model. Financial sector regulation has made good progress in the last five years, but a lot more could be done in the area of industrial policy, especially by connecting it with cohesion and investment in human capital. More space and support could be provided for the social economy too, with the potential to activate agents of inclusive growth. Crucially, it is urgent to improve the capacity of enterprises with a growth potential to access the equity market. If it can shift gear, the EIB group can be a pivotal agent of this strategy.

Without seeing 200-300 thousand jobs created every month for several years, we cannot have assurance about attaining the employment target of the Europe 2020 strategy. For this to happen, a lot more needs to be done to put into practice the good ideas available. Taxation has to be more labour friendly; public employment services have to be modernized, and their partnership with private agencies has to be further developed.

However, it should also be stressed that a separate objective and target to reduce poverty and social exclusion is vital, and will not flow automatically from having more jobs after a while. In-work poverty has become a widespread problem and national welfare systems have been under pressure by having less resources but more demand for services and support.

Minimum wage and minimum income policies are of strategic importance here, and they need to be established and maintained in partnership with social partners and social NGOs. Consequently, revitalizing the social dialogue and involving civil society in social policy debates and action at all levels is a fundamental institutional condition for inclusive growth to happen.

Assuming that all goes well from now onwards, we still need to recognize that the crisis has caused not only tremendous damage to our employment situation and social conditions, but significant delay with the implementation of the 2020 strategy. However, accepting delay is politically wiser than reducing the level of ambition.

Targets, even if they reveal the inconvenient truth sometimes, should not be sacrificed. Adding sub-targets can often help to deal with complexity or unexpected developments. Targets are important in public policy to express an ambition in concrete terms and to make progress measurable. Of course, having a target also means that lack of progress attracts attention more easily and public opinion can ring the alarm bell if things go wrong.

Recent years have seen good progress concerning some Europe 2020 targets, but a gap has emerged between the targeted trend and the reality in the area of employment and in particular of poverty reduction. The review process should result in restoring the credibility of the targets.

The EU cannot afford to abandon the ambition of achieving smart, sustainable and inclusive growth. This is not a dream but a vision that helps to identify and implement measures leading to a better functioning economy and a more cohesive society.

“The crux of the matter is that EU Member States have not been uniformly good or bad, but rather polarized in terms of their growth, employment and social experience in recent years.”

NEW FINANCIAL INSTRUMENTS for GROWTH and INDUSTRIALISATION

by Matthias Kollatz-Ahnen

When the Europe 2020 strategy was launched in 2010, the leading people in the Commission and in the Member States thought that the crisis was over or nearly over. A second dip (a second recession), or even worse a third dip, was not taken into consideration when the objectives and means were presented. Surprisingly, this misperception of the future continued for some years. In 2012 ambitious goals for re-industrialisation were presented (20% of GDP should be produced by the manufacturing sector in 2020 instead of 16% in 2011), but the proposed means for achieving them were limited, such as continuing and reforming the Commission's existing SME initiative. The reality showed, and still shows, a different picture. The EU suffered a heavy shock of de-industrialisation during the crisis in 2009. After this shock there was no full recovery and in more recent years de-industrialisation has continued at a rate corresponding to 12% of GDP in 2020 instead of 20%.

However, in one respect the Commission was right to focus on industrialisation. The pre-crisis assumption of a financial sector replacing declining industry and creating wealth and growth by itself has proven to be wrong. Thus if growth, and even more long-lasting growth, is on the agenda, industry and production play an important role.

It is good for Europe that after the election of the European Parliament, in spring 2014, a consensus was emerging that more investment was needed to move the Eurozone, and the EU as a whole, to long-lasting growth. The Social Democrats describe it as a new path of 'higher growth'. One result of the consensus was that the new European Commission announced its intention to develop a significant investment programme of €300 billion in additional investment during the first three months of its mandate. The proposal was presented to the public at the end of November 2014 and it seems likely that in the coming months , there will be discussion of the pros and cons and what further steps may be needed. Perhaps at the end of the day the programme will turn out to be an important first step towards a re-definition of the EU 2020 objectives in a more realistic way, whilst accepting that action to combat the crisis will be needed for quite some years.

The following considerations and criteria for structuring the first phase,[9] and perhaps further phases, of a real investment initiative, including efforts to re-industrialise, could be helpful:

1. Industrialisation and competitiveness cannot be achieved with public investment in infrastructure alone. This would be too much textbook economics and an over-estimation of the capacity and the inclination of the private sector. New industries cannot be developed without significant investment and long-term orientation. So a well-structured package will focus on companies and infrastructure.

2. Each year of crisis goes hand in hand with further losses of industrial capacity and reduction of the share of industry. Therefore the anti-crisis component of such an investment programme is key. The experience in my home country, Germany, shows that the cuts to industrial investments after the re-unification of the country were the most difficult to overcome. Even 25 years after re-unification, and a cumulated €2000 billion of transfers, the size of the Eastern Germany industry is smaller and expenditure on research and development in the private sector in Eastern Germany – the bulk of private expenditure comes from industry – is not even half that of Western Germany. Each further year lost in failing to overcome the crisis will have a significant impact and result in a lower share of industry and a lower capacity for long-lasting recovery.

3. SMEs play an important role. Where the economy is strong, exporting SMEs are responsible for a significant share of the success of the economy. At the same time exporting SMEs are always a good indicator for the competitiveness of the economy. Thus a well-structured package focuses specifically on SMEs and improving the export capabilities of SMEs.

4. As far as additional investments are concerned, each political level has to respect the restrictions of the others. The EU level should not design programmes where public co-financing from lower levels is required - and at the same time blocked by the fiscal compact. In addition, already planned budget lines for investment should not be re-sold. This was a poor habit in the past at EU level, but citizens have a feeling and an instinct that, in such cases, big figures do not change the reality. A programme has to be credible in respect to its impact.

5. Certainly there is a significant share of investment needed, which is either viable as it is undertaken by enterprises (e.g. SME investment mentioned above) or profitable as the project itself creates enough revenue (e.g. electricity transmission lines). But certainly there are more projects on the long list of required investments where there is the potential for revenue creation, but at the outset it is not possible to break even. In economic terms these projects can be described as (i) having clear positive social returns, but (ii) not enough financial returns due to externalities.

   A well-structured package should allow for a significant share of such projects. It makes sense to focus on those which already have a significant volume of revenue generation. An important example is energy efficiency investment, where cost coverage ratios of 80% or 90% are often found.

   Therefore a specific vehicle for this group of investments should be set up under the umbrella of the EIB. It makes a lot of sense to use an institution like the EIB, because the set-up can be arranged much faster. Additionally, the governance of the EIB ensures a quality check of the projects and payment of the loans, or in the case mentioned here of the grant-loan combination, in tranches. Without progress in implementation no further payments will take place. This is much more efficient than another layer of macroeconomic conditionality.

6. Last but not least, a well-structured programme should utilise the capacities of the EIB which are already there. The recent capital injection of €10 billion in 2012 allows the EIB to lend an additional €60 – €80 billion between 2013 and 2016. As of 2017, repayments from the large programmes in the first phase of the crisis will reach an unprecedented level, allowing lending to continue at a rate of €65 – 70 billion p.a. if there is no steep increase in defaults. What is more: the annual profit of some €2.5 billion p.a. over the past 4 years has an impact of capital injection every 4 years. Thus an even higher level of activity could take place – as long as the profit stream continues (linked to low default rates).

MATTHIAS KOLLATZ-AHNEN
Senior Expert at PricewaterhouseCoopers

Matthias Kollatz-Ahnen is former Senior Vice President of the European Investment Bank (EIB) and now Senior Expert at PwC Germany . Before joining the EIB, Dr Kollatz-Ahnen worked in Germany as managing director and a member of the management boards of Landes Treuhandstelle Hessen (the Hesse state trust agency) and Investitionsbank Hessen (Hesse investment bank). Earlier in his career, he served as head of cabinet in a federal German state ministry in Hesse and as director of the Scientific Forum for Social Democracy in Bonn.

He has a degree in physics from the Technical University of Darmstadt and a degree in economics and a doctorate in engineering from the Technical University of Berlin.

Challenge n°: 2

A roadmap for the completion of Economic and Monetary Union

Co-editor: Jakob von Weizsäcker

THREE PITFALLS on our WAY TOWARDS COMPLETING ECONOMIC and MONETARY UNION

by Jakob von Weizsäcker

The Euro area continues to be in a state of crisis. While there are signs that the US economy is picking up again, Europe faces the threat of secular stagnation. In September 2014, the European Central Bank reduced interest rates to the zero lower bound, thereby fully exhausting the means of conventional monetary policy. But growth and inflation remain at very low levels, and expectations are that they might remain at low levels for some time to come. According to the IMF, the deflationary risk for the Euro area might be as high as 30%.

Not only would it be cynical to argue that Japan has managed to live with secular stagnation for a long time now and Europe should manage to do the same, it would also be wrong! The chances are that the euro would not survive a decade of secular stagnation. At nominal growth rates between 1 and 2%, all of the adjustment mechanisms in the Euro area that have to do with overcoming the significant remaining competitiveness, debt and banking problems would be slowed down. At the same time, disruptive social and political dynamics would most likely accelerate in the event of secular stagnation reducing the chance to see the light at the end of the tunnel. Podemos, a party that did not even exist 9 months ago and today leads the polls in Spain, illustrates how fragile and unpredictable the political dynamics have already become. Which brings us to:

JAKOB VON WEIZSÄCKER

Member of the European Parliament

Jakob von Weizsäcker is a new Member of the European Parliament, representing Thuringia, his region in Germany. He is a member of the Committee on Economic and Monetary Affairs and of the Delegation for the Relations with India.

Born in 1970, he was educated in Germany, the UK and France, graduating with degrees in physics and economics. Also, he did his social service in Poland instead of military service.

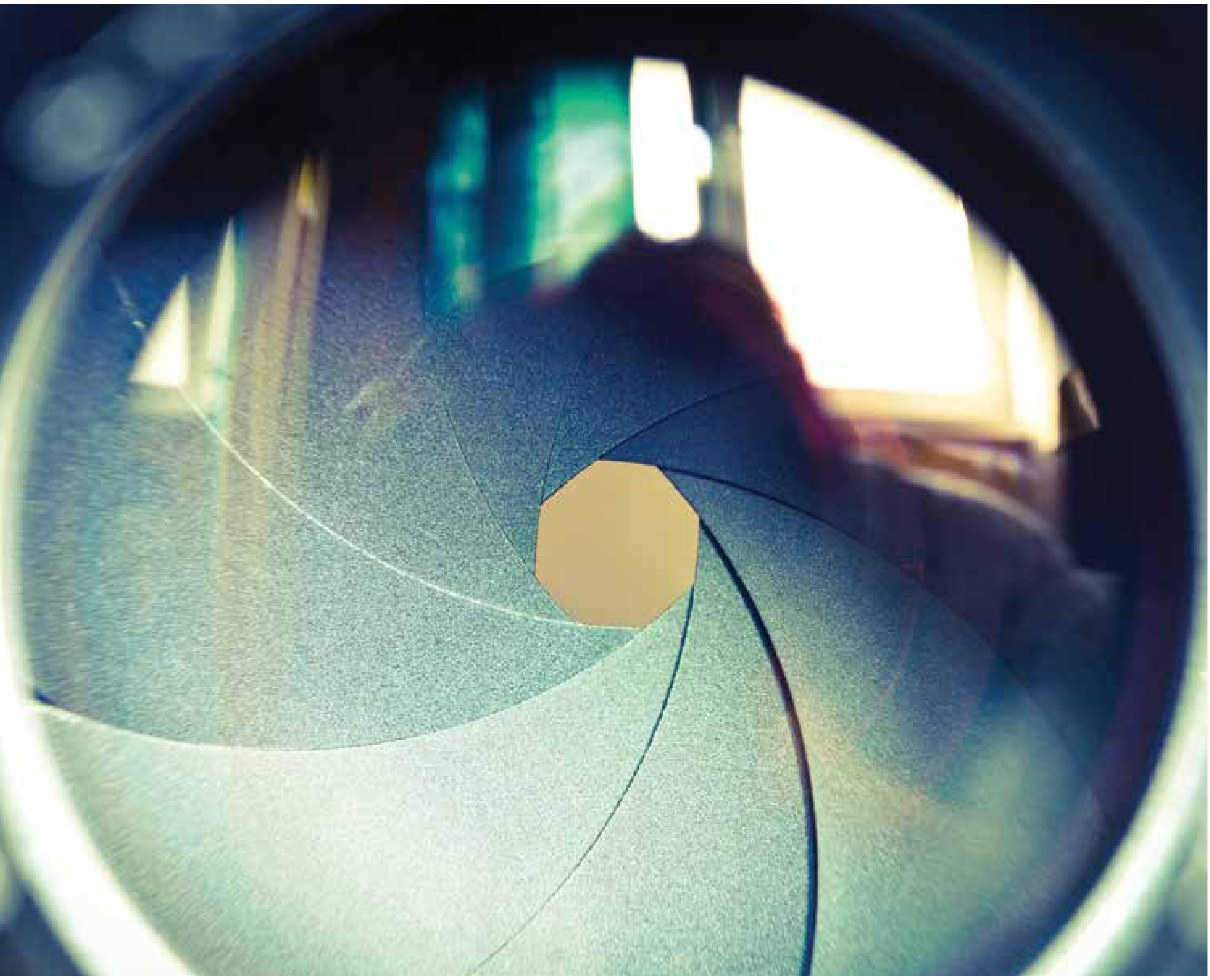
After holding a number of research positions and briefly working for a venture capital fund, he joined the Federal Economics Ministry in Berlin, working as private secretary for a junior minister. From 2002 to 2005 he worked for the World Bank in Washington DC, including as country economist for Tajikistan. From 2005 to 2010, he was a resident fellow at Bruegel in Brussels. In 2010 he was appointed head of department at the Ministry for Economic Affairs, Labour and Technology where he worked until he was elected to the European Parliament.

PITFALL Nº. 1: THE INCREMENTALIST TRAP

The rules and institutions of the Euro area are still evolving, but we simply lack the time and patience for a slow evolution by trial and error. Some argue that now is not the right time for big institutional changes to make the euro work better since eurosceptic parties are on the rise, and instead we should make do with small incremental steps and evolutionary changes. But if this leads to a lost generation in our crisis countries, such incrementalism will not assuage the fears of eurosceptics but instead reinforce them, with the political dynamics potentially spinning out of control. One would hope that increased awareness of the dangers of incrementalism in the present environment would help to be more receptive to the fresh ideas by Alessia Mosca and Jean-Louis Bianco and more inclined to participate in activities like those of the Glienicke and Eiffel groups. Such fresh thinking is also needed to avoid:

PITFALL Nº. 2: THE POISON OF ONE-DIMENSIONAL CONFLICT

As a result of the crisis, and especially due to the rescue packages, the politics of one-dimensional redistributive conflict became very prominent in Europe. Unfortunately, the politics of this are poison to the European project, with some voters starting to vote for euro-sceptic parties hoping that this would force their national Governments to fight harder for their national interests in Brussels. Unfortunately, such one-dimensional conflict is at best a zero sum game and in reality often a negative sum game. Just as gainful trading can only take place if there are at least two different types of goods that can be traded, mutually beneficial European politics typically requires negotiations across not one, but many policy dimensions. Therefore, paradoxically, the narrow focus on economic policy might have hindered instead of helped institutional progress in recent years. Therefore, we should actively seek to develop fresh ideas in a number of policy dimensions to achieve a bargain - if not a grand bargain - that is more mutually beneficial. Thinking in multiple policy dimensions also has an important role to play in helping to avoid:

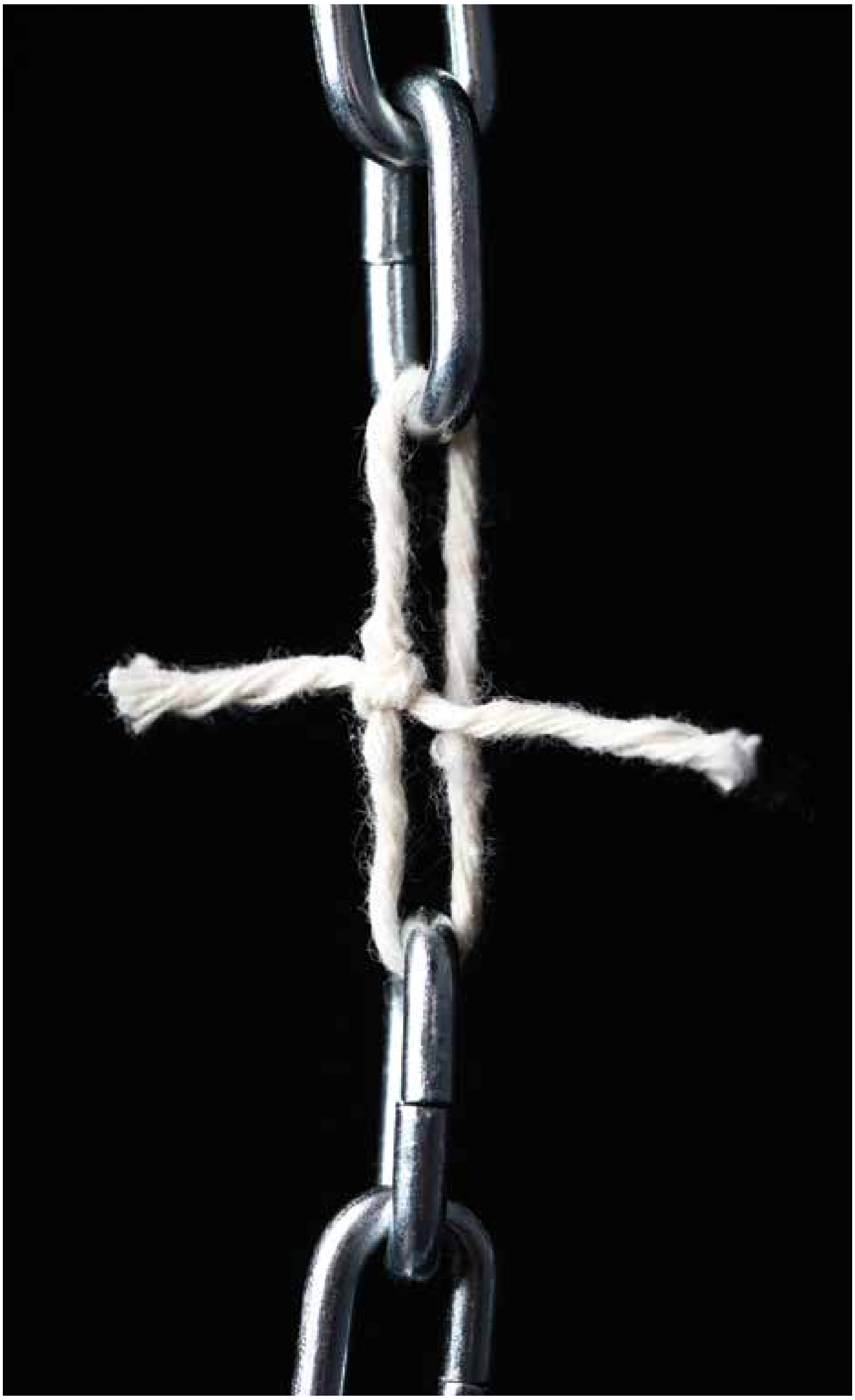


PITFALL Nº. 3: THE MIDDLE-OF-THE-ROAD FALLACY

> The current fudge really is an unsustainable middle ground that will not be workable in the long run.

If negotiations take place in one policy dimension, the best one could hope for is to find a compromise, meeting somewhere half-way. Often, this middle ground is very workable or even close to the optimum. Unfortunately, that may not necessarily be the case for some of the key choices in a monetary union. For example, it is possible credibly to decentralise fiscal decisions in a federation to a large extent, thereby also decentralising responsibility for the respective debt. Conversely, it is perfectly possible to centralise fiscal decisions, thereby also centralising responsibility for debt. It is also possible to centralise more responsibilities in a fiscal union and while properly decentralising the rest - a solution which I would favour. However, the current fudge really is an unsustainable middle ground that will not be workable in the long run. Some choices simply need to be made but the ability to do so will critically depend on credible package deals in several dimensions.

However, for now the most pressing problem of all is the threat of secular stagnation, and there are reasons to doubt that the Juncker investment package or the December summit will be able to properly address this. In its current construction, the euro is akin to a bicycle: if nominal growth in the Euro area were to slow down for some time, the euro bicycle would simply risk falling over well before one would even get a chance elegantly to curve around the pitfalls outlined above.



ROADMAP for the COMPLETION of the ECONOMIC and MONETARY UNION

by Jean-Louis Bianco

Everyone expected that Economic and Monetary Union would bring prosperity and improve the living conditions and employment possibilities of Europe's citizens, prior to political rapprochement.

Its design flaws, and management errors, have produced the opposite. Europe's citizens have grave doubts. We however are convinced that we must not give up. The initial goals of European integration – to ensure well-being and peace – are as relevant as ever. To turn our backs on Europe would today be anachronistic, and tomorrow suicidal. Without building up expectations which can never be achieved, which has previously so often led to disappointment, a new step forward needs to be taken.

Europe must find solutions to its concrete problems such as rising inequalities and unemployment, while also contributing to the preservation of the planet. It is essential that Europe does more to ensure that the values it defends are respected and which, far more than questions linked to the Single Market and European procedures, are likely to bring Europeans together. It must lead once again.
This is why we are suggesting a strategic choice: building a political and democratic community based on the euro, while remembering that monetary union was conceived as the bedrock of a much greater project, which intended to unite men and not as an end in itself.

This is the foreword of the "Groupe Eiffel" manifesto for a Euro Community. Far from "throwing everything overboard" by abandoning the euro, we have to reignite political ambition. Limiting the euro zone to a reinforcement of rules accompanied by mutual surveillance is not only insufficient, but would lead to a dead end. The fight against inequalities and exclusion and the enhancement of human capital through education, training and innovation must be placed at the heart of the Euro Community's ambitions.

At the same time, this community should undertake policies which focus on the long-term, in the domains where policies are more efficient at a community level of each participating Member State. Far from being an exhaustive list, areas could include investment in energy transition and major infrastructures such as digital, transport and energy networks, or research, notably in order to help industrial production, but also in order to ensure an agricultural model capable of feeding a densely populated planet where the availability of resources is reducing.

The Euro Community must offer democratic guarantees in line with the highest standards in the Member States. German pride in the construction of exemplary democracy and rule of law since 1949 is legitimate. Following on from the distressing history of the 20th century this is progress not simply for Germany, but for the whole continent. However, the German authorities must understand that the control of European decisions by the institutions of a single Member State is difficult for others to accept. Without a doubt the Germans would not accept this themselves from another Member State. The current situation, where German federal bodies (Bundestag, Court in Karlsruhe) hold the fate of the euro in their hands is not good for Germany, placed in a position of hegemony, and not for Germany's partners, obliged to just comply. An executive of the Euro Community, which is small and distinct from national bodies, should be established; this government will be chosen as the result of an election of an assembly by Europeans of the participating countries, voting on the same day, according to the same modalities. This point is of the utmost importance; we cannot call an authority which has been appointed and not "elected" through a pan-European election, which is open and allows a clear choice between political positions.

The assembly will be responsible for controlling the executive, and, if necessary, be able to express a loss of confidence in it. In order to avoid duplications and to illustrate the openness of the Community vis-à-vis the EU, the Community parliamentary assembly could be made up of Members of the European Parliament from euro area countries.

This executive will, on the one hand, be charged with carrying out the policies for which it is responsible, with an independent budget, financed by own resources. Within its competences it will have a discretionary power, formed by fixed common rules and under the control of the parliamentary assembly and the Court of Justice. On the other hand it will be responsible for ensuring that the national governments respect their joint commitments.

The Member States will maintain their own responsibilities for deciding their policies according to clearly defined competencies, thus putting an end to the ill-defined option of "subsidiarity". The national parliaments will continue to control national Governments, in line with national constitutions, and provisions in this sense can be reinforced in many countries, including France.

The Euro Community must have an independent budget. Its autonomy in relation to the EU budget is justified because it is primarily conceived in order to resolve issues which are specifically linked to the existence and the functioning of the euro: to stabilise the Economic and Monetary Union through a common unemployment insurance for example. Beyond that it will also allocate resources to improve training, increase worker mobility or to put in place energy, industry and service infrastructures which will be beneficial to the Community.

It is imperative that this budget is financed through own resources, in order to avoid inappropriate and counterproductive debates about a "fair return", which we have experienced in the EU. Amongst the resources which can be envisaged we can mention corporation tax or environmental taxes (e.g. carbon tax). The creation of a Community budget will be the occasion to move forward with a certain degree of tax harmonisation (harmonisation of tax bases, event if this means leaving Member States with a certain flexibility concerning the rates, within a range).

All Member States who wish to join the Euro Community, and accept the rules and obligations which go with it, are welcome. On the other hand, Member States who make the sovereign decision to not share the currency must bear all the consequences without complaining about alleged discrimination.

Given the magnitude of reluctance, the project must be carefully prepared, firstly within the confines of the current Treaties. The first priority should be to improve the economic and social situation which is causing increased tensions in the Member States and between them. Ultimately, the creation of a Euro Community will require a new Treaty whose ratification modalities must be decided in advance: it is possible, under international law, to foresee that ratification does not need to be unanimous (in order to avoid the possibility that a tiny majority of the population can take the whole Community hostage) and to prevent Member States who refuse to advance from blocking others.

JEAN-LOUIS
BIANCO
Former French Minister

Jean-Louis Bianco is a former French Minister and served as a member of the French National Assembly for 15 years. During the Mitterrand Presidency he served as Secretary General of the Élysée.

Since then he has held many positions within French public life, including serving as President of the Conseil General of the Alpes-de-Haute-Provence region. He co-directed the political campaign of Ségolène Royal for the French presidential election of 2007. Jean-Louis Bianco is currently a special adviser to Ségolène Royal, Minister for Ecology, Sustainable Development and Energy, and President of French National Observatory on Secularism.

REASONS for an ECONOMIC and MONETARY UNION

by Alessia Mosca

Seven years have passed since the beginning of the financial crisis in the US. Almost four since Europe fell into its very own (partly self-made) crisis.

The causes were not only country-specific problems and mismanagements that needed deep and strong national reforms. The crisis also stemmed from the incomplete design of the Economic and Monetary Union.

In the last three years a set of important reforms has been undertaken in many peripheral countries. More is still to be done to regain competitiveness, restore growth and provide efficient protection for vulnerable workers.

Many steps have also been taken at EU level to better regulate and supervise the financial sector. Two temporary funds, the European Financial Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF) were set up to help finance those countries experiencing severe problems and were replaced in 2012 by a new and permanent financial backstop — the European Stability Mechanism (ESM). The Maastricht criteria have been changed in the Fiscal Compact to take into account the dynamics of an adjustment process and the effect of the cycle.

> **“In a true and completed EMU, all the main choices of economic and fiscal policies should be better coordinated and controlled at a central level.”**

However, every student in economics learns that economic policy is composed of two pillars: fiscal policy in the hands of Governments and monetary policy in those of the central bank. The Euro has still only one pillar, monetary policy. Fiscal policies are decentralised in the 18 Eurozone capitals and only a general framework is established. However surveillance is not enough to govern a common currency area.

This huge burden and its resolution cannot be put only on Mario Draghi's shoulders and his actions on monetary policy.

As the ECB Governor said himself, a new kind of fiscal policy is crucial to support monetary actions: we cannot have a single currency and 18 different fiscal policies. Seven years after the beginning of the crisis in Europe, and almost 23 years after the Maastricht Treaty, the EU still lacks even a minimal form of fiscal capacity.

In a true and completed EMU, all the main choices of economic and fiscal policies should be better coordinated and controlled at a central level and the European Union must count on its own fiscal capacity. That would close the circle of the real project of Economic and Monetary Union: to just have the Euro without a common tool for economic and fiscal policies would eventually make the system implode.

ALESSIA MOSCA
Member of the European Parliament

Alessia Mosca is a member of the European Parliament, elected in May 2014. Previously she was a member of the Italian Parliament, elected in 2008 and re-elected in the 2013 for the Partito democratico.

She earned a Ph.D. in Political Sciences from the University of Florence, she holds a Bachelor in Philosophy from Cattolica University (Milan), a Master degree in Diplomacy from the ISPI (Milan) and a diploma in International Relations from SAIS Johns Hopkins.

Her activity focuses mainly on gender issues, welfare and employment, European affairs, technological innovation and start-ups. She signed the “Golfo-Mosca” law that introduces gender quotas in boards of listed companies in Italy, and she is also one of the main sponsors of the law “Controesodo” that facilitates the circulation of talents to and from Italy.

The project of Economic and Monetary Union (EMU) has deep roots. It traces back to 1988, when the European Council appointed a Committee led by Jacques Delors to create a substantial programme for its realization.

The "Delors dossier" proposed to structure the fulfilment of EMU in three different stages. The aim of the first one was to abolish the restrictions to capital circulation between Member States. The Committee of Governors of the national central banks of the European Economic Community (EEC) was given new responsibilities, such as conducting consultations on Member States' monetary policies and promoting coordination in order to reach a stability of prices.

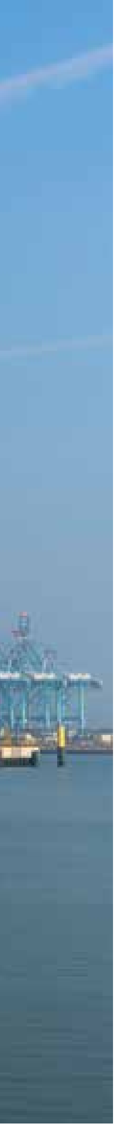
The fulfilment of the Second and Third Stages required an adjustment to the Treaty that established the EEC (Treaty of Rome); an adjustment needed to create the institutional infrastructure. Then the Treaty on European Union (Maastricht, 1992) was introduced, modifying the Treaty that founded the European Economic Community.
The creation of the European Monetary Institute (EMI) on January 1, 1994 marked the beginning of Stage Two of the EMU and the end of the Committee of Governors. The temporary nature of the EMI was a reflection of the state of the development of monetary integration throughout the Community. Its tasks consisted of strengthening cooperation between central banks, coordinating different monetary policies, and setting up the processes needed to create the European system of central banks (ESCB.) Moreover it was meant to steer the single monetary policy, and was responsible for the introduction of a common currency in the Third Stage.

Stage Three began on January 1, 1999, fixing irrevocably the exchange rates of the currencies of the first 11 Member States involved in the monetary union. It also started guiding a common monetary policy under the responsibility of the European Central Bank (ECB.)

The achievement of the EMU gave further momentum to the process of European economic integration started in 1957 and structured in six consecutive steps, of which the first 4 have already been accomplished:

- ➔ 1. Preferential exchange zone (lowered customs tariffs between certain countries);
- ➔ 2. Free exchange zone;
- ➔ 3. Customs Union;
- ➔ 4. Common market;
- ➔ 5. Economic and Monetary Union
- ➔ 6. Full Economic Integration.

Economic integration carries the advantages offered by larger scales, increased efficiency and internal economic strength both for the EU in general and for the Member States. The sixth step, not yet fulfilled, is the most important. It represents the framework in which all the others find their place, starting from the creation of a common currency.



A WEAKNESS: NOT ENOUGH EUROPE

These are the reasons why I strongly believe that it is possible to get out of this crisis only with more Europe, not less. The serious and persistent macroeconomic disparities built up over time are considered one of the profound causes of the economic crisis. Some people think that the peripheral countries that have not complied with the rules caused the crisis; that they rigged the accounts and all of a sudden they were not able to withstand the bubble they had created.

It is understandable that States who have made difficult reforms in the last ten years, and have only recently started seeing the results, can see it this way.

But the crisis goes further than this. For years California has been experiencing a deficit that would exceed all European standards, yet it has not experienced Greece's downturn.

"We should not fear to give up pieces of sovereignty, since it is the only way we have to count on a global level."

The bad habits of some European countries have gone hand in hand with poor governance at European level. A lack of Europe has not only put in a very difficult situation those countries in which these habits were formed, but it has also had detrimental effects on the stability of the entire Euro-area and of the EU in general. This experience has clearly shown how closely interdependent the Euro-economies are and the EU in general.

Despite the fact that the crisis originated there, reaching Europe by propagating through the financial sector, the United States managed not only to recover sooner from the crisis but also better than us. That is because on the other side of the Atlantic the federal government is a reality, meaning that the central bank and the government work together. Instead, we only have one central bank and 18 different governments. Even if we assume that we could reach an agreement on how to resolve critical situations, it is clear that the timing would not be quick enough, and therefore ineffective. The crisis has shown how European decisions can be described as always too little and too late. This weakness has scared the markets because it has shown that the current economic governance is proving to be unable to react to a crisis. It appears to be a governance designed only to work in good times.

We have a single currency but we do not centralize tax decisions and do not have a single budget of the Union (amounting today to 1% of total GDP) as such. This situation leads to a lack of instruments that can act to balance the internal differences of the countries in the Eurozone. The Structural Funds represent perhaps the one and only component of economic policy, but they cannot help to face macroeconomic shocks like those we experienced.

In the US, when a State experiences serious financial issues, or simply runs into a trade imbalance, the federal government redistributes the resources (often automatically, by lowering taxes and raising aid) among the States. Moreover, since there is no restriction in the flow between States, there is a further mechanism to restore a balance which is the high mobility of workers. Note that this effect of redistribution is not charity, but rather a mechanism which aims to prevent the economic difficulties of one region from escalating and impacting on the rest of the territory. This is an example of the effective management of emergencies through tools that imply a solid economic and political union of the federated States.

In a sense, it is true that the problem right now is the Euro, but only because it serves as the only leg to a four legged table - where the other three are missing. We can now decide either to cut this one leg, and throw the table away, or to build the other three. I believe the latter is the one to go for – and not just for purely economic reasons, since leaving the Euro would mean the end of the EU, and the beginning of an impossible competition between our little States and giants such as the US, China, India or Brazil. But Europe is, at the same time, a purpose and something that already lives inside us, in our individual and collective histories. Europe means openness, integration, opportunity, innovation. Trust in a better society necessarily involves building and strengthening this house for everybody. We should not fear to give up pieces of sovereignty, since it is the only way we have to count on a global level.

A SOLID PROPOSAL

How can we start building a path in this direction, without triggering a new wave of public discontent from a public which today increasingly sees Europe as a threat rather than a help? The way is to follow the path first set out by the Euro's founding fathers, then reiterated in the Amsterdam Treaty and, more recently, in the report by the four presidents (Van Rompuy, Barroso, Draghi and Juncker), or in the calls by the Glieniker and Eiffel groups: we need a shock-absorption tool at the central level.

This instrument can assume different forms; initially the idea of Eurobonds seemed to have gained momentum, but it quickly lost it due to national resistance. The idea of an insurance fund mimicking the European Stability Mechanism model, set up during the recession, was then introduced. Also, an ambitious proposal foresees the creation of an outright European budget, and not one determined just once every seven years.

An additional solid proposal, which has been discussed for a while now, is to start from the most critical of today's emergencies: unemployment. The proposal is to define a shock-absorption tool to fight unemployment based on a European insurance, leading to a transfer of resources from richer countries to those that are at present experiencing some hardship.

More and more researchers have been studying the different possibilities - inspired by former Commissioner Andor, and the CEPS and Bruegel think-tanks, together with the German economist Dullien - and submitted some simulations. The French Treasury Ministry has also presented its proposal. The Italian Minister of Finance, Mr. Padoan, has brought the theme twice to the ECOFIN (the meeting of all the European Ministries of Finance) table. But at present we have reached just discussion level, and generally speaking the Member States are pretty cold in this respect, although the idea is moving forward. We must not forget that in 1986,

at the very launch of the Erasmus programme – the biggest European success – scepticism was similarly very common, since education was not considered a European area of competence.

But the devil hides in the details and we need to know in details the functioning of such a European grant, particularly to avoid accusations of money transfers form northern to southern countries. I believe that a European aid for the unemployed should be activated only in the event of a cyclic negative course for employment, caused by economic crisis; it must be temporary and, possibly, linked to some form of further education and/or professional training courses.

If well calibrated, among other benefits, such a tool could bring institutions and citizens closer together, as citizens would, in times of greatest need, receive assistance form the same Europe that is so criticised. Europe could feel less far away, more "human". And this can be the first of many steps forward, such as, for example, the introduction of a "European contract", identical in every Member State, that will allow the automatic portability of seniority and contributions. Taking the reasoning further, the taxation of this contract could represent one of the first European own resources, and maybe merge into a fund destined for training courses and to fight youth unemployment. There are many more possibilities if there is the political willingness to fulfil them. And I believe that it needs to be achieved in the present legislature or never.

The Euro is not the end, but the beginning, in this respect, of an authentic Economic and Monetary European Union. Sharing the same currency forces us to be a community, to find common solutions that help everyone equally without favouring one over another, and to keep the discussion open and on-going.

Challenge n°: 3

A new social agenda 2014-2019

Co-editor: Agnes Jongerius

A NEW SOCIAL AGENDA 2014-2019

by Agnes Jongerius

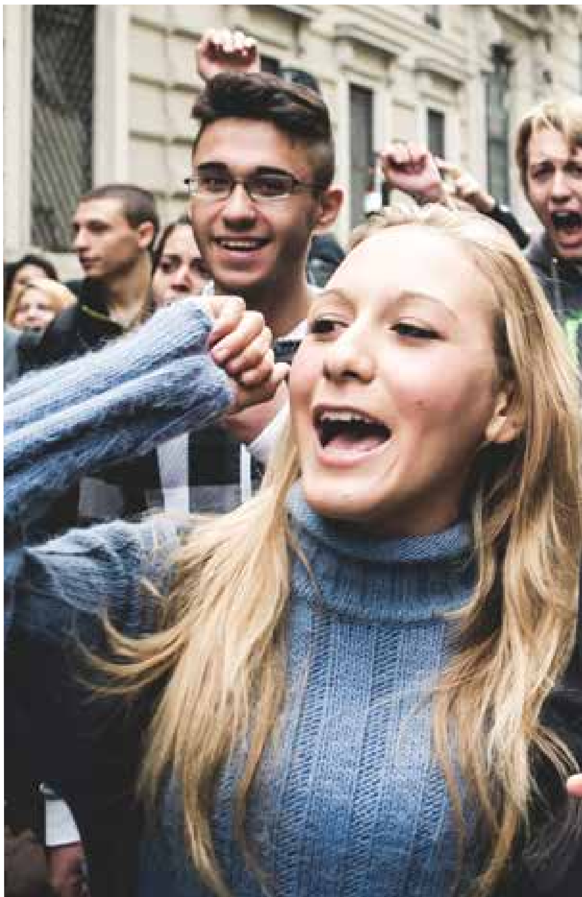
One hundred years ago, on January 5th 1914, thousands stood in line in front of the Ford Motor Co. factory in Detroit, Michigan, to accept an exceptional offer made by Henry Ford: double pay for a shorter workday. Workers in the factory would receive an unprecedented \$5.00 for eight hours of work, whereas before they would receive \$2.34 for a nine hour workday. While Henry Ford was looking for a way to stabilise his workforce, on the side he managed to increase the purchasing power of his workforce. Workers were now able to enter the middle class and afford their very own T-Ford. His gamble paid off and he managed to set a new standard.

PREVENTING THE DECLINE OF THE EUROPEAN DREAM

There is much to say about Henry Ford, but one thing he did do is to bring the possibility for workers to achieve prosperity and upward social mobility through hard work closer. This idea has been central to the creation of the European welfare state model after the Second World War. However, this model has been severely affected by the economic crisis.

The global economic crisis of the past years has hit the EU particularly hard. It has put our welfare model under severe pressure. Mass unemployment, falling wages, increased levels of poverty, growing inequality among social groups within society, and growing disparities between Member States are only a few of the symptoms. The stakes for the coming five years are high. Protecting our welfare model and maintaining its inherent possibility of upwards social mobility will be the main challenge for Europe and should be the number one priority for a new social agenda within Europe.

The key elements that will be central to a new social agenda in the next five years will be: ensuring sustainable growth, actively securing workers' rights and wages, and closing disparities between Member States through dealing with the excesses of the internal market.



> **"Protecting our welfare model and maintaining its inherent possibility of upwards social mobility will be the main challenge for Europe."**

AGNES JONGERIUS

Member of the European Parliament

Agnes Jongerius is Member of the European Parliament for the Socialists and Democrats on behalf of the Dutch Partij van de Arbeid and is vice-chair of the Employment and Social Affairs Committee.

She has been active in the Dutch Trade Union Confederation (FNV) for 25 years and has served as President of the Dutch Trade Union Confederation between 2005 until 2012.

STATE OF PLAY

Europe is currently dealing with one of the worst unemployment crises in decades: in September 2014 more than 24.5 million people across the EU were actively seeking employment. This is still 8 million more unemployed than in 2008, before the beginning of the crisis. The situation in Greece and Spain has become especially alarming, considering that unemployment levels there have risen to a quarter of the working population and the unemployment of young people under 25 to more than half. Additionally in 2013 almost a quarter of all EU citizens were at risk of poverty or social exclusion due to income poverty, being severely materially deprived or living in a household with a very low work intensity.[1]

While statistics are important, the human aspects that lie behind the numbers carry much greater weight. In its report on Children in the developed world UNICEF states that "children by the millions were immediately and directly affected by the recession and many will suffer consequences for life."[2] The report also indicated that the potential income progress lost by families with children is leading to up to 10 years of potential income loss for families in Ireland and Spain, and 14 years for families in Greece. We can and should never accept that families, youth and children are becoming victims and losing years of their lives because of an economic and financial crisis caused by the recklessness of financial institutions and the inability of national governments and European institutions to prevent their excesses.

> **" While statistics are important, the human aspects that lie behind the numbers carry much greater weight. "**

A NEW SOCIAL AGENDA

With reference to the European economies, José Manuel Barroso stated in a speech to the European Parliament: "It is as if I have three children – the economy, our social agenda, and the environment. Like any modern father, if one of my children is sick, I am ready to drop everything and focus on him until he is back to health. That is normal and responsible. But that does not mean I love the others any less!"[3] Barroso's speech dates back to February 2005 and illustrates clearly that due to his prioritisation of competitiveness through neoliberal policies, the social agenda was neglected long before the beginning of the crisis. Economic goals and financial targets were consequently set in stone, while social goals remain soft and social rights are melting away like wax.

To be able to counter the effects of the crisis and the weaknesses in European economies that have been so painfully exposed by it, the EU needs a new social narrative. The main task of the Juncker Commission will be to put economic freedoms at the service of citizens again, not the other way around. In order to avert the downward pressure on labour markets, wages, working conditions and welfare systems, the EU needs to put social goals and indicators at the heart of economic decision making. This would be the first fundamental step for creating a new social agenda.

SUSTAINABLE GROWTH AND QUALITY JOBS

It seems the Juncker Commission has understood citizens' concerns a little better than Barroso's Commission. The ancient recipe for austerity, fiscal consolidation and structural reforms has been replaced by a new formula: jobs and growth.[4] The widely discussed investment package of EUR 300 billion is currently in the making and will be formally adopted at the 18-19 December European Council. The hope is that public investment will manage to attract further private sector investment in order to boost growth and eventually help Europe's unemployed back to work. The current question on everyone's lips seems to be: "where will the money come from and how will it be spent?" Nonetheless, an equally important question needs to be asked in reference to the package: how to achieve ***sustainable*** growth and how to ensure ***quality*** jobs with decent wages from the outset?

In October Olivier Blanchard, head of the IMF's research department, stated with reference to the IMF's Annual Economic Outlook[5] that "investment in public infrastructure could provide a boost to demand in the short term and help raise potential output in the medium term in countries with clearly defined infrastructure gaps".[6] In order to help Europe be able to adapt in a rapidly changing world, investment in the interconnectivity of transport, energy and digital networks is indispensable as well as in research and development and innovation. In order to accommodate millions of workers, we need to quickly get industry back to Europe, and we need to make labour cheaper without lowering wages so people can start spending again. However, the investment package will be squandered if we do not invest in our most important asset: human capital. The ability of Europe to compete on a global scale depends on the ideas and skills of our citizens. That is why it is necessary to invest in raising the quality of our educational systems, to promote lifelong learning opportunities, to support possibilities for job searching and re-training, but also to invest in health care and child care facilities.

The shift in focus from solely trying to adjust the supply side of labour and labour markets to also trying to aggregate demand, once put in motion, will hopefully prove to be a game changer for Europe. Nonetheless the new formula for growth and jobs comes with a warning: an imminent danger of the stripping of employee rights through the deregulation agenda. As the Juncker Commission seems to be keen on removing red tape, we need to make sure that fundamental employee rights will not be diminished. The High Level Group on Administrative Burdens (also known as the Stoiber Group, after its chair Edmund Stoiber) has presented a substantial number of recommendations which could have detrimental effects on employee rights in its report "Cutting the red tape in Europe".

These include "setting a net target for reducing regulatory costs and reporting on so-called "gold plating" – outlining where and why elements of implementing measures go beyond the requirements set out by EU legislation".[7] However, they do not take into consideration that legislation is usually put in place for a purpose, therefore setting a net target to reduce the regulatory burden can and will conflict with societal objectives in legislation and could potentially even have serious negative repercussions on, for instance, health and safety at work. When it comes to "gold plating", EU legislation provides the minimum rules and Member States are free to adjust them as they see fit beyond the minimum in national legislation. With this report the Stoiber Group seems to steer towards the direction of a race to the bottom, where the lowest common denominator becomes the standard. That is why in the next five years we will need to actively defend employees' rights from being diminished under the banner of cutting red tape.

FOUR FREEDOMS AND FAIR MOBILITY

When discussing a race to the bottom on employee rights, there is a clear link with the risks of social dumping present. Whereas the free movement of workers is a cornerstone of the internal market and has contributed to economic development, it has become a major source of problems considering that working conditions are increasingly being used for competitive advantage between Member States internally. The EU's strength lies in cross-border trade and mobility, but it has become clear that the current rules are inadequate to prevent companies from using loopholes in the so-called posting of workers directive to increase their profit. It is depriving workers of their social and labour rights, distorting labour markets, undermining fair competition, as well as impeding Member States' ability to collect taxes and social security rights to ensure the sustainability of their welfare states.

Before taking office Jean Claude Juncker declared that "social dumping has no place in the European Union".[8]

Unfortunately during the hearing of the Social Affairs Commissioner Marianne Thyssen in the Parliament's Employment Committee, she was only willing to commit to a "targeted review" of the posting of workers directive, without any notion of a clear time frame. Exactly what a targeted review entails is also yet to be determined. Nevertheless, much more is needed. In order to address social dumping and unfair competition the Commission needs to focus on establishing clear liability rules for subcontracting chains for all sectors, ban the use of letter box companies and tackle social dumping through provisions in EU competition law. If the Commission leaves the rules as they are now, the spread of social dumping and unfair competition will lead to even more disparities and distrust between Member States. To prevent this from becoming a threat to social cohesion and solidarity between Member States, the Commission urgently needs to explore the possibilities for laying ground rules when it comes to relative minimum wages.

THE EUROPEAN COMMISSION SOCIAL WORK PROGRAMME

Since the prevalence of free market thinking after the Cold War, the emphasis in the EU has been placed on economic freedoms. In the meantime the goal of improving citizens' living standards and improving social cohesion has been treated as a minor detail. The effects of the economic and financial crisis have made it clear that the social dimension has been neglected for too long. Citizens need to see and feel the added value of the EU through a firm and sincere commitment. In order to regain the trust of European citizens, the EU needs to get back on track and work for its citizens again. This can only be done through close cooperation between EU institutions and Member States. Businesses operating across Europe will need to take responsibility as well, just as Henry Ford did 100 years ago.

The crisis is still very present in the lives of millions of Europeans and has exposed weaknesses in our economic systems based on flawed political decisions from the past. Dealing with the legacy of the crisis will be the ultimate policy challenge for the next five years. Failure or success will be determined by the ability of the Juncker Commission to boost sustainable growth, ensure quality jobs and reduce internal disparities. The first test for the new European Commission will occur with the implementation of the investment package presented by President Juncker to the European Parliament. As a Member of the European Parliament I strongly recommend that Juncker and his team seriously take the social needs of all Europeans into account.

> "The crisis is still very present in the lives of millions of Europeans and has exposed weaknesses in our economic systems."

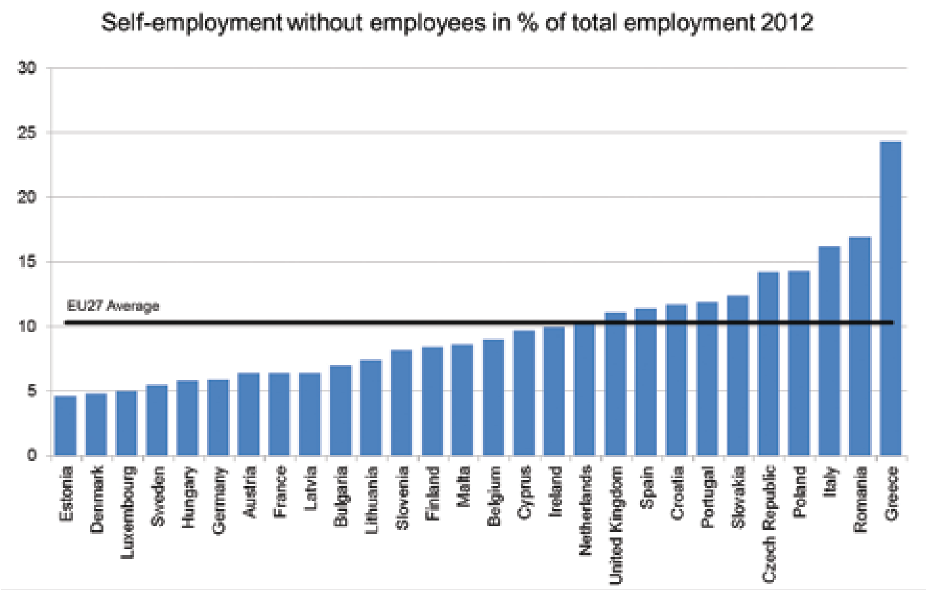
REGULATING SELF-EMPLOYMENT WITHOUT EMPLOYEES in EUROPE

by Brigitte Unger

Many predictions about the future of work warn about an increase in unemployment. Some authors, like Thomas Frey, predict by 2030 global employment will be half of what it is today, which means two billion jobs are endangered. The MIT professors Brynjolfssen and McAfee go as far as calling current developments the beginning of the second machine age initiated by the digital revolution. This digital revolution will allow for the automation of many cognitive tasks. Robots will produce robots. Many white and blue collar skills will disappear, and while some new skills for handling automated machines will be necessary, these jobs cannot fill the gap created by job losses. Firms will tend to minimize permanent staff for production under the pressures of competition. The future of work will belong to the crowd, says Ayad Al Ani, professor of change management and organization, in die Zeit. Whole departments of firms will be closed down and replaced by autonomous self-employed workers: IT expert platforms on the internet will replace computer departments; prize winning competitions for the design of a product on the internet will replace permanent marketing departments. The number of self-employed will increase, and so will self-employed without employees.

If we look at the historical development of self-employment without employees, traditionally it was particularly strong in agriculture (e.g. farmers, renters of the land) and in certain professions. In construction for example, where work was necessary at different places (the construction site), for structural reasons recruitment through commercial contracts was often preferred over fixed labour contracts. Furthermore, when different skills were needed at different times and not permanently (e.g. the plumber was needed only once the house was built, ships had to be unloaded at specific times at harbours), self-employed workers worked on a contractual basis. Self-employment, which amounted to about one third of total employment at the turn of the 19th century, declined until the 1980s and has experienced a renaissance since. In 2012 self-employment without employees stood at 10.3% of total employment in the EU-27. Close to this EU average are the Netherlands (10.2%), Belgium (9%), Ireland (10%) and the UK (11%). Countries ranking particularly high regarding self-employment without employees are Greece (24%) and Italy (16%). The Nordic countries and the Baltic States, Germany and Luxembourg have lower shares: the self-employed without employees make up around 5-6% of total employment (Eurostat/LFS2013 quoted in WSI Project 2014).

If we look at who are the self-employed without employees today it is still mainly agriculture, trade and the construction sector that dominate. Studies for the old EU Member States Germany and the Netherlands show that professional, scientific and technical activities are on the rise, while agriculture seems on the decline (WSI Project 2014). Globalization and digitalization will continue to increase the need for flexible presence in different places and at different times and will require skills. In Europe especially the share of higher educated workers in this group has increased, while the share of the less educated is declining. The self-employed without employees with tertiary education are on the rise (WSI Project 2014).



Data: Eurostat LFS 2013

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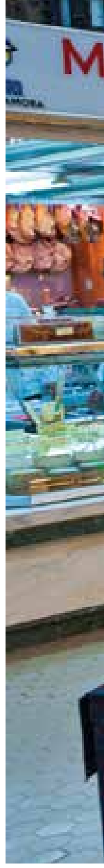
Furthermore, she is a consultant in the Dutch Ministry of Finance, the UNODC, the EU and EUROSTAT on money laundering issues. Since 2012 Brigitte Unger is also Director of the Institute of Economics and Social Sciences WSI, in Düsseldorf.

What are the needs of the self-employed without employees? All in all, today the self-employed without employees make up a diverse and heterogeneous group in Europe. Ranging from highly educated doctors who prefer self-employment over badly paid hospital jobs for pecuniary reasons, journalists who might want a permanent job but end up as freelancers, Schumpeterian entrepreneurs who want to explore new challenges, self-realization and independence from a boss, computer experts, craftsmen to migrants starting a chewing gum sale or tailoring business. They work more frequently at weekends or on night and evening shifts compared to employees, but almost the same compared to the self-employed with employees (see Eurostat and LFS 2013 quoted in WSI Project 2014). They face insecurity, irregular working times, unsocial working hours and stress, and some of them enjoy higher income and more independence than employees. They all enjoy self-esteem related to their work. A comparison of work mobility between self-employed without employees and employed people shows the former enter and leave their professions far more than employees. The mobility rate for the self-employed without employees was 35% in the Netherlands, 23% in the UK and Italy and 20% in Germany, compared to 17%-19% for employed people. They are hence a very flexible group.

This means that regulation of transitions into and out of self-employment are very important for this professional group. If predictions are right and Europe will have to face an increasing number of self-employed without employees partly because new technologies and globalization necessitate new forms of work, but also because people are forced into self-employment in order to avoid unemployment in times of increasing unemployment, it will be particularly important to improve transitions between employment and self-employment, between unemployment and self-employment and between self-employment and old age. Furthermore, income and social security protection must be tailored for this professional group. Health problems and poverty in old age are dangers to which this group is very heavily exposed.



WHAT COULD EUROPE DO?

First, there should be a clear distinction between voluntary and involuntary self-employment. If people are forced out of their employment contract into self-employment because entrepreneurs want to save on taxes or social security contributions, national tax and social security authorities should keep a close watch on these ‘fake self-employment positions´. Similarly, if self-employment is used to circumvent regular work, and is hence a way to disguise shadow economy arrangements, it has to be carefully watched among the Member States.

Grey zones between labour law and commercial law, between dependent and independent work have to be identified. The term ´economically dependent work´ covers arrangements where the self-employed worker is dependent on only one major client or employer. Some Member States have taken legal steps to protect workers in this grey zone between labour contracts and commercial contracts. Health and safety protection, protection against discrimination, minimum wage guarantees and rights to collective agreements have been extended to this category of economically dependent work in some of the Member States.

The European Employment Strategy hopes to combat unemployment by creating more opportunities for the self-employed. Since the mobility of the self-employed without employees is higher than that of regular workers, their risk of losing income and status is also higher. Insurance protection against health risks, income loss and old age should be guaranteed for this professional group.

The Netherlands have tried to integrate the self-employed without employees into labour contracts. The social partners have agreed on a collective agreement for the self-employed without employees (zelfstandige zonder personeel, zzp). In the Netherlands it was this group (of self- employed without employees) who suffered most from the financial crisis. Their job losses did not show up in any statistics, since they were not insured against unemployment. Since then efforts have been made in the Netherlands to protect this professional group. In January 2014 the Dutch government gave the green light to creating pension funds for zzp´ers. Interest groups, many from trade unions, were behind this initiative. In 2015 a pension fund based on voluntary payments will start. However, the high flexibility of the funds (you can determine your pension age yourself between 60 and 70 years), and the voluntary participation may still not eliminate the risk of old age poverty.

Some experiments have been made with mutual insurances against income loss in case of sickness, so-called broodfondsen, or funds for bread when facing sickness. These funds are however too small and have too few members to cover the health risk of this group. A mutual health insurance on a larger scale might indeed be promising.

> **Europe´s problem of increasing unemployment will need many creative ideas in order to be solved.**

Europe´s problem of increasing unemployment will need many creative ideas in order to be solved. To promote self-employment without employees rather than having unemployment is certainly a thought worthy alternative. Broader initiatives are however needed if futurologists are right. If robots replace workers, a substantial redistribution of income is necessary in order to maintain the purchasing power of the population. Robots produce machines and products which have to be sold. This needs people to have sufficient income to buy these products. For this, the existing labour and income must be shared fairly. One important way is to reduce working time, either per week or by introducing periods for re-education, child care, sabbatical or early pension to make labour arrangements throughout the lifetime more flexible (see WSi Arbeitszeitreport 2014). Labour productivity today stands four times as high as in the 1960s while working time has not diminished to the same extent. Sharing work through shorter working time is hence an important way to reduce unemployment. Some authors suggest introducing a basic income. A basic income is suggested by Bryjnolffson and McAfee, amongst others, in order to prevent poverty at the lower end of the income distribution and make people suffer less from unemployment. Expanding an EU Youth Guarantee to all labour might be another possibility. A public job guarantee paying at least the minimum wage – after making sure that this does not lower the salaries for higher paid jobs – might also be an alternative. The Dutch 'Melkertbanen' were jobs in which the long term unemployed could work in public projects in order to acquire skills and not lose their skills in inertia. Work is however not only income, but also self-esteem and an important part of our interaction. The future of work cannot just be solved by giving people a basic income, though this might be an important part of existence. Work must be valued as such. Even if robots produce robots to produce robots, there will still be a need for social engagement, services and careful supervision of the robots by skilled workers.

DIVERGENCE in HUMAN CAPITAL INVESTMENT MUST STOP

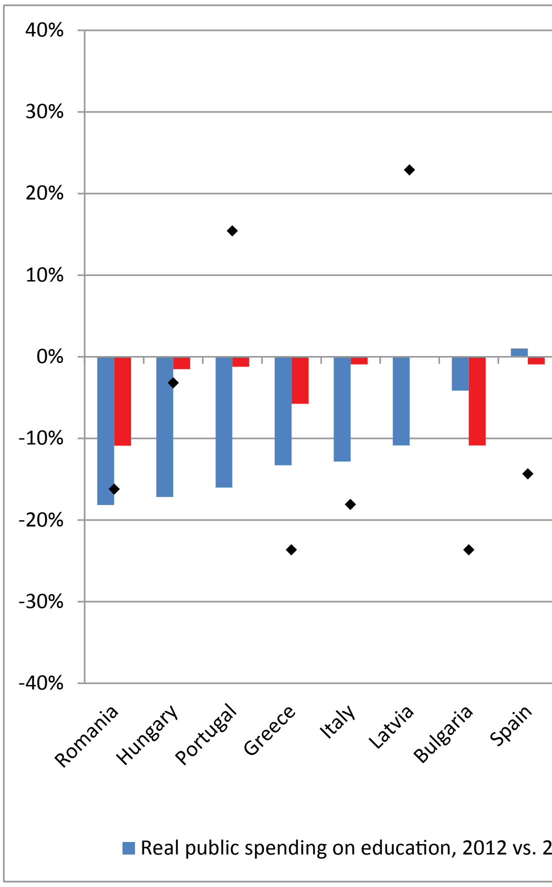
by Frank Vandenbroucke

Few people would deny that investment in human capital is key to long-term economic and social progress. Moreover, the huge disparity in educational achievement across European Member States shows that there is considerable room for improvement.

The OECD illustrates this disparity with its PISA tests for the skills acquired by 15-year old students. Average PISA scores are weak in countries such as Romania, Bulgaria, Greece, and Slovakia; they are mediocre in Portugal, Italy, Spain and a number of other countries; and relatively high in Finland, Ireland, the Netherlands, Estonia, Germany and Poland. These data not only illustrate the particular deficit of Southern Eurozone welfare states – compared to other Eurozone members – with regard to education; they underscore the huge education agenda the whole EU is confronted with.

Educational achievements are not only unequal between EU Member States, there are also persistent educational inequalities within many countries. Educational attainment has to translate into social mobility, but the OECD warns that the biggest threat to inclusive economic growth is the risk that social mobility could now grind to a halt: "In relative terms, the children of the low-educated families became increasingly excluded from the potential benefits that the expansion in education provided to most of the population. And even if they were able to access education, the interplay between their disadvantaged background and the lower quality of education that these students disproportionately endure resulted in the kinds of education outcomes that did not help them move up the social ladder" (Education at a Glance 2014, pp. 14-15).

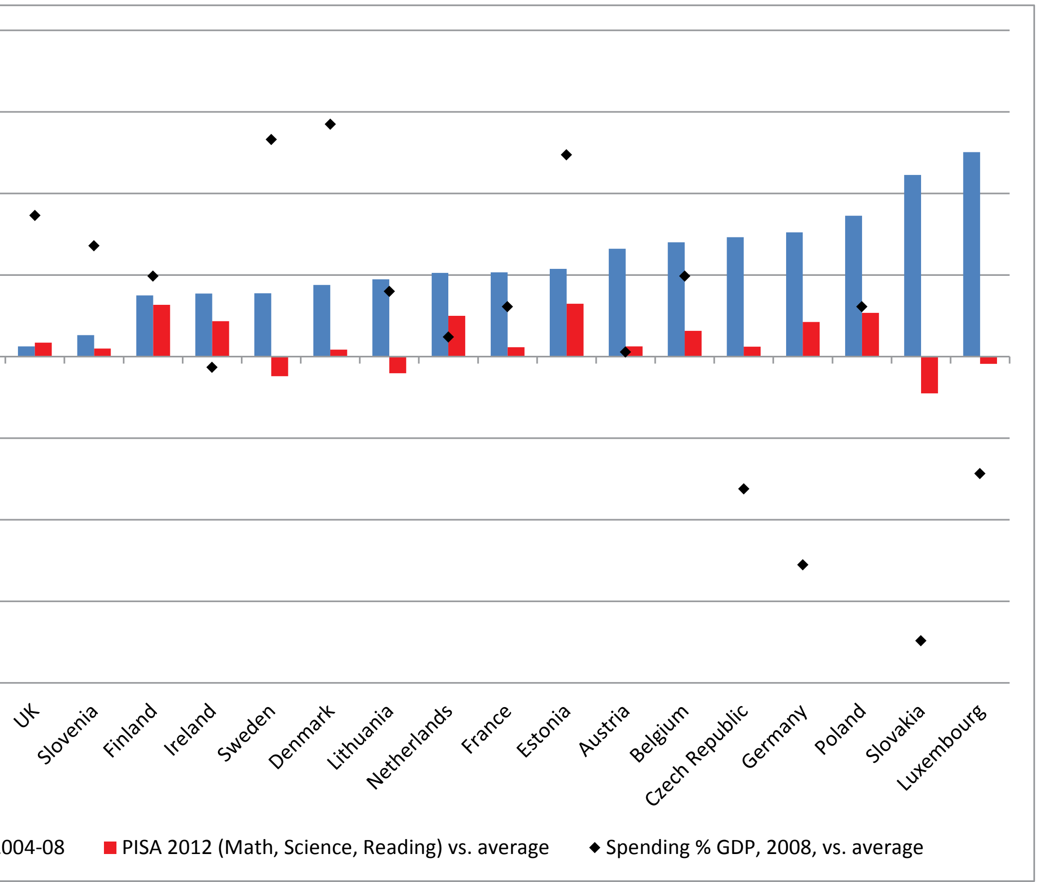
The European Union certainly recognises the challenge. For instance, in the Europe 2020 agenda, reducing the number of early school-leavers is singled out as one of the headline targets.



The European Commission has developed a comprehensive agenda on education, training and skills, and issued excellent recommendations on the modernization of education systems.

However, the question remains as to whether this educational agenda carries sufficient weight at the highest levels of European political decision-making and in the setting of budgetary priorities: the answer seems negative. Figure 1 displays data on the evolution of public spending on education in real terms, together with the most recent PISA results, and spending as a percentage of GDP. The blue bars compare, for each country, its public education spending in 2012 with its average spending over the years 2004-2008 (deflated with the GDP deflator): in 7 of the 25 countries under review, real spending is now lower than it was, on average, in the five years before the crisis. In Romania the decline is 18%, in Hungary it is 17%, in Portugal 16%, in Greece and Italy 13%, in Latvia 11% and in Bulgaria 4%. Meanwhile, in other countries there was a significant increase in real spending, with an increase by 15% or more in the Czech Republic, Germany, Poland, Slovakia and Luxemburg (always comparing 2012 with the average over 2004-2008).

The red bars compare the PISA 2012 score (the average scores on mathematics, science and reading) of each country with the average country score across this set of countries. Some of the countries that cut spending drastically (like Romania and Greece) or significantly (like



Sources: Eurostat (public spending on education, general government), OECD PISA, own calculations.

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Frank Vandenbroucke is a professor at the KU Leuven. He studied economics in Leuven and Cambridge, UK, and received his D.Phil. in Oxford. He was Minister for Social Security, Health Insurance, Pensions and Employment in the Belgian Federal Government (1999-2004), and Minister for Education and Employment in the Flemish Regional Government (2004-2009).

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His research focuses on the impact of the EU on the development of social and employment policy in the EU Member States.

Bulgaria) are also countries with poor PISA scores. Moreover, one cannot say that these countries were 'big spenders' on education, when education spending is compared to GDP: the black dots in Figure 1 highlight this. The graph also illustrates that some of the countries with a spectacular increase in real spending had a relatively low level of spending relative to their GDP in the mid-2000s: they used the produce of economic growth in part to catch up on education spending, which is obviously good policy. Hence, what we observe, is a dramatic divergence in the real public effort for education, with drastic cuts in some countries that badly need to improve their educational performance. The message is not that the quality of education systems can be measured in a simplistic way by the level of public spending on education; but it seems very hard to improve education systems significantly whilst disinvesting.

The strong record of Northern welfare states, with regard to both employment and poverty, has been linked to their long-term orientation towards 'social investment', i.e. activation, investment in human capital, and capacitating social services such as child care. Obviously, investment in education and child care are no panacea; welfare states also differ with regard to the effectiveness of their social protection systems. For instance, Greece does not have a system of minimum income assistance, and minimum income protection in Italy is generally considered to be inadequate. Cash transfer systems are highly fragmented in a number of welfare states. Welfare state performance depends on the complementarity of effective investment in human capital – by means of education, training and child care – and effective protection of human capital – by means of adequate transfer systems and health care. The redistributive role of social protection remains important per se. The Social Investment Package, issued by the European Commission in February 2013, made a compelling case for investment in human capital. However, there is blatant contradiction between this insight and what is actually happening today in a number of Member States. Elsewhere, I argue that for the EU to become a European Social Union, the social dimension should be mainstreamed into all EU policies, notably into macroeconomic and budgetary surveillance, rather than it being constituted as a separate social pillar. The Juncker Commission has announced a push for investment; it should not confine the need for investment to infrastructure, networks and technology: investment in human capital is as important. Establishing a credible link between macroeconomic and budgetary priorities on the one hand, and social and education priorities on the other hand thus is a key challenge for the new Commission.

"The strong record of Northern welfare states, with regard to both employment and poverty, has been linked to their long-term orientation towards 'social investment'."

APPENDIX

1. Eurostat, Unemployment statistics – data up to September 2014, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics#, last consulted 17 November 2014

2. UNICEF Office of Research, 'Children of the Recession: The impact of the economic crisis on child well-being in rich countries', Florence, September 2014, p. 40

3. European Commission, J.M. Barroso, 'Working together for growth and jobs: a new start for the Lisbon Strategy', 2 February 2005, http://europa.eu/rapid/press-release_SPEECH-05-67_en.htm, last consulted 17 November 2014

4. J.C. Juncker, 'A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change – Political guidelines for the next European Commission', Strasbourg, 15 July 2014

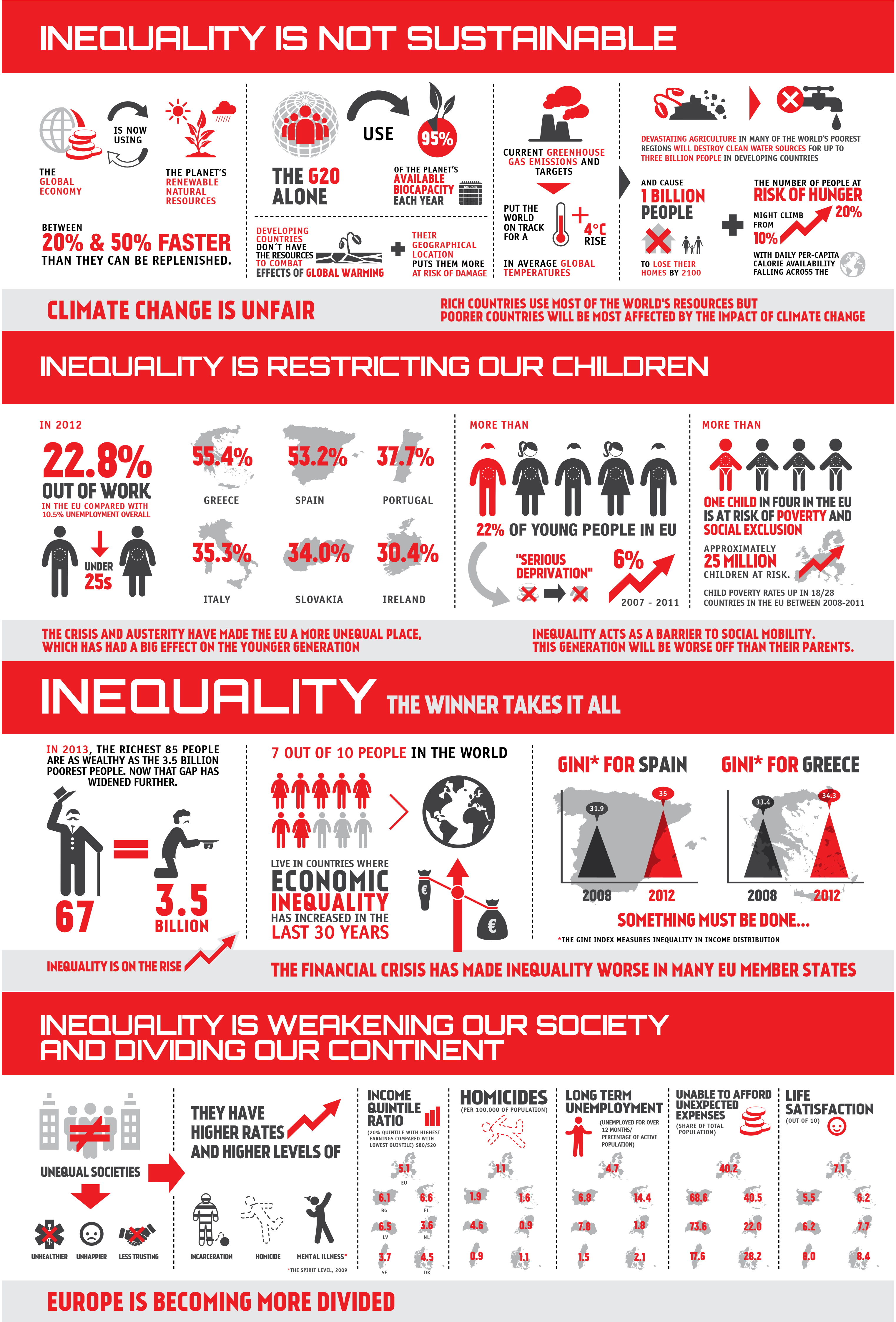
5. IMF, 'World Economic Outlook – Legacies, Clouds, Uncertainties', October 2014

6. EU Observer, 'EU needs to invest, IMF warns on eve of jobs summit', 8 October 2014, http://euobserver.com/news/125959, last consulted 17 November 2014

7. High Level Group on Administrative Burdens, 'Cutting red tape in Europe – legacies and outlook', Brussels, 24 July 2014

8. J.C. Juncker, 'A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change – Political guidelines for the next European Commission', Strasbourg, 15 July 2014, p. 7

9. See also the short study http://www.feps-europe.eu/en/publications/details/266 (published 19 November 2014), Matthias Kollatz-Ahnen and Udo Bullmann: Investment and Industrial Policy – What a Well Structured Package Can Achieve, FEPS Study, Brussels 2014


INEQUALITY IS NOT SUSTAINABLE
THE GLOBAL ECONOMY
IS NOW USING
THE PLANET'S RENEWABLE NATURAL RESOURCES
BETWEEN 20% & 50% FASTER THAN THEY CAN BE REPLENISHED.
THE G20 ALONE
USE
95%
OF THE PLANET'S AVAILABLE BIOCAPACITY EACH YEAR
JANUARY
DEVELOPING COUNTRIES DON'T HAVE THE RESOURCES TO COMBAT EFFECTS OF GLOBAL WARMING
THEIR GEOGRAPHICAL LOCATION PUTS THEM MORE AT RISK OF DAMAGE
CURRENT GREENHOUSE GAS EMISSIONS AND TARGETS
PUT THE WORLD ON TRACK FOR A
4°C RISE
IN AVERAGE GLOBAL TEMPERATURES
DEVASTATING AGRICULTURE IN MANY OF THE WORLD'S POOREST REGIONS WILL DESTROY CLEAN WATER SOURCES FOR UP TO THREE BILLION PEOPLE IN DEVELOPING COUNTRIES
AND CAUSE 1 BILLION PEOPLE
TO LOSE THEIR HOMES BY 2100
THE NUMBER OF PEOPLE AT RISK OF HUNGER
MIGHT CLIMB FROM 10% 20%
WITH DAILY PER-CAPITA CALORIE AVAILABILITY FALLING ACROSS THE
CLIMATE CHANGE IS UNFAIR
RICH COUNTRIES USE MOST OF THE WORLD'S RESOURCES BUT POORER COUNTRIES WILL BE MOST AFFECTED BY THE IMPACT OF CLIMATE CHANGE
INEQUALITY IS RESTRICTING OUR CHILDREN
IN 2012
22.8%
OUT OF WORK
IN THE EU COMPARED WITH 10.5% UNEMPLOYMENT OVERALL
UNDER 25s
55.4% GREECE
53.2% SPAIN
37.7% PORTUGAL
35.3% ITALY
34.0% SLOVAKIA
30.4% IRELAND
MORE THAN
22% OF YOUNG PEOPLE IN EU
"SERIOUS DEPRIVATION"
6%
2007 - 2011
MORE THAN
ONE CHILD IN FOUR IN THE EU IS AT RISK OF POVERTY AND SOCIAL EXCLUSION
APPROXIMATELY 25 MILLION CHILDREN AT RISK.
CHILD POVERTY RATES UP IN 18/28 COUNTRIES IN THE EU BETWEEN 2008-2011
THE CRISIS AND AUSTERITY HAVE MADE THE EU A MORE UNEQUAL PLACE, WHICH HAS HAD A BIG EFFECT ON THE YOUNGER GENERATION
INEQUALITY ACTS AS A BARRIER TO SOCIAL MOBILITY. THIS GENERATION WILL BE WORSE OFF THAN THEIR PARENTS.
INEQUALITY THE WINNER TAKES IT ALL
IN 2013, THE RICHEST 85 PEOPLE ARE AS WEALTHY AS THE 3.5 BILLION POOREST PEOPLE. NOW THAT GAP HAS WIDENED FURTHER.
67
=
3.5 BILLION
7 OUT OF 10 PEOPLE IN THE WORLD
LIVE IN COUNTRIES WHERE ECONOMIC INEQUALITY HAS INCREASED IN THE LAST 30 YEARS
€
€
GINI* FOR SPAIN
31.9
35
2008
2012
GINI* FOR GREECE
33.4
34.3
2008
2012
SOMETHING MUST BE DONE...
*THE GINI INDEX MEASURES INEQUALITY IN INCOME DISTRIBUTION
INEQUALITY IS ON THE RISE
THE FINANCIAL CRISIS HAS MADE INEQUALITY WORSE IN MANY EU MEMBER STATES
INEQUALITY IS WEAKENING OUR SOCIETY AND DIVIDING OUR CONTINENT
UNEQUAL SOCIETIES
UNHEALTHIER
UNHAPPIER
LESS TRUSTING
THEY HAVE HIGHER RATES AND HIGHER LEVELS OF
INCARCERATION
HOMICIDE
MENTAL ILLNESS*
*THE SPIRIT LEVEL, 2009
INCOME QUINTILE RATIO
(20% QUINTILE WITH HIGHEST EARNINGS COMPARED WITH LOWEST QUINTILE) S80/S20
5.1 EU
6.1 BG
6.6 EL
6.5 LV
3.6 NL
3.7 SE
4.5 DK
HOMICIDES
(PER 100,000 OF POPULATION)
1.1
1.9
1.6
4.6
0.9
0.9
1.1
LONG TERM UNEMPLOYMENT
(UNEMPLOYED FOR OVER 12 MONTHS/ PERCENTAGE OF ACTIVE POPULATION)
4.7
6.8
14.4
7.8
1.8
1.5
2.1
UNABLE TO AFFORD UNEXPECTED EXPENSES
(SHARE OF TOTAL POPULATION)
40.2
68.6
40.5
73.6
22.0
17.6
28.2
LIFE SATISFACTION
(OUT OF 10)
7.1
5.5
6.2
6.2
7.7
8.0
8.4
EUROPE IS BECOMING MORE DIVIDED

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SUSTAINABLE DEVELOPMENT 2.0