

CHALLENGES AND ACHIEVEMENTS TOWARDS 2020'S SMART, SUSTAINABLE AND INCLUSIVE GROWTH. A CRITICAL EVALUATION.

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Abstract

Stringency of social issues disparities created major economic and social slippage, so that the subject scores highly on the agenda of the current policies. It becomes more necessary than ever a change of the dominant logic by addressing the social problem in terms of a variety of tools such as education, research and development, employment and environment, in order to overcome the colossal effects of the economic crisis. In recent years, we have seen a growing focus of European policy on economic instruments generating inclusiveness and sustainability through smart means. The problem of poverty and social exclusion dethrone in intensity the economic, financial and technological ones. It can be appreciated that in the current context, European policies are forced to resort to compromises in order to reach a satisfactory level of reform projects. The strategic approach towards a smart, sustainable and inclusive economy, being at mid-term progress, is subject to a critical assessment from the perspective of its feasibility to major social issues that Europe is facing today. In this sense, we can appreciate that Europe is likely to move towards a smart and sustainable economy, but faces real difficulties to its inclusiveness.

Key words: Smart, sustainable, EU, poverty.

JEL classification: A1, F50, I30

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1. Introduction

The transition from a knowledge-based economy to an inclusive one, the European Union turns the attention to the desirable of inclusive growth in a smart and sustainable manner, although constrained by tight budgets due to the global economic crisis. Stringency of social issues disparities created major economic and social slippage, so that the subject scores highly on the agenda of the current policies. We can easily notice the change of the dominant logic, by tackling social issues in terms of a variety of tools such as education, research and development, employment and environment, in order to overcome the colossal effects of the economic crisis. Financial limitations create major difficulties in the Union's strategic approach to reduce the burden of social disparities. To prevent social tensions increase among Europeans, it is vital, now more than ever, that the European Union prepares with appropriate tools and strategies to counteract the adverse effects or to act proactively to current challenges. The problem of poverty and social exclusion, apparently a sociological topic is a cross-cutting issue that dethrones in intensity the economic, financial and technological ones. It can be appreciated that in the current context, European policies are forced to resort to compromises in order to reach a satisfactory level of reform projects.

The research theme presents a major current concern, due to the fact that Europe is forced to focus on short-term economic recovery. This mission becomes quite tricky for two main reasons: first the unfavourable financial aspects of the economic crisis must be considered, and secondly, short-term government interventions should not compromise long-term objectives (social inclusion, improved living conditions, educational and professional development, business sustainability and working conditions).

Increasingly more researchers and policy makers begin to indicate that we are witnessing a paradigm shift expressed by focusing the interest from technology to social inequalities, due to the fact that humanity is facing a social crisis rather than a technological one, which entails real social imbalances, so that the technologies and economies that

are in constant change, are the main causes of social anxiety. Lately, we can see a growing focus of European policy on economic instruments generating inclusiveness and sustainability through smart means.

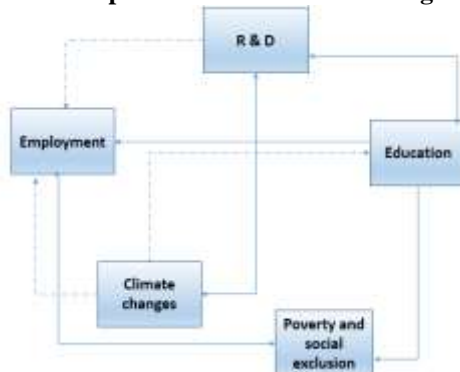
In light of the current economic crisis, which Europe crossed with real difficulty, it becomes more necessary than ever, a change of the dominant logic. It is becoming increasingly obvious the reality that the safeguard solution cannot come seeking the same principles as the previous growth model, further enhancing the fiscal imbalances and social inequality. Following the same logic, the view of OECD [1] is "to stop focus on the quantitative growth, but on its quality."

2. EU 2020 - strategic approach towards a smart, sustainable and inclusive European economy

Initiated from an irrepressible desire for constant development of new sets of tools, vectors generating economic performance, for its strategic approach of becoming an example of unification, in 2010, the EU Council launched the Europe 2020 strategy, in order to create the premises needed to overcome the colossal effects of the global crisis, and to shape the transition to a smart, sustainable and inclusive growth. Considered a vector of cohesion for the Member States and a framework for developing a social dimension, the EU Agenda 2020 sets out five main objectives, which are emerging from broad areas of education, tackling poverty and social inclusion, employment, research and development and, not least, is strongly associated with environmental targets represented by the triple 20-20-20 on a 20% reduction of greenhouse gas emissions compared with the levels of 1990, 20% increase of the share of renewable energy in total energy consumption and increasing energy efficiency by 20%.

The guidelines of Europe 2020 strategy aim to building a union of industrial and technological progress innovation in a smart, sustainable and inclusive way, the latter being a cross-cutting objective, created for reducing the imbalances arising from the implementation of environmental policies. It is worth noting that part of the EU 2020 initiatives are a continuation of what it had to be achieved by the end of 2010, included in the Lisbon Agenda. Subsequent to the experience of the Lisbon Strategy, the EU 2020 objectives receive more optimistic assessments from some authors as Çolak and Ege [2]. The five integrative objectives, which intertwine and reinforce each other (fig. no. 1), create the prerequisites for the desirable social and sustainable development through the seven flagship initiatives, supported by structural funds to promote new skills, youth employment, innovation, resource efficiency and poverty reduction. These results can be achieved only through ambitious actions, by whose implementation, the European economy develops into one with a considerable number of jobs, higher productivity, favourable eco-system and social cohesion.

Figure no.1 Interdependence of EU 2020 strategic objectives



Source: Eurostat, 2010

2.1. The diagnose of Europe 2020 achievements

After 4 years from the onset of the 2020 Strategy, Europe is in a reality that seems to dismiss the achievement of the main targets assumed. Goals and targets were originally set starting from the assumption that the European Union could find the economic brilliance before the financial crisis that hit the continent in 2008.

Although that in public statements or some conferences for disseminating their results, the European Commission [3] declared achieved mixed results, the reality proves that only two of the indicators have a real chance of meeting, the education and the environment related indicators. European social and economic recovery, through the 2020 Agenda, proposed the following three scenarios: 1) strong economic growth; 2) slow recovery; 3) a lost decade. Andrea Renda [4], based on present achievements, place the European situation between the second and third growth scenario, in other words, prior period presented middle solution between a lost decade and a slight increase, by a total or partial failure of many of the objectives.

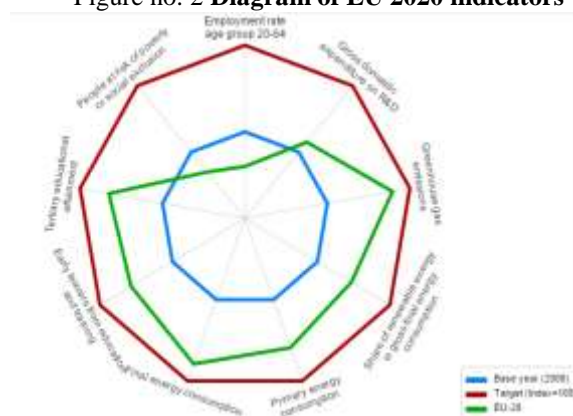
We are witnessing today to a detailed analysis of the progress of the EU 2020 strategy, being at the mid-term, and we can easily observe the effervescent criticism of the field literature in terms of its potential for full default or partial achieving of the objectives. Starting from the premise that, in the absence of a default standard for measuring

efficiency, the EU encounters significant difficulties in monitoring the progress achieved by the so ambitious goals, these being more like pseudo-indicators. Being aware of the importance of the strategic approach for a smart, sustainable and inclusive European economy has raised multiple risks associated with the negative effects, among which we can mention the achievement of some indicators by the failure of others, as the case of greenhouse gas emissions indicator reduction by 20% due to closing the chemical industrial production entities, especially in Eastern Europe, which has been translated into rising unemployment in industry and imbalances of poverty reduction goals. Such an example of Eastern European country, is Romania, where a lot of these production systems were closed, affected areas facing high unemployment rates, but with slight progress among people working in environmental systems.

Andreea Renda [4] completes the criticism for the likelihood of achieving the strategic objectives and raises important issues related to the feasibility of the strategy, statement being even the European Commission assessment which assessed progress as "euphemistically" due, in part, to "mixed results" achieved so far. According to Renda [4], targets on education and environment seem to be the closest to fruition, the latter being close to the targets due to the significant slowdown in industrial production, accompanied by the disastrous effects of the economic crisis. In counterbalance, pivot initiatives such as "New Skills and Jobs" are estimated to be with no chances of success. As a personal opinion, progress towards these two flagship initiatives can record a certain extent, but not exclusively, from the green sector.

The diagram (fig. No. 2) for fulfilling EU 2020' the pivot indicators allows us to visualize the current status of the 9 indicators of the EU 2020 illustrating progress since 2008 and the distance still necessary to be travelled to the achievement of the pivot objectives. At European level we can easily appreciate that the major problems facing Europe in recent years are presented and form strategic indicators with the highest risk of default such as employment, poverty and social exclusion, issues of overwhelming dimensions, and investments research and development.

Figure no. 2 **Diagram of EU 2020 indicators**



Source: Eurostat, 2015

Analysing the Eurostat database [5], a brief overview on indicators shows that European strategic objectives towards a smart, sustainable and inclusive growth aimed at creating prerequisites for social cohesion and employment, still require sufficient resources to meet the goals. Unlike targets on education and environmental sustainability, which record significant progress, targets for reducing poverty and increasing employment indicators rank on the line with significantly reduced fulfilment chance. Furthermore, poverty and social problems in Europe have become real and urgent acuity problems, which have surpassed the crisis and technological significance, taking increasingly more widespread due to the effects on the living standards and life quality.

Table no.1 **Progress of EU 2020 indicators**

Objective	Headline indicator	Past situation	Current situation			2020 Target
		2008	2012	2013	2014	
Employment	Employment rate, total (% of the population aged 20-64)	70.3	68.4	68.4	69.2	75.0
R&D	Gross domestic expenditure on R&D (% of GDP)	1,85	2,01	2.02 ^e	:	3.00
Climate change & energy	Greenhouse gas emissions* (index 1990=100)	90.4	82.1	:	:	80.0
	Share of renewable energy in gross final energy consumption (%)	10,5	14,1	15.0	:	20.0
	Primary energy consumption (Million tonnes of oil equivalent)	1,689	1,584	1,566.5	:	1,483
	Final energy consumption (Million tonnes of oil equivalent)	1,175	1,103	1,104.6	:	1,086
Education	Early leavers from education & training,	14,6	12,6	11,9	11.1 ^b	<10.0

	total (% of population aged 18-24)					
	Tertiary educational attainment, total (% of population aged 30-34)	31.2	36.0	37.1	37.9 ^b	≥40.0
Poverty or social exclusion	People at risk of poverty or social exclusion (million)	116.6	122.7	121.6	:	96.6

Source: Eurostat, 2015

3. Risks and challenges for the mid-term assessment of strategic objectives

The new European growth model, under the guiding lines of 2020 Agenda, outlines the three pillars of smart, sustainable and inclusive growth. Quasi-comprehensive analysis of the social field has demonstrated real difficulties that led to the launch of the social dimension as the EU's emerging field. Economic inequality and social inequity are intensely debated both in areas of research and in the social, political, economic and academia environments.

The issue of poverty, which the European policy agenda aims to combat, represents a multifaceted area, for which impressive financial resources must be mobilized and sustained efforts by the policy makers. However, we note that the guiding lines of the EU 2020 agenda receive attention that can be appreciated as discrete at governmental level, the initiatives are often marginalized in EU debates, for which, so far it failed to fully create a coherent framework for the employment policies, the less for exploiting the synergies between actions.

Being at a midterm progress, given the weight of the treated issues, we would have expected to a considerable effervescence of the field literature towards the progress of the emblematic indicators of 2020 Agenda. The lack of assessments towards the evolutions of the strategic approach for a smart, sustainable and inclusive economy means that these are not within the main subjects of the today's EU policy agenda, and this is due to lack of accountability at the local level and limiting it only to the costs and benefits of the available policy options. The strategic objectives are almost unknown in the Member States due to the lack of monitoring and supervisory mechanisms of the evolutions of the national indicators, without guiding the agenda of reform plans of the national governments.

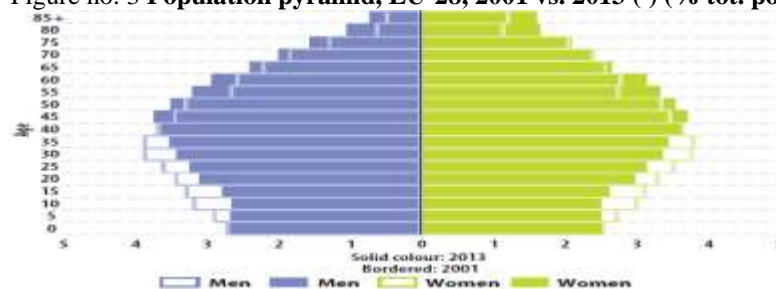
Economic policy coordination mechanisms create difficulties in implementing different national approaches on complying with strategic objectives, due to the lack of sanction mechanisms in line with strategic objectives. The Eurozone countries benefit from stricter rules compared to countries outside the euro, the cohesion process becoming a complex one due to different rules for different countries according with Becker [6], but still subject to the same governance processes. Thus, overlapping objectives and political messages sometimes become contradictory. One such example can be seen in the case of requesting severe austerity measures, without neglecting the social consequences of the crisis. Consequently, flagship initiatives such as "New Skills and New Jobs" were not used to create a coherent and favourable employment policy by exploiting synergies between actions.

Although we have expected an effervescence criticism of European strategic approaches towards a smart, sustainable and inclusive growth, a small part of the field literature discusses about appreciations and recommendations of the EU's efforts. We find to Andrea Renda [4] some elements about which the strategy says nothing and which represent areas with special significance for the economic and monetary union. Among the guiding lines, the Europe 2020 agenda does not mention issues such as improving the quality in the areas of education and employment, thus it does not guide national policies towards quality and competitiveness of European companies, nor necessary mechanisms for a solid European infrastructure.

3.1. Employment

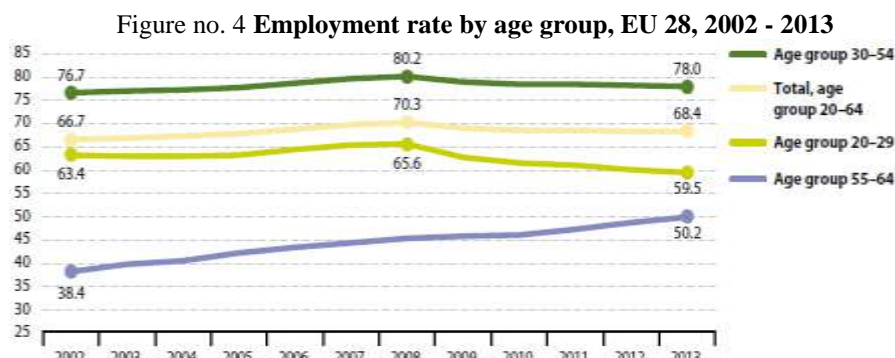
The demographic problem reflected by a strong gap between birth and fertility rates, in conjunction with raising the life expectancy (fig. No. 3), creates major difficulties in the development of a strategic approach to mitigate these major imbalances towards the employment desirable. Education and training remain key vectors for better job opportunities, especially for young people.

Figure no. 3 Population pyramid, EU-28, 2001 vs. 2013 (*) (% tot. pop.)



Source: Eurostat, 2015

Another major problem that begins to grow at European and worldwide level occurs from the increasingly smaller employment rates among older people (fig. No. 4). This adds weight to the EU's strategic approach to record economic growth. According to Daniel Gross [7], as the rate of employment among older people drops, it falls also the potential for economic growth. Thus, it becomes more necessary than ever, in the absence of the possible massive financial investment to counter social problems, to create mechanisms for balancing the supply and demand of the labour market by hiring as many young people trained and using mechanisms for retention the older people in field of work.



Source: Eurostat, 2015 (online data codes: lfsa_pganws, tsdde100 and t2020_10)

Initiatives for increasing employment through 'New Skills and New Jobs' initiatives encounters major problems due to increased economic dependency of older people and the vulnerability among young people, due to labour market pressures. For example, more recently, the temporary employment contracts are one of the employers' survival tools, in an increasingly competitive free market.

Flexicurity remains the main instrument for fighting unemployment and labour market segmentation. The flexibility of labour markets through flexible and reliable contractual arrangements, effective social security systems, for both the employer and the employee, all supported by a high and effective level of lifelong learning initiatives, can be considered as transition vectors to an inclusive labour market.

3.2. Investment in research and development

It has become a habit to find on today's policy agenda multiple approaches related to effects of research and development field, for an intensely competitive market economy. Although there may be recorded some positive changes of the research and development indicator, these are not significant in the current period. As a remark to the detriment of European policy agenda towards a smart and inclusive Europe, expressed by the indicator of investment a 3% of GDP to research and development is presented rather as an input pseudo indicator, not as an output indicator, reaching only 2.2 % in 2013. However, it remains a key to maintain competitive advantage, both at European companies and individual level (Europe being appreciated as a centre of knowledge creation).

Along with the indicator on education, being the final midst of building human capital and closely connected to the concepts of research and innovation creates the prerequisites for a smart economy. However, inappropriate qualifications in a European economy with growing technological needs and increasingly complex demands represent threats to Europe's innovation capacity. Knowledge and skills are essential for scientific and technological expertise to strengthen the economy's capacity to absorb and use this knowledge.

3.3. Renewable energy and climate changes

Towards the strategic approach for a sustainable economy, Europe has committed to reduce energy consumption, not only for reducing energy dependency, but also to mitigate the effects of human activity on the environment in general, and on overall environment, in particular. Since 2008, the indicators related to renewable energy and climate change have made substantial progress in reducing greenhouse gas emissions and increasing the share of renewable energy use. Much of the literature gives to this complex indicator chances to fulfilment, mainly due to visible progress [4]. However, it is prudent to argue that this upward trend in the sector is mainly due to industrial activity slowdown, amid the global economic crisis. Thus, especially in Central and Eastern European countries, we are witnessing the fulfilment of the objectives due to significant targets reduction for greenhouse gas emission, amid to the failure to fulfil others, by closing entities of industrial production (chemical plants), thus creating imbalances in the areas of poverty reduction and employment by alarming increases of the number of unemployed persons (unemployment).

3.4. Education

Priorities for EU higher education offer the opportunity to still get measurable results on education, providing Member States with a much clearer picture of the aims and achievements. Substantial increases are visible in education field, where EU standards rank near the boundaries of the two goals associated with the smart desirable: early school leaving rate (% population 18-24 years) and rate of tertiary education graduates aged 30-34 years (%). According to Andrea Renda's appreciation [4], the targets rated with high potential of success are the ones of education and energy efficiency from renewable sources.

3.5. Poverty and social exclusion

There is growing appreciation of field literature, according to which social cohesion is critical for economically prosper societies and sustainable development. The introduction of free market conditions, privatization of former state enterprises and radical austerity measures have led to devastating social and economic conditions. As a result of the overwhelming global economic crisis, and the difficult progress of strategic objectives associated with this colossal area, we can say that social exclusion will continue to grow in the coming years and the obsession with fiscal deficits and public debt under austerity will not lead to disparities reduction.

Social protection systems have helped to improve social outcomes, but face the consequences of demographic changes and the financial and economic crisis. Following the resulting pressure on public budgets and structural deficits risk from the labour market in the future, it is more than necessary that social policies to be modernized, in order to optimize their effectiveness and efficiency, as well as the way to finance them.

According to the Eurostat report "Smarter, greener, more inclusive? Indicators to support the Europe 2020 strategy" [8], the EU faces with an alert growth rate of aged population, influenced by the decline of fertility and growing life expectancy. This trend, visible in many Member States, translates to a higher proportion of elderly population in the total population, while the population aged between 20 and 64 years will decrease, meaning a sharp drop in the labour market and active population, pressuring on the budget spending to support an aging population and higher life expectancy.

In the social sector, things are even worse than before the economic crisis. Among the objectives that do not appear to be reached, the employment and poverty combating is well below expectations, even below before Strategy implementation. We can appreciate that considerable effort is still needed in order to fit on an ascending line of the pivot targets of investment in R & D, and more so for those related to the employment and poverty.

4. Methodology

Strategic approach towards a smart, sustainable and inclusive economy, at a mid-term progress, is subject to a critical assessment of its feasibility perspective by reporting to the intensity of major social issues facing Europe today. In this regard, the paper performs a quasi-exhaustive analysis of the relevant studies about the possibilities of achieving the Europe 2020 pivot objectives, as the guiding lines for EU Member States towards a smart, sustainable and inclusive growth. The critical analysis was performed by the selection of indicators identified as vectors for smart, sustainable and inclusive growth, using the Eurostat database or by accessing websites and international databases such as ISI Web of Knowledge, ScienceDirect, Scopus, JSTOR and ProQuest, identifying the progress of the most relevant data registered by EU 28 indicators.

5. Concluzii

The problem of poverty and social exclusion is a cross-cutting issue that dethrones the intensity of the economic, financial or technological ones. It can be appreciated that in the current context, European policies are forced to resort to compromises in order to reach a satisfactory level of reform projects.

As a personal opinion, education and human capital development plays an important role in achieving sustainability and social cohesion in the EU. It can thus create the necessary prerequisites to maintaining the competitiveness of European companies in the global landscape and social sector support. A well-educated nation could be an important argument for raising the innovation potential for higher earnings, quality jobs and the potential to lift large numbers of people at risk of poverty, thus advancing the goals for a smart and inclusive Europe 2020. Much-discussed European social model should be redefined to incorporate, as the main driver, the option for a cohesive economy, stimulated by education, in line with the principle of social inclusion and supported by a network of family and regional solidarity.

From the perspective of the strategic approach towards a smart, sustainable and inclusive economy, we can appreciate that Europe is likely to move towards a smart and sustainable economy, but faces real difficulties to its inclusiveness, generated by the major social problems.

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