European Economic Development Performance Achieving the Europe 2020 Goals at the Level of the European Union Submodels

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Abstract

The challenges faced by the EU and implicitly the European model of development are both new and complex. Achieving the Europe 2020 objectives can be a key point in the future decision and can offer the oportunity to analize the sustainability of the economic development model. Considering the failure of the Lisbon Strategy, the European Commission proposed for 2020 the achievement of five measurable objectives which refers to: employment, research and innovation, climate change, energy, education and the fight against poverty. This paper try to analyze the socio-economic performances of the European Union' submodels, and the possibility that the submodels achieve the goales of Europa 2020 Strategy.

Keywords: regional development, Europa 2020 Strategy, poverty rates

Literature Review

Today there are known three models of economy and society in the world: the European model, the American model and the Asian model.
These three development models have different characteristics, only the European Model includes three elements: economic growth, political liberty and social cohesion, being considered an inclusive model.

Since the establishment of the European Union and, implicitly, the European model of development, all the strategies adopted have been pursuing its realization and consolidation.

Until 1973, Europe experienced a period of sustainability in the magical triangle of economic growth, macroeconomic stability and the state of well-being, reducing the pressure of equity between equity and efficiency. The magic triangle has broken into the recession phase of the Kondratieff Cycle, which has affected the essence of the European model - ensuring social cohesion. (Dinu, 2004)

The Lisbon Strategy adopted in 2000 aimed at the structural transformation of the European Union's economy by 2010. The strategy was aimed at promoting a sustainable economic growth that would favor employment growth and social cohesion (Sapir Report,2005)

The aim of the Lisabon Strategy launched in 2000 was to make Europe "The most competitive and dinamic knowledge-based economy in the word, capable of sustainable economic growth with more and better jobs and greater social cohesion" (European Council)
In their study, Hrvoje Butkovic and Visnja Samardzija mentioned that the Lisbon Strategy was intended to improve the EU's economy and boost employment through approaching certain goals, such as creating

an internal market for services, decreasing administrative burdens, improving human capital, reaching the target of raising the level of expenditure on R&D to 3% of GDP and raising the level of the employment rate to 70%.

During the re-launched Lisabon Strategy, the European Commission made recomandations in several areas, namely: technology, scientific esearch, development of trade based regional agreements, education, the internet market, labor market reform, social protection. According to the European Commission (2010) the reforms agreed in the Lisbon framework delivered tangible benefits, including increased employment, a more dynamic business environment, more choice for consumers and a more sustainable future.

Despite achievements in some areas, the original Lisbon Strategy gradually developed into an overly complex agenda with multiple goals and actions and an unclear division of responsibilities. Among the reasons that led to the failure of the Lisbon Strategy were mentioned: the heterogeneity existing between the structures of the economies that form the EU, the fact that the targeted reforms included a large number of areas to be implemented quickly and consistently, the was no sufficient national/community funding was provided, the objectives were contradictory and the strategy set too many targets, there was no clear delineation of non-national community responsibilities,the biggest challenges come from China's economy, not from the US ,the review of the strategy was a superficial one limited to a set of indicators, the strategy was not focused enough on critical elements which played a key role in the origin of the financial crisis.

The Lisbon Agenda and its objectives remain valid after 2010 also, The decision of creating the 2020 Strategy is an indirect acceptance of the failure of the Lisbon Strategy.

The Europe 2020 strategy has emerged with three principle tasks. Firstly, the EU has to continue with the Lisbon type reforms. Secondly, Europe 2020 needs to develop new instruments of economic governance which should bring more policy convergence and better overall results. These new governance instruments could prove crucial in overcoming the effects of the crisis in Europe and finally, Europe 2020 has to build its profile externally, by proving its relevance globally. (Hrvoje Butkovic, Visnja Samardzija, 2010).

The strategy had to take into account the failure of Lisbon and the economic context affected by the crisis as well as learning from mistakes. The European model of development was faced with a new context and had to respond to many challenges.

According to European Commission, through the Europa 2020 Strategy, the EU has sought to become an intelligent, sustainable and inclusive economy.

Europe 2020 proposes three main priorities which support themselves:

-*smart growth*: developing an economy based on knowledge and innovation;
-*sustainable growth*: which promotes a more efficient economy in terms of resource use, it is more environmentally friendly and it is more competitive ;
-*inclusive growth*: which promotes an economy with a high employment rate to ensure social and territorial cohesion.
Europe 2020 headline targets refer to
Empoyment: 75% of people aged 20-64 to be work;
Research and development (R&D): 3% of the EU's GDP to be invested in R&D;
Climate change and energy:
-greenhouse gas emissions 20% lower than 1990 levels;
-20% of energy coming from renewable
-20% increase in energy efficiency;

Education:
-rates of early school leavers below 10%;
-at least 40% of people aged 30-34 having completed higher education
Poverty and social exclusion:
-at least 20milion fewer people in-or at risk of-poverty/social exclusion.
Regarding these targets, the Europe 2020 strategy stressed that its five headline targets should subsequently be broken down into differentiated and measurable national targets. With such practice, the Commission claims, each member state will be able to tailor the Europe 2020 strategy to its particular situation (European Commission, 2010).

According to Maria Juão Rodrigues (2009), the challenges are today wider than was the case in 2000, because Europe is confronted by strong competitors all over the world. There are lots of emerging economies, not just the United States and Japan. With the environment, the central challenge is now climate change, while regarding demographic trends, the ageing problem is now deeper.

It became evident that the growth model was no longer sustainable and there was a need for stronger coordination of growth policies. Besides these problems, we can add Brexit, political instability, national insecurity, the problem of population migration, the sovereing debt crises, the refugee crises.
A Europe with more speeds is emerging, which implies the formation of new blocks and the deepening of the gaps, in our opinion this would affect the sustainability of the European development model. Failure to meet the Europa 2020 targets in many member countries raises considerable issues which affects the essence of the European model - social cohesion.

Achieving the Europe 2020 goals at the level of the European Union submodels

The Socio-economic Model of Europe can look homogenous from outside, but there are many important differences across countries (Karl Aiginger, 2014). The model is characterized by a high degree of heterogeneity. The most important national differences are apparent in the transfer system, tax-benefit system, welfare policies, and more generally in the proportion of state intervention and individually based insurance in the matters of pensions, health care, education, etc.

Below, we tried to analyze the fulfillment of the objectives at each European development submodel.

Tabel 1: The Europe 2020 goales in 2016

Europa 2020 Objectives	S Northen	S Sauthern	S. Continental	S Catthing-up	S. Anglo-saxon	EU-28
Empoyment: 75% of people aged 20-64 to be work	Yes[3] (77.30 %)	No[4] (65.10%)	No (72.40%)	No (71.64%)	Close to achive (74.50%)	No (71.20%)
3% of the EU's GDP to be invested in R&D	Close to achive[5] (2.72%)	No (0.97%)	No[6] (2.39)	No (1.04%)	No (1.43%)	No (2.02%)
greenhaouse gas emissions 20% lower than 1990 levels	Yes	No	No[8]	Yes[7]	No	Yes
rates of early school leavers below 10%;	Yes (7.62%)	No[1] (11.55%)	Yes[2] (8.06%)	Yes (9.45%)	Yes (8.74%)	Close to achive (10.7%)

at least 20milion fewer people in- or at risk of- poverty/social exlusion	No	No	No	No[9, 10]	No	No

1 Italy has the lowest rate 2.8% 2 Malta has the highest rate 19.7%; 3 Sweden has the highest rate 81.2%; 4.Greece has thw lowest rate 56.2%; 5 Sweden has the highest rate 3.25%;6. Cyprus has the lowest rate 0.5%;7. Lihuania Gass Emission Index=41.99 (Index 1990= 100%);8. Cyprus Gass Emission Index =144.45(Index 1990=100%); 9. Romania has the highest rate 25.3% ; 10. Czech Republic has the lowest rate 9.7%
* we took into account the average value of the states that make up the submodel

The Nordic Submodel (Sweden, Netherlands, Danemark, Filand) has provided the model of the most competitive european economies. It is the submodel that responded the most to the requirements of the Lisabon Strategy and fulfills a lot of of the targets set for 2020. It is individualized by the importance of employment policies and high levels of social protection spending. This model has the best approach to the structure of the European model.

The Anglo-saxon submodel (Great Britain and Ireland) is characterized by the fact that it offers efficiency but not equity. It highlights the pattern of dynamic economies, but affected by public debt pressure (public debt of United Kingdom was -4.3 %of DGP in 2015 and -2.9%of GDP in 2016). It Fulfills one objective, the one related to the education and has very good results in terms of employment rate.

The Continental submodel (France, Germany, Austria, Belgium, Luxemburg) is characterized by equity without efficiency. This submodel has good employment result, and fulfills the educations target.

The Southern submodel (Greece, Italy, Spain, Portugal, Malta, Cyprus) has a lower economic level and It is affected by social inequalities. By 2016 it has not achieved any goals.

The Catching-up submodel (Czech Republic, Slovakia, Slovenia, Hungary, Poland, Estonia, Lithuania, Latvia, Romania, Bulgaria) is characterized by an increase in efficiency but without equity.   By 2016 it has achieved education and climate target.

We encounter the highest poverty rate and a different organization of the welfare system. It records a high income polarization that leads to maintaining a high poverty line. (European Commission, *2017)*
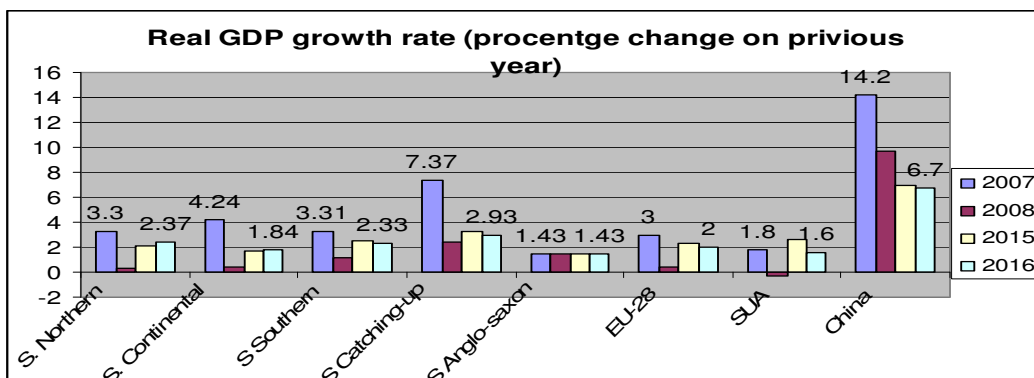

Fig.1: Real GDP growth rate (procentage change on privious year)
Source: Eurostat

In the period of 2007-2016 the most significant economic growth losses were recorded for the Catching-up submodel (-4.44 pp) and Continental submodel (-2.4 pp).

According to Eurostat, countries with the best performance in 2016 were: Romania (4.8%), Bulgaria (3,9%), Sweden (3,2%), Slovakia (3,3%), Poland (2.9%).

We have a problem in the question of the sustainability of the economic growth for Central and Eastern European countries, as there is a premise that this growth was based on consumption (wage increases stimulated demand), which can lead to an overheated economy.
The European Commission has proposed that restarting growth, on the New Agenda, should be at least as high as budget consolidation.

Karl Aiginger ,in his studies, recommended policies to restart growth without increasing debt and deficits necessitate like: shifting proprieties in government expenditure as well as in the tax structure, increasing tax compliance in order to lower tax rates, promoting competition throught the deregulation of regulated services and professions, supporting the creation of companies, entrepreneurship and SME's, combining public procurement polices with higher social and ecological standards.

It can create a Europe with more development speeds, as some economists say, it can create a 2-speed Europe, a central group with the great powers that will take steps towards deeper integration and other countries.
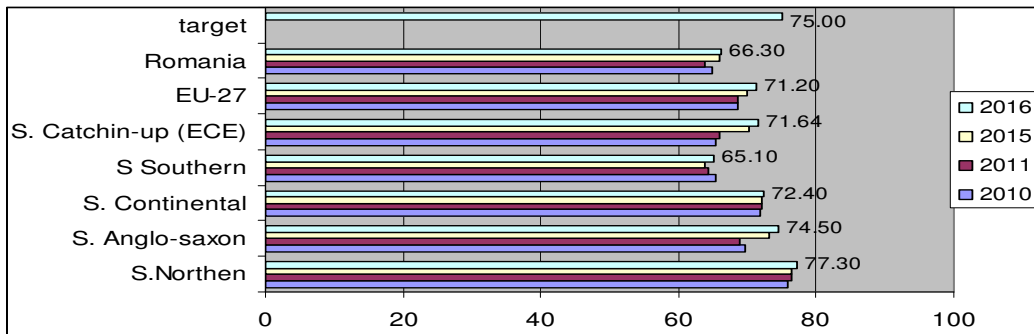

Fig. 2: Employment rate by sex group 20-64%

Source: Eurostat

The regional absences concerning employment rate did not decrease significantly , but they have not become more accentuated either.

Among the countries that achieved the 2020 employment strategy objectives, according Eurostat, were Germany, the Czech Republic, Estonia, Lithuania, the United Kingdom. The Countries which have serious problems are: Greece (56,2%), Cyprus(68,7%/), Spain(63.9%), Italy (61.6%)

A significant problem remains the unemployment in the rural areas, those areas being to far away from the objectives. The large gap between income and unemployment across the EU encourages people's mobility to find better conditions.(European Commission, *2017)*

There have been population movements mainly from the EU-13 to the EU-15 and within the EU-13 from rural areas to capitals and cities.

At European level, the following problems are noted: employment rates for younger and older people are considerably lower than the average employment rates, young people are one of the most vulnerable groups on the labor market, women still have lower employment rates but the gender employment gap is

shrinking, higher education levels increase employability, EU's labor force is shrinking because of an ageing population.(European Commission)
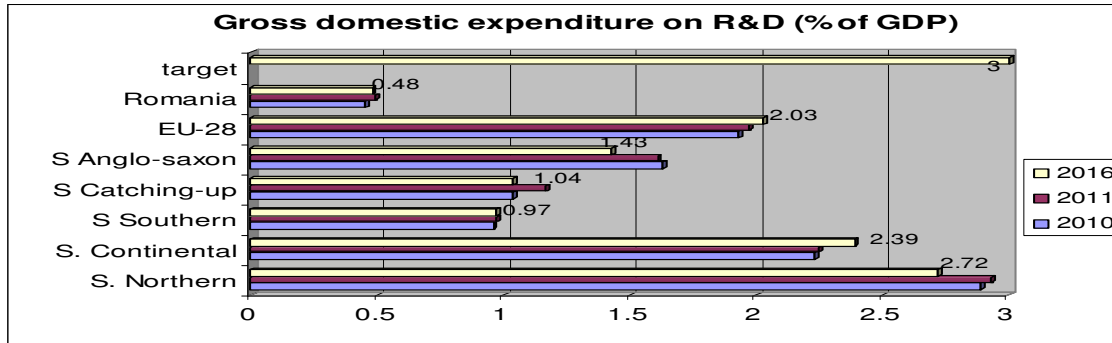

Fig.3 : Gross domestic expenditure on R&D(% of GDP)

Source:Eurostat

Innovation remains focussed on a limited number of areas In southern and eastern European countries, performance is lower.

In 2016, the countries with the highest rates were: Danmark (2.87%), Germany (2.94%), Austria (3.09%), Sweden (3.25%), France, United Kingdom, Finland.

More investments are needed in order to talk about the efficiency of energy, also in renewable energy sources, in low-carbon transport as to reduce greenhouse gas emissions.
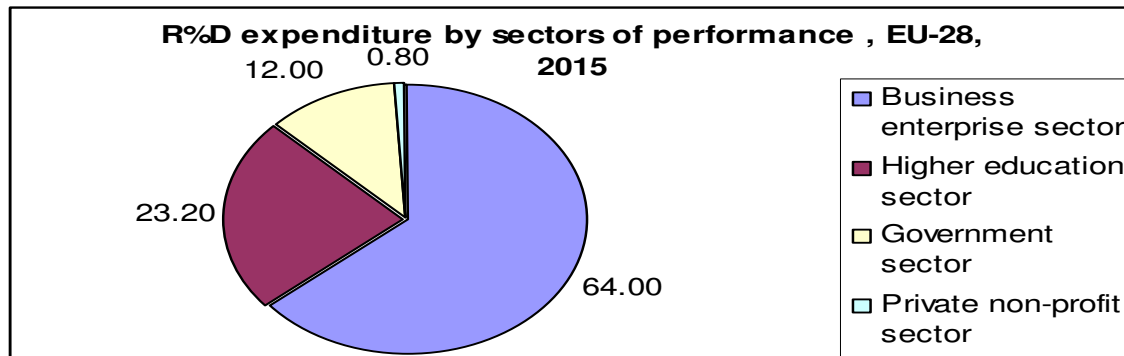
Fig.4 : R&D expenditure by sectors of performance, EU-28, in 2015

Source: Eurostat

This is not surprising as the private sector is the largest in terms of R&D performance. Business R&D expenditure typically follows the cyclical patterns of GDP growth .Capital regions recorded the highest levels of R&D intensity in 12 multi-regional member states. In addition, in 20 countries, the capital regions' R&D intensity exceeded the national average but was not necessarily the highest in the country (European Commission, *2017)*
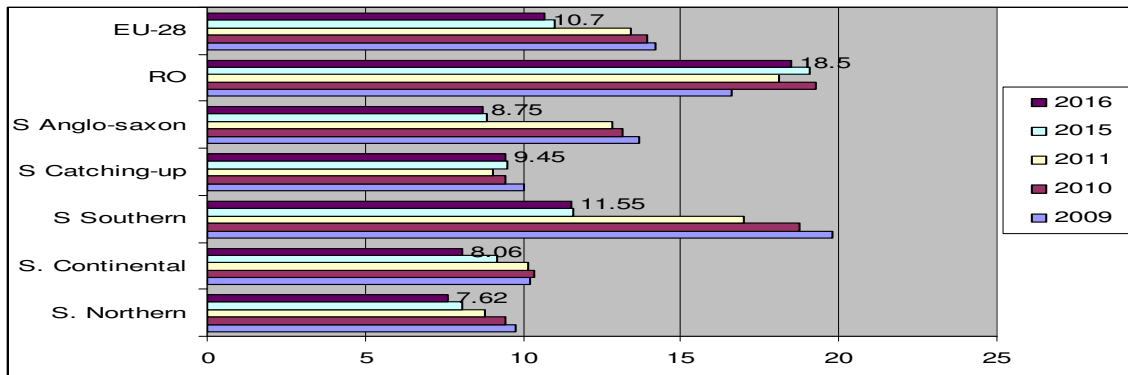
Fig. 5 : Early leavers from education and training by sex % (Target beleow 10%)

Source:Eurostat

In compared to the first years after the crisis, there is an improvement in the situation referring to education target. The southern submodel is the only one who missed the goal in 2016.

According to statistics,in 2016, there were countries where early leavers from education were rising serious problems: Malta 19.7%, Spain 19%, Hungary 12.4%, Romania 18.5%, Bulgaria 13.8%.

In the case of Romania, early leavers from education is more present in rural areas and especially in high school. Rural education requires both massive investments and specific solutions, sometimes on the motivational side.
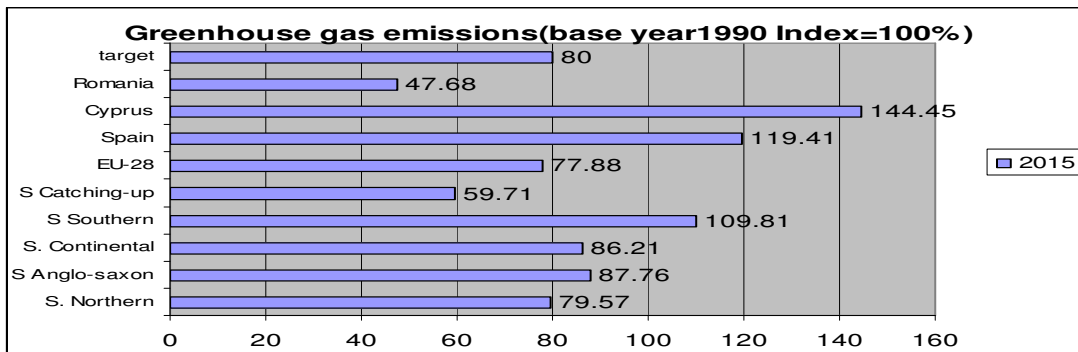

Fig.6: Greenhouse gas emissions

Source: Eurostat

Most member states have, or are about to meet, their national 2020 targets for limiting energy consumption and greenhouse gas emissions, this was also favored by the emergence of the economic downturn to the drop in polluting economic activity.
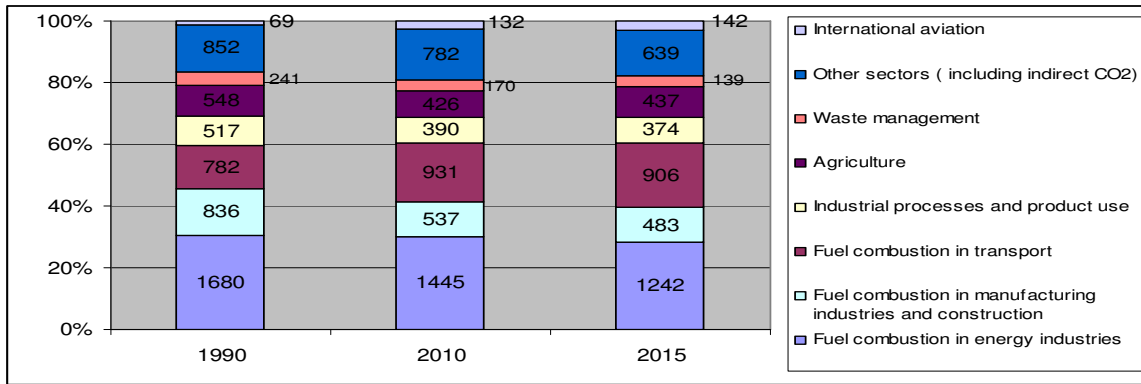
Fig.7: Greenhouse gas emissions by sector , EU-28(million tonnes of CO2 equivalent)

Source: European Enviroment Agency, Erurostat

Energy industries made the biggest emission reductions with 438 million tonnes of CO2 equivalent over the period (26.1 %). Nevertheless, it is still the sector responsible for the largest share of total emissions (27.9 % in 2015).
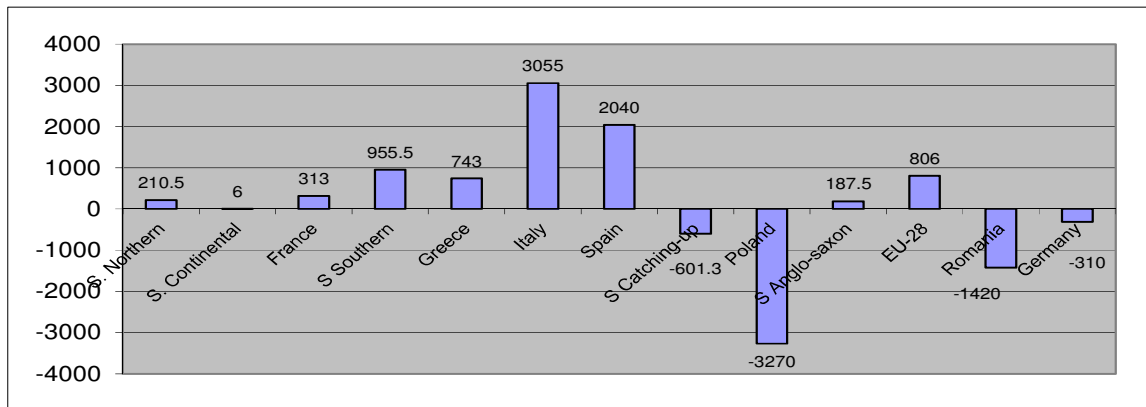

Fig.8: People at risk of poverty or social exclusion in 2016(cumulative difference from 2008, in thousand), target-20000

Source:Eurostat

The number of people in risk of poverty or social exclusion had increased in most of member states. The rate of poverty or social exclusion in the EU has returned to almost the 2008 level, yet progress remains limited. The chart shows that all submodels are far from achieving the 2020 target. Poverty was envisaged to decrease by 20 million persons but in fact increased to 806 thousand persons in 2016.

Economic recession has generated and generates public debt sustainability issues, which also means a reduction in financial distributed resources. Explosion of budget deficits due to crisis in 2009 may mean 20 years of shrinking fiscal consolidation.

Public investment in the EU is still below the pre-crisis level of 2,7% of GDP in 2016 compared to 3,4% of GDP in 2008. According to Eurostat in 2016 at EU-28 level, the risk of poverty or social exclusion was of 23.5%, which means that 1 out of 4 people are subject to social exclusion.

Countries with high poverty rates are: Bulgaria 40.4%, Romania 38.8%, Greece 35.6%, Italy 30%, Lithuania 30.1% .Spain 27.9%, Latvia 28.5%.

Poverty and social exclusion are maintained in young people, families with many children, people with disabilities, people with low levels of education, single parents face also the highest risk of poverty or social exclusion. For both men and women, young people aged 18 to 24 are the most likely to be at risk of poverty or social exclusion.In the majority of member states, people in rural areas are more at risk of poverty or social exclusion.(European Commission)
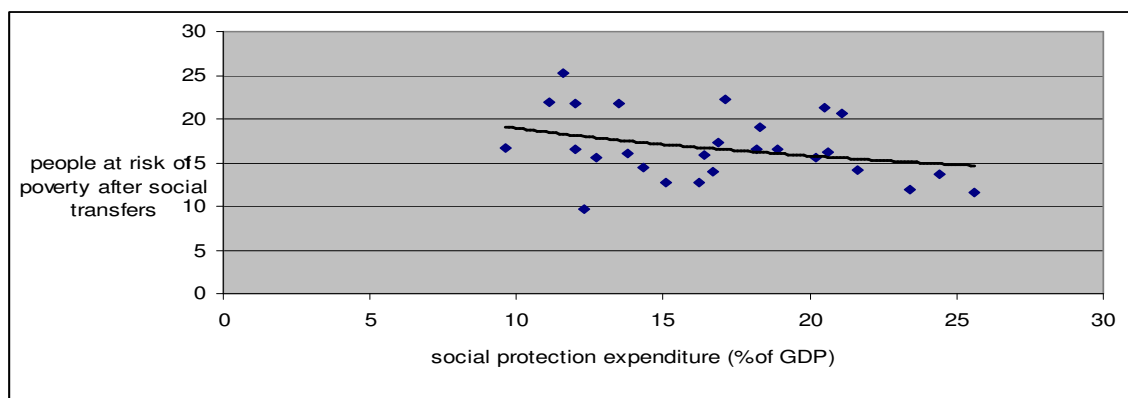

Fig.9: The relation between people at risk of poverty after social transfer's ans social protection expenditure

Eource: Eurostat(date 2016)

The social policy effects for 2016 at the EU-27 social level were weak. Increasing social protection expenditure is not a singular condition for reducing people's risk of poverty, other measures or changing the target group are also required.

The proportion of poverty reduction varies between member states because the intensity of the link between social policies and the labor market.

To make progress towards the Europe 2020 poverty goal it will be particularly important to focus on groups that are at high risk of poverty or social exclusion. It focuses on simplifying and better targeting social policies, ensuring that social protection systems respond to people's needs, and investing in people's skills and capacities. (European Commission , 2017*)*

Cohesion policy and structural funds represent the key implementation mechanism for achieving the priorities set at european level, but at the same time encouraging public-private partnerships.
 It needs a better vision of priorities and better alignment of EU spending with Europe 2020 goals.

Conclusions

At the end of 2016, the objectives of the Europe 2020 Strategy for EU-28 are not being met. By 2016, EU-28 met a single objective, related to climate and has promising results in education target. The results are disappointing, especially in terms of innovation , social exclusion and unemployment.

As we can be seen in the table 1 at the level of development submodels, the Northern submodel fulfills the targets set for 2020 like employment, education, climate and has provides the model of the most competitive european economies, at the level of the other submodels the results are disappointing.
Poverty and social exclusion remains a chapter that still raises major problems in Europa. According to Eurostat in 2016 at EU-28 level, 1 out of 4 people are subject to social exclusion. Economic recession has generated and generates public debt sustainability issues, which means that will be hard to to achieve the objectives proposed in this chapter

As can be seen from the data analysis Europe has not yet recovered its growth rate before the economic crisis, amid unemployment and poverty that poses problems in most countries, the sustainability of the European model is being questioned.
Failure to meet the Europa 2020 targets in many member countries raises considerable issues   which affects the essence of the European model - social cohesion.

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