

CECOP Position on the EU 2020 Strategy Mid-Term Review

Brussels, 31st October 2014

CECOP – CICOPA Europe is a European confederation, grouping national organisations in 17 countries, which in turn affiliate over 50.000 cooperative and participative enterprises active in industry and services. The vast majority are SMEs and they employ 1.4 million workers across Europe. Among the main sectors of activity, we find metal and mechanical industries, construction and public work, social services, environmental activities, white goods, transport, education and culture, etc. Most of them are characterised by the fact that the employees in their majority are member-owners. More than a thousand worker cooperatives in the CECOP network were created as business transfers to employees of conventional enterprises in crisis or without heirs.

Even though the EU 2020 strategy adopted by the European Commission (EC) in March 2010 failed to anticipate the protracted character and the severe consequences of the financial and economic crisis which had flared up two years before, it does represent a strong political commitment to achieving smart, sustainable and inclusive growth through concrete targets¹. In 2015, the EC will carry out a mid-term review of the EU 2020 strategy and has launched a consultation process to this end. We thank the EC for giving us the possibility to share our mid-term analysis and present **our recommendations for the 2015-2020 period**.

In the consultation document, the EC asks "Do the current targets for 2020 respond to the strategy's objectives of fostering growth and jobs?". Unfortunately, the question is easy to respond to, as a series of data speak glaringly for themselves: instead of progress in poverty alleviation as planned, a further 6.6 million people have actually fallen into poverty in the last 4 years². The employment rate has remained at 68.5% and seems to be a long way from reaching the 75% target³. The disproportion between such an ambitious target and the high unemployment rate among Europeans only makes matters worse. Unemployment has become particularly acute among the youth, a large part of whom feel they have no future, a phenomenon which may have incalculable consequences in terms of social peace in the future. In some EU countries, the rate of

¹ such as raising the employment rate, increasing investment in R&D, reducing early school leaving, increasing tertiary education, lifting at least 20 million people out of poverty, reducing greenhouse gas emissions, increasing the share of renewable energy and increasing energy efficiency

² according to the European Anti-Poverty Network (July 2014)

³ according to the European Trade Union Confederation: "employment rate of people aged 20 to 64 years increased between 2005 and 2008, peaking at 70.3 % in 2008. The trend was reversed in 2009 when the economic crisis fully hit the European labour market, bringing the employment rate down to its 2006 level of 69.0 %. During the next three years the employment rate came to a standstill at 68.5 % without any progress being recorded towards the Europe 2020 target of 75 %." (ETUC Resolution towards a mid-term evaluation of the Europe 2020 strategy)

youth unemployment has reached dramatic proportions⁴. Although investment in R&D is essential to recover smart, sustainable and inclusive growth, it seems quite clear that the R&D investment target spelt out in the 2020 strategy is unlikely to be met by 2020⁵.

Barely a few months after the EU 2020 strategy was launched, a new EU instrument of guidance and surveillance over Member States' fiscal and economic policies, called the **European Semester**, was created as a response to the public debt crisis. As a result, the EU 2020 strategy has since then had to fit into this new European governance methodology. The priorities of the European Semester (to pursue fiscal consolidation, restore lending, promote growth and competitiveness, tackle unemployment and the social consequences of the crisis, modernise public administration) have not been built on the EU 2020 goals. Ironically, some of those priorities are actually **diminishing Member States' capacity to achieve some of the EU 2020 goals!**

For example, in order to achieve fiscal consolidation, namely the main priority of the European Semester, some Member States have adopted austerity programs that have translated into cuts in social security spending, public investment and active labour market policies. This has had a weakening impact on growth, while causing mass unemployment, as well as increasing poverty and inequality. In other terms, austerity measures being used as a tool to achieve fiscal consolidation are having damaging effects on EU 2020 targets such as employment, poverty alleviation, R&D, training and education, which on the contrary need public intervention and investment and are key for the EU to recover growth.

Whereas the EU 2020 strategy has so far failed to implement its objectives, the mid-term review could provide another chance. In the hope that **the curve can be reversed**, CECOP presents the following recommendations for the 2015-2020 period:

- The EU 2020 social and employment goals can no longer be subordinated to the economic goals of the European Semester. A **balanced social and economic approach in the EU**, and a more equitable relation between EPSCO and ECOFIN councils are, according to us, the only way to reach smart, sustainable and inclusive growth.

- CECOP calls for a **stronger commitment towards the employment target** of 75% of the active population, which should be politically binding and requires a qualitative and not only a quantitative approach (eg. quality of jobs, duration of contracts). Job creation should not be the only focus: efforts to maintain existing jobs are urgently needed to prevent the unemployment rate from rising even further. In this respect, we invite the EC to observe that the cooperative enterprises of our network are characterised by particularly high job tenure; additionally, thousands of them have been established through employee buyouts of enterprises in crisis or business transfers to employees without heirs. Although the jobs saved will not be counted as a direct contribution to the employment target, they do prevent the unemployment curve from rising even further; additionally, they provide a positive contribution to growth, and they prevent the disappearance of economic activities and skills, social exclusion and poverty. It should also be noted that many of our cooperatives are characterised by net job growth. Considering its now dramatic levels, youth employment should remain a top

⁴ 35.3% in Italy (2012), 37.6% in Portugal (2012), 53.2% in Spain (2012) and 55.3% in Greece (2012), namely rates that are similar to, or higher than those which are plaguing North African and Middle Eastern countries, for example 24.8% in Egypt (2010), 29.3% in Jordan (2012), 42.3% in Tunisia (2011). See www.cia.gov/library/publications/the-world-factbook/fields/2229.html

⁵ according to the EC Communication "Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth", COM(2014)130FINAL/2

priority and all possible methods aimed at creating sustainable employment for the youth should be envisaged, such as youth cooperative entrepreneurship.

- CECOP calls on the EC to **sustain and increase investment** by Member States through the EU 2020 strategy, and encourages them to do so through special measures. Our enterprises need investment in favour of a long-term sustained growth, for the reindustrialisation of the EU and of its regions, as well as investment in R&D, in sectors with high employment potential (such as the service sector), in the green economy, in education for the youth in cooperative entrepreneurship, in enterprise support services for worker and social cooperatives, in SME development, in adequate financial instruments for the development of worker and social cooperatives etc. Such investment should be taken out of the stability pact and the European Semester provisions.

- in order to reach the EU 2020 social objectives, CECOP calls on the EU institutions to encourage Member States to adopt **long-term social investment strategies**. For example, more than 12,000 social cooperatives across Europe contribute to providing a dignified life to EU citizens through the provision of social services and work integration of the most disadvantaged. Through a very innovative method, cooperatives are involved in the management of public goods, services and utilities. However, in spite of their now recognized resilience, they will not be able to contribute to reaching the EU 2020 social objectives without social public investment.

Wherever cooperatives have been promoted through long-term policies they usually deliver particularly resilient economic activities and jobs. In some regions they are the main single economic actor and employer⁶. Even under the present crisis, such rates have been maintained. Wider macro-policies and targeted long-term policies in favour of worker and social cooperatives will make them become a **stronger ally for the EU in achieving smart, sustainable and inclusive growth**, which was the target of the EU 2020 Strategy.

⁶ in Emilia Romagna (Italy) cooperatives contribute with 15% of both regional GDP and employment