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Employment as an Objective of “Europe 2020”

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Key points

Low employment rates remain an alarming issue for Greece. Statistics reveal that from all member states of EU, Greece has the highest rates of unemployment. This policy brief underlines the importance of ‘Europe 2020’, describes previous employment strategies, explains what the different dimensions of the issue are and why it poses a threat to European integration. For these reasons, this policy brief encourages the following recommendations:

- Employment Committee to remain actively seized upon the matter by checking on a month basis, Greek scoreboards and economic indicators and include them in the Council Conclusions.
- It highly supports the design of innovative operational programs in all Greek regions that will focus on the creation of new jobs.
- Lastly, it proposes the expansions of program Erasmus+ in order to establish a modern educational system

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Introduction

According to the guidelines of the International Labor Organization, Eurostat considers as an unemployed person someone:

- Aged 15 to 74
- Without work in this period of time
- Available to find a job within the next two weeks
- Actively searching for a job during the last month
- But unable to find any kind of job,

Since 2010, the increase of employment up to 75% is one of the main targets of EU in the context of 'Europe 2020', which is an expansion of 'Strategy of Lisbon'. This agenda contains urgent issues that all States must solve by 2020 in order to achieve social, economic and territorial integration. In this framework, each state has set national targets. Greece's aim is to increase employment up to 70% by 2020. In order to support countries in achieving these objectives, the EU established 'European Semester', a cycle of economic reform and surveillance. EU focuses on employment because it is a pivotal condition in order to decrease the rates of poverty (another goal of 'Europe 2020'). In addition, intensive unemployment can impact negatively the unemployed and his well-being, the social and economic progress of a society and impede the progress of European integration.

➤ Target Group and Previous Actions to tackle unemployment:

Since unemployment is a complex issue, this policy brief addresses not only to the unemployed between 20 and 45 but also to their spouses and their children due to the fact that their standard of living is decreased as well. In the past, essential strategies have been introduced either by the National Government or by European Union authorities. Firstly, every unemployed has the right to register to OAED, a Greek organization which supports the unemployed with the regular unemployment benefit.

Although the employment policy is mainly designed and implemented by the State, EU has contributed to the alleviation of the problem. European Union considers employment as a pivotal factor for a sustainable development among all member States. It was in 1997 when EU adopted common targets and objectives in the discipline of employment. This project is known as European Employment Strategy. Albeit the slight convergence in employment rate during the early 2000s, this progress was soon jeopardized by the

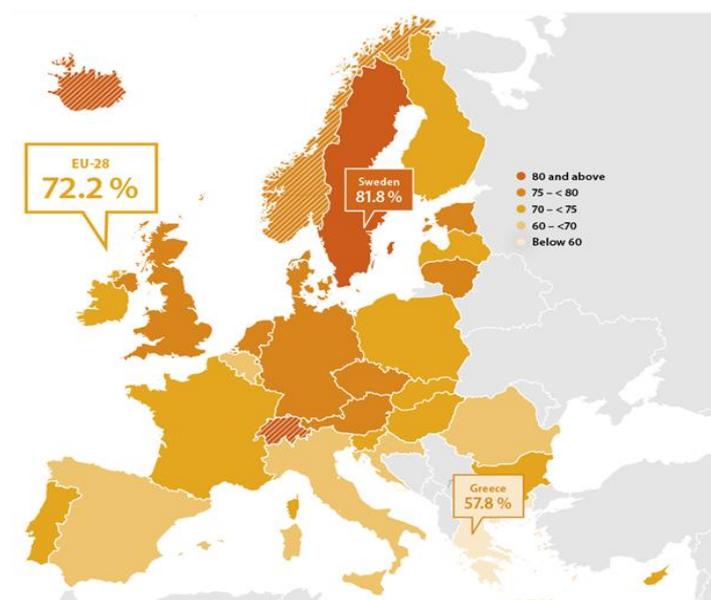


economic crisis in 2008. To overcome the consequences of the economic recession, the EU authorities incorporated certain key points of European Employment Strategy in the Strategy 'Europe 2020'.

In order to boost employment in Greece, the European Social Fund along with National Government have funded operational programs via ESPA in order to support unemployed and to create new jobs. Moreover, recognizing the importance of the youth, EU has introduced the 'Youth Guarantee' a program funded by the Youth Employment Initiative (which budget approach 1 billion) which target is to introduce new internships for the youth.

Analysis of the policy

The financial crisis that burst out in the United States in 2008 spread rapidly to the whole world affecting primarily the economy of the European Union. The employment rate was 70.3% while in 2009 it declined to 69%. However, the economic recession had a major negative impact on Southern countries like Greece and Spain. Before the crisis, the employment rate in Greece was at 64% and one year after the crisis it was reduced at 59.9%. These macroeconomic difficulties are still present in Greek economy and constitute an impediment towards a sustainable employment policy. Nowadays, more than 833.10 thousand Greek citizens are unemployed. Unemployment is a complex issue able to take wide dimensions. These different aspects of the problem will be examined below.



Graph1: Employment Rates by Country

Source: Eurostat



Social Aspect

Intensive unemployment is directly connected to high crime rates. It is a matter of fact that if a person is not able to earn a living for himself and for his family, in order to survive he will possibly transgress the law. Eurostat statistics indicate that between 2013 and 2017 the number of offences committed in Greece has been risen from 199.80 thousand to 221.225 thousand. Moreover, concerning youth unemployment, Greece's sky-high crisis and unemployment rates are related to brain-drain. From the beginning of the crisis in 2008 more than 120.000 professionals abandoned their homeland for opportunities abroad. The vast majority of them are scientists, doctors, lawyers and IT experts who were disappointed by the shortage of job positions and the deep cuts on wages. As a result, Greece is losing everyday an essential proportion of qualified persons which could have been useful in sectors of innovation and research.

Furthermore, unemployment affects the productivity of remaining employees. Since many companies have reduced their workforce those who remain have to work for longer hours, but they are not paid more. In fear of losing their position they are at the mercy of their employers leading to a significant decrease of their productivity. Absence of incentives such as bonuses and raises only exacerbates the shortage of productivity.

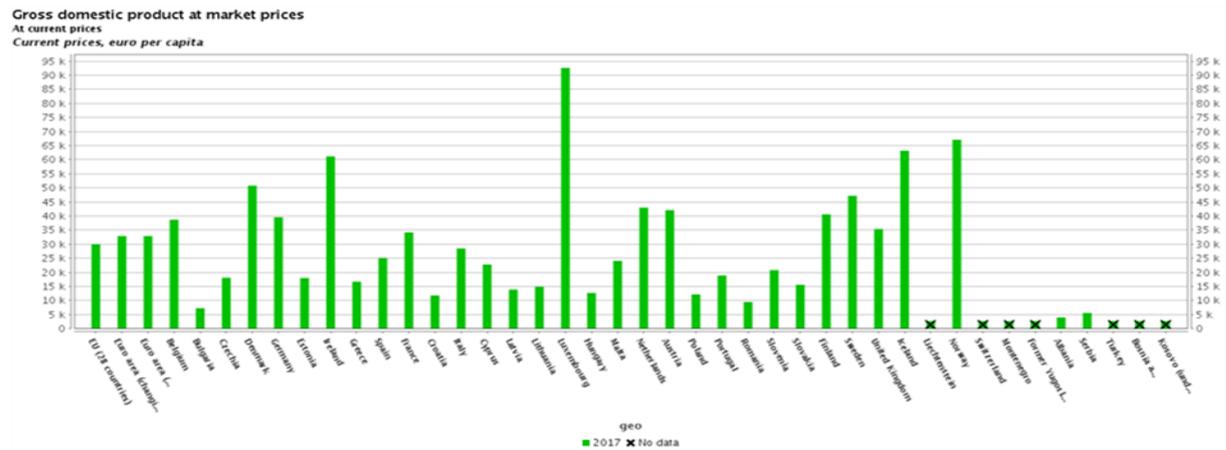
Economic Aspect

Unemployment can encapsulate economic costs. Firstly, higher unemployment means higher payment from the State for unemployment benefits. In the occasion of Greece, due to austerity measures and lack of money it is practically impossible to pay all the unemployed sufficiently leading to a significant reduction of unemployment benefits. Moreover, an increase of unemployment will decrease the revenues of the State as the level of income taxes will be reduced forcing the country to cut back from other spending.

There is a clear connection between Gross Domestic Product and Unemployment as well. GDP represents the value of finished goods and services produced within a country in a year. It is a rate that reveals all the economic activities of a country for a specific period. According to Okun's Law, a 1% drop in GDP is relevant to 2% increase of unemployment. Undeniably, an economy is deemed as a vicious circle. Workers produce good and services, in return they receive a wage, a part of which is spend on buying the produced goods. If the work force is reduced, then less portion of the population will be able to purchase products leading to a decrease to the production of goods. In this way, the GDP will fall. In 2017 Greece's GDP approaches 200 billion USD when in other European countries GDP is higher. For example, Germany's GDP is higher than 3.6 trillion USD.



Graph2: Gross Domestic Product at market prices



Source: Eurostat

How the European Union is Affected

After the examination of the aforementioned aspects we can assume that unemployment consists a crucial impediment to economic, social and territorial cohesion of member states. The main target of cohesion policy is the reduction of disparities among European regions (European Act, 1986). But how will EU eliminate disparities when a member state has significant economic and social problems?

Recommendations

Since the employment policy is not an exclusive responsibility of the EU, we would like to propose to the Employment Committee the adoption of new orientations or the expansion of the already existing programs and strategies in order to fulfil the targets of ‘Europe 2020’ concerning employment and poverty as mentioned above. In particular, we highly encourage EMCO to check on a month base the key scoreboards and the social indicators provided by Joint Assessment Framework and the Employment Performance Monitor in order for the Council to be allowed to propose new orientations or changes to existing programs under the EU semester.

During the European Semester, the importance of ‘Europe 2020’ to the economic progress must be underlined by proposing long term operational programs via ESPA in Greece’s regions funded by ESF. Each employment program will focus on specific sectors of employment that are currently vital for Greek economy such as research, engineering, agriculture. In the first stage, specialists on these fields will guide participants by marking the current needs in employment and by advancing their skills not only to fit in the current labor market but also for further development in the context of creating new jobs that are absent from the labor market. In a second stage, after gaining experience and be informed about the gaps in economy, participants will be encouraged to open their startups companies which will be funded by EU Programme for employment and social innovation.



Keeping in mind that the creation of a modern apprenticeship system is pivotal, we urge EU to expand program Erasmus+, in the context of connecting all Greek universities with more universities throughout EU and expending the budget of the project in order to cover all the expenses of participants and eventually enable more students to study or work abroad.

Conclusion

Given the fact that unemployment is a complex and serious issue that affects Greek economy and society, this policy brief focuses on feasible ways in order to create new jobs and support innovation. The recommendations above can be a part of a long- run employment strategy which will increase employment rates as a target of 'Europe 2020'.



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