



## BRIEFING TO MEMBERS

### WHY A EUROPEAN PILLAR OF SOCIAL RIGHTS?

May 2016

#### Introduction

In March 2016, the European Commission launched a consultation on a new key initiative in the social field: the 'European Pillar of Social Rights'. Until the end of the year, individual citizens, trade unions and civil society organisations will be given the chance to respond to the consultation, sharing their perspective on the most pressing challenges for Europe and on the essential components of an effective solution. In doing so, they will help give shape to the fabric of a future 'pillar of social rights'.

The European Pillar of Social Rights is a new, but not a first attempt to take comprehensive European action against poverty, social exclusion and unemployment:

- In 2010, the Commission launched the Europe2020 Strategy, promoting 'smart, sustainable and inclusive growth' across the EU by aiming to increase employment levels, boost school attendance and reduce poverty. The European Semester was originally envisaged to become the key instrument to attain these targets; it remains a key aspect of the dialogue between Commission and Member States until this day, although its social dimension has been increasingly pushed into the margins.
- In 2013, the Commission launched the Social Investment Package, aimed at guiding EU countries in ensuring adequate and sustainable social protection and at investing in skills development to increase people's opportunities of accessing the labour market and participating fully in society.

So why do we need a European Pillar of Social Rights? What will be its added value compared to other, already existing initiatives, which have often not proven as effective as was initially hoped?

This briefing for members will clarify the reasoning behind the launch of the European Pillar of Social Rights, and explore the continuing tension between social and economic interests. A second briefing will shed some more light on the contents of the Pillar.

#### The Rationale: Overcoming the crisis by fostering convergence

The economic and financial crisis has had an adverse effect on many domains of European society. Unemployment has risen, poverty has increased, public finances have been stretched and xenophobia and populism have increased across the continent. Fiscal consolidation measures have resulted in public budget cuts and made essential healthcare and social services less affordable, available and/or accessible.

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In the aftermath of the crisis, the poorer segments of the European population have been disproportionately affected, whilst the gap between individual Member States has grown wider.

At the same time, longer-term developments which are not directly tied to the crisis pose new challenges: demographic factors such as an ageing population are increasing the pressure on pension systems, technological change and digitisation have changed the labour market, and rising societal inequality is damaging social cohesion.

From the European Commission's perspective, the crisis has exposed and deepened the cracks in existing welfare systems, and created a real need for "upward social convergence" between EU Member States. In other words, social protection systems should be reformed across Europe in order to reduce national differences, but this should not have an adverse effect on their performance. Rather than trying to let welfare provisions in Europe meet 'somewhere in the middle', and effectively downgrading the most advanced systems, the aim is to allow all national welfare systems to reach similarly high standards across Europe.

This is where the European Pillar of Social Rights comes into play. The European Pillar of Social Rights is intended as a key response to the aftermath of the financial crisis and as an update of the European social model in the light of a changing labour market. The Pillar is meant to stimulate the reduction of poverty and social exclusion through adequate social protection, and to support labour market access and well-functioning welfare systems, in an age of globalisation, digitalisation and decreasing job security. It is an integral part of President Juncker's ambition for Europe to achieve not only an economic, but also a 'social triple-A rating'.

## The Strategy: Fostering convergence by deepening the EMU

The European Commission has undertaken various initiatives in the past to cushion the impact of the crisis and to foster convergence between Member States; the Social Pillar is not intended to replace, but rather to complement existing mechanisms and processes.

However, compared to preceding initiatives like Europe2020 and the Social Investment Package, it is more limited in geographical scope. Whilst the Pillar is an initiative which welcomes the involvement of all 28 EU Member States, it is an obligatory measure only for the 19 members of the Eurozone (officially termed EMU, which means Economic and Monetary Union).

Why does the Social Pillar not apply equally to all EU Member States, at least in principle? Aren't some of the Member States which have the weakest social protection systems, and which seem furthest removed from the high standards of prosperity which the Commission is aiming for, not actually part of the Eurozone?

The reason for this is that the Social Pillar is not a stand-alone initiative. It is embedded in a broader strategy to achieve a 'deeper and fairer Economic and Monetary Union', which is focused on improving economic policy coordination, convergence and governance **within the euro area**. The key steps of the process are outlined in the so-called Five Presidents' Report, published in June 2015 and accessible [here](#). As is outlined in the Five Presidents' Report, the process of 'deepening the EMU' primarily targets the Eurozone countries in the light of their "common challenges, interests and responsibilities" (p. 2).



*“Europe’s Economic and Monetary Union (EMU) today is like a house that was built over decades but only partially finished. When the storm hit, its walls and roof had to be stabilised quickly. It is now high time to reinforce its foundations and turn it into what EMU was meant to be: a place of prosperity based on balanced economic growth and price stability, a competitive social market economy, aiming at full employment and social progress. To achieve this, we will need to take further steps to complete EMU.”*

However, at the same time, it is stressed that the process towards a deeper EMU is open to all EU members. The Pillar reflects the same reasoning.

The Five President’s Report emphasises that the process of completing the EMU necessarily includes a social dimension. It stresses that “Europe’s ambition should be to earn a ‘social triple A’” and that “for EMU to succeed, labour market and welfare systems need to function well and in a fair manner in all euro area Member States”. A stronger focus on employment and social performance is presented as a core component of a broader process of upward convergence towards more resilient economic structures within the euro area.

### **Why is it called the Five President’s Report?**

The report has been compiled by the President of the European Commission, Jean-Claude Juncker, in close cooperation with four other presidents: Donald Tusk from the European Council; Jeroen Dijsselbloem from the Euro Summit; Mario Draghi from the European Central Bank; and Martin Schultz from the European Parliament.

## **The Narrative: Economic resilience and social cohesion as two sides of one coin**

If the Social Pillar is a social component of a process which is mainly economic, does this imply that social aims are treated as a vehicle to achieve economic goals? This question is a bit more difficult to answer.

On the one hand, the European Commission’s official communication clearly emphasises that the EMU convergence process, which needs to have a social dimension, is aimed at increasing the economy’s capacity to absorb and adjust to shocks (‘resilience’); it states that inequality may have a negative impact on potential growth (p. 4), and that low unemployment and well-designed welfare systems are key for sound public finances (p. 5).

On the other hand, social policy is not reduced to a mere means to achieve greater growth and more jobs:

- “Social policy should be conceived as a productive factor, which reduces inequality, maximises job creation potential and allows Europe’s human capital to thrive” (p. 2)
- “Europe’s capacity to achieve well-functioning and fair labour markets and welfare systems is key to its ability to boost growth, compete globally, strengthen social cohesion and keep increasing the living standard of its citizens” (p. 3)

The term ‘human capital’, the recurring emphasis on the importance of ‘economic growth’, and the focus on the fiscal sustainability of national welfare systems make it clear that economic considerations are a core factor when it comes to the Social Pillar.



However, the Commission's communication also underlines that "the best performing Member States in economic terms have developed more ambitious and efficient social policies" (p. 2), and that investment in human capital does not only yield long-term growth, but also more equality and social progress.

The overarching vision underlying the EMU convergence process and the Social Pillar treats social aims as conducive to economic goals, but it also treats economic aims as conducive to social goals. In principle, therefore, "social and economic performances are two sides of the same coin" (p. 4).

## What can you do?

Even if economic and social goals are portrayed as two sides of one coin, Eurodiaconia and its members have observed that real tensions can manifest themselves in practice. In fact, an important tension already manifests itself through the joint focus on the adequacy and fiscal sustainability of social protection systems, as outlined in the preliminary outline of the Pillar.

With the Social Pillar being presented as a key tool to promote 'upward social convergence' in the years to come, it is very important that it focuses on the right social priorities, and that a focus on the adequacy of social protection is not undermined by fiscal concerns.

Against this background, Eurodiaconia strongly encourages its members (both those operating within the Eurozone and those working in countries which will have the possibility to 'opt in') to:

- a) Read the Communication and the preliminary outline of the Social Pillar.
- b) Contribute to Eurodiaconia's response to the consultation on the Social Pillar; a draft version will be circulated for comments among all members in June.
- c) Consider responding to the consultation on the Social Pillar as individual organisations.

## Further reading

Preliminary outline of the Pillar [here](#)

Communication on the consultation launch [here](#)

Link to the consultation [here](#)

Five Presidents' Report [here](#)

If you have any questions about this briefing or regarding the Social Pillar in general, please don't hesitate to contact Stephan at [stephan.burger@eurodiaconia.org](mailto:stephan.burger@eurodiaconia.org).