



POLICY PAPER

PROMOTING UPWARD SOCIAL CONVERGENCE

“Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”.

Article 25, United Nations Universal Declaration on Human Rights

Key recommendations to promote upward convergence through a proposed European Pillar of Social Rights

Eurodiaconia and its members call on the European Commission to:

- Move beyond an employment-centred approach, emphasising the right to a dignified life and full societal participation for all (including those not able to work). Promote an Active Inclusion approach in the Pillar by mainstreaming integrated benefits and services throughout the different axes, rather than reducing it to a separate principle.
- Formulate clear targets and benchmarks for social performance in the context of the Pillar’s individual principles, relying on measurable and comparable indicators to monitor changes.
- Ensure coherence between the key social objectives of the Pillar, the Europe2020 Strategy and the 2030 Agenda for Sustainable Development, making them mutually reinforcing.
- Link the Pillar to existing governance instruments such as the European Semester in order to provide concrete policy guidance to Member States, improving chances of effective implementation.
- Enhance fiscal space of member states for social investment, for example by exploring the feasibility of a public finance golden rule into the EMU fiscal framework.
- Clarify the relation between adequacy and sustainability of social protection and introduce social impact assessments to ensure that budgetary consolidation measures do not undermine social priorities.
- Promote structural dialogue with civil society and rights holders during the implementation and evaluation phase to broaden co-ownership and to ensure that the Social Pillar addresses existing needs effectively.
- Encourage Member States to provide social services through public authorities and not-for-profit organisations, in accordance with the new Public Procurement Directive, to improve service accessibility and quality.





Introduction

On 8 March 2016, the European Commission launched its new key initiative in the social field: the European Pillar of Social Rights. With a public consultation lasting until the end of 2016, the final contents of the Pillar, condensed into a set of core ‘principles’, constitute a matter of ongoing discussion.

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. Embedded into a broader strategy to achieve a ‘deeper and fairer Economic and Monetary Union’, the Pillar is meant to stimulate ‘upward convergence’ towards more resilient economic structures within the euro area. Importantly, the European Commission explicitly recognises social and employment performance as a core component of this process.¹

The third of the Social Pillar’s three main axes, each of which contains a number of principles, centres on ‘adequate and sustainable social protection’. It aims at the reform of social protection systems across Europe in order to reduce national differences; however, rather than downgrading the most advanced systems, the aim is to allow all national welfare systems to reach similarly high standards across Europe.

Eurodiaconia welcomes the recognition of social protection as an essential element of upward convergence. Well-functioning welfare systems cannot only contribute to economic growth and higher employment rates, but reduce poverty and inequality, promote social cohesion, and help restore confidence in the European project at a critical juncture in its history.

Eurodiaconia is a dynamic, Europe-wide community of social and health care organisations founded in the Christian faith and working in the tradition of diaconal service, which are committed to promoting social justice. It represents more than 40 members working in over 30 countries, including churches, not-for-profit welfare organisations and NGOs. Together, our members provide services to hundreds of thousands of persons in need across Europe. As such, they represent a key voice in the discussion on fighting poverty, reducing inequality and fostering inclusive growth.

In charting the path towards upward convergence, Eurodiaconia and its members would like to outline key recommendations for maximising the potential of social protection, specifically in the context of the European Pillar of Social Rights.

1 Taking an Active Inclusion approach

Addressing the unequal distribution of wealth is not merely a matter of combating unemployment. Integrated policy approaches are necessary to address the multi-dimensional nature of poverty and inequality in Europe. This point has not only been stressed in the Council Conclusions on Poverty developed under the Dutch Presidency in 2016, but was already championed in the European Commission’s Recommendation on Active Inclusion of 2008. Unfortunately, a balanced three-pillared approach which combines active labour market measures with adequate income support and access to services, remains underdeveloped at both EU and national level. Instead, promoting access to the labour market is often treated as the core priority.

However, whilst economic growth and job creation remain a top priority in the EU, it has been shown that a positive record in this regard will not necessarily mean that inequalities recede.

- 1) Labour markets today have become a source of inequality in themselves through the rise of sub-standard job patterns. Such employment patterns have often impacted low-skilled workers, as well as women, and hence cemented pre-existing inequalities. In this regard, the quality of jobs has decreased in a significant manner as low-paid jobs, short-term contracts, and irregular employment arrangements have become more prevalent.

¹ European Commission 2015, COM(2015) 690 final: Annual Growth Survey 2016. Strengthening the recovery and fostering convergence, Brussels, p. 3, http://ec.europa.eu/europe2020/pdf/2016/ags2016_annual_growth_survey.pdf.



- 2) Today's labour markets are unable to guarantee quality employment for all. Digitalisation and globalisation are changing the availability of jobs and the skill sets required to do them, with some persons lacking the educational background to find decent work. Others struggle to access the labour market because of a disability, or are unable to take up full-time jobs because they are informal carers. Some persons are simply too young or too old to enter employment; in other words, a focus on inclusive labour market policies fails to cover all disadvantaged groups.

An integrated, life cycle-approach to social protection is necessary to prevent persons from falling through the gaps of national welfare systems. Furthermore, Member States should be encouraged to provide social services through public authorities and not-for-profit organisations, in accordance with the new Public Procurement Directive, to improve service accessibility and quality. Adequate minimum income schemes and adequate access to services can meaningfully complement active labour market policies by supporting those who don't find (decent) work.

From Eurodiaconia's perspective, the Social Pillar could bring real added value by promoting an integrated approach to social protection. Against this background, it welcomes the fact that the importance of 'integrated services and benefits' is explicitly recognised as a way to boost the adequacy and complementarity of services as well as their cost-effectiveness. However, the inclusion of 'integrated services and benefits' as a separate principle alongside other principles such as Minimum Income or childcare is confusing.

An integrated approach should underpin the individual principles outlined in the Pillar and connect them to each other; by reducing the approach to an individual action point alongside 19 others, it undermines the overarching relevance of Active Inclusion to ensuring both the adequacy and sustainability of social protection.

2 Strengthening convergence through enhanced accountability

The European Pillar of Social Rights is not the 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. 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.

Neither initiative has proven as effective as was initially hoped – to an important extent, this can be attributed to the lack of binding provisions regarding social performance in Member States. In the context of the European Semester, for example, the EU can make recommendations to Member States in the area of social policy - but it cannot take punitive action in case these recommendations are not (effectively) translated into practice.

In its current form, the Social Pillar is at risk of repeating the pattern. Its principles are not understood as enforceable rights, but rather as 'points of reference' to 'screen employment and social performance of participating Member States'. The Pillar resembles a benchmarking exercise rather than a catalyst for social reform.² The fact that the Pillar is currently envisaged to become a Recommendation does not bode well for its potential impact, whilst its unclear legal nature is further muddled by the fact that any legal instrument could only apply to the Eurozone rather than to the whole of the European Union.

As such, the Social Pillar currently seems to rely on the same methods of 'soft coordination' as its predecessors. What will be its added value, if national governments cannot be effectively held accountable for any lack of impactful policy action?

- 1) Eurodiaconia and its members call for clear targets and benchmarks for each of the Pillar's principles in order to support an effective operationalisation of the Pillar and to give guidance to Member States. For example, a Pillar principle on minimum income should outline more concretely what an 'adequate

² Klaus Lörcher/Isabelle Schömann 2016, *The European pillar of social rights: critical legal analysis and proposals* (ETUI report 139), Brussels, <http://www.etui.org/en/Publications2/Reports/The-European-pillar-of-social-rights-critical-legal-analysis-and-proposals>.



minimum income' entails and on the basis of which indicators (equivalised median income, reference budgets, statistical analyses of consumption patterns) the 'adequacy level' will be measured.

- 2) A clear link should be established with the Europe2020 Strategy and with the 2030 Agenda for Sustainable Development, both at the level of social objectives and at the level of operational tools. The existing European Semester could serve as a core instrument to drive social reform, providing parameters to measure the performance of welfare systems and monitoring the implementation of the Pillar's principles in national contexts.³ Apart from CSRs to individual Member States, its separate set of CSRs for the Eurozone could drive upward social convergence in a more coherent and comprehensive manner.

Over the past years, the European Semester has been gradually drifting away from the Europe2020 Strategy. With an 'inclusive growth' dimension fading into the background, many Eurodiaconia members observe that the Semester has become an instrument driving fiscal consolidation measures rather than smart, sustainable and inclusive growth. A clear connection between the Pillar and the Semester could stimulate the implementation of the Pillar's principles whilst rebalancing social and economic objectives within a central, existing governance process.

3 Broadening fiscal space for social investment

Eurodiaconia and its members welcome the European Commission's view of "social policy as a productive factor, which reduces inequality, maximises job creation potential and allows Europe's human capital to thrive"; well-functioning welfare systems are presented as a key foundation to "boost growth, compete globally, strengthen social cohesion and keep increasing the living standards of its citizens".⁴ In other words, social protection is implied to be an essential precondition for realising growth and prosperity in the EU, rather than a burden; social protection is an investment rather than a cost.

OECD research has confirmed that social investments are economically important in the longer term as they can reduce the negative impact of poverty and inequality on household consumption, fiscal revenues and overall aggregate demand.⁵ In its Communication of January 2015, the European Commission considered budgetary flexibility as a way to encourage the effective implementation of structural reforms and to promote investment into human capital.⁶ In the 2016 AGS, the Commission also emphasised that "it is essential that Member States promote social investment more broadly, including in healthcare, childcare, housing support and rehabilitation services."⁷

However, what is still lacking is a translation of this vision into policy action by creating a more favourable fiscal framework for the implementation of the Social Pillar. High levels of social investments are needed to counter social divergences between poorer and richer countries and to make economies more resilient to shocks. However, budgetary consolidation measures continue to restrict the fiscal space for social investment in Member States.

- 1) A concrete way to remedy this situation would be to make investments into areas such as education, health- and childcare and labour market participation eligible for exemption from the Stability and Growth Pact and the Fiscal Compact. As Achim Trudeu has argued, a 'public finance golden rule' should be introduced into the fiscal framework of the Eurozone, which would exempt specific areas of public investment from the deficit targets of both the Stability and Growth Pact and the Fiscal Compact:

³ Social Platform 2016, *EU Social Standards. Ensuring every person's fundamental right to live a life in dignity and fully participate in society*, Brussels, <http://www.socialplatform.org/wp-content/uploads/2016/06/SP-position-paper-on-EU-social-standards.pdf>

⁴ European Commission 2016, COM(2016) 127 final: *Launching a consultation on a European Pillar of Social Rights*, Strasbourg, p. 2-3, ec.europa.eu/social/BlobServlet?docId=15141&langId=en.

⁵ <https://www.oecd.org/q20/topics/employment-and-social-policy/Income-inequality-labour-income-share.pdf>

⁶ European Commission 2015, COM(2015) 12 final provisional: *Making the best use of the flexibility within the existing rules of the Stability and Growth Pact*, Strasbourg, http://ec.europa.eu/economy_finance/economic_governance/spp/pdf/2015-01-13_communication_sgp_flexibility_guidelines_en.pdf.

⁷ European Commission 2015, COM(2015) 690 final: *Annual Growth Survey 2016. Strengthening the recovery and fostering convergence*, Brussels, p. 9, http://ec.europa.eu/europe2020/pdf/2016/ags2016_annual_growth_survey.pdf.



“that way, fiscal policy would be upgraded and receive larger room for manoeuvre and public investment as a particularly growth enhancing public expenditure category would be strengthened.”⁸

- 2) A second important measure to take would be to clarify the connection between adequacy and (fiscal) sustainability of social protection. 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.”⁹ However, Eurodiaconia and its members have observed that real tensions can manifest themselves in practice; attempts to make the delivery of social and healthcare services financially sustainable often means making them more cost-effective, which can negatively affect service accessibility, affordability and/or quality.

A clarification of what constitutes ‘adequate social protection’ in general is necessary for a coherent approach to service quality and accessibility in individual principles, and to determine its essential elements as well as their interconnection. Furthermore, social impact assessments should be promoted as a key tool to ensure that budgetary consolidation and economic growth strategies do not undermine social priorities.

4 Promoting social reform through civil dialogue

One of the key challenges the EU is facing today, which became particularly evident in the aftermath of the BREXIT referendum, is its apparent disconnect from ordinary citizens. Many fail to see the added value which the EU brings, or could bring, for their daily lives. A change of direction is necessary to bridge the gap between the European institutions and the European people and to prevent the European project from unravelling. A new balance needs to be found between macroeconomic and social priorities. In this context, President Juncker’s ambition to not only achieve an economic, but also a ‘social triple A’ rating is a welcome one, and the Social Pillar could become a core tool for taking concrete action.

The ongoing consultation around the contents of the Social Pillar welcomes responses from trade unions, private enterprises, NGOs and individual citizens. National stakeholder dialogues have also taken place, targeting more select groups of experts both in the Eurozone and the non-Eurozone Member States.

However, whereas social dialogue is portrayed as playing a central role in shaping the Pillar in the Commission communication, civil dialogue receives less attention.¹⁰ Separate stakeholder meetings with trade union representatives from across Europe are being organised over the course of 2016; there is no similar initiative for civil society, even though NGOs and service providers are directly supporting and involving vulnerable individuals in their activities, such as elderly persons, persons unable to find employment and living on minimum income, persons with disabilities and third country nationals. As such, civil society actors can provide valuable insights about the needs of those facing in-work poverty or unable to access the labour market, and help ensuring that the Pillar’s principles recognise these needs and address them effectively.

The prioritisation of social over civil dialogue implies that the Social Pillar is primarily about labour market access, and that its primary beneficiaries are (potential) workers. The problematic aspects of this approach were pointed out earlier. Structural dialogue with NGOs and rights-holders themselves is necessary not just during the design phase of the Pillar, but also during the implementation and evaluation phase. Eurodiaconia and its members call on the European Commission to introduce a clear guidance framework for stakeholder dialogue at national level to promote co-ownership of the Social Pillar, and to ensure the Pillar delivers real added value for both working and non-working citizens.

⁸ Achim Truger 2016, ‘The golden rule of public investment – a necessary and sufficient reform of the EU fiscal framework?’, *Hans-Böckler-Stiftung Working Paper* 168, Berlin, p.1, http://www.progressiveeconomy.eu/system/files/papers/Truger_imk_wp_168_2016.pdf.

⁹ European Commission 2016, *COM(2016) 127 final: Launching a consultation on a European Pillar of Social Rights*, Strasbourg, p. 4, ec.europa.eu/social/BlobServlet?docId=15141&langId=en.

¹⁰ European Commission 2016, *COM(2016) 127 final: Launching a consultation on a European Pillar of Social Rights*, Strasbourg, ec.europa.eu/social/BlobServlet?docId=15141&langId=en.