

# European Semester Quarterly

## June 2017 - Issue 6

# Contents

<b>Contents</b>	<b>2</b>
<b>Editorial</b>	<b>3</b>
<b>Reminder: What the European Semester is and what you can do!</b>	<b>4</b>
<b>Thematic Feature: Where is social investment in the 2017 European Semester?</b>	<b>5</b>
A closer look at the key hurdles	5
What is Eurodiaconia doing?	6
<b>European Semester Key Documents: The 2017 Country Specific Recommendations</b>	<b>7</b>
The Commission's general assessment	7
What is positive?	8
What is missing?	9
Conclusions	9
<b>The European Pillar of Social Rights - towards a more social EU?</b>	<b>10</b>
20 principles to make the EU more social	10
Double challenge: keeping it strong and implementing it effectively	11
Why is the Pillar important for Eurodiaconia members and what can you do?	13
<b>The Reflection Paper on the social dimension of Europe</b>	<b>13</b>
Mapping social challenges	13
Three scenarios for Social Europe	14
Implications for the European Semester	15
What can Eurodiaconia members do?	15
<b>Institutional developments</b>	<b>16</b>
Spring Economic Forecast	16
European Court of Auditors Evaluation of the Youth Guarantee	16
EPSCO Council Meeting on 15 – 16 June 2017	16
Publications of the European Parliament	17

## Editorial

Dear colleagues and friends,

The second quarter of 2017 was an important one for shaping the future of Social Europe. On 26 April, the European Commission published its final proposal on a European Pillar of Social Rights, as well as a Reflection Paper on the Social Dimension of Europe.

The Social Pillar has been in the making for more than a year. After a lengthy consultation period, in which Eurodiaconia has been closely involved, the initiative is now gaining momentum at the EU level. At a time where the Europe 2020 Strategy and its target on fighting poverty seem to be slowly fading into the background, the Social Pillar represents a new foundation for diaconal advocacy action. Its principles, ranging from upgrading minimum income schemes to ensuring adequate long term care, are aimed at supporting Member States to attain similarly high social standards across Europe. The European Semester is expected to play a key role in guiding and monitoring the implementation of the Pillar; members can find out more about the initiative in this issue.

The Reflection Paper on the Social Dimension of Europe is part of a broader reflection process on the future of Europe, announced by the European Commission in light of growing nationalist sentiments and socioeconomic divergence. Similar to the 'White Paper on the future of Europe', which was launched one month earlier and discussed in the March-issue of the Semester Quarterly, the Reflection paper outlines a range of scenarios for Europe's (social) future. The proposed scenarios vary drastically and will have very different impacts on the balance of power between the EU and Member States. This directly affects the future of the European Semester: depending on the outcome, the Semester might become a purely macroeconomic instrument, but it could also move in the opposite direction and attain a stronger social dimension.

As the examples above illustrate, the European Semester is by no means an isolated process. It is closely linked to a more fundamental discussion around the role which the EU should play in shaping social policy, around the most effective strategy to tackle socioeconomic inequalities, and around the key ingredients of an inclusive Europe. When it comes to sharing our diaconal vision for Europe, therefore, the European Semester continues to provide a key strategic space for doing so.

This issue of the European Semester Quarterly features a closer look at the topic of 'social investment' in the context of the European Semester, an examination of the social content of the 2017 Country-Specific Recommendations, and an update on relevant institutional developments. Additional articles on the Social Pillar and the Reflection Paper aim to highlight the links between the Semester and others, and to help members identify opportunities for engagement. We hope the different articles in this issue can be of use for your advocacy work.

With best wishes,

Eurodiaconia's Semester policy team

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## Reminder:

### What the European Semester is and what you can do!

The European Semester is an annual cycle of policy coordination which the European Commission uses to analyse EU Member States' economic and budgetary policy and to provide recommendations for future reforms. It is important for us because it is meant to support Member States in achieving the targets of Europe2020, and can have a serious impact on poverty and social exclusion policies.

*Please help us use the full potential of the European Semester to realise a more social Europe by 2020!*

#### Key dates of the European Semester Process

November 2016

#### **Annual Growth Survey (AGS) 2017**

- Analyse what the proposal means to your specific area of expertise (i.e. do you agree? is there something missing?)

February 2017

#### **Country Reports**

- Provide feedback on the accuracy of the Reports to your Country Desk Officer and to your national member of the Social Protection Committee
- Use observations made in the Country Report, where possible, to corroborate your concerns and recommendations towards your national government

March 2017

#### **Ministers at EPSCO Council debate European Semester**

- Share your own position and priorities with governmental representatives (e.g. your social affairs minister) and other relevant actors

March/April 2017

#### **Member States develop National Reform Programmes (NRPs)**

- Get involved in the stakeholder consultation at national level
- React on the NRP once it has been issued

NOW

→ May - July 2017

#### **Member States receive Country Specific Recommendations (CSRs)**

- Analyse the (draft) CSRs for your country and comment on their appropriateness to your Country Desk Officer

August - October 2017

#### **Member States incorporate recommendations in their NRPs**

- Monitor and assess how the CSRs are implemented
- Send your assessment to Eurodiaconia, your government and to your Country Desk Officer ahead of the next AGS and Country Reports

In our past editions of the European Semester Quarterly we have focused on different of these key documents. You will also find in-depth analyses as well as interviews with some of our members, giving tips & tricks on how to reach out to your governments. You can find them [here](#).

Furthermore, we have developed a specific toolkit on the European Semester, where you have access to all information on the European Semester and how to take action. Check it out [here](#).

It can also be interesting to have a look at our general [Advocacy Toolkit](#) or at the [European Semester Alliance Toolkit](#).

## Thematic Feature:

### Where is social investment in the 2017 European Semester?

From a diaconal perspective, one of the key reasons for engaging with the European Semester is that it has the potential to promote public social investment. The term ‘public social investment’ can be interpreted in different ways, but generally refers to governmental spending on areas which strengthen “people's current and future skills and capacities”<sup>1</sup>, such as childcare, primary and secondary education, vocational training and active labour market policies. Whilst the boundaries of what constitutes social investment are blurry, the intention is clear – social investment can contribute to the reduction of social inequalities, the prevention of poverty and the creation of more equal access to quality employment.

The word ‘investment’ underlines the idea that this type of spending is not merely a financial burden or a ‘cost’ – but, as the European Commission emphasizes, social investment can generate “lasting impacts by offering economic and social returns over time, notably in terms of employment prospects or labour incomes.”<sup>2</sup>

Nonetheless, social investment does not feature prominently in the 2017 European Semester cycle. The 2017 Annual Growth Survey, which kickstarts the process, contains only one reference to social investment.<sup>3</sup> The broader term ‘investment’ receives a lot of attention, but refers primarily to improving businesses’ access

to credit in order to help them innovate and grow. Some of the 2017 Country-Specific Recommendations encourage Member States to pursue increased social investment. However, their potential impact is offset by the fact that, in many cases, Member States are simultaneously urged to pursue budgetary consolidation.

#### Deficit and debt

Deficit is generated when governmental spending exceeds revenue. Debt refers to the accumulation of annual deficit. When a country's debt becomes high, creditors tend to become more concerned about the country's ability to repay and to charge higher interest rates. This hampers economic growth, as higher interest rates increase governmental spending without yielding benefits.

#### A closer look at the key hurdles

Levels of social investments have been persistently low across the EU during the last years. However, the EU has so far failed to facilitate substantive increases in the Member States. EU-level funding tools such as the European Fund for Strategic Investments (EFSI) are aimed at stimulating private investment but do not deliver sufficiently on social investment.

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<sup>1</sup> European Commission, 2013. 'Towards social investment for growth and cohesion – including implementing the European Social Fund 2014-2020.'

<sup>2</sup> European Commission, 2013. 'Towards social investment for growth and cohesion – including implementing the European Social Fund 2014-2020.'

<sup>3</sup> European Commission, Annual Growth Survey 2017, p. 7: “Investments also need to focus on human capital and social infrastructure. The development of long-term care services and affordable and flexible childcare facilities is particularly important to decrease care obligations towards the elderly and children, frequently affecting women. Sustained investment efforts are also needed in education and life-long learning in order to support employability and redress the risk of gaps in wages and working conditions between high-skilled and low-skilled workers.”

Given the social and economic returns of social investment, why doesn't the European Semester promote it more explicitly, specifically in the Annual Growth Survey? Several factors might play a role.

Firstly, the so-called Stability and Growth Pact (SGP) generally limits Member States' fiscal space for pursuing ambitious social investments. The SGP is a binding agreement between EU Member States to pursue 'sound public finances' to ensure the stability of the Economic and Monetary Union. Concretely, the SGP is meant to enforce that governmental spending does not significantly exceed governmental revenue, by requiring Member States to stay within strict limits on government deficit (3% of GDP) and sovereign debt (60% of GDP).

Whilst the rationale behind the SGP is understandable, it can have a negative impact on social investment by preventing Member States from investing more into areas ranging from childcare to social housing – regardless of whether these might yield significant social and economic returns in the longer term, they constitute costs and a breach of the SGP's deficit rules in the short term. In other words, the SGP unfortunately provides too little space for targeted investment and fails to stimulate high levels of productive social expenditure.

A second obstacle is related to the fact that the term 'social investment' is still a somewhat blurry concept. On the one hand, it is not easy to establish which areas constitute examples of social investment – for example, whereas vocational training can increase productivity directly by fostering human capital and skills, the case for quality social housing is less clear-cut. It's possible to argue that it reduces risks to health and safety through inadequate housing, which can negatively affect the quantity and productivity of labour. Does this mean that social housing also constitutes social investment? On the other hand, it is not easy to quantify the return of social investment because

the return is social as well as economic. Without a clearer definition of what constitutes social investment, the current SGP framework is unlikely to change, due to the risk of abuse by Member States who want to break deficit limits by presenting excessive spending as (social) investment.

### What is Eurodiaconia doing?

Together with partners, Eurodiaconia is actively engaged in emphasising the importance of promoting higher levels of social investment at EU level, highlighting the key role which the European Semester can play in contributing to this objective. Throughout 2017, Eurodiaconia has used various means to promote a set of key messages towards the European Commission and will continue calling on the Commission to:

- i) Provide a clear assessment of which areas of spending count as social investments;
- ii) Systematically promote public social investment in the framework of the European Semester, especially through the Annual Growth Surveys, Country Reports and Country Specific Recommendations, continuously reminding all Member States of the added value of promoting more public social investment. Special attention should be given especially to those Member States which face the greatest social challenges.
- iii) Facilitate the development of a measurement framework which allows for a reliable assessment of short/medium/long economic and social returns generated by social investment, and for comparison with the outcomes of other spending areas.
- iv) Establish a 'Silver Rule' for public social investment in the EU economic governance framework, which would exempt certain types of social expenditure from the SGP's current deficit rules. A Silver Rule could incentivise Member States to pursue higher levels of public social investment, focused

on the fields in which a strong evidence base justifies social investment from both a social and an economic perspective.

Whilst it seems unlikely that the European Semester's current emphasis on budgetary consolidation will be reversed soon, there is an increasing awareness at EU level around the need to boost social investment and to enhance the Semester's social dimension. Furthermore, in his 2016 State of the Union speech, Juncker called for greater budget flexibility to encourage ongoing reform efforts. Meanwhile, the

European Pillar of Social Rights explicitly encourages increased investment into improved social protection systems and more accessible labour markets. Together, these developments mark a welcome step towards the rebalancing of economic and social priorities, and constitute important hooks for further advocacy action.

If you would like to know more about the state of play around social investment, or about the concrete actions which Eurodiaconia has undertaken so far, please do not hesitate to contact the Eurodiaconia secretariat.

## The Country Specific Recommendations in 2017: reflecting the Social Pillar

On 22 May 2017, almost a month after the launch of the [European Pillar of Social Rights](#), the European Commission released this year's [Country Specific Recommendations](#) to Member States. The Commissioner for Employment and Social Affairs, Marianne Thyssen, emphasized the strong focus on social considerations of this year's CSRs and stressed the importance of the European Semester as opportunity to make the principles of the European Pillar of Social Rights a reality.

The Commission has published Country Specific Recommendations to all Member States, except for Greece, which is still under a special procedure, as well as a Communication on the Country Specific Recommendations, wherein a general appraisal and overview of the recommendations is made.

### The Commission's general assessment

In its *Communication*, the Commission presents an optimistic analysis of the EU's economic situation and takes note of increased employment, increasing growth and improving public finances. However, it also takes note of significant differences among and within Member States and stresses the ongoing need

### What are CSRs?

*The Country Specific Recommendations (CSRs) are policy recommendations addressed by the European Commission to each Member State within the Semester process.*

*They are based on a review of member states' economic and social performance in the previous year, on the countries records on the EU-wide priorities set out in the Annual Growth Survey, the Country Reports published by the European Commission in March and on the [National Reform Programmes](#) presented by the member states in April. CSRs are supposed to recommend goals that should be concrete, targeted and measurable, moreover they should be realistically achievable in the next 12-18 months.*

*In June, the CSRs are analysed by the ECOFIN Council and subsequently approved as Council Recommendations. The final adoption of the CSRs in July concludes the European Semester.*

for efforts to make European economies ‘more competitive, resilient, inclusive and innovative’.<sup>4</sup>

The Commission considers that the European Semester process has proven successful so far, as two thirds of the recommendations made to Member States since 2011 have been implemented with at least ‘some progress’ and Member States seem committed to do the necessary reforms. It also presents the European Pillar of Social Rights as a ‘compass for a renewed process of convergence’, recognising that ‘social priorities must be a key part of the reform efforts’.

Creating ‘more jobs and faster growth’ is the overall objective of this year’s CSRs, while it also aims at taking into consideration the aspect of ‘social fairness’. The Communication also highlights the importance of addressing youth and long-term unemployment, as well as better access to the labour market for migrants, but also the need for ‘enabling’ social services and comprehensive measures to address income inequalities and poverty.

### What is positive?

With 16 out of 76, this year’s recommendations focus strongly on education, and more particularly, on the education of disadvantaged groups and upskilling of low-skilled and long-

term unemployed persons. For some Member States there is also an explicit mention to improve access to education, vocational training and the labour market for persons with a migrant background. However, these are the only recommendations relating to migrants.

Concerning Roma, this year only 4 countries (Bulgaria, Hungary, Romania and Slovakia) have received related recommendations, compared to 5 countries last year. All four have been asked again to increase efforts to integrate Roma children into mainstream education and to improve their education outcomes. Last year the Czech Republic had also received a similar recommendation. Apparently, the Commission found that another recommendation was not necessary, as several administrative and legislative measures have been taken and are starting to be implemented. Nevertheless, the preamble notes that there is an education gap between Roma and non-Roma children in the Czech Republic and it remains to be seen whether the new measures will have the expected positive impact.

In the field of poverty reduction and social inclusion, 11 Member States have received recommendations that mainly address the adequacy of social safety nets, the coordination of social services, as well as coverage and



**Valdis Dombrovskis, Vice-President of the EC in charge of the Euro and Social Dialogue, Pierre Moscovici, Commissioner in charge of Economic and Financial Affairs, Taxation and Customs and Marianne Thyssen, European Commissioner for Employment, Social Affairs, Skills and Labour Mobility presented the Country Specific Recommendations in a joint Press Conference.**

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<sup>4</sup> Communication, p. 2

adequacy of social benefits. Some Member States have also received recommendations relating to housing and social housing in particular or other investment in social infrastructure.

Concerning health and long-term care, 12 Member States received recommendations addressing issues of sustainability, cost-effectiveness of and access to healthcare systems. In some cases the recommendations also addressed the need for hospital reforms or increase in health-insurance coverage.

### What is missing?

Despite strong emphasis in the *Communication* on the importance of tackling youth unemployment, there are no explicit mentions in the recommendations, but one can expect that some of them will indirectly also support young unemployed persons. Furthermore, in the field of employment, the idea of 'quality employment' has unfortunately not been picked up in the recommendations.

It also comes surprisingly that there is no single mention of child poverty in the Country Specific Recommendations or its accompanying Communication, despite increased attention at EU level to child poverty during the last months, including in one of the principles of the European Pillar of Social Rights. Eurodiaconia had already noticed this lack of attention last year and regrets that child poverty is still not receiving any attention in the CSRs.

Furthermore, the integration of Roma into the labour market is not addressed. While it is positive that there seems to be some improvement concerning education of Roma children at least in one country, the integration of Roma into the labour market is only mentioned in the preamble, but no specific recommendation is made to any of the concerned countries.

Finally, it also comes as a surprise that there are not more recommendations explicitly related to the integration of migrants. Only in three cases the recommendations include a reference to persons with a migrant background. This likely corresponds to a rationale that they will also benefit from other measures, without being specifically targeted.



**Child poverty is not addressed in the 2017 CSRs**

### Conclusions

Overall, the willingness of the Commission to include more social aspects in the European Semester is visible throughout the documents. However, the total number of recommendation has decreased from 114 to 76, out of which 34 are related to social issues or employment (compared to 42 last year). It is also apparent that the 'raison d'être' of the European Semester is mainly based on macro-economic analyses, fiscal and budgetary balance. Looking at the set of recommendations which each country receives, the fiscal and budgetary considerations tend to come first, whilst the social recommendations seem to be mainly made in support to the economic ones. The social recommendations fall slightly short of playing the 'key role' announced in the accompanying *Communication*. This is not the change one could have expected after the launch of the European Pillar of Social Rights, and Eurodiaconia will continue advocating for a European Semester that puts a stronger focus on social investment and improved social protection for European citizens.

As Eurodiaconia Members, you can undertake various actions in response to the contents of the Country Specific Recommendations (CSRs):

- Provide feedback to your [Country Desk Officer at the European Commission](#) on the Country Specific Recommendations that have been addressed to your country;
- Provide your Country Desk Officer with your organisation's estimation of the key social concerns in your country, and with recommendations on how to address these effectively, ahead of the publication of the 2018 Country Reports;
- Provide your Country Desk Officer with an own assessment of the degree to which previous sets of (social) CSRs have been effectively implemented;
- Share your feedback with your European Semester officer (link to list) and request to be included in future events and meetings around the European Semester cycle at national level;
- Share your views with the Eurodiaconia Secretariat. We will use them in our advocacy work throughout the European Semester process.

## The European Pillar of Social Rights: towards a more social EU?

*The economy is growing again and the European Union is recovering from the economic crisis. However, not everyone is benefitting from the recovery and inequalities among and within Member States have increased.* This is, in one sentence, the analysis of the European Commission and the key reason why it launched the [European Pillar of Social Rights](#) on 26 April 2017. This 'Social Pillar' results from the recognition that inequalities in the EU have increased after the economic crisis and contains 20 principles that aim at making already existing social rights more effective, while also providing the foundation to further development and deepening of these rights.

The Pillar was announced by the President of the European Commission, Jean-Claude Juncker, during his State of the European Union speech in 2015. This was followed in 2016 by a public consultation to receive broad input on a proposed Social Pillar from civil society organisations, trade unions and citizens. Eurodiaconia, like many other organisations,

Read more about the consultation process in [Eurodiaconia's third edition of the European Semester Quarterly \(October 2016\)](#).

participated in this public consultation and highlighted the importance of adequate minimum income schemes, quality jobs, universal access to quality, accessible and affordable services, as well as efforts to tackle homelessness and housing exclusion.

### 20 Principles to make the EU more social

The Social Pillar contains 20 principles divided over three chapters: 'Equal opportunities and access to labour market', 'Fair working conditions', 'Social protection and inclusion'. These chapters are roughly the same as in last year's proposal, although the title of the third chapter has been slightly modified. The document will primarily apply to Eurozone countries, but the other Member States are encouraged to join the efforts. The accompanying [Commission Staff Working Document](#) provides a detailed explanation of the legal basis, existing measures and planned measures for each of the principles.

As its name suggests, the first chapter is about equal opportunities in education, life-long learning and access to the labour market. Amongst others, it states a right to receive personalized and consistent support to find

employment, including training and re-qualification where necessary.

The second chapter focuses on fair working conditions, which includes principles such as a right to fair wages (including the promotion of minimum wages), social dialogue, work-life balance and a healthy, safe and well-adapted work environment. It also foresees to address new forms of work and ways to guarantee social protection in these new situations.

For Eurodiaconia members, the third chapter on “Social Protection and Inclusion” is of particular interest. Its first principle addresses childcare and the right of children to protection from poverty and to specific, reinforced measures for those coming from disadvantaged backgrounds. Other principles include the right to adequate social protection, pensions, unemployment benefits and a minimum income that ensures a life in dignity. Furthermore, it addresses affordable quality healthcare and long-term care, a right to support for people with disabilities, housing assistance and support to homeless people as well as access to essential services.

Overall, Eurodiaconia welcomes the proposed European Pillar of Social Rights and considers that the most important social issues that we have been advocating for have been included. Despite its strong focus on the labour market, there are also tangible efforts to support those persons outside the labour market, such as the disabled and the homeless. Eurodiaconia welcomes that ‘financial inclusion’ has become part of the principle of ‘Access to essential services’, an aspect which it has been strongly advocating for. Furthermore, Eurodiaconia welcomes the fact that the Social Pillar no longer tries to simultaneously promote adequate and (fiscally) sustainable social protection without clarifying how these two aims can be reconciled. 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; as such, the fact that an ambivalent dual emphasis on ensuring adequacy and sustainability has been dropped from the final version of the Pillar is an important step forward.



**The third chapter on “Social Protection and Inclusion” includes housing assistance and support to homeless people.**

### Double challenge: keeping it strong and implementing it effectively

So far, this is a Commission Communication, a non-binding guidance document for the Commission itself and Member States. However, to increase Member States’ commitment to it, the Commission will be asking the European Parliament and Council of the European Union to endorse the communication by jointly proclaiming it at the end of the year 2017. Civil society, together with other actors, needs to make sure that the document will not be watered down and that Member States do indeed commit to the social principles outlined in this document. Previous attempts to strengthen the social aspect at EU level, such as the EU 2020 target to reduce poverty, have so far not been able to deliver the expected results. The Social Pillar should not repeat this experience again.

A strong commitment by Member States is needed, as the implementation is in Member State competence. Only in a few fields the Commission has the competence to put forward



proposals and already did so in relation to work-life balance, the information of workers, access to social protection and working time. One legislative proposal as well as other non-legislative documents have been published on the same day as the Communication on the European Pillar of Social Rights:

- The [Commission Staff Working Document on the Implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market](#) highlights a few ‘lessons learned’ and stresses the importance of an integrated and comprehensive approach to active inclusion, better reflection on the link between activation and income support, adequate support for social inclusion of those who can’t work and close cooperation of all relevant stakeholders.
- The [Commission Staff Working Document taking stock of the 2013 Recommendation on “Investing in children: breaking the cycle of disadvantage”](#), analyses the progress made in implementing the recommendation and finds that implementation is very variable. It stresses the importance of implementing more concrete policy mechanisms and of cooperation of all relevant stakeholders to offer a comprehensive and integrated approach to fighting child poverty.
- The [Commission proposal for a Directive on work-life balance for parents and carers](#) aims at modernising the design of work-life balance policies and facilitate the uptake of parental leave for men and women, as well as more flexible work arrangements for parents and persons caring for an elderly or disabled family member.

With the three above-mentioned documents the Commission intends to prove its commitment to the Social Pillar; however, it remains unclear how implementation at Member State level will be ensured and monitored. In addition to the documents above, the Commission has also launched the [Social Scoreboard](#) as online tool accompanying the Social Pillar. The Scoreboard is benchmarking Member States’ performance with regards to the European Pillar of Social Rights. It is based on 12 indicators that allow to monitor and compare Member States’ performance in the different areas, using existing quantitative data. The scoreboard is considered to be the main tool to monitor the implementation of the Social Pillar. It is therefore worrying that it is not covering all principles of the Pillar, as for example data on child poverty, inclusion of persons with disabilities as well as data on homelessness and access to housing are missing completely.

Eurodiaconia calls for a strong link to the European Semester, which seems a suitable tool to encourage Member States to implement the principles of the Social Pillar. The recently published [Country Specific Recommendations \(CSRs\)](#) and the accompanying [Commission Communication](#) have set an encouraging first step, by referring to the European Pillar of Social Rights. The Commission Communication explicitly explains that “the analysis and recommendations of the European Semester will reflect and promote the principles enshrined in the Pillar by assessing, monitoring and comparing the progress made towards implementing them.” (p.3)

### [Why is the Pillar important for Eurodiaconia members and what can you do?](#)

The Social Pillar constitutes the Juncker Commission’s key initiative on social policy. In the light of the decreasing importance of the EU2020 Strategy, it is currently the main ‘EU policy hook’ which diaconal organisations have at their disposal to promote social investment at

national level. It has already raised awareness at political level that not everyone is benefiting from the positive developments of the economy after the crisis and that better safety nets need to be put in place to make social security systems fit for the changing realities on the labour markets and within our societies.

Eurodiaconia members have been raising these issues for several years already and can now use this window of opportunity to call for more social efforts in their respective countries. In this regard there are several actions that you could take:

- Address the Social Pillar wherever possible in bilateral and multilateral dialogues with your government and make a case for its implementation;
- Discuss the White Paper on the future of Europe and the reflection paper on the social dimension of Europe with your government, reviewing the different scenarios and their impact on the implementation of the Pillar;
- Build coalitions with other NGOs and social partners to put the Pillar higher on the national agenda;
- Stress the need for adequate civil society involvement during the implementation phase;
- Make recommendations for the effective implementation of individual principles through policy papers, events and bilateral meetings;

Have a look at our [Europe 2020 Toolkit](#) for some advice and tips on how to reach out to your government. For any further questions related to the European Pillar of Social Rights, the European Semester and how to best advocate for social issues, please contact the Eurodiaconia Secretariat.

## The Reflection Paper on the social dimension of Europe

On 26 April, the European Commission published a 'reflection paper on the social dimension of Europe', strategically timed to accompany the launch of its European Pillar of Social Rights. Together, the two documents provide an important glimpse into the European Commission's vision for the future of Social Europe.

The reflection paper is the first installment in a series of five papers, which will be published over the course of 2017 and address a range of key issues related to EU governance. Each one of them is intended to serve as a basis for discussion in the context of a year-long reflection process on the future of Europe. The process was formally initiated by the White Paper on the Future of Europe, published in March on the 60<sup>th</sup> anniversary of the signing of the Treaty of Rome.

### Mapping social challenges

The reflection paper on the social dimension of Europe can be divided into two key parts. The first part is essentially a stock-taking exercise. Stressing the close link between Europe's social and economic ambitions (indeed, the vision of social and economic policy as 'two sides of one coin' has been a recurring theme for the Juncker Commission), the paper describes the impact of the economic crisis and the key drivers of social change in the coming years: ageing societies, a shrinking workforce, an increased influx of refugees and other migrants, and changing working conditions constitute the primary focus.

The paper stresses that, *"in spite of many ongoing reforms, existing welfare states are not always well attuned to adapt to these new and*

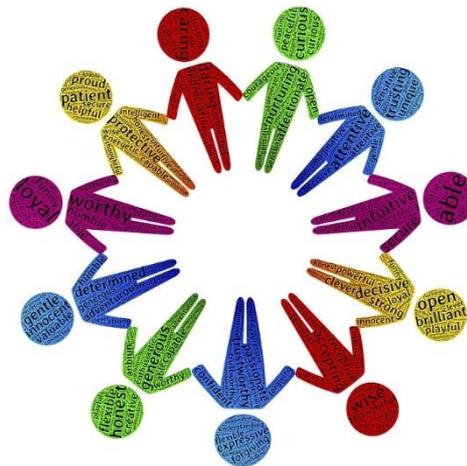
largely unprecedented challenges. This is not just a matter of financial sustainability; it is a matter of delivering the right safety nets and the new protections to help individuals use their full capacities to live their lives and for society to function.<sup>5</sup> The aim of the reflection paper is not to translate this diagnosis into concrete policy proposals, but to stimulate a more fundamental discussion on the role which the EU should take in meeting these challenges.

The second part of the paper, therefore, presents three different scenarios for the EU's involvement in shaping social policy. Similar to the White Paper on the future of Europe, the reflection paper does not explicitly endorse any specific direction; instead, it discusses the practical impact of the different scenarios and the respective pros and cons of each one. As with the White Paper, a closer look at the pros and cons sections of the different scenarios shows quite clearly that the Commission does not consider all scenarios to be of equal merit. However, in the end, the decision is left to the Member States.

### Three scenarios for Social Europe

The three scenarios outlined in the reflection paper point in very different directions. The first scenario would limit the EU's social dimension to regulations which enable freedom of movement, such as rules on the social security rights of EU mobile citizens or cross-border healthcare. The EU would no longer facilitate exchanges of best practices between Member States, it would no longer issue recommendations towards Member States on areas such as tackling poverty and

unemployment, and it would have to discontinue funding programmes for social projects. An EU focused purely on the single market would increase social divergence and would lack any means of counteracting the downgrading of social standards by Member States.



The second scenario follows the same logic as one of the key proposals in the earlier White Paper on the future of Europe; it envisions a Europe of different speeds, a 'Social Europe a la Carte', allowing Member States to pick and choose which kinds of social initiatives they want to (jointly) promote. The scenario would allow for different,

simultaneous 'coalitions of the willing' working towards common standards and initiating joint programmes in fields such as labour market inclusion and refugee integration. This scenario would likely ease the process of reaching political consensus because less actors are involved; however, the simultaneous co-existence of various Member State coalitions might also make decision-making less transparent and lead to potentially contradictory approaches across the EU. Whereas some EU countries might choose to pursue more ambitious social investments, others might opt for the opposite direction. As such, scenario 2 would likely increase social divergence as well.

The third scenario envisions that all EU Member States would deepen their cooperation on common social challenges. Whilst the reflection paper states that "social support is and will remain primarily in the hands of Member States"<sup>6</sup>, this scenario would change the current

<sup>5</sup> European Commission 2017, Reflection Paper on the social dimension of Europe, P. 19.

<sup>6</sup> European Commission 2017, Reflection Paper on the social dimension of Europe, P. 24.

balance of power by increasing the EU's role in coordinating social policies - most importantly by allowing for the creation of binding benchmarks. The effects could be positive for social convergence, the functioning of the single market and the resilience of national economies. However, political consensus would be more difficult to achieve. Furthermore, it remains vague what this scenario would mean in terms of thematic priorities and policy content. Out of all scenarios, the third one seems the most promising option to ensure the upgrading of social standards across Europe, but the least feasible option from a political perspective.

### Implications for the European Semester

Like the White Paper on the future of Europe, the reflection paper on Europe's social dimension links directly to the future of the European Semester. Whereas scenario 3 would likely culminate in a more favorable balance between social and economic priorities in the context of the Semester and enhance the social dimension of the AGS in particular, scenario 1 would likely transform the Semester into a purely macroeconomic instrument. Space for the involvement of diaconal actors would further decrease as their expertise would be considered less relevant for shaping economic policy, although the impact on social realities would be significant. Scenario 2 would likely generate significant changes regarding the structure of the Semester cycle itself, although much remains unclear. Would coalitions of Member States which pursue enhanced social policy coordination receive their own, separate set of CSRs? Would the AGS need to allow for targeted messaging towards clusters of Member

States which pursue different social policy directions?

### What can Eurodiaconia members do?

With national governments being in the driver's seat when it comes to shaping Social Europe's future, Eurodiaconia members have an important role to play in the ongoing reflection process. We warmly encourage our members to address the key social challenges and scenarios outlined in the reflection paper in bilateral meetings with government officials (including meetings in the context of the European Semester) and through other advocacy initiatives such as conferences, policy papers and campaigns.

Coalitions with other NGOs and social partners, in particular, can provide added political weight and open new venues for making your voices heard; for example, trade unions are regularly consulted at both EU and national level, and often share concerns around the downgrading of social protection and social standards.

The three scenarios outlined do by no means exhaust the spectrum of options; moreover, whilst providing some individual policy examples, they don't spell out the broader strategies which could be pursued in each case to reduce poverty and enhance social convergence. Linking your reflections on the different scenarios to an ambitious diaconal vision, which sets out the key actions necessary to strengthen social standards, would add substance to a process which is currently centred on the question whether we need 'more' or 'less' EU coordination, rather than on the question what a more Social Europe would look like.

## Institutional Developments

### Spring Economic Forecast

The Spring Economic Forecast is one of three economic analyses published by the European Commission throughout the year in the framework of the European Semester. It consists of country by country analyses, as well as a general analysis of the EU's economic performance. This year's spring forecast predicts growth for the Eurozone, as well as for the EU as a whole. It also expects unemployment to continue decreasing and public finances to continue improving. However, it also recognizes that uncertainty about the future and insufficient increases of wage levels are affecting people by limiting purchasing power and increasing poverty risks.

Consult the [Commission's website here](#) for more detailed information on the Spring Economic Forecast, including the country by country analyses, infographics and other related documents.

### European Court of Auditors Evaluation of the Youth Guarantee

In our [last edition of the European Semester Quarterly](#) we had a focus on Youth and only little time later the European Court of Auditors published an evaluation of the Youth Guarantee, which you can find [here](#).

Youth Employment is one of the several aspects that are monitored by the European Commission through the European Semester. Following the economic crisis and its strong impact on youth employment, the Commission proposed in 2012 to create a youth guarantee, which was adopted by the Council of the European Union in 2013. For the financing period of 2014-2020, over 12 billion Euros will be allocated to the implementation of the Youth Guarantee. The European Court of Auditors found that there are three main risks that might hamper the effective implementation of the Youth Guarantee. These risks are insufficient funding, a lack of clarity around what constitutes a good quality job offer and a weak monitoring and reporting framework.

### EPSCO Council Meeting on 15 – 16 June 2017

EPSCO is the Council configuration in which European employment and social policy ministers meet four times a year to discuss issues related to employment, social policy, health and consumer affairs. On 14 and 15 June employment and social Ministers met in Brussels and discussed among others this year's Country Specific Recommendations and the European Pillar of Social Rights. You can find more information on what has been discussed and decided in the [meeting outcomes](#).

## Publications of the European Parliament

### **Minimum Income Policies in EU Member States**

The EP [study on minimum income policies in EU Member States](#) provides an overview of the evolution of poverty and social exclusion since 2010 and includes an update on minimum income schemes across Europe. It builds on previous studies that have been published in 2007 and 2010.

The study concludes that the adequacy of minimum income schemes (MIS) needs to be improved, as well as the accessibility to enhance coverage and take-up rates. It also finds that MIS need to be combined with activation policies, for which further European support is needed.

### **Risk of Precariousness**

This EP [Study on the Risk of Precariousness](#) analyses the outcomes from the European Working Conditions Surveys of 2010 and 2015. The study shows patterns of job quality across types of employment. It concludes that the risk of precariousness is highest and tends to increase for temporary agency workers. It also finds that perceived stress has declined for most workers, except temporary agency workers, for whom it has increased. As far as the differences among EU Member States are concerned, the study found that the risk of precariousness is generally higher in Central and Eastern European Countries, as well as in Southern European Countries, where the overall economic situation is more difficult.

### **Working conditions and precarious employment**

On 30 May 2017, the EMPL Committee has voted its own initiative [report on 'Working conditions and precarious employment'](#). This report is a reaction to the increase of atypical employment contracts and the need to ensure everyone has access to social protection. Several proposals are hence made in this direction.

### **Combating inequalities as a lever to boost job creation and growth**

The EMPL Committee is currently discussing its own initiative [report on 'Combating inequalities as a lever to boost job creation and growth'](#). The draft report calls for the establishment of a 'European policy coordination for combating inequalities', asking the European Commission to include new indicators on inequality in the European Semester. It also includes recommendations related to the creation of quality jobs, improving working and living conditions, strengthening the welfare state and social protection, as well as combating poverty and social exclusion.

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