



Council of the
European Union

Brussels, 26 September 2016

12605/16

**SOC 564
EMPL 374
ECOFIN 836**

COVER NOTE

From: Employment Committee and Social Protection Committee
to: Permanent Representatives Committee (Part I) / Council

No. Cion prop.: 7276/16 SOC 154 EMPL 102 ECOFIN 234 + ADD 1 - ADD 3

Subject: European Pillar of Social Rights: state of play and views on the way forward
- Endorsement of the joint opinion of the EMCO and the SPC

Delegations will find attached the above-mentioned joint opinion with a view to the Council (EPSCO) meeting on 13 October 2016.



The Employment Committee The Social Protection Committee

The European Pillar of Social Rights Joint EMCO-SPC Opinion

Context

The EU and its Member States have succeeded in establishing social and labour market standards in Europe, which are among the most advanced in the world, and the common values that constitute the European social model are a key achievement in the European integration process. Over the past decades, as reflected in the Treaties and the Charter of Fundamental Rights EU Member States have defined common social rights and minimum standards in a wide range of labour market-related areas and have committed to promote employment and social progress.

Nevertheless, following the financial and economic crises, the European Union (EU) is still facing major social problems and challenges with historically high levels of unemployment, high inequalities, poverty and social exclusion. Although the employment and social situation is slowly improving, polarisation in society and the significant increases in youth and long-term unemployment and poverty are left as a heavy legacy. Investment in human capital has been inadequate to the scale of the challenge we are facing and should be increased. Structural reforms to promote growth and jobs continue to be needed. Some Member States are already experiencing a risk of a generational gap, leading to future generations left with limited perspectives, losses in human capital, growth potential, and well-being.

In parallel, in a globalised economy the EU is confronted with long-term social challenges related to ageing and increasingly diverse populations, increasing inequalities, climate change, global migration and refugee flows, the impact of digitalisation and new technologies (including the global value chains) on working lives, changing working and societal patterns. Some of these challenges may also present opportunities.

Policy objectives

The EU and its Member States should address these social challenges with a common set of principles, adopting far-reaching initiatives which ensure long-term resilience of labour markets and social protection systems, and give European citizens confidence in EU integration as a source of opportunities and benefit for all. As a matter of common interest, the EU and its Member States' ambition should be to achieve upward convergence in terms of employment and social outcomes, while respecting national competences¹, and to strengthen and adapt our welfare states to the economic and social challenges of the 21st century.

Consequently, the Employment and Social Protection Committees (EMCO and SPC) believe that in policy-making, both at national and EU level, there is a need to put a stronger and more future-oriented focus on the employment and social dimension. The interdependency of policy areas requires better analysis of decisions taken in various policy fields, including macroeconomic policies, and their impact on employment, social protection and equal treatment and equal opportunities for men and women. Important steps in this direction have been taken by greater emphasis on social and employment policies in the context of the European Semester, but more remains to be done.

Social imbalances are a threat to the EU as much as economic imbalances, since social polarisation and divergences undermine not only the political credibility of the EU but also the longer-term growth and competitiveness potential of the EU. Within the Union, the objectives of inclusive and sustainable economic growth with a dynamic investment climate, high employment, quality jobs and social progress require economic convergence and stronger social performance and outcomes.

Creating a sustainable basis for well-functioning and inclusive labour markets, job creation, adequate social protection, the prevention and reduction of poverty and inequalities, and equal treatment and opportunities should be at the heart of a successful recovery that benefits everyone in Europe.

¹ Council Conclusions on “Social Governance for An Inclusive Europe” (Council document 14129/15)

Both Committees welcome the European Commission's consultation on establishing a European Pillar of Social Rights. The Committees strongly welcome and support this inclusive consultation process and the important role given to social partners and civil society in this consultation. The Committees also welcome the Commission's aim of restoring upward convergence in terms of employment and social outcomes, while underlining national competences in these areas.

Content of the Pillar

The current state of EU affairs is calling for a thorough assessment of what is required to build confidence and trust of all EU citizens in the EU. It is also necessary to look for an answer to the question: how is it possible that, despite having the best developed social system in the world, unemployment, inequalities and poverty are so high and persistent in the EU? The discussion on the Pillar of Social Rights should therefore address this.

The Treaties, especially the horizontal social clause, the Charter of Fundamental Rights, and relevant international conventions to which the EU and the Member States have subscribed provide a good framework for developing this work. The Pillar should also take into account the EU's Europe 2020 strategy, notably the targets in the area of education, poverty reduction, social inclusion, and employment, and could reference the social objectives that form part of the United Nations Sustainable Development Goals.

Moreover, the Pillar must be seen in relation to the EU's economic policies, including the need to safeguard and reinforce the EU's competitiveness, ensure sound public finances, further develop a deeper and fairer single market, and improve the long-term economic and social governance of the EU. As a general point, the Committees would stress the importance of considering the Pillar in the context of the overall economic and political development of the Union and not in isolation. The Committees encourage the Commission to develop a clearer vision on these and other inter-linkages.

EMCO and SPC are strongly of the opinion that the European Pillar of Social Rights should build on and improve existing instruments, including the European Employment Strategy (EES) and the Open Method of Coordination in the areas of Social Protection and Social Inclusion (social OMC), and on that basis serve as a compass for the process of fostering sustainable upward convergence in terms of employment and social outcomes, while respecting national competences.

Achieving the objectives of sustainable and inclusive growth, quality jobs, competitiveness, and social cohesion entails a wide range of measures and reforms in interlinked policy areas. The horizontal nature of many initiatives at the EU level requires a broader attention of the causes and effects of decisions taken in specific areas. In order to address the rapidly changing economic and social conditions, the EU and its Member States need to move beyond the measures taken during the crisis years to look at a longer-term perspective. In particular, the recent gradual economic recovery should allow for more coherence between economic, employment, social and fiscal policies.

The policy domains included in the Commission's preliminary outline on the Pillar generally cover the right areas. However, some discrepancies remain between various domains, where some are very detailed and focused whilst others are broad and somewhat vague. In the further development of the principles, the right level of detail should be chosen, providing sufficient guidance without being too prescriptive. The extent to which each of these domains falls within EU competence varies greatly. As a general point, national competences, the principle of subsidiarity, and the autonomy of social partners have to be respected in taking the Pillar forward.

Both Committees have suggested a number of areas which they think merit greater visibility within the Pillar. These include gender equality, adequate systems of social assistance, non-discrimination, active ageing, labour market mobility, the effects of digitalisation and automation, the integration of people from a migrant background, new risks in occupational health and safety, and the need to ensure a deeper and fairer Internal Market. Moreover, there is a need to better focus on the principles governing social security as well as on the joint objectives of adequacy and financial sustainability of pensions, health and long-term care. The Committees would also recall the Council Conclusions on the 2016 Annual Growth Survey, which identified these and other priorities: the importance of focusing on job creation; sustained investment in education and training; the promotion of social investment; the need for effective, efficient, and adequate social protection.

The Committees suggest that more attention could and should be given to emerging future challenges.

Operationalising the Pillar

Many of the issues that the Pillar deals with are already part of the social acquis, the EES and the social OMC, as currently embedded in the European Semester, including the Employment Guidelines, and could be dealt with in this context. These instruments and processes have proven to be flexible and capable of bringing about tangible policy change in a “no one-size-fits-all context”, *inter alia* through the Country-Specific Recommendations (CSRs), exchange of best practices and coordinated monitoring (e.g. through the Employment and Social Protection Performance Monitors).

Indeed, the Pillar offers an opportunity to develop and strengthen those instruments. Therefore, a first step towards delivering on a Pillar of social rights would be to explore where possible gaps and bottlenecks may be, where there is a need to complement and strengthen measures at European or national level, for instance by increased use of policy learning based on best practices, setting common objectives and benchmarking, and thematic discussion. The Committees underline that EU measures taken in support of the Pillar should form part of a clear and unified framework and should be based on clear evidence of the added value of an EU level approach.

The Committees are of the view that the specificities of each Member State's current economic, budgetary and social situation must be taken into account in initiatives under the Pillar. The Pillar must also be sensitive to the impact of macro-economic policies and circumstances on the achievement of social objectives.

Although some stability is undoubtedly desirable, the Pillar should be sufficiently flexible to become an interactive process: it should be possible to revise, update, and further develop the Pillar as the Union moves forward along the path of upward convergence in terms of employment and social outcomes, while respecting national competences.

When action on some aspects of the Pillar in the euro area would be deemed to be more urgent, the Council Recommendation on the economic policy of the euro area, amongst other policy instruments, could be used alongside the Country-Specific Recommendations to foster the necessary reforms. In this respect, it is key that all actors ensure that this new framework respects a streamlined and well-coordinated approach within the overall euro area recommendation, including a proper consideration of employment and social policies within the EPSCO Council formation. This approach would recognise the specificities of these policies at EU level and respect national competences.

Going beyond the Euro area

Upward convergence is as much about economic growth as it is about social justice and therefore we need an inclusive and sustainable approach. Moreover, the policy design in certain areas of labour market, social protection, competitiveness and taxation policy cannot be done in isolation for the euro area only. Therefore, the Pillar should certainly seek the active participation of all Member States , in line with the conclusions of the European Council adopted in October and December 2013.