

## European Pillar of Social Rights for a more social Europe

### SUMMARY

The European Pillar of Social Rights is the European Commission's latest major initiative in the field of employment and social affairs. It is intended to serve the further 'socialisation' of the Economic and Monetary Union by strengthening its employment and social aspects, as stated in the Five Presidents' Report on 'Completing Europe's Economic and Monetary Union' from June 2015. In March 2016, the Commission published a preliminary outline of the Pillar, which is now undergoing broad consultation. In its final form, the Pillar could help not only the euro-area countries but also the other EU Member States achieve upward convergence of their social and employment performance.

The outline released by the Commission for the consultation contains principles for equal opportunities and access to the labour market, for fair working conditions and for adequate and sustainable social protection that could become a European reference framework for monitoring and benchmarking. They are based on the EU's social *acquis*. The Pillar could become a binding instrument, but its final content and implementation are still open for discussion.



### In this briefing:

- Background
- The proposal for a European Pillar of Social Rights
- The future of the proposal
- Main references

## Background

### Social triple A and legal basis

The [Five Presidents' Report](#) stated that 'employment and social concerns must feature highly in the European Semester'. It suggested that 'there is no "one-size-fits-all" template to follow', but that 'the challenges are often similar across Member States' in terms of their employment situation, working conditions, social protection, the situation of older people and education. Accordingly, it called for reformed labour markets, for access to adequate education for all and for effective social protection systems that also take care of the most vulnerable, including through the creation of a '[social protection floor](#)'. It declared that 'Europe's ambition should be to earn a [social triple A](#)'. This should be an instrument to contribute to fair and balanced growth, decent jobs and labour protection.

To guarantee the free movement of workers, the EU legal framework allows for binding and non-binding recommendations, as well as for directives and regulations (Articles 45-46 of the Treaty on the Functioning of the European Union – [TFEU](#)). Competence for employment policy remains in the hands of the Member States, with any harmonisation measures ruled out. However, in the social field some harmonisation is possible (e.g. setting minimum standards).

### Titles IX and X TFEU

According to Title IX TFEU, guidelines in the field of employment are subject to the co-decision procedure. In order to reach full employment (Article 3 TFEU), the Member States and the EU shall work towards a coordinated employment strategy, to which the Member States' employment policies have to be adapted. The EU shall encourage cooperation between Member States and, if necessary, complement their action through incentive and support measures. The European Council is to draw up guidelines each year which Member States must consider in their employment policies (Articles 145-149 TFEU). Title X TFEU is dedicated to social policy. Article 153 thereof states that the EU shall 'support and complement' the activities of Member States, including in the field of social security and social protection of workers. To this end, the EU can encourage cooperation and best practice. It may also adopt directives but only to set 'minimum requirements for gradual implementation'.

### Main relevant initiatives to date

With this legal basis (i.e. Titles IX and X TFEU) as the starting point, the outline for a [European Pillar of Social Rights](#) calls for two main actions: modernising the existing legislation and developing employment and social benchmarks in order to foster upward convergence in the euro area. Prior to this, in 2008, a comprehensive policy strategy – the [Recommendation on Active Inclusion](#) – called for: adequate income support; inclusive labour markets; and access to quality services. It promoted an integrated policy strategy with a view to modernising social protection systems. While the recommendation has had a positive [impact](#) on inclusive labour markets in the Member States, albeit to different extents, much more remains to be done in improving the quality of services and in taking an integrated approach to policy, where sectoral silos still prevail.

The 2013 [Social Investment Package](#), including a [Recommendation on investing in children](#), was another attempt to promote a comprehensive policy on investment in human capital by means of investing in people throughout their lifetime, with a view to ensuring the adequacy and sustainability of the budgets for social policies, the government and the private sector. The package also called for the modernisation of social protection systems and for their monitoring within the European Semester.

More recent initiatives have tried to go further into specific fields, so as to improve the employment and social situation across the EU. In light of the persistently high levels of youth unemployment, a [regulation](#) was adopted in 2015 allowing quicker mobilisation of the resources allocated to the Youth Employment Initiative. Other major initiatives launched by the Commission in 2014 and 2016 in the field included: a Council recommendation on the integration of the [long-term unemployed](#) into the labour market; a decision on a European platform on tackling [undeclared work](#); the new [skills agenda](#); and the new approach to addressing [work-life balance](#). Finally, recent proposals on the [posting of workers](#), [accessibility](#) and [health and safety at work](#) also contribute to an improved employment and social situation. The proposed Pillar might go even further in some areas, as it could have an effect on the current governance mechanisms of the European Semester.

### **Socio-economic governance of the European Semester**

As part of the [European Semester](#) – the annual policy coordination cycle within the EU – the Commission, the Council, and the European Council set priorities for the EU in the Annual Growth Survey (AGS), while also reviewing the Member States' National Reform Programmes (NRP) and issuing Country Specific Recommendations (CSR) to them. In certain cases, these institutions can also impose financial sanctions. The Semester brings together a wide range of EU governance instruments with different legal bases and possibilities to impose sanctions, ranging from the [Stability and Growth Pact](#) (SGP), the [Macroeconomic Imbalances Procedure](#) (MIP), and the [Fiscal Treaty](#), to the [Europe 2020](#) strategy and the [Integrated Economic and Employment Policy Guidelines](#). It has given EU institutions a more visible and influential role with regard to socio-economic governance both in the euro-area countries and beyond them, although the process of 'socialising' the Semester is still in development and its progress has been uneven over the years.

Following up on its 2012 communication on a [blueprint](#) for a deep and genuine economic and monetary union (EMU), the Commission presented in October 2013 a communication on the [strengthening of the social dimension](#) of EMU. Here the Commission suggested using appropriate employment and social indicators within the European Semester framework and reinforcing the surveillance of employment and social challenges within the framework of the MIP, whilst fully respecting national competences. It also proposed setting up instruments to boost labour mobility and to further involve the social partners in talks during the European Semester. As a very first step in this direction, at the beginning of the 2014 European Semester the Commission published for the first time a scoreboard of key employment and social indicators in its [Joint Employment Report](#).

Subsequently, the communication on [taking stock of the Europe 2020](#) strategy (2014), followed by a [broad consultation](#), Commission President Jean-Claude Juncker's [Political Guidelines](#) (2014) and the Communication [on steps towards completing the EMU](#) (2015), further emphasised the increasing social challenges across the EU and the need for European action. Additionally, as part of the process of streamlining the European Semester, the Commission decided to put further emphasis on social and employment issues. In the [country reports](#) it published in 2015, these issues were analysed in greater detail and taken into account in the CSRs of the same year.

In November 2015, the Commission decided to add three labour market adjustment-related indicators to the [MIP Scoreboard](#): the [activity rate](#), the [long-term unemployment](#) rate and the [youth unemployment](#) rate. Thus, in 2016, work on the scoreboard was done

with the inclusion of four relevant indicators: the original [three-year backward moving average of unemployment rate](#), plus the three new ones. This scoreboard is an important tool as it helps the Commission identify and monitor countries experiencing internal or external imbalances. In response, the Economic and Financial Affairs (ECOFIN) Council expressed concerns as it claimed the inclusion of these four new indicators might affect the effectiveness of the scoreboard.<sup>1</sup>

## The outline European Pillar of Social Rights

### Aims and objectives

On 8 March 2016, the Commission launched a [communication](#), a first outline of the [Pillar](#), a compilation of the existing EU [social acquis](#), as well as information on key economic, employment and social [trends](#) and on the [assessment](#) made within the European Semester 2016 regarding progress on key structural reforms. It is open for public consultation throughout 2016. According to Commissioner for Employment, Social Affairs, Skills and Labour Mobility, [Marianne Thyssen](#), the main aim of the exercise is to carry out a reality check on the current social systems in the EU, in order to see whether they are fit for purpose. The outcomes of the consultation will feed into the finalisation of the Pillar and into the process of completing the work on deepening EMU, particularly in preparation for its second stage. A white paper scheduled to come out in spring 2017 is being prepared in consultation between the Commission and the Presidents of the other EU institutions. The white paper builds on the progress made in the first stage and outlines the next steps needed to complete EMU in the second stage, as set out in the 2015 communication on completing EMU.

In the broader socio-economic context, neither the poverty target (lifting at least 20 million people out of poverty), nor the employment target (increasing the employment rate of the population aged 20-64 to at least 75%) set in the Europe 2020 strategy are likely to be met, given current trends. According to [Eurostat](#), by the end of 2015 the employment rate recovered close to its pre-crisis level of 70.1%. Around a quarter of the population is [at risk of poverty](#); children are at even greater risk.

Current trends that are relevant to the Pillar include: increasing social and cultural diversity, rising levels of inequality with simultaneous skills mismatches, digitisation and connectedness, different uses of time for work and leisure, different definitions of work, shifting attitudes towards work from one generation to another, changing family structures and longer life expectancy. At the same time, this new world of work faces an erosion of the stabilising factors, while an increasing number of people work on temporary or atypical work contracts. Furthermore, unemployment rates are high, the population is ageing and there are growing divergences between Member States in terms of their social and employment performance; these divergences have deepened during the crisis, testing the resilience of the whole euro area. For example, according to [Eurostat](#), in 2016 the unemployment rate in Germany was 4.2%, and 23.5% in Greece. In addition, the '[Fourth Industrial Revolution](#)' is further magnifying these trends.

In this context, the Pillar outline calls for a more holistic approach, building on new knowledge about the relationship between economic and social performance. The main idea behind the Pillar is to find a balance between the financial and social aspects of EMU. At first, it would only apply to the euro-area countries, but later it could also be applied to other countries.

**What underpins the principles of the Pillar**

The outline includes 20 principles aimed at creating access to fair labour markets and welfare systems for all citizens. It calls, in broad terms, for investment in human capital, the renewal of the [flexicurity](#) agenda and a serious reflection on public finances, of which welfare systems take up a large share. Once the Pillar is established, building on the existing social *acquis*, it should serve as a reference framework for the social and employment performance of the participating countries.

The outline touches upon three main areas: equal opportunities and access to the labour market; fair working conditions; and adequate and sustainable social protection. It identifies a number of policy domains within each of these areas.

**Main areas of the Pillar**

**Equal opportunities and access to the labour market**, including skills development and lifelong learning and active support for employment, to increase employment opportunities, to facilitate transitions between different statuses and to improve the employability of individuals.

**Fair working conditions**, to set an adequate and reliable balance of rights and obligations between workers and employers, as well as between flexibility and security elements, to facilitate job creation, job take-up and the adaptability of firms, and to promote social dialogue.

**Adequate and sustainable social protection**, as well as access to high-quality essential services, including childcare, healthcare and long-term care, to ensure dignified living and protection against risks, and to enable individuals to participate fully in employment, and more generally, in society.

The outline taps into several discussions – old and new – on inequality, sustainability, social investment and social justice. These also show the link between the principles of the Pillar, the broader economic context and aspects related to productivity, growth and stabilisation. Also, some of its parts fall within other major current or forthcoming activities of the Commission on skills and on work-life balance.

*Social investment*

The centrepiece of the concept of [social investment](#) is that a strong economy requires a strong welfare state. Social investment puts the emphasis on public policies that 'prepare' individuals, families and societies to adapt to various challenges, such as changing career patterns and working conditions, new social risks, population ageing and climate change. Thus, the emphasis is on 'empowering' rather than 'repairing' any damage done. For example, maximising employment, rather than fighting formal unemployment, should be the prime policy objective. Social investment is not considered a substitute for social protection; in fact, the two approaches complement each other, as an effective social investment strategy is based on protective measures, such as an adequate minimum income. Consequently, according to this concept social protection and social investment should be understood 'as the indispensable twin pillars of the new social investment welfare structure'.<sup>2</sup> Moreover, social protection expenditures are considered 'powerful stabilisers of economic activity at the macro level as they consolidate effective demand during recessions'.

Social investment [policy mixes](#) serve three important purposes simultaneously: human capital improvement, the relationship between the family and the economy, and employment relationships. They balance social protection and social investment. Education, skills and lifelong learning are major contributors to lifelong success in the labour market. According to James Heckman's [life-cycle approach](#), investing in the

earliest years of life brings the greatest return. As female participation is vital for sustainable welfare states, and as parenting is crucial to child development and thus to shaping the individual's future life chances, policies need to help parents find a better balance between work and family life. Finally, the goal of full employment has come to require far more differentiated employment patterns over the course of life.

#### *Inequality*

[Research](#) shows that growing inequality – exacerbated since the crisis of 2008 – harms long-term economic growth. But even if some may [debate](#) the direct link due to the lack of [robust data](#), high inequality is particularly unlikely to serve growth, as it excludes disadvantaged groups from economic progress and thus leads to a waste of human capital. Less inequality is also linked to more [social cohesion](#), and it has been shown that countries that have had [more social cohesion](#) have been more resilient and responded better to the crisis. High inequality can be tackled by redistribution or social investment. According to the OECD, the four [most important factors](#) for tackling high inequalities and promote opportunities for all are: women's participation in economic life; employment promotion and good-quality jobs; skills and education; and tax and transfer systems for efficient redistribution. These form the most important cornerstones of the Pillar outline.

#### *Social justice*

In the current diverse socio-economic context, the very idea of social justice is also redefined. According to the OECD there is 'a shift away from understanding fairness or equality as treating all in the same way, towards an understanding of equality as an obligation to give due regard to the needs of each, and so enable each individual to flourish'.<sup>3</sup>

#### *Sustainability – Sustainable Development Goals*

The proposal is also in line with the United Nations' post-2015 [Sustainable Development Goals \(SDGs\)](#). The final document on the SDGs says: 'Sustainable development recognises that eradicating poverty in all its forms and dimensions, combating inequality within and among countries, preserving the planet, creating sustained, inclusive and sustainable economic growth and fostering social inclusion are linked to each other and are interdependent'. The Pillar outline targets in particular the UN goals related to poverty; good health and well-being; inclusive equitable education for all gender equality; inclusive and sustainable economic growth, employment and decent work for all; inequalities within and among countries; and peaceful and inclusive societies.

#### *Pillar and macroeconomic policies*

In its background analysis, the Pillar outline makes a clear case for the usefulness of linking it to broader macroeconomic policies. Fiscal consolidation through reducing public investment has been a common response during the crisis, while less attention has been paid to the social costs of these measures. According to a recent [study](#), placing a stronger focus on employment and social issues in the macroeconomic surveillance process would lead to a more comprehensive assessment of each country's conditions, including the employment and social impacts of fiscal consolidation measures and the long-term growth and fiscal effects of investment on human capital and social development.

According to the Commission, the Pillar's final form should enhance convergence between national employment and social performances within the euro area, partly through the development of monitoring and benchmarking in these two fields. The Pillar can build on existing ideas that combine fiscal, social and employment policies. A recent OECD [study](#), for example, seeks to identify the policy mix that enhances financial

consolidation as well as growth and equity, whilst noting the need for simultaneous structural reform and that there is no one-size-fits-all solution. In the same context, [another publication](#) calls for 'enabling governments – over the economic cycle – to borrow only to invest and not to fund current spending', as well as for a better understanding of the real returns of social investment in terms of GDP growth and employment, while also looking at quantifiable social returns.

## The development of the Pillar

### Public consultation

The Pillar outline is planned to be discussed with a wide range of stakeholders throughout 2016, including social partners, civil society, national parliaments and others. The outline has already been endorsed at several major events. However, at this early stage of the consultation it seems that, as the outline is very broad and open, different actors are focusing on different aspects of it. The [Tripartite Social Summit](#), and most recently the [first hearing](#) between the European Commission and cross-industry secretariats and social partners on the Pillar, both emphasised the importance of strengthening the social dialogue. Following the Council conclusions on '[A new start for a social dialogue](#)', a common [statement](#) by the Dutch Presidency, the European Commission and the social partners from late June should ensure and strengthen social dialogue within the economic governance and the European Semester.

In a similar vein, the [First Annual Convention on Inclusive Growth](#) called for active civil society involvement in designing the Pillar. The [strategic dialogue](#) held with the participation of a wide range of civil-society organisations emphasised the importance of the life-cycle approach, of supporting transitions (from school to work, or between jobs) and income security, of providing in-work support, of ensuring greater citizen involvement in the process of designing and implementing the Pillar, and of rolling it out across the whole of the EU, not only the euro-area countries.

At the 2016 annual conference of the [European Antipoverty Network](#), the Pillar outline was examined from the viewpoint of combatting poverty and of responding to the current social 'emergency situation'. Among the issues of major concern voiced by the participants were the successful implementation of the suggested reforms in the Pillar outline and the inclusion of the genuinely poor among the target groups that these reforms seek to address. A [joint conference](#) of the European Trade Union Confederation (ETUC) and European Trade Union Institute (ETUI) focused on the new world of work (also in qualitative terms), including working conditions, work-life balance, and so forth.

Finally, several voices – including that of the European Parliament – have been raised, questioning whether the Pillar would really be able to deliver upward convergence rather than provoke a race to the bottom. Since it is mainly focused on the euro area, it could also foster a two-speed Europe. Furthermore, since its legal basis is unclear and it focuses only on individual social rights, it might not serve as an effective counterbalance to the strong focus that EU governance places on economic issues at present.

### European Parliament

The EP has the potential to be an important player in shaping the final form of the Pillar. In its 2012 communication on EMU, the Commission called upon the EP to be more involved in the EMU mechanism by joining discussions on the AGS and the CSRs and the choice of multiannual priorities of the Union, as expressed by the Integrated Guidelines of the Council (Broad Economic Policy Guidelines and Employment Guidelines). In its 2012

[resolution](#) 'Towards a genuine Economic and Monetary Union', the EP called for a 'social pact', pointing out that 'binding supervision of the budgetary discipline in the euro area can and should complement fiscal and macroeconomic benchmarks with employment and social benchmarks to ensure the appropriate implementation of the abovementioned provision through adequate Union financial provisions'. The pact should promote: youth employment, including initiatives such as a European youth guarantee; high-quality and appropriate financing of public services; decent living wages; access to affordable and social housing; a social protection floor to guarantee universal access to essential health services regardless of income; the implementation of a social protocol to protect fundamental social and labour rights; European standards to manage restructuring in a social and responsible way; a new health and safety strategy, including for stress-related diseases; and equal pay and equal rights for work of equal value for all.

Following 2012, several resolutions called for the 'socialisation' of EMU. Most recently, a [resolution](#) on the AGS (EMPL Committee, rapporteur: Sofia Ribeiro, EPP, Portugal) welcomed the fact that the AGS pays more attention to social fairness in the context of national stability and that the [Commission recommendation](#) on the economic policy of the euro area consolidates the joint analysis and definition of the Member States' strategies on the social and economic dimensions under the EMU.

The European Parliament also [called](#) on the Commission to 'carry out social impact assessment prior to imposing major reforms in the programme countries' and to consider the 'spill-over effects of these measures'. In response, the Commission prepared a [social impact assessment](#) within the framework of the new macroeconomic adjustment programme agreed between Greece and its creditors in August 2015.

Following Commission President Jean-Claude Juncker's call for a 'social triple A', the EP's Committee on Employment and Social Affairs (EMPL) submitted an [oral question](#) on the issue. EMPL pointed out that the Five President's report calling for a focus on employment and social performance within EMU had not been followed up and that there was no definition of 'social triple A'. In the [parliamentary debate](#), a majority of Members of the European Parliament (MEPs) agreed with the necessity to increase the convergence of social systems across the EU to reinforce the European social model. Several MEPs stressed the importance of taking into account the needs of the most vulnerable. To this end, some MEPS called for the introduction of instruments such as a minimum wage and unemployment insurance.

In 2015, the European Economic and Social Committee (EESC) prepared an [opinion](#) on the principles underlying an effective and reliable welfare provision system. The document promotes the principles presented in the Pillar outline in several ways, and argues that social policy should be a 'pillar' of EU policy in 'its own right' and 'as a means of promoting long-term growth and employment'.

### **Looking to the future**

As [stated](#) by the Commission's Director-General for Employment, Social Affairs and Inclusion, the exact format of the Pillar will be determined by its substance, but the Commission has several options at its disposal: Commission recommendations, legislation, and the CSRs within the European Semester. Whatever the format, it should have binding force.

The Commission outline touches upon two major issues: the content of the current European policies on employment, social security and protection; and the

implementation of these policies, and hence, the social governance of the EMU via the European Semester and other tools.

The [Social Open Method of Coordination](#) (OMC) can still remain an important tool for developing common objectives, benchmarks and indicators and for exchanging good practices. The Europe 2020 [headline targets](#) and additional indicators are continually followed up by the Employment and Social Protection Committee through the Social Protection Performance Monitor (including trends to watch) and the EU Key Social and Employment Indicators Scoreboard. These data are also used and reported on in the yearly Employment and Social Developments Report.

The European Semester is strongly focused on employment and social issues, despite the reduction of CSRs in this field over time. [A study](#) analysing the CSRs between 2012 and 2015 concluded that they were more focused on employment (53.5%) than on education and training (15.6%) and on social issues (15.2%). Their focus was mainly on cost-effectiveness and economic stability rather than adequacy and poverty reduction, and little attention was paid to the long-term social impact.<sup>4</sup> However, another [study analysing the 2013 CSRs](#) showed, using a broad definition of the social dimension, that while the SGP and MIP address only some employment elements in their targets, the associated recommendations to countries deal with a much broader range of employment and social policy subjects. Thus, CSRs can target employment and social issues both directly and indirectly.

There have also been [gradual changes](#) to the European Semester in terms of timetable and process. The Semester interconnects economic, fiscal, employment and social policy coordination cycles, partly by carrying out a joint evaluation of the two national reports – the Stability and Convergence Plans and the National Reform Programmes – that Member States write to respond to the EU's socio-economic ambitions. Coordination is possible because distinct coordination mechanisms address similar topics.

[Some suggest](#) that to further 'socialise' the Semester, a soft governance mechanism could be integrated into it, especially at the preventative stages. This could include elements of the social OMC, such as social dialogue, exchange of best practices and mutual learning. [Another analysis](#) based on the revision of the CSRs between 2011 and 2014 sees the way forward in a 'more socially balanced', 'contextually sensitive' and 'learning-oriented' process. It calls for parity (of economic and social objectives), participation (of stakeholders) and a revised process for the Semester.

Whether integration into the Semester is an efficient way to implement the final version of the Pillar, remains to be seen. [Analysts](#) of the Semester process point to the fact that CSRs are often not implemented. They argue that 'formalising the convergence process might help the reform process, but point to major difficulties in the definition of benchmarks, in making them binding, and in political enforcement, should a country not comply'. Moreover, the CSRs on social and employment issues show the lowest implementation levels, particularly in the fields of education, poverty reduction and social inclusion, health and long-term care.<sup>5</sup>

Finally, the traditional classification of the welfare state as being liberal, conservative or social-democratic<sup>6</sup> has been challenged by the convergence of these different models in response to changing societal needs. Some new studies [cut across](#) this classification, and thus demonstrate the usefulness of a less static view of these models to understanding social policies, for example.

## Main references

[Employment and Social Developments in Europe 2015](#), European Commission, 2016.

[Mainstreaming employment and social indicators into macro-economic surveillance](#), Study for the EP's EMPL Committee, 2016.

B. Vanhercke-J. Zeitlin and A. Zwinkels, [Further socialising the European Semester: moving forward for the social triple A](#), European Social Observatory Report, 2015.

## Endnote

<sup>1</sup> [Council conclusions](#) on the alert mechanism report 2016, point 6.

<sup>2</sup> G. Esping-Andersen, D. Gallie, A. Hemerijck and J. Myles (eds.), *Why we need a new welfare state*, Oxford University Press, Oxford, 2002.

<sup>3</sup> [Promoting inclusive growth](#), OECD, 2012, p. 83.

<sup>4</sup> [Mainstreaming employment and social indicators into macro-economic surveillance](#), Study for the EP's EMPL Committee, 2016, p. 55.

<sup>5</sup> *Idem*, p. 57.

<sup>6</sup> G. Esping-Andersen, *The three worlds of welfare capitalism*, 1990.

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