

Reflection paper on the social dimension of the EU

SUMMARY

The paper on the EU's social dimension, the first of five papers within the white paper process, is the European Commission's contribution to a debate among the leaders of the 27 Member States (other than the UK), EU institutions, social partners and citizens on two major issues in the social and employment fields: the main challenges that Member States are facing and the added value of the various EU instruments available to tackle them. By the end of the process the EU should have a clear mandate from the Member States on the areas it should be tackling and on the extent of their commitment to working together. The results should feed into a document setting out practical measures for moving ahead, in time for the December 2017 European Council.

The concepts 'social dimension' and 'social Europe' are interpreted in diverse ways across the EU and most of the competence developed over the past 60 years to implement policies remains with the Member States. In this context the Commission is proposing three alternative scenarios: an exclusive focus on the free movement of workers, development of a multispeed Europe, and genuine deepening of economic and monetary union across the EU-27. The successful implementation of the European pillar of social rights and related initiatives will depend a great deal on the outcome of this reflection process. The European Parliament has put forward several ideas on how to strengthen the social dimension of the European project, including by linking economic and social governance more closely, and increasing budgetary capacity so as to move towards upward convergence.

This briefing is one in a series on the European Commission's reflection papers following up the March 2017 White Paper on the future of Europe.



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The white paper process

On 1 March 2017, the European Commission launched a white paper process on the future of the EU. Its roots lay in the [Five Presidents' Report](#) (22 June 2015) on completing economic and monetary union (EMU), which envisaged three stages: 'deepening by doing' (1 July 2015-30 June 2017), 'completing EMU', and the final stage, when the deep and genuine EMU would be fully operational, at the latest by 2025. For the transition stage between stages 1 and 2, a white paper was planned to assess progress made in stage 1 and to outline the next steps needed, including measures of a legal nature to complete the EMU in stage 2. As a result of the size and extent of the challenges the EU has been facing, by the time the [white paper](#) was published, it had become a white paper on the future not only of EMU but also of Europe.

The white paper explained the major challenges Europe is up against and described five possible ways forward and their implications. It also planned for five reflection papers (the [timeline](#) in Annex 1) to be completed by the end of June 2017 on specific topics that need to be addressed at European level: on Europe's social dimension (in April); on harnessing globalisation; on deepening EMU (both in May); on the future of European defence; and on the future of European finances (both in June).

The overall aim of this [reflection process](#), which should run throughout 2017, is to have a wide discussion and get a clear mandate from Member States for further European action. The plan is that some of the ideas emerging from the reflection process will be presented in President Juncker's State of the Union Speech in September 2017. Final conclusions might then be drawn at the December 2017 European Council meeting. Actions could then roll out over the period to the next European Parliament (EP) elections in June 2019.

Reflection paper on the social dimension

The [reflection paper](#) on the social dimension, published on 26 April 2017, outlines the differing interpretations of the concept of 'social dimension', current social realities across the EU (e.g. living standards, unemployment rates, access to social protection) and trends up to 2025 (e.g. changing demography, diversity, new forms of work). It also sets out the social dimension of the five ways forward for Europe presented in the white paper and outlines three possible paths for a social Europe. The three alternatives range from focusing exclusively on the free movement of workers, to developing what would essentially be a multispeed Europe, or genuinely deepening EMU across the 27 remaining Member States. It states that the choice of path will have implications beyond the social field. There is no accompanying economic and social impact assessment however.

The first alternative, focusing only on the single market, would in practice mean a step back from the currently evolving situation. It would concentrate only on rules that promote cross-border movement including social security, healthcare and the recognition of diplomas, but would not include social protection, health and safety or leave rights. It would not facilitate the exchange of good practice in 'soft policy areas', such as education and culture, and not generate policy guidance and funding in relation to transversal problems, such as unemployment or skills shortages. While it might allow for policies to be shaped closer to the citizens, there would be greater divergence between national labour markets that could in the long term also erode the single market. The second alternative – taken up by countries who wished to participate – would design minimum standards (even legal acts) in relation to the labour market, competitiveness,

and the business environment. This would help to establish more resilience in the event of future shocks. This alternative would imply more convergence between economic and social policies across the Member States. However, the gap between those countries that joined and those that did not might increase, which in the long term could once again lead to the erosion of the single market. The third alternative would include binding measures, like benchmarks for the 27 Member States to improve employment, education and welfare systems. EU funding could be linked to reaching certain benchmarks and there would be a greater focus on social investment across the EU-level instruments. While decision making would be more complicated it could further improve the single market and make the EU more resilient to forthcoming shocks.

The reflection paper is the Commission's contribution to the broad discussion among citizens, social partners, other EU institutions and the leaders of the 27 Member States on the rethinking and redefinition of the social dimension of the EU. Two main issues are proposed for discussion, regarding what are the challenges Member States should be addressing together, and what is the added-value of the various EU instruments currently available to tackle these challenges. The paper points out that social policy is a broad area, and that the other reflection papers will therefore also tackle some issues relevant to social policy.

What is the social dimension?

The paper makes clear the wide range of views on what the 'social dimension of the EU' and 'social Europe' actually mean, or should mean. Opinions range from their being considered merely buzzwords to being substantive terms. EU action in this area may be seen to be overreach by some and core EU business by others.

The 'social dimension' of the EU has been gradually developed since the Treaty of Rome, which made provisions for the establishment of the European Social Fund and the coordination of national social security systems to enable free movement. Originally a set of legislative initiatives for selected employment rights were introduced. These were then followed by a non-binding [Community Charter of Fundamental Social Rights of Workers](#) in 1989. In 2009 social and labour rights became legally binding through the [Charter of Fundamental Rights of the European Union](#) (CFREU). Major milestones in the development of European social policy have included the social protocol of the [Maastricht Treaty](#), expanding areas of EU action in 1992, and the 2001 [Treaty of Nice](#), which set up the Social Protection Committee. Since the late 1990s, Member States have been using the [open method of coordination \(OMC\)](#) for non-binding coordination of their national policies. Finally, [Article 3\(3\)](#) of the Treaty on European Union (TEU) included the concept of achieving a highly competitive social market economy. The [horizontal social clause](#) (Article 9 of the Treaty on the Functioning of the European Union (TFEU)) placed balanced economic growth and sustainable development on a par with full employment, a high level of social protection, equality, promotion of social justice and respect for diversity. In sum, to guarantee the free movement of workers, the EU legal framework currently allows for binding and non-binding recommendations, as well as for directives and regulations (Articles 45 and 46 of the TFEU). Competence for employment policy remains in the hands of the Member States, with any harmonisation measures ruled out. In the social field some harmonisation is possible as it is a shared competence under Article 4 TFEU (e.g. setting minimum standards).

There is therefore an existing social dimension of EU policies. However, it might not be efficient enough to respond to the current challenges, such as growing inequalities,

changing labour markets, including new types of work arrangements, and mass migration, that are resulting in greater divergence among Member States, regions, and generations.

Relationship with the European pillar of social rights

Achieving [inclusive growth](#) with high levels of employment and a reduction in the number of people living in poverty or at risk of social exclusion is one of the main objectives of the [Europe 2020 strategy](#). In this context the reflection paper takes stock of four major tools the EU has at hand for the delivery of its policies and programmes for that objective: legislation, guidance, funding and cooperation. Moreover, it describes a selection of recent and forthcoming initiatives in all of these areas.

The [European pillar of social rights](#) and [related initiatives](#) published on the same day as the reflection paper could have an impact and result in further development concerning all four of the above-mentioned tools for strengthening social policies across the EU. The pillar is a collection of 20 principles and rights to support the renewal of current labour markets and welfare systems. According to the [Commission](#) it should serve as a 'compass for a renewed process of convergence towards better working and living conditions among participating Member States'. Additional [initiatives](#) are aimed at modernising the EU's legal framework for achieving a better [work-life balance](#), while also launching a consultation with social partners on improving [social protection](#) systems and [working conditions](#) and supporting the implementation of the [Working Time Directive](#).

The effectiveness of the pillar as a real means for convergence depends very much on its [implementation](#). In its proposed form its implementation remains within the current legal framework, with the Member States working in cooperation with social partners and the EU. However, several questions remain open in terms of its content and future delivery. [The joint interinstitutional proclamation](#) invites Parliament and the Council to analyse the Commission proposal on the pillar and endorse it or propose modifications. In this context it is important to mention that the 20 principles presented in the pillar do expand the current social *acquis* in several ways, for instance calling for services for all irrespective of type and duration of employment and by emphasising the focus on the quality of the services. Moreover, the reflection process on social and other aspects of the EU in 2017 might generate new mechanisms and tools that give more or less power to the EU institutions in the implementation phase. Thus the success of the implementation of the pillar and related initiatives depends a great deal on the outcome of the reflection process.

Positions of the European institutions

The European Parliament has not yet held a debate on the reflection paper on the social dimension of the EU. However, previous debates and initiatives can shed some light on Parliament's possible forthcoming ideas. For instance, Parliament has on several occasions addressed the issues surrounding the tensions between social and labour rights and the functioning of the internal market, as for example in the 2016 resolution on [social dumping](#). It has also meanwhile called for 'socialising' the economic governance mechanism of the EU by strengthening social and employment aspects. In 2012, in its [resolution](#) 'Towards a genuine Economic and Monetary Union', Parliament 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 above-mentioned provision through adequate Union financial provisions'. The most

recent [resolution](#) on the European pillar of social rights proposes new measures to modernise legislation in the world of work, social protection and access to education. In addition, it calls for the governance of EMU to be strengthened within the EU's institutional framework under the current Treaties, while not excluding necessary treaty changes or action to bolster its budgetary capacity.

In a broader context for the future of the EU as a whole, two recent resolutions make proposals for explicit steps concerning further integration. [One](#) calls for new instruments and for a move from unanimity to qualified majority inter alia in the areas of fiscal and social policy and 'for the full replacement of the consultation procedure by codecision between Parliament and Council'. The [other](#) 'stresses the importance of establishing a social Europe so that the European integration project continues' and calls for the establishment of a 'social pact' aimed at achieving a real social market economy and better coordination of social policies across the Member States. These reports, as well as the one on the pillar, recommend the adoption of a 'convergence code', i.e. targets in relation to taxation, labour mobility, pensions, etc., compliance with which would allow Member States to access EU funds and other EU economic reform instruments, in combination with fiscal incentives.

The Committee of the Regions [resolution](#) on the European Commission's white paper emphasised the importance of the multi-level governance structure of the EU, which is not recognised in the white paper. It stressed the need for a European future that reflects the viewpoint of regions, cities and citizens. It also emphasised that in relation to social Europe the EU should go beyond 'soft law, complementing the existing *acquis*' and introduce 'measures with the same force as those taken in connection with the EMU'. It also called for 'a comprehensive, properly financed, long-term and credible strategy to achieve and strengthen the foundations of economic and social cohesion and convergence between regions in the EU, and ensure upward social convergence'.

At a recent [event](#) on deepening EMU with civil society actors and policy makers, the Economic and Social Committee too stressed the need to address the disconnect between the European leadership and its citizens and the importance of having a common sense of purpose for the success of the European project. In its [opinion](#) on the European pillar of social rights – published between the end of the Commission consultation and the publication of its final proposal – it highlighted the importance of the pillar for delivering protection for all citizens, throughout their lives, and noted the lack of reference to certain marginalised groups, such as asylum seekers and migrants. It also underlined the importance of strengthening social investment, and the links between the [Juncker Plan 2](#) and the [Social Investment Package](#), and called for a [European Social Investment Pact](#) to support social reform and social investment and help to bring about renewed economic, social and territorial convergence. Finally, it stressed the utmost importance of proper governance mechanisms to [implement the pillar](#) properly and recalled in this respect a previous opinion that suggested a better economic and [social design for EMU](#), within the framework of the [Community method](#), that could 'bolster democratic resilience and meet the social obligations arising from the Treaties'.

The Employment, Social Policy, Health and Consumer Affairs Council configuration (EPSCO) expressed its [views](#) concerning the European pillar of social rights in its final policy debate on 8 December 2016, based on the Slovak Presidency [steering note](#). In the debate ministers pointed out that the EU's social model should be strengthened in order to achieve social convergence and a better balance between economic growth and a

social Europe. They emphasised the importance of boosting employment and fighting unemployment, especially youth unemployment, so as to reduce inequalities, and to promote health and gender equality in this process. They also stressed that the pillar should take into account the different realities and features of the social systems of the Member States and comply with the principles of subsidiarity and proportionality.

The way forward

According to the Commission's [report](#) on social Europe, a lot has been achieved in terms of policy coordination, improvement of the social *acquis*, a new start for social dialogue, more funding for skills development and young people, and the mainstreaming of social considerations in other EU policies, such as in the investment plan for Europe and the energy union, etc. Nevertheless, much remains to be done in these fields and beyond. The implementation of the pillar proposal is one way of expanding and strengthening the legal base of social Europe. The social dimension also now appears in the [Commission's work on EMU](#) as a fifth element beside an economic, monetary, fiscal and political union. As suggested in the reflection paper on the social dimension, plans for these might appear in the other reflection papers. The [reflection paper on the future of the EMU](#), for example, envisages the possibility of 'a formalised and more binding convergence process based on agreed standards'. In this context it suggests that the pillar could provide a basis for minimum social standards, while existing scoreboards and benchmarks could provide the tools for surveillance embedded in the European Semester. Compliance with minimum standards could be strengthened by the principle of conditionality, by creating 'a strong link between related reforms, the use of EU funds and access to a potential macroeconomic stabilisation function'. Finally, the paper planned for the December 2017 European Council should highlight the relationship between the five reflection papers and put forward more concrete measures for the social dimension of the EU and for possibilities for upward social and economic convergence in the future.

Main references

[Social and employment policy](#): general guidelines.

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eprs@ep.europa.eu

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