



2016/2095(INI)

13.9.2016

DRAFT REPORT

on A European Pillar of Social Rights
(2016/2095(INI))

Committee on Employment and Social Affairs

Rapporteur: Maria João Rodrigues

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The European Parliament,

- having regard to the Treaty on European Union, the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union,
- having regard to the European Social Charter, its additional protocol and its revised version which entered into force on 1 July 1999,
- having regard to the Community Charter of Fundamental Social Rights of Workers adopted on 9 December 1989,
- having regard to the conventions and recommendations of the International Labour Organisation (ILO),
- having regard to the existing EU legislation, policy coordination mechanisms and financial instruments in the fields of employment, social policy, economic and monetary policy, the internal market, the free movement of goods, persons, services and capital, the European Social Fund, and economic, social and territorial cohesion,
- having regard to the conclusions of the European Council of 25-26 March 2010 and 17 June 2010, as well as to the Commission communication of 3 March 2010 entitled ‘Europe 2020: A strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to the political guidelines for the Commission, entitled ‘A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change’ and presented by Jean-Claude Juncker on 15 July 2014,
- having regard to the report on completing Europe’s economic and monetary union (the ‘Five Presidents’ Report’) of 22 June 2015,
- having regard to the Commission communication of 8 March 2016 launching a consultation on a European Pillar of Social Rights (COM(2016)0127) and its annexes,
- having regard to the Commission communication of 2 June 2016 entitled ‘A European agenda for the collaborative economy’ (COM(2016)0356),
- having regard to its resolution of 6 July 2016 on the strategic priorities for the Commission Work Programme 2017¹,
- having regard to its resolution of 8 October 2015 on the application of Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and

¹ Texts adopted, P8_TA(2016)0312.

- women in matters of employment and occupation¹,
- having regard to its resolution of 23 October 2015 on reducing inequalities with a special focus on child poverty²,
 - having regard to its resolution of 25 November 2015 on the EU Strategic Framework on Health and Safety at Work 2014-2020³,
 - having regard to its resolution of 7 July 2016 on the implementation of the UN Convention on the Rights of Persons with Disabilities, with special regard to the Concluding Observations of the UN CRPD Committee⁴,
 - having regard to its resolution of [15 September 2016] on social dumping in the European Union (2015/2255(INI))⁵,
 - having regard to its resolution of [13 September 2016] on creating labour market conditions favourable for work-life balance (2016/2017(INI))⁶,
 - having regard to its resolution of 20 November 2012 on a Social Investment Pact as a response to the crisis⁷ and to the Commission’s Social Investment Package of 20 February 2013,
 - having regard to the ILO study of 2016 on ‘Building a social pillar for European convergence’,
 - having regard to the numerous inputs received from social partners, civil society organisations and other stakeholders and to the exchange of views with some of them held on 1 September 2016,
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on Employment and Social Affairs (A8-0000/2016),
- A. whereas the European Union needs a paradigm shift towards a strong European social model based on solidarity, social justice, a fair distribution of wealth, gender equality, a high-quality public education system, quality employment and sustainable growth - a model that ensures good social protection for all, empowers vulnerable groups, enhances participation in civil and political life, and improves the living standards for all citizens, delivering on the objectives and rights set out in the EU Treaties, the Charter of Fundamental Rights and the European Social Charter;
- B. whereas the Commission is expected to come forward in the spring of 2017 with a

¹ Texts adopted, P8_TA(2015)0351.

² Texts adopted, P8_TA(2015)0401.

³ Texts adopted, P8_TA(2015)0411.

⁴ Texts adopted, P8_TA(2016)0318.

⁵ Not yet published in the Official Journal.

⁶ Not yet published in the Official Journal.

⁷ Texts adopted, P7_TA(2012)0419.

proposal for a binding European Pillar of Social Rights;

1. Emphasises that the European Pillar of Social Rights (EPSR) cannot be limited to a declaration of principles or good intentions but must consist of real matter (legislation, policy-making mechanisms and financial instruments), delivering positive impact on citizens' lives in the short term and enabling support for European construction in the 21st century by effectively upholding social rights and Treaty objectives, strengthening cohesion and upward convergence, and helping to complete EMU;
2. Highlights that the EPSR should equip European citizens with stronger means to keep control over their lives and make markets work for wellbeing and sustainable development;

Updating existing social standards

3. Calls for the enactment of a directive on fair working conditions for all forms of employment, ensuring for every worker a core set of enforceable rights, including equal treatment, social protection, protection in case of dismissal, health and safety protection, provisions on working time and rest time, freedom of association and representation, collective bargaining, collective action, access to training, and adequate information and consultation rights; underlines that this directive should apply to employees as well as to all workers in non-standard forms of employment, such as fixed-term work, part-time work, on-demand work, self-employment, crowd-working, internship or traineeship; requests that the EU acquis be updated accordingly so as to apply to all workers;

Quality and fair working conditions

4. Calls for decisive steps towards legal certainty on what constitutes 'employment', also for work intermediated by digital platforms; underlines that open-ended contracts should remain the norm given their importance for socio-economic security; calls for the directive on fair working conditions to include relevant minimum standards to be ensured in more precarious forms of employment, in particular:
 - a. decent working conditions for internships, traineeships and apprenticeships, prohibiting those that are unpaid or paid so little that they do not enable workers to make ends meet;
 - b. for work intermediated by digital platforms, a definition of employment that is less dependent on full cumulation of the relevant criteria;
 - c. limits regarding on-demand work: zero-hour contracts should be banned and certain core working hours should be guaranteed to all workers;
5. Emphasises the need for renewed upward convergence in wages throughout the EU; calls on the Commission to actively support a wider coverage for collective bargaining; considers that to ensure decent living wages, minimum wages set at a decent level are necessary; recommends the establishment of national wage floors through legislation or collective bargaining, with the objective of attaining at least 60 % of the respective national average wage;

6. Recalls that the right to healthy and safe working conditions also involves limitations on working time and provisions on minimum rest periods and annual leave; awaits Commission proposals for legislation and other concrete measures to uphold this right for all workers, reflecting all current knowledge about health and safety risks;
7. Stresses the importance of collective rights; expects the Commission to step up concrete support for strengthening social dialogue in Member States and sectors where it is weak owing to the prolonged crisis or the prevalence of non-standard forms of employment;

Adequate and sustainable social protection

8. Supports more integrated provision of social protection benefits and social services as a way to make the welfare state more understandable and accessible while not weakening social protection; points to the importance of informing citizens about social rights and to the potential of e-government solutions, possibly including a European social security card, which could improve individual awareness and also help mobile workers clarify their contributions and entitlements;
9. Agrees with the importance of universal access to timely, good-quality and affordable preventative and curative health care; emphasises that all workers must be covered by health insurance;
10. Is aware that rising life expectancy and workforce shrinking pose a challenge to the sustainability of pensions systems and to intergenerational fairness; reaffirms that the best response is to increase the overall employment rate; considers that pensionable ages should reflect, besides life expectancy, other factors including labour market trends, the economic dependency ratio, the birth rate and differences in job arduousness;
11. Insists that all workers should be covered by insurance against involuntary unemployment or part-time employment, coupled with job-search assistance and investment in (re)-training;
12. Calls for a European framework for minimum income schemes; highlights the importance of such schemes for maintaining human dignity as well as their role as a form of social investments enabling people to undertake training and/or look for work;
13. Agrees that all persons with disabilities must be ensured enabling services and basic income security allowing them a decent standard of living and social inclusion;
14. Considers access to quality and affordable long-term care services, including home-based care, to be a right that should be upheld with the help of suitably qualified professionals employed under decent conditions; believes that low-income households should therefore be targeted by adequate public services and tax deductions; repeats its call for legislation on carers' leave accompanied by adequate remuneration and social protection;
15. Considers child poverty to be a major issue on which Europe should 'act big'; calls for the swift implementation of a Child Guarantee in all Member States, so that every child now living in poverty can have access to free healthcare, free education, free childcare, decent housing and proper nutrition;

16. Calls for legislation to ensure that access to social housing or adequate housing benefits are provided for those in need, obviously including homeless people, and that vulnerable people and poor households are protected against eviction; calls for tax incentives to help young people on low incomes set up their own households; calls for greater use of the EFSI to support urban renewal and affordable housing provision;
17. Calls for legislation ensuring fair access for all to good-quality and affordable social services of general interest and other essential services, such as e-communications, energy, transport and financial services; highlights the role of social enterprises;

Equal opportunities and access to the labour market

18. Supports a Skills Guarantee as a new right for everyone to acquire fundamental skills for the 21st century, including digital literacy; highlights this as an important social investment, requiring adequate financing;
19. Is alarmed at the spread of precariousness arising from the excessive use of ‘atypical’ contracts; stresses the importance of ensuring sufficient institutional and budgetary capacities to provide adequate protection for people in non-standard forms of employment; considers in particular that:
 - a. social insurance schemes must be broadened in order to enable all workers to accumulate entitlements providing income security in situations such as unemployment, involuntary part-time work or career breaks for family or training reasons;
 - b. all workers should have a personal activity account, easily accessible through a website and/or a smartphone application, where they could consult their social entitlements;
20. Points out that secure professional transitions require adequate investment, both in the institutional capacity of public employment services and to assist individual job-search and upskilling;
21. Calls for full implementation of the Youth Guarantee for all people under 30 and of the recommendation on the long-term unemployed; highlights these as important structural reforms and social investments that are in need of adequate financing;
22. Considers that decisive progress is urgently needed in the area of gender equality and work-life balance; in particular:
 - a. Directive 2006/54/EC should be revised in order to strengthen existing mechanisms to ensure equal treatment between men and women, close persisting gender gaps in pay and pensions and reduce occupational segregation;
 - b. there is a need for new legislative proposals on family leave schemes, including maternity leave, paternity leave, parental leave and carers’ leave, encouraging equal take-up of leave arrangements by men and women across all categories of workers in order to improve women’s access to and position within the labour market and facilitate work-life balance;

23. Calls on the Commission to set out new concrete measures to ensure non-discrimination and equal opportunities;

Fair mobility

24. Emphasises that labour mobility within the EU is a right whose exercise must be supported but which should not be forced on workers by poor conditions in their home regions, and should not undermine host countries' social standards;

Building up the means to achieve results in practice

25. Calls on the Commission to propose a clear roadmap for legislative updates and other measures that are necessary for full practical application of the EPSR; highlights that in cases of conflict of law, the horizontal social clause (Article 9 TFEU) should be properly applied;

26. Considers that the objective of upward social convergence should be underpinned by a set of targets, building on the Europe 2020 strategy and the Sustainable Development Goals and serving to guide the coordination of economic, employment and social policies in the EU; believes that these targets could also form part of the Convergence Code currently being discussed for the euro area, and could be based on the following indicators which are directly affected by public policies:

- a. the early school-leaving rate;
- b. the unemployment rate;
- c. the proportion of young people not in employment, education or training (NEETs);
- d. the at-risk-of-poverty rate;
- e. the in-work poverty rate;
- f. child poverty;
- g. access to childcare and pre-school education;
- h. the coverage of collective bargaining;
- i. the total investment rate (gross fixed capital formation and social investment);
- j. the economic dependency ratio;

27. Calls for a rebalancing of the European Semester so that the existing scoreboard of key employment and social indicators and the new Convergence Code are directly taken into account in formulating CSRs and the euro area recommendation as well as for the activation of EU instruments; urges a stronger role for the Macroeconomic Dialogue with social partners; considers 'macro-social surveillance' to be of great importance for avoiding that economic imbalances are reduced at the expense of worsening the employment and social situation;

28. Calls for a 'silver rule' on social investment to be applied when implementing the Stability and Growth Pact, namely to consider certain public social investments having a clear positive impact on economic growth (e.g. childcare or education and training) as being eligible for favourable treatment when assessing government deficits and compliance with the 1/20 debt rule;
29. Highlights that today's phenomena of capital-intensive production, high rates of inequality and the continuing rise in 'atypical' work imply a need to increase the role of general tax revenue in cofinancing social insurance schemes in order to provide decent social protection for all;
30. Reiterates its call for the raising of the MFF 2014-20 ceilings in order to cope with increased needs; calls, in particular, for:
 - a. the strengthening of the Youth Employment Initiative;
 - b. an increase in the volume of the European Social Fund, the EGF and the FEAD;
 - c. the establishment of a new instrument, to be financed, for example, from EU revenue arising from competition law enforcement, to support the implementation of the Child Guarantee;
31. Calls on the Commission and the EIB to refocus the EFSI on job creation and social investment and adapt its risk/return requirements accordingly;
32. Considers that the specific dynamics of economic adjustment within the euro area call for the development of two financial instruments, within the euro area's fiscal capacity, that would be particularly relevant for the implementation of the EPSR:
 - a. a fund for renewed structural convergence, supporting the implementation of socially just reforms and investments that are necessary for increasing the growth potential of crisis-affected areas and restoring upward social convergence, including implementation of the Youth Guarantee, Skills Guarantee and Child Guarantee;
 - b. a European unemployment insurance scheme, complementing national schemes in cases of severe cyclical downturn and helping prevent the translation of an asymmetric shock into structural disadvantage;
33. Calls on the Commission to integrate the above-mentioned financial instruments in its proposals for the post-2020 multiannual financial framework and its white paper on EMU;
34. Calls on the Commission, the EEAS and the Member States to translate the EPSR into relevant external action, in particular by promoting the implementation of the UN SDGs, the ILO conventions and European social standards through trade agreements and strategic partnerships;
35. Considers that the EPSR should be adopted in 2017 as a binding agreement between the European Parliament and the European Council, involving social partners at the highest level, and should contain a clear roadmap for implementation, with concrete commitments

and target dates;

36. Instructs its President to forward this resolution to the Council and the Commission and to the parliaments of the Member States.

EXPLANATORY STATEMENT

Europe has developed since the 19th century, and especially after World War II, the most advanced social model in world history, achieving decent working conditions, comprehensive social protection and reasonably good public services for a large part of the population. The European Social Model has in turn contributed to important productivity gains and to Europe's competitiveness, based on a healthy and skilled workforce with a decent purchasing power to sustain a sophisticated internal market.

Successive enlargements of the EU have enabled an upgrading of the acceding Member States' social standards and supported gradual upward economic convergence, also thanks to EU structural and cohesion funds. All in all, the European Social Model has been an important factor for the success story of European integration, which has brought peace, security and broadly-shared prosperity for several decades. Welfare state institutions and social dialogue have also helped Europe to deal with the global financial crisis that erupted in 2007-8.

However, the social dimension of European integration has suffered a heavy blow with the protracted Eurozone crisis since 2010. Nearly €2 trillion of taxpayers' money was used in state aid to the financial sector in 2008-14¹, triggering a sovereign debt crisis for several Member States. At the same time, many Member States were forced to implement harsh fiscal consolidation and internal devaluation measures, largely due to the lack of common stabilisation mechanisms within Europe's incomplete Economic and Monetary Union. These policies resulted in severe social hardship which is still acute in many countries.

Through the Eurozone crisis, the EU itself has come to be seen by many citizens as a machine for divergence, inequalities and social injustice. A project associated for decades with convergence, prosperity and progress is now being blamed for downgrading of welfare systems and seen a threat to people's well-being.

At the same time, Europe is facing a number of well-known structural trends and challenges such as globalisation, demographic changes (incl. ageing, feminisation, low birth rates, migration), climate change and natural resource constraints. It is also witnessing a new phase of the digital revolution, deeply affecting labour markets' functioning.

In your rapporteur's view, this is the basic challenge to be addressed in defining a 'European Pillar of Social Rights' (EPSR) and seeking to update the European Social Model for the 21st century. We need our welfare state structures to catch up with demographic change, technology, globalisation and a significant recent increase in social inequalities. At the same time we need to overcome the damage wrought by the long economic crisis. We need to strengthen decisively 'Social Europe' as well as improve economic policy-making and EMU design.

To meet this challenge and respond to citizens' expectations, it is vital to recognise and appreciate (again) that the state has an indispensable role to play in shaping markets and managing social risks. The state does so *inter alia* through regulation, income redistribution and provision of (or support to) collective social insurance schemes, social assistance programmes, public services and services of general interest. The EU must once again

¹ European Commission, State Aid Scoreboard 2015, <http://europa.eu/!vp68mB>.

become a supportive force in this respect, strengthening its Member States and helping them to promote the European Social Model in a global context. It must also become (again) a supportive force for greater social dialogue between companies and workers, helping to ensure fair sharing of incomes and risks even in markets shaped by digitalisation and global competition.

The European Social Model has, of course, many national variations and each country has its specific arrangements, in line with historical developments and the principle of subsidiarity. However, in the face of globalisation and technological change, EU Member States are highly interdependent (also given the bond of a common currency) and they can only deliver broadly-shared prosperity to their citizens by working together. Without a common European framework, Member States are bound to be trapped in a destructive competition based on a race-to-the-bottom in social standards. The European Social Model is therefore a shared project, whose central objective is *upward social convergence*: a sustained improvement in well-being for all people in all EU countries, based on sustainable and inclusive economic growth and on measures ensuring that no individual and no country are left behind and everybody can participate in the society and the economy.

Upward social convergence can only be achieved by Member States' collective action. The EU has already enacted to this end a body of legislation regulating labour, product and service markets and put in place policy coordination mechanisms and relevant financial instruments. The *acquis* applies to all Member States and fundamental social rights apply to all people in the EU; therefore the process of updating social standards through the EPSR should also involve all EU Member States.

That said, it is clear that the euro area (€A) faces, with its present macroeconomic framework, specific challenges to the achievement of the employment and social objectives set out in the Treaties. The loss of several national economic instruments through €A membership has proven to create pressure for tougher and swifter internal adjustment, such as through wages, working conditions, unemployment and scaling back of social expenditure. Restoring adequate socio-economic security to compensate for this increased internal flexibility within the €A therefore requires introducing specific social targets, standards and/or financial instruments at the €A level.

What are the key aspirations and expectations of European citizens when it comes to updating the European Social Model? Citizens certainly want to keep the European way of life and want to be able to have confidence in Europe's sustainable development, enabling well-being for present and future generations. This means that the EU and its Member States need to:

- prepare and empower people in terms of knowledge, skills, time and space for meaningful economic participation;
- conduct an economic policy that helps to create good-quality jobs and enables people to achieve economic security and self-fulfilment in decent working conditions;
- protect people against social risks arising over the life course;
- reduce the current high level of social inequalities; and
- encourage citizens' active participation: the welfare state needs to be understandable and accessible, enabling people to feel a sense of ownership and offering sufficiently open structures of social dialogue and democratic politics.

Young people's ideas and energy will be particularly important for updating and innovating welfare state structures and ensuring broadly-shared prosperity. The 'millennial' are on average probably the best-educated generation Europe has ever had, but they face much longer and more precarious transitions from school to work than previous generations, which is destroying part of their great potential. We need to prevent this big social loss by organising better their economic, social and political inclusion.

All these challenges and aspirations require a number of changes in the toolbox underpinning the European Social Model.

The concept of 'social investment' is helpful for guiding this evolution, based on the insight that prevention and early intervention are cheaper than ex-post cure to social ills. Social investment consists of public (support for the) provision of services that enable all people to participate in the economy and society over their entire lives, e.g. through good-quality childcare, education, lifelong learning, healthcare, active labour market policies, social insurance, minimum income schemes and action to eradicate digital illiteracy. Social investment is indispensable for sustainable growth and well-being in advanced economies. It is mainly the responsibility of the public sector, but it can also be effectively delivered by social economy enterprises and other actors in the 'third sector'.

Europe will also need to adapt its labour laws and social insurance schemes in order to ensure decent and fair working conditions and social protection for all types of workers. Demand for labour is becoming and will likely remain more 'fluid' and diversified, which can be in some cases beneficial for productivity and work-life balance. However, 'atypical' employment also often involves prolonged economic insecurity and precariousness, which the public sector needs to tackle.

Changes will also be needed on the revenue side of our welfare states, which currently rely on four main mechanisms for fair distribution of economic value:

- capital-labour negotiations on the distribution of gross income, including through collective bargaining, underpinned by minimum wages and other state-supported mechanisms;
- social insurance schemes, framed by legislation and built up with contributions from workers, employers and the state;
- taxation and public spending; and
- regulation of the international financial system and fight against tax avoidance.

All these four mechanisms are necessary for ensuring welfare state sustainability and an adequate level of public investment. However, it will be necessary in the future to rely less on labour-based contributions and more on general taxation, financial regulation and a forceful fight against tax avoidance. Accumulation of social insurance entitlements through work is an important aspect of decent work, motivating workers and contributing to longer-term economic and social stability more than means-tested benefits or unconditional basic income schemes can do. However, today's high level of inequality, the rise of 'atypical' employment and the increasing capital-intensity of economic production suggest a need to reduce the tax wedge on labour (including social security contributions) and to co-finance social insurance schemes more from other tax revenue (e.g. capital gains, wealth or pollution) in order to provide a decent level of social protection for all.

European economic governance needs to be rebalanced further, with greater consideration of social indicators in economic policy-making. As for the euro area, a new virtuous cycle needs to be started, with higher investment leading to creation of quality jobs, giving people economic security and contributing to higher aggregate demand and further investment. Higher employment and greater social protection coverage would also increase the amount of revenue collected, improving welfare state sustainability. The euro should finally become an engine for upward convergence.

The EPSR should also envisage a better use of the EU's external policies for the realisation of social rights in Europe and the achievement of the worldwide Sustainable Development Goals. Europe has a clear strategic interest in stronger social dialogue, implementation of ILO Conventions and Recommendations and improvements in social protection schemes and social services across the world. It should therefore pursue these interests through its trade agreements, strategic partnerships, development policies, neighbourhood policy and the European Agenda on Migration.

To conclude, the European Pillar of Social Rights is an important and urgent initiative, which the European Commission and European Parliament have rightly put on the top of their political priorities. But this project and the idea of 'Social Europe' cannot be confined to a small group of EU specialists. 'Social Europe' is lived by every person through the rights they have at work, the social services they can access, the social investments they receive, the policies which influence their economic prospects, and the social protection on which they can rely when something in life goes wrong.

'Social Europe' is and must be for everyone, bringing tangible improvements for people's lives. The strength of the EPSR therefore needs to spread through the entire multi-level structure of the EU, including municipal, regional and national governments and their cooperation with companies, trade unions and civil society.