

2 SEPTEMBER 2019

#NEWEU
#EUROPEAN-
COMMISSION
#SOCIAL
EUROPE

■ **SOFIA FERNANDES**

Senior research fellow, economic and social affairs at the Jacques Delors Institute Paris

This series is a cooperation between the Jacques Delors Institutes in Berlin and Paris and makes concrete proposals for the EU's next institutional cycle.

1- ENERGY & CLIMATE

2- EUROZONE

3- TRADE

4- FOREIGN &
SECURITY POLICY

5- DIGITAL

6- DEMOCRACY

7- MIGRATION

8- EMPLOYMENT &
SOCIAL POLICY

9- BUDGET

NEW BEGINNINGS

OBJECTIVE 2024: BETTER LIVING AND WORKING CONDITIONS FOR ALL EUROPEANS

1 ■ Renewing the ambition of the European project and meeting citizen expectations

Promoting improved living and working conditions of Europeans “so as to make possible their harmonisation while the improvement is being maintained” was the ambition of the European project as defined by its founders in 1957. This objective has been complemented by other social goals such as the promotion of full employment, social justice, social progress and cohesion as well as the fight against social exclusion and discrimination. Over time, they have fuelled the creation of a social dimension to the European project, despite the EU's limited competences in this field.

Yet, honouring the objectives of the Treaties is not the only justification for EU action in the social field. Since the beginning of the European integration process, this normative argument has been based on a functional justification, linked to the need to balance economic liberalisation with the protection

of workers' rights in order to guarantee the proper functioning of the single market. Nevertheless, while it is crucial to ensure that economic competition does not foster social competition with a race to the bottom of the social ladder, the functional justification for EU action in the social field goes beyond the issues that are strictly related to the single market. For the proper functioning of the common currency area and in order to avoid a negative impact of the single currency on the national

welfare states, Economic and Monetary Union must also have a social dimension.¹ Finally, the functional argument today is also based on the need to modernise national welfare states—or, more generally, the ‘European social model’—in the face of common challenges. Indeed, it is through their joint action that member states will be able to provide effective responses to the social challenges of the current transitions, particularly the digital, ecological and demographic ones.

However, the main argument for stronger EU action on social and employment issues



1. See Sofia Fernandes, ‘The Reform of the EMU: What Social Dimension?’, Report 118, Jacques Delors Institute, 19 February 2019.

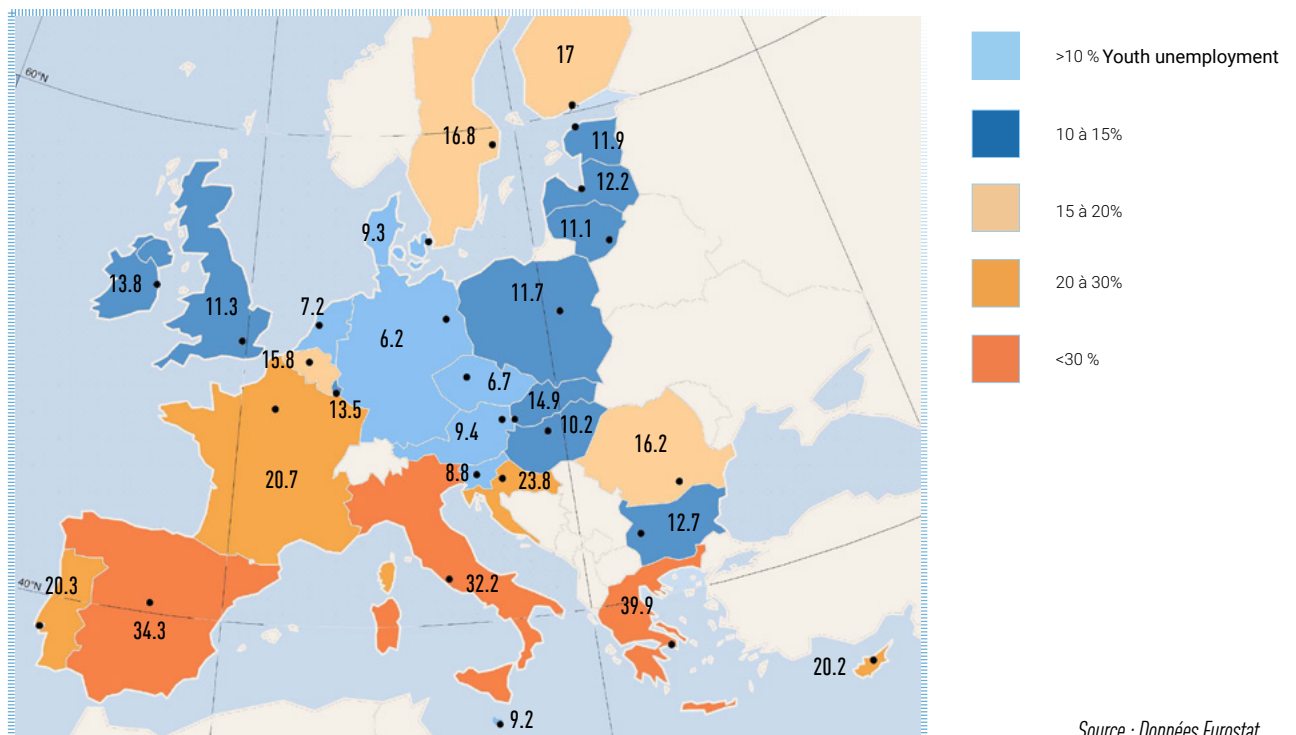
today is not normative or functional, but political. Many Europeans no longer see the benefits of the EU and identify it with developments that, instead of protecting them, feed their social and economic insecurity (these include globalisation, the disappearance of public services, the emergence of new forms of work and the risk of job insecurity, among others.) It is necessary to respond to the feeling of fear that fuels Euroscepticism and support for nationalist parties. Young people worry that they will not be as successful as their parents; the middle class is distressed about social downgrading; some workers are anxious that their jobs will disappear. As Jacques Delors recalled in 2016, 'if European policy-making jeopardises cohesion and sacrifices social standards, there is no chance for the European project to gather support from European citizens'. In this vein, **if European leaders want to strengthen the political legitimacy of the European project and (re) gain the trust of citizens, it is essential to put Europe back on the path of upward social**

convergence and to ensure greater social equity and tax justice. Citizens expect the European project to deliver improvements in their living and working conditions; the EU must live up to these expectations. We must return to the initial ambition of the European project and put it at the heart of the agenda of the next Commission, just as its new President claims.

2 ■ State of play: a new impetus that needs to be consolidated and put into practice

The 2008 economic crisis left deep scars in the social fabric of many member states. Despite the real decline in unemployment, levels remain high in many countries, especially among young people (see Map 1). Income inequality increased in a majority of EU countries (sixteen of them) between 2009 and 2017 (see Figure 1). The differences in at-risk-of-poverty rates between countries are

MAP 1 ■ Youth unemployment rate in EU countries in 2017



Source : Données Eurostat

significant, ranging from around 9 percent in the Czech Republic to over 23 percent in Romania and Bulgaria.²

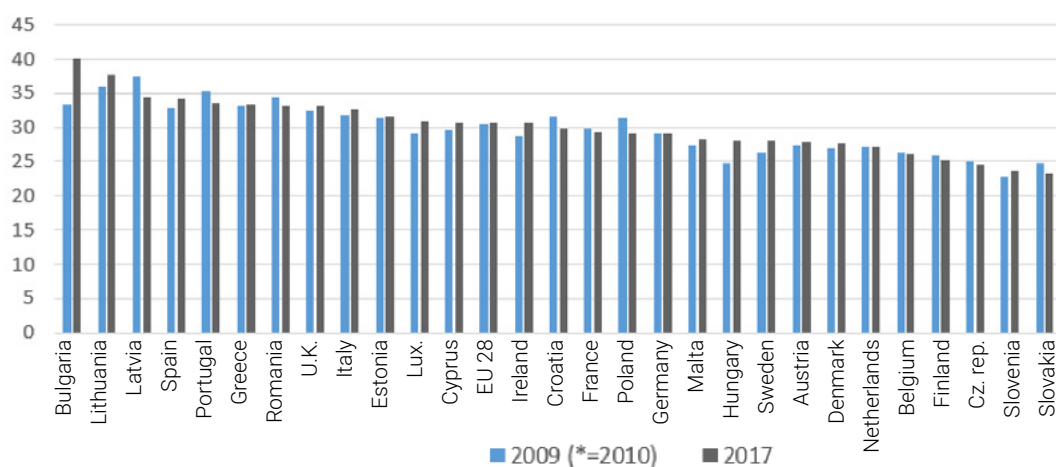
In such a context, EU countries also face common challenges that have an impact on employment and social protection systems. This is particularly the case with population ageing, but also with other ongoing transitions in the labour market, including ecological and digital transitions, such as the advent of artificial intelligence. According to a recent European Commission report, digitisation has created two million jobs in the last decade and forecasts indicate the potential for 1.75 million new jobs by 2030.³ On the other hand, between 14 and 47 percent of jobs are at risk of automation in the EU. For its part, the energy transition has created more than two million jobs in Europe in the renewable energy and energy efficiency sectors and many more jobs will be created in the coming years⁴. But the transition also implies that jobs will disappear, particularly in fossil fuel and carbon-intensive sectors of the economy.

The impact of the ongoing transitions on employment is not only quantitative but also qualitative. The digital transition also entails a risk of job insecurity, including new labour relations. This requires, in particular, the

modernisation of social security systems in order to guarantee coverage for all workers. These challenges, which affect all member states, will naturally be met with a more effective response if it is based on joint and coordinated action by the twenty-seven EU countries.

In 2014, when he became President of the European Commission, Jean-Claude Juncker affirmed his desire to put social policy back at the heart of the European project, hoping that the EU would have a “social triple-A rating”. Since then, a number of important proposals have emerged, most importantly the 2017 proclamation of the European Pillar for Social Rights (EPSR) (see Box 1). But over the past five years, the Commission’s commitment has also been reflected in many other initiatives, such as new European laws (in particular on the posting of workers, the reconciliation of private and professional life, as well as transparent and fair working conditions), a relaunch of the European social dialogue, a new social scoreboard to monitor the social performance of Member States, a recommendation on access to social security for all workers and the creation of the European Labour Authority by the end of 2019.

FIGURE 1 ■ Gini coefficient in the EU28 countries in 2009 and 2017 (scale from 0 to 100)



Source : Eurostat Data

2. At-risk-of-poverty rate, Eurostat, 2018.

3. Michel Servoz, 'The future of work? Work of the future!', European Commission report, 3 May 2019.

4. Sofia Fernandes, « Chap.4 : Un pacte social pour la transition énergétique », *Making the energy transition a european success*, Rapport, Paris: Institut Jacques Delors, 2017.

Box 1 ■ The twenty rights and principles of the European Pillar of Social Rights

The Pillar enshrines 20 principles and rights in the following fields.



Equal opportunities and access to the labour market

- ▶ Education, training and lifelong learning
- ▶ Gender equality
- ▶ Equal opportunities
- ▶ Active support for employment



Fair working conditions

- ▶ Secure and adaptable employment
- ▶ Wages
- ▶ Information about employment conditions and protection in case of dismissal
- ▶ Social dialogue and involvement of workers
- ▶ Work-life balance
- ▶ Healthy, safe and well-adapted work environments and data protection



Social protection and inclusion

- ▶ Childcare and support for children
- ▶ Social protection
- ▶ Unemployment benefits
- ▶ Minimum income
- ▶ Old-age income and pensions
- ▶ Healthcare
- ▶ Inclusion of people with disabilities
- ▶ Long-term care
- ▶ Housing and assistance for the homeless
- ▶ Access to essential services

These initiatives have made it possible to breathe **new life into the construction of a social Europe, even if citizens are not yet seeing the benefits**. However, they are not sufficient, in particular because the European Pillar for Social Rights is not legally binding on member states. For the principles to have a real impact on the lives of citizens, they must be translated into concrete achievements, both by the EU and by member states. This is why **it is essential that the next Commission is involved in a continuous process**. Although it can define its own priorities, it must start by translating the twenty principles of the European Pillar for Social Rights into concrete achievements. The credibility of the EU is at stake.

3 ■ Faced with divisions, what method should be used to move forward?

The difficulties that exist today to strengthen the social face of the EU are largely due to the divisions between the different actors: between countries, between political families and between the representatives for workers and companies. A two-pillar strategy must be implemented to overcome the current barriers.

Above all, it is necessary to build compromises between all actors on **the implementation of the principles of the**

pillar, by defining a social action plan for 2024 in which the initiatives—legislative, financial and cooperation—to implement the EPSR are clearly identified. It needs to be ensured that all member states—both those more and those less welcoming of the role of the EU in the social field—, the four main political groups in the European Parliament (EP), as well the trade unions and employers can identify with some of the initiatives (in return, they should accept initiatives that do not have their full support at the base). The adoption of such an operational and concrete action plan will provide medium-term visibility on the initiatives of the next Commission in the social field. This was the approach adopted in 1989 by Jacques Delors, following the adoption of the European Charter of the Fundamental Social Rights of Workers, whose rights had been translated into concrete initiatives, particularly legislative ones. They were then grouped together in a social action programme that was implemented in the 1990s. Just as it was then, the commitment and action of the European social partners remains a necessary condition for the successful implementation of the action plan. It will therefore be essential that the Commission commits itself to strengthening bipartite and tripartite social dialogue at European, national and sectoral level.

However, the Europe of today is not the Europe of Jacques Delors. Today European member states are more heterogeneous,

both in their performance and social standards and in their political will to strengthen the social dimension of the EU. If it is not possible to move forward with all twenty-seven, enhanced cooperation may be a better solution than inaction. Despite the efforts of the next Commission to build compromises, we can anticipate that not all proposals will necessarily have the support of all countries. The second part of the next Commission's strategy must therefore be to **accept the possibility of a differentiated social integration**. Countries that want to go further must be given the opportunity to do so, as has been done for the euro. The countries that are forging ahead must play a leading role, but it should be possible for others to join them at any time. EU history is a reminder that this approach has been successfully adopted in the past. Indeed, when the Maastricht Treaty was signed, the protocol on social policy was adopted only after the United Kingdom had been granted an opt-out. A few years later, the United Kingdom under the Tony Blair government joined the other member states in incorporating a social chapter into the Amsterdam Treaty.

4 ■ A social action plan with five priorities

Europe is often perceived as economically liberal. If it wants to strengthen its social face and achieve real improvements in the living and working conditions of all Europeans, the next Commission must include concrete initiatives in its Social Action Plan for 2024. They should be based on five closely linked and overlapping priorities, as identified below.

4.1 Re-launching the European 'convergence machine'

Historically, the EU has been a 'convergence machine', as the World Bank once put it. But convergence has become less visible today, particularly between Eastern and Western/Northern European countries, despite much stronger economic growth in Eastern Europe in recent years. This decade has instead seen divergence between the countries of the north and the south of the euro area.

While a consensus between the different actors on the need to strengthen the process of European convergence seems possible, the different measures that will be put forward to achieve this objective will not be consensual. Some will argue that more solidarity between countries is needed and others will stress the need for a common set of minimum rules on certain aspects of social and employment policies. Yet others will stress that the key is the implementation of national reforms. The correct answer is that the convergence that the EU needs will be the result of a combination of these different elements.

Solidarity is at the heart of the European project. If we want convergence in the social performance of member states, for example a reduction in the unemployment rate, a reduction in the number of poor people, or an increase in the percentage of workers benefiting from lifelong learning, there must be solidarity that is expressed through budgetary transfers between countries to support these objectives. The Structural and Cohesion Funds aim to achieve such economic, social and regional cohesion between countries and between the different regions of the same country. More specifically, the European Social Fund Plus (which will bring together a set of European funds in the social field from 2021 onwards) will be endowed with 100 billion euros for the 2021-2027 period, according to the Commission's proposal. Although this amount is higher than the current

Multiannual Financial Framework, if the next Commission can not increase this budget envelope, it will have to focus on **improving the effectiveness of European funding**.

In order to limit the risk of social divergence in the event of a cyclical crisis, the next Commission should complement the existing solidarity instruments with an insurance instrument for euro area countries. In the event of a crisis, this will prevent member states from having to engage in a process of internal devaluation, such as wage cuts – as we have recently seen in Greece and Portugal – which carry high social costs. The idea has been debated for several years and many studies have been carried out on this issue; it is now time to make it a reality and to set up **a European unemployment (re)insurance system for the euro area countries**,⁵ as announced by the Commission President-elect Ursula von der Leyen.

Some countries will emphasise the importance of reforms, for example to improve education, lifelong learning systems, or early childhood care. So far, monitoring of national performance and reforms has been based on non-binding actions, such as monitoring through a table of social indicators and by providing political incentives for reforms, including country recommendations within the framework of the European Semester. While some are considering strengthening the power of European authorities through coercion, including social policy conditionality attached to European funds, this does not seem to be the right approach. It is difficult to imagine that a country like Romania or Bulgaria could be deprived of European funds if wages do not increase fast enough or if poverty does not fall at the desired rate. In the social field, the EU must base its action on carrots rather than sticks. Political incentives must be reinforced by financial incentives. In its proposal for a Multiannual Financial Framework for 2021-2027, the

Commission proposed to provide the EU with a new reform support programme that would provide technical and financial assistance for the implementation of reforms in each member state. This programme would thus have a budget of 25 billion euros over seven years. The proposal, which has yet to be validated by the member states and the EP, would be a welcome financial incentive for states that undertake reforms to respond to the Commission's recommendations in the social or employment field (e.g. reforms of their apprenticeship systems or adult training). It is therefore important for this proposal to be approved by the new EP and national governments.

However, EU action cannot exclusively be based on funding and cooperation that relies on political and financial incentives. While the objective is not to harmonise national welfare systems, there is need to establish a **common set of minimum social standards that reflect the EU's priorities for action**. For example, gender equality, a priority for the EU, is a goal that is currently reflected in some common minimum standards, in particular on the minimum duration of maternity, paternity and parental leave. There is now a set of European laws on working conditions that will have to be updated to meet the challenges of the digital, ecological and demographic transitions. In the area of wages, if the objective is to have remuneration that allows for decent living conditions, it should be considered to establish a **common minimum standard for minimum wages**, for example at least 60 percent of the national median wage. But if the objective is wage convergence – or, as the European Trade Union Confederation (ETUC) calls it 'the same wage for the same work with the same productivity' – EU action on wages must not be limited to the minimum wage. The EU must encourage member states to put in place policies that **translate labour productivity gains into**

⁵ See Frank Vandenbroucke and Francesco Nicoli, 'European Unemployment Insurance: What Citizens Really Think', Policy Brief, Jacques Delors Institute, 13 February 2019.

higher wages. As the European Trade Union Institute points out, labour productivity is now growing at a faster rate than wages in many low-wage countries. An upward wage convergence is necessary; this will contribute not only to improve working conditions in these countries, but also to stop brain and youth drain (or, at least, to offer those leaving the country the prospect of return and thus ensure circular mobility within the EU).

4.2 Investing in human capital and tackling inequalities

The EU's financial instruments must serve not only cohesion between member states but also the fight against social and regional inequalities within each country. There is a growing feeling among Europeans that economic liberalisation exacerbates social inequalities. Tackling these inequalities must be a priority for the EU and social investment remains a powerful lever for action. In 2013, the Commission presented its social investment package, which provided guidance to member states on how to develop more efficient social policies. It is necessary to reconnect with this agenda. **The EU must invest directly in human capital** – which it does through the European Social Fund, the Erasmus+ programme or the European Globalisation Adjustment Fund – but it must also ensure that the budgetary constraints faced by many EU countries do not lead to a reduction in investment in early childhood, education or lifelong learning. In this context, the next European executive should examine the possibility of establishing a 'golden rule' for social investment, according to which some social expenditure would be exempt from public deficit calculations when the Commission assesses compliance with European budgetary rules.

With regard to direct EU action, European grants must be complemented by an efficient system of loans for social investments. It is

therefore important to support the outgoing Commission's proposal to provide the future European investment fund '**Invest EU (which will succeed the 'Juncker Plan' from 2021 onwards) with a social investment and skills component** with a budget of four billion euros.⁶

This social investment strategy must also pay **particular attention to young people**. National governments should welcome the EP's request to triple the budget of the Erasmus+ programme for the 2021-2027 period, so that more young people benefit from mobility. It is also important to pay particular attention to **equal access to mobility opportunities for all**. The EU must continue to support the development of national apprenticeship schemes, through technical and financial support, with an emphasis on the **mobility of apprentices**. The EU has a crucial role to play in enhancing the image of apprenticeships, which are today often perceived as a path for students who are less successful in school. The Erasmus Pro initiative must be strengthened to reach more young people and the Commission should consider creating '**European Excellence Professional Centres**', which would complement the existing European offer at doctoral level (European University Institute) and master's level (College of Europe), in particular by promoting the professions that are involved in the energy and digital transitions.

4.3 Ensuring a fair transition to a digital and low-carbon economy

The parallel transitions to a digital and low-carbon economy are leading to profound structural changes, also on the labour market. Despite the opportunities they offer, the transitions are also associated with fears and it is crucial to manage them so that no one is left behind. As these are shared challenges for all member states, they call

⁶. See Eulalia Rubio and Fleurilys Virel, '[InvestEU Fund: A Rebranded Juncker Fund?](#)', Policy Brief, Jacques Delors Institute, 26 September 2018.

on the EU to take action, in particular to anticipate the skills needed for new jobs and to adopt support measures for workers on the losing side of the transformation.

Investing in human capital is therefore necessary not only to combat inequalities but also to prepare workers for the jobs of tomorrow; this requires the acquisition of new skills and for some people even professional requalification. Indeed, ecological and digital transitions lead to the creation of new jobs—and the potential for job creation must be maximised through European industrial and innovation policy. In other words, it must be **ensured that workers have the skills that companies need**. Given the scale of the challenge, the Commission must play a more active role in supporting national lifelong learning systems. In this context, the Commission could draw on the French experience of the Personal Activity Account, which in particular guarantees the portability of acquired rights to training if a worker changes jobs, becomes unemployed or decides to become self-employed. The French case could inspire the creation of a Personal Activity Account in each country. As a second step, the Commission (through the future European Labour Authority) could propose the **creation of a European Personal Activity Account**, which would include not only training benefits but also a history of pension or unemployment benefits, in order to facilitate the portability of benefits from one country to another.

The transitions also lead to the destruction or redefinition of existing jobs. In this context, the European Globalisation Adjustment Fund (EGF) must be extended and strengthened to become a **'European Transition Support Fund'**⁷ that lives up to its name and supports the retraining of workers who are victims of major restructuring events, whatever the

cause. To have a real impact, the intervention capacity of this fund must be increased to at least 500 million euros per year (the amount available to the EGF when it was created in 2007), compared to the 225 million euros that were proposed by the current Commission for the 2021-2027 period.

The European labour market is also affected by new industrial relations, particularly within the sharing economy. The EU must ensure that the associated risk of job insecurity is limited. The EU recommendation on **access to social security for all** is a welcome initiative, but it is only a first element of a major project that should be at the heart of the work of the next Commission.

However, ensuring a transition to a low-carbon digital economy goes beyond employment and social security issues. As illustrated by the yellow vest crisis in France, the impact on household purchasing power must also be taken into consideration; other social issues deserve particular attention, such as the impact of these transitions on health or social inclusion/exclusion. As early as 2016, the Jacques Delors Institute called for the adoption of a social pact for the energy transition,⁸ which would make it possible to address the various social issues involved in the transition. A similar approach will probably be needed for the digital transition.

4.4 Striving for more social equity and tax justice

The EU must demonstrate that it represents the interests of all Europeans, including the most disadvantaged and those furthest from decision-making centres. The initiatives presented above would strengthen social equity in the EU, but the EU must also engage

7. See Sofia Fernandes and Justine Daniel, 'Towards a European Transition Support Fund', Policy Paper 231, Jacques Delors Institute, 11 October 2018.

8. See Jacques Delors, Sofia Fernandes and Thomas Pellerin-Carlin, 'Europe Needs a Social Pact for the Energy Transition', Policy Brief, Jacques Delors Institute, 29 January 2018.

in a proactive and visible approach in favour of the most deprived. The 2010 target to reduce the number of people affected by (or at risk of) poverty by at least twenty million in ten years will not be achieved. This failure should encourage the next Commission to adopt a **European anti-poverty plan** based on the best national practices in this field and maximising the impact of EU support – in financial and coordination terms – for national initiatives.

It is also urgent to make **tax justice one of the priorities of the next Commission**. All EU countries are now facing a challenge in financing their welfare states. In the name of budgetary constraints, governments must reduce their spending, which often includes social spending. At the same time, there is a growing sense of injustice among the population in many countries in the face of countries' inability to tax digital giants and the non-cooperative tax game that now exists between EU countries. The latter, in particular, has led to a reduction in corporate tax rates in recent decades and fuelled a system of tax optimisation within the EU that enables companies and taxpayers to minimise their tax burden.

Of course, the EU's action will be limited by the unanimous vote in the Council on tax matters. But the Commission must have an ambitious agenda in this field. It must put a new proposal for the **taxation of digital giants** on the table, continue to work on **combatting tax evasion and fraud** in the EU and breathe new life into the debate on **corporate tax policy convergence**.

4.5 Ensuring fair mobility of workers

Free movement is an important individual right of Europeans; EU citizens consider it one of the main benefits of the European project. But intra-European mobility also fuels mistrust of the EU among many citizens. Organizing fair mobility is thus fundamental for both mobile and non-mobile workers.

Countries that host mobile workers fear the risk of social dumping or social benefit tourism. To limit these risks, it is necessary to review European legislation, as was done in 2018 with the revision of the posted workers directive. But if new rules are needed, it is equally important to ensure that they are respected. In order to better **combat abuse and fraud** and to ensure **better access to information for mobile citizens**, the next Commission will be able to build on the new **European Labour Authority** that will be set up at the end of 2019 and is expected to grow in strength over the next five years.

Intra-European mobility also poses a set of challenges for countries that send mobile workers, including youth and brain drain and a shortage of workers in some economic sectors. It is therefore all the more important to promote real economic and social convergence within the EU, in particular through cohesion policy.

Ensuring the fair mobility of workers also means removing the barriers to free movement that still exist within the single market. The Commission will have to continue to work on the **automatic recognition of diplomas and qualifications**, the **portability of social benefits** and access to job offers across the EU by improving the **EURES network**.

Conclusion

The Juncker Commission has given a new impetus to the agenda for a social Europe and it is crucial that the next Commission continues this momentum. The divisions between member states on social issues are well known. The rise of populism and social protest, however, calls for new compromises and consensus. There also has to be a realisation that Europe must value its social model, which distinguishes it in the world. The quest for social justice in Europe is once again emerging and it is also being decided on fiscal issues, which has remained the black sheep of European integration.

Managing Editor: Sébastien Maillard & Henrik Enderlein ■ The document may be reproduced in part or in full on the dual condition that its meaning is not distorted and that the source is mentioned ■ The views expressed are those of the author(s) and do not necessarily reflect those of the publisher ■ The Jacques Delors Institute cannot be held responsible for the use which any third party may make of the document ■ Translation from the French: Nicolas Köhler ■ © Jacques Delors Institute & Jacques Delors Institut – Berlin



L'Europe pour les citoyens



JACQUES DELORS INSTITUTE
BERLIN
Centre for European Affairs at the Hertie School of Governance

Institut Jacques Delors

18 rue de Londres, 75009 Paris

info@delorsinstitute.eu – www.institutdelors.eu

Jacques Delors Institute – Berlin

Friedrichstraße 194, 10117 Berlin, Allemagne

info@delorsinstitut.de – <https://www.delorsinstitut.de>