CEEP OPINION ON THE REFLECTION PAPER ON THE SOCIAL DIMENSION OF EUROPE

Executive summary

- CEEP members are committed to supporting upward social and economic convergence between Member States and regions. It is critical today to identify which of the paths ahead is the most realistic and achievable to realise this ambition.

- It remains critical to recall that a unique model that would work for every country does not exist and that only Member States can anticipate the implications of policy initiatives at national, regional and local level.

- As social partners and as representatives of providers of public services and SGI, the scenario “Nothing but the Single Market” can surely be excluded. The Single Market is, and should remain, a tool to achieve sustainable growth, territorial and social cohesion. It should not be an end nor the only goal of the European Union.

- The option for enhanced cooperation should not be established as the main scenario for the future of the EU as it could lead to blocking the EU. There must be limits to differentiation so as to dilute the risk of excessive complexity, and therefore a lack of visibility.

- There is potential in the scenario “deepen the EU Social Dimension together” and CEEP intends to highlight the following proposals as priorities:
  - To ensure that a genuine EMU is supported by the EU citizens, national reform programmes need to be secured with proper social dialogue.
  - EU-wide societal benchmarks and good practice guidelines on access to child-care services, active ageing and access to enabling services should also be integrated within the social dimension of the European Semester.
  - Quantifiable European employment and social targets should be integrated within the stability and growth pact rules that govern debt and deficit targets.
  - Short-term economic efficiency must not be at the expense of longer-term investment in social infrastructures.
Introduction
CEEP welcomes the publication of the reflection paper on the social dimension of the EU and the European Commission’s (EC) aim, following the publication of the White Paper on the future of Europe, to initiate a debate involving Member States, Institutions, social partners and citizens on our common challenges and on the added value of the EU instruments to tackle them, including in social policies.

In that respect, we consider that the choice of publishing the reflection paper on the future of the EU Social dimension together with the European Pillar of Social Rights (EPSR) is a very coherent way in which to pursue the empowerment of the EU social dimension.

It is not realistic to expect that the EU will solve every single social issue nor is it the intention of the EU institutions to do so. The differences between Member States are major in terms of economic and social situations. How they organize their social protection and welfare systems as well as the functioning of their industrial relations’ systems differ vastly and as the EC rightfully assesses “there is no one size fits all” approach across Europe. 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 (by setting minimum standards).

However, despite this repartition of competences, we share common challenges and a same need to act. The EU Social Dimension has a long history in constant evolution and the EU has the means and instruments to contribute actively to fostering an inclusive growth, to better guide reforms and to provide citizens with concrete opportunities. CEEP members agree that these instruments could be reinforced to better ensure a proper balance between economic and social priorities.

CEEP’s opinion on an “EU Pillar of Social Rights” (2016) recalls CEEP’s belief that “promoting a sustainable and inclusive society and fostering convergence between Member States will require establishing a proper balance between economic and social priorities in European policies”.

CEEP members are therefore committed to contributing to the discussions aiming at ensuring upward social and economic convergence between Member States and regions and intend to identify in this opinion which of the paths ahead is the most realistic and achievable to achieve this ambition.
Identification of the challenges
The EC properly identifies the various challenges citizens and Member States are facing: from demographic ageing to new family patterns, and from the speed of digitalisation to new forms of work and the impacts of globalisation and urbanisation.

The EC also rightfully recalls that the EU is unlikely to meet a major EU 2020 targets, namely: lifting at least 20 million people out of the risk of poverty and social exclusion as latest data suggest a 1.7 million increase (compared to the 2008 base year). As growth and employment are finally returning to Europe we are still not able to address poverty increases which can only mean serious shortcomings in reconciling our economic and social priorities.

The European economy is still facing its most serious challenge in decades. Unemployment has risen and labour markets and the social situation risk to deteriorate further. Therefore, employment must remain at the top of the EU’s agenda. Europe needs sustainable growth and a high employment rate combined with a high-performing labour market in order to finance welfare systems.

Over the last decade, welfare systems have been the target of reforms aimed at promoting more effective work incentives in social protection systems. One result has been a growth in inequality over the last two decades. Welfare systems are crucial to alleviate poverty and without social benefits the rise of inequality and the social impact of the crisis would be much more rapid and severe.

Public services’ providers and employers are primarily responsible for providing the services responding to these challenges whilst ensuring a constant quality of life for those living in the EU. Alongside the issues identified by the European Commission the following ones also need to be recalled:

• **Financial challenge**: public services are under constant pressure “to do more with less”. The fallout from the financial crisis remains significant for many countries. The consequences across public services are not only serious but enduring, impacting families and vulnerable groups across Europe. A central point is the risk of this situation becoming ‘the new normal’ and the danger that vital investment and innovation could be delayed or even abandoned.

• **Demographic change and diversity**: As pointed out by the Commission, public services are increasingly required to serve ageing and more diversified citizens. Public services’ workers are also ageing at a rapid pace and in many professions, the average age is over 45 years old. Working longer and more changing career paths, require much more attention and emphasizing the importance of a sustainable labour participation.

• **The evolving nature of technology and environmental concerns** are changing the way public services are provided to the citizens. There is a clear need to better anticipate future skills’ needs. However, in a world where change is ubiquitous, it is not possible for education and training providers or enterprises to accurately predict what specific competences will be required in the workplaces of the future.

• **Integration of refugees**: Members States’ reactions to the refugee crisis were extremely uneven. In the absence of shared responsibility, the issue has transferred down to the local level. Public services strive in many places to try and provide the best care, support and training to promote refugees’ social integration. However, against a backdrop of limited
resources, it has become a major challenge to progress in terms of service provision and social integration.

On each of these issues CEEP members agree that there is an added value in EU action and the potential to develop cooperation with Member States in the social field.

**CEEP analysis of the 3 proposed options**

**No to Limiting the “social dimension” to Free Movement**

The EC makes clear that for this option the focus would be set on strengthening the single market for goods and capital while focusing only on maintaining rules to promote cross-border movement of people.

As social partners and as representatives of providers of public services and SGIs, the scenario “Nothing but the Single Market” can surely be excluded. The reduction of the EU to the sole Single Market goes directly against our “raison d’être”. The Single Market is, and should remain, a tool to achieve sustainable growth, territorial and social cohesion. It should not be an end in itself nor the only goal of the European Union.

Since 2008 socio-economic convergence has come to a halt. The crisis – and its management – has caused an alarming divergence among Member States. These divergences put at risk the economic, financial as well as the political stability of the entire Union. Disparities between Member States are impressive and require a specific EU commitment for upward convergence. Structural imbalances in competitiveness are particularly worrisome as they constitute the basis for further worsening of the gap between Northern and Southern countries, particularly in terms of growth, employment and prosperity.

There is therefore a strong political argument: a social dimension is essential for a stronger legitimacy and sustainability of the EU and EMU. We have observed in recent years an increasing disaffection towards Europe and the raise of Euroscepticism in several European Member States. Even though the sudden rise of populism seems to have been driven back since the recent Dutch and French elections, the risk to see newly elected populist government take power is still dangerously high.

In this context: CEEP members understand that Option 1 means abandoning our strategies aiming at bringing back growth and jobs at the same time through a smart mix of reform coordination from the EU level and reparation of EU funding in productivity rich sectors such as education and skills.

For CEEP, putting the social dimension upfront refers to accompanying measures which, in and by themselves, are not part and parcel of the single market, such as typical Lisbon/EU2020-type goals of fostering social inclusion (they are typically local, too), pursuing ‘flexicurity’ in national labour markets, improving active labour policies and emphasising the ‘upskilling’ of the European workforce much more than before. All of these are in principle worth pursuing.
The single market should also coexist with a **proper floor of social rights so as to ensure a solid ground for convergence between Member States**. The EU Social Acquis is rich and encompasses 70 directives providing workers with protection and rights including: information and consultation of workers, awareness of conditions of employment, equal treatment, health and safety. CEEP agrees that option 1 would also have as immediate consequence a serious rise of the risk of unfair competition and social dumping.

One of the cons emphasized by the European Commission for this option is the **higher risk of emigration from low-wage countries to higher wage countries**. Public services’ employers are particularly sensitive to this issue. Indeed, freedom of Movement without social Europe brings into consideration the **important issue of “brain-drain”**, with potential severe social consequences such as, for instance in the healthcare sector, a phenomenon of “care drain”; meaning shortages of specialist and health professionals in rural areas, and which worsens asymmetries amongst the different Member States.

As a conclusion, Option 1 is not desirable for the future of the EU. It is useful to stimulate Member States to reform more at home and to coordinate their national employment strategies. Only Europe is able to bring them together in a wider *[employment and prosperity strategy]*. If this is what is meant by 'putting the social dimension upfront' in the EU, CEEP members would be all in favour.

**Those who want to do more in the social field do more**

**CEEP members show relative openness on the option “Those who want to do more in the social field do more”**. Several Member States have already declared their support to such an option: to foster a “race to the top”, to boost and encourage structural and necessary reforms in countries wishing to enter a “coalition of the willing”. The EC in the social dimension reflection paper emphasizes the option of **enhanced cooperation** and **multispeed integration** as a way forward. **However, their implications for the coherence and unity of the EU should be carefully considered.** Enhanced cooperation was not directly used to combat the euro area crisis nor for social policy purposes in the past.

**The format of enhanced cooperation is quite clear and CEEP members could see the value of this framework being applied to some aspects of the EU Social Dimension.**

The framework of enhanced cooperation stipulates that such a process is only possible with respect to competences that have been conferred on the Union. It is clear from Article 20(1) TEU that “**enhanced cooperation may be established only where the Union itself is competent to act in the area concerned by that cooperation**”. Therefore, **enhanced cooperation is not intended as a means to circumvent the principle of conferral, but the lack of political will of some of the Member States to exercise specific EU competences.**
This process could be applied to:

- The establishment of contractual arrangements accompanied by financial support. Such a contract would bind a Member State to adopt structural reforms, whilst some EU financial support may be granted to the contracting Member State. They would be mutually agreed between the Commission and Member States and would involve all euro area Member States.
- The option laid out by the EC for the setting up of further actions and programmes for the integration of refugees which could help overcome the tensions between Member States.

However, such an option for enhanced cooperation, should not be established as the main scenario for the future of the EU, as it could lead to blocking the EU. **There must be limits to differentiation so as to dilute the risk of excessive complexity, and therefore a lack of visibility for citizens, as well as to avoid the risk of undermining the unity of the European project.**

The main risk of such a scenario is that it would ultimately create a “new normal”, making it natural for a small coalition of Member States to start a process and invite the others to join. This would create dangerous situations, especially in fields such as social rights, and would also add complexity to an already complex architecture of EU legislation: the opposite of what we need to close the growing distance between the EU and its citizens.

### The EU-27 Deepen the social dimension of Europe together

This option is the most ambitious one by far. It calls upon Member States to re-evaluate legislation, cooperation, guidance and funding to deepen the social dimension evenly across Europe.

CEEP members are extremely attached to the strict respect of the repartition of competences between the EU and the Member States. Respecting the principle of subsidiarity and proportionality are a condition sine qua non to the success and widespread acceptance of further development of the EU Social Dimension. It remains critical to recall that a unique model that would work for every country does not exist and that only Member States can anticipate the implications of policy initiatives at national, regional and local level.

Full harmonization of EU citizen’s rights is presently neither desirable nor politically feasible in the present state of the EU as divergences between Member States are too important in terms of social and industrial relation systems.

However, the EC also rightfully assesses there is a strong potential for the EU to support Member States in developing further initiatives and actions which would ensure a strong refocus of EU instruments for Social Policy purposes.
Therefore, CEEP wishes to emphasize the following proposals to bring more balance between the economic and social dimensions of the EU. Some of the following options were mentioned in the Social Dimension Reflection paper, although not sufficiently:

- **The European Semester exercise should include employment and social inclusion benchmarks within the same surveillance framework as that governing economic policy coordination and structural reforms.**

- **Quantifiable European employment and social targets should be integrated within the stability and growth pact rules that govern debt and deficit targets.** Consequent adjustment mechanisms should be applied to reduce both macroeconomic and social imbalances, with the objective to promote smart, sustainable growth, quality jobs, access to high-quality affordable services of general interest and the reduction of social inequalities throughout the EU.

- **Short-term economic efficiency must not be at the expense of longer-term investment in social infrastructures.** Fiscal consolidation measures should be evaluated by examining their effects on growth, employment and social inclusion. Member States need to recognise that strengthened public services help achieve effective, efficient and sustainable social budgets. To ensure a proper social investment strategy, CEEP supports the empowerment of Structural Funds (particularly the ESF) to assist active inclusion and social innovation of public services.

- A vicious cycle is at play today: a lack of quality infrastructures reduces regions’ attractiveness to private investors, and therefore harms their capacity to collect tax revenues. This impacts their ability to invest in quality public services such as health, security, education and innovation.

- **A renewed priority for inclusion and productivity is therefore key.** Pressure on public investment means underinvestment in the long run, which can have a devastating impact on the sustainable development of public services’ infrastructures. Capital expenditures in infrastructure and services (energy, climate change adaptation, social and health care, housing, waste management, etc.) have a positive impact on economic growth and social cohesion. This will not only increase productivity and jobs in the long term, but also foster confidence in the overall investment climate and contribute to an inclusive society.

- **To ensure that a genuine EMU is supported by the EU citizens, national reform programmes need to be secured with proper social dialogues.** Free and autonomous social dialogue must be guaranteed. European social dialogue should continue to play an essential role in the development and the practice of the new economic governance.

- **EU-wide societal benchmarks and good practice guidelines on access to child-care services, active ageing,** access to enabling services should also be integrated within the social dimension of the European Semester.