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Strengthening the Social dimension of the EMU

(background note for session 1)

Towards the development of the social dimension of the Economic and Monetary Union

The EU implements its social mission and objectives on the basis of Article 153 TFEU of the Social Policy. The Union competence is to “support and complement the activities of the Member States” in a number of fields for people both inside and outside the labour market: workers, jobseekers and unemployed.

The objective is to improve working conditions, social security and social protection, workers' health and safety, information and consultation of workers, and the integration of persons excluded from the labour market.

On 28 November 2012, the European Commission adopted a blueprint for a deep and genuine economic and monetary union (EMU), setting out a vision for a strong and stable architecture for the political, fiscal and economic components of EMU. The December 2012 European Council supported the development of the social dimension of the EMU, including social dialogue.

To this end, the June 2013 European Council recalled that the social dimension should be strengthened and emphasised the importance of better monitoring and of taking account of the social and labour market situation in the EMU, notably by using appropriate employment and social indicators as part of the ‘European Semester’ process for economic policy coordination. It also pointed to the need to improve coordination of employment and social policies, while fully respecting national competences, and to the role of the social partners and social dialogue, at both EU and national levels. The European Parliament also expressed its views on priorities for achieving a genuine EMU, in particular recommending a social pact for Europe.

The Communication on strengthening the social dimension is a further contribution from the Commission to the debate on deepening EMU, bearing in mind that the general social agenda is a matter for the 28 Member States.

It should also be noted that employment and social policies fall very largely under the national competence of the Member States. What the Commission proposes is a number of initiatives to strengthen the social dimension of EMU with a particular focus on three points:





1. Reinforced surveillance of employment and social challenges and policy coordination;
2. Enhanced solidarity and action on employment and labour mobility;
3. Strengthened social dialogue.

The adoption of the Europe 2020 strategy put social policy at the core of EU economic strategy for the first time. With Europe 2020, the EU set headline targets for raising the employment rate, reducing early school leaving, increasing the proportion of completing tertiary education or equivalent and lifting at least 20 million people out of poverty. These are the heart of its strategy for smart, sustainable and inclusive growth. The targets are already shaping social policies in the EU. Key policies adopted and measures taken at EU level are being implemented, for example the Employment Package presented in April 2012, the December 2012 Youth Employment Package, and the February 2013 Social Investment Package.

The 'social dimension of EMU' relates to the ability of economic governance mechanisms and policy instruments to identify, take into account and address problematic developments and challenges related to employment and social policies in the EMU. Strengthening the social dimension should help all Member States achieve their growth and employment potential, improve social cohesion and prevent increasing disparities, in line with the Treaties and the Europe 2020 strategy.

Progress is needed along the following fronts:

1. enhancing capacity to monitor employment and social developments in EMU to better coordinate a timely and adequate policy response;
2. mobilising EU action and funding to tackle unemployment (including youth unemployment) and social distress in an effective and sustainable way;
3. combining the steps taken on responsibility and economic discipline with more solidarity and financial support;
4. reducing existing barriers to cross-border labour mobility in the EU;
5. strengthening the role of social dialogue in developing euro-area-wide and national strategies, through appropriate involvement of the social partners.

The Slovak Presidency of the Council of the European Union supports the European Commission's initiatives aimed at the strengthening of the social dimension of the European Union. A better consideration of employment and other social indicators within the European semester and within the process of the deepening of the Economic and Monetary Union is one of the key preconditions for the elimination of social challenges that have deepened in the aftermath of the crisis and austerity measures.



The European Pillar of Social Rights

The European Pillar of Social was announced by President Juncker in his State of the Union speech to the European Parliament, on 9 September 2015.

As President Juncker indicated in his speech: *"We have to step up the work for a fair and truly pan-European labour market. (...) As part of these efforts, I will want to develop a European Pillar of Social Rights, which takes account of the changing realities of Europe's societies and the world of work. And which can serve as a compass for the renewed convergence within the euro area. The European Pillar of Social Rights should complement what we have already jointly achieved when it comes to the protection of workers in the EU. I will expect social partners to play a central role in this process. I believe we do well to start with this initiative within the euro area, while allowing other EU Member States to join in if they want to do so."*

The economic crisis of the recent years has had far-reaching social consequences, which may hamper opportunities for future growth and economic performance across Europe. At the same time, the current pace and extent of change in the world of work, combined with demographic trends, is further transforming employment conditions.

Looking at Member States sharing the common currency in particular, it is clear that the future success of the euro area depends, in no small measure, on the effectiveness of national labour markets and welfare systems and on the capacity of the economy to absorb and adjust to shocks.

On 8 March 2016, the European Commission has launched a broad consultation and put forward a first preliminary outline of what should become the European Pillar of Social Rights.

This initiative is part of the work undertaken by the Commission for a deeper and fairer Economic and Monetary Union (EMU). As indicated by President Juncker, the initiative is targeted at the euro area, while allowing other Member States to join in if they want to do so.

The European Pillar of Social Rights should build on, and complement, the EU social "acquis" in order to guide policies in a number of fields essential for well-functioning and fair labour markets and welfare systems within the participating Member States. The principles proposed do not replace existing rights, but offer a way to assess and in future, approximate for the better the performance of national employment and social policies.

Throughout 2016, the Commission will engage in a debate with other EU institutions, national authorities and Parliaments, social partners, civil society, experts from academia and citizens. The outcome of this debate should feed into the establishment of the European Pillar of Social Rights early in 2017.

Once established, the Pillar should become the reference framework to screen the employment and social performance of participating Member States, to drive the process of reforms at national level and, more specifically, to serve as a compass for renewed convergence within the euro area.

During the informal session of the Social Protection Committee (SPC) held on September 19 and 20, and the meeting of the Employment Committee (EMCO) in Bratislava on September 22 and 23, a joint opinion of both committees on the





European Pillar of Social Rights was discussed, within the context of the Slovak Presidency of the Council of the European Union.

EU social „acquis“ and the current activities of the European Commission regarding the social agenda

The notion of social “acquis” refers to the body of social rules that exist in the EU legal order today. It first consists of objectives and competences in the social field set out in EU primary law, consisting of the Treaty on European Union (TEU), the Treaty on the Functioning of the European Union (TFEU) and the European Charter of Fundamental Rights as interpreted by the Court of Justice of the European Union. These are then implemented by secondary EU law, in particular through Directives.

The Commission has already taken a number of initiatives to strengthen efforts on pressing priorities and to refresh the EU social “acquis” to address new challenges in the spirit of the principles that will be part of the Pillar.

For instance, during this mandate, this Commission has given greater prominence to social considerations in the coordination of economic policies through the European Semester and in its better regulation activities; it has frontloaded the Youth Employment Initiative (YEI) to promote the fight against youth unemployment; it has issued a recommendation on the reintegration of long-term unemployed into the labour market to guide the Member States towards best practices; it has put forward a European Accessibility Act to facilitate access from disabled people to essential goods and services in the single market.

The EU social acquis is also complemented with the European Structural and Investment Funds (ESIF), in particular the European Social Fund (ESF), which every year assists over 15 million people by helping them to upgrade their skills, facilitating their integration into the labour market, combating social exclusion and poverty and enhancing the efficiency of public administrations.

In 2014-2020, with €86.4 billion from the ESF, €3.2 billion from the YEI and another €38.5 billion of co-funding from national funds, the ESF plays a fundamental role in supporting Member States' investment in human capital and thereby in strengthening the competitiveness of the European economy as it emerges from the crisis.

Reform of the Posting of Workers Directive – Towards a deeper and fairer European labour market

This revision translates a commitment of the Political Guidelines for this Commission to promote the principle that the same work at the same place should be remunerated in the same manner. It was announced in the 2016 Commission Work Programme.

The aim of this proposal is to facilitate the posting of workers within a climate of fair competition and respect for the rights of workers, who are





employed in one Member State and sent to work temporarily in another by their employer.

More specifically, the initiative aims at ensuring fair wage conditions and a level playing field between posting and local companies in the host country. Between 2010 and 2014 the number of postings has increased by almost 45%. In 2014, around 1.9 million European workers were posted to other Member States.

The Commissioner for Employment, Social Affairs, Skills and Labour Mobility, Marianne Thyssen, said: *"I have said from day one of my mandate that we need to facilitate labour mobility, but that it needs to happen in a fair way. Today's proposal will create a legal framework for posting that is clear, fair and easy to enforce."*

The targeted revision will introduce changes in three main areas: remuneration of posted workers, including in situations of subcontracting, rules on temporary agency workers, and long-term posting.

