



## **Towards a Social Union**

### **Declaration of PES Ministers for Social Affairs and Employment**

**Adopted on 27 February 2013**

Europe is threatened by a growing social divide. Poverty, social exclusion, unemployment – especially amongst young people – and the challenge of financing our social security systems must be urgently addressed. The current proposals for a “genuine Economic and Monetary Union” are insufficient to reduce unemployment, poverty and social exclusion, to address divergences, to overcome social dumping and to prevent a competition in the EU for the lowest social standards. We as social democratic and socialist Ministers for Employment and Social Affairs believe that the Economic Union, the Monetary Union, the Banking Union and the Political Union must be complemented by a strong Social Union. In addition, the social and employment dimension of the Economic Union, the Monetary Union, the Banking Union and the Political Union must be strengthened, especially by reforming the European Semester. Strengthening the social dimension of the EMU and building a Social Union will not only help to counterbalance the negative consequences of the financial, economic, employment and social crisis, but also correct the imbalance between economic and social policies in the EU. Those are preconditions for relaunching sustainable growth, social cohesion and improving the life of our citizens, therefore ensuring the long-term sustainability of the Economic and Monetary Union. Without making progress on reducing unemployment and inequalities, the support for the European integration project amongst workers and those citizens which have been hit hard by the crisis will further decline.

#### **A) An Economic and Monetary Union for sustainable growth, more employment and social cohesion**

The crisis as well as wrong recipes of austerity-only approach and of cuts in public budgets and services to overcome the crisis have resulted in a strong increase of unemployment, especially for young people, in more poverty and in less equality, including gender equality. Sustainable growth, balanced budgets and social cohesion can only be achieved, if more efforts are made to create new, decent jobs and to improve social protection and social inclusion. This must be reflected by ensuring a balance of financial and economic objectives on the one hand with social and employment objectives on the other hand in the structure of the European Semester and in the future EMU. The role of the EPSCO in the Council of Ministers and of the DG EMPL in the European Commission must play a much stronger role in the implementation of the European Semester which is key for the governance of the EMU. To this end, the European semester process should be complemented:

- A stronger social dimension must be incorporated in the macroeconomic surveillance and coordination mechanism. The creation of decent jobs and the reduction of inequalities should be incorporated in the scoreboard for the surveillance of macroeconomic imbalances. Foreign trade surpluses with other EU countries should be addressed in the same manner than foreign trade deficits. Attention should be paid to negative wage developments that can lead to wage deflation and can have negative effects on internal demand.



- More fiscal room for social investment is needed. The current fine-tuning of the fiscal discipline rules must consider the objective of increasing social investments and investments for job creation. Budgetary consolidation must be timely adjusted so as not to increase inequalities, including gender inequality, unemployment and harm social cohesion.
- The Annual Growth Survey must become much more balanced. Instead of the current austerity bias, a comprehensive policy framework supporting sustainable growth, social cohesion and budgetary balance must be presented.
- An Employment and Social Scoreboard should be introduced, in line with Art. 148 TFEU and under the responsibility of EPSCO in order to detect employment and social imbalances and divergences that could threaten the stability of the EMU. Social and employment indicators which have been developed by the European Commission and Council working groups in the past years should be the base for the Employment and Social Scoreboard. Making use of the scoreboard, an In-Depth assessment of social and employment effects of policies in each Member State should be conducted. Social trends must be taken much better into consideration by the European Council.
- In case an Ex-Ante Coordination mechanism of major reform plans is introduced, the results of the In-Depth assessment and the Employment and Social Scoreboard must be taken fully into consideration, the real risk for recession for each country must be assessed and the relevant policies to prevent a decline of the economy and mass unemployment put forward. In addition, major social and employment reforms in Member States should be addressed, with the aim to increase good employment and increase social cohesion. This could include policy frameworks for job creation, the introduction of decent minimum wages and the provision of the necessary infrastructure to overcome inequalities (high quality education, child care, dual education systems, active labour market policies, ...). Specific attention must be paid to short and long term gender inequalities though a gender impact-assessment of all policies. The EPSCO must be fully involved in the Ex-ante coordination, as equal partner to the ECOFIN.
- National Reform Programmes as well as the Stability and Convergence Programmes must fully respond to the social and employment policy ex-ante coordination, as described above. Amongst others, specific national jobs plans need to be provided, including concrete measures to fight youth unemployment.
- Country Specific Recommendations need to be more tailor-made for each Member State and they need to clearly address shortcomings concerning the social dimension. In case National Reform Programmes are lacking policy proposals to increase employment and reduce inequalities, or if they foresee counterproductive policies, concrete recommendations to reach the social and employment targets of the Europe 2020 Strategy need to be made in the Country Specific Recommendations.
- In case Member States sign contractual arrangements with the European Commission in the framework of the European Semester, these must be strong instruments for growth and social cohesion which strengthen national social protection systems and reinforce instruments that reduce unemployment and increase social cohesion.
- The European Parliament, national parliaments, social partners and civil society must have a stronger role in scrutinizing the implementation of the EMU, especially its social and employment dimension and should contribute to deepen the EMU.
- The Annual Growth Survey and Country Specific Recommendations should explicitly encourage the strengthening of the social dialogue and of the responsibility of social partners. Social partners should be involved in the development of National Reform Programmes.
- The very biased recommendations of the Troikas for countries under consolidation programmes have led to unemployment, economic decline and more inequalities in those countries. This trend must be reversed, by paying much greater attention to the employment and social effects of recommended policies and by supporting those countries in strengthening innovation, education and training, creating new jobs for women and men, closing the gender gap, and overcoming inequalities. Especially the European Commission representatives in the Troikas have a responsibility to ensure a balanced approach.



- Financial markets and the economy must be put at the service of human development, by strengthening the regulation of financial markets and ensuring that new revenues for social investments are tapped, for example by introducing a Financial Transaction Tax and making tax systems more progressive. Tax fraud and tax evasion needs to be combated and taxation policies revised, to ensure that strong social security systems can be funded.
- In addition, the Multiannual Financial Framework must provide the necessary funding to implement all objectives of the Europe 2020 Strategy, including the social and employment targets.
- The role of the EPSCO in completing the EMU and implementing the European Semester must be upgraded and the cooperation with the ECOFIN improved.
- In order to ensure a more sustainable development of the Eurozone, the meeting of the economic and finance ministers of the Eurogroup should be complemented by regular meetings of the Social Affairs and Employment Ministers of the Eurogroup.
- The EMU must be complemented by a strong European Industrial Policy. Public and private investments must be increased, to allow industry to create new and decent jobs for women and men. High quality education and training must be guaranteed and innovation supported. Access to good, clean and affordable energy, transport and IC technology must be provided. Restructuring policies must be introduced, based on planning and anticipation of industrial development.
- The social and labour market dimension of external policies must be strengthened, amongst others by respecting social rights in trade negotiations, upgrading the ILO and the G20 Labour Ministers Council and by supporting partner countries in building strong welfare states. Social and employment ministers must be involved in the formulation of international and bilateral treaties, for example in the trade area, in order to ensure the protection of social rights and core labour standards.

## **B) Building a Social Union**

Developing new instruments and introducing a new structure for the European Semester will not be sufficient to ensure sustainable growth, full employment and equality. A fully fledged Social Union must be built to complement the Economic Union, the Banking Union, the Monetary Union and the Political Union. The Social Union should be built on five separate, but interlinked pillars:

- 1) A Social Progress Pact
- 2) A Social Protocol
- 3) An Employment and Social Investment Programme
- 4) Common social standards
- 5) A strengthened European social dialogue

### **1. A Social Progress Pact**

The current backbone of the Economic and Monetary Union is the Stability and Growth Pact. A Social Progress Pact, with similar features to the Stability and Growth Pact, will be the backbone of a Social Union: Member States will agree on binding social progress targets and non-compliance will be sanctioned. The targets should be defined in four priority areas: employment, education, innovation and social cohesion.

#### **a) Employment:**

Every Member State should have specific binding targets for employment and unemployment levels – e.g. 75% and 5% respectively – and overall employment and unemployment targets should be complemented by specific targets for women, men, youth and elderly workers. These



targets must respect the countries starting point and economic cycles and be reviewed periodically (for example every five years).

Each Member State should develop and adopt through their national parliaments annual national job plans, which present the measures implemented to reach these targets. Specific policies to create new, decent jobs for young people and for women must be included in the national job plans. Those plans should be approved at the European level by the Council of Ministers and the European Parliament. Once they are adopted and approved, they will be binding for the Member State. Amongst others, specific policies to create new decent jobs need to be implemented and employment services need to be strengthened, especially in order to maintain women's employment. Common European and specific national programmes should be developed in order to reach these targets.

**b) Education:**

The Social Progress Pact should require every Member State to increase investments in education to at least 6% of its national GDP. While some Member States already reached this target, others need to be given more time to reach it. Therefore, for each Member State specific steps on the path towards the 6% target should be defined, ensuring that until 2020, every Member State achieves the target. In accordance with the Europe 2020 Strategy, annual targets should be defined and national action plans adopted on the path towards reducing early school leaving rates to 10% and tertiary education completion to 40%.

**c) Innovation:**

The long-standing target to invest at least 3% of the national budgets in research and development must be made binding for all Member States. Taking into consideration the current investment levels, concrete steps to reach this target until 2020 at the latest must be defined for each Member State. In addition, concrete targets for the time workers spend in life-long learning programmes need to be defined.

**d) Social exclusion:**

The Europe 2020 target to reduce the number of people at risk of poverty and social exclusion was a good first step, but remains too vague and is not ambitious enough. Instead, a binding target should be introduced to reduce the percentage of people living at risk of poverty and social exclusion in the EU to 20% by 2020 and to 15% by 2030. Differentiated national roadmaps to reach these targets must be introduced, the achievement of these targets monitored and non-compliance sanctioned in the framework of the Social Progress Pact. In addition, specific strategies for women and children must be put forward.

The main incentive for Member States to reach the targets of the Social Progress Pact should be the understanding that this will benefit the well being of their citizens, social cohesion, the health of their economy and sustainable growth. Additional incentives could be given to Member States to fulfil the targets, for example by allocating some European structural and social funds to those countries fulfilling the most ambitious targets. At the same time however, the Social Progress Pact should also foresee a European-level system of monitoring, warnings and sanctions for the countries that do not produce sufficient effort to reach the targets. For example, in parallel to the Growth and Stability Pact rules, the implementation of the Social Progress Pact would be closely monitored on the European level, on an annual basis, and the European Commission would send warnings to those Member States where necessary. If these are ignored, infringement and other sanction procedures should then be launched. By any means, a development towards lower social standards by countries with strong social security systems must be avoided.

Support Teams with experts from other Member States and the European level should be at the disposal of Member States who request such assistance. Amongst others, these Support Teams should assist Member States to implement job creation programmes, prioritise national budgets on growth relevant investments and to introduce policies to overcome social exclusion.



The coherence of the Social Progress Pact, the Stability and Growth Pact and other EU policies must be ensured. Sacrificing the fulfilment of employment and social targets for the sake of the deficit target must no longer be encouraged by the European and the national level. While the implementation of the Stability and Growth Pact deficit and debt rules is important, Member States must be allowed the room of manoeuvre to fulfil the expenditure targets for education and research and development. In addition, social and employment objectives must be mainstreamed in all EU policies and programmes. Especially in the European Semester, the Social Progress Pact targets must be prioritised.

## **2. A Social Protocol**

Social rights should no longer be subordinated to economic freedoms. This principle should be enshrined in the EU treaties. The next treaty revision process must be used to introduce a clear clause on social rights being treated equally to economic freedoms.

Until this can be done, the equal prominence of social rights and economic freedoms must be laid down in secondary legislation. The Commission should make a proposal to that effect as soon as possible.

The European institutions, especially the European Court of Justice, should make bigger efforts to ensure the respect and the implementation of the already existing social clause in the EU treaties. In case of non-compliance, infringement procedures should be considered. In addition, the respect of the Charter of Fundamental Rights, especially the social rights, must be guaranteed by the European Court of Justice and the other EU institutions.

## **3. An Employment and Social Investment Programme**

To promote the well-being of its citizens as well as economic and social progress in Europe, the European and national budgets need to be reformed. Social investments are productive investments. They do not only serve as economic stabilisers, contribute to increased purchasing power and higher domestic demand and therefore support economic growth. They are also essential to ensure that well skilled, highly motivated and healthy workers contribute to economic progress. Therefore it is in every Member States interest that sufficient funds are available for social investments, for example to create new jobs and to overcome social exclusion. Existing EU rules must be revised to ensure that the implementation of the European deficit rules must not result in disproportional cuts of social and employment policies and programmes.

To this end, the European Budget and national budgets must include stronger employment and social investment programmes. In light of a reduction of the financial capacity of the European Social Fund in the new Multiannual Financial Framework, it must be ensured that sufficient resources are allocated to the ESF in the annual EU budgets. The funds available for the introduction of youth guarantees throughout Europe, must be increased to at least 10 billion € for the 2014 – 2020 MFF. A large share of these funds should be allocated to specific measures for the creation of new decent jobs for young women and men in the countries with the highest youth unemployment rates. The money must be available as soon as possible and the administrative procedures to apply for the money must remain simple,

A positive social impact of projects funded from other European funds, for example the Regional Development Fund, should be encouraged. Respective evaluation criteria should be drawn up by the European Commission. The European Globalisation Fund is an important instrument to reduce a further increase of unemployment. It should therefore be strengthened. In addition, project bonds specifically designed for social investments must be introduced.



#### 4. Common social standards

The very weak social and employment dimension of European policies is the result of a lack of political will of the conservative dominated European institutions and conservative governments. To ensure that everyone, when faced with the vicissitudes of life, enjoys a minimum level of social protection, the full social potential of the European treaties should be used, to pass new European legislation for more and better jobs for women and men and a better social cohesion. A priority must be the adoption of common social standards on a high level, which apply throughout the European Union. Amongst others, the following standards should be introduced:

- Every young person receives a new job, a training measure or a further education place at the latest four month after becoming unemployed or leaving the education system. Such a youth guarantee should be enshrined in the national legislation of every Member State. A European legal framework should ensure minimum standards for the youth guarantees, including the quality of apprenticeship places, decent wages for young people and access to employment services. European and national funds must be available to implement the youth guarantees.
- Every citizen must have the right to receive and employers the duty to provide decent working conditions. To this end, European legislation on health and safety at the work place must be further strengthened and better implemented. The two-tier labour market must be overcome, by giving temporary, agency and self-employed the same rights. In addition, the working time directive needs to be revised in order to ensure that every citizen is guaranteed decent working times, including those who spend a lot of time in “on-call duty”.
- Long-term unemployment is on the rise in Europe, in 2011 it already concerned 10 million Europeans. To overcome long-term unemployment, a common framework of actions should be implemented to help those furthest from the labor market.
- In order to tackle the problem of working poor and to prevent wage deflation, a European framework regulation for living wages should be introduced. It should stipulate that EU Member States ensure that all workers and employees working full time receive a wage above the poverty threshold, either through collective bargaining or by law, while ensuring compatibility with, and respect for, national traditions and praxis and the autonomy of social partners. Current European policies encouraging Member States to lower minimum salaries must be discontinued. More efforts must be made to increase minimum salaries, especially in countries with low average salaries, to achieve an upward convergence, while avoiding negative economic effects.
- The same wage for the same work at the same place must be guaranteed. This requires a revision of the posting of workers directive and a much stricter implementation of existing legislation to protect posted workers from abuse.
- To protect workers from negative effects of globalisation and the crisis, a European legal framework for socially responsible restructuring must be introduced. Rather than responding to lay-offs, European and legislation needs to be adapted and made more coherent in order to anticipate structural changes and prevent negative effects, for example by providing more and better tailored life-long learning. A strong social dialogue must be at the heart of such a legal framework. The European Globalisation Fund should be increased and better used for restructuring measures.
- Common minimum standards for active labour market policies should be defined. Amongst others, these should ensure a better quality and more effectiveness of employment services. Internally flexibility schemes, such as the short time work scheme combined with additional training for crisis periods should be introduced in the entire EU. A better best practise exchange on successful active labour market policies needs to be encouraged.



- On the path to equal treatment of women and men, a top priority must be the reduction of the gender pay gap. A binding target must be introduced for all Member States to reduce the gender pay gap by 2% each year. A European legal framework must be established, ensuring that the underlying issues that cause this gap are tackled, for example part-time work, career breaks, which affect women's contributions towards their pension schemes, a lack of work-life balance, a segregation in lower-paid sectors and the glass ceiling. Amongst others, European minimum standards for childcare and parental leave need to be improved, including an easy access to affordable, accessible and good quality childcare, allowing women to advance in their careers and break the glass ceiling as well as give women and men the same possibilities in sharing family responsibilities. European legislation needs to prevent the growth of the low-pay sector and precarious jobs, which affects especially women, and therefore revalue the care sector, a very female dominated sector, as well as encourage women to enter IT, research and green economy.
- In addition, equal representation of women and men in decision-making should be guaranteed. The Directive adopted on 14 November by the European Commission is a first step in the right direction but needs to be strengthened. A European directive must be implemented without any time limit to ensure that in every company in the EU, including in some SMEs, at least 40% of the members in executive and non-executive boards are women. Common effective sanctions must be established for those companies which do not comply with the directive.
- Common quality standards for every citizen for education, training and life-long learning should be elaborated and achieving these standards enshrined in binding European legislation. Indicators should focus especially on allowing women and men to obtain the skills necessary in the work place and to be an active citizen in society. The integration of every person in the education, training and life-learning systems independent of their background must be prioritised.
- A European framework for dual education, based on European best practices in this field should be set up in order to improve transitions from school to work.
- Every European should be guaranteed a social protection floor with universal access to health care, income support, subsistence security and portability of all workers' social rights. Existing legislation must be strengthened to ensure that every European citizen receives access to high-quality and affordable services of general interests, especially social services. Amongst others, access to clean, stable and affordable energy should be ensured, as well as access to quality child care and long-term care.
- A European framework should ensure that every European has access to affordable housing. There should be common minimum standards on the size of the living space available and European tenants' rights, especially those living in social housing.
- In the future, every European should have accessible, affordable and high quality child care. European legislation must be introduced to guarantee the right to child care in line with the Barcelona targets. European and national funds must be available to create new and decent child care places in order to allow women and men to balance work and private life.
- A common European minimum standard should be introduced, guaranteeing every citizen a minimum standard in pension or an equivalent minimum social protection, related to the national system. Every Member State should gradually lift the minimum pension above the poverty threshold, in order to overcome elderly poverty. The portability of contributory pensions throughout Europe must be ensured, while respecting that residence based benefits such as social assistance cannot be exported. A gender perspective should always be included in the pension systems and reforms in order to prevent the widening of gender pension gap.



Most of these standards can be introduced without any treaty change, by making use of the ordinary legislative procedure. In order to ensure an upward social convergence in Europe, the translation of these common standards in national legislation and their implementation need to be closely monitored at the European level. In case Member States do not make any efforts to raise their social standards to the minimum level agreed on the European level, infringement procedures must be launched and sanctions given. The local and regional level can play an important role in achieving these common social standards and need to receive the necessary support.

The coherence of all EU and national policies and programmes with these common social standards, including the EU and national budgets, must be ensured.

In case no consensus or qualified majority is found to introduce these common social standards, we as social democrats and socialists must raise the question whether progress can be achieved by applying the procedure of enhanced co-operation. In case no agreement is found for all 27 Member States to introduce binding European legislation, for example to ensure a living wage for every worker and employee, the agreement of nine or more Member States to introduce common standards for such measures for their countries only, could be a feasible alternative. However, in case the enhanced co-operation procedure is used, it must be ensured that every Member State can easily join this group.

## **5. A strengthened European Social Dialogue**

Building a Social Union requires a better inclusion of social partners and civil society. Especially with regards to a more effective employment and social policy, the role of the European Social Partners in shaping European policies must be strengthened. In the framework of the European Semester, they should be consulted on drawing up the Annual Growth Survey and play a stronger role in monitoring progress achieved by Member States. Member States should be encouraged to improve the consultation, information and co-decision of workers and to strengthen the role of trade unions. Instead of advising Member States to decentralise wage negotiations, central wage agreements should be promoted, guaranteeing a decent wage, decent working conditions and an equal treatment of both employees as well as employers in order to promote fair competition. The autonomy of social partner in wage negotiations must be upheld.

The tripartite social summits must be reformed and strengthened. Their recommendations must be duly taking into account by the European Council and respected during the European Semester process. The implementation of agreements of the social partners on European, national and regional level must be much better monitored and enforced. If the EU will fail to give a stronger role to trade unions and to improve working conditions, more and more European people will lose hope in the European integration process and will turn against the EU.

