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EESC PUBLIC HEARING STRENGTHENING EU COHESION AND SOCIAL POLICY COORDINATION THROUGH THE HORIZONTAL SOCIAL CLAUSE IN ARTICLE 9 TFEU

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Introduction

- Thank you for inviting me to this hearing on the horizontal social clause. Mr Lerchner in his draft report rightly mentions that this is an important change as regards the social dimension of the EU.
- But I would like to add that there are at least three more noteworthy “social” changes following from the entry into force of the Lisbon Treaty:
 - The development of a highly competitive social market economy is recognised as a key objective;
 - The Charter of Fundamental Rights now has legally binding status;
 - The explicit recognition of the role and importance of social dialogue
- Article 9 of the Treaty states that "in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health".
- BUSINESSSEUROPE naturally supports these objectives. That should not be the issue for discussion. The crux of the matter lies more in its practical implications and the kind of policies that are needed to promote to achieve these goals.
- First, “taking into account” does not mean that primacy should be accorded to social goals in EU activities at the expense of for example economic objectives. Article 7 is very clear in this respect: there should be consistency between all of the Union’s policies and activities, taking all of its objectives into account. In this respect, when drawing up social and employment policies, it is important that these are not devised in isolation – this applies both to the EU and national level. They should be considered in conjunction with other policy areas, in particular economic and fiscal policy.



- Secondly, does the horizontal social clause mean that the EU level needs to devise more social legislation? BUSINESSEUROPE does not think so. The EU's social dimension is already quite developed. It must be seen as a combination of highly developed national systems complemented at the European level by more than 70 social and employment Directives. What is important is that what already exists must be adequately transposed and implemented. Also do we really improve a worker's chances on the labour market through new legislation, for example on individual dismissals? Or do we do it instead through education, training, job search support and other measures that strengthen workers' employability? It is more in this direction that employment and social policies need to evolve.
- Thirdly, the horizontal social clause should also not be interpreted as prohibiting the putting into place of measures which might be painful in the short-run but which are indispensable to safeguard future welfare and social standards. That is the key issue.

Reaching the objectives

- That brings me to the following. For BUSINESSEUROPE, what is needed now are measures that stimulate growth and create jobs. For that, we need reforms that will increase our competitiveness. There is no contradiction with the social dimension of the EU. On the contrary. Without growth, there will be no jobs, no money to pay for social protection and other social services, no investment in education and training etc. That is why the Lisbon treaty refers to the EU to have a highly competitive social market economy.
- A few weeks ago, we published our yearly reform barometer and we drew a very clear conclusion: countries that are having more difficulties facing this crisis are also those that have been repeatedly at the bottom of our ranks. These countries were unable or unwilling to close a growing gap with best performing economies. They now have to undertake these adjustments in difficult circumstances. But we have also seen that all European countries have their "homework" to do.
- Unfortunately, most governments have so far failed to develop comprehensive reform strategies. Our members consider that governments are not doing enough to reform their product and labour markets. The longer you delay necessary reforms, the higher is the price to pay in terms of financial instability, job losses and decline in living standards. And we have already lost a lot of time in a context where the simple effects of demographic ageing could reduce the potential growth in the EU by almost 50% by 2050 (all things being equal).
- In our joint statement on the Europe2020 Strategy with ETUC, we insist on the need to increase the EU's growth rate to at least 2% in the coming years. (A European economy growing at 2% instead of 1% amounts to 6.5 million additional jobs and a public debt consolidation of 450 billion Euros.)



- What we also have said together is this: Member States should seek to combine fiscal discipline and growth. This means capping public indebtedness while prioritising investments in growth-enhancing areas such as skills, training, innovation and modern infrastructures.

Institutional framework

- Important steps have been taken that can reinforce the EU's capacity for action. The Europe 2020 Strategy and the European Semester will allow greater policy coordination. (Of the five headline targets, three are directly related to employment/social). Most recently, the Euro Plus Pact reveals a commitment to go beyond that and adapt national policy frameworks to support competitiveness and sustainability. So the framework is there. It is now about making sure that commitments are taken seriously. It is about making sure that they are implemented.
- European companies count on the EU institutions and the Member States to adopt ambitious national targets to transform the Europe2020 strategy into a real action plan. Unfortunately, in the first year of implementation of this strategy, the EU will most likely not meet the crucial headline targets on employment and tertiary education. Based on present national employment rate targets for 2020, the EU as a whole would fall short of the 75% target by 2.2-2.6%. This is not acceptable.
- The Lisbon Treaty does not give the EU new competences in the field of employment and social affairs. Rather, it consolidates existing competences. The fact that employment and social policies remain a national competence in no way means that the EU has no role to play. On the contrary! The EU can and should promote the exchange of experiences, conduct in-depth analyses, monitor national reforms, and provide a framework in order to facilitate discussions and policy developments at the national level. This is where its greatest added value lies.
- In his report, Mr Lerchner refers to the increasingly wide scepticism as to the value offered by the EU. But the picture is more nuanced. In 2009, the Eurobarometer showed that the large majority of Europeans considers the impact of the EU on employment and social affairs to be positive. This is the case across all measures, i.e. improving access to education and training (78%), promoting gender equality (76%), but also on fighting discrimination, unemployment or poverty (70% or more).

Instruments and tools: OMC, impact assessments and mainstreaming

- In the social field, the Open Method of Coordination remains a successful tool for peer-review and cooperation between Member States. It allows for benchmarking member states' progress, fosters policy learning across Member States and can increase the pressure on under-performers.
- Another important trend is the fact that employment and social policy issues seem to be increasingly addressed by various Directorates-General in the Commission.



- Mainstreaming of employment and social affairs across the European Commission services is an important development. However, this should not come at the expense of proper consultation of employers and workers representatives. We would like to see the practice of discussing and consulting with European social partners before the adoption of Commission proposals extended beyond DG Employment to other Directorates-General. In that way, we can help the Commission to identify the sensitive points in the debate and offer our input and know-how on how best to shape and implement policies.
- To conclude, a word about impact assessments. Objective and high-quality impact assessments must be carried out on all legislative initiatives whilst assuring effective stakeholder involvement. It is important that everyone involved in policy making uses impact assessments at an early stage and throughout the legislative process.
- With respect to social impact assessments, Mr Zeitlin and Mr Marlier rightly raised the issue of stakeholder involvement. Indeed, what about the consultation with social partners? Moreover, for an objective assessment that takes into account all dimensions of policy proposals, employers insist to make a distinction between impacts on the short and long term, as well as direct and indirect impacts. Likewise, it is imperative not only to focus on potential negative impacts. Positive social impacts should also be addressed. Above all, we believe that the key priority should be to ensure that policy proposals contribute to a functioning of our labour markets by explaining how employment levels in the EU will be enhanced by a new proposal.
- In sum, three key messages: 1) we will only achieve the objectives of the horizontal social clause through structural reforms; 2) the clause should not stand in the way of reforms but must be approached with a dynamic perspective to what is needed to what is needed to safeguard living standards; 3) we need the commitment from policy makers to put in place the necessary reforms.
