



30 June 2017

## European pillar of social rights

### Setting the scene

The European business community is willing to engage in a constructive exchange with the European institutions, national governments and trade unions to discuss how to modernise European employment policies and social protection systems to the changing economic and social context in Europe.

Since many years, we have articulated the view that a partnership for reforms is necessary at European level to facilitate necessary reforms and achieve an improved coordination of national economic and social policies, with a view to ensuring more ownership of the necessary reforms in society and better implementation outcomes in the Member States.

The European pillar of social rights published by the European Commission, following a year of consultations across Europe, is falling short of this. We share the goals of building a more inclusive and sustainable growth model by improving Europe's competitiveness and making it a better place to invest, create jobs and foster social cohesion.

However, we regret the Commission's departed from this approach by publishing the European pillar of social rights and a reflection paper on the social dimension of Europe, separately from its proposals on the next steps for the Economic and Monetary Union.

This does not reflect the fact that economic and social challenges need to be addressed in an integrated way to achieve positive outcomes. A close articulation of policy debates on the social dimension and on the future of the Economic and Monetary Union should be secured in future.

This will be particularly necessary during the upcoming Summit to be held in Gothenburg on 17 November 2017, which will take place after the publication by the Commission of a series of relevant reflection papers, i.e. on globalisation, on deepening of the Economic and Monetary Union, and on the future of EU finances.



## Social dimension of the future of Europe debates

The Commission identified three scenarios. The first scenario is to limit the social dimension to free movement. The second one is to allow those who want to do more to do more in the social field. The third scenario consists in the EU 27 to deepen the social dimension all together.

For BusinessEurope, none of these scenarios are satisfactory. Most ideas listed in scenarios 2 and 3 would contradict the subsidiarity principle in the field of social affairs. Many of them would also run counter EU growth and jobs objectives. Member States should therefore carefully consider, together with their social partners, what would be the real impact of the different ideas proposed on employment, social regulatory frameworks and industrial relations practices.

For BusinessEurope, limiting the social dimension to free movement only is not enough. We are missing a credible scenario of what the future of Europe white paper called: 'doing less more efficiently'. Member States should reflect on such a fourth scenario in their debates on the future social dimension of Europe.

For BusinessEurope, this fourth scenario should include the following three elements, on top of free movement:

1. A genuine partnership for reforms: Rather than trying to solve labour markets challenges across the board at European level, the European Union's primary role is to provide information, incentives and know-how for Member States and social partners to design, implement and evaluate policies really addressing the structural labour market challenges they face, in a way that is understood and acceptable to their societies. Priority areas of coordinated action between the EU and Member States are to:
  - Prioritise reforms to achieve open, mobile and dynamic labour markets. This is about securing at the same time the flexibility and security that both companies and workers need. The varying starting points of Member States in terms of economic development also needs to be accounted for;
  - Reduce and/or shift the tax wedge on labour with a view to encouraging job creation;
  - Create or adapt policy frameworks and make use of available public resources without adding to tax pressure on companies, with a view to:
    - encouraging companies and workers to invest resources and time in developing skills that fit with labour markets requirements and unlock labour productivity growth; and



- increasing the number of placements in childcare services, including through private sector providers, with a view to increasing women's employment participation without decreasing men's employment rates.
2. Focusing on enforcement of already existing social directives: With more than 70 existing social directives, there is scope for improving the performance of existing regulatory frameworks at EU and national levels, with a view to ensuring their concrete application in practice. Related to this, we stress that the REFIT programme should not be misused to justify EU legislative initiatives disconnected from better regulation objectives. Moreover, while it is important that EU legislation on social issues continues to set minimum requirements only, the national implementing measures should be better monitored to avoid measures that are not necessary to achieve EU directives' objectives and/or detrimental to growth and job creation.
  3. Reaching a common understanding of EU added value on social issues: It is widely understood that social policy decisions should be taken as closely as possible to the citizens of the Union. On the labour market in particular many decisions are best taken by or as close as possible to the employer and employees concerned. Furthermore, it is important to adapt to the diverse ways in which European nations prioritise and shape social policy intervention in light of deeply rooted constitutional setups, political choices, policy approaches and cultural traditions in the Member States. In our view, the subsidiarity principle, as enshrined in the Treaty, should remain at the centre of policy orientation. The fact that economic development in the Member States is heterogeneous should also be better accounted for in European debates on the social dimension, to allow for realistic expectations and progress in terms of European economic and social convergence. In view of this, and to avoid misunderstandings or disagreements on what is of added value which play against Europe's unity, an important matter for clarification between the Commission, Member States and social partners in the future is to progress towards a shared understanding of what constitutes the added value of Europe in terms of employment and social policies.

### European pillar of social rights

The Commission's underlying approach to its proposed European pillar of social rights is to support social rights enhancement at all levels of policy-making, making use of all available policy instruments. This disregards the fact that the rights and principles outlined in the pillar are not directly enforceable.



To avoid that the pillar is misused as a basis for extending the interpretation by the European Court of Justice or as a political mandate for going further with EU policy initiatives, it is important that it is made clear in the pillar that it fully respects the existing competences of the EU Treaty and the principle of subsidiarity. It should also make clear that it fully respects the role and autonomy of the social partners at EU and national level. And that any follow-up initiatives must also fully respect these fundamental principles.

Furthermore, the approach in the pillar could lead to a situation where the policies and measures deriving from the pillar will actually deter employers from hiring more staff. Putting forward principles, rights or initiatives that will increase non-wage labour costs across Europe is the wrong policy orientation. This will discourage enterprises to hire, and deteriorate labour market prospects for citizens, particularly those more at risk of being priced out of the labour market.

For BusinessEurope, the right policy approach at European level is to support Member States and national social partners in their efforts to put in place in all EU member States:

- Social policies and investments that will facilitate job creation and encourage enterprises to hire people for sound economic reasons; and induce a real interest of citizens to engage on the labour market. Given the limited fiscal space there is, in a period when strengthening public finances is of essence for many Member States, improvements should be sought primarily by achieving a more effective and efficient use of available resources.
- Employment regulations that are sufficiently flexible to help companies adapt to constantly changing economic circumstances, while providing appropriate levels of protection to workers and encouraging their mobility on the labour markets. This includes the need for a diversity of employment relationships and ensuring the attractiveness of different contractual forms as well as avoiding overly strict employment protection legislation.

A reference framework to support Member States' and social partners' efforts to improve the performance of national employment and social policies may be necessary to achieve progress. However, it is essential that the 20 rights and principles proposed by the Commission in the pillar do not interfere with national competences, in particular those of national social partners with respect to wage setting.



To add value, such a reference framework should make clear from the outset how the monitoring of labour market outcomes based on indicators will contribute to coordinated policy exchanges at EU level, which balance well economic and social considerations, and lead to the preparation of relevant and adequate country-specific recommendations in the context of the European semester process.

As part of this, well-designed benchmarks can act as a compass for the necessary national reforms aiming to increase the performance of labour markets and of social systems. There should be a clear prioritisation in the issues covered focusing on those that will have a positive impact on competitiveness, employment, and sustainability, effectiveness and efficiency of social systems. This exercise should be a joint endeavour of the Council, Commission, Member States and social partners. Likewise, national social partners should be fully involved by national governments when implementing the pillar's rights and principles.

The proposed social scoreboard can be useful in monitoring progress in the Member States. However, it would need to be integrated into the already existing Employment Performance Monitor (EPM) and Social Protection Performance Monitor (SPPM) developed by the Member States in the context of the relevant bodies of the Employment and Social Affairs Council. Moreover, it is important to clarify the status of the new social scoreboard proposed by the Commission, keeping in mind that a “scoreboard of key employment and social indicators” was introduced only a few years ago.

\*\*\*\*\*