

Last Chance for Social Europe?

EAPN Position Paper on the European Pillar of Social Rights



September 2016

INTRODUCTION

On 8 March 2016, the European Commission launched a public consultation until the end of 2016 on their proposals for a **European Pillar of Social Rights**. This paper sets out EAPN's main concerns and key priorities for action, to complement our consultation response.

EAPN welcomes the European Pillar of Social Rights as the major social, rights-based initiative coming out of President Juncker's Commission so far. However, there is still a risk that the initiative is not **sufficient to ensure a real EU Social Agenda, capable of making a decisive impact on poverty or reversing the strong threat of disintegration that faces the EU today.**

In terms of the content, although we welcome the 3 areas (equal opportunities and access to the labour market, fair working conditions and adequate and sustainable social protection) and list of 20 policy domains, we are concerned about the predominance of an **economic and employment** frame for the proposals, missing a focus on **poverty and inequality**; the lack of a clear **link to existing EU policy frameworks** (Active Inclusion Recommendation, Europe 2020, the European Semester, the Social Investment Package) and clarity on how it will be **concretely implemented**. But most of all, we are concerned about the **limited ambition**. Unless the Pillar can be part of a **change of paradigm**, which can transform the current macroeconomic approach, explicitly putting people before markets, it will have little impact. This change has to entail a **shift to a rights-based social and sustainable development strategy** that stops austerity and backs public social investment; which sets out to close the income and wealth gap between and within countries by promoting fair distribution policies, based on access to quality jobs, services and social protection, financed by progressive taxation and redistributive EU funds. Without such a commitment, the Social Pillar will not be able to contribute to **ensuring social rights, nor persuade people on the ground that the EU is able to defend social rights in the face of globalization.**

This paper sets out the current state of thinking of EAPN, following the initial debates during the **14th European Meeting of People Experiencing Poverty in November 2015**, and the **EAPN Policy Conference in June 2016** on the Social Pillar, based on inputs from EAPN members across the 31 National Networks and 18 European Organizations.

Can the Social Pillar be part of a new project of hope for the EU?

The EU was formed out of the ashes of the 2nd World War – with the aim to promote **peace, democracy, and shared prosperity**. Whilst it has been more successful on the first, it is increasingly challenged to deliver on the 2nd or 3rd. The Social Pillar has to reassert the need to put social rights, together with social and democratic values at the heart of the EU – a central recognition that only by reducing inequality, sharing responsibilities, and redistributing income, wealth and funds across the EU can this dream be made a reality.

The EU is in crisis – 1 in 4 of EU people are still at risk of poverty or social exclusion (122,3 million), but this tragedy is not experienced equally across the EU. The gap continues to widen between Member States (MS) (with Romania and Bulgaria experiencing over 40% risk of poverty and social exclusion, and Greece 36%, compared to others like Finland, Sweden, Czech Republic, with less than 20%). This is underpinned by **growing inequality, within and between Member States** (in 12 of them income inequalities increased between 2008 and 2012). Faced with the growing refugee crisis, Member States have refused to share the burden equally, and have retreated to individual solutions and xenophobic responses, fueled by growing populist and extreme right movements, exploiting **growing insecurity**.

The **BREXIT referendum result is disturbing**, but should not surprise us. It is a reflection of a general malaise. Like most of the rest of Europe, the UK experienced eight years of austerity that have seen public services depleted, wages stagnate, and unemployment increase. In the UK's case the approach was 'home grown' as UK is not in the Euro area. This has fed the **disaffection for 'mainstream' or establishment politics that many already felt in the UK**. This disaffection has, in the case of the

referendum, been directed at the European Union. Rather than looking to the financial crisis and the economic policies of austerity that followed, **anti-immigrant sentiment has been stoked and exploited as a source of grievance.**

The EU has too often been seen as a “**bureaucratic elite**”, which is defending the interests of big business and not those of ordinary people. The EU has further been seen as **driving austerity**, using the instruments of the European Semester and the CSRs, driving a further wedge in EU unity, particularly in the Euro countries and the Programme (formally Troika) countries. If the EU now persists in sanctions on excessive deficits against Portugal and Spain, and continuing its harsh approach with Greece – what price Social Europe? The EU has to show that ‘**another EU is possible**’. The **new Social Pillar can play a key role by setting out a new vision putting social rights and values at the heart of the EU**, but it will only be successful if it is delivered through a **balanced economic and social strategy that aims to reduce inequality and share prosperity**. This needs to be underpinned by concrete strategy to fight poverty and initiatives to invest in people – in quality jobs, services and social protection, financed through redistributive tax.

BACKGROUND

On 8 March, the European Commission put forward a first, preliminary outline of the **European Pillar of Social Rights**. The professed aim is to build on, and complement, the EU “social aquis” or norms, setting out key principles which can guide EU policies to ensure ‘well-functioning and fair labour market and welfare systems’. The initiative was initially announced in September 2015 by the President of the European Commission, Jean-Claude Juncker, as part of a broader focus on closer EU integration in the Eurozone, presented in the *5 Presidents’ Report* published in June 2015 - [Completing the Europe’s Economic and Monetary Union](#). The Pillar aims to better integrate social objectives in the Economic and Monetary Union (EMU), thus guaranteeing a “Social Triple A” for Europe. It will serve as a policy reference framework to benchmark employment and social policy performance. The initiative is specifically targeted at the Eurozone, but other Member States in the EU single market may also adopt measures.

The 3 areas covered by the Social Pillar are:

- 1) Equal opportunities and access to the labour market
- 2) Fair Working Conditions, and
- 3) Adequate and sustainable social protection and access to high quality essential services.

Under these headings, 20 different policy domains are identified, summarized in key principles underpinned by EU legislative base. The consultation responses will form the basis of a White Paper to be published by the European Commission in Spring 2017. See EAPN Full Response to the Questionnaire/Consultation [here](#).

GENERAL ASSESSMENT

EAPN welcomes the overall approach to the European Pillar of Social Rights and the good intentions demonstrated, including many of key elements outlined in the Communication. However, EAPN underlines that whilst extension or improvement of rights is crucial, a truly inclusive society needs to ensure that people are given the means to exercise these rights. EAPN calls for more ambition and for a transformative agenda, shaping the economic as well as the social agenda based on social rights, and for more clarity about implementation.

Strengths

EAPN welcomes:

- **The overarching mission to build a Social Pillar** which can serve “*as a compass for renewed social convergence*” in the Euro area;
- **The focus on social rights and the aim to establish a level playing field**, “*limiting the risk of social dumping or a race to the bottom*”;
- **The acknowledgement that a significant share of the population is at risk of poverty** and increased inequalities, made worse by the economic crisis;
- **The recognition that economic policies must deliver on social objectives**, “*economic development should result in greater social progress and cohesion.... Social policy should also be conceived as a productive factor*”;
- **The message that labour markets should be inclusive**, highlighting the trap of low-quality, low paid jobs;
- **The inclusion of housing and homelessness** amongst the 20 priorities covered by the EPSR “*lack of adequate housing and housing insecurity continues to be a large concern across the EU, leading to increased financial risk taking, evictions, arrears in rental and mortgage payments, and in some extreme cases, homelessness*”;
- **The support to ensure equal opportunities and fair access to the labour market**, including the importance of transitions;
- **The recognition of the need for adequate and sustainable social protection**, for adequate minimum income benefits which provide for a decent living and for access to high quality essential services;
- **The priority given to “encourage social dialogue”** at all levels.

Missing/Gaps

However, our main concerns are:

- **The lack of ambition.** The EPSR benefits from high level support, but the main new outcome appears to be a number of principles which the participating member states apply to their national policies with unclear impact.
- The very **limited mention of poverty and social exclusion as a challenge or as a key priority**, with no mention of the poverty target of Europe 2020 or how it will ensure a significant impact on poverty.
- **The priority given to macroeconomic objectives**, with a tendency to *instrumentalise* social policies as a means to growth rather than a priority in its own right to which economic policies must contribute.
- **The limitation to the Eurozone only**, with the worrying implications of a widening gap and promotion of a 2-tier Europe on social rights.
- **The lack of clarity over implementation**, how will these rights be made a reality and who will deliver them? Given that social policy is supposedly a Member States competence how will the issue of subsidiarity be dealt with? How will upward convergence be promoted and by what processes?
- The failure to **distinguish between policy means and social ends**, and the need for a clearer **rights-based approach** drawing on International rights treaties and an emerging body of

jurisprudence from European and international case law – for example in relation to the right to housing.¹

- **The inconsistency and unclear connection with existing policy frameworks – particularly Europe 2020, the European Semester, the Social Investment Package and Active Inclusion Recommendation.**
- **The lack of policy coherence, particularly of recognition of the impact of austerity on delivery,** driven often by the EU’s own CSRs linked to Stability and Growth.
- **The priority given to employment over social protection –** with 2 areas dedicated to employment and only 1 area on social protection and services, rather than the 3 Active Inclusion pillars: adequate income support, quality jobs and services.
- The concern that “**modernizing and making social rights fit for purpose**” has driven a return to “flexicurity” prioritizing flexible jobs without adequate security, undercutting labour and social protection rights.
- **The low profile given to social investment and social protection,** which is crucial to ensure financing of increased social rights and should be a key criteria to monitor inclusive budgets.
- A missing reference to **social rights for migrants/refugees** with comprehensive policy solutions on integration and support, and actions to tackle the causes.
- The missing focus on **inequality – the major challenge facing the EU and the economy** on income and wealth, but also in access to goods and services, combating discrimination.
- **The lack of explicit support for civil dialogue:** the involvement of NGOs, and most importantly people with direct experience of poverty and social exclusion as key actors and partners at every stage of the policy process must be explicit in a manner similar to the commitment to social dialogue.

4 KEY STEPS

See EAPN’s Full Questionnaire Response and summary of detailed recommendations below on all 20 policy domains. Here, EAPN spells out 4 concrete steps to ensure real impact for the Social Pillar.

1) A new paradigm: A transformative EU strategy that invests in social rights, and reduces poverty and inequality

The EU needs a **new vision and a new plan**, which can bring enthusiasm and confidence in the EU project, that explicitly benefits people and planet, not just markets. This should demonstrate that the EU is committed to developing an economy that can deliver shared prosperity and sustainable development, underpinned by **social rights** and **social and environmental standards**. For this, a first priority should be to urgently **tackle the inequality and poverty** gap across and within the EU. In order to do this, the EU must move away from its current neo liberal economic agenda that is recognized as not delivering by a wide range of economists² and organizations. It should build on the **existing Europe 2020 goals** and targets, and on the Sustainable Development Goals (SDG) Agenda 2030. **Above all it must offer hope and inspiration for a shared and inclusive EU.**

- **The EU must stop austerity and start investing** in fair distribution and redistribution, and the building of the EU as a union of strong welfare states. **Social and Public investments, particularly**

¹ FEANTSA (3 August 2016): Feantsa’s response to the Commission’s proposal for a European Pillar of Social Rights.

² Paul de Grauwe (1 July 2016) Logspot: The EU should take the side of the losers of globalization

in social protection, should be considered as a benefit, not as a cost, and should be excluded from deficit calculations.

- **The EU must develop a high profile rights-based integrated EU anti-poverty strategy, if poverty is to be eradicated:** ensuring decent incomes through minimum/living wages and inclusive labour markets, adequate minimum income schemes and social protection, and access to universal quality services.
- **Poverty and Inequality Reduction Targets** must be made more visible and effective, drawing on shared EU indicators (particularly at risk of poverty and severe material deprivation). The targets must be democratically monitored by national and European Parliaments and civil society stakeholders. **The setting of specific sub-targets** for key disadvantaged groups facing specific risks e.g. children, ethnic minorities and/or migrants, homeless, is also crucial.
- **Tax justice is key to finance social protection and reduce inequality:** reversing the trend away from reducing tax, and promoting progressive and fair taxation policy (for example: progressive income tax, property, capital, wealth and corporation tax; shift away from labour taxes on low wages to taxing environmental and social risk, and promoting a coordinated approach to tackling tax evasion, avoidance and increasing tax collection). An effective **Financial Transactions Tax** should be supported and extended.
- **EU social impact assessment should be made more independent and operational** in order to systematically prevent negative EU macroeconomic policies undermining social objectives. This could be done by increasing the independence of the actors and decision-makers, ensuring increased visibility and transparency of the assessment process, with key decisions and trade-offs made in the political arena involving the European Parliament and Civil Society stakeholders, including NGOs.
- **The inclusion of more social indicators, with the Macroeconomic Imbalance Procedure (MIP) Scoreboard can help.** However, the overall objectives would have to be re-balanced: putting social and macroeconomic economic imbalances on a par.

2) Invest in concrete measures to guarantee social standards, starting with a Minimum Income Directive and Golden Rule on social protection spending

Benchmarking is important, but not enough. The EU needs big, concrete initiatives to respond to the urgency of the crisis it is facing. These need to provide a direct answer to the **main challenge of rising inequality and poverty** which is fueling social polarization, and undermining inclusive growth and sustainable development. EAPN has consistently argued for an effective, EU integrated anti-poverty strategy. This could be underpinned and supported by the European Pillar of Social Rights. However, to make this a reality it will need to ensure that **social standards are not driven down** and to support **concrete measures to guarantee adequate income and access to public services and social protection, through the life course and to all people across the EU.** As a start, we would propose the following areas which could benefit from an EU framework ideally through hard law:

➤ **A Framework Directive on Minimum Income**

EAPN's legal opinion and working document³ highlighted that such a Directive could be feasible under current Treaty obligations, building on 1992 Council Recommendation 92/441/EEC on common criteria concerning sufficient resources and social assistance in the social protection systems. Article 1, 9 (TFEU), Article TFEU 5, (1) provide basis for combating social exclusion and 'guarantee of adequate social protection'. However, the legal base to adopt legislation would need to be linked to TFEU article 143 1h, making the link to support for people who are excluded from the labour market, underlining the function of minimum income as a key foundation for effective active inclusion. The Directive should provide a framework which obliges all MS to introduce a statutory adequate minimum income according to agreed criteria and implementing the 1992 Recommendation. This should be underpinned by an EU process leading to agreement of a common methodology setting out common principles for the design of adequate minimum income schemes including common standards to address adequacy, take up and coverage. In terms of a definition, this should build on the at-risk-of-poverty threshold, underpinned by a national reference budget assessment of necessary goods and services to lead a dignified life. EAPN is convinced that the legal base will not be a major obstacle if there is political will by the EU and MS to guarantee all its residents a decent income.

➤ **A Golden Rule on Social Protection Spending**

Social protection spending plays a crucial role in reducing poverty and inequality, as well as acting as an automatic stabilizer and a basis for a sustainable, inclusive growth. However, there is a wide variation in spending and effectiveness across the EU. In 2014, average spending was 19.5% of GDP. This varied between 25% and 11% across the EU (25.4% in Finland, 24.8% in France and 24.5% in Denmark compared with 11.4% in Romania, 11.5% in Latvia and Lithuania, and 11.8% Estonia). It is not just coincidence that the countries with the lowest spend on Social Protection also have some of the highest rates of poverty. If the EU is serious about closing the gap and imbalances between poorer and richer countries, **ensuring adequate spending on social protection** is crucial. EAPN proposes a Golden Rule on Social Protection spending – i.e. **establishing a threshold or benchmark below which spending on social protection should not fall**. The threshold will need to take into account demographics and the balance between the different pillars of social protection across the life cycle. EU solidarity and flexibility in debt and deficit calculations will be needed to enable the Member States who have the biggest challenges to reach such a threshold. **The increased spending for these MS should be discounted in the calculations of public deficit and debt.**

➤ **An EU Framework on Minimum/living wages**

Whilst the current EU Treaties explicitly exclude EU Directives in this area⁴, the proposal could become a focus in negotiations on Treaty change if supported by Social Partners. Meanwhile, it could be currently implemented as a voluntary framework, underpinned by collective bargaining. An EU framework should be underpinned by a benchmark of 60% of average wages and offer a positive hierarchy in relation to adequate minimum income. It should be indexed to the real costs of goods and services and the inflation rate.

➤ **An EU Unemployment Benefit**

This was initially proposed through an EC Communication on the Social Dimension of the EU, and would provide a key EU automatic stabilizer that could reduce imbalances in the Eurozone, as well as

³ EAPN (2010), A V Lancker: Working Document on a Framework Directive on Minimum Income.

⁴ Article TFEU 153, 5 excludes EU competence on pay.

ensuring workers have decent income support through initial periods of unemployment. The duration of unemployment benefit should be at least 18 months and seamlessly overlap with minimum income and other benefits to ensure adequate income support, regardless of their age or situation.

3) Use EU funds to deliver on social rights - a new EU poverty and inequality programme, underpinned by an anti-poverty strategy

The Social Pillar principles, benchmarks and policy recommendations **will need the support of EU funding to enable delivery**. The starting point should be the use of European Structural and Investment Funds (ESIF). At the moment, funding to tackle inequality and poverty is rather piecemeal – with the 20% earmarking of ESF to promote social inclusion and fight poverty, and the FEAD programme providing material support for the most deprived. It is still not clear whether the Investment Fund will have positive impact on poverty and social rights, as it is primarily aimed at using public investment to provide leverage for private sector initiatives on major infrastructure projects.

- **In the short term, ensure an increased role for ESF and that at least 20% of ESF is committed to the fight against poverty** and social exclusion in the revision of the Multi-Annual Financial Framework.
- **Require the Funds to demonstrate implementation of an integrated, rights-based anti-poverty strategy** building on the current ex-ante conditionality of the ESF regulation. The strategy should embed key social rights, ensuring access to rights, goods and services for all, supported through an integrated, personalized strategy guaranteeing adequate income, access to quality jobs and services, and tackling growing inequality.
- **Consider developing a comprehensive new EU Funding programme to combat growing poverty and inequality**, as a major vehicle to deliver on social rights. This could draw on the different ESIF funds. It should aim to support **innovative grass-roots projects that can directly impact on poverty through a partnership approach with NGOs**, and enable the direct engagement of beneficiaries. EU Research and also Education and Training funds, could be linked to provide complementary funding support, together with the Investment Fund.
- **The funds must be monitored to ensure they deliver on social rights and poverty, and support participation** - ensuring the involvement of NGOs in the monitoring committees, in programme design as well as in the delivery of projects.

4) Champion real democracy and participation at all levels

The main challenge the EU faces is the loss of faith in democracy. Many EU citizens have lost faith in the current democratic processes, political parties and leaders. The EU is tarred by the same brush. The **loss of meaningful civil dialogue** is also endangering the effectiveness of policies. Cut off from the people on the ground, policy makers are left to develop theoretical approaches with little consideration of their impact on people's lives. This is no longer acceptable. The Social Pillar must first underline the **fundamental 'social right' of a dignified life**, and the **right to participate** in the policy making process which can ensure this. In terms of EU decision-making, the Social Pillar must insist on real checks and balances, to **ensure accountability** to the citizen on the ground. Democratising the European Semester could provide a key instrument to support delivery on the EPSR, particularly if underpinned by **Europe 2020** and linked to the **SDG 2030 Agenda**. The priority is to embed **systematic and quality involvement of civil society organizations**, and direct representation of people facing poverty and social exclusion in the policy-making process. **Increased transparency and visibility** is also key. However, none of this will happen without **political will**. The EU institutions and Member States

need to show they are serious about listening, reaching out and **co-developing** effective approaches with civil society which can **ensure social rights, social standards and real democracy**.

- **Demonstrate political will for co-development.** Participation cannot just be lip service or political theatre – NGOs and the citizens they represent are no longer prepared to play along. It is crucial to go the extra mile to ensure that minority and marginalized groups have an independent voice.
- **Invest in funding to support civil society engagement:** Funding participation, at local, as well as at regional and national levels is crucial if CSOs who work directly with the most excluded are to engage. The EU is key to supporting this development.
- **Insist on guidelines for quality national engagement** in the design, delivery and evaluation of policies, as well as at EU level. Learn from CSO participative methodologies.
- **Develop new indicators** to ensure the quality of engagement, monitored at national and EU level, e.g. embedded in the European Semester (NRP, country reports and CSRs).
- **Consider sanctions or negative recommendations** for a failure to foster this partnership approach, with restrictions on access to EU funds.

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See EAPN publications and activities on www.eapn.eu

The European Anti-Poverty Network (EAPN) is an independent network of nongovernmental organisations (NGOs) and groups involved in the fight against poverty and social exclusion in the Member States of the European Union, established in 1990.



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This publication has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020).

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