I

(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

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Opinion of the European Economic and Social Committee on 'Funding the European Pillar of Social Rights'

(own-initiative opinion)

(2018/C 262/01)

Rapporteur: **Anne DEMELENNE**

Plenary Assembly decision	15.2.2018
Legal basis	Rule 29(2) of the Rules of Procedure
	Own-initiative opinion
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	26.3.2018
Adopted at plenary	19.4.2018
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Outcome of vote (for/against/abstentions)	155/3/4

1. **Conclusions and recommendations**

1.1. The principles of the European Pillar of Social Rights (the 'Social Pillar') and the need for its implementation, along with the implementation of the 2030 Agenda for Sustainable Development, should constitute one of the guiding lines in the negotiations on the next EU multi-annual financial framework post-2020.

1.2. Making a reality of the Social Pillar will require improvements in Member States. The Social Scoreboard, produced alongside the Pillar, points to shortfalls and substantial divergences across the EU. Overcoming these shortfalls will require commitment from all levels, including Member States, social partners and civil society actors. It will also require a robust budgetary base, investment and current spending. Consideration needs to be given to how this will be financed.

1.3. Spending needs are particularly large in lower-income countries and in countries that suffered income declines in recent years. All face some degree of constraint from EU rules on budgets and debt levels. Scope for more spending can be created within Member States and with the help of various EU-level programmes.

1.4. Private sector investment can make a contribution in some areas — such as expanding digital access — when appropriate regulatory conditions are created. Private sector investment will however not be enough and cannot ensure against exclusion of the socially weakest, seen as an important issue within the Social Pillar.

More public investment within Member States can be facilitated by reference to a Golden Rule for public investment with a social objective, which would allow more flexibility in budget rules ([1]) with a view to achieving the aims of the European Pillar of Social Rights.

1.5. More public investment can also be supported by the use of existing EU instruments, especially the European Structural and Investment Funds (ESIF), which can be more clearly focused towards objectives highlighted within the Social Pillar. Public investment can also be supported by the European Investment Bank, helped by the European Fund for Strategic Investments (EFSI), which has enabled it to maintain its level of credits over recent years. This support should explicitly include objectives linked to the Social Pillar, as is consistent with its mandate.

1.6. Appropriate taxation policies, including effective fight against tax fraud, tax avoidance and aggressive tax planning, should allow Member States and the EU to raise additional means to contribute to the financing of the Social Pillar. Ensuring efficient use of additional funding requires the implementation of the action programmes and roadmaps on the implementation of the Social Pillar as an integral part of the European Semester and in particular in the development of National Reform Programmes and Convergence Programmes. In this regard, the EU should also explore new avenues for means to increase its own resources.

1.7. The implementation of the Social Pillar requires the active ownership, responsibility and participation of relevant stakeholders at all the different levels: the European institutions, the Member States and regional and local authorities, as well as the social partners and other civil society stakeholders.

2. **Background**

2.1. The European Pillar of Social Rights, proclaimed and signed by the EU Council, the European Parliament and the European Commission on 17 November 2017, is intended as a step towards reinforcing social rights and delivering a positive impact on people's lives in the short and medium term. Delivering on the Social Pillar is a shared commitment and responsibility of the EU, the Member States and the social partners.

2.2. It reflects a stated recognition from leaders of 27 Member States of the need to address economic and social insecurity as a matter of priority ([2]). Reasons for the urgency of the Social Pillar include the poor economic and social performance in many countries since 2008; new opportunities and new challenges arising from globalisation, climate change, large-scale migration, digitalisation and ageing populations; increased diversity in economic and social levels within the EU in the wake of the financial and economic crisis; and political developments in many countries that imply a threat to future European unity and cohesion. Raising the EU to a 'social triple-A rating' was presented as 'just as important as an economic and financial triple-A rating' by the European Commission president-elect to the European Parliament in October 2014 ([3]). Achieving such an aim evidently requires an acceptance of responsibility at all levels within the EU. Fulfilling such an aim could be expected to improve cohesion, political and social stability and economic performance, without forgetting the importance of automatic stabilisers in the event of economic shocks.

2.3. As recognised by the EESC ([4]), the Social Pillar is a political declaration of intent as there is still no clear roadmap for its implementation. In this regard, the Pillar remains incomplete and the recognition of new rights and obligations is lacking. In the context of a strong economy and fair taxation, adequate financial resources have to be made available at Member State level with the support of the European Union. It will be a crucial aspect for the implementation of the Social Pillar.

([1]) Lessons learned for avoiding the severity of austerity policies in the EU, pt. 1.6, not yet published; Euro area economic policy 2018, points 1.8 and 3.6, not yet published; OJ C 327, 12.11.2013, p. 11; Annual Growth Survey 2018, pt. 1.4, not yet published; OJ C 226, 16.7.2014, p. 21.

([2]) European Pillar of Social Rights, booklet, p. 6, (ISBN 978-92-79-74092-3).

([3]) http://europa.eu/rapid/press-release_SPEECH-14-1525_en.htm

([4]) OJ C 81, 2.3.2018, p. 145.

2.4. The European Commission is to present its proposals for the next multi-annual financial framework (MFF) in May 2018. It is essential that the Social Pillar, as well as the UN Sustainable Development Goals, serve as one of the guiding lines for the European institutions and the Member States in the preparation of the next long-term EU budget to apply from 2020.

2.5. Proper implementation of the Social Pillar will depend on appropriate policy reforms within Member States, for example, to create appropriate mechanisms for quality job creation, for enhancing skills and for ensuring efficient use of public resources. The EESC, in accordance with its previous opinions, advocates structural reforms geared towards social and economic development: more and better jobs, sustainable growth, administrative and institutional quality, and environmental sustainability ([5]). Such reforms should be country-specific, consistent with National Reform Programmes (NRPs) to improve well-being and backed by democratic support, not a one-size-fits-all approach for all Member States ([6]).

2.6. Proper implementation of the Social Pillar will also require a strengthening of the financial resources available ([7]). Currently, EU expenditure on social matters represents only on average 0,3 % of total public social expenditure in the EU, with the great bulk provided from Member States' budgets ([8]). The departure of the United Kingdom from the EU will have major consequences for the EU budget. The EESC stresses that sufficient resources must be made available for the implementation of social policies. It supports the European Parliament's demand that the current 1 % ceiling for the EU's expenditure should be increased to 1,3 % of GNI ([9]) and believes that an increase in the EU's own resources, for example by an increase in VAT, would be particular unfair in a social context. The EESC also stresses the need to target more resources towards supporting cohesion policy, support for working people and citizens in general. Particular attention will be devoted to the acquisition of skills by workers as a source of economic strengthening. At the same time, the EESC agrees that increased funding should not be limited only to security, defence and external border control. The European Social Fund is an important driver for more convergence and the EESC reiterates its demand that it should not be reduced if the future challenges are to be met in view of the next EU multi-annual financial framework ([10]).

2.7. The Social Scoreboard that accompanies the European Commission's presentation of the Social Pillar ([11]) is intended as a tool for monitoring progress towards the target of a fairer Europe with a stronger social dimension. It has been criticised for the choice of some indicators, for time periods used for comparison and in some cases for the accompanying interpretations ([12]). The EESC has previously called for it to be improved ([13]).

2.8. In some cases clearly inappropriate indicators have been used. This applies for the case of progress in reducing the gaps in pay and employment between men and women. Both have suffered from declining working hours, but it is larger for men than women, so that a smaller gap (the indicator used in the Scoreboard) does not reflect clear improvement. Moreover, time periods for assessing progress vary, sometimes showing only one year and sometimes a longer period, going back to before the crisis that broke out in 2008. The longer time scale is more appropriate for indicating what the longer term trends are. Indicators also need to be interpreted flexibly and adapted over time, making use of evolving expertise and

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([5]) For example, improving the business environment, the financing of companies and R&D expenditure; increasing the productivity of companies, sectors and economies; promoting the creation of good quality jobs with higher wages, and the simultaneous reduction of temporary and unstable jobs with low wages; strengthening collective bargaining, and the autonomy of the social partners in it, and social dialogue at local, regional, national and European levels; reforming public administrations to make them more effective for economic and social development, and more transparent for the public; promoting the quality of education and training systems for workers to bring about equal opportunities and results for all social groups.

([6]) Support to structural reforms in the Member States, point 3.9, not yet published.

([7]) OJ C 81, 2.3.2018, p. 145.

([8]) Reflection Paper on the Social Dimension of Europe, p 24

([9]) European Parliament's resolution of 14 March 2018 on the next MFF: Preparing the Parliament's position on the MFF post-2020 — (2017/2052(INI)), co-rapporteurs: Jan Olbrycht, Isabelle Thomas, point 14.

([10]) OJ C 81, 2.3.2018, p. 145; OJ C 81, 2.3.2018, p. 131.

([11]) https://composite-indicators.jrc.ec.europa.eu/social-scoreboard/#

([12]) Galgoczi, B. et al, 'The Social Scoreboard Revisited', ETUI, 2017.

([13]) OJ C 81, 2.3.2018, p. 145.

data from sources such as Eurofound. Revision and updating of indicators should be the result of an open discussion, involving the social partners and other civil society stakeholders.

2.9. Despite reservations, the scoreboard gives an indication of the scale of the task ahead if the stated objectives are to be achieved. It shows inadequacies within all Member States and substantial divergences of levels among Member States which can lead to increasing social inequalities. An acceptable level of incomes, living standards, social security, welfare provision, educational attainment and digital access is clearly not achieved across all Member States.

2.10. Figures on levels of employment and unemployment demonstrate the extent of divergences. The employment rate in Greece was 56 % while it reached 81 % in Sweden. The unemployment rate in Greece was 23 % against 4 % in Germany, the lowest level in the EU. These figures from the scoreboard suggest wide divergences in social conditions across the EU with much higher levels of unused potential in some countries than others.

2.11. Many other indicators point in the same direction. Thus, for example, the proportion of early leavers from education reaches 20 % of the 18-24 population in Spain, but less than 3 % in Croatia. This latter is also a deceptive figure on the general position of young people: the youth unemployment rate indictor shows Croatia to be one of the worst in the EU. The proportion of the population at risk of poverty reaches 40 % in Bulgaria against an EU average of 23 %.

2.12. The NEET ([14]) rate (percentage of 15-24 year olds not in employment, education or training) varies from 20 % in Italy to under 5 % in the Netherlands. Activation support (including training, employment incentives and similar measures) is taken by 54 % of those who want to work in Denmark but less than 3 % of those who want to work in Bulgaria.

2.13. The proportion of children aged 0-3 in full-time child care ranges from 1,1 % in Slovakia to over 77 % in Denmark. Unmet health needs, usually because of financial constraints, are reported by over 12 % in Estonia and Greece but are minimal in Austria.

2.14. Over the EU as a whole, 44 % lack adequate digital skills, ranging from 74 % in Bulgaria to 14 % in Luxembourg.

2.15. Making the Social Pillar a reality would therefore improve social and labour market conditions for many citizens and would thus also enhance the EU's economic potential. It implies upward convergence for the countries that are currently lagging behind. Some indicators show improvements over very recent years but not all and, even there, large gaps remain.

2.16. Making the Social Pillar a reality will be an enormous challenge, requiring commitment from Member States supported by the European Union. It will also require full involvement of social partners and encouraging and promoting their joint actions, specifically the conclusion and improved coverage of collective agreements, particularly in the area of employment security, the quality of work, wage conditions and health and safety at work. Civil society organisations, with their experience and knowledge of problems, can also make a crucial contribution. There can also be an important contribution from private business through public-private partnerships, investment in the development of skills and qualifications within enterprises.

3. **Policy areas**

3.1. Steps to further implementation can include new legislative and non-legislative measures, including ensuring that policies already decided actually are implemented within Member States, the use of the European semester and the Country Specific Recommendations issued within that process ([15]). Involvement of social partners at all levels is essential for successful implementation of these initiatives.

([14]) 'Not in education, employment or training'.
([15]) OJ C 81, 2.3.2018, p. 145.

3.2. Country Specific Recommendations in 2015 and/or in 2016 covered areas referred to in the Social Pillar notably in relation to pensions, public services, social care, healthcare, childcare, housing, enhancement of skills, active labour market policies and education.

3.3. However, for such recommendations to have meaning, they must be based on an assumption that the necessary funding will be available. The EU can play a positive role here through its various programmes and by flexibility in rules on state budgets and state debt levels.

3.4. The issues of investment and finance arise in various ways across all the areas covered by the Social Pillar. The Social Scoreboard also helps to demonstrate the need for investment in specific areas across all, and especially lower-income, Member States. Financing the Social Pillar therefore links in with issues of macroeconomic policy, with economic governance policies oriented towards social convergence and not social divergence, with discussions on the management of the Eurozone and with policies to promote investment, including social investment.

3.5. EESC has already argued for the many positive effects of well planned, effective and efficient future-oriented social investment which, as accepted in the European Commission's Social Investment Package, should be viewed not as a cost but as an investment in Europe's growth and employment potential. The EESC has regretted that more has not been done to effectively implement these objectives. Social investment offers economic and social returns over time, in terms of increased employment or labour incomes, improved health, reduced unemployment, better education, less poverty and social exclusion, etc. It also improves individuals' prosperity and well-being, while boosting the economy by ensuring a more skilled workforce, higher productivity and employment. Such investment, especially when enhancing sustainable growth, would also contribute to strengthening people's skills and qualifications, improve their opportunities in society and the labour market, as well as stimulating the economy, helping the EU to emerge from the crisis stronger. Moreover, it would ensure more efficient and effective public spending, leading to savings in public budgets in the medium to long-term ([16]) finances. The EESC has also highlighted the long-term cost of failing to act and invest in the social sphere. The EESC has in this respect also stressed the importance of investment in robust social security systems given also that they act as an automatic stabiliser ([17]).

3.6. Themes listed in the Social Pillar that cannot be addressed without more investment or current spending include: the right to quality and inclusive education, training and lifelong learning; support for job search; improving gender equality and reducing the gender pay gap; prevention of in-work poverty; access to care services; affordable early childhood education; adequate social protection; adequate unemployment benefits; pensions ensuring an adequate income; dignity in old age; affordable preventive and curative healthcare of good quality; affordable long-term care services of good quality; social housing or housing assistance of good quality; and access to water, sanitation, energy, transport, financial services and digital communications.

3.7. The main EU funds for economic and social growth are the European Structural and Investment Funds (ESIF), the Youth Employment Initiative (YEI), competitiveness programmes and the European Fund for Strategic Investments (EFSI). Investment can also come from Member States' own budgets and from private sources.

3.8. The European Structural and Investment Funds are the most substantial source with complex processes for overseeing and assessing investment identified in a previous EESC opinion as a means to achieve more investment in the real economy. They have led to increased public-sector investment in lower-income countries, but have not been sufficient to compensate for falling investment from other sources or to ensure rapid convergence in economic and social levels. It is important to ensure that these funds are strengthened and increased in order to support efforts to implement the Social Pillar. The EESC reiterates its support for a review of regulations governing ESIFs and for improved evaluation of the effectiveness and efficiency of their contribution ([18]).

3.9. It is possible to ensure that investment is targeted in line with the aims of the Social Pillar, both in terms of the activities undertaken and in terms of conditions to ensure fair employment practices and support for otherwise excluded groups.

([16]) OJ C 125, 21.4.2017, p. 10.
([17]) OJ C 226, 16.7.2014, p. 21.
([18]) OJ C 303, 19.8.2016, p. 94.

3.10. The EFSI provides a guarantee to the European Investment Bank enabling the latter to maintain levels of credit which would otherwise have faced reduction. It, like EIB projects in general, can support projects consistent with the Social Pillar. In some cases it does (supporting some social entrepreneurship and some health and social care). The bias has been towards more typical commercial projects, such that social benefits are a by-product rather than an objective.

3.11. The EESC has called for reinforcement of the social dimension of EFSI deployment such as in education, training and vocational training for skills and lifelong learning, developing the creative and cultural industries, innovation in healthcare and medicine, and social services, social housing and childcare, tourism and environmental protection infrastructure. The Investment Plan for Europe should clearly support the COP21 commitments ([19]).

3.12. There is also little emphasis on assessing and overseeing projects on employment conditions, inclusion of disadvantaged groups and investment in the physical infrastructure for social services.

3.13. There was an initial commitment to avoid any geographical considerations in the allocation of the EFSI resources and a number of lower-income countries are receiving very little, despite demonstrably high levels of need. Appropriate changes to the rules can ensure that priority is given to the less developed countries in the second phase of action.

3.14. Financing implementation of the Social Pillar will also depend heavily on resources available at the Member State level. It will require funding from state budgets for investment and also for running costs of activities over future years. This can be constrained by EU budget and debt rules ([20]). As already stressed repeatedly by the EESC ([21]), consideration should be given to ways of enhancing the flexibility allowable within these by means, for example, by means of a 'Golden Rule' which would allow public investment with a social objective in order to achieve the aims of the Social Pillar notably by: increasing income levels, stronger social cohesion and preventing the exclusion of otherwise disadvantaged groups who cannot otherwise play a full part in society, while generating sustainable economic growth.

3.15. Business and corporate responsibility is also key in financing social goals. Private investment alone will not address the Social Pillar objectives, but there should be scope for private investment additionally to public responsibility to contribute in many of the areas concerned (including, for example employment, improving digitalisation skills and social care) especially with appropriate regulatory frameworks and some financial support from public sources, such as the European Structural and Investment Funds and/or the EIB.

3.16. The need for financial resources to implement the Social Pillar should be recognised and planned for. Appropriate institutional frameworks already exist. Terms of reference for the European Structural and Investment Funds (ESIFs) and the EFSI should be clarified to make explicit reference to the Social Pillar and costs associated with furthering its aims should be allowed for in the EU budget and in the Member States' budgets.

3.17. Finally, in the context of the fight against tax fraud, against tax havens and aggressive tax planning, and for the reduction of unfair tax competition between Member States ([22]), measures relating to fair taxation undertaken by the European Commission (regarding multinationals and individuals) should be strengthened ([23]), as well as measures to combat misappropriation and fraud concerning EU-budget resources. In relation to the search for new sources of tax revenue to finance the Social Pillar, fully respecting the principle of subsidiarity, it would be appropriate to promote kinds of taxation that take into account the contributive capacities of each, while respecting the incentives for sustainable economic growth.

([19]) OJ C 75, 10.3.2017, p. 57.
([20]) OJ C 177, 18.5.2016, p. 35.
([21]) Lessons learned for avoiding the severity of austerity policies in the EU, point 1.6, not yet published; Euro area economic policy 2018, points 1.8 and 3.6, not yet published; OJ C 327, 12.11.2013, p. 11; Annual Growth Survey 2018, point 1.4, not yet published; OJ C 226, 16.7.2014, p. 21.
([22]) OJ C 81, 2.3.2018, p. 131.
([23]) Annual Growth Survey 2018, pt. 3.3.4, not yet published.

3.18. As regards the financing of the EU budget, the EESC agrees with the analysis in the report on Future financing of the EU by the High Level Group on Own Resources, that calls for an EU budget which consists predominantly of autonomous, transparent and fair own resources ([24]). Furthermore, the EESC takes the view that an increased budget should be achieved.

Brussels, 19 April 2018.

The President
of the European Economic and Social Committee
Luca JAHIER

([24]) OJ C 81, 2.3.2018, p. 131.