

Extract from:  
David Rinaldi, "A new start for Social Europe",  
*Studies & Reports No. 108*, Jacques Delors Institute, February 2016

## CONTRIBUTION

by Marianne Thyssen

**A** new start for Social Europe?' – That is what we will discuss here today<sup>7</sup>. It is posed as a question however – and I am glad for the opportunity to answer it with a resounding 'Yes'. The European Commission has set out to create a Europe with a 'Triple A Social Rating' and I will outline our vision and plan of action.

But what does this triple A rating actually mean? For me, there is no doubt: It is an ambition – indeed, a commitment – that the economic strengthening of our Union goes hand-in-hand with improving people's lives. This is the core of the European Social Model and a vital component of our social market economy.

In my view, a 'triple A' social Europe requires fair and balanced growth that leads to the creation of decent, quality jobs, as well as chances and protection for all throughout their lifecycle.

I have put fairness at the core of my agenda for the coming years. But I believe that it is only by ensuring that social considerations are better integrated in all EU policy areas that we will truly achieve a Social Europe. As you may know, we had an orientation debate on this topic last week at the College meeting and I can assure you: the entire Commission shares that ambition, under the leadership of President Juncker.

The economic outlook across Europe is finally improving. The member states' reform programmes – implemented often in very difficult circumstances – start to have effect, helped by external factors such as low oil prices and the devalued euro. But economic growth is still too weak for many people across Europe to feel it. Labour markets are still sluggish and the social situation

<sup>7</sup>. Speech delivered by Commissioner Thyssen on the occasion of the "New Start for Social Europe?" seminar on 19 June 2015. See [full text](#).

remains problematic. I don't need to remind you that unemployment is still high, long term unemployment even more so, and that our young people have paid and continue to pay the highest price for the crisis.

The crisis has driven a wedge between southern member states or those on the periphery of the euro and those in the north and centre. While growth has been steady in Poland and Lithuania since 2008, it has fallen by more than 10% in Cyprus, Croatia and Italy, not to mention Greece.

The growing divergence between the member states is a huge cause for concern. It undermines one of the European Union's *raison d'être* – fostering economic convergence and improving the lives of all Europeans.

To me it is very clear that the course to sustainable economic growth must involve reducing inequality, within member states as well as between member states. Last month I co-presented together with secretary general Ángel Gurría a new report on income inequality at the OECD. It makes a compelling case that less inequality can lead to faster and more sustainable growth and that redistribution does not act as a brake on growth. And this week the IMF has confirmed these findings and argued for the need to support the income of the bottom 20%.

Yet, macro-economic and fiscal measures are every bit as essential to address poverty and inequality as employment and social measures. What we must remember is that economic development and social progress are closely intertwined and mutually reinforcing. Together, they are the essence of our social market economy.

The Commission is actively pursuing reforms in the member states to improve the investment environment and to modernise, in order to foster a recovery rich in job creation.

The Investment Plan for Europe, proposed by President Juncker to kick start the European economy, has been agreed by both the Parliament and Council. It will become operational after the summer and we expect the result to be up to 1.3 million new jobs, as confirmed by the ILO.

The Youth Employment Initiative and the Youth Guarantee are starting to bear fruit: there are now half a million more young people in work than a year ago. Just a few weeks ago, we paid €1 billion to accelerate support measures on the ground and benefit up to 650,000 young people this year.

Meanwhile, the European Alliance for Apprenticeships is gathering support in the business world. Evidence shows that education and training that includes work-based learning pays off. It is a springboard to employment, and we are seeing more and more offers. Over 50,000 education and training places have been created by around 200 companies in 2015 alone. I am convinced that the most effective way of preventing young people from falling into poverty and exclusion is through meaningful opportunities such as these. That is exactly why I will re-launch the Alliance in Riga on 22 June to make our dialogue with the private sector even more solid.

These are some examples of what we have already done in the first 8 months of this Commission, but we are more ambitious than that. On 9 June the Commission had an orientation debate on social policy. We agreed that Commission should have an ambitious social policy agenda, which would draw on all existing instruments: economic coordination, legislative and financial instruments.

While it is essential that we boost investment, it will only result in jobs and growth if we combine it with structural reforms that strengthen and modernise member state economies. In today's changing world – with increasingly globalised markets, an ageing population and rapid technological development, Europe must reform to survive and prosper.

We have already seen reforms pay off in several EU countries. Those that followed the reform path – like Latvia, or Ireland, or Portugal, are now among the fastest-growing EU economies. The same is true for countries that had a well functioning social dialogue.

Further reforms should ensure that people are enabled and activated to participate in society and the labour market: But also prevent and protect against risks throughout the life-course.

The same is true for investment in education and training – coupled with a performing education system that delivers the required skills. The business world must be on board here – ready to invest in job training. Evidence shows that the most competitive EU economies – like Sweden, Denmark or indeed Luxembourg, are ones where government spends more on education and enterprises provide more training than in less competitive countries.

This is why we continue to recommend such reforms as part of the EU's economic policy coordination. This year the European Semester process has zoomed in on labour market challenges and social protection. Emphasis is on modernising social legislation so as to enable the labour market to deal with the rapidly changing world of work.

Ladies and gentlemen, these are our policy recommendations, but the main responsibility for structural reforms of course lies with member states. The European Commission is closely coordinating these countryspecific reform agendas to ensure we avoid a race to the bottom.

Instead, we must strive for upwards convergence in employment and social policies. That means ensuring that no one is left behind: that people's quality of life is improved as the European economy is strengthened.

In my confirmation hearing I told the members of the European Parliament that people is what the European Union is about. It is important that people see that the Europe is working for them. That it is creating quality jobs and promoting fairness. That ultimately, it generates wealth and offers decent opportunities to all.

Our overarching objective must be this upward social convergence. To achieve it, we must all be agreed and focussed on our course of action.

In the context of reinforced European Semester policy coordination, we are considering setting certain benchmarks to cover the instruments of employment and social policy. Such benchmarks could cover employment rates and unemployment benefits, but also access to minimum income or social services. They could be set as a minimum requirement, or an upper and lower limit between which countries should position themselves.

Such benchmarks would support convergence. We cannot only ask people to accept greater flexibility to adjust to economic conditions, technological change and ageing. We should also offer greater protection and support for workers to adapt.

The successful structural reform of the Youth Guarantee could be used as a model: a Recommendation supported by a budget and closely monitored in the European Semester. This model combines investment in people with reform: a similar proposal for Europe's long-term unemployed is in preparation.

Also, in the context of our legislative framework, Europe will not deserve a social triple A if our laws do not protect workers from the risks of today and tomorrow. I would therefore call for an ambitious overhaul to adapt our regulatory framework to address today's biggest risks. This is completely in line with the Better Regulation philosophy of this Commission.

From my perspective, I see three main areas in need of update:

Firstly, working conditions – including working time: As I've said, the world of work is rapidly changing and is barely recognisable from what it was when the existing laws were set in stone. That legislation no longer reflects the way in which we work today; worse still, it does not protect the weakest workers – for example those on zero-hour contracts.

Secondly, health and safety at work: we need to simplify the existing laws. At the same time, there is a need to protect against new risks, such as carcinogens.

And finally, labour mobility: Free movement of workers is one of the fundamental freedoms enshrined in the Treaty. It is also an essential tool of flexibility, adjustment and competitiveness of our internal market – and even more so for our single currency area. It should be encouraged and facilitated as a viable and fair option for all workers.

That said, we must be mindful of the economic and social impact of labour mobility on the host country. And we must watch out for the effects of brain drain and skewed demographics in the countries from which migrants leave.

But we have to find solutions that tackle these challenges in a fair and effective manner. Labour mobility must not lead to a new divide in our labour markets, or as a matter of fact, in our societies. Those who work side by side, who contribute to growth, all merit respect and protection. Through structural reforms and economic convergence, all member states should strive to offer citizens the perspective of a decent job and good life. Our competitiveness and our future growth depend upon it. So does the fairness and prosperity of our society.

This is why the Commission, on my proposal, has put a Mobility Package on its Work Programme for the end of this year. What I want to do in this context is in the first place to take a picture of the situation as it exists today. Who is moving, from where to where? Are mobile citizens returning to their home country, for example when the economic situation there picks up again? - this is what we call “circular migration”. There are a lot of emotions on this topic but I want us to base our policy decisions on facts and figures.

The second element I want to take a look at are the EU rules on coordination of social security systems. The coordination rules have always been an important instrument to facilitate cross-border mobility of EU workers and their family. They aim to ensure that mobile EU citizens do not lose their social security protection, and that one member state – and one member state only – is always responsible for the social security protection of the individual citizen.

But we need to ensure that the rules reflect the changes in the economy and society and that they are seen as being fair by citizens and political leaders.

I approach this matter with an open mind, and we are eager to listen to the concerns and the proposals from the member states and citizens. It is clear that the issues raised do not have easy answers. The fact that the social security systems of the member states vary so substantially, does not always make it easy to find common ground.

And the third part of the Mobility Package – equally controversial – is the targeted review of the Posting of Workers Directive which President Juncker has announced straight from the beginning of this mandate. The decision whether or not to open the 1996 Directive has not been taken yet. I will not take

that decision lightly taking into account how difficult it was to reach agreement on the Enforcement Directive ultimately adopted last year. But it is clear that in this area too, the EU citizens expect that we take their concerns seriously and that we provide answers – whether in the form of legislative changes, interpretative notes or other instruments remains to be seen.

What in any event seems absolutely necessary is more cooperation, and more effective tools for cooperation, between enforcement agencies in the member states. A single social security number for each citizen for example could greatly enhance the efficiency of information exchange. Let's see how far we can push things in this area. In any event, I am glad to see already that member states are reaching out to each other to intensify their cooperation on a bilateral basis. I hope that we can generalize such good practices at EU level. The Platform for the fight against undeclared work, on which trilogues have just started, could contribute further in this direction.

Ladies and gentlemen, in recent years we have seen all member states grapple with the social impact of the crisis. Structural reforms are a policy priority: to stimulate the creation of decent jobs and to enhance the effectiveness and sustainability of social security systems.

It is our ability to overcome challenges and to provide effective solutions to foster employment and social inclusion that will determine if we succeed in giving Social Europe the new start it needs.

We need to gain back the trust of all citizens by delivering results, by offering them real chances and protection. We cannot build the sort of Europe we want to live in unless we advance on a double track: being competitive on world markets and having strong social cohesion. We need to foster growth and social progress knowing that they are intertwined.

Let us work together on that.

*Marianne Thyssen  
Commissioner for Employment,  
Social Affairs, Skills and Labour Mobility*