

CONCLUSION

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According to Eurobarometer polls, 6 in 10 Europeans want more decision-making at the European level on social security and health issues. Only half of them believe that, currently, everyone has a chance to succeed.

Europe's social model is particularly highly valued. Despite different histories and traditions, we all share a belief that a more social Europe is necessary. This was the main message voiced at the Gothenburg Social Summit of November 2017, on which we shall build. Equality of opportunities and more equitable outcomes, we realise, lead not just to social improvements but also to economically and politically strengthened societies. Making our economies and social systems converge is therefore not just a priority, but also a necessity.

We have an opportunity to do so: if we look at the economic outlook across Europe, we now see a steady and broad-based economic expansion. Growth rates are the highest in a decade, with 2.3% growth expected this year.

Investment is picking up, employment is at record levels and the unemployment rate is back to where it was before the crisis. The share of people at risk of poverty or social exclusion has also fallen to pre-crisis levels. Public finances are improving. And our banking sector is better shaped and well capitalised.

There is no room for complacency. Economic growth does not automatically lead to social improvements. Since the crisis, convergence between regions is faltering, social trends are uneven at best, and inequality among generations is rising.

Global developments, driven by a combination of technology and globalisation, put additional pressure on our social security systems.

The World Bank once dubbed the EU 'the convergence machine'. Our social model clearly needs updating to meet people's expectations, to make our economies more resilient to crisis and to changes that we are facing; in short: to keep the convergence machine going. That is what EMU reform is all about.

It is important to highlight why social convergence in the EU, and in particular the euro area, is a must:

- First, the crisis **laid bare the existing weaknesses** in our economies and social systems. Its legacy persists in the form of high public and private debt, insufficient public investment, and high risks of poverty among some segments in society. And despite clear improvements in overall employment figures, half of all unemployed people are currently long-term unemployed.
- The crisis also further added to **budgetary pressure resulting from demographic trends**. There are already more people over 65 years old than under 14. Going forward, higher costs for pensions, healthcare and long-term care will have to be borne by fewer people. By 2060, there will be only 2 people of working age for every elderly person. Ten years ago, that ratio was 4 to 1.
- On top of that, the crisis shed new light on the **inequality of parts of our social security systems and little labour markets**, which proved very focused on insiders and provided legal protection for outsiders.

At the same time, a number of **new challenges** are coming our way:

- Robotisation and digitisation make **new forms of work** possible. This implies more choice in people's careers: maybe from one or two jobs over a career span, more than 10 job changes might be the new normal. It also allows independent ways of working. But there are clear risks of increasing insecurity and inequality, as social protection and social dialogue lag behind in those new forms of work.
- **Job polarisation** is another risk: global competition and new types of jobs – created mainly in the services sector – demand new types of skills, and those who lack them could lose out from competition both from abroad and from technology. Beyond Europe's well-known productivity challenges, a new breach threatens to open up along what the OECD calls the 'Productivity-Inclusiveness Nexus', with more inequality growing *between* companies in different sectors - according to their productivity growth - and *within* companies, between high-skill and lower-skilled jobs.
- Finally, we also see advanced societies also raising the bar on **people's expectations when it comes to social rights**, wanting for instance to combine a career with a high quality of life.

At the same time, let's think and act positively. However great the challenges, let's not forget that the basic evolutions are good news: people lead longer and live healthier lives, have more opportunities and more options in their lives and careers. There are also aspects on globalisation and technology which both are a spur to our economy.

In a digitised, innovative and open world, economic and social progress is more than ever **two sides of the same coin**. This is the kind of convergence we should invest in: one that looks at economic and social considerations together.

The push to make our growth more inclusive has gathered support in recent years. The EU is developing the necessary **instruments and governance** framework to make this happen.

Let me highlight some key steps in this direction.

With the proclamation of the **European Pillar of Social Rights**, we have agreed on a path towards upward social convergence based on a rights-based approach. This is an approach that builds on high-level social standards that are applicable in order to modernise our labour and social protection systems.

Of course, the real test lies in its implementation; which is a joint responsibility of EU institutions, Member States, social partners and other stakeholders.

Another instrument in our hands to boost upward social convergence is the European Semester.

It supports the achievement of common goals by targeting the most pressing reforms needed at national level. By **integrating the European Pillar of social rights into this process**, we focus Member States' minds and efforts on the social issues that matter most, such as possible shortfalls in skill levels, underperformance in active labour market policies or education systems, and social exclusion of weaker segments in society.

The analysis of the new **social scoreboard** shows, naturally, a great variation in social situations. That is precisely the point: it allows for a targeted approach, aimed at specific needs and possibilities of the country in question, while pushing the social reform efforts of all in the right direction.

This also allows us to **identify EMU specific challenges and successes**. We see, for instance, an overall improved performance on employment

and childcare in the EMU countries – despite the obvious setbacks of the crisis – while the impact of social transfers seems to be weakening and income inequality had worsened.

Beyond targeted national reforms, EU-level action can also help create job opportunities and improve social standards across the EU.

This is why, on top of the work throughout the European Semester, we have updated the EU rules on **labour mobility**, revised the system of **Social Security Coordination**, and proposed the creation of a **European Labour Authority**, which will support national authorities, individuals and employers to manage cross-border labour situations more effectively.

Other EU legislation, such as on **Work-Life Balance**, on **Transparent and predictable working conditions**, and the Recommendation on **Access to social protection for workers and the self-employed**, can help us keep the social convergence momentum going too.

We can also support convergence efforts through appropriate funding. This is the focus of the latest **Multiannual Financial Framework** proposals, which the Commission has outlined over the past few weeks.

- Specifically, the proposed **European Social Fund Plus** is the way to put our money where our mouth is – to the tune of up to €101 billion for the next MFF. The ESF+ merges existing funds and programmes, and this integration should allow us provide additional focus on areas where that is necessary. We are securing funding to certain key groups, such as youth, and earmarking resources to promote social inclusion and tackling poverty. To make our European Social Funding more effective, the link with European Semester priorities and CSRs is also tightened.
- This allows for complementarity with our **Reform Support Programme**, which will provide technical and financial assistance to Member States implementing reforms. There will be three tools under the Reform Support Programme with a total budget of €25 billion. (i) First, there is the Reform Delivery Tool, which offers financial support to the Member State upon implementation of agreed reforms. (ii) Second, the Programme will continue to provide technical support for the design and implementation of reforms in Member States, and we see a great demand from Member States for that - hence our proposal to increase the funding. (iii) And third, we also propose a dedicated Convergence Facility to offer support for those non-euro Member States

that take concrete steps to join the euro area.

- The revised **European Globalisation Adjustment Fund** will allow us to react to profound social changes brought about by shifts and shocks in the global economy, with a proposed budget of €1.6 billion. By simplifying the procedure and lowering the threshold - the current 500 redundancies will be halved, the EGF will be more efficient and allow more companies to benefit, especially SMEs.
- And in the context of EMU reform, we have also outlined our proposal for a **European Investment Stabilisation Function**. Public investment is often the first to get cut in times of stress on public budgets, with large and potentially long-term economic and social consequences. An investment Stabilisation Function would help stabilise investment levels and facilitate rapid economic recovery, complementing the role of existing national automatic stabilisers. Our proposal is aimed at euro area countries as well as those participating in the European Exchange Rate Mechanism II exactly as Mr. Minister outlined that those countries do not have exchange rate as a policy tool. Loans of up to €30 billion would be mobilised, together with an interest rate subsidy to cover their cost. There will be also strict criteria of sound macroeconomic and fiscal policies to provide incentives for responsible budgets as well as then to provide a buffer for external shock.

Last but not least, I would like to outline the emphasis we have put on **social dialogue** throughout the structural reforms process. We have committed to engage with social partners whenever key decisions are taken, not only on traditionally 'social' issues but across the board. And I hope we are delivering on this promise.

Social partners' engagement is crucial to get the best sense of which reforms are needed and their feasibility, and to increase ownership in implementing them. So, we consistently bring this message to national and even regional governments, and do what we can to support building social partners' capacity in practice.

It is also true that even the best proposals on paper still risk remaining dead letter, if there is no broad base to carry them out in practice. Social dialogue is a key element of a vibrant social dimension to our EU and, more specifically, to the EMU.

Before concluding, let me say a few words on governance, by quoting the recent OECD report 'Opportunities for All'. The report describes the social

challenges highly developed economies face, and underlines this point in particular. It says: 'The complexity of the inclusive growth agenda raises important challenges in terms of governance, as policy fragmentation needs to be reduced and institutional mechanisms integrated in order to design coherent policy packages and deliver them more effectively.' This is precisely what EMU completion sets out to achieve: to allow better governance, stronger policy coordination, and more support to make sure reforms are effectively delivered.

Over the years, we have reinforced our economic governance system. We have streamlined the European Semester, with fewer recommendations, to make them more effective. We have taken the euro area dimension fully on board. And we especially put more emphasis on the social performance of countries. And this is the direction I think we need to continue to work.

There is a lot of economic and social potential in Europe. Our economies' openness and competitiveness continue to attract investors and partners from across the globe. Our stability and social coherence are part of our attraction.

What we need to do is concentrate minds and efforts at all levels on making that growth more inclusive, and use the current window of opportunity to double down on efforts to prepare for tomorrow's challenges, it also concerns completing the EMU agenda.

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