

PREFACE BY NICOLAS SCHMIT

In June 2015, the incoming Luxembourg Presidency organized a seminar on social Europe. Three years later we can acknowledge that progress has been achieved. The European Pillar of Social Rights defining a set of 20 principles covering equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion was adopted in 2017. A new directive on posting was approved and several important texts are presently discussed, only to mention the Directive on transparent and predictable working conditions.

But despite this obvious progress social Europe is still lagging behind. The economic crisis has left deep scars in the social fabric of many member countries. Inequality is on the rise. More precarious forms of work are expanding. Though unemployment has seriously fallen it remains too high and particularly youth unemployment. Social expectations are high and the digital revolution is rapidly transforming employment and skills requirements.

Unfortunately major decisions on the reform of the Economic and Monetary Union (EMU) have been postponed. The architecture of the Euro area has been seriously shaken and business as usual is really not an option. Bold decisions are needed to make the Euro area more resistant and more resilient and above all to relaunch economic and social upwards convergence. The growing divergences between the “core” and the “periphery” represent a permanent threat for the stability of the Euro area. This has to be seen in a very particular international context characterized by a threatening protectionism and economic nationalism weakening dramatically international cooperation and coordination mechanisms. So the challenge is huge and an ambitious reform agenda is urgently needed. We cannot just permanently rely on the European Central Bank (ECB) to tackle all the problems.

The Franco-German Meseberg declaration adopted in June 2018 shows that there might indeed be a window of opportunity for a more ambitious reform of the EMU, with among others reference to a Euro budget as of 2021, possible change of the Treaty on the European Stability Mechanism (ESM) and even mentioning of a “European stabilization fund for unemployment”. For the time being no decisive progress has been achieved

apart from the strengthening of the Banking Union.

In June 2018, a seminar on the social dimension of the EMU reform was organized in Luxembourg in collaboration with the Jacques Delors Institute. It gathered Labour Ministers of several EU countries, representatives of the social partners, members of the European Parliament and renowned experts on EMU and social Europe. The purpose of this seminar was to better understand the issues around the social dimension of EMU reform. The seminar was divided into two major parts. The first panel was dedicated to the discussion on what social convergence for the euro area we want. The second panel focused on the instruments and governance for social convergence. The main ideas discussed during this seminar are presented in this report.

The fundamental objective of the European Union but equally of the Economic and Monetary Union is to “guarantee economic development and stability as well progress and prosperity for all”. This means upward convergence. It also means that social welfare is a central element of the whole European project, since the beginning but even more so with the single currency. In 2016, Jacques Delors made a clear and useful warning that should be taken very seriously: “If European policy-making jeopardizes cohesion and sacrifices social standards, there is no chance for the European project to gather support from European citizens”.

The past crisis has shown that this support by European citizens has weakened and that we have not only to strengthen the architecture of the monetary union but also restore the trust of citizens. In this respect the social dimension with very tangible results and impacts is key.

A few months before the European elections, clear and ambitious objectives have to be defined. The European Pillar of Social Rights may be very helpful in this respect, but only if a concrete action plan is established. It belongs to the next European Parliament and Commission to take such an initiative. The Social Union should be an integral part of a reform agenda of the European Economic and Monetary Union (EMU). A Social Union would increase the stability of the EMU and improve the necessary solidarity. It should remain open to non EMU members and by no means replace the national welfare systems. But in order to enhance upward social convergence and to improve the stability and efficiency of national welfare systems, a collective standard setting on the basis of the European Pillar of Social Rights as well as a better balance between economic freedoms

and social rights are urgently needed. Developing a Social Union has to go hand in hand with stronger democratic control and participation.

We have to deepen questions like a fiscal capacity, investment strategies and particularly social investments serving the development of human capital. There is certainly a need to improve the European Semester, though some small progress has been achieved recently. Improving the economic and social governance should absolutely put the question of the role of the EPSCO Council (Council formation on Employment, Social Policy, Health and Consumer Affairs). There is a need for strengthening it if the governance has to be rebalanced. Finally, social partners should play a more prominent role.

To conclude, I want to stress a key message that this report should deliver: EMU reform needs a stronger social dimension leading to a Social Union. We all should listen Jacques Delors' warning.

Nicolas Schmit, former minister of Labour of Luxembourg