

UEAPME position on “strengthening the social dimension of the Economic and Monetary Union” – COM (2013) 690

On 2nd October 2013 the European Commission published its contribution to the debate on the social dimension of the Economic and Monetary Union. This new communication on “strengthening the social dimension of the Economic and Monetary Union” is based on the blueprint for a deep and genuine monetary union.

It also responds to the European Council debate launched in December 2012 and followed in June 2013 with the conclusion that the social dimension of the EMU should be strengthened through a better monitoring of the social and labour market situation and a better coordination and monitoring of employment and social policies and social dialogue.

In October 2013 the European Council restates the importance of employment and social developments within the European Semester and to pursue the use of an employment and social scoreboard in the Joint Employment Report. In December 2013, the European Council confirms the relevance of the use of a scoreboard of key employment and social indicators as described in the Joint Employment report and for the European Semester 2014 while specifying that of wider range of indicators will have the sole purpose of allowing broader understanding of social developments.

The European Union and the Economic and Monetary Union project is about creating wealth and social progress for citizens through economic success.

UEAPME has regularly recalled that the economic success can only be supported by a higher Europe’s competitiveness to compete globally in line with the Europe 2020 strategy objectives.

The crisis has shown that lasting financial and economic divergences and serious imbalances are endangering the financial stability of the Eurozone and as a direct consequence the sustainability of the European social model, and are creating serious employment and social imbalances.

UEAPME agrees with the principle of a better integration between economic and social dimension within the European Semester in order to reach the right balance between economic and fiscal consolidation on the one hand and the employment and social dimension on the other hand while moving towards more EMU convergence.

One of the key pillars of the Economic and Monetary Union is the Euro which should aim at more convergences between the Member States.

However the high level of unemployment which has put pressure on national social protection systems created increasing divergences between and within Member States. Europe is obviously facing new political, economic and social challenges and the current fragile signs of recovery will not be sufficient to counterbalance the negative impact on productivity, economic growth and competitiveness across the EMU.

The best way to strengthen the social dimension of EMU and ensuring welfare to our citizens is by bringing people back to work, reinforcing their employability and creating a business friendly environment especially for small and medium-sized enterprises leading to more growth and jobs.

This can only be achieved through **fiscal consolidation, productive investments, better education and training systems, growth friendly structural reforms including labour market reforms and modernisation of social protection systems as put forward in the Annual Growth Survey.**

More employment and social policy convergences should be primarily reached through a full and timely implementation of structural reforms at national level.

These reforms towards more efficient spending and more sustainable social protection systems are a sine qua none condition in order to play their full role as social, economic and political stabilisers.

UEAPME agrees that complementing the macro-economic and fiscal surveillance with an employment and social surveillance can usefully help to detect and understand potential employment and social risks at an early stage and support a timely response.

However this response by European and/or national institutions should not put into question or postpone necessary reforms for regaining productivity, growth and competitiveness.

Pillar 1 - Reinforcing surveillance of employment and social challenges and strengthening policy coordination

1. Developing a key employment and social indicators scoreboard and strengthening coordination of employment and social policies

In its communication the EU Commission is proposing to set-up a scoreboard of key employment and social indicators to be integrated in the Joint Employment Report. UEAPME considers it as a useful basis for further discussions and calls for better involvement of the European social partners in the discussion.

On the indicators:

UEAPME insists on the need to:

- avoid multiplication of indicators and overlaps with already existing ones,
- choose indicators consistent with already existing indicators notably in the macro-economic governance and Europe 2020 targets,
- ensure consistency between indicators of the scoreboard used for a better coordination of employment and social policies and the ones added in the macro-economic imbalance procedure.

The two indicators on unemployment and youth unemployment including NEET are important for monitoring the employment situation and the indicator on real gross disposal income of households can give useful insight.

Concerning the indicator on at-risk-of-poverty, it should be aligned with the current existing indicator and target defined in the Europe 2020 strategy and composed of three sub-indicators namely people living in households with very low work intensity, people at risk of poverty after social transfers, people severely materially deprived.

On the inequality indicator (S80/S20 ratio) we have serious concerns about its composition notably the reference made to precariousness and equality of opportunity which are subjective and very contestable by nature. This indicator should be revised.

If these indicators should serve to detect the most serious employment and social problems and developments at an early stage and avoid strong divergences, they should be objective and reliable. In fact the indicators on at-risk-of-poverty and inequality are usually available only with a two-year delay and therefore will always be relatively old compared to the three other indicators.

This is even more important to avoid a mechanical reading but better take into account the context and trends for a sound analysis based on indicators.

If they can alert on labour markets or social protection systems disfunctioning the main issue will be the extent to which the result of the employment and social monitoring would entail on the formulation of economic policies recommendations.

On this, UEAPME insists on the fact that the potential decisions on the basis of the indicators should not undermine the competitiveness of the European economy nor delay necessary structural reforms at national level to prevent or correct macro-economic imbalances which have a direct impact on convergence, competitiveness and sustainable growth.

2. Reinforcing the monitoring of employment and social developments as part of macroeconomic surveillance

UEAPME can support that the unemployment rate, already part of the indicators covering major sources of macroeconomic imbalances is to be complemented by the participation rate, the long-term unemployment ratio and the youth employment rate.

However the “at risk of poverty” does not fit with the macro-economic imbalance processes.

These additional indicators should be used for a broader analysis and serve as an additional tool for alert but they should not be followed by sanctions.

Pillar 2 - Responsibility, solidarity and enhanced action on Employment and Labour mobility

1. On mobility

UEAPME fully supports the proposed measures for increasing mobility of workers in order to better tackle the skills mismatch and bottlenecks existing on the various labour markets.

Even if UEAPME is well aware of possible risks of brain drain for some Member States during a certain period of time, it is a much better alternative than unemployment which would result in brain waste.

Mobility is an important mean to tackle high unemployment while it opens new opportunities for European citizens. In this context the EURES reform should be speed up to better enhance mobility.

Further concerning the call of the EU Commission to Member States to make full use of the current rules in allowing jobseekers to receive their unemployment benefits for up to six months while looking for a job in another Member State, UEAPME considers it as an obvious matter of subsidiarity.

Therefore it is for each and every Member State to decide on the conditions of its unemployment benefit system including the time span for receiving unemployment benefits while looking for a job in another Member State.

2. On solidarity mechanisms

The EU Commission proposes to strengthen the social dimension through new solidarity mechanisms besides the existing tools such as the European Social Fund or the Youth Employment Initiative.

According to UEAPME solidarity mechanisms are important tools, but should be balanced by adequate responsibility.

This is why UEAPME can support Contractual arrangements between the Member States with high divergences and the Commission such as the new proposal to establish a “Convergence and Competitiveness Instrument” as long as this instrument is of contractual nature **strictly linked to conditionality elements for boosting timely implementation of structural reforms**.

Moreover this instrument which should be a contract between the European Commission and a given Member States should have the objective of inducing reforms promoting competitiveness, growth and jobs.

Convergence and Competitiveness Instruments should be **temporary for supporting implementation of well pre-defined reforms** and tackling **well targeted problems** such as Youth unemployment and notably the NEET.

Social partners should be closely involved from the outset in the setting-up and implementation of measures.

3. On stabilisation scheme

In a second step requiring a Treaty change, the EU Commission would propose in the long run a progressive pooling of sovereignty at EU level with an autonomous euro area budget providing a fiscal capacity to support Member States absorb asymmetric shocks.

Such a “**Stabilisation scheme**” would provide a sort of insurance system requiring monetary net payments that are negative in good times and positive in bad times pooling the risk of economic shocks.

UEAPME considers that it is way too early to speak about such a common instrument for macro-economic stabilisation not only because it would require a Treaty change which does not appear realistic in the short term but also because a broad consensus is not achievable yet.

UEAPME highlights the danger that creating a fiscal capacity for the EU would be the first step towards a transfer union with blurred political responsibilities.

A common fiscal capacity cannot substitute better fiscal discipline and a market oriented economic governance.

Further UEAPME does not support the setting up of an EU Unemployment Benefit Scheme financed by a new budget coming from transfer from national to EU level (such as VAT). It covers a high risk of moral hazard and does not fit with the huge diversity of pre-existing national systems.

Pillar 3 – Strengthening social dialogue

Such a new focus on the social dimension of EMU requests a stronger involvement of European and national social partners at all adequate levels. EU and national Social Partners should be timely consulted and better involved during the whole process of setting priorities, designing employment policies and setting up Country Specific Recommendations.

More ownership and a better commitment for implementation of reforms by social partners can only be achieved if national social partners are consulted already during the preparatory phase of Country Specific Recommendations.

As UEAPME we fully agree about not creating new structures but making best use of the existing ones. The joint EU social partners’ declaration on the economic governance from October 2013 gives a clear overview on the way EU and national social partners consider their involvement necessary and justified during the EU Semester process for better results and higher democratic legitimacy.

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