



NÁRODNÍ KONVENT

Social Dimension of European Integration

Summary and recommendations arising from the National Convention
on the EU roundtable discussions held on 29 April 2016

These recommendations were prepared by Lubor Lacina from the Mendel University in Brno
and the Mendel European Centre think-tank.

Introduction

Social policy is one of the oldest areas of cooperation between the Member States. Its origins can be traced back to the beginning of the 1960s. However, the basis of EU social policy to date has largely been the principle of non-discrimination (gender equality, a ban on discrimination on grounds of nationality, skin colour, ethnicity, religion and beliefs, physical disability, age or sexual orientation) and setting certain minimum standards (e.g. occupational safety standards). To an extent, employment policy is also part of the social dimension of European integration. This was later defined as one of Community's priorities, in connection with the rise in, primarily, long-term unemployment at the end of the 1980s.

In its current form, the social dimension of European integration is based on the European Social Charter, signed in 1961 in Turin. The second source, which is explicitly mentioned in Article 151 of the TFEU, is the Community Charter of the Fundamental Social Rights of Workers from 1989. The aim of the EU's social policy is to promote employment, to improve living and working conditions, social protection, social dialogue, the development of labour force potential in response to persistently high levels of unemployment and the fight against exclusion from the labour market.

The basic EU programming document in the field of employment policy and social affairs after 2008 was entitled "Renewed Social Agenda", adopted by the European Commission in July 2008. It contained a total of 19 initiatives relating to employment and social affairs, education and youth, health, the information society and economic matters. The initiatives focused on the following priorities: improving the quality of educational systems and enhancing the mobility of young people (the Children and Youth – tomorrow's Europe priority), improving the functioning of the European Works Councils and helping to create new jobs, or to cope with the consequences of globalisation.

More emphasis was placed on this area as a result of the asymmetrical impact of the global financial and economic crisis from mid-2008 on the individual EU Member States and, particularly, the Eurozone countries. The crisis showed that the existence of a common monetary union with a single currency required far more emphasis on the coordination of national economic policies, which include employment and social policies. The different requirements and, in particular, the diverse levels of rigidity of the labour markets was reflected in the limited capacities of individual Member States to deal with imbalances created through the operation of the common European currency. Countries with strong and effective social policies and employment policies, as well as countries with reformed labour markets, were better able to cope with the negative effects of economic recession.

In October 2013, the former President of the European Commission, J. M. Barroso, produced a Communication on strengthening the social dimension of the economic and monetary union and a proposal to create a new scoreboard, which would allow better and earlier detection of the key problems in the areas of employment and social affairs within the framework of the European Semester. The Communication followed on from the Commission's plan to create a closer and real EMU in December 2012 and focused on three

areas: 1) strengthening supervision of employment and social issues and strengthening coordination policies within the framework of the European Semester, 2) strengthening solidarity and labour mobility, and 3) strengthening social dialogue.

The current European Commission President, J. C. Juncker, announced the creation of a European pillar of social rights as part of the “New Start” agenda in his speech on the State of the Union, which he gave before the European Parliament on 9 September 2015. This initiative is part of the Commission’s efforts to create a deeper and fairer EMU and is part of the Commission’s work programme for 2016.

On 8 March 2016, the European Commission published a Communication on the European pillar of social rights COM(2016) 127 and launched a public consultation on this topic. Measures at the EU level are based on the conviction that economic development should lead to greater social progress and cohesion.

Roundtable Framework

The National Convention on the EU roundtable on the topic of the social dimension of European integration was attended by Marianne Thyssen, European Commissioner for Employment, Social Affairs, Skills and Labour Mobility, and Michaela Marksová, Minister for Labour and Social Affairs.

The framework of the debate was limited to three questions:

1. To what extent is the social dimension a key issue for the future of the Eurozone and, by extension, the European Union as a whole? What role does it play in efforts to establish a stable and effective economic and monetary union?
2. Do you see a need to adapt the European *acquis* in the areas of social affairs and employment? Should certain areas be subject to greater harmonisation in this regard?
3. How do you assess the proposal to introduce a European pillar of social rights, for which the European Commission presented the possible outline this year in March? What should be the Czech Government’s main message in the ongoing public consultation?

In her opening speech, **Lucie Šestáková**, Deputy State Secretary for European Affairs, informed the Commissioner and other participants of the roundtable of the activities of the National Convention on the EU. She pointed out that this was already the Convention’s third roundtable during the past year on the social dimension of European integration.

Minister **Michaela Marksová** referred to the increase in overall unemployment in the European Union, primarily a growth in long-term unemployment and the increase in poverty during the economic and financial crisis. She pointed that this situation is unacceptable in one of the most advanced global economies, which the European Union is today. She also pointed the limited options for a more significant harmonisation of the social policies of the

EU Member States, particularly with regard to the different living standards and wealth of the Member States. The position of countries with lower labour costs should be reflected and any tendencies towards discrimination should be avoided. According to the Minister it is inconsistent on the one hand for certain countries now to advocate unequal access to the social environment, where workers from poorer Member States have to accept lower social benefits, while on the other hand, in the labour market the territorial principle is applied, particularly with regard to posted workers.

Commissioner **Marianne Thyssen** subsequently presented the European pillar of social rights initiative and the position of the European Commission. She emphasised the fact that the European social system is a stabilising element for the EU economic system as a whole. The EU as a whole is currently a region with one of the highest living standards and a well-developed system of social security. She explained why efforts towards greater coordination of social policies primarily target the Eurozone countries. Whereas the social dimension is necessary for the European Union, it is essential that the Eurozone maintain its internal consistency and ability to face macroeconomic shocks. She noted that the existence of a robust and functioning social system has proved to be a stabilising element during the economic crisis and that the economic resilience of the individual Member States should be strengthened on the basis of this system. The Commissioner also highlighted the success of the Czech social system, which can be expected to provide an inspiration for a common European approach. She emphasised the fact that the European Commission's goal is not to harmonise the national systems. The main goal is to share experiences and good practice between Member States and their systems. She drew attention to the fact that the 21st century system of social policies is threatened by trends such as the globalisation of the economy, the increased role played by information technologies including robotisation and new business models. She then identified the basic elements of the EU social pillar: equal opportunities and access to the labour market and to education, the principle of flexicurity and the integration of disadvantaged groups into the labour market. In conclusion she drew attention to the wider context of the social agenda, such as the ageing population and the related issue of maintaining the quality of, and funding for, the health and pension systems.

Aleš Chmelař from the Department of EU Strategies and Trends at the Office of the Government of the Czech Republic presented the discussion paper for the roundtable. It provided a comparison of the social systems of the EU Member States and is divided into five arbitrary subgroups according to common characteristics. He then compared the performance and cost of the individual systems. Performance was measured in terms of the risk of poverty and the long-term unemployment rate and costs by the volume of expenditure on social policies as a percentage of GDP. The analysis identified fundamental socio-economic differences between the structure of Czech society and the average structure of the EU and, by extension, the Eurozone. It also identified expenditure for individual areas of social policy and the possible consequences of the changing demographic structure of the population.

Subsequently, the social partners, represented by the Czech-Moravian Confederation of Trade Unions (hereinafter referred to as CMKOS) – **Radka Sokolová**, and the Confederation of Industry of the Czech Republic (hereinafter referred to as the SP CR) – **Vladimíra Drbalová** presented their opinion.

The CMKOS considers consultations on the development of a pillar for the social dimension of European integration to be an important initiative. In a number of countries the economic crisis has resulted in increased unemployment and the threat of poverty. Strengthening the social pillar should counterbalance the long-term promotion of objectives in the area of economic freedoms. The CMKOS is against the introduction of any measures that would lead to increased poverty and social exclusion. However, it does support measures to achieve full employment and the ensuing social securities for employees. At the level of the CR, it is requesting increased social spending to meet a percentage of GDP that is at least at the level of the EU average. The opinion emphasises the fact that the social pillar must have a legal and binding framework. The CMKOS supports the European Commission proposals in this area.

According to the Vice-President of the SP CR, Vladimíra Drbalová, the crisis was not caused by a lack of a social dimension in the EU. The social dimension has always been an integral part of European economic integration. The EU only represents 7% of the world population and 20% of global GDP, but spends at least 40% of global public expenditure on social protection. It has a highly developed regulatory system for the labour market, including 70 European directives setting out minimum social standards for the single market. If Europe wants to defend its living standards, it must reform its social systems and properly shape the social dimension of the European Union. The SP CR supports the European Commission initiative “New Start for Social Dialogue”, which was launched on 5 March 2015. The main message from the Confederation, which was addressed both to the European Commission and to the Czech Government, was the conclusion that the focus on employment and social performance should lead to increased job creation and higher levels of employment. In order to achieve this, European benchmarks should ensure that these objectives will be achieved through competitiveness strengthening structural reforms.

During the subsequent debate, Commissioner Thyssen responded to the arguments presented. She emphasised the fact that the goal is mainly to increase the adaptability of workers entering the labour market. Any funding should therefore always be conditional on an increase in knowledge and skills. Reactions were gradually fed into the debate by the Czech Members of the European Parliament present – **Martina Dlabajová**, **Olga Sehnalová**, **Pavel Svoboda** and **Michaela Šojdrová**. The first part of the debate was then concluded by **Pavel Trantina** from the European Economic and Social Committee.

The second part of the discussion was moderated by **Lubor Lacina** from the Mendel University in Brno and the Mendel European Centre think-tank. Participants were invited to ask questions and to make comments on the discussion paper presented and, primarily, on the three basic issues formulated for the purposes of the roundtable.

Most of the roundtable participants joined in the debate. By name these included **Jaroslav Šulc** (CMKOS), **Lucie Studničná** (CMKOS), **Ladislav Minčíč** (Czech Chamber of Commerce), **Milan Šubrt** (Association of Independent Unions of the CR), **Miroslav Fuchs** (Permanent Representation of the CR to the EU), **Dalibor Holý** (Czech Statistical Office), **Hana Popelková** (CMKOS) and **Zdeněk Čech** (European Commission Representation to the CR).

Discussions covered the quality of statistics, the EU's ability to conduct quality PR in areas where this would benefit residents, the function of the market in the process of growth versus the necessary level of social protection and the role of effective sharing of good practice between Member States.

Recommendations

Social policy has been an integral part of the entire European integration project since its inception. It is also one of the pillars of the national economic policies of the EU Member States. It was primarily the Eurozone crisis that highlighted the fact that well-constructed social systems contribute to minimising its negative impacts. As the threat of asymmetric shocks does not only affect those countries using the common currency, the euro, so efforts to strengthen coordination of social policies should not only focus on Member States in the Eurozone. The proposal to introduce the European pillar of social rights should be discussed by all the EU Member States from the outset, and not only by Eurozone countries.

EU social policy has the characteristics of a shared policy. The areas where decision-making powers are divided between the supranational level (EU) and the Member States are therefore clearly defined. Building a European pillar of social rights should not result in a harmonisation of national social systems. National social systems have evolved over time and there are significant differences between them. Given the different economic strengths, the level of social benefits or minimum wages, no harmonisation can be carried out at the EU level that would not have negative impacts on the Member States and their social systems. The role of the EU should be to concentrate on formulating recommendations and sharing examples of good practice, including minimal harmonisation to support the free movement of people and labour.

The creation of a European pillar of social rights should primarily be based on the principle of strengthening the competitiveness of the Member States and the EU as a whole. The pillar should promote the creation of new jobs and higher employment. The EU social policy should serve as a tool to protect against negative shocks in the economy in good times and in bad, and should find an optimal ratio between the protection of socially vulnerable groups and a fully competitive economy.

Recommendations by the National Convention on the EU:

1. Discussions on the social dimension of the EU, as well as on the future shape of the European pillar of social rights, should be inclusive for all 28 EU Member States.
2. Given that powers are shared between the European and the national level, the EU social policy should not have any ambition to decide on the harmonisation of social systems or the specific tools they employ (such as social benefits). These powers should remain the full responsibility of the Member States and the European Union should only intervene in this area through the coordination of social policies, the formulation of recommendations and by sharing examples of good practice.
3. Greater emphasis on the social dimension should result in strengthening job creation, higher employment levels and an improved level of social protection. European benchmarks should contribute to achieving the goals set by increasing competitiveness through the implementation of structural reforms. At the same time, these goals should not be compensated for by reducing labour standards or the level of social protection.

This text does not constitute the minutes of the individual contributions presented in the discussion. Therefore, it does not contain everything that was said and does not express the opinions of all the participants on all the discussed topics. It is a summary of the most important points and the formulation of recommendations on the basis of the discussion.

The National Convention on the European Union is a permanent venue for discussing European issues in the Czech Republic.

The project, coordinated by the Office of the Government of the Czech Republic, brings together representatives of the Government, both chambers of the Parliament of the Czech Republic and the European Parliament, academia, the non-profit sector and social partners, and other interested parties.

More information on the National Convention can be found at www.narodnikonvent.eu and on Twitter: [@KonventEU](https://twitter.com/KonventEU).