

Using our common budget to foster social convergence in the European Union

A contribution from France, Greece, Italy, Portugal, Spain

Rationale

Economic and social upwards convergence is a key promise of the European Union (EU) to the Europeans. We have so far achieved major progress, by deepening the Single Market through economic integration, and by the adoption of specific EU policies in the social field. Structural funds have also significantly contributed to reduce economic and social divergences among Member States (MS).

Despite a continuous convergence process, strong differences remain today within the EU regarding social standards, which harms the level playing field and fair competition within the Single Market. Worse, some companies and national authorities can be tempted to improve their competitive position by actually profiting from lower applicable social standards, rather than concentrating on such factors as productivity, efficiency, or the quality and innovative nature of their goods and services.

The adoption of the – non-binding – European Pillar of Social Rights (EPSR) in Goteborg has been a major step forward. We very much welcome that the EPSR is now incorporated into the European Semester. In addition, we strongly believe that the EU budget should be used to encourage gradual implementation of some important EPSR principles, for the sake of levelling the Single Market playing field.

Proposal

First of all, France, Greece, Italy, Portugal, Spain think that the Commission's proposal goes in the right direction by using the EPSR as a strategic objective of the structural funds. The "thematic enabling conditions" mechanism introduced by the Common Provisions Regulation (CPR) appears to be an interesting vehicle for making sure that ESF+ and ERDF are used for implementing some EPSR principles.

France, Greece, Italy, Portugal, Spain consider that we should go further by introducing a new "horizontal enabling condition" for funds under the roof of the CPR. MS should only benefit from these funds if the Commission considers they have set up a national framework that respects three core EPSR principles (out of a total of 20), taking into account the diversity of national systems: fair wages providing for a decent standard of living; an appropriate framework giving a consultation role to social partners; and national welfare systems providing workers with a replacement income when they retire or are forced to interrupt their careers - owing to sickness, accident, maternity, invalidity or unemployment - compensating for the decrease in income in a reasonable manner.

Concretely, this proposal implies two changes in the current negotiating bases:

- 1) a mention in the paragraph 12 of the MFF negotiating box:

*"The role of the EU budget in supporting the effective implementation of EU wide policy objectives should be further enhanced, notably by strengthening the link between the EU budget and the European Semester, **the gradual implementation of the European Pillar of Social Rights**, as well as in the areas of [migration], environment and climate. **For that purpose, horizontal and thematic enabling conditions are among others an appropriate tool.***

2) an amendment to Annex III of the CPR, which contains an open footnote¹:

| Name of the horizontal enabling conditions and should thus be discussed in the MFF AHWP: | Criteria |
|--|--|
| Progressive implementation of the European Pillar of Social Rights | <p>Taking into account the diversity of national systems and in full respect of the autonomy of social partners, effective national frameworks are in place to ensure the progressive implementation of the European Pillar of Social Rights, that includes :</p> <p>1/ The existence of predictable bargaining mechanism establishing a minimum wage at national, sector or firm level, or, if such a mechanism has not been established, a framework ensuring regular monitoring and discussion on the lowest wage levels, with a view to combating in-work poverty.</p> <p>2/ An appropriate institutional or legal framework giving a clear consultation role to social partners during the preparation and implementation of economic, social and labour policies.</p> <p>3/ Welfare systems providing workers, when they retire or they are forced to interrupt their careers owing to sickness, accident, maternity, paternity, invalidity or unemployment, with a replacement income² compensating for the decrease in income in a reasonable manner, in accordance with the national systems and their participation in appropriate social security schemes. Welfare systems shall ensure equal opportunities, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Welfare systems should also provide protection to other groups that cannot participate in the labour market, such as children and youth.</p> |

Why particularly these three principles?

- **A framework ensuring decent and sustainable wages**

It is essential to support living standards for the lowest-paid workers, in order to overcome poverty and to ensure the satisfaction of the needs of all workers and their families, without entailing negative effects on employment. This could be ensured through a predictable bargaining mechanism establishing a minimum wage at national, sector or firm level, or, if such a mechanism has not been established, by the existence of a framework for regular monitoring and discussion on the lowest wage levels, with a view to combating in-work poverty. The issue of working poor must indeed be taken into account to fight against social exclusion, which is a competence of the Union.

- **The access to an appropriate social protection**

Beyond income smoothing and insurance against social risks throughout the life-cycle, well-designed social protection systems aim at social inclusion and labour market to ensure people's social rights, both through adequate social security systems and social assistance measures.

Well-designed social protection systems in the EU can help fighting the risk of poverty and social exclusion, in line with the objective of the Europe 2020 Strategy to reduce by 20 million the number of

¹ « The content of this annex is without prejudice to possible additional conditionalities to be debated at political level, including on the European Pillar of Social Rights. »

² which can also take the form of benefits.

people facing this risk. An upward social convergence appears necessary, insofar as the rate of people at risk of poverty and social exclusion stands at very different levels in EU. Beyond the protection of individuals, social protection systems also play an important role of automatic stabilizer during crises by maintaining incomes.

- **The consultation of the social partners in the preparation and implementation of economic and social reforms (social dialogue)**

Social dialogue is a building block of the European social model and of a well-functioning social market economy. It contributes to devising arrangements that better serve the employment and skills needs of both employees and companies, and to building shared understanding and mutual trust, which are essential for addressing social challenges and modernising economies.