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A European Pillar of Social Rights

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Key note speech at the Annual Convention for Inclusive Growth, March 21, 2016

[Dear Commissioner],

Ladies and gentlemen,

It is a great pleasure to be back in Brussels. It is a privilege to work for President Juncker and Commissioner Thyssen on a European Pillar of Social Rights, the next big step in the development of our European Social Model.

I want to congratulate DG EMPL for organising this Convention. It is a very good way to illustrate the way we want to work on the Pillar of Social Rights, backing up the Commission's work by providing evidence for debate and policy making.

My task today is to give you an introduction to this initiative and to set the scene for the consultation process, which will be open, far-reaching and long – it will continue to the end of the year. That means that you will have many opportunities to express your views and to be listened to.

Two weeks ago the Commission approved a Communication explaining “why” to develop a social pillar, “what” it could look like and “how” to work to stimulate debate and creativity and to gather support for a new step in European integration.

I will introduce you to this initiative by putting – and discussing - five questions:

- My first question is what we mean with a European Social Model?
- My second question is about today's economic and social realities in Europe – why do we need a new start, a new social initiative?
- My third question is about what works and what does not work in our social systems.
- My fourth question is about the difference between the present social acquis and the Pillar of Social Rights.
- My fifth and last question is about the consultation process – its aim, how it will be organised and what outcome we expect.

I will do all this, as good as I can, in the next fifteen minutes, to allow you to make comments and questions.

1. What do we mean with A European Social Model?

It is a matter of fact that Europe has the best developed social system in the world.

That has given us good reasons to talk about a European Social Model. During the crisis, the European Social Model has been a great asset that has protected people from the consequences of the financial turmoil. Many jobs have been saved and flexible responses have been found. However, the crisis has taught us that, in order to create a more prosperous and more resilient socio-economic model, we need further improvements, both at EU and Member States level.

We also need to see what can be done differently, and better, on the side of the social model. It is true that we have a common ground of basic social principles and rights. However, there is no unified social system in Europe. The reality is that we have several clusters of social models, a Continental, an Anglo-Saxon, a Scandinavian, A Mediterranean and a Central European. With a lot of differences among them – and inside each cluster.

This is the political reality from which we start, a reality that we have to respect in accordance with the principle of subsidiarity. Thus the aim is not unification, but the focus will be on social achievements. And on learning from each other.

2. Why do we need a new start for Social Europe?

My second question is about why we need a new start for Social Europe. The answers to this question are in the Communication on the Pillar of Social Rights, answers that are aimed to serve as alarm bells, as a call for action.

- First, there is the EU's commitment to social progress, within a highly competitive social market economy, and economic, social and territorial cohesion. This is enshrined in the EU Treaties. Eight years after the start of the financial crisis, there are still 22 and a half million people unemployed, almost half of them long term unemployed. What a waste of Europe's best resources, people's will to work and contribute to a better society! This incapacity to turn the potential labour force into gainful employment has dramatically changed social developments – from an ongoing reduction to a dramatic increase in poverty between 2008 and 2015, of 4.8 million in the EU 28 (and 6.6 million in the euro area). Although now decreasing, poverty and social exclusion remain very high, affecting more than 122 million people in the EU. [This is, more than 20 million away of the Europe 2020 target].
- Second, divergence, not convergence between Member States. During three decades we could register convergence, supported by the EU cohesion policy. During the last ten years we have seen the opposite, a growing divergence. Richer countries have coped with the financial crisis better than other countries. These developments are

serious for EU as a whole, but they are dangerous for the EMU. Divergence contradicts the EU's endeavour for full employment and social progress.

- Third, we are facing a new working life, quite different from the working life of the 20th century, for which we built our social protection systems -in work and in society. We are in the beginning of a process of fundamental changes due to new technologies, that will lead to new forms of services, new forms of production of goods, new forms of distribution and new forms of enterprises. For this new world of work, we will have social systems than can give a good protection to workers while supporting new forms of working life. We have to learn to understand the new world of work to design well-functioning social systems.
- The fourth point is about demography, another factor that has started to change our societies in a fundamental way. In a generation, the dependency ratio will go from 28 to 50 per cent. That means that instead of 4 people in working age for 1 retired person as it is today, there will be only two. This will stress the intergenerational contract in a way that we have difficulties to foresee today.

These are the economic and social realities, eight years after the worst economic crisis of our generation. These are the challenges that we have to understand and address, and that cannot be met by doing business as usual.

3. What works and what does not work today?

To know what to do, we need to understand what works day and what does not work.

Over the last 60 years, we have built up a solid body of European social rights, from the early health and safety provisions for workers in the coal and steel industry, to a broad based social safety net covering a great number of risks in work and in society. Over the years, the Commission has taken numerous initiatives to strengthen efforts on pressing priorities in the economic, labour market and social fields, and to update the "social acquis". These include, just to name a few, the rollout of European Structural and Investment Funds, the Investment Plan for Europe, the revamped European Semester, the strategic engagement on gender equality 2016-2019, the Youth Guarantee, the recommendation for the labour market integration of long-term unemployed, the European Accessibility Act...

Now, the question we have to address is the following: How come that poverty and inequalities are increasing – in spite of a European social safety net and national welfare systems?

- Can we explain it in terms of weak implementation of social provisions?
- Or is the main explanation rather to be found in the big gap(s) in the social systems?

It is of fundamental importance to better understand these circumstances before we move on to the next phase of designing a social protection system for the new, digital working life

and the ageing society. We have already put these questions to the social partners. Now, it is up to you to put them on your agenda and help finding the answers.

4. What is the difference between the social acquis and a European Pillar of Social rights?

Let us now look into the future and identify the difference between the present social “acquis” and the European Pillar of Social Rights.

I would like to describe the difference between what we have today and what President Juncker and Commissioner Thyssen aim at as a difference both in reform process and in social ambitions.

The present social “acquis” has been established step by step. Problems have been identified. Research has been done. Solutions have been agreed, translated into European directives and national law. Step by step, focusing on specific problems.

Establishing the Pillar will be different in many ways. The purpose is to take a holistic view, to address both the realities of today and the challenges arising from the future of work, asking ourselves what we need to do to ensure that European labour markets give good opportunities for our citizens, and to reduce inequalities, exclusion and poverty.

When the Commission, two weeks ago, agreed on a package of documents to launch the consultation process, it included a draft outline of the Pillar of Social Rights, identifying some of the main elements of a new step in European integration. It consists of 20 domains, under three headings:

- The first one is about employment, education, training, skills, life-long learning activation, all necessary for a more successful economy and for reduction of poverty, it is the employment situation, that is the big difference inside and between member states.
- The second one is about social rights at work – a labour contract, health and safety, social dialogue and representation.
- The third is about social rights in society, outside workplaces, about health care, sickness insurance, unemployment benefits, pension, childcare and old age care.

This is a draft outline which will serve as a basis for consultations, particularly with the social partners, but also with those closer to the citizens and needs on the ground, which can help us to develop knowledge and support our policy making.

Let me add a couple of evidence based observations on relations between social and economic development, which are included in the Commission Communication:

- The first one is about the growing inequality, not only in Europe but in most of the world. Research done by the leading international organizations, the International Monetary Fund, the World Bank, the OECD and the ILO have identified inequality not only as a social problem, but also as economic problem. Inequality, as we know it, hampers economic development. Thus, the trickle down philosophy of the past, does

not work. We have to find a new ground for the interaction between growth and distribution of growth.

- The second one is about the role of social policy for economic growth. The traditional view is that social policy is a burden on enterprises and a country's economy. First you have to become rich, then you can afford social protection. However, the best performing Member States of the EU have all high social ambitions and strong social safety nets. And these strong safety nets have been built up over a long period of time. Thus, we can draw the conclusion that social policy, rather than being a burden, is a productive factor. Economic and social progress are two sides of the same coin. However – and this is an important reservation – it all depends on the design of social rights and social protection systems in general.

To sum up this discussion on the draft outline of the Pillar: the purpose is to take a holistic approach, building on the new knowledge on the relations between economic and social performance, on the need to have well designed social protection systems, which can serve as a productive factor for economic growth and widely shared prosperity.

5. The consultation process – how will it work?

My fifth and last question is about the consultation process – the aim of it, how it will be organized and what outcome we expect.

Let me begin by saying that the work on a Pillar of Social Rights is, first and foremost, directed to the EU-members of the euro area. There, divergence is a serious threat and there the will of integration is strongest. However, other Member States are welcome to opt-in.

The road map for the consultation process looks like this:

- It will be open, broad and long, lasting to the end of this year. It is open for all, and there is room for individuals to enter into the process. It is obvious that the social partners have to play a leading role. Dialogue with NGOS and individuals close to the citizens and the problems on the ground is also key.
- There are three aims of the consultation process:
 - a) Agenda-setting
 - b) Knowledge building
 - c) Policy developing
- There will be three work streams:
 - a) one on the present acquis – what works and what does not work
 - b) the future of work - the new digital society and working life
 - c) the draft social pillar – what to do on European level and what to do on national level and what can social partners do?

The consultation process will end with a final conference where we will sum up the discussion, prepare a report to the President, to the Commissioner and the whole

Commission and a proposal for a European Pillar of Social Rights, which will be launched as a part of the White Paper on the EMU next year.

6. Business as usual does not work – time for new ideas!

Let me end by saying that the purpose is to find a new balance between Financial Europe and Social Europa, to develop a new European model for inclusive growth and employment.

That is a high ambition and a big challenge. However, we are living in time of history of great uncertainty and of great need for new ideas and initiatives.

Make no mistake – business as usual does not work, the old models do not work. The economic recovery alone will not be enough. Piecemeal reform will not be enough. It is time for new ideas, new strategies and new forms of cooperation to make Europe both more business friendly and at the same time giving workers and citizens decent work, improved skills and better social protection. It is not either-or. It is both-and. That is the big challenge.

We need your ideas – and we need your engagement in this new challenging task!