



To President of the European Commission
Jean-Claude Juncker
European Commission
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Brussels, 25th April 2017

PES positions to the Commissions reflection papers on the European Pillar of Social Rights and the Deepening of the Economic and Monetary Union

Dear President Juncker, dear Jean-Claude,

This year, the EU is celebrating its 60th anniversary. It is also at a turning point of the common path that brought us peace, prosperity and stability. The white paper on “the Future of the EU” that your Commission put forward marks the start of a crucial, in-depth discussion to be dealt with in parallel to the Brexit negotiation. The Party of European Socialists is deeply committed to this process. With this letter we bring our contribution for the two first landmarks you have identified on the path to building the union of the future, the European Pillar of Social Rights and the future of the Economic and Monetary Union.

Europe faces huge challenges that require a better European Union: creating quality jobs and growth, fighting poverty and social inequalities, guaranteeing security and handling migration flows, promoting and strengthening the rule of law, empowering and protecting citizens, ensuring energy security and sustainable climate policies, and fostering economic, social and territorial cohesion. The financial crisis in 2008 hit hard and it exacerbated the existing inequalities within countries and between member states. Europe has not yet recovered from it. This, in a context of growing instability and geopolitical changes at our European borders and under-regulated globalisation.

For many Europeans, the EU has become the face of austerity. The institutional complexity of the European institutions, combined with a need for more clarity and transparency, have created a distance between Europeans and their Union. It also turned the EU into an easy scapegoat. We must therefore regain citizens' trust in the EU. The EU must reinvent itself, or it faces the risk of disintegration. Too many national-populist forces are already rejoicing over the perspective. This appeals to a heavy sense of responsibility.

We at the Party of European Socialists strongly reaffirm our joint commitment to the European Union, firmly believing that Europe is successful when we overcome narrow self-interest in the spirit of solidarity. We want

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the EU to play again its role as the best tool to bring prosperity, progress, protection and equality for its 500 million citizens. We fight for a Europe that brings economic and social convergence, ensure a fair distribution of economic wealth and deepen social cohesion across the Union.

A strong and ambitious European Pillar of Social Rights

The years of neoliberal policy and austerity that followed the financial crisis have undermined the social fabric in many countries. They have eroded the EU as a champion of social rights and of equality. The UK referendum and the extreme right's strength in too many elections showed, that part of our citizens feel that the EU has not allowed them to get their part of the profit made and has not protected them enough from rising inequalities, increased precarious work, low wages, or unemployment. Their questions deserve an answer.

There is an urgent need for a more social Europe, for a Europe of decent working conditions, for a Europe against inequalities, and for a Europe of strong social protection. One needs more than a big market to fall in love with the EU. The future of Europe will either be social or will not be at all! With the European pillar of social rights that you will present on 26th April, we all have an important occasion to reaffirm that Europe protects its citizens. To strike a new balance in favour of a more social Europe, it is time to take bold, ambitious and concrete measures:

Our social model builds on strong social standards. The pillar needs to reaffirm **common, effective rules for decent working conditions and health and safety at work.**

- European policies encouraging Member States to lower minimum salaries must be reversed. The Pillar of Social Rights should guarantee **national wage floors**, to be reached either by law or through collective bargaining. For work to remain a way out of poverty, all wages in Europe should be at least above the poverty rate. This should be a core objective of the European Semester, both to avoid in-work poverty and to strengthen purchasing power.
- **The consolidation of social standards** in Europe. We want to **ensure decent working times** to every citizen. We will continue to foster **sharing working time** as one of our tools to create employment, and allow Europeans to reach a proper balance between work and private life. Further, The European Pillar of Social Rights should encompass the **right to a safe and healthy workplace.**
- The evolution of work in our societies calls on us to lay the foundation for new rights: Basic labour rights should be encompassed in a **framework directive on decent conditions in all forms of employment**, may they be digital or not. The Pillar should also endorse the concept of **personal activity accounts**, keeping entitlements transparent even when people move between many jobs and many types of employment, and a right to disconnect for European employees.
- For social standards to be effective and secured, it is crucial to give more weight to social rights enshrined in the treaties and to acknowledge that economic freedoms cannot prevail over social rights. We need clear steps to be taken towards a **Social Progress Protocol to be incorporated in primary law at the next Treaty change**, setting clear objectives of upwards social convergence across the EU, making the EU a project of shared social progress again.

The European Pillar of Social Rights should **reinforce social dialogue at European level** as a built-in mechanism of our social model.

- **The pillar must explicitly recognise long established workers' rights such as** the right to strike, the right to form a trade union, workers participation in the design and implementation of employment and social policies.
- It should support **collective bargaining in new forms of work**, with the creation of platforms for collective bargaining in the digital sector and the extension of collective agreements to individuals engaged in new forms of work.
- It should further promote the **enforcement of EU level social partner's agreement** and reinforce **common representation of workers from the different EU countries** in which a multinational operates.

Combating inequalities: the European Pillar of Social Rights should re-install non-discrimination in all its dimensions as a core principle of the Union.

- Non-discrimination should guarantee all EU citizens, including mobile workers in a host state, **equal access to social security. Equal pay and equal rights for work of equal value for all should be**

the leading principle of a fair workers' mobility. Thus we need quick progress on the Posting of Workers Directive's revision and careful setting up of the e-card project.

- Non-discrimination is also essential to reaffirm the fundamental principle of **equality between women and men**, with a priority **to reduce the gender pay gap by 2% each year** and sanctions against those employers not meeting legal requirements on equal pay. We are ready to **reopen the debate on EU regulation regarding paid maternity and parental leave** with legislative proposals as regards maternity leave, paternity leave, parental leave, carers' leave, and flexible working time arrangements. We want to improve **European minimum standards for childcare**, including easy access to affordable and good quality childcare, for a better sharing of family responsibilities.
- We do not accept that a picture, a name or even a zip code constitute obstacles to finding a job. The Pillar needs to **provide means to further combat discrimination in accessing employment**, including **financial incentives for the recruitment** of specific groups and **dissuasive sanctions** against discriminatory practices. We **end age-based discrimination on minimum wages** by abolishing lower 'youth minimum wages'.

As a first step to realise the EU's commitment to the **Sustainable Development Goals (SDGs)** and the 2030 agenda, **the EU must step up its fight against poverty and social exclusion.** Protection at all stages of life must become a tangible reality in all Member States.

- The European Pillar of Social Rights should set a **European social protection floor** that guarantees universal access to essential quality health services, decent housing, basic income security. This implies ensuring equal access to minimum income schemes and ending existing age restrictions.
- Because they face the most crying injustice, a **European Child Guarantee**, a specific European fund to ensure children's rights to healthcare, education, childcare, housing and nutrition is direly needed.
- To prevent people from entering poverty when losing their job, we want **European standards to anticipate and manage restructuring** in a social and responsible way, supported by adequate funding in the European Social Fund and the European Globalisation adjustment Fund.

The Pillar must set the frame for **a labour market accessible to all.** This means equipping people with the skills necessary to face the challenges of a fast changing labour market.

- **Completion of secondary education should be obligatory in 21st century Europe** and people who have dropped out from primary or secondary school must be given a new chance to acquire the skills and competences they need.
- The European Pillar of Social Rights should foresee a **Skills Guarantee for everyone**, including sufficient funding to make it effective and support both training and retraining schemes, in particular in digital skills.
- This goes together with the specific targeting of the young people, **making the youth guarantee a permanent feature of European employment policies**, with sustainable and adequate funding from both European and national budgets.
- Because they should be a jumping board to employment, we defend a **framework for quality internships and apprenticeships**, based on a contractual relationship between the trainee and employer, including remuneration and insurance.
- Mobility should be accessible to all. This requires specific efforts towards **people who take up vocational education and training with** a more ambitious programme to support their mobility.

The European Pillar of Social Rights needs the means to match its ambitions. This implies making full **use of flexibility within the Stability and Growth Pact and putting an end to mere austerity.** **The European Union must provide a framework that allows combining fiscal stabilisation with employment friendly macroeconomic policies.** **Social protection systems** are not an economic burden, but assets for making the economy more resilient. **Progressive reforms and social investments supporting** employment as well as the economic, social and environmental sustainability of Europe's development are key features to increasing each and everyone's well-being.

An Economic and Monetary Union of sustainable economic growth and employment

Re-balancing Europe's economic governance system and completing the Economic and Monetary Union (EMU) are crucially important for strengthening the foundations of the whole European Union and for achieving core European objectives such as high employment and sustainable well-being. The long economic crisis, aggravated by the EMU's fragile set-up and harsh fiscal consolidation, has undermined investments in

future growth, caused severe and unnecessary social hardship and deepened inequalities both within and between countries. The need for a new architecture of the euro area in order to assure a better macro-economic management in the future is becoming increasingly important. We call for an inclusive approach to be taken in this effort. All Member States have an interest in ensuring that the EMU functions well and delivers balanced growth, high employment and social progress while maintaining fiscal responsibility. To achieve this aims progress needs to be achieved on all pillars of the EMU. We need to ensure that economic policies promote sustainable growth, that social policies are strengthened and that socio-economic policies come on equal footing. Moreover, bold steps must be taken to complete the Banking Union and restore trust to the financial sector. Europe's democratic deficit needs to be addressed and new instruments that promote solidarity need to be put in place. The reflection paper on the Deepening of the EMU expected at the end of May should strongly reflect this aims and bring forward concrete proposals for creating an EMU that promotes sustainability, bridges inequalities and ensures wellbeing for all.

Closer attention needs to be paid on the **impact of fiscal policy on social policy**. Years of austerity-only measures have not only left Europe with increasingly **high social and economic inequalities**, but have had a severe impact on multiplying the number of unemployed and have pushed poverty levels to unacceptable levels. To reverse this trend, Europe's **economic governance model need to change**:

- **Stronger surveillance of the employment and social situation in Europe** and appropriate and constant follow up at every step of the European Semester needs to be established. Achieving smart, sustainable and inclusive growth requires better coherence between the policies put forward in the recommendations following from the Stability and Growth Pact, and the Macroeconomic Imbalances Procedure (MIP).
- The existing scoreboard of **key employment and social indicators in the Joint Employment report needs to be strengthened**. Social indicators such as household incomes, real wages, poverty and child poverty, homelessness and access to health care and education should be better reflected in the European Semester.
- **National reform programmes and the Stability and convergence programmes need to fully reflect social and employment coordination**, while Country Specific Recommendations need to address key employment and social challenges.

Reducing macroeconomic and macro-social imbalances while supporting growth and jobs should be the aim for the future. Wage, price and productivity policies should be coordinated, building on social dialogue, in order to **protect the EU's labour standards**, overcome current imbalances and foster upward convergence in a growth-friendly way.

- The **Eurozone should be considered as one macroeconomic entity**, for which an optimal aggregate fiscal stance and its approximate country-by-country breakdown should be defined at or close to the zero lower bound, in order to avoid that the sum of national fiscal policies is excessively expansionary or contractionary.
- While the Eurozone's actual growth is below potential and monetary policy is reaching its limits, **countries with greater fiscal space should use this space to stimulate domestic demand**. The MIP should be much better and fully used to that purpose.

Moreover, for effectively **pursuing budget consolidation and sustainable growth**, fiscal responsibility needs to be strengthened across the business cycle while providing for an adequate degree of flexibility in order to support the implementation of structural reforms and stimulate economic growth during cyclical downturns.

- The **Stability and Growth Pact should be reformed to better factor in the longer term outlook** and to promote sustainable economic growth, to help reduce economic inequalities and provide fiscal stabilisation. **The adoption of a convergence code, building on the virtues of the Maastricht criteria ahead of the adoption of the euro, would allow for a better appropriation mechanism by Member States**.
- Countries under the **corrective arm should have greater room for reforms and investments** which enhance growth potential and improve fiscal sustainability.
- Creating **fair taxation** frameworks is essential for **putting end to the existing fiscal race to the bottom and aggressive tax planning** which weakens public budgets. In particular, the Commission's proposed actions against tax avoidance should be implemented without delay and further progressive adjustments in our tax systems should be promoted.

- A more balanced governance framework should be established in the euro area, particularly by creating a **Eurozone EPSCO meeting** and establishing greater cooperation with the Eurogroup, whose accountability to the European Parliament needs to be settled.

A strong-investment growth agenda aiming at low-carbon, smart and inclusive growth must be pursued without delay. Private investment alone is not sufficient. **Both private and public investment should be stimulated** in order to promote the creation of new and quality jobs and moreover address the EU's migration and security challenges.

- Europe needs to **close the investment gap** by pulling all investment tools together and forming an ambitious 'Investment Union. The rate of gross fixed capital formation has been below 20% for a number of years due to the European financial crisis. Investment would need to grow by at least 2% GDP in order for Europe to retrieve a healthy investment level.
- Existing instruments such as the European Structural and Investment Funds, the European Fund for Strategic Investment need to be strengthened. The **flexibility of the Stability and Growth pact**, allowing countries certain temporary deviations in return to growth enhancing structural reforms and investments need to be promoted.

The Eurozone, due to its lack of exchange rate adjustment, needs instruments to **address both symmetric and asymmetric shocks** and effectively address current challenges. A **fiscal capacity**, such as a Eurozone Budget, could serve this purpose by supporting balanced growth, high employment and social progress based on renewed convergence, fiscal responsibility and future-oriented investment. It could notably build on the potential of the European Stability Mechanism that need to be integrated in the Treaty. The creation of a Eurozone fiscal capacity would aim, for immediate reaction to economic shocks, focused on reducing cyclical unemployment and strengthening real economic convergence by upholding domestic demand and maintaining healthy levels of investment. To do so the capacity should aim at:

- **Promoting sustainable structural convergence** via the implementation of a '**convergence code**' for supporting progressive structural reforms and investment and enabling the better implementation of country-specific recommendations.
- Enable the Eurozone to **address large symmetric shocks**, by **facilitating public investment** by allowing flexibility in the rules of the Stability and Growth Pact and help accelerate economic recovery in the Eurozone as a whole.
- **Mitigating asymmetric shocks through an European unemployment insurance scheme**, this would serve as a Eurozone-level automatic stabiliser ensuring that countries can offer protection of unemployed people and uphold aggregate demand in times of cyclical downturn.

The **Banking Union** is an asset for the EMU, but more needs to be done to ensure that the **vicious link between banks and sovereigns is cut**. For ensuring the **resilience of the financial sector** and the effective **protection of taxpayers' money** from future financial shocks and for making the **financial sector serve the real economy**. To achieve these aims progress needs to be achieved in:

- Agreeing on the creation of a **common backstop to the Single Resolution Mechanism** to increase the resilience of the banking union and viably address the sovereign-bank nexus.
- Developing a common and coordinated **European Deposit Insurance Scheme enabling the reduction of financial fragmentation and the protection of deposits across Europe**. This should be done in an effective manner through pursuing both risk-sharing and risk-reduction.
- Creating a **well-regulated Capital Markets Union** to better match Europe's savings and its investment potential. This should be done taking into account the current taxation bias in favour of debt versus equity and the need to upgrade in parallel the supervision structure. It should also promote innovative financing mechanisms such as crowdfunding and by avoiding opaque securitisation.

To restore the confidence of our citizens in the European Union, **democratic legitimacy and accountability must be ensured for European as well as national decisions** with regard to economic, financial and social policies. More common decision-making will be necessary in a deepened EMU equipped with new instruments. Euro area governance decisions and resources must be joint, not just shared.

- National parliaments should **enhance ownership of reforms** by thoroughly discussing the Commission's Country reports and by voting on National Reform programmes.
- The **European Parliament** - as the only directly elected European institution should be directly involved in **shaping the European and Eurozone policy mix**.

- Deepening the **EMU** should go hand in hand with a **democratically legitimate governance structure with parliamentary control**.

The reflection papers on the European Pillar of Social Rights and the Deepening of the Economic and Monetary Union expected in end of April and May respectively will set the pace for the future integration of the Union. Our commitment to create a more social and sustainable Europe is strongly reflected in the above proposals, which we call you take in due consideration. These issues not only reflect our progressive values but strengthen the core founding principles of the Union. Citizens are expecting change from us and we strongly urge that this change works towards their benefit. Ensuring each and every citizen's' wellbeing and prosperity is our aim and our answer for addressing current and future challenges.

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