



## Committee of the Regions

ECOS-V-050

105th plenary session, 30 and 31 January 2014

## OPINION

## The social dimension of the Economic and Monetary Union

## THE COMMITTEE OF THE REGIONS

- **avers** that the point of strengthening the social dimension is to minimise the risk of competition between social models that might result from the surrender of economic adjustment tools such as exchange rates or from fiscal policies being framed at European level, and to counter the negative impact of the crisis and austerity policies;
- **urges** that the social dimension of EMU allow for national social models to be maintained and co-exist, and **points out** that this is not meant to entail a harmonisation of social systems but to uphold the principle of "united in diversity";
- **reiterates** its call for better coordination of economic and social policies between the European and national levels of government under the European Semester, and **calls for** local and regional authorities to be more closely involved in this coordination;
- **repeats** its call to the Commission to address in more detail the issue of public spending quality;
- **is concerned** that because the scoreboard would be drawn up by aggregating national indicators, it might not show potential disparities existing at regional level; therefore **suggests** that more suitable tools be used to evaluate subnational disparities;
- **asks** the Commission to stipulate that in social matters the effort to address imbalances would not entail automatic triggering of sanctions if alert thresholds are exceeded. Rather, a mechanism should be used to prompt convergence towards joint objectives, and sharing of existing best practice should be encouraged;
- **calls on** the Commission to draw up a green paper on automatic stabilisers in the euro area.

Rapporteur:

Jean-Louis Destans (FR/PES), President of Eure General Council

Reference document

Communication from the Commission to the European Parliament and the Council – Strengthening the social dimension of the Economic and Monetary Union  
COM(2013) 690 final

## Opinion of the Committee of the Regions - The social dimension of the Economic and Monetary Union

### I. POLICY RECOMMENDATIONS

#### THE COMMITTEE OF THE REGIONS

##### General comments

1. **welcomes** the Commission communication on strengthening the social dimension of the economic and monetary union (EMU), a text which is part of the roadmap for the completion of the EMU agreed on by the European Council of 13 and 14 December 2012;
2. **considers** this communication to be a useful first step towards establishing the basis for a real social pillar within EMU, based on implementing the proposals it contains;
3. **notes** that the European Council of 19 and 20 December formally approved the use of key social and employment indicators in the 2014 European Semester, but **regrets** that they will only be used to analyse social trends. Therefore **reiterates** its call to incorporate the social dimension of EMU into the governance, coordination and monitoring of economic policies;
4. **endorses** the Commission's proposals intended to achieve a rebalancing of the euro area, whose main preoccupation has so far been the Stability and Growth Pact and the "six-pack", and to argue in favour of adding a social pillar to the existing pillars of EMU (economic, budgetary, banking and political);
5. **insists** that this future social pillar of EMU must be horizontal in nature, to ensure that better account is taken of the social dimension and the social effects of EMU economic governance. This is crucial both for the smooth functioning and the medium- and long-term viability of EMU and for the legitimacy of the European integration process;
6. **points out** that the smooth functioning of any currency area requires a degree of symmetry between the economies of its members so as to minimise the frequency and impact of asymmetric shocks; also **believes** that the risk of competition between the member countries' social models in the event of such shocks has now been borne out, with a polarisation between the centre and the periphery discernible since 2007-2008 in respect of factors such as employment;
7. **avers** that the point of strengthening the social dimension is to minimise the risk of competition between social models that might result from the surrender of economic adjustment tools such as exchange rates or from fiscal policies being framed at European level, and to counter the negative impact of the crisis and austerity policies;

8. **is convinced** that the democratic legitimacy problem of EMU can only be addressed if Europe's citizens believe that the principle of social progress is also being safeguarded and that employment and social standards are not being treated as mere "fringe benefits" of the macroeconomic adjustment process;
9. **stresses** in this connection that almost all the key social indicators have breached previous highs: youth unemployment is close to 23%, the number of long-term unemployed has increased in most Member States, and the proportion of the population at risk of social exclusion in Europe is now 25%;
10. **notes** that the crisis has reversed the process of converging regional GDP per capita and unemployment within the European Union, and that social imbalances are growing faster within the euro area than in the rest of the EU, hampering the economic performance of the euro area and the political stability of its member countries;
11. **concludes from this** that the euro area is burdened not just by its members' budget deficits, but also by the social and territorial cohesion gap between the member countries and between regions, and that it is therefore essential to give the same priority to the social dimension of EMU as to economic policy coordination, whereby the focus should be on resolving structural problems;
12. **urges** that the social dimension of EMU allow for national social models to be maintained and co-exist, and **points out** that this is not meant to entail a harmonisation of social systems but to uphold the principle of "united in diversity";
13. **is convinced** that the role of the EU is rather to pursue social policy objectives and develop fundamental rights and to introduce legally binding EU-wide minimum standards, whilst preserving the Member States' scope for action in social policy;
14. **calls for** the social dimension of the euro area to be developed as part of an open enhanced cooperation approach whereby the current members of the euro area can be joined by those that have made a treaty commitment to adopt the euro, as well as the other EU Member States, given that strengthening of the social dimension would seem indispensable for the EU as a whole;
15. **reiterates** its call for better coordination of economic and social policies between the European and national levels of government under the European Semester, and **calls for** local and regional authorities to be more closely involved in this coordination<sup>1</sup>;

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<sup>1</sup>

Cf. CoR Resolution on the priorities of the Committee of the Regions for 2013 based on the legislative and work programme of the European Commission (CDR2204-2012\_00\_00\_TRA\_RES).

16. **urges** that the process of coordination between social policies should ensure that local authorities are supported in their endeavours to implement appropriate employment and social policies. This approach requires that specific regional challenges be addressed in these areas and that sharing of best practice be facilitated at local and regional level;
17. **shares** the Commission's objectives of "enhancing capacity to monitor employment and social developments", "mobilising EU action and funding to tackle unemployment (...) in an effective and sustainable way", "combining the steps taken on responsibility and economic discipline with more solidarity and financial support", "reducing existing barriers to cross-border labour mobility in the EU" and "strengthening the role of social dialogue";
18. **repeats** its call to the Commission to address in more detail the issue of public spending quality, by evaluating the option of separating *current spending* from *investment spending* when calculating budget deficits, so as to avoid hindering public investment that would bring long-term net benefits;
19. by the same token, **considers** that social investment should be taken into account on a weighted basis when calculating budget deficits;

#### **Specific comments**

##### *Scoreboard of key employment and social indicators*

20. **supports** the Commission's idea of introducing a new scoreboard of key employment and social indicators, as well as the incorporation of new social and employment indicators into the procedure for monitoring macroeconomic imbalances and the alert mechanism;
21. **considers** that establishing such a system for identifying social disparities within the euro area is a positive step towards solidarity-based integration and marks the beginning of a rebalancing that is needed between economic and social policies in the context of the European Semester;
22. **regrets** to note, however, that the range of indicators proposed by the Commission is too limited to fully capture the social situation and social trends in the Member States and that the choice of proposed indicators is not properly substantiated. The Commission is asked to provide a more detailed explanation before a final stance can be taken as to which indicators would be the correct ones to use;
23. **proposes**, furthermore, that the social scoreboard take into consideration people over 65, i.e. pensioners, who account for a significant proportion of the poorer sections of society in certain Member States;

24. **therefore recommends** that the Commission develop the social scoreboard even further, working with local and regional authorities on including indicators already in existence at local, regional and national level, as well as, where appropriate, additional indicators such as child poverty indicators, an index of decent employment and a minimum wage index, and that the data be presented in both statistical and monetary terms (showing, for example, the cost of young people not in education, employment or training, or NEETs, as a percentage of GDP), so as to give a more accurate picture of the economic consequences of the employment and social outlook and to transmit a stronger and clearer message to policy-makers;
25. **also suggests** adding a gender dimension to the indicators that are adopted - for the unemployment rate, NEET rate and youth unemployment rate and at-risk-of-poverty rate - since recognising gender disparities in respect of social problems would allow more targeted, and therefore more effective, policy measures;
26. **recommends** that the Commission make a special effort to ensure that the statistical data for the indicators used in the employment and social scoreboard are provided in good time, so that more relevant information is available at an earlier point;
27. **is concerned** that because the scoreboard would be drawn up by aggregating national indicators, it might not show potential disparities existing at regional level; therefore **suggests** that more suitable tools be used to evaluate subnational disparities<sup>2</sup>;
28. **laments** the lack of any proposal for a quantitative reference for fixing alert thresholds; **notes** in this regard that the absence both of a recognised social protection floor at EU level and of any reference in the Commission communication to common social standards make it impossible to gauge at this stage what thresholds are envisaged by the Commission;
29. **considers** that alert thresholds should in any case be set in close cooperation with the social partners;
30. **points out** to the Commission that the scoreboard is just a retrospective statistical tool, and that a forward analysis and forecast are needed of current social trends to allow preventive, and not just corrective, action to be taken;
31. **asks** the Commission to stipulate that in social matters the effort to address imbalances would not entail automatic triggering of sanctions if alert thresholds are exceeded. Rather, a mechanism should be used to prompt convergence towards joint objectives, and sharing of existing best practice should be encouraged;
32. therefore calls on the Commission to explain what mechanisms will come into play if a Member State exceeds a given alert threshold;

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<sup>2</sup> Cf. CoR opinion on *Measuring progress - GDP and beyond* (CdR 163/2010 fin).

*Stepping up measures to support employment and mobility*

33. **recognises** the crucial role of labour mobility within the euro area in the current economic situation, and **stresses** its crucial contribution to promoting sustainable and inclusive growth;
34. **shares** the Commission's view that the number of mobile workers in Europe is still too low for there to be a real European labour market, and **notes** that people who want to be professionally mobile should have more reliable and better-quality information, as well as individual support;
35. **observes** that better-targeted language training could help to set in train changes in behaviour with respect to professional mobility. It is also crucial to introduce systems promoting training courses and apprenticeships, for both students and workers, in order to encourage mobility in Europe's regions;
36. **urges** the Commission to work hard to remove obstacles to cross-border labour mobility in the EU. This relates specifically to obstacles of a legal nature (such as compatibility of national social security systems) and a practical nature (such as foreign language skills and intercultural training);
37. **underlines** that the national coordination systems of the EURES service (to be set up from 2015) must commit to close cooperation with local and regional authorities, which play a key role in promoting labour mobility; **notes** that extending the EURES network into a pan-European system to support job placement and recruitment should not involve replacing or curtailing its advisory functions; on the contrary, the assistance provided by EURES advisers with practical questions about working and social security abroad – such as unemployment, sickness, specific issues of temporary agency work, reintegration measures, insurance against invalidity or accidents at work, and opportunities for further vocational training – should continue to have priority. EURES cross-border partnerships play a key advisory role in border regions in particular and their work contributes to labour mobility;
38. **recognises**, however, that it would be a mistake to see promoting labour mobility as a powerful enough tool to offset the imbalances and asymmetric shocks in the euro area;

*Strengthening funding instruments to increase solidarity*

39. **points to** the need for solidarity with those Member States that are most affected by the current crisis, as Member States are interdependent not just economically, but also socially;
40. **supports** the Commission's proposal to develop more effective active inclusion strategies, and more effective deployment of social budgets; similarly, through the European Social Fund (ESF), steps should be taken to ensure better targeting of EU social funding in

conjunction with partnership agreements and drawing up the 2014-2020 operational programmes; **points out** that the CoR has also consistently supported the new Programme for Employment and Social Innovation, the Fund for European Aid to the Most Deprived, the European Globalisation Adjustment Fund and the Youth Employment Initiative;

41. **laments**, however, the fact that Commission proposals in this area do no more than mobilise existing tools whose objectives and scope are not necessarily suited to addressing the specific problems of EMU; therefore **suggests** that the Commission also consider the possibility of introducing incentive measures for EMU countries that implement reforms to achieve the social objectives of the Europe 2020 strategy and to combat social imbalances;
42. **notes** that the mechanisms for overseeing and coordinating economic and social policies will never be sufficient to eliminate the risk of asymmetric shocks, owing to the particular economic and industrial characteristics of each Member State;
43. **concludes therefore** that EMU should acquire specific tools and mechanisms with which to take preventive steps to avoid or soften the impact of such shocks on employment and social policies in the Member States;
44. **notes** that several academic studies, scenarios and simulations of the automatic stabilisers have been produced, and **points out** that other currency areas, in particular the United States, have developed their own automatic stabilisers which have proved effective. The Commission has not pursued this line of thinking, which would imply a revision of the Treaties. The Committee therefore **calls on** the Commission to draw up a green paper on automatic stabilisers in the euro area in order to select the studies, scenarios and simulations that could be most relevant to it;
45. **notes** in this regard that a mechanism for cushioning against asymmetric shocks does not necessarily mean a support arrangement based on unilateral transfers from the centre to the periphery, but that it could take the form of an insurance system designed to protect all the EMU countries against the risks arising from the collective vulnerability linked to the euro area;
46. **repeats** its call on the European Commission to take a closer look at the feasibility of an EU unemployment benefit insurance scheme potentially acting as an automatic stabiliser at EMU level<sup>3</sup>. Such a system could be based on the short-term unemployment rate, which is particularly sensitive to economic cycles, with a view to avoiding unilateral budget transfers. It should also be underpinned by strict conditions, e.g. that the country should implement an active policy to combat unemployment;

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<sup>3</sup>

Cf. Point 20 of the CoR opinion on *The EU Social Investment Package* (ECOS-V-042, 9.10.2013).



*Strengthening social and territorial dialogue*

47. **takes a positive view** of the Commission's proposals for improving involvement of the social partners in the coordination of economic and employment policies and in the European Semester;
48. **strongly urges** the European Commission to mount a similar effort with a view to involving local and regional authorities. The role of local and regional authorities is really crucial in implementing social and employment policies. Moreover, their unique experience and their expertise could be used to better identify social trends operating in EMU.

Brussels, 31 January 2014.

The President  
of the Committee of the Regions

Ramón Luis Valcárcel Siso

The Secretary-General  
of the Committee of the Regions

Gerhard Stahl

## II. PROCEDURE

<b>Title</b>	Social dimension of the Economic and Monetary Union
<b>Reference(s)</b>	Communication from the Commission to the European Parliament and the Council – Strengthening the social dimension of the Economic and Monetary Union COM(2013) 690 final
<b>Legal basis</b>	Article 307(4) TFEU
<b>Procedural basis</b>	Own-initiative opinion
<b>Date of Commission letter</b>	-
<b>Date of President's decision</b>	7 October 2013
<b>Commission responsible</b>	Economic and Social Policy (ECOS)
<b>Rapporteur</b>	Jean-Louis Destans (FR/PES), President of Euro General Council
<b>Analysis</b>	6 November 2013
<b>Discussed in commission</b>	11 December 2013
<b>Date adopted by commission</b>	11 December 2013
<b>Result of the vote in commission</b>	Majority
<b>Date adopted in plenary</b>	31 January 2014
<b>Previous Committee opinions</b>	Resolution on <i>Deepening of the Economic and Monetary Union</i> (CDR4129-2013_00_00_TRA_RES-RESOL-V-007)
<b>Date of subsidiarity monitoring consultation</b>	N/A