

1. A Strong Social Europe for just transitions and recovery: Implementing the European Pillar of Social Rights

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On 4 March 2021, the European Commission presented its European Pillar of Social Rights Action Plan. It constituted the Commission's contribution to the Social Summit organised by the Portuguese EU Council Presidency in Porto on 7 and 8 May. The message from Porto is unequivocal. Europe has decided to put social justice, social investments and social resilience at the heart of the recovery. Social rights must drive Europe's transition towards a green and digital economy and society.

For many decades now, Europe's recipe for success has been its unique social market economy model. In this social and economic model, economic competitiveness, innovation, social justice and high social standards reinforce each other. Many people, both in Europe and around the world, associate the European Union with a promise of prosperity.

The Lisbon Treaty stipulates that the EU shall work towards a “competitive social market economy”. In her Political Guidelines for the European Commission, Commission President Ursula von der Leyen stressed the particular urgency of strengthening the social market economy in times of reshaping our industrial and economic systems: “It is high time that we reconcile the *social* and the *market* in today's modern economy.”¹

Covid-19 and the deepening of pre-existing inequalities

With the impact of the Covid-19 pandemic, the European Union has been hit by a second profound economic and social shock in the time span of a decade.

Even more so than with the financial crisis, all EU Member States have been gravely affected by the Covid-19 pandemic. However, some regions, sectors and societal groups have been hit considerably harder than others.

¹ https://ec.europa.eu/info/sites/default/files/political-guidelines-next-commission_en_0.pdf

Young people, for instance, tend to be over-represented in the hardest-hit industries (art and entertainment, travel and transport, tourism and hospitality) and thus have been disproportionately affected in the labour market. The youth unemployment rate surpassed 18% in the summer of 2020 and declined to 16% by July 2021. Still, it remains around twice as high as that of the total population.

Low-skilled workers, those in non-standard forms of employment and the self-employed were particularly vulnerable to the economic impact of the Covid-19 pandemic. The toll has also been high for long-term care facilities and nursing homes and for older people, who were the main victims of the health emergency, especially in its initial phase.

Healthcare professionals were particularly affected by the pandemic, which highlighted structural challenges related to shortages of staff, working conditions, problems with retention of workers due to low attractiveness of professions and exposure to high stress levels. Similarly, frontline workers in systemically essential occupations were exposed to increased workloads, health risks and, very often, poor working conditions.

At the same time, reduced working hours and job losses in many professions and declining income have financially weakened several business ecosystems, regions and vulnerable households.

In addition, extensive constraints on social life and necessary restrictions to individual mobility have led to the widespread - mandatory or recommended - use of remote work and online learning, while also eroding overall well-being.

European solidarity in the fight against the impact of the Covid-19 pandemic

In contrast to the policy responses implemented after the financial and economic crisis over ten years ago, the EU's approach to the Covid-19 pandemic is built on enhancing economic and social resilience, boosting social investment and promoting solidarity while supporting fair and inclusive green and digital transitions.

In spite of a major drop in GDP in 2020, the comprehensive public policy measures swiftly adopted at the national and the EU level contributed to cushioning the labour market and social impact of the pandemic. The EU unemployment rate rose in 2020 to 7.0% of the labour force, a relatively modest 0.3 percentage points above the rate registered for 2019. Overall, the increase in

the EU unemployment rate in 2020 has hence been lower than the one observed during the 2008 financial and economic crisis, while income support measures have so far mitigated an increase in income inequality.

Among the key measures deployed were the activation of the general escape clause of the Stability and Growth Pact, a new temporary framework for state aid, two packages of support (Coronavirus Response Investment Initiative, so-called CRII and CRII+) introducing extraordinary flexibility in the use of the European Structural and Investment Funds to fight the consequences of Covid-19², as well as a new instrument to provide funding solidarity to Member States for job-retention measures – the Temporary Support to mitigate Unemployment Risks in an Emergency (SURE).³ So far, around €90 billion in SURE loans have been disbursed to 19 Member States, benefitting 31 million persons and roughly 2.1 million businesses in 2020.⁴ The demand from Member States for financial assistance under SURE has been strong, over 94% of the total envelope of €100 billion has been allocated. National labour market measures supported by SURE have likely reduced unemployment by almost 1½ million people in 2020.⁵ Moreover, keeping the available workforce connected with firms has also helped support a swift recovery in 2021.

The immediate crisis management measures must be seen as a significant expression of solidarity by EU Member States. For a successful recovery and just green and digital transitions, Europe needs to act in the same spirit of unity and solidarity. It needs to put the European Pillar of Social Rights at the heart of its strategy to rebuild fairer, more inclusive and resilient economies and societies.

The implementation of the European Pillar of Social Rights: joining forces to achieve common goals

The Commission wants to ensure that the economy of the future works for people. This should go hand in hand with the full implementation of the

² https://ec.europa.eu/regional_policy/en/newsroom/news/2020/04/04-02-2020-coronavirus-response-investment-initiative-plus-new-actions-to-mobilise-essential-investments-and-resources

³ https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_en

⁴ https://ec.europa.eu/info/sites/default/files/economy-finance/sure_one_year_on.pdf

⁵ This also explains why the increase in unemployment rates in 2020 across beneficiary Member States was clearly milder than during the global financial crisis, despite the more severe drop in GDP in 2020.

European Pillar of Social Rights proclaimed by the European institutions and all Member States at the Social Summit in Gothenburg in November 2017.

This aspiration also enjoys strong popular support across Europe. According to a Eurobarometer survey published in March 2021, nine out of ten people in the European Union believe that a social Europe is important to them personally, with Irish respondents topping the list at 94%.⁶ Europeans are right to stick to the promise of a strong social market economy, with equal opportunities, equal access to quality education, quality jobs and strong social, health and care systems.

These specific expectations are reflected in the 20 principles of the European Pillar of Social Rights, which provide a compass for labour market and social policies.⁷ The effective implementation of the Social Pillar depends to a large extent on the determination and concerted action of Member States, regions and municipalities, which are primarily responsible for employment, education and social policies, but also of the social partners and civil society organisations. Action at EU level is there to support their joint efforts.

This subsidiarity principle is a key value of our European legal order. An active subsidiarity approach is also the starting point of the European Pillar of Social Rights Action Plan published by the Commission on 4 March 2021. It is a call for the engagement of all relevant political levels and stakeholders to fully implement the Social Pillar.

In order to support the joint efforts, the Action Plan defines three social targets at EU level to be achieved by 2030, which will help to steer national policies and reforms. First, at least 78% of the population aged 20-64 should be in employment by 2030. Secondly, at least 60% of adults should participate in further training each year. Third, the number of people at risk of poverty or social exclusion should be reduced by at least 15 million persons by 2030. These targets were welcomed by the Heads of State or Government at the Porto Social

⁶ <https://europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=75132>

⁷ https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

Summit of 7-8 May 2021, by means of their Porto Declaration⁸, and eventually also by the June European Council.⁹

By co-signing the Porto Social Commitment on 7 May 2021 with the Presidents of the European Parliament and the Commission and the Portuguese Prime Minister, European umbrella organisations of trade unions, employers and civil society have, for the first time, made the implementation of the Social Pillar a common goal, welcoming the Action Plan and the new 2030 targets.¹⁰ To this end, they have called for a regular assessment of progress made at the highest political level. This strong joint commitment has been reflected in the Porto Declaration of the EU Heads of State or Government.

The Social Pillar Action Plan provides an overview of all available instruments and measures that the EU can use to support Member States, regions, municipalities and other partners. This is of course also about the European Multiannual Financial Framework 2021-2027 and the new NextGenerationEU stimulus package, which together with €1.8 trillion is the largest investment package ever funded by the EU budget. Social reforms and investment need to drive the economic recovery, in order to enable fair and inclusive green and digital transitions.

Among the cohesion policy funds, the European Social Fund Plus (ESF+) worth almost €100 billion is a key instrument to invest in people. It will help our labour force adjust to the twin transitions, invest in youth and children, and provide pathways for social inclusion.

NextGenerationEU – and the Recovery and Resilience Facility as its centerpiece – will be crucial in mitigating the social consequences of the pandemic. The implementation of the national recovery and resilience plans will create the conditions for investments and reforms leading to inclusive growth, job creation and social and territorial cohesion. These plans need to address effectively the Country Specific Recommendations adopted in the context of the 2019 and 2020 cycles of the European Semester. A good number of these recommendations tackle employment, education, active labour market policies, public employment services, adequacy of social safety nets, fight against poverty

⁸ <https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/the-porto-declaration/>

⁹ <https://www.consilium.europa.eu/media/50763/2425-06-21-euco-conclusions-en.pdf>

¹⁰ <https://www.2021portugal.eu/en/porto-social-summit/porto-social-commitment>

and social exclusion. The national recovery and resilience plans submitted by the Member States include both social investments and reforms. The estimated social spending (including health) amounts so far to around 30% of the available financial envelope.

The European Semester remains the governance framework to monitor progress on the implementation of the Social Pillar by Member States. The Joint Employment Report will continue identifying priority areas for policy action in the employment, skills and social domains. It will newly integrate the three EU headline targets by 2030, and have a stronger focus on Social Pillar principles. For that purpose, it will notably benefit from the revised Social Scoreboard¹¹, which allows for a better and more comprehensive alignment between the Scoreboard indicators and the twenty Social Pillar principles.

From crisis management to recovery and just green and digital transitions

The EU's policy response is indeed shifting from offering immediate crisis relief to fostering the recovery. The Commission has set out policy measures for a successful transition from crisis to recovery. In its Recommendation on Effective Active Employment Promotion (EASE) following the Covid-19 crisis of 4 March 2021¹², the Commission proposes concrete guidelines for a gradual transition from the crisis measures described above to active labour market policies. The EASE Recommendation provides guidance to support quality job creation by focusing on up- and reskilling, job-to-job transition, hiring incentives and subsidies as well as the efficient use of EU funds; it particularly targets youth and vulnerable workers. These policies aim at anticipating and accompanying labour market reallocations, setting the conditions for a quality job-rich recovery.

Accelerating the transition to a green and more digitalised economy, while ensuring it is fair and inclusive, needs to take into account the pandemic's long-term impacts on the global transformation of working practices and of the definition of the workplace itself. There is notably a need for a strong investment

¹¹ At the 14 June 2021 EPSCO Council, Ministers endorsed the opinion of the EMCO and SPC on the Commission proposal for a revised Social Scoreboard, agreeing to the use of the new headline indicators, and not objecting to using the proposed secondary indicators to support the analysis in the Joint Employment Report, until an agreement is reached regarding the inclusion of secondary indicators in the Scoreboard: <https://data.consilium.europa.eu/doc/document/ST-9314-2021-INIT/en/pdf>

¹² <https://ec.europa.eu/social/BlobServlet?docId=23699&langId=en>

offensive in education and training and in re-skilling and upskilling. This is the only way to prepare people for tomorrow's labour markets' new demands and jobs.

An array of initiatives at EU level, underpinned by various EU funds, have been enacted to support Europeans to develop the right skills to grasp the opportunities of the rapid shift towards a climate neutral, more digital and job-rich Europe such as the European Skills Agenda¹³ and the Pact for Skills¹⁴, the Digital Education Action Plan¹⁵, and the Council Recommendations on Vocational Education and Training for sustainable competitiveness, social fairness and resilience¹⁶ and on the reinforced Youth Guarantee¹⁷, which should enable tailor-made, personalised counselling and further training for young people aged 15-29.

As part of its 'Fit for 55' package to meet the EU's ambitious climate targets, the Commission is also working on a Council Recommendation addressing the social and labour market impacts of the climate transition. A new Social Climate Fund¹⁸ has been proposed to provide dedicated funding to Member States to help citizens finance investments in energy efficiency, new heating and cooling systems, and cleaner mobility. The Social Climate Fund would be financed by the EU budget, using an amount equivalent to 25% of the expected revenues of emissions trading for building and road transport fuels. With a proposal to draw on matching Member State funding, the Fund would mobilise €144.4 billion for a socially fair transition.

EU initiatives for equality, fair working conditions and adequate social protection

The recovery is an opportunity for the EU and its Member States to tackle longstanding challenges, such as child poverty, precarious employment and unfair pay. The future must be more sustainable, inclusive and fairer than the past, putting people's wellbeing at the centre of all policy-making.

¹³ <https://ec.europa.eu/social/BlobServlet?docId=22832&langId=en>

¹⁴ <https://ec.europa.eu/social/main.jsp?catId=1517&langId=en>

¹⁵ https://ec.europa.eu/education/sites/default/files/document-library-docs/deap-communication-sept2020_en.pdf

¹⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020H1202%2801%29>

¹⁷ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2020.372.01.0001.01.ENG&toc=OJ%3AC%3A2020%3A372%3ATOC

¹⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0568>

The Commission has launched important policy initiatives over the past years. It adopted a number of equality strategies in 2020 and 2021 that also addressed the uneven impact of the pandemic on disadvantaged and discriminated groups.¹⁹ As part of its Gender Equality Strategy 2020-2025, the Commission also tabled a legislative proposal on pay transparency between women and men.²⁰ As part of the forthcoming European Care Strategy, the Commission will put forward further measures to support men and women in finding the best care and the best life balance for them, among which a revision of the Barcelona targets for high quality and affordable childcare and an initiative on long-term care.

To strengthen fairness at work, the Commission is strengthening and modernising EU social legislation. In 2020, it has tabled a proposal for a directive on adequate minimum wages in the EU.²¹ Ten percent of full-time employees in Europe work hard but cannot make a living from their work. To bring an end to this situation, the proposed Directive aims at strengthening collective bargaining and providing a frame for upward wage convergence in the EU.

In view of the changing nature of work and workplaces, the Commission has developed a new Strategic Framework for Safety and Health at Work for the period 2021-2027, including several legislative actions to prevent and manage health threats and to support a vision zero approach on work-related deaths.²²

Moreover, the Commission will shortly propose a legislative proposal on working conditions in the platform economy. The Commission's analytical work on the platform economy shows that – compared to the rest of the economy – there is a very strong demand for low- and medium-skilled workers (accounting for 88% of people's earnings through digital labour platforms in 2020).²³ While this shows the inclusive potential of this sector, there is an urgent need to ensure the quality of work in the platform economy. All people who work must get a decent pay and access to social protection. Labour market inclusion can by no means become a pathway to social exclusion.

¹⁹ https://ec.europa.eu/commission/commissioners/2019-2024/dalli/announcements/union-equality-first-year-actions-and-achievements_en#:~:text=Building%20a%20Union%20of%20equality,-55%25%20of%20women&text=The%20goal%20is%20a%20Union,and%20lead%20our%20European%20society.

²⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0093>

²¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0682&from=EN>

²² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0323&qid=1626089672913#PP1Contents>

²³ <https://ec.europa.eu/social/BlobServlet?docId=24095&langId=en>

In order to achieve the new poverty target, the Commission is taking an integrated approach to combating poverty and social exclusion in the EU. In June, Member States adopted the new European Child Guarantee, which supports the provision of free access to early childhood care, education, healthy nutrition, medical care and adequate housing for children in need.²⁴ The European Child Guarantees aims at breaking the intergenerational cycle of disadvantage by specifically targeting children at risk of poverty and social exclusion. Its proper implementation should substantially contribute to achieving the poverty reduction target for children (at least 5 million children to be lifted out of poverty by 2030).

A European platform on combatting homelessness was launched in Lisbon at the end of June to help Member States, cities and service providers share best practices and identify efficient and innovative approaches.²⁵ The Commission is also preparing a Council Recommendation on adequate minimum income in the EU next year.

Given the need to stimulate job creation while strengthening social inclusion, the Commission attaches particular importance to the potential of the social economy. The sector provides jobs to 14 million Europeans and is an engine of social cohesion and social innovation. By the end of this year, the Commission will set out measures to shape the sector for the years to come by means of a dedicated Action Plan.

Next steps

The Porto Declaration will advance the implementation of the Social Pillar by EU Member States in the coming months and years. EU Leaders have committed to the new social 2030 targets and the Commission is currently working with Member States on defining corresponding national targets.

The Porto Declaration identifies the Social Pillar as a fundamental element of the recovery and recognises the Action Plan as useful guidance for the implementation of the Social Pillar. The Social Pillar should remain at the heart of the European Union's economic and social policy coordination in the context of the European Semester.

²⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021H1004>

²⁵ <https://ec.europa.eu/social/main.jsp?catId=89&furtherNews=yes&langId=en&newsId=10032>

Where the Gothenburg Summit launched an important paradigm shift with the proclamation of the European Pillar of Social Rights, the Porto Summit paved the way for joining forces in Europe to live up to the 20 principles of the Social Pillar. We need to build a better and fairer system. Social and economic policies should shape our future on an equal footing. European citizens expect a concrete improvement in their social situation.

In particular, young people, many of whom connect their hopes and dreams to the European Union, have high expectations of social Europe. The Commission has therefore proposed 2022 as the European Year of the Youth. Moreover, the future of the social dimension of the European Union should be a central theme of the Conference on the Future of Europe.²⁶

Social justice and social progress are key values and cornerstones of the EU integration. Reinforcing the social dimension of the European Union is not only a matter of fairness; it also contributes to a resilient and efficient economy. By empowering the most vulnerable, by providing equal opportunities and decent work for all, we will ensure inclusion, upward economic and social convergence and competitiveness.

Our common objective is to ensure the European Union emerges fairer and more resilient from the current crisis, both economically and socially. By joining forces, we will be able to build a strong social Europe.

²⁶ <https://futureu.europa.eu/?locale=en>