

# *Towards a Social, Sustainable, and Equitable Europe:*

*Integrating and Implementing the European Pillar of  
Social Rights and the Sustainable Development Goals*

Eurodiaconia is a **dynamic**, Europe wide **community** of organisations founded in the **Christian faith** and working in the tradition of Diaconia, who are committed to a Europe of **solidarity, equality** and **justice**. As the **leading network of Diaconia in Europe**, we connect organisations, institutions and churches providing **social and health services and education** on a Christian value base in over 30 European countries.

We bring members together to **share practices, impact social policy** and **reflect on Diaconia in Europe today**.

Editor: Heather Roy

Co-Authors: Anne Van Lancker, Ortrud Leßmann, Jeremy Leaman, Ides Nicaise, and Jeremy Heuslein

Design: Jérémie Malengreaux

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**Eurodiaconia** 

Rue Joseph II 166    **Tel:** +32 (0)2 234 38 60  
1000 Bruxelles    **Fax:** +32 (0)2 234 38 65  
Belgium    **E-mail:** [office@eurodiaconia.org](mailto:office@eurodiaconia.org)

[www.eurodiaconia.org](http://www.eurodiaconia.org)



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# Chapter 1: Introductory Materials and Contextualising Asymmetries

## 1.1. Introduction and Thesis

In September 2016 European Commission President Jean-Claude Juncker announced his plan for the European Pillar of Social Rights (EPSR)<sup>1</sup> as part of his intention to bring the European Union towards a social triple A status.<sup>2</sup> Working towards such a status has the aim of supporting upward social convergence on social standards. As highlighted in the Five Presidents' report on completing the European Economic and Monetary Union,<sup>3</sup> this convergence is essential for building more resilient economic structures. The EPSR was accompanied by a Reflection Paper on the social dimension of Europe, which is part of the broader discussion on the future of the European Union.

On 26 April 2017, the European Commission launched its proposal for a European Pillar of Social Rights. This was presented as a framework of rights and principles, building upon existing European and international human rights standards. Some of these rights and principles have been developed in order to respond to recent developments in European society. However, what was clear from the beginning was that the EPSR does not guarantee legally enforceable rights on its own; for this, the EPSR would have to be followed by concrete policy measures.

On 17 November 2017 the final proposal on a European Pillar of Social Rights was adopted by means of an Interinstitutional Proclamation by the European Commission, European Parliament and the European Council. This took place in the framework of the Social Summit held in Gothenburg and was attended by nearly all EU Heads of Government. Their attendance signalled their support for the European Pillar of Social Rights and subsequent European Council Conclusions from December 2017 confirmed this support.

However, the European Union, in its adoption of the EPSR, has acknowledged that most of the tools required to implement the EPSR are in the hands of the Member States and of social partners, but it also notes that the EU can help “*by setting the framework, giving the direction and establishing a level playing field.*” It is also clarified that, at EU level, all the various instruments will be mobilized:

*EU law, with an emphasis on the enforcement of the rich acquis already existing, to be updated and complemented where necessary; social dialogue, to engage with and support the work of EU social partners; policy guidance and recommendation, through the European Semester of economic policy coordination; and financial support, through a diversity of EU funds.*<sup>4</sup>

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1 Hereafter, the EPSR

2 Jean-Claude Juncker, State of the Union, 14 September 2016.

3 Report by Jean-Claude Juncker, Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz, Completing Europe's Economic and Monetary Union, Brussels June 2015.

4 Ibid.

What is unfortunate about this listing of instruments is that there is no foreseen role for civil society, which often provides the crucial link between policy and effective implementation.

At the same time, the European Commission has committed itself to the United Nations Agenda 2030 and the Sustainable Development Goals (SDG's). For the first time this is a truly global agenda with the SDG's being a basis for global action and development in the Global North as well as the Global South. Therefore the European Commission has been discussing how to both implement and measure progress on the SDG's in the Member States of the European Union. There are overlaps and similarities between the rights in the EPSR and the Agenda 2030 goals. A key issue is how both processes can complement each other and reinforce achievement.

Eurodiaconia, as a network and platform of social service providers throughout the Member States, seeks to help move the EPSR beyond a framework of mere principles using the possibilities of legislation, policy and tools such as EU funding. In short, Eurodiaconia supports the transformation of the EPSR into a framework of rights and their effective implementation that can make a real difference for people's living standards and working conditions and their right to a dignified life. In its general assessment, this statement was issued:

*Eurodiaconia welcomes the proposed European Pillar of Social Rights and considers that the most important social issues that we have been advocating for have been included. Despite its strong focus on the labour market, there are also tangible efforts to support those persons facing additional barriers to accessing the labour market, such as the disabled and*

*the homeless. Eurodiaconia welcomes that 'financial inclusion' has become part of the principle of 'Access to essential services', an aspect which it has been strongly advocating. Furthermore, Eurodiaconia welcomes the fact that the [EPSR] no longer tries to simultaneously promote adequate and (fiscally) sustainable social protection without clarifying how these two aims can be reconciled. Attempts to make the delivery of social and healthcare services financially sustainable often means making them more cost-effective, which can negatively affect service accessibility, affordability and/or quality; as such, the fact that an ambivalent dual emphasis on ensuring adequacy and sustainability has been dropped from the final version of the [EPSR] is an important step forward.<sup>5</sup>*

As such, this paper will focus primarily on the ways to maximize the impact of the EPSR, as well as argue for several necessary steps that would ensure policy coherence between the social rights and principles in the EPSR and other policy instruments of the EU. In doing so, it is hoped that real and effective implementation could be guaranteed that is coherent with multiple policy agendas and is democratically accountable and participatory. This paper will concentrate on those necessary steps that could cohere the Europe 2020 strategy and the post-2020 agenda, and the Agenda 2030 for Sustainable Development into a single strategy that mainstreams the social rights and principles of the EPSR. Finally, this paper will also lay out the prerequisites for a successful implementation of the EPSR's rights and principles through the EU's macroeconomic policy instruments, with a particular emphasis on the European Semester. In order to proceed to this paper's analysis, previous analyses and comments on the EPSR need to be understood.

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5 Eurodiaconia, Briefing for members, the European Pillar of Social Rights, July 2017.

## 1.2. Background Analysis

This paper does not make its policy recommendations in a vacuum. Since the consultation begun, the EPSR has gathered many voices and inputs. A few of these key voices are outlined below. What is made clear is that the EPSR is a great promise to European citizens and Member States, but it is a promise that requires development for effective implementation. The great diversity of contexts will become evident in the following section on the inequality (in addition to economic asymmetries) across Europe.

One of the voices that has already commented on the EPSR and its potential is the RE-InVEST consortium.<sup>6</sup> In its contribution to the consultation process, it noted the following five preconditions that would make the EPSR a success.

1. To ensure that rights become enforceable, the EU and the European countries must recognize that economic and social rights are human rights and give them full implementation in EU secondary law and in national law, enabling individuals and advocacy groups to seek enforcement of their rights before national courts and tribunals.
2. As austerity is no excuse for neglecting nor for restricting economic and social rights, the EU must commit to the protection of these rights, especially for the most vulnerable, that must have pre-eminence over economic policy preferences or other considerations. In particular, the EU should promote a universal social protection floor to ensure an adequate standard of living for all throughout Europe.
3. EU authorities and Member States' governments should recognize that rising inequality puts economic and social rights

at risk by hampering their progressive realization and access to an adequate social protection floor, including for vulnerable people. Equality should also be a priority goal for the EPSR.

4. In order to move beyond symbolism and to foster effective implementation, the EPSR should be linked with existing mechanisms such as the European Semester process, the Social Investment Package (including the Recommendation on Active Inclusion and on Investing in Children), and accompanied by clearly defined accountability mechanisms and sanctions for not delivering on the Pillar's principles.
5. In order to avoid a two-tier social Europe which could lead to an increased risk of social dumping, the EPSR, even if it is primarily conceived for the Euro area, should become a 'social compass' for the whole of Europe, a social convergence framework across all the Member States.

Another voice has been Eurodiaconia's own. At the conference organised together with the European Economic and Social Committee, Secretary-General Heather Roy highlighted five key areas that prove pivotal for the EPSR and its implementation.<sup>7</sup> These were the following:

- **Coherence.** The implementation of the EPSR needs to be coherent. Its principles need to be mainstreamed throughout the policy fields and a horizontal approach needs to be adopted.
- **Contradiction.** The more civil society can recognize contradictions between

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6 RE-InVEST Policy Brief, the European Pillar of Social Rights: reaction on the consultation document 12/2016 – The need to go beyond symbolism and to opt for enforceability, Just Fair, Beweging.net

7 Eurodiaconia, REPORT Implementing the European Pillar of Social Rights: Obstacles and Opportunities Conference at the European Economic and Social Committee on 12 July 2017.

macroeconomic and social policy initiatives, the better they can address them and the more effective the Pillar can become.

- **Convergence.** Convergence is needed, but this should not be equated with a one-size-fits-all approach.
- **Change.** It may take time, but the EPSR needs to create systemic and structural change. Otherwise, trust in the European project will dwindle further.

- **Commitment.** Stakeholders need to push the EPSR forward together and explore cross-sectoral alliances.

All voices highlight the main challenge of implementing the EPSR across Europe, which has a great diversity of contexts, including how its Member States invest in their own social programmes and development. These contexts and challenges are outlined below.

### 1.3. The Context and Challenge of Economic Asymmetries across Europe

From a macroeconomic perspective, the EPSR is the latest in a series of ambitious initiatives to construct a common social framework for ameliorating the effects of some of the liberalising components of the Single Market. The urgency of this kind of social policy programme has been reinforced by the stubbornly slow recovery from the Financial and Economic Crisis of 2008 and the associated indicators of social hardship and exclusion in many countries of the European Union, in particular in the Eastern and Southern peripheries. The twenty basic social rights, presented in three chapters, are generally predictable foundations for decent conditions of social life common in advanced economies with well-developed welfare states. The scale of the ambition to ensure such rights becomes starkly apparent when considering the three-part challenge of contemporary Europe: (1) a Union of strongly divergent political economies, (2) a paradigm of economic management which accords the market a stronger, and the state a less pronounced role in the allocation of social resources, and (3) a multidimensional global crisis that continues to this day.

The ambition of the EPSR is to generate a convergence of all Member States to improved, comprehensive conditions for the maintenance of social well-being. Meaningful ratification and implementation of the programme at national level would necessarily involve a commitment to realise

such upward convergence at both the Commission and member state level. A cursory glance at key indicators of socio-economic development in Table 1 (below) reveals marked divergences in terms of both the performance of individual economies and the potential for promoting and funding improvements in social rights. Economic productivity, as measured by GDP per capita, differs widely from 46% of the EU average in Bulgaria to 120%-plus in Denmark, Germany, Austria, Netherlands, Sweden – let alone setting aside outliers like Luxembourg and Ireland.

The best performing Central and Eastern European (CEE) state is currently the Czech Republic with a productivity level of 85% of the EU average. The snapshot of data in Table 1 does not, of course, reflect macroeconomic developments over time, where the Financial and Economic Crisis produced severe and damaging recessions in the southern periphery (Greece, Portugal, Spain, Cyprus) and in several CEEs (e.g., the Baltic States, Bulgaria, Romania). What it does reveal is a picture of chronic social weaknesses in many EU countries, with high rates of youth unemployment (YUR) in the southern periphery but also in France, Belgium and Finland. Additionally, there are very significant proportions of the population at risk of poverty, and only the Czech Republic, Denmark, Finland and the Netherlands record levels before transfers below 17% of the population. The percent



of people at risk of poverty are extremely high in the outliers of Bulgaria (40.4%), Romania (38.8%) and Greece (36.6%), but many of the more established EU states (Germany, Belgium, Italy, France and even Sweden) show surprising levels of this social fragility. Furthermore, Eurostat figures on EU28 households suffering from “material deprivation”<sup>8</sup> (not included in Table 1) display marked disparities, where these have

profound implications for the general anti-poverty ambitions of the EPSR and for the particular issues associated with lack of sufficient space for education. Table 1 also reveals the divergent levels of public resources qua tax ratio (TR) or the proportion of GDP that is devoted to the public management of economic and social affairs. The differences are more clearly evident in Figure (A) below:

Table 1. EU28 Macro-economic Imbalances

**MACRO-ECONOMIC IMBALANCES IN THE EU28 (UPDATED OCTOBER 2017)**

|             | 2016 | 2017 Q1    | 2017-Sept      | 2017-Sept      | 2016            | 2016                | 2016   | 2016 | 2016       | 2014  | 2016 | Aug 2017 | 2016 | 2016                 | 2002-2017     |
|-------------|------|------------|----------------|----------------|-----------------|---------------------|--------|------|------------|-------|------|----------|------|----------------------|---------------|
|             | PSBR | State debt | Inflation HICP | Interest Rates | CA/ GDP Balance | Private Debt to GDP | GDP PC | IR   | Wage Share | GC    | TR   | YUR      | AROP | AROP after transfers | Pop+/- change |
| EU28        | -1.7 | 84.1       | 1.8            | 1.28           |                 |                     | 100    | 19.6 | 47.4       | 31.0  | 38   | 21.7     | 29.9 |                      |               |
| Belgium     | -2.6 | 107.7      | 2.0            | 0.7            | 0.1             | 190.1               | 118    | 23   | 49.4       | 28.1  | 47.9 | 13.5     | 20.7 | 15.5                 | 9.3           |
| Bulgaria    | 0.0  | 28.6       | 1.3            | 1.66           | 5.4             | 104.9               | 48     | 19.1 | 41.8       | 37.4  | 27.8 | 8.0      | 40.4 | 22.9                 | -9.0          |
| Czech Rep   | 0.6  | 39.9       | 2.5            | 0.97           | 1.1             | 68.7                | 88     | 24.6 | 40.4       | 25.9  | 36.3 | 11.7     | 13.3 | 9.7                  | 4.8           |
| Denmark     | -0.9 | 36.7       | 1.6            | 0.51           | 7.3             | 210.7               | 125    | 20.0 | 52.4       | 28.5  | 50.8 | 6.4      | 16.7 | 11.9                 | 8.5           |
| Germany     | 0.8  | 66.9       | 1.8            | 0.35           | 8.3             | 99.3                | 123    | 19.9 | 50.8       | 30.0* | 40.6 | 10.8     | 19.7 | 16.5                 | 0.4           |
| Estonia     | 0.3  | 9.2        | 3.9            | n/a            | 1.9             | 115.4               | 74     | 22.0 | 49.3       | 34.6  | 32.3 | 12.7     | 24.4 | 21.7                 | -3.6          |
| Ireland     | -0.6 | 75.5       | 0.2            | 0.7            | 3.9             | 402.5**             | 177    | 29.3 | 29.4       | 31.9  | 30.8 | 43.3     | 26.0 | 16.3                 | 19.5          |
| Greece      | 0.7  | 176.2      | 1.0            | 5.56           | -1.1            | 124.5               | 67     | 11.4 | 33.5       | 35.8  | 39   | 38.7     | 35.6 | 21.2                 | -2.1          |
| Spain       | -4.5 | 100.4      | 1.8            | 1.54           | 1.9             | 146.7               | 92     | 19.9 | 47.6       | 36.0  | 37.3 | 23.0     | 27.9 | 22.3                 | 11.5          |
| France      | -3.4 | 98.7       | 1.1            | 0.7            | -0.9            | 146.9               | 105    | 21.8 | 52         | 32.3  | 47.9 | 26.1     | 18.2 | 13.6                 | 8.4           |
| Croatia     | -0.8 | 86.4       | 1.6            | 2.71           | 2.5             | 107.2               | 59     | 19.1 | 46.8       | 32.2  | 43.6 | 35.1     | 28.5 | 19.5                 |               |
| Italy       | -2.4 | 134.7      | 1.3            | 2.11           | 2.7             | 113.6               | 96     | 17.0 | 39.9       | 34.7  | 43.5 | 26.3     | 28.7 | 19.9                 | 6.1           |
| Cyprus      | 0.4  | 107.0      | 0.1            | 2.2            | -4.9            | 344.6               | 81     | 17.2 | 44.4       | 35.6  | 39   | 10.9     | 27.7 | 16.1                 | 20.2          |
| Latvia      | 0.0  | 39.0       | 3.0            | 0.72           | 1.4             | 88.3                | 65     | 18.3 | 46.4       | 35.1  | 30.4 | 14.4     | 28.5 | 21.8                 | -14.8         |
| Lithuania   | 0.3  | 39.3       | 4.6            | 0.31           | -1.1            | 56.2                | 75     | 18.6 | 43.8       | 37.7  | 20.9 | 17.3     | 30.1 | 21.9                 | -16.9         |
| Luxembourg  | 1.6  | 23.0       | 2.0            | 0.55           | 4.8             | 343.6               | 267    | 17.8 | 49.1       | 31.2  | 36.5 | 10.7     | 19.7 | 15.3                 | 26.0          |
| Hungary     | -1.8 | 74.3       | 2.5            | 2.76           | 6.2             | 77                  | 67     | 17.8 | 42.7       | 30.9  | 39.1 | 11.9     | 26.3 | 14.5                 | -3.5          |
| Malta       | 1.0  | 59.0       | 1.2            | 1.26           | 6.6             | 128.4               | 95     | 23.4 | 42.1       | 28.1  | 41.7 | 8.9      | 20.1 | 16.5                 | 10.8          |
| Netherlands | 0.4  | 59.6       | 1.4            | 0.53           | 9               | 221.5               | 128    | 19.8 | 48.4       | 28.6  | 39.8 | 10.2     | 16.8 | 12.8                 | 5.6           |
| Austria     | -1.6 | 82.6       | 2.6            | 0.59           | 2.1             | 124                 | 128    | 22.9 | 48.1       | 30.6  | 43.4 | 13.9     | 18.0 | 14.1                 | 8.3           |
| Poland      | -2.4 | 54.0       | 1.6            | 3.26           | -0.3            | 81.9                | 69     | 18.1 | 37         | 32.1  | 33.8 | 24.6     | 21.9 | 17.3                 | -0.6          |
| Portugal    | -2.0 | 130.5      | 1.6            | 2.63           | 0.7             | 171.4               | 77     | 14.8 | 44.2       | 35.6  | 37   | 16.8     | 25.1 | 19                   | -1.3          |
| Romania     | -3.8 | 37.1       | 1.3            | 3.89           | -2.1            | 55.8                | 59     | 22.7 | 34.2       | 27.5  | 27.7 | 11.1     | 38.8 | 25.3                 | -9.3          |
| Slovenia    | -1.8 | 81.4       | 1.4            | 0.98           | 5.2             | 80.5                | 83     | 18.4 | 49.3       | 25.7  | 39.3 | 15.5     | 18.4 | 13.9                 | 3.6           |
| Slovakia    | -1.7 | 53.5       | 1.8            | 0.82           | -1.5            | 94.7                | 77     | 20.2 | 39.3       | 26.1  | 29.5 | 20.6     | 19.1 | 12.7                 | 1.3           |
| Finland     | -1.9 | 62.6       | 0.8            | 0.58           | -1.4            | 149.3               | 109    | 21.4 | 48.3       | 26.8  | 43.6 | 17.7     | 16.6 | 11.9                 | 5.7           |
| Sweden      | 0.9  | 41.1       | 2.2            | 0.62           | 4.5             | 188.5               | 124    | 24.2 | 46.9       | 27.2  | 45.8 | 11.8     | 18.3 | 16.2                 | 11.7          |
| UK          | -3.0 | 88.0       | 2.9            | 0.7            | -6              | 158.9               | 108    | 16.6 | 49.3       | 34.1  | 39   | 21.7     | 22.2 | 15.9                 | 10.2          |

Sources: Eurostat; World Bank; OECD; ILO

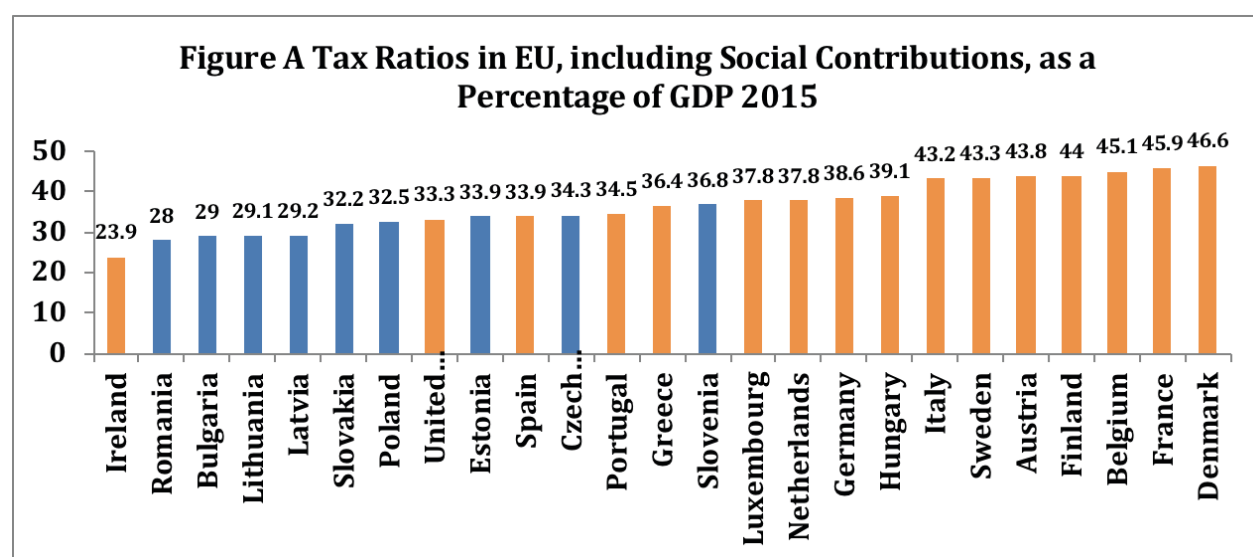
PSBR: annual public sector borrowing requirement/ budget deficit; state debt: total public sector liabilities; HICP: Harmonised Index of Consumer Prices; Int Rates: Yield of 10-year government bonds; CA/GDP Balance: Current Account Balance as percentage of GDP; GDP pc: GDP per capita 2015; IR: Investment Ratio to GDP; Wage Share: total remuneration for employees as % of GDP, including employers' social contributions; GC: Gini Coefficient of income distribution [100 = total inequality; 0 total equality]; TR: Tax Ratio to GDP; YUR: Youth Unemployment rate; AROP: proportion of population at risk of poverty (below 60% of median income); Pop change: net increase/decline of population 2002-2017 as percentage of 2002 figure

\* 2013 figures; \*\* Estimate

8 See Eurostat, Material Deprivation and low work intensity statistics, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Material\\_deprivation\\_and\\_low\\_work\\_intensity\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Material_deprivation_and_low_work_intensity_statistics)



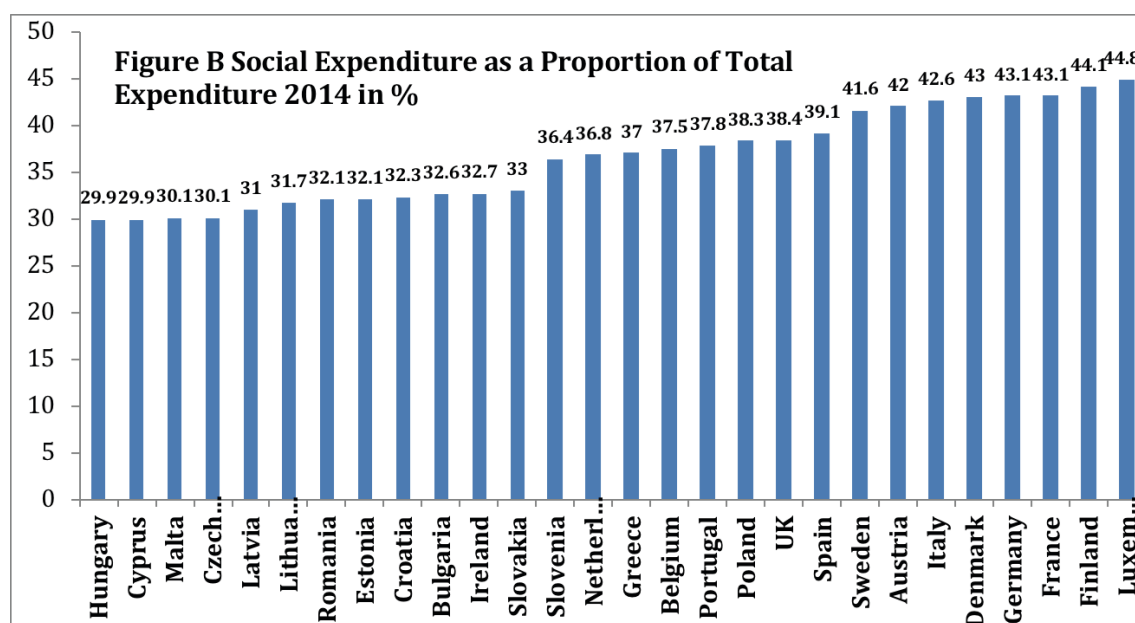
Table 2. Tax Ratios in the EU<sup>9</sup>



As can be seen, the disparity between the higher-taxing (higher-spending) states of the old EU15 and the lower-taxing newer Member States is critically significant in the context of the optimal realization of the EPSR. The snapshot of tax ratios in the EU (not including Malta, Cyprus and Croatia) arguably shows a

much higher level of fiscal viability in the EU15 (average of 39.2% of GDP) compared to the ten CEE Member States (32.4%). This is further indicated in both the proportion of total state expenditure (Table 3) and in the absolute levels of expenditure on social protection per capita (Table 4).

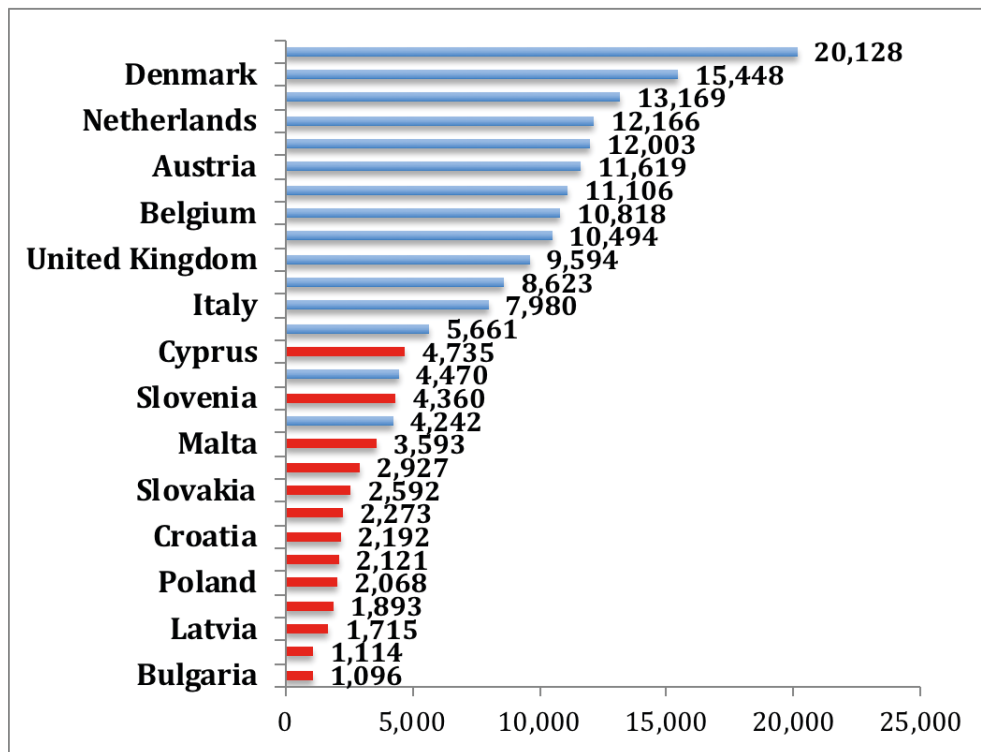
Table 3. Social Expenditure as a Proportion of Total Expenditure (2014)<sup>10</sup>



<sup>9</sup> Eurostat

<sup>10</sup> Eurostat

Table 4. EU28 Per Capita Social Expenditure in Euros (2014)<sup>11</sup>



The social expenditure ratio underscores the relative priority given to social policy in individual Member States. There is evidence that all new entrants since 2004 accord lower importance to social expenditure than their EU15 counterparts, while the absolute levels show the more basic disparities between affluent and poorer Member States, underscoring the evidence of overall economic productivity, revealed in Table 1. There is the obvious correlation between more affluent societies with an established network of mechanisms of social provision and affordability, both fiscal and political as well as social expenditure. Another argument could be made, however, that the disparities in the current expenditure arrangements in the EU28 arguably reflect lower levels of trust in state institutions in post-communist

societies, as well as the perceived urgency of promoting growth and investment ahead of more refined and abstract social rights. One cannot ignore the marked difference between the core CEE group of the Czech Republic, Slovakia and Slovenia – with lower than average Gini scores but higher relative per capita expenditure – and the weaker profile of both Baltic and Southern European states (Estonia, Latvia, Lithuania, Bulgaria, Romania) in terms of Gini scores<sup>12</sup> (Table 1). If one adds the factor of fiscal resources (TR in Table 1), the challenge of implementing the EPSR appears obviously greater in the newer Member States with higher levels of inequality. The common standards could be invoked by the citizens of all twenty-eight Member States, and the EPSR includes recourse to supranational EU appeal authorities.

<sup>11</sup> Eurostat

<sup>12</sup> The Gini coefficient is a measure of statistical dispersion intended to represent the income or wealth distribution of a nation's residents, and is the most commonly used measure of inequality. A score closer to zero means that the wealth of the nation is equally dispersed. If a score is 1, then all the wealth of the nation is held by one person.

In order to understand the full context of the contemporary issues and asymmetries that abide throughout the EU28 and would make the implementation of the EPSR challenging,

one must turn to and delineate the specific economic asymmetries and corresponding growth in inequality. This is undertaken in the section below.

#### 1.4. The Inequality Problem and the European Pillar of Social Rights

Before detailing some of the macroeconomic policies that should be in place for an effective implementation and realization of the goals and principles of the EPSR,<sup>13</sup> some of the current states of affairs that lead to unequal societies need to delineate. Detailing some of the problems in the labour market, problems of distribution, and problems of regressive taxation, we aim to show that inequality, unless confronted through renewed social investment which the EPSR could spur, could continue to grow in Europe. Reducing inequality is a target for both the SDGs and the EPSR, which would do well to work in concert.<sup>14</sup> Inequality itself is a well-researched issue,<sup>15</sup> and it is an acknowledged problem at the highest levels of the EU.<sup>16</sup>

There are chronic levels of unemployment and more emphatically youth unemployment in the labour markets of the CEE transition economics. This is in contrast to the rates of other EU28 countries. Additionally, after 2009,

Europe's southern periphery experienced new and significant asymmetries in migratory flows within the EU, stressing the systems and mechanisms of the labour market. What increases these problems is the haemorrhaging of "human capital" from transition economies. This was made possible by the labour mobility provisions of the Single European Act, but the scale of which it occurred was not foreseen and has increased the demand weaknesses in these transition economies.<sup>17</sup> The column in Table 1 showing population changes in EU countries reflects the marked shifts in labour migration, as well as divergent rates of reproduction. Patterns of labour market participation have also changed over the period 1990-2017 in ways which render the EPSR targets even more challenging.<sup>18</sup> In addition, the long-term emergence of varied forms of insecure employment (temporary, part-time, zero hours, zero insurance cover) represents an added economic

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13 See chapter three, below.

14 See chapter two, below.

15 For example, *The Spirit Level* by Richard Wilkinson and Kate Pickett details the effects of inequality on different social phenomena, as well as offers recommendations to reduce inequality. They even include a chapter on "Inequality and Sustainability," p. 217-233. Beyond Wilkinson and Pickett, Joseph Stiglitz has published an analysis of the effects of inequality, *The Great Divide*. While his text focuses more on American policies and situations, it still contains useful examples for a European audience. Recently, Thomas Piketty has also published on inequality, in his celebrated, *Capital in the 21<sup>st</sup> Century*. Using historical data, he presents the structures of how inequality grows and recommends several mechanisms to promote equal societies.

16 European Commission, *Draft Joint Employment Report from the Commission and the Council accompanying the Communication from the Commission on the Annual Growth Survey 2018*, COM(2017) 674 final, Brussels, 22.11.2017

17 What has occurred has also increased social tensions, as the movement of people has produced supply weaknesses in certain sectors of the host economies, e.g., housing, education.

18 See Leaman 2017.

asymmetry to employment relations and a further challenge to the promise of deliverable employment rights. These factors contribute to the growing rate of inequality both in transition economies and the rest of the EU28. Not only are more societies more unequal, the EU as a whole has an increased inequality, which we turn to now.

Another inequality or economic asymmetry relates to the distribution of wealth. There is a broad acknowledgement that the *functional* distribution of income (Wage Share/Labour Share), the *personal* distribution (measured by the Gini coefficient) and the *sectional* distribution (deciles, percentiles of households) has become more unequal over time.<sup>19</sup> This asymmetry of distribution within Europe is the upward drift of inequality that has reduced the number of states with a Gini score of 25 to none.<sup>20</sup> At the same time, five states have reached scores of over 35, when between 1980 and 1984 there were none. This long-term trend of widening disparities of market income renders the task of the state reducing income inequality even more challenging, and given the aims of the EPSR to do just that, its implementation is made more difficult and more important.

Finally, there is an inequality or economic asymmetry in the mechanisms of taxation throughout the Member States. There has

been an overall shift of tax burdens from direct to indirect sources of tax revenue, in particular in the newer Member States. At the same time, there has been a flattening of the curve of progression in income taxation, benefiting higher earners and increasing inequality, or indeed the abandonment of progressivity altogether. This is particularly notable in the majority of CEE states, where a *flat tax* regime has been introduced.<sup>21</sup> Tax rates on capital have seen marked reductions throughout the EU, particularly since the 2004 enlargement, which reflects an unhealthy process of tax competition.<sup>22</sup> Significantly, in the Commission's European Semester 2017 Report, France is urged to lower its rate of Corporation Tax, a move which reinforces the destructive trend of tax competition.<sup>23</sup> Taken together, these developments weaken the ability of fiscal states both to fund the provision of public goods and to reduce income inequalities via transfers to poorer households. These problems are compounded by revenue losses, estimated at €1 trillion annually, as a result of tax evasion and avoidance.<sup>24</sup> In the words of US Senator Bernard Sanders, these asymmetries seem to constitute "a race to the bottom," increasing inequality across Europe and making an effective implementation of the EPSR that much more important.

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19 See Wilkinson & Pickett 2009, Stockhammer/ILO 2013, Haldane 2014, Tóth 2011, and OECD 2015.

20 In 1980, there were 11 EU nations that had a score of 25 or less. See Tóth 2013, p. 9.

21 This is not a neutral policy; Piketty argues that the tax regime helps to structure the inequality of a society, and that if the tax regime is not progressive that "it should come as no surprise that those who derive the least benefit from free trade may well turn against it. The progressive tax is indispensable for making sure that everyone benefits from globalization, and the increasingly glaring absence of progressive taxation may ultimately undermine support for a globalized economy," p. 497.

22 Again, Piketty notes this: "In any case, if the European countries do not join together to regulate capital cooperatively and effectively, individual countries are highly likely to impose their own controls and national preferences," p. 536.

23 See Leaman 2012.

24 See Barroso 2013.

## 1.5. From Inequality to Integration

Given the context of the challenges, the implementation of the EPSR would be a formidable task, but its success would be a remarkable achievement. It would be an accomplishment that could counter the rising tides of inequality and social instability, as detailed above. An effective implementation, nonetheless, could not be accomplished without the tools and resources of other European level programmes, including the macroeconomic programmes

(e.g., the European Semester). There are several programmes that share mutual goals or reinforce similar goals, e.g., the Sustainable Development Goals (SDGs). Integrating the implementation of the EPSR with these other programmes would improve its potential success, as well as the successful outcomes of the other programmes. This argument is detailed and developed in chapter two below.

# Chapter 2: Ensuring an Integrated Approach in the European Policy Agenda

## 2.1. Introduction

There are several European initiatives that share policy resemblances, e.g., the EPSR and the 2030 Agenda for Sustainable Development, which seeks to implement the Sustainable Development Goals (SDGs). This chapter aims to reveal how the implementation of the EPSR

and of the SDGs could be mutually reinforcing. In order to do so, the EPSR's potential to be the set of centring principles of the implementation of the SDGs in the EU after the completion of the Europe 2020 Agenda will be explored.

## 2.2. Identifying Shared Thematic Priority Areas

In this section, we make a comparison between the rights and principles of the EPSR and of the (social) objectives included in the Europe 2020 strategy, and beyond 2020 in the Agenda 2030 on the SDGs, that could become the main policy agenda for Europe in the post-2020 period.

To begin, there is a complementarity in terms of objectives between the EPSR, the social objectives of the Europe 2020 strategy and the Agenda 2030 process. These objectives could be summarized under the heading of “reducing inequality,” which manifests itself in many forms from affordable access to quality healthcare to labour market involvement. The possible mutuality between these processes should be fully exploited to ensure effective implementation of the social rights in the EPSR. It is good to note the blocks of social rights and principles in the EPSR, which consists of twenty principles, not all of which are legally enforceable. Moreover, as the details of the different agendas are developed it can be seen that there is the potential for policy coherence in both implementation and in measurement. For

the EPSR, the three chapters are:

1. **Equal opportunities and access** to the labour market including the right to education, training and life-long learning, gender equality, equal opportunities, and active support to employment.
2. **Fair working conditions**, including the right to secure and adaptable employment, fair wages, information about employment conditions and protection in case of dismissals, social dialogue and involvement of workers, work-life balance, and health, safe and well-adapted work environment and data protection.
3. **Social protection and inclusion**, including the right for childcare and support to children, social protection, unemployment benefits, minimum income, old age income and pensions, health care, inclusion of people with disabilities, long-term care, housing and assistance for the homeless, and access to essential services.

Most, but not all, principles in the EPSR are

formulated as rights. Some go beyond the rights as formulated in the European Charter of Fundamental Rights.<sup>25</sup> In some cases, they also contain stronger formulations than in the actual (social) *acquis* of the Union, e.g., the rights of children and of people with disabilities.<sup>26</sup> Further, the way in which the rights to social protection are formulated in the EPSR creates strong expectations on the future commitments of the EU and the Member States.<sup>27</sup> But that does not automatically mean that the EPSR always contain stronger rights than the actual community or international law, since the rights and principles in the EPSR are not legally binding and thus not enforceable.<sup>28</sup> In some cases, the social rights to benefits, particularly the right to minimum income and to unemployment benefits, are related to the labour market and employment incentives, which risks making

the rights more conditional. It seems that the preamble is balancing the conditionality of certain rights through a strong commitment to existing international human rights frameworks and a solid non-regression provision, related to the body of law which exists at the EU and international level.<sup>29</sup>

Originally, the SDGs were developed by the United Nations, in order to further the progress made by the Millennium Development Goals which were a predecessor to the SDGs. This process culminated in September 2015. The SDGs were adopted by the EU with a process that started in June 2012, with governments of the Member States, the EU Institutions, and groups of experts being consulted along the way.<sup>30</sup> The SDGs contain several social goals that partially coincide with the social rights and principles in the EPSR, which is acknowledged

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25 This is the case for the right to education, training and life-long learning, to adequate activation support and unemployment benefits, the right to health care and long-term care, the rights of people with disabilities, the rights of children, the right to essential services.

26 This is particularly true for gender equality, for the right to information and consultation and to social dialogue, for the right to work-life balance, health and safety, but also for the rights to social protection and the right to social and other essential services.

27 The right to social protection, including social security and social assistance, is formulated in much more general terms and commitments in the 1992 Council recommendations on common criteria concerning sufficient resources and social assistance (92/441/EEC) and on convergence of social protection objectives and policies (92/442/EEC).

28 The right to equal treatment and opportunities goes beyond the actual *acquis*, but the ECFR contains *more grounds for non-discrimination* than the EPSR. The right to active support to employment certainly is framed in a much broader way than in the ECFR, but it omits the reference of access to a *free* placement service. The right to secure and adaptable employment extends the actual rights of workers to cover all workers, regardless the type and duration of the employment relation, but adds strange references to the 'necessary flexibility for employers', fostering of 'innovative forms of work' and encouragement of entrepreneurship and self-employment. The right to fair wages partially clarifies the right to fair and just working conditions in the ECFR, by adding a reference to a decent standard of living; but access to adequate minimum wages is not formulated as a general right for all workers.

29 The Recommendation and the proposal for interinstitutional proclamation of the EPSR already contains a non-regression clause: "*The European Pillar of Social Rights shall not prevent Member States or their social partners from establishing more ambitious social standards. In particular, nothing in the European Pillar of Social Rights shall be interpreted as restricting or adversely affecting rights and principles as recognised, in their respective fields of application, by Union law or international law and by international agreements to which the Union or all the Member States are party, including the European Social Charter signed at Turin on 18 October 1961 and the relevant Conventions and Recommendations of the International Labour Organisation.*"

30 See the European Commission's website on the 2030 Agenda on Sustainable Development and the SDGs: [http://ec.europa.eu/environment/sustainable-development/SDGs/index\\_en.htm](http://ec.europa.eu/environment/sustainable-development/SDGs/index_en.htm).



in the communication on “Next steps for a sustainable European future”<sup>31</sup> and the Communication on the EPSR.<sup>32</sup> Several of the SDGs could be compared to the rights and principles of the EPSR; some of these can also be compared with the commitments in the headline targets of the Europe 2020 strategy. The goals of the SDGs are outlined below and linked to the other policy targets of the EPSR and the 2020 agenda.

Table 2 is a comparison of the 20 principles of the EPSR with the SDGs. What it aims to reveal is that some of the principles contribute directly to sustainability, some only indirectly, and that with some there is no obvious link, especially when it comes to the ecological or environmental aspects of sustainability. However, “growth” cannot be sustainable without taking account of the ecological goals. This will impose some restrictions to economic activities, requiring that production adheres to the commitments made by the EU, e.g. in the Paris Climate Accord. Even more importantly, there is an increasing amount of evidence that the most vulnerable groups in society are also the most exposed to all sorts of environmental risks.<sup>33</sup> What follows Table 5 is an analysis that links the EPSR and the SDGs.

The first goal of the SDGs is to end poverty in all its forms everywhere. This goal is closely connected with several principles in the EPSR, especially with those in Chapter III on social protection and inclusion, but also with

the principles and rights regarding education, employment and wages. In the Europe 2020 strategy one of the headline targets is to have at least 20 million fewer people in or at-risk-of poverty and social exclusion. As recent research shows, increasing inequality in societies increases the risk of poverty and the number of people at risk of or in poverty.<sup>34</sup> By aiming to reduce poverty, reducing inequality should be considered and would complement this goal.

Goal two in the SDGs is ending hunger. Ending hunger is obviously related to the right to social protection, but more precisely right 14 of the EPSR, a right to a minimum income. Right 14 explicitly mentions the idea of “sufficient resources,” which would include nutritious food and water. Moreover, it mentions that a minimum income should ensure “dignity at all stages of life” and “effective access to enabling goods and services.” All of this concerns ending hunger and the systems of delivering nutritious foods to those who need it. This would help achieve both SDG two and the aim of the EPSR. It also would affect SDG three.

Goal three of the SDGs regards good health and well-being. It is to ensure healthy lives and promote wellbeing for all at all ages. In terms of the EPSR, this has a strong connection to rights 16 and 18, which concern health care and long-term care. Good health and well-being are negatively affected by inequality, as research shows, with as much as ten years difference in life-expectancy in the same country at both

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31 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Next steps for a sustainable European future European action for sustainability, COM(2016)739 final, 22/11/2016, p.11.

32 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Establishing a European Pillar of Social Rights, COM(2017) 250 final, Brussels, 26.04.2017

33 See The Spirit Level by Wilkinson and Pickett.

34 See The Spirit Level by Wilkinson and Pickett.

Table 5. Comparing the 20 principles of EPSR to the 17 SDGs

| EPSR - 20 Principles                                |  | Sustainable Development Goals |   |  |                                    |
|---|--|-------------------------------|---|--|------------------------------------|
|   |  | direct contribution           |   | indirect contribution  | environmental goals, not mentioned |
| Equal opportunities and access to the labour market | 1. Education, training and life-long learning                          | Goal 4                        | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all  |  | Goal 13                            |
|   | 2. Gender equality   | Goal 5                        | Achieve gender equality and empower all women and girls   |  | Goal 14                            |
|   | 3. Equal opportunities   |                               |   | Strengthen the means of implementation and revitalize the global partnership for sustainable development | Goal 15                            |
|   | 4. Active support to employment  | Goal 8                        | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  | Goal 17  |                                    |
| Fair working conditions                             | 5. Secure and adaptable employment                                     |                               |   |  |                                    |
|   | 6. Wages conditions and protection in case of dismissals               |                               |   |  |                                    |
|   | 7. Social dialogue and involvement of workers                          |                               | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels | Goal 12  |                                    |
|   | 8. Work-life balance   | Goal 16                       |   |  |                                    |
| Social protection and inclusion                     | 9. Healthy, safe and well-adapted work environment and data protection |                               |   |  |                                    |
|   | 10. Childcare and support to children                                  |                               |   |  |                                    |
|   | 11. Social protection  | Goal 1                        | End poverty in all its forms everywhere   | End hunger, achieve food security and improved nutrition and promote sustainable agriculture             |                                    |
|   | 12. Unemployment benefits  | Goal 10                       | Reduce inequality within and among countries  |  |                                    |
|   | 13. Minimum income   |                               |   |  |                                    |
|   | 14. Old age income and pensions  |                               |   |  |                                    |
|   | 15. Health care  | Goal 3                        | Ensure healthy lives and promote well-being for all at all ages   |  |                                    |
|   | 16. Inclusion of people with disabilities                              |                               |   |  |                                    |
|   | 17. Long-term care   |                               |   |  |                                    |
|   | 18. Housing and assistance for the homeless                            | Goal 6                        | Ensure availability and sustainable management of water and sanitation for all  | Make cities and human settlements inclusive, safe, resilient and sustainable                             |                                    |
|   | 19. Access to essential services                                       | Goal 7                        | Ensure access to affordable, reliable, sustainable and modern energy for all  |  |                                    |
|   |  | Goal 9                        | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation   |  |                                    |

ends of the socio-economic scale.<sup>35</sup> This is unacceptable, and by striving to achieve this goal and implement these rights, this gap can be bridged.

Regarding SDG four that concerns inclusive and equitable quality education and promoting life-long learning opportunities for all, there are strong links with the right to education, training and life-long learning of the EPSR. Additionally, in the Europe 2020 strategy, there is the target of reducing early school leavers to below 10% and of bringing at least 40% of all 30 to 34 year olds to complete higher education.

SDG five is almost completely shared by EPSR (rights two and three), as each concern gender equality and the empowerment of all women and girls. It is widely recognised that gender equality and all forms of discrimination are connected to the experience of poverty and social exclusion.

Where the EPSR concerns the right of access to essential services, SDGs six and seven ensure availability and access to these things, that is, water, sanitation, and energy that is sustainable and affordable. Access to services has been shown to provide opportunities and increase social mobility; these goals and principles directly feed into the accomplishment of others.

The principles and rights of chapter two of the EPSR, which concern fair working conditions and the right to active support to employment, as well as rights to social protection and inclusion, relate to SDG eight, which aims to provide decent work and economic growth, i.e., through promoting sustained, inclusive and sustainable economic growth and the full and productive employment and decent work for all. This is also in the Europe 2020 strategy, with the headline target of bringing 75% of people between 20 and 64 years into work.

SDG 10 is about reducing inequalities, both within and among the countries of Europe, and aims to ensure that in all countries the income of the bottom 40% increases faster than the income of the whole population. While the EPSR does not contain this language, it addresses inequality through most of its rights and principles, but in integrating the implementation of the SDGs and the EPSR, some additional communication that clarifies the EPSR's goals in reducing inequality would not be amiss. As research, which has been cited multiple times, shows inequality affects almost every aspect of our societies, increasing the vulnerability of women and children, increasing the risks of violence, increasing the fragility of our environments through detrimental decisions (which often benefit those with more wealth than those without). Through an effective implementation of this SDG and the rights of the EPSR, inequality could be reduced and people raised from economic precariousness to stability and dignity in life.

SDG 16 concerns the development of peaceful and inclusive societies, seeking justice for all with effective, accountable and inclusive institutions. Research shows that more equitable societies have fewer social issues, including mental illness and violence, and so it seems that the EPSR could be an effective means to deliver the goal of creating peaceful and inclusive societies, especially given the principles and rights listed in chapter three of the EPSR.<sup>36</sup>

Finally, SDG 17 concerns partnerships for all the goals. This concerns the partnership between EU institutions, Member States, and of course civil society and its actors, some of which are represented by Eurodiaconia. Ultimately, the on-the-ground task of implementing the SDGs and the EPSR will be done by actors like churches, charities, non-governmental

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35 Ibid.

36 See *The Spirit Level* by Wilkinson and Pickett.

organisations (NGOs) as well as public authorities at all government levels. Therefore, explicit partnership and cooperation between the highest levels of governance and local actors is paramount for effective implementation. This goal aims to strengthen the means of implementation and to revitalize the global partnership for sustainable development. It includes finance, technology, capacity building, but also policy and institutional coherence, multi-stakeholder partnership, data monitoring and accountability.

Unfortunately except for the role of social dialogue in the implementation of the EPSR's principles and rights, these partnership principles, governance arrangements and financial instruments are not explicitly included in the Recommendation and the proposal for inter-institutional proclamation, but are only mentioned in the Communication on the EPSR.<sup>37</sup> However, civil society involvement and the voice of people experiencing social exclusion is essential, not only to identify gaps in existing instruments to implement social rights, but also to evaluate and improve their implementation.

While the Commission had promised to mainstream the SDGs into EU policies and initiatives, there is not much evidence beyond using the notion of "sustainable development" and "sustainable growth" in their recommendation on the EPSR.<sup>38</sup>

However, in their Communication on the Agenda 2030, the Commission mentions SDG eight (*decent work and economic growth*) and expresses their expectation that the EPSR will aid the achievement of the SDGs one, three and ten. Furthermore, in the accompanying

Commission Staff Working Document to the Agenda 2030, the EPSR is mentioned in the context of the following SDGs: 1, 3, 4, 5, 7, 8, and 10. Additionally, the European Charter of Fundamental Rights is mentioned in the context of SDG 16. While this document distinguishes between external and domestic or EU-oriented actions, the EPSR is seen as directed towards domestic action only.

The rights-based approach of the SDGs translates immediately to all human beings and highlights the role of the EU as a world leader. As mentioned earlier, the Staff Working Document on the Agenda 2030 explicitly endorses the European Charter of Fundamental Rights in the context of SDG 16, but does not refer to the EPSR when it comes to SDG 17.<sup>39</sup> This should be amended, so the EPSR can be seen to be part of the partnership that delivers the SDGs. The *social dialogue and involvement of workers* that the EPSR refers to can be seen as a role model that should be extended to other groups and their respective representatives. This is something that Eurodiaconia actively attempts to do, by bringing in local actors into dialogue and by representing them to the EU institutions. Through working groups, research groups, conferences, and dialogue Eurodiaconia remains in constant social dialogue and involves the various actors of and participants in the local organizations.

In short, the 20 principles of the EPSR do relate to the 17 SDGs -- in spirit, if not in exact equivalent form. There is significant overlap in the aims and goals of the EPSR and the SDGs that in addressing both frameworks policy goals can be articulated and monitored in an integrated fashion that could produce better results.

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37 See footnote 7.

38 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Region, Next steps for a sustainable European future European action for sustainability, COM(2016)739 final, 22/11/2016, p.18.

39 It is interesting to note that the European Charter of Fundamental Rights is itself a basis of the EPSR and gives legal status to the rights emphasized therein. Thus, it is a little odd that there is no mention of it in SDG 17.

However, it would be wrong to assume that the EPSR addresses merely the social issues, and that the SDGs merely address the environmental. These social issues are intertwined and mutually reinforcing. Both concern the causes and symptoms of inequalities. Moreover, in considering the economic repercussion of implementing the SDGs without implementing the EPSR could lead to greater cuts to social welfare and be experienced by citizens as austerity measures that undermine quality of life, or even its very liveability.<sup>40</sup> Without a strong concern in implementing the social principles and rights of the EPSR, the cuts to

growth (measured in GDP) that could ensue in the task of achieving sustainability would likely be translated to cuts in social benefits and transfers, ensuring that those most vulnerable groups are doubly hurt: by the environmental risks in the first place, and then by the attempt to correct them. The necessity, then, of some sort of benchmarking device in terms of the social progress becomes obvious, in order to attempt to guarantee that the social agendas are not forgotten or sacrificed. This is taken up in the next section, in a discussion of the Social Scoreboard, which would be such a device.

### 2.3. Strengths and Weaknesses of the Social Scoreboard

Currently, the EPSR is accompanied by a *Social Scoreboard* that sets out several indicators to measure progress on the social rights and principles. However, there is criticism on the content of the Social Scoreboard and its relation to existing monitoring instruments, e.g., the indicators used in the social Open Method of Coordination, and the Social Protection Performance Monitor and the Employment Performance Monitor, used in the European Semester and that function alongside the macroeconomic indicators used to implement the Macroeconomic Imbalance Procedure. This section lays out a criticism, as well as recommends various policies for improving the social scoreboard and the monitoring process of the EPSR.<sup>41</sup>

Eurodiaconia has already offered a comment on the Social Scoreboard. In that report, it stated:

*As regards the Social Scoreboard, which is supposed to be the main tool to monitor implementation, it is worrying that it is not covering all principles of the [EPSR], as for example data on child poverty, inclusion of persons with disabilities as well as data on homelessness and access to housing are missing completely. Furthermore, the structure of the Scoreboard is unclear, as the indicators don't necessarily fit the structure of the [EPSR]. It is therefore unclear how it should effectively monitor the implementation of the [EPSR].<sup>42</sup>*

40 We deal with the issue of social investment currently being part of the fiscal regulation “six-pack” below, which is why foreseeable cuts could occur: social investment is not currently possible through public debt, but it must be on the agreed balanced-budget.

41 See EAPN position paper on the EPSR; ETUI/ETUC is doing an exercise on the social scoreboard.

42 Eurodiaconia, Briefing for members, *The European Pillar of Social Rights*, July 2017

Table 6. EPSR Principles and the Social Scoreboard

| 3 areas   | 20 Principles   | Social Scoreboard indicators on the following issues   |
|---|---|--|
| Equal opportunities and access to the labour market | <ol style="list-style-type: none"> <li>1. Education, training and life-long learning</li> <li>2. Gender equality</li> <li>3. Equal opportunities</li> <li>4. Active support to employment</li> </ol>  | <ol style="list-style-type: none"> <li>1. Education, skills and lifelong learning</li> <li>2. Gender equality in the labour market</li> <li>3. Inequality and upward mobility</li> <li>4. Living conditions and poverty</li> <li>5. Youth</li> </ol> |
| Fair working conditions                             | <ol style="list-style-type: none"> <li>5. Secure and adaptable employment</li> <li>6. Wages</li> <li>7. Information about employment conditions and protection in case of dismissals</li> <li>8. Social dialogue and involvement of workers</li> <li>9. Work-life balance</li> <li>10. Healthy, safe and well-adapted work environment and data protection</li> </ol>   | <ol style="list-style-type: none"> <li>6. Labour force structure</li> <li>7. Labour market dynamics</li> <li>8. Income, including employment-related</li> </ol>  |
| Social protection and inclusion                     | <ol style="list-style-type: none"> <li>11. Childcare and support to children</li> <li>12. Social protection</li> <li>13. Unemployment benefits</li> <li>14. Minimum income</li> <li>15. Old age income and pensions</li> <li>16. Health care</li> <li>17. Inclusion of people with disabilities</li> <li>18. Long-term care</li> <li>19. Housing and assistance for the homeless</li> <li>20. Access to essential services</li> </ol> | <ol style="list-style-type: none"> <li>9. Early childhood care</li> <li>10. Impact of public policies on reducing poverty</li> <li>11. Healthcare</li> <li>12. Digital access</li> </ol>   |

Furthermore, the Social Scoreboard does not refer explicitly to the 20 Principles as Table 3 clearly shows, e.g., living conditions and poverty are included as indicators in chapter one, “Equal opportunities and access to the labour market.” While this seems to indicate an understanding that poverty is a barrier to equal opportunity, a thesis held by Eurodiaconia and many social scientists and economists, it is not spelled out in the accompanying documents. The Social Scoreboard indicators have not all been selected from a rights-based perspective, weakening its link to the EPSR. Additionally, indicators on social and civil dialogue, as well as the right to information about employment conditions, are missing. Finally, there is a clear imbalance between the number of principles on chapter three, “Social protection and inclusion,” and the number of indicators. Even if the indicators concerning living conditions are applied for

this area as well, there is missing information concerning the adequacy and coverage rates of unemployment benefits, the adequacy and non-take-up of minimum income schemes, the inclusion of people with disabilities, long-term care, housing, access to essential services apart from digital access, and child poverty.<sup>43</sup> Specific policies will be recommended in section 2.5.

To conclude, in order to ensure an effective monitoring, the Social Scoreboard should be broadened and strengthened by the other indicators currently operating on the different principles of the EPSR. Additionally, the Social Scoreboard should be edited to refer explicitly to the 20 principles of the EPSR. This would strengthen the rights-based approach that the EPSR has by having its monitoring system also being framed by a rights-approach. What is necessary, though, is a continued integration of other targets and indicators, which is taken up in the next section.

43 Although child poverty is address in the EPSR (3.11), the social scoreboard does not monitor this precisely.



## 2.4. Obstacles and Opportunities for Shared European-Level Targets and Indicators

There are gaps, as seen above, between the EPSR and the SDGs, yet the scoreboards for these policies have many similarities. In Table 7 below, these are detailed. If the systems of

monitoring were made to be more integrated, the overlapping agendas could be pursued in tandem. This section concerns bridging these gaps.

Table 7. Sustainable Development Goals Indicators that are used in the Social Scoreboard

Sustainable Development Goals Indicators

| Goal      | Code   | MPI | Indicator name  |
|-----------|--|-----|---|
| <b>1</b>  | <b>Goal 1. End poverty in all its forms everywhere</b>   |     |   |
| 1         | 01.11  |     | People at risk of poverty or social exclusion   |
| 1         | 01.12  |     | People at risk of poverty after social transfers*   |
| 1         | 01.13  |     | Severely materially deprived people   |
| 1         | 01.14  |     | People living in households with very low work intensity  |
| 1         | 01.21  |     | Housing cost overburden rate*   |
| <b>2</b>  | <b>Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture</b>  |     |   |
| <b>3</b>  | <b>Goal 3. Ensure healthy lives and promote well-being for all at all ages</b>   |     |   |
| 3         | 03.41  |     | Self-reported unmet need for medical examination and care   |
| <b>4</b>  | <b>Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b>  |     |   |
| 4         | 04.10  |     | Early childhood education and care*   |
| 4         | 04.20  |     | Early leavers from education and training   |
| 4         | 04.30  |     | Tertiary educational attainment*  |
| 4         | 04.40  |     | Adult participation in learning   |
| 4         | 04.50  |     | Underachievement in reading, maths and science*   |
| <b>5</b>  | <b>Goal 5. Achieve gender equality and empower all women and girls</b>   |     |   |
| 5         | 05.10  |     | Gender pay gap  |
| 5         | 05.12  |     | Gender employment gap   |
| <b>6</b>  | <b>Goal 6. Ensure availability and sustainable management of water and sanitation for all</b>  |     |   |
| <b>7</b>  | <b>Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all</b>  |     |   |
| <b>8</b>  | <b>Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>  |     |   |
| 8         | 08.20  |     | Young people neither in employment nor in education and training  |
| 8         | 08.30  |     | Total employment rate*  |
| 8         | 08.31  |     | Long-term unemployment rate*  |
| <b>9</b>  | <b>Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>   |     |   |
| 9         | 09.11  |     | Employment in high- and medium-high technology manufacturing sectors and knowledge-intensive service sectors* |
| <b>10</b> | <b>Goal 10. Reduce inequality within and between countries</b>   |     |   |
| 10        | 10.11  |     | Real adjusted gross disposable income of households per capita in PPS   |
| 10        | 10.24  |     | Gini coefficient of equivalised disposable income*  |
| <b>11</b> | <b>Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable</b>   |     |   |
| <b>12</b> | <b>Goal 12. Ensure sustainable consumption and production patterns</b>   |     |   |
| <b>13</b> | <b>Goal 13. Take urgent action to combat climate change and its impacts</b>  |     |   |
| <b>14</b> | <b>Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b>   |     |   |
| <b>15</b> | <b>Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</b> |     |   |
| <b>16</b> | <b>Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b>            |     |   |
| <b>17</b> | <b>Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</b>   |     |   |



Table 5. Sustainable Development Goals Indicators that could be used in the Social Scoreboard

Sustainable Development Goals Indicators

| Goal      | Code   | MPI | Indicator name   |
|-----------|--|-----|--|
| <b>1</b>  | <b>Goal 1. End poverty in all its forms everywhere</b>   |     |  |
| 1         | 01.22  |     | Share of total population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor   |
| <b>2</b>  | <b>Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture</b>  |     |  |
| 2         | 02.11  |     | Obesity rate   |
| <b>3</b>  | <b>Goal 3. Ensure healthy lives and promote well-being for all at all ages</b>   |     |  |
| 3         | 03.11  |     | Life expectancy at birth   |
| 3         | 03.14  |     | Self-perceived health  |
| 3         | 03.25  |     | Death rate due to chronic diseases   |
| 3         | 03.31  |     | Suicide death rate   |
| 3         | 03.36  |     | Smoking prevalence   |
| <b>4</b>  | <b>Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b>  |     |  |
| 4         | 04.31  |     | Employment rate of recent graduates  |
| <b>5</b>  | <b>Goal 5. Achieve gender equality and empower all women and girls</b>   |     |  |
| 5         | 05.21  |     | Proportion of women in senior management positions   |
| 5         | 05.44  |     | Inactivity rates due to caring responsibilities  |
| <b>6</b>  | <b>Goal 6. Ensure availability and sustainable management of water and sanitation for all</b>  |     |  |
| 6         | 06.11  |     | Share of total population having neither a bath, nor a shower, nor indoor flushing toilet in their household   |
| <b>7</b>  | <b>Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all</b>  |     |  |
| 7         | 07.10  |     | Percentage of people affected by fuel poverty (inability to keep home adequately warm)   |
| 7         | 07.32  |     | Final energy consumption in households per capita  |
| <b>8</b>  | <b>Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>  |     |  |
| 8         | 08.35  |     | Involuntary temporary employment   |
| 8         | 08.60  |     | Fatal accidents at work by sex (NACE Rev. 2, A, C-N) - Unstandardised incidence rate   |
| <b>9</b>  | <b>Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>   |     |  |
| <b>10</b> | <b>Goal 10. Reduce inequality within and between countries</b>   |     |  |
| 10        | 10.22  |     | Relative median at-risk-of-poverty gap   |
| 10        | 10.25  |     | Income growth of the bottom 40 per cent of the population and the total population   |
| 10        | 10.31  |     | Number of first time asylum applications (total and accepted) per capita   |
| <b>11</b> | <b>Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable</b>   |     |  |
| 11        | 11.12  |     | Overcrowding rate by degree of urbanisation  |
| 11        | 11.21  |     | Distribution of population by level of difficulty in accessing public transport  |
| 11        | 11.36  |     | Proportion of population living in households considering that they suffer from noise  |
| <b>12</b> | <b>Goal 12. Ensure sustainable consumption and production patterns</b>   |     |  |
| <b>13</b> | <b>Goal 13. Take urgent action to combat climate change and its impacts</b>  |     |  |
| 13        | 13.63  |     | Share of EU population covered by the new Covenant of Mayors for Climate and Energy (integrating mitigation, adaptation, and access to clean and affordable energy). Continuously updated. |
| <b>14</b> | <b>Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b>   |     |  |
| 14        | 14.13  |     | Bathing water quality  |
| <b>15</b> | <b>Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</b> |     |  |
| <b>16</b> | <b>Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b>            |     |  |
| 16        | 16.10  |     | Death due to homicide, assault, by sex   |
| 16        | 16.19  |     | Share of population which reported occurrence of crime, violence or vandalism in their area  |
| 16        | 16.50  |     | Corruption Perception Index  |
| 16        | 16.61  |     | Perceived independence of the justice system   |
| 16        | 16.62  |     | Level of citizens' confidence in EU institutions   |
| <b>17</b> | <b>Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</b>   |     |  |
| 17        | 17.19  |     | Shares of environmental and labour taxes in total tax revenues   |

In order to accomplish an integration of the SDGs and the EPSR, we have indicated which parts of the SDG monitoring scoreboard would be relevant for the EPSR in Table 8. While the EPSR focuses on employment, it is also rightly concerned with equal opportunities which necessities having a clearer picture of social inequalities that lead to differences in opportunities.<sup>44</sup> In terms of inequality, the indicator on the monitoring system of the SDGs that compares the incomes growth of the bottom 40% of the population with the total population<sup>45</sup> could be brought into harmonization with the monitoring for the EPSR. Moreover, the more social monitoring for the EPSR does have corresponding indicators in the SDGs, which touch on other areas of inequality, e.g., housing conditions and repair,<sup>46</sup> indoor plumbing and sanitation,<sup>47</sup> fuel poverty,<sup>48</sup> and noise pollution.<sup>49</sup> These monitoring systems in both the SDGs and the EPSR could reinforce the same agenda and be used to integrate policies targeting the rise in inequality.

Beyond the social policies that are monitored by the SDGs and the EPSR, there is a potential coherence in the indicators regarding employment indicators. For example the EPSR is concerned with causes of unemployment; the indicators on the SDGs are concerned with unemployment due to caring responsibilities<sup>50</sup> and involuntary temporary employment.<sup>51</sup> Both

relate to the principles of the EPSR, particularly as these forms of unemployment often are considered hidden and related to gender roles and other types of restrictions or discriminations. The SDGs do go beyond the EPSR with regards to the ecological and sustainability concerns, yet the Communication from the European Institutions relates these issues to the same ones raised in the EPSR. It states:

*Aware of the limits of the planet, scarcity of resources, rising inequalities and the importance of sustainable growth for preserving our social welfare systems, we want to put the European and global economy on a new path to give better lives to people, ensuring a fair share for all and notably the younger generation.*<sup>52</sup>

Already, there is scope to bridge thinking on sustainability and the impact on social welfare systems. What the SDGs and the EPSR, in terms of an integrated monitoring system, offer is a chance to improve the levels of access, equality, and opportunity intergenerationally across Europe. Having meaningful, full-time work for youth, in particular, that contributes to the social welfare system also helps to manage the costs of such systems.

In short, the obstacles for cohering the monitoring systems of the SDGs and the EPSR are not insurmountable. The differences in agendas

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44 Wilkinson and Pickett.

45 SDG 10.25

46 SDG 1.22

47 SDG 6.11

48 SDG 7.10

49 SDG 11.36

50 SDG 5.44

51 SDG 8.35

52 Communication of the Commission to the European Parliament, the Council, the European Economic and Social Committee and the European Committee of the Regions, Next steps for a sustainable European future European action for sustainability, COM(2016)739 final, 22/11/2016, p.17.

and foci are not disparate enough not to be integrable. In fact, the opportunity present in bringing together these two monitoring systems into one coherent one deepens both: the EPSR gains another element (sustainability) and the

SDGs do not overlook a crucial aspect (the social systems). If the monitoring systems benefit from integration, then the gaps at policy making level must also be bridged, so that these agendas can cohere more.

## 2.5. Bridging the Gap at the Level of European Policy Making: Policy Recommendations for an Effective and Integrated Approach to Implementation of the EPSR and the SDGs

By noting where the gaps are at the level of European policy making, we hope to map a way forward for the integration of the different policy agendas into a coherent policy agenda that could be effectively implemented, accomplishing more than the diverse agendas would separately.

First of all, it must be noted that the EPSR makes no explicit link to the Europe 2020 strategy and its objectives in the social field. In being a list of rights and principles, the EPSR does not in itself foresee any connection with the 2030 Agenda for Sustainable Development. There also is a worrying disconnection between the EPSR discussions and the debates on the future of Europe and the reflection paper on the social dimension. Only the reflection paper on the EMU clearly foresees a role for the EPSR in the future design of EMU objectives and policies. These missing links may be interpreted as if the implementation of the EPSR were the sole responsibility of the social departments of the European institutions, e.g., DG Employment, Social Affairs, and Inclusion. However, it is clear that the EPSR will not have any substantial impact on the functioning of the EU unless it is solidly supported by all EU institutions and Member States at the highest level. The solemn proclamation of the EPSR by the Heads of State and Government at an EU Summit and the official endorsement of the European Parliament was a necessary but insufficient condition

to ensure a significant weight of the EPSR in European politics.

As for the SDGs, specific monitoring and evaluation is foreseen by the UN through their Economic Council for Europe and based upon the indicators' framework developed by the UN's statistical office in March 2016, which includes 230 indicators. A common EU governance and monitoring process could be developed, potential using the clear monitoring and reporting mechanism on the EU and the Member States' implementation of the SDGs that SDG Watch Europe is promoting. They want to see annual progress reviews, on the basis of an EU level indicators framework that should be elaborated based on the global indicators by the Inter-Agency Expert Group on the SDGs and UN Security Council. The indicators that EUROSTAT has developed to assess progress on the SDGs at EU level could be used.

We recommend that monitoring and governance of the SDGs should feed into the European Semester, and be financed by the EU budget and through the European Structural and Investment Funds. Moreover, with regard to monitoring the SDGs, the idea of consumption corridors has been introduced, which references both planetary boundaries and the growing inequality experienced in many countries (a concern of the EPSR).<sup>53</sup> While the argument for lower boundaries of consumption has

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53 Fuchs and di Giulio, 2014

often been made with reference to poverty lines, the argument for upper boundaries of a “safe and just socio-economic space for humanity” can explicitly be linked to the societal need to restrict social inequality in order to allow participation. Social congruence in consumption can be seen as a prerequisite for participation: neither exclusion by poverty nor withdrawal from their obligations to society by extremely well-off people can provide a democratic basis for the development of visions of a sustainable society. Rather, the transition processes towards sustainability, including the shaping of sustainable production and consumption structures, need to account for issues of social inequality in the participation in such processes – both within and across societies.<sup>54</sup>

We note that linking the SDGs, the EPSR, and both the 2020 and the 2030 agendas, in word is not enough. These policies and agendas must be linked in terms of their monitoring, their implementation, and ultimately in terms of their resourcing, i.e., in terms of the macroeconomic policies supporting them. Only in this way, we argue, an integrated approach can be effectively implemented. Therefore, we present several policy recommendations that would encourage a mutual reinforcing policy agenda and monitoring between the SDGs and the EPSR. We believe that in order to demonstrate that the EU takes social rights seriously and to promote overall policy coherence and mainstream social rights in all policies these measures will have to be implemented.

Finally, we recommend different policies, covering both the monitoring through the Social Scoreboard, as well as the implementation of the EPSR and SDGs. We begin with the Social Scoreboard policies.

- For effective implementation, all social

rights of the EPSR should be covered by adequate headline indicators, as part of the Social Scoreboard.

- To that purpose, a concrete agenda should be established to fill the existing gaps in the social indicators and to develop new relevant indicators through a participatory process involving civil society actors. For example, regarding poverty, one core priority is to keep the full range of Europe 2020 indicators on poverty, ensuring that they remain monitored separately while considering additional indicators to capture extreme poverty, child poverty and in-work poverty.
- The timely delivery of social indicators, on a par with economic and employment indicators, must be ensured. This would aid in mainstreaming social policy objectives into the overall governance architecture of EMU and develop a coherence with existing mechanisms, such as the Social Protection Performance Monitor (SPPM) and the Employment Performance Monitor.
- In order to achieve such coherence, the indicators from the SPPM on child poverty, poverty of older people and intensity of poverty should be included in the Social Scoreboard.
- With regard to housing, the indicator on housing cost overburden rate should be added to the indicator on severe housing deprivation rate in the Scoreboard.
- To monitor gender equality, the European Institute for Gender Equality's index on gender equality should be used.
- The Social Scoreboard should not only track trends and achievements across EU countries, but should also be used as a basis for developing tangible benchmarks for Member States. These benchmarks should cover adequacy of minimum income

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54 Leßmann & Masson, 2017

systems,<sup>55</sup> minimum wages,<sup>56</sup> unemployment benefits,<sup>57</sup> pensions<sup>58</sup> and of other social protection benefits.

- The benchmarks should inform the development of the Country Specific Recommendations (CSRs) and the National Reform Programmes.

Regarding the broader issues of implementation of the EPSR and the SDGs, we make the following policy recommendations.

- First of all, we recommend that a coherent link be made with the implementation of the current Europe 2020 strategy and its policy targets with its successor after 2020. In this link, the EPSR must also be closely connected, along with the 2030 Agenda for Sustainable Development (the SDGs). This could be done through another Communication from all the EU institutions.
- Second, we recommend that a 'whole-government' method of governance be adopted for the SDGs and for the EPSR, in order to avoid any approach that would fragment the agendas. There should not be 'silos' for the social and the sustainable, but they should be implemented together and by the whole governance process.

- Third, we recommend that the EPSR be mainstreamed in the European Semester process, which would help ensure policy coherence. This is explained more in depth in the next chapter.
- Fourth, we recommend benchmarking and exchange of best practices in areas of social rights, monitoring of progress supported by the new Social Scoreboard, and through peer reviews under the Social OMC. This will contribute to assessing Member States' efforts to deliver, including on the Europe 2020 social targets.
- Fifth, we recommend developing a Joint Assessment Framework, as is the case for the follow-up of the Europe 2020 strategy, to monitor progress on the Agenda 2030 objectives.
- Finally, we recommend the creation of an EU Multi-Stakeholder Platform as part of the overall implementation of the 2030 Agenda, which would help to ensure a participatory process in the monitoring of the SDGs at EU level.

In the next chapter, we analyse the macroeconomic tools that could be used to implement these policies and effectively implement the EPSR and the SDGs.

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55 See EMIN and EAPN proposal on benchmarks for adequate and accessible MIS, and ongoing exercise at SPC on adequacy, coverage and take-up of MI

56 See French-German proposal that considers implementing minimum wage floors to support fair and sustainable mobility, and the ETUC proposal for a benchmark on minimum wages at 60% of median wages.

57 There is a benchmarking exercise ongoing on unemployment benefits.

58 Now ECFIN is developing a benchmark on sustainability of pension systems. Two disconnected reports should be merged into one: the EPSCO report on adequacy of pensions and the ECFIN report on sustainability.

# Chapter 3: Effectively Implementing and Achieving an Integrated Social and Sustainable Policy Agenda

## 3.1. Introduction

In this third and final chapter, we aim to assess the potential and the pitfalls of integrating the implementation of the EPSR and the SDGs within the macroeconomic framework of the European Semester. We will also develop how to utilize the Social Scoreboard, alongside the Macroeconomic Imbalance Procedure (MIP) and the Stability and Growth Pact (SGP). In our first section, we begin by looking at the process of socializing the European Semester and recommend policy to that end, that is, we hope to answer the question of how the European Semester can be used to invest in social development and the implementation of the EPSR. In the following section, we widen the lens

of investigation, in order to detail how social investment could be harmonized with fiscal governance. Again, this is followed by policy recommendations. In section 3.4, we detail the macroeconomic foundation for the implementation of the EPSR, but moreover make policy recommendations that follow on sections 3.2 and 3.3. Finally, we conclude by noting the opportunity present in the implementation of the EPSR and SDGs: to integrate and converge differing European policy agendas, in order to confront and reverse the fragmentation already taking place at the policy and more importantly the socio-political level in societies across the EU28.

## 3.2. Socializing the European Semester

We are not the first to recommend the use of the European Semester in the implementation of the EPSR. In fact, the Communication on the EPSR emphasizes the European Semester's role in the implementation of the EPSR, but it does not clarify how the systematic implementation of all the rights and principles will be carried out. However, this does enable the Commission to trigger a regular cycle of monitoring the implementation of the EPSR. With this monitoring, the implementation of the EPSR could be adjusted according to the various needs and opportunities that arise in the coming decade. From our analysis on the Social Scoreboard and the other monitoring systems, we would also recommend that the European Semester take note of these mechanisms, as well as their integration with the implementation of the SDGs, which could

further accomplish the goals of the EPSR, particularly concerning equality.

In its general assessment of the Communication regarding the EPSR, Eurodiaconia notes how effective the European Semester could be in terms of implementing the EPSR. Specifically,

*[Eurodiaconia] calls for a strong link of the EPSR to the European Semester, which seems a suitable tool to encourage Member States to implement the principles of the [EPSR]. The recently published Country Specific Recommendations (CSRs) and the accompanying Commission Communication have set an encouraging first step, by referring to the [EPSR]. The Commission Communication explicitly states that 'the analysis and recommendations of the European Semester will reflect and promote the principles*



*enshrined in the [EPSR] by assessing, monitoring and comparing the progress made towards implementing them.’ These efforts need to be further enhanced and to systematically include and evaluate all 20 principles of the EPSR.<sup>59</sup>*

This is quite an ambitious goal, especially given the fact that the European Semester is already struggling to deliver on the less ambitious and less numerous social objectives of the Europe 2020 agenda. That being said, if major changes could be undertaken to the process, the European Semester could be a core instrument for the realization of the EPSR integrated with the SDGs. Additionally, the European Semester’s instruments, such as the country reports, the CSRs and the National Reform Programmes, have been considerably more responsive to social objectives in the recent period than in the past. The fact remains, though, that the social policy recommendations are far less numerous than macroeconomic policy recommendations. Our concern is whether it is possible to ensure the follow-up of all social rights and principles

enumerated in the EPSR given the reduced number CSRs that are actually delivered. Until now the CSRs are dominated by a logic of fiscal sustainability rather than any sort of social progress or justice, which leads a striking lack of coherence between the social policy recommendations and the macroeconomic recommendations. In order to use the European Semester in the implementation of the EPSR, the current European Semester process will have to be considerably socialized. If it is partially reframed to concern social investment and aimed at the goals of the EPSR, the European Semester would also be a powerful tool in accomplishing the SDGs. The publication of the Annual Growth Survey 2018 in November 2017 is a first indication that social considerations are to be given more space in the European Semester. The EPSR is a strong theme throughout the Annual Growth Survey and is described as a ‘compass’ by which Member States should orientate their National Reform Programmes. The policy recommendations that we make are detailed below in 3.4.

### 3.3. Social Investment and Fiscal Governance

Related to the policy recommendations above is a renewed focus on social investment and fiscal governance. This section aims to provide the context and the policy recommendations for social investment and the fiscal governance needed for an integrated implementation of the EPSR and the SDGs in the 2030 Agenda. That being said, the macroeconomic procedures and mechanisms of the EU need to be brought into alignment with the rights and principles of the EPSR, which will be fraught with difficulty but could reap enormous benefits.

As a result of “the six-pack,” an EU legislative package that integrates the regulations

regarding fiscal and macroeconomic imbalances, the MIP was implemented in 2012, and is aimed at detecting macroeconomic imbalances that could jeopardize the functioning of the EU and the Eurozone economies. However, this procedure itself is very unbalanced, as it does not consider the existing, and sometimes very large, divergences in social performance between countries. Indeed, these can be as detrimental for the cohesion of the EU as macroeconomic imbalances. In short, only one side of a coin is seemingly being considered: the economic; while the social side is consistently disregarded. Politically, social divergence

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59 Eurodiaconia, Briefing for Members, The European Pillar of Social Rights, Brussels, July 2017



in the Eurozone threatens the sustainability of the project. This divergence steadily undermines the credibility of the European project. In economic terms, strong divergences in social performance between countries, especially related to unemployment and to poverty, can affect the stability of the Eurozone, since it may indicate that there is an important deficit in social investment that has a negative effect on labour market performance, on the capacity of educational systems, on the availability of necessary services and social protection systems to support the cohesion in society. Therefore, a much stronger social dimension and a certain level of social convergence are needed to support and to deepen the EMU.

We recommend that an integrated social and sustainable (linking the EPSR and the SDGs) scoreboard be used, in order to document a new 'excessive social imbalance' procedure, which would be considered next to the existing excessive economic imbalance procedure.<sup>60</sup> Therefore, the MIP's monitoring and implementation procedure must be broadened to take account of social indicators that measure the severe social gaps between as well as within countries, and trigger the Alert Mechanism in the same way as the existing macroeconomic and macro-financial indicators.<sup>61</sup> Regarding the ownership and the control of the process, Economic and Financial Affairs Council and Employment, Social Policy, Health and Consumer Affairs Council should be in charge in partnership.

The link between social policy reforms and the EU budget must be strengthened to foster social convergence and promote equality: progress in implementing the EPSR

by Member States, based on the social benchmarks, and the disbursement of existing European Structural and Investment (ESI) Funds must be further reinforced. EU Funds and the new Multi-Financial Framework must be mobilised to make all rights included in the EPSR concretely implementable and enforceable. This also means that the thematic objectives that act as investment priorities, actually foreseen in the regulations of the ESI Funds, and the ex-ante conditionalities linked to the thematic priorities should be more strongly oriented towards delivery upon the rights and principles of the EPSR. At the same time, the European Fund for Strategic Investments (EFSI) should be used more proactively to support social investments, including from the public and non-profit sector, especially in countries that lack the necessary resources to invest.

But it is clear that, while the use of ESI funds is important for Member States to help foster economic and social cohesion, the funds in the EU budget are not designed nor are they sufficiently financed to play a macroeconomic stabilization function. As proposed in the reflection paper on the deepening of the EMU, a stabilization mechanism should be created to assist countries that lack the financial capacity in maintaining an adequate level of social welfare and of social investments, to act as an 'automatic stabilizer'.<sup>62</sup> Such a macroeconomic stabilization function was already foreseen in the Five Presidents' report. In the reflection paper, three different options are explored for the stabilization function: a European Investment Protection Scheme, a European Unemployment Reinsurance Scheme, and a rainy-day-fund. The mechanism would provide the EMU with

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60 Frank Vandenbroucke with Bart Vanhercke, A European Social Union: 10 tough nuts to crack, background report for the Friends of Europe High-level Group on 'Social Europe', Spring 2014.

61 In 2015 a first step was taken by adding employment performance indicators (activity rate, long-term unemployment and youth unemployment) to the MIP scoreboard. This exercise should be completed by adding social indicators, in particular on poverty and inequality.

62 European Commission, Reflection Paper on deepening the Economic and Monetary Union, COM (2017) 291, 31 May 2017.

a fiscal capacity to deal with economic downturn and a sudden rise of unemployment. The financing arrangements that would be created for such a stabilization mechanism are still very unclear in the reflection document. Additionally, a clearer link to the debate regarding a dedicated Eurozone budget needs to be forged.

It is clear that the creation of such a mechanism reinforces the necessity to strive for a certain degree of social convergence and equality, as well as the introduction of social standards with regard to the design of Member States' welfare systems. Especially with regard to wages, social security benefits and social assistance, but also with regard to countries' choices related to social investment in education, employment and (social) services, quality criteria will have to be in place to ensure trust in the use of the money from the stabilization mechanism and avoid moral hazard. In this respect, the EPSR comes at an appropriate time and its implementation by using benchmarks could support the case for a European Stabilization mechanism.

Another macroeconomic policy that could help implement the EPSR and the SDGs is the Stability and Growth Pact (SGP). Most importantly, the SGP does not actually allow for counter-cyclical policies in times of crisis. However, the main obstacles to social and economic development in Europe lie in low or negative wage/income and (public and private)

investment. Therefore, between the EU and Member States there should be a constructive surveillance of employment and social policies alongside the surveillance now in place for economic policies, and there should be given greater room for manoeuvre and tangible support for Member States that opt for a social investment strategy. Fiscal flexibility must be introduced in the SGP to encourage social investment in guaranteeing these social rights, through the introduction of a Golden Rule, which would not figure social investment into a budget-balance, but would allow portions of debt to be used for social investment.

These transformations of the existing EMU framework would impact the European Semester. They would require a drastic reinforcement of the democratic accountability of the EMU, including the integration of Eurozone institutions and mechanisms that now function outside the normal treaty-based governance structure.<sup>63</sup> These would have to become the democratic institutions foreseen in the Treaties, including a clear role for the European Parliament. This re-design, however, falls beyond the scope of this reflection paper. In the next section, we recommend policy that would regard these procedures and the macroeconomic foundations of delivering the EPSR and the SDGs, alongside the policy recommendations that would help the European Semester contribute to social investment.

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63 Such as the Eurogroup and its President, the European Stability mechanism, the Fiscal Compact.

### 3.4. Macroeconomic Foundation and Policy Recommendations

The realization of a comprehensive and effective EPSR is, above all, a political challenge involving the state and all social actors, including private enterprises, trade unions, civil society agencies and cultural institutions like the churches, the print, broadcast and social media. It cannot succeed as a top-down initiative, but must from the outset involve the whole anatomy of European societies, achieving a “capillary effect”<sup>64</sup> that allows a profound embedding of progressive norms in the interdependent relationships that make up both individual political economies and their collaborative, multilateral institutions.

This commentary proceeds from both the scientific observation and normative conviction that “equal societies almost always do better”<sup>65</sup> or that “less inequality benefits all.”<sup>66</sup> The last three decades have demonstrated persuasively that long-term economic forces, less hindered by political regulation and social norms, have generated higher levels of inequality and reinforced the power of economic elites at the expense of democratic public institutions and ordinary citizens. The enumeration of key asymmetries of long-term economic developments and of political governance (above) makes their removal a critical precondition for creating a transformative macroeconomic foundation for rolling-out the EPSR. The strengthening of public institutions and democratic processes requires intensified collaboration and engagement of social forces within and between countries. In the spirit of long-term ecological sustainability and intergenerational equity, the

policy-mix for current democratic societies in Europe (and beyond) must have a strong “legacy” dimension – in material and normative terms.

It must be stated that research shows how fragmented, violent, and asocial unequal societies become.<sup>67</sup> Additionally, there is research detailing how historical processes can produce inequality if they are not confronted in a systematic way.<sup>68</sup> The EPSR could be used to confront the growing inequality across the EU, promoting social mobility, social cohesion, and the improved lives of its citizens, but this must be done on the rigorous basis of a macroeconomic model that does not discount the social aspect of the economy. Therefore, we have argued for the kind of progressive foundation that would enable the effective implementation of the EPSR, as well as the SDGs, which support the progressive economic model. Below, we detail the policy recommendations that could accomplish this.

Our first policy recommendations follow the analysis and background given in 3.2. Here, we are concerned with the integration of the macroeconomic tools of the EU with the implementation of the EPSR and the SDGs.

- The first recommendation is that the European institutions should urgently agree on an ambitious roadmap, setting out in detail how the EU institutions can support implementation of the social rights and principles contained in the EPSR and the SDGs.

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64 See Foucault 2003. Foucault asserts a profound capillary effect developed by hierarchical regimes of power which explains their resilience; this could and should arguably be applied to progressive regimes of social organization.

65 See *The Spirit Level*, by Wilkinson and Pickett.

66 See OECD 2015.

67 See *The Spirit Level*, by Wilkinson and Pickett.

68 See *Capital in the 21<sup>st</sup> Century*, by Piketty.

- Moreover, this roadmap should include the EPSR's implementation through the European Semester, setting out the objectives, key actions, the role of key institutions and stakeholders, with detailed timelines and guidelines. Additionally, it should detail how all the principles and Europe 2020 targets are to be monitored and delivered - in the Annual Growth Survey, the delivery of the National Reform Programmes, the Country Reports and Country Specific Recommendations, on a par with any economic proposals.
- We recommend also that the rights and principles of the EPSR be put at the heart of the European Semester process, which must be revised to ensure that the social dimension and social rights are at the core of the European integration process. This is the socialization mentioned earlier; indeed, the European Semester must become an "Economic and Social Semester." Currently, the actual governance focuses too narrowly on sound public finances through the reduction of deficits; there are more areas in "sound public finances."
- Therefore, if a welfare state vision of the Union is put forward with a strong focus on ensuring adequate social protection and providing accessible and affordable (social) services through public social investment, this must be reflected in the governance criteria and the monitoring systems over the European Semester, as well as the integrated scoreboard for the EPSR and the SDGs. This also means that there should be no further pushes for liberalisation of public social services unless European social minimum standards are legally guaranteed. A non-regression clause applicable to the whole European Semester process should be enforced to ban measures which undermine the fundamental rights of citizens. Furthermore, in order to break vicious circles of fiscal and social dumping, it is crucial to promote a certain degree of social and fiscal harmonization through the Semester.
- We recommend that in implementing the SDGs as part of the EPSR that the Annual Growth Survey be transformed into an Annual Survey for Sustainable Development, and published together with the Joint Employment and Social Development Report. The commitment of the Commission to CSRs within the European Semester must help to stimulate the Member States to improve their commitment on reaching the social rights of the EPSR, as well as the sustainable goals of the SDGs. There should be clearly defined accountability mechanisms and sanctions for not delivering on the EPSR or the SDGs in the framework of the European Semester instruments.
- Again, we recommend that to feed into the European Semester process, progress in the implementation of the EPSR and SDGs should be reported yearly in the National Reform Programmes, including an in-depth analysis of the state of play of all social rights and principles of the EPSR and the goals of the SDGs in the European countries in the form of an integrated social dashboard and leading to joint recommendations. These progress reports should be discussed in dialogue with the social partners and with civil society, as well as in the national parliaments. At the same time, the European Commission must ensure coherence between the different European Semester instruments. The Commission should use the social rights included in the EPSR as guiding principles to assess measures and reforms recommended in the macro-economic policy recommendations and/or planned in the National Reform Programmes. Participatory social impact assessments should be made prior to the implementation of any CSR or national reform measure, in order to prevent potential negative impact and to ensure

coherence of macroeconomic policies in the delivery of social rights and poverty reduction. The principle of non-regression that is essential in all human rights frameworks also means that no budget cuts can be tolerated that have negative impacts with regards to the implementation of human rights and the delivery of essential social services: such measures should be banned by law (and by a framework directive at EU level).<sup>69</sup>

- We recommend that a meaningful involvement of social partners and of civil society should be guaranteed and adequately resourced at national and at European level, in order that they may contribute to the European Semester and other related processes, and to allow them to engage in the consultation and monitoring of the social rights and principles of the EPSR. Specific budgetary incentives and/or sanctions should be built into the European Semester process to enforce the implementation of social CSRs, by analogy with the sanctions foreseen in the case of excessive macroeconomic imbalances, e.g., by making the access to financial support from the Structural and Investment Funds conditional on effective implementation of the CSRs. In the longer term, a Social Progress Protocol

in any future Treaty change must put social rights on a par with economic rights.

In terms of some of the other macroeconomic tools and policy, detailed in section 3.3, we would make the following recommendations.

- First, we recommend an introduction of a new ‘excessive social imbalance procedure’ that would rebalance the existing MIP on the basis of the improved Social Scoreboard. This could provide an impetus for implementing the principles of the EPSR, even in situations where social investment is chronically low.
- Second, we recommend that the link between social policy reform and the European budget, as well as the ESI funds, be strengthened, including the thematic objectives and *ex ante* conditionalities. In short, the ESI should support social investments.
- Third, we recommend that a stabilization mechanism to assist countries in financing their social investments and social protection expenditure in cases of asymmetric shocks be created.
- Finally, we recommend that a Golden Rule be introduced to the Stability and Growth Pact, in order to ensure fiscal flexibility.

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69 See Re-InVEST Policy Brief 9/2017.

### 3.5. Towards a Social, Sustainable, and Equitable Europe

It seems opportune to end this paper, as we began it, reminding those interested in the future of Europe that there are many current challenges. If the rights and principles contained in the EPSR and the goals of the SDGs are to be brought forth, there is much to be done. The EU Institutions cannot do it alone, the Member States cannot do it alone, and nor can civil society or social agents do it alone. Yet, together we can do it. As inequality grows

across Europe, as the rumours of wars and of terror circulated in our societies, as our oceans warm and our natural resources are depleted, we can make a new kind of future. The EPSR sets the ambition and the SDGs remind us that time is pressing. We can provide opportunity for every man, woman, and child, helping them to achieve lives of dignity, hope, and prosperity, but we must act now and lay the foundations for generations to come.

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Rue Joseph II 166  
1000 Bruxelles  
Belgium


**Tel:** +32 (0)2 234 38 60  
**Fax:** +32 (0)2 234 38 65  
**E-mail:** [office@eurodiaconia.org](mailto:office@eurodiaconia.org)

 @eurodiaconia

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