

Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU  
Background notes

Chamber of Deputies of the Grand Duchy of Luxembourg  
9 November 2015

## **Topic 1: The Social Dimension of Economic Governance**

In the European Union, the economic and financial crisis has left a dark legacy of unemployment, inequalities and poverty. Europe is confronted with major social problems, which are illustrated by historically high levels of unemployment, the rise in inequalities, poverty and social exclusion, combined with increasing divergence between Member States. The examples of youth unemployment and child poverty reflect largely inappropriate investment in human capital.

In this context, the strengthening of the European social dimension is a priority of the Luxembourg Presidency, as this dimension has been too often put aside, neglected or even opposed to economy. Europe has to take concrete initiatives to tackle social challenges which undermine long-term growth potential and political stability. Turn the social dimension into a core of concern is a key precondition for the next steps of the European integration process and particularly of economic governance and of the consolidation of the EMU.

Through the convergence of social systems, in particular in the eurozone, the EU will not only ensure the well-being of European citizens but also give them reasons to believe that European integration is a source of opportunities.

Therefore, the social dimension of the EMU has to be strengthened globally, notably through indicators in the social and employment field in the framework of the European semester, while simultaneously ensuring a better coordination of social and employment policies, in full respect of national competences. A significant strengthening of the European semester's social dimension would allow *inter alia* guaranteeing the implementation of structural reforms and fiscal policies reducing negative social effects.

However, the European Union also displays a new determination in the field of social policy. In his ten priorities, the President of the European Commission declared that Europe needs the ambition of gaining a "Triple A Social Rating". Likewise, in June 2015, the European Commission published a list of proposals to strengthen the EU's social policy through a better coordination of policies, a greater convergence between Member States, which share a common currency, and the reinforcement of social partners' participation at the national and EU level, in order to modernise EU employment and social legislation.

Important financial resources are available to promote social cohesion, notably through the European Fund for Strategic Investments and the European structural and investment funds, such as the European Social Fund, which allow to foster growth and to directly tackle unemployment and poverty, to improve workers' competencies and to support job creation, in particular for young people through the Youth Employment Initiative.

On July 16 and October 5, 2015, the 28 Ministers of Member States of the European Union in charge of Employment and Social Affairs have gathered in the EPSCO Council (Employment, Social Policy, Health and Consumer Affairs) in order to discuss the strengthening of social dimension of the European Union. Regarding the European Semester, the European Commission has decided, since 2015, to pay more attention on performances in social and employment field.<sup>1</sup>

Better labour markets and social performance, as well as social cohesion should be at the core of the new process of “upward convergence” presented in the report of the five Presidents of 22 June 2015 entitled “Completing Europe’s Economic and Monetary Union”.

A sectoral Eurogroup on social issues and employment could also play a coordinating role in performance analysis and research of best practices. Under the initiative of the Luxembourg Presidency, a meeting with Ministers for Employment and Social Affairs of the eurozone has been organised for the first time, ahead of the official meeting of the EPSCO Council on 5 October. The goal was to hold discussions on strengthening the social dimension in the governance of the Economic and Monetary Union, and to evaluate the added value of such a restricted meeting.

The package on labour mobility is one of the EU policies that should be followed closely in the future. It will be presented at the end of the year and will include a revision of EU rules on coordination social security systems, while including the objective of revising the directive on posting of workers in order to strengthen the principle of “equal pay for equally work” in the EU.

Some points for discussion:

- Should there be a regular monitoring of the development of social and labour policies specific to the eurozone area?
- How to ensure in this case the link for non-Member States of the eurozone?
- What kind of contributions could national parliaments make in order to strengthen social dimension of the European Semester?
- What are the most important convergence criteria for European social policy?

---

<sup>1</sup> See in particular the Communication from the Commission to the European Parliament, the Council and the European Central Bank regarding the measures to take in order to complete Economic and Monetary Union, COM (2015) 600, 21 October 2015.