



EUROPEAN PILLAR OF SOCIAL RIGHTS

Delivering on the overwhelming ambition
for a social Europe



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ABSTRACT

There has been remarkable continuity between the Juncker Commission that launched the European Pillar of Social Rights (EPSR) and the von der Leyen Commission that wants to put it into an 'Action plan'. There is similarity not only in the overwhelming ambition, but also in the sense of urgency for putting the principles into practice. This is a change from the past. The Social Summit of Gothenburg in 2017 came 20 years after the previous one in 1997. At the same time, there seems to be a remarkable shift in support for the concept of a 'social market economy' and the need for fair taxation. The overwhelming ambition of the European institutions with the EPSR responds to the needs of the common people. It also makes a contribution to a democratic Europe that resists the siren song of populism. But this requires continued vigilance on the part of the national stakeholders and voluntarism on the part of the national authorities.

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ACKNOWLEDGEMENT

For a while, we understood the statement 'Social Europe is a myth' to be an opinion on social Europe (Höpner, M., 2018). While monitoring the condition of the welfare state in Europe over the last 25 years, how could we be so wrong in calling the 'European Pillar of Social Rights' an 'overwhelming ambition for a social Europe' in a previous report? Was it the ambition of some in the European Commission, or of all stakeholders who signed that declaration on 17 November 2017? Or was it just a myth?

Social Europe is not a myth. We concluded in September 2018 that the further development of the welfare state is at stake and this development could be and is supported by the additional impetus offered by the European Pillar of Social Rights. Social protection is a clear and voluntarist political decision to build and enhance that welfare state. By reducing it to a myth, it becomes part of a self-fulfilling prophecy that can be counter-productive at 'decision time' in particular, when elections are held and when deciding on new policies in the aftermath of elections. This applies all the more since reality does not have such a devastating effect on our welfare state.

In this report, we want to provide evidence once again on how the welfare state has developed since and under the impact of the declaration of the European Pillar of Social Rights, as well as looking its implementation on the European and national level.

It is all about delivering on what is promised. Do we underestimate what has been delivered? Do we continue to say it is too little and too late, or do we take stock of what has been achieved and how we move on from this point to achieve further progress? In our first report,¹ we illustrated

1 Pacolet, J.; Op de Beeck, L.; De Wispelaere, F.; 2018. European Pillar of Social Rights – Quo Vadis? The Overwhelming Ambition for a Social Europe. Publisher: EZA - Europäisches Zentrum für Arbeitnehmerfragen (European Centre for Workers' Questions); Königswinter

how the European Social Pillar was rooted in a long tradition of measures to improve social protection on the European and national level, with the main responsibility remaining on the national level.

We cannot cover all the fields of social protection, extending from safety at work and achieving a balance between work and family life through to social insurance against all the risks of life, from the cradle to the grave. Twenty policy strands defined in the Social Pillar are featured in a handsome little blue booklet (blue refers, I suppose, to the colour of Europe). We will concentrate especially on social security as an important dimension of social Europe which accounts for some 20% of GDP on average, with the figure growing to more than 30% in some countries.

The first version of this report written in September 2019 was presented on 25 September 2019 for Cartel ALFA in Mamaia, Constanta/Romania and on 19 October 2019 at an EZA conference of UNAIE in Riva del Garda/Italy. The organisers there invited me to look back but also to take a look 'back to the future'. At that point in time, no-one could imagine that in December 2019 a virus by the name of Covid-19 would appear in Wuhan and cause the outbreak of a worldwide pandemic.

The results were also presented on 28 October 2019 in Madrid for USO Unión Sindical Obrera and on 22 February 2020 in Lisbon for BASE-FUT in an international seminar on 'Sharing wealth and power – more democracy at the workplace'. I was invited to broaden the ambition of the sound 20 principles of the Social Pillar to include fair taxes and (economic) democracy. For an economist as myself, 'everything is related to everything else'. But that is actually the case. We discussed the need for fair taxation and the risk that populism will grow if we as a (welfare) state cannot respond to the expectations of the population.

The thread of Ariadne in this report is again the timeline of the further steps to be taken towards attaining Social Europe. But there is also a sec-

ond thread, namely that this is a shared responsibility on the European and national level.

We thank EZA for financing this report with the support of the European Union and allowing us to introduce the results in several seminars held by the EZA member organisations. In a closing interview, Jean-Claude Juncker stated: 'Europe's problem is that we don't know enough about each other'². We cannot cherish enough the opportunities provided to the participants of those EZA- seminars that share knowledge, experience, dedication and trust on a European level: trust that Europe is going in a good direction. But it is a national responsibility to keep going in that direction. I hope this report convinces EZA and their partner organisations to make an active contribution to implementing the principles of the Social Pillar in their countries.

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2 Jean-Claude Juncker, former President of the European Commission; interview in Der Spiegel International, 1/11/2019.

1 INTRODUCTION

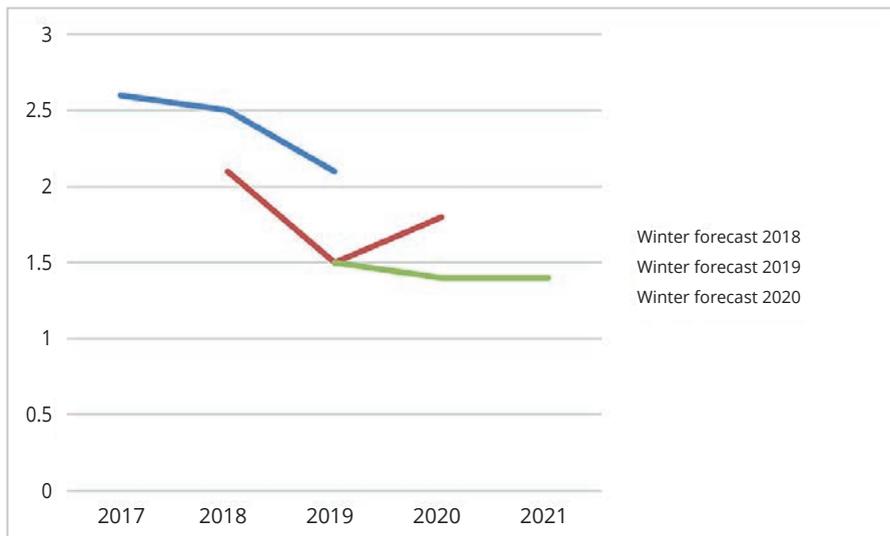
In our previous report on the European Pillar of Social Rights, we illustrated that the social dimension has been present in the European project from the very beginning. We could only conclude that the Juncker Commission, which called itself the 'last-chance Commission', reinforced the social dimension by launching the Pillar of Social Rights. The consultation on this initiative was remarkably swift: it was already on 17 November 2017 that the Pillar of Social Rights was solemnly declared in Gothenburg. At the same time, the European Commission took several new initiatives to modernise and improve social regulation. It was also in 2017 that a set of indicators for the Social Pillar was defined, becoming part of the European Semester and integrating the social dimension even further in macro-economic policy monitoring

At the time that the European Pillar was adopted, the economic forecasts of DG ECFIN³ in winter 2018 were substantial rather than outstanding, predicting annual real GDP growth rate of more than 2% for the EU-27 (we already use the EU-27 although the United Kingdom remained part of the EU until 2019⁴). The winter forecasts for each year are published in February of that year. These forecasts are somewhat lower in 2019 and 2020. Winter 2020 does not yet include the impact of the Covid-19 pandemic and the forecast looks less gloomy.

3 Economic forecasts | European Commission (europa.eu)

4 The United Kingdom left the EU on 31 January 2020.

Figure1 Economic outlook for the EU-27, 2017–2021: annual real economic growth (% of GDP)



* The figure for the first year of the forecast is the level achieved in the year before the year of forecasting.

Source: Winter forecast 2018-2020, European Commission

2 FOCUS ON THE SOCIAL PILLAR

The European Pillar of Social Rights launched by the Juncker Commission is not a change in the Treaty, nor a new Charter of Fundamental Rights, nor a new set of regulations, but a solemn declaration by the Commission, the Presidency, the Parliament and the national heads of state and government of 20 principles that should inspire European and national policy making in the future.

In our previous report, we described how this set of 20 principles synthesizes and takes stock of the social acquis of the past, updating it to the changing economic, demographic, technical and international developments of the present, and how they should guide us for the near and more distant future.

The European Pillar of Social Rights must be seen in the context of more emphasis on social matters in the course of European economic integration, or, to put it differently, growing recognition of the social dimension of this integration in recent years. Some important steps include: the signing of the Treaty of Maastricht in 1992; the introduction of the Stability and Growth Pact in 1996; the start of EMU in 1999, with tangible introduction of the euro as from 1 January 2002. The European Semester, established in 2010, monitors the steps and progress taken by member states towards reaching the Europe 2020 goals. The European Semester is a framework for coordinating economic policies across the European Union while offering EU-wide and country-specific guidance to member states on priority reforms with a follow-up of corresponding development. It confirms the increasing attention to and involvement of a social dimension, something that we welcomed. But it ran the risk of confronting social protection with persistent austerity and fiscal consolidation.

The conclusions of our first EZA report on the Social Pillar were⁵:

- Europe as a model for the welfare state: is the myth capable of renewal?
- The social dimension of Europe is not a myth.
- Overwhelming ambitions of Europe.
- Overwhelming expectations for the social dimension of Europe are warranted.
- Overwhelming responsibilities remain in our own hands within the scope of subsidiarity.
- We really are moving closer to a genuine social market economy.
- Delivering on the European Pillar of Social Rights is a shared commitment of the EU, the member states and the social partners, each within their competencies and taking the principle of subsidiarity into account.
- Given that the European Pillar of Social Rights is not legally binding, its principles and rights will not be directly enforceable. It will have to be translated into action or separate pieces of legislation.
- The follow-up is integrated in the European Semester.
- There is currently no need to amend the European Treaties⁶.

Table 2.1 recalls the 20 principles that were grouped around three large policy strands: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. Ten of the 20 principles related to social security, apart from the minimum income, with social spending accounting on average for almost 25% of GDP of the European member states⁷. This therefore illustrated also in monetary terms

5 Pacolet, J.; Op de Beeck, L.; De Wispelaere, F.; 2018

6 Examples for how difficult it can be to change regulations include the eventual revisions to the regulation on the coordination of social security, perhaps due to or despite more than 60 years of experience in this field of regulation. See the conference organised by HIVA for EZA on 60 years of coordination and the need for reform in De Wispelaere, F.; 2019. 60 years of coordination of social security systems: still room for improvement. *Belgisch Tijdschrift voor Sociale Zekerheid*; 2019; Vol. 61; issue 1; pp. 159-181

7 Cf. report of ESPN on financing social protection, 2019 (Spasova, S. and Ward T., 2019)

not only the overwhelming ambition of the Social Pillar, but also its all-encompassing scope.

Table 2.1 Principles of the European Pillar of Social Rights

Chapter I: Equal opportunities and access to the labour market
1. Education, training and life-long learning
2. Gender equality
3. Equal opportunities
4. Active support to employment
Chapter II: Fair working conditions
5. Secure and adaptable employment
6. Wages
7. Information about employment conditions and protection in case of dismissals
8. Social dialogue and involvement of workers
9. Work-life balance
10. Healthy, safe and well-adapted work environment and data protection
Chapter III: Social protection and inclusion
11. Childcare and support to children
12. Social protection for all workers and self-employed
13. Unemployment benefits
14. Minimum income
15. Old age income and pensions
16. Health care
17. Inclusion of people with disabilities
18. Long-term care
19. Housing and assistance for the homeless
20. Access to essential services

Source: European Commission, 2017b

The overwhelming ambition in launching the debate on the European Pillar of Social Rights was that at the same time, a number of parallel legislative and non-legislative initiatives were already being put forward, among others on work-life balance, access to social protection, the Written Statement Directive and the Working Time Directive. There was no time to waste. A parallel debate was also launched on the future of Europe.

The Juncker Commission started already with a reflection on a more social Europe in a White Paper on the Future of Europe. This White Paper presented five possible ways Europe could develop by 2025:

- Scenario 1: Carrying on
- Scenario 2: Nothing but the single market
- Scenario 3: Those who want more, do more
- Scenario 4: Doing less more efficiently
- Scenario 5: Doing much more together.

I would like to add a sixth scenario: being fully committed on both the European and the national level.

Furthermore, a reflection paper was also published on the social dimension, outlining the future scenarios for a social Europe:

- Scenario 1: Limiting the social dimension to free movement
- Scenario 2: Those who want to do more in the social field, can do more
- Scenario 3: The EU-27 deepen the social dimension together.

3 THE SOCIAL FACE OF EUROPE: INITIATIVES FROM THE PAST TO THE FUTURE

As in our first report on the 'European Pillar of Social Rights – Quo Vadis', here again Appendix 1 reproduces the timeline of the path to acceptance of the Social Pillar in November 2017⁸. This is where the European Commission initiated important steps for further social progress during a period of prosperity in which the European continent left the First and Second World War well behind. Social progress was made step by step on a national, European, and global level. War on the European continent was no more than a bad memory of the past. European integration meant economic and also social progress. It also is and was meant as a guarantee for democracy and peace, a solid basis for economic and social progress.

The timeline situates the Maastricht Treaty in 1992, together with its Protocol on a Social Pillar. Thirty years have gone by since then, with further amazing steps in European economic integration, enlarging the EU-12 at that time to the EU-28 in 2013 when Croatia joined the EU. In 2019, the United Kingdom left the EU⁹. The monetary integration of the euro area that started in 1999 with eleven countries, has meanwhile enlarged to 19 countries, including several Eastern European countries that only joined the EU¹⁰ in 2004.

The introduction in 2017 of the European Social Pillar came about in a completely new context. The Social Pillar offered an outlook for further improvement of what we call a 'social market economy', the symbiosis of

8 European Commission (2017e). Reflection paper on the social dimension of Europe. Brussels, 26-04-2017, 36p.

9 Enlargement of the EU: 40 years of EU enlargement - Who has joined the EU so far? (europa.eu)²

10 Countries of the euro area; following the latest enlargement in 2015, the euro area now consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

economic and social progress. The context for the European Commission was a 'genuine social market economy'. A desirable socio-economic political choice became an official policy programme, bringing Europe in line with global ambitions, or even putting it in the lead. The Juncker Commission drew the parallel between European ambitions and global initiatives to increase the standard of social rights and protection. The von der Leyen Commission goes even further, with each of the mission letters/statements of the members of the newly installed Commission referring to the Sustainable Development Goals (SDG) of the United Nations. Attaining the SDGs helps to fulfil the Social Pillar, and vice versa.

Table 3.1 updates the timeline in the Annex for the most recent period.

Table 3.1 Social initiatives of the Juncker Commission followed by the von der Leyen Commission: an updated timeline of Social Europe

January 2020	Start of large-scale consultation on an action plan to implement the EPSR
1 December 2019	Start of the von der Leyen Commission
16 October 2019	Inaugural meeting of the European Labour Authority (ELA), to be fully operational from 2024, hosted in Bratislava
23 and 26 May 2019	Elections to the European Parliament
9 May 2019	Sibiu informal meeting of head of states or government, last meeting before new elections
2018	Release of the Social Fairness Package The Social Pillar is included in the European Semester Start of the set of indicators for the Social Pillar

17 November 2017	European Pillar of Social Rights solemnly proclaimed at the Social Summit in Gothenburg, the first to be held in 20 years following the Employment Summit on 20 and 21 November 1997 in Luxembourg
State of the Union 2017	Creation of the European Labour Authority (ELA)
26 April 2017	European Commission recommendation on the European Pillar of Social Rights + Social Package (accompanying legislative and non-legislative initiatives), reflection paper on the development of the social dimension of Europe
1 March 2017	White Paper launched on the future of Europe
2016	Consultation launched for a European Pillar of Social Rights within the euro area and as an option for other member states
1 December 2014	Start of the Juncker Commission

Source: Own elaboration

3.1 The day after: from November 2017 to Sibiu in May 2019 and the European elections in May 2019

The Social Fairness Package was released on 13 March 2018. It included an EU communication about monitoring the implementation of the Social Pillar (mainly through the European Semester and EU funds), a proposal for a Council recommendation to extend access to social protection for all workers, and a regulation establishing a European Labour Authority. A proposal on the introduction of a European social security number had not materialised.

President Juncker's State of the Union speech of 12 September 2018 focused on the international role of Europe. Potential initiatives for delivery by the Sibiu (Romania) Summit on the 'Future of our Union at 27' (on 9 May 2019) included the EU-Japan Economic Partnership Agreement, the Multiannual Financial Framework, the Economic and Monetary Union and the international role of the euro, and a stronger foreign policy.

The word 'social' was mentioned three times in the State of the Union speech 2018:

'And then there is Greece: After what can only be described as some very painful years, marked by unprecedented social hardship – though also by unprecedented solidarity – Greece successfully exited its programme and is now back on its own two feet. I applaud the people of Greece for their Herculean efforts. Efforts which other Europeans continue to underestimate.'

'And we – or at least most of us – agreed that Europe's social dimension should be given the Cinderella treatment no more, but should instead be geared towards the future.'

'I would like the European Union to take better care of its social dimension. Those that ignore the legitimate concerns of workers and small businesses undermine European unity. It is time we turned the good intentions that we proclaimed at the Gothenburg Social Summit into law.'

On 9 May 2019, the Informal European Council in Sibiu, Romania, was the first time that the EU leaders met after the withdrawal of the UK, and their last meeting before the European Parliament elections.¹¹

The Juncker Commission listed the **20 key achievements of the EU 2014-2019**. Important socio-economic aspects included the fact that the Stability and Growth Pact became more flexible, Greece remained in the euro area, the reform of the directive on the posting of workers and the creation of the European Labour Authority. The end of roaming charges was also listed as an important EU achievement, while no mention was made of the solemn proclamation of the Social Pillar. Forgotten so quickly? Of course, after all, a list of achievements should cover all kind of achievements, so this is understandable.

The Commission also listed the **top 10 items of unfinished business in the EU 2014-2019**, including the need for modern tax rules and the stranded reform of social security coordination.

There was no list of failures. Perhaps we should mention one important disaster that struck Europe: the exit of the United Kingdom, known as Brexit.

One example from the overwhelming ambition in relation to the Social Pillar was the creation of a European Labour Authority (ELA) announced in President Juncker's State of the Union Speech 2017. It was featured in the European Commission's Work Programme for 2018. Public consulta-

11 <https://www.consilium.europa.eu/en/press/press-releases/2019/05/09/the-sibiu-declaration/>

tion (27 November 2017 to 7 January 2018) was followed by a legislative proposal in spring 2018 and accepted in early 2019. The inaugural meeting of the European Labour Authority was held on 16 October 2019.

Sometimes ideas come right on time.

It was remarkable that the end of roaming charges was included in the list of important achievements, as this is indeed a tangible example of European integration for European citizens, also eliminating telecommunication borders. A European social security number (ESSN) was also proposed by President Juncker in his Work Programme 2018¹². Besides the important practical consequences, this might have had an important symbolic function, similar to the euro as common currency, or the European health insurance card (EHIC), representing access to public health insurance and health care reimbursement when travelling in Europe for any reason. It would have been nice for this to be implemented just before the European elections. **Sometimes ideas are too early.**

Priority was shifted to the international role of the EU. At the Sibiu meeting, the following top recommendations were made, based on reflections on the future of Europe:

- A protective Europe, in terms of security and defence
- A competitive Europe, also including a stabilising function for Europe and a budgetary instrument for convergence
- A fair Europe, also with a common unemployment reinsurance scheme
- A sustainable Europe, in terms of climate, energy and a circular economy;
- An influential Europe, including a larger role for the euro and support for the transformation of the Western Balkans.

12 cwp_2018_en.pdf (europa.eu)

Perhaps this shift in priorities to the international level comes too late. But the reference to a stabilising function for Europe, a budgetary instrument for convergence and a European unemployment re-insurance scheme are a prelude to a larger European social role.

3.2 The von der Leyen Commission (2019-2024)

For the Juncker Commission, the focus on the social dimension of Europe meant breaking with the past. The Social Pillar was proclaimed in 2017 at the first European Social Summit to be held after the previous one in Luxembourg back in 1997. There is remarkable continuity between the present Commission von der Leyen and the past Juncker Commission, not only in its overwhelming ambition in the sphere of social protection, but also in the speed with which it wants to make those decisions. That is remarkable due to the fact that decision-making on the European level normally takes much longer because more stakeholders need to be convinced. But once this agreement is found, it has an impact on all 447 million inhabitants (2019).

The priorities of the von der Leyen Commission for the period 2019-2024 consist in the Green Deal, a Europe fit for the digital age, an economy that works for people while guaranteeing further growth and creating quality jobs, the role of Europe in the world, and finally, promoting our European values and our European way of life, as well as reinforcing our European democracy.

In “Political guidelines for the next Commission – A Union that strives for more: My agenda for Europe”, it seems that the new Commission is once again striving to respond to great expectations. Words do matter: ‘A Union that strives for more’. ‘Toujours davantage¹³’? In the beginning, there was

13 Always more, as was a maxim of Saint Vincent de Paul concerning charitable work.

no dedicated Commissioner for Social Affairs, something that was soon corrected. Things of relevance are sometimes neglected. The 'Commissioner for Jobs' became the 'Commissioner for Jobs and Social Rights'. There was also a 'Commissioner for an Economy that Works for People' and a 'Commissioner for Democracy and Demography', the latter responsible not only for a Conference on the Future of Europe but also for the impact of ageing on further social protection. Social protection is installed at the core of the European Semester, and the starting point remains the model of a 'social market economy'. Moreover, it is remarkable that this is mentioned so explicitly. Other new initiatives of relevance worth mentioning include the creation of the Budgetary Instrument for Convergence and Competitiveness (BICC) for the euro area, the creation of a European unemployment reinsurance scheme, the introduction of new rules for adequate minimum wages, the announcement of fair taxation and the fight against fraud, tax evasion and tax avoidance, the launch of a new debate on the future of Europe – and the launch of an action plan for putting the Social Pillar into practice.

The new priorities were already noticeable at the end of the period of the Juncker Commission but the 2018 State of the Union speech made almost no explicit reference to the social dimension. The corresponding process was then launched. It had to find its own way, and it proved to be more substantial than some expected. Not only was an 'action plan' promised, but the EPSR became a point of reference for many new initiatives. It also became a reference for social partners and civil society to claim new initiatives. It was something to be hoped for when enshrining new rights in new treaties or in a constitution. But the EPSR was realised without changing the EU Treaties.

In January 2020, a large-scale consultation was launched to put the principles of the EPSR into practice.

3.3 Participation, consultation and transparency: creating great expectations

In our EZA report on the ‘European Pillar of Social Rights – Quo Vadis?’, we observed the breadth and intensity of the preparatory work that was taking place, mobilising many and creating great expectations. Some were critical that those expectations would not be fulfilled. We were positive about it, but also concluded that these expectations needed to be put into action on the national level, as this is where social and fiscal competences lie. President Juncker announced that he wanted fewer initiatives, but in greater depth. This certainly has not been confirmed by the list of initiatives subsequently taken.

At the end of her term, Commissioner Marianne Thyssen proudly presented her consultation and participation record. From 2015 to 30 April 2019, the EU organised some 1,572 citizens’ dialogues and citizens’ consultations with 194,000 participants. Some 1.5 million viewers watched the live streaming. The EU institutions are reinforcing the way they communicate their achievements, which by the way was also inspired by a report by EZA President, Luc Van den Brande (2017)¹⁴.

Preparations for the Social Pillar action plan also resulted in broad discussions being launched in January 2020.

A final remark needs to be made about the way attention has focused right from the start on providing sound statistical evidence of how those social principles are achieved. A scoreboard of indicators was launched for the EPSR right at the start. The statistics on the Social Pillar¹⁵ use Eurostat to provide a perfect social scoreboard overview, with headline in-

14 https://ec.europa.eu/info/sites/default/files/reaching-out-to-citizens-report_en.pdf

15 <https://ec.europa.eu/eurostat/web/european-pillar-of-social-rights/indicators/social-scoreboard-indicators>

dicators and secondary indicators for each of the three chapters of the Social Pillar for each country, presenting the most recent data and any development. The Joint Employment Report 2018 and 2019 and the annexes make interesting use of the social scoreboard, which plays an important role in these reports¹⁶. The indicators are also important for the European Semester that monitors public finances and policies of the EU member states.

16 https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-social-scoreboard-infographic.pdf

4 FISCAL SUSTAINABILITY: TIMES ARE CHANGING

The European Pillar of Social Rights embodies an overwhelming change in ambition to promote social initiatives on the European and national level. This section will illustrate how this went hand-in-hand with a remarkable change in regime for macro-economic governance on the European level, as well as a shift in the macro-economic consensus, finally recognising the benefits of the welfare state and the need for changes in fiscal policies. The aim was not least to counter growing populism that was taking advantage of the increase in mistrust in the population at large.

4.1 Changing economic governance of the EMU

Sometimes it takes a crisis to bring about a change in policy regime. The financial crisis of 2008 was the result of deregulation in the banking sector. To avoid a complete collapse of the financial system with the corresponding economic consequences, the role of the state was rediscovered. Subsequently it was even proven that the cost of this intervention could be contained (Laeven, L.; Valencia, F., 14 September 2018).

Some years later during the debt crisis of 2011-2012, Europe and some member states concluded that it was necessary to support not only the financial sector, but also economies in distress, to some extent on a European level, but also by allowing more fiscal flexibility on the national level. This led to cyclical remedies of austerity in some countries instead of macro-economic stabilisation. Since then, that lesson has also been learned.

The Juncker Commission considered one of its achievements to be making the Stability and Growth Pact (SGP) more flexible. The need for this was the hard lesson learned from the financial crisis of 2008-2009 and the debt crisis in 2011-2012. Key targets for public finances, including the deficit cap at 3% GDP and the 60% debt limit, became less restrictive.

The new von der Leyen Commission surprised many by announcing an action plan for the Social Pillar. This would also include discussions on reforming the SGP, probably allowing more debt-financed public investment in future.

Such macro-economic governance is under discussion, or shall we say under reform (although it has been reformed many times during the last 25 years). The existing monitoring approach was getting too complex, while at the same time not wanting in principle to interfere with national policies on public spending. The concern was about public deficit and debt. During and after the previous two crises, and especially after the debt crisis, there was great concern that monitoring was failing to prevent procyclical effects, instead of improving macro-economic stabilisation. The present proposals for reforming the European Fiscal Board¹⁷ intend to keep the debt target as an important dimension of sustainability and to concentrate further on net expenditure growth (increased expenditure minus increased revenue). This implies, and rightly so, that macro-economic governance will not define what the level of social spending should be, but that social security should be financed properly. Such macro-economic monitoring and governance should not conflict with social progress. If countries want to improve their level of social protection or want to converge to a higher level of social protection, this is not in conflict with economic governance. Low public debt even contributes to the sustainability of public pension schemes and other social protection systems. The prob-

17 https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/european-fiscal-board-efb/european-fiscal-board-questions-and-answers_en

lem is perhaps more that many countries failed to achieve this in the last two decades, even though they would have benefitted accordingly in the two coming decades.

This should remind us clearly that social Europe is not first of all a European responsibility but much more by definition a national responsibility, because of sacrosanct subsidiarity. However, a comparison between countries reveals how social convergence is lagging behind, even in a very simple indicator of the level of spending on social protection. Those that spend less on social protection do not converge quickly enough with those that spend more. Sometimes countries spend more on pension schemes in relative terms, but to the detriment of spending on health and long-term care. However, this is at their own discretion. It is up to national policymakers to implement corrections, if needed. But budgetary willingness is also a national responsibility.

In our early study on the relation between economic integration (EMU) and social protection, we highlighted the importance of national systems of redistribution and convergence (Pacoleet, Gos, O'Shea, 1993). This was mentioned in our first assessment of the EPSR for EZA and the following White Paper on the Future of Europe (1 March 2017), where the Commission mentioned five alternative paths for going forward (see above), to which we added a sixth path: 'being fully committed on the European and national level'. This seems to be happening. In terms of public finances, it is especially this national spending on social protection and corresponding budgetary willingness that is at stake, and the division of responsibilities between the European and national level. This symbiosis of initiatives on the European and national level is the thread of Ariadne that runs through the structure of this report.

4.2 The European Semester: reconciling economic and social European governance

The European Semester was established in 2010 as a framework for coordinating economic policies across the European Union. It offers EU-wide and country-specific guidance to Member States on priority reforms and allows discussions of their economic and budget plans, as well as following up on their progress at specific times of the year (European Commission, 2014b).

Yearly monitoring of macro-economic imbalances looks at major indicators such as employment, growth, internal and external balance, and especially the situation with public finances and public debt (2019 European Semester).

Population ageing is at the core of public finances, but it is not clear what is meant by sustainability. Spending on pensions will have to increase in order to guarantee adequate pensions for an increasing number of older people. The same applies to health care and long-term care. Sustainability of public financing in the future cannot be guaranteed unless there is greater willingness from the population at large and the political sector in particular for taxation and contributions to increase in order to meet these needs. Furthermore, there is simply no alternative unless the statutory retirement age is put up even more.

Take Belgium for example. For years, Belgium received the country-specific recommendation to make further pension reforms and to ensure that in future, the statutory retirement age was linked to life expectancy. The country-specific recommendation for long-term care was that the outlook for further increases was problematic due to the relatively high level of spending. But what can be expected? A large part of this spending consists of the cost of care for dependent elderly people aged 80+ years. This age cohort will double in coming decades. Just maintaining the same

level of protection will cause an increase in expenditure. Any improvements in the level of protection (for instance more service, more personnel) will cause expenditure to increase even further. Any increase in the public financing of this service to guarantee real social protection by reducing out-of-pocket co-payments, will again result in higher expenditure. For a region like Flanders that already spends more on long-term care than the Belgian average, the administration of care for disabled persons (VAPH) and the professional organisation of care providers, launched just before the May 2019 elections, result in this spending being doubled almost overnight and certainly within the coming legislature until 2024. What then is the meaning of 'sustainability'? There is no alternative to raising taxes and contributions in order to finance those great expectations.

4.3 Changing consensus on the welfare state and tax policy

Recent opinions issued by think tanks indicate a growing acceptance for fiscal reform towards fairer and more comprehensive taxation on all income at relatively fair rates, in other words: progressive tax rates in all countries on all income sources, with reinforced efforts to fight tax evasion, fraud and avoidance.

Europe has given itself an independent body to assess the impact of its fiscal guidelines. The European Fiscal Board was set up as an independent advisory body for public finances. After the 2011-2012 crisis, budgetary policy was characterised by austerity and fiscal consolidation, resulting in a procyclical budgetary policy. It was only after 2015-2017 that this changed into an expansionary policy that continued in the following period 2018-2020. Making the Stability and Growth Pact (SGP) more flexible was one of the achievements claimed by the Juncker Commission for this period.

Other think tanks such as Bruegel and the Jacques Delors Institute in Paris have also contributed to changes in consensus and doctrine. The non-partisan Bruegel think tank provides evidence that the welfare state cannot be maintained without fiscal responsibility. 'Braver, greener and fairer' is the heading of the set of memos offered to the new EU leadership by the Bruegel think tank.

In a memo 'To the Commissioner responsible for taxation and customs union', A. Bénassy-Quéré (2019, p. 4) shows how top statutory tax rates in the EU-15 declined in the period 1995-2019. There was also a decline in the top statutory rate of corporate income tax, while standard VAT (value added tax) increased somewhat. This could imply a slight shift in the composition of public finance with the particular risk of reducing total revenue, thus impeding further social progress or even leading to debt financing. However, the SGP is subject to budgetary equilibrium without debt financing, which puts the spending side under pressure. But the study also reveals huge differences in these tax rates between the individual countries. Compared with top personal income tax rates in 2019 of almost 60% in Sweden and Denmark, for instance, and more than 50% in Belgium and The Netherlands as well as Greece and Portugal, countries such as Bulgaria and Romania with a top personal income tax rate of only 10% cannot be expected to offer the same level of social protection (Bénassy-Quéré, A; 2019, p. 7)

The suggestion was made to the Commissioner responsible for economic affairs that 'economic divergence might lead to dissatisfaction, fuelling votes for non-mainstream political parties which sometimes challenge core EU principles.' (Darvas, Z., Wieser. T. and Zenios, S; 2019). At least two memos express the fear that the increased lack of convergence will lead to greater political instability, with people voting for populist parties that challenge the core principles of the EU. As a means of avoiding this, there should be a more efficient, fairer tax system to end the spiral of tax avoidance and evasion with the danger of almost no taxation at all on increasing wealth. A Eurobarometer in 2016 showed that European citizens

were already in favour of fair taxation. This still is the case. The first measure supported in the Eurobarometer 2019 to assure 'economic security' is the fight against fraud. Fair taxation needs more European cooperation, but also more national responsibility. One example here is the huge difference between the top tax rates for personal income tax that exceed 50% in some countries, compared to just 10% in others. It is difficult to explain appeals for EU-wide solidarity when the wealthy are not taxed in their own country.

We find the Bruegel memos to the new Commission disappointing, in that there is no special chapter for the Commissioner in charge of social affairs, while the general introduction of the memo for the Presidents of the European Commission, Council and Parliament suggests: *'Guide European policymakers on the use of pro-active fiscal policy, reform the governance of the euro area and address tax fraud and evasion.'* (Demertzis, M., Sapir, A., and Wolff, G., 3 September 2019, p. 10). And further: *'You should devote significant political capital to combatting tax evasion and fraud and support a fairer distribution of the tax burden. Social and tax policies are national policies, but the single market makes it easier for large companies and rich individuals to reduce their effective taxation. An increasing tax burden on the working middle class is incompatible with the promises of Europe's social market economy. The EU growth strategy should also build on useful EU instruments such as the European Social Fund and the European Pillar of Social Rights.'* (Demertzis, M., Sapir, A., and Wolff, G., 3 September 2019, p. 22)

The Jacques Delors Institute in Paris also contributes to this changing consensus. 'Noblesse oblige'. S. Fernandes (2019) highlights the huge differences between youth unemployment in EU member states, and the slight increase in inequality (measured by the GINI coefficient) in several member states. She warns that this might lead to 'the rise of populism and social protest' (p. 9), that requires translating the European Pillar of Social Rights into a real social action plan for the von der Leyen Commission. It is also necessary to acknowledge that this might not be the choice of all member states, but that 'differentiated social integration' might be

acceptable. Five main principles are proposed for such a joint action plan: i) re-launching the European 'convergence machine'; ii) investing in human capital and tackling inequalities; iii) ensuring a fair transition to a digital and low-carbon economy; iv) striving for more social equity and tax justice and v) ensuring fair mobility of workers.

Some of these priorities are already well covered by the Social Pillar and related initiatives. Others, such as the transition to a low-carbon economy, are 'new' additional challenges. Some need further enforcement, namely the convergence strategy. There is great similarity between the initiatives mentioned by the Jacques Delors think tank and the Bruegel think tank, including combatting tax evasion and fraud, the convergence of corporate tax policy, more effective use of European funding, creating a European unemployment (re)insurance system for the euro area, and a common standard for minimum wages (Fernandes, 2019).

4.4 The welfare state as a sustainable redistributive system needed for social cohesion

A recent report by the European Commission concluded that the importance of this social dimension, which to a large extent is redistributive, is confronted with growing inequality. The study concludes that as economies grow richer, they have to contend with growing inequality in primary income, but are increasing the level of social spending to compensate for this growing inequality. And they are successful in doing this. The inequality in market income has increased, but is shown to remain stable in the EU after taking account of social benefits (Larch & Mohl, 2019). *'We show how, since the late 1990s, redistribution has to a large extent mitigated the effect of increasingly unequal market outcomes: ... the dispersion of disposable income has been broadly stabilised thanks to growing tax and transfer programmes of government. The expansion of redistribution has*

been underpinned by a significant progress in living standards. There is a clear trend for people to vote for growing welfare programmes as per-capita income increases.'

But the authors also concluded: *'Beyond crisis episodes, our analysis indicates that more redistribution tends to go along with lower government surpluses or higher government deficits. While the underlying causality is not entirely clear, this finding may not bode well going forward. If the inequality of market income were to further increase or to remain at current high levels, mitigating its impact on disposable income through redistribution could confront policymakers with severe economic challenges'* (Larch & Mohl, 2019, p. 22).

The report confirms the importance already discussed above of having tax policies that adequately finance those parts of the Social Pillar that are related to social protection; the corresponding responsibilities are on the national level.

A study published by the European Commission highlighted the redistributive function of the welfare state, while also indicating that the wealthier economies become, the greater the support for the welfare state.

There are two additional challenges to this problem. The need to increase social spending is also caused by the ageing population, with larger budgets for pensions, health care and long-term care. And finally, a stabilising share of wage income in GDP makes it more difficult to expand funding based on only social contributions on labour.

5 POLITICAL CONVICTION: EUROPEAN VALUES AND VOTING

Both academics and politicians have shown growing concern about the erosion of trust in the European values and institutions, especially on the eve of the 2019 European elections. Further economic and social progress is what people want. Brexit was a culmination of mistrust in the European project (Fetzer, T., 2019), as well as in the social dimension of Europe. Significantly fewer common people voted to remain in the EU, fearing for their social protection (Piketty, 2019).

It was not the first and probably not the last moment of mistrust in Europe. One important signal was given in 2004 when referendums in France and the Netherlands rejected the proposal for a European Constitution, thus stopping ratification of the constitution. It was replaced by the Treaty of Lisbon.

T. Chopin (2019) describes the dangerous political evolution of mistrust in traditional institutions. He quotes a PEW survey which shows how dissatisfaction with the way democracy is working has increased in many countries in the EU, including Germany, the Netherlands and Sweden, remaining high in Greece, Italy, Poland and Austria, while declining in France in the year under review (2018 compared to 2017). The fact that the 'gilets jaunes' movement started in 2018 illustrates how the situation can change rapidly. The same applies to political majorities. Here again, attention is drawn to a number of developments where mistrust in the so-called 'liberal democracy' is at work. The position paper says that even 30 years after the fall of the Berlin Wall, the East-West divide is re-emerging around values, probably because of a different historic course after the Second World War.

Renowned academics such as Barry Eichengreen and Thomas Piketty are also apprehensive about growing populism. We quote them because they do more than just warn us, despite a certain relief emerging from the 2019 elections. Furthermore, they provide remedies that consist in taking up responsibilities on the European and also on the national level, and probably on both levels. This is our preferred option for the future of Europe (see above) and it is also the way the European Pillar of Social Rights is designed. There is no contradiction between European responsibilities and national 'devolution'. That is the quintessence of 'subsidiarity'¹⁸.

B. Eichengreen mentions the difference between countries. He underlines the need to avoid this divide and to prevent any further erosion of democracy by strengthening the educational and cultural ambition to own those principles, to be proud of them and attached to them, but also to take legal measures if needed. The author felt it was important to point out that such mistrust in the institutions can lead to the rule of law being neglected. To avoid this, Europe should use its power to add conditionalities to the use of structural funds, among others in the negotiations on the Multiannual Financial Framework, and to reinforce the fight against fraud and corruption, among others by strengthening OLAF or the European Public Prosecutor's Office (Eichengreen, B; 2018).

Barry Eichengreen states further: *'When cross-country spill-overs are small but national preferences differ, the best approach is to leave decision-making at the country level'. For fiscal policy, then, the appropriate reform is less Europe, not more. National parliaments and their constituents should be allowed to choose their preferred fiscal policies. Arguments from which populist politicians make hay [...] will then be off the table. [...] But this only means that there are preconditions for repatriating fiscal policy'* (among others in

18 For those interested in subsidiarity and the role of the Catholic social doctrine, see the chapter of E. O'Shea (1996) on 'The European principles of subsidiarity and Christian social doctrine' in our first conference with the support of EZA on 'Social protection and the European Economic and Monetary Union'.

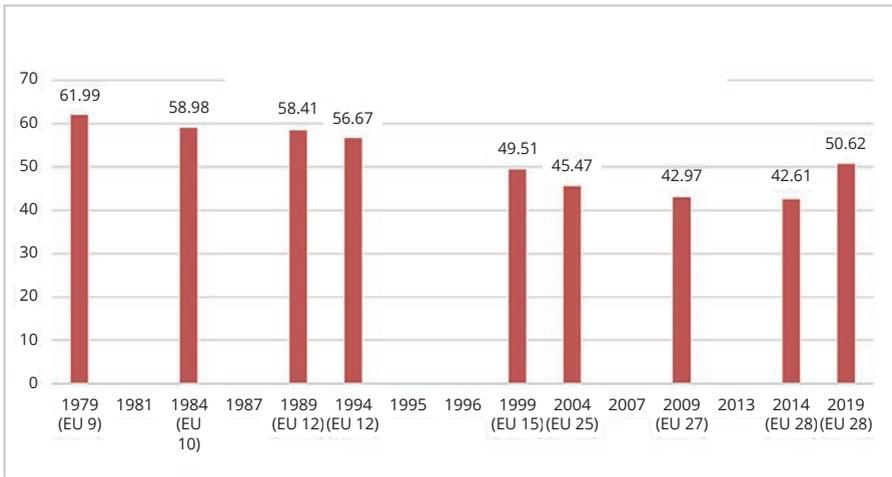
policy strands such as the banking union, or migration policy) (B. Eichengreen, 2018, p. 169).

Piketty (2019) writes about a similar need to reform fiscal policies by fighting the growing inequality between countries and within countries: 'Si l'on ne transforme pas profondément le système économique actuel pour le rendre moins inégalitaire, plus équitable et plus durable, aussi bien entre pays qu'à l'intérieur des pays, alors le « populisme » xénophobe et ses possibles succès électoraux à venir pourraient très vite amorcer le mouvement de destruction de la mondialisation hyper-capitaliste et digitale des années 1990-2020.' ("If we do not radically transform the present economic system to make it less inegalitarian, more equitable, and more sustainable, xenophobic 'populism' could well triumph at the ballot box and initiate changes that will destroy the global, hypercapitalist, digital economy that has dominated the world since 1990.")

On the eve of the 2019 European elections, there was great fear that there would be increased support for populist parties, among others also because of an anticipated lower turnout. This pre-election fear of growing populism and anti-European sentiment failed to materialise in 2019. The situation was better than expected. While turnout (citizens showing up at voting stations) declined in the elections of 2009 (42.97%) and 2014 (42.61%), in 2019 it was on a substantially high level (50.62%), the highest since 2004 (45.47%)¹⁹. But a longer-term perspective shows that this is still below the turnout in many of the old member states (see Figure 5.1). There is a contradiction between the willingness to join the EU, and participation in its democratic process of elections for the European Parliament.

19 <https://graphics.france24.com/results-european-elections-2019/>

Figure 5.1 Turnout at elections for the European Parliament



As far as support for the European project is concerned, the Eurobarometer reveals increasing approval. The Eurobarometer of the European Parliament post-electoral survey 2019²⁰ revealed that in June 2019 some 68% of the respondents believed that when everything is taken into account, their country benefitted from being a member of the EU, coming from a low in of 52% in 2011 after starting at 58% in 2007. After the election, more respondents in no less than 17 countries believed that their country was benefitting. Lithuania, Ireland and Estonia showed the highest trust in benefit from the EU, with the lowest in the UK, Bulgaria and finally Italy with only 42%. In an interview with a Flemish newspaper, Jean-Claude Juncker said: *'I did not succeed in making Europe popular. Despite the fact that the recent Eurobarometer says the opposite. But I do not believe that Eurobarometer.'*²¹

20 European Parliament, Eurobarometer, First results of the European Parliament post-electoral survey 2019

21 Jean-Claude Juncker, De Tijd, 14 September 2019

There are substantial expectations about the role of the European Union and its social market economy project, as indicated in several Eurobarometers. The common future that we talk about in our conclusions is a joint path of economic and social progress that is not only what people want, it is also what they expect. The most recent Eurobarometer confirms that 'over eight in ten respondents agree that a "free-market economy should go with a high level of social protection" (85%, +2 percentage points since 2017). And 'nearly six in ten respondents believe that "comparable living standards" would be one of the two most helpful policies for the future of Europe (57%, +5 percentage points since 2017'²².

Monitoring this economic convergence and informing the European population about how the European Pillar of Social Rights contributes to upward social convergence is the way to go forward. Jean-Claude Juncker stated in a closing interview: 'Europe's problem is that we don't know enough about each other'. (Jean-Claude Juncker, former President of European Commission interview in Der Spiegel International, 1/11/2019). Knowing each other better can contribute to social cohesion. By the way, EZA makes a 'par excellence' contribution in this respect with its seminars that bring together people from different member states.

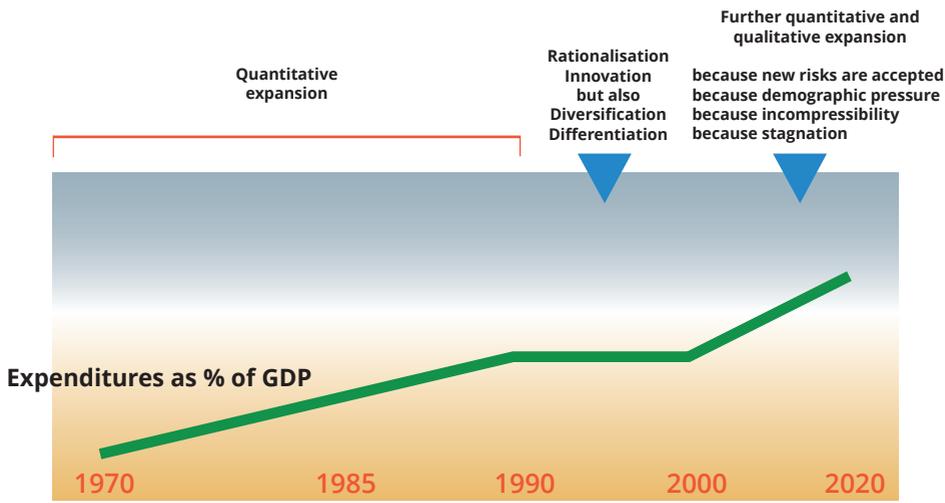
22 Special Eurobarometer 479, The future of Europe, 2018, p. 84, 146

6 CONCLUSION: OVERALL POSITIVE GROWTH OF ECONOMIC AND SOCIAL PROGRESS IS OUR OWN OVERWHELMING RESPONSIBILITY

The overall positive growth in economic and social progress that we anticipated in our first report on the 'European Pillar of Social Rights – Quo Vadis?', has been enhanced by what we have observed in this report. Going beyond certain expectations, the Social Pillar will be put in practice by an ambiguous action plan and become the point of reference in many initiatives. The notion of a social market economy has become generally accepted, with numerous voices or claims for fair taxation and a fight against tax evasion and avoidance.

This common development path was also identified on the European level by A. Atkinson (2015) and quoted in our first report, followed by consecutive steps in several European initiatives, as also illustrated in the timeline in Appendix 1. This trend continues, as shown in the diagram in Figure 6.1, and as demonstrated in 25 years of monitoring the 'state of the welfare state' for EZA. This common growth path can be observed most of the time, despite the way our European societies sometimes stumble from crisis to crisis. Or maybe because those crises also acted as a stimulus to convince Europe how to go forward. There is a positive trend, interrupted now and then perhaps by other priorities so that the movements are up and down, but definitely continuing on the overall path.

Figure 6.1 A common European path of economic and social progress on the national level



Source: Adapted from Pacolet, Bouten, Lanoye, Versieck, 1999

This diagram of common observations about further expansion was produced initially with regard to social protection for the elderly (Pacolet, Bouten, Lanoye, Versieck, 1999). It can be generalised to the overall development of 'the state of the welfare states'. Possibly at different speeds but often converging with each other, the economies of the EU are experiencing further economic progress that goes hand in hand with increasing social protection. This has also been observed in studies published by the European Commission: *'We show how, since the late 1990s, redistribution has to a large extent mitigated the effect of increasingly unequal market outcomes: [...] the dispersion of disposable income has been broadly stabilised thanks to growing tax and transfer programmes of government. The expansion of redistribution has been underpinned by a significant progress in living standards. There is a clear trend for people to vote for growing welfare programmes as per-capita income increases.'* (Larch & Mohl, 2019, p. 22). It is what we call 'the people's desire for further social progress'.

Our first EZA report on the European Social Pillar described it as an overwhelming ambition of the European policymakers for a social Europe. It also created overwhelming expectations. At the same time, it invited all stakeholders in general and the national authorities in particular to take up their responsibility.

We mentioned the fear expressed by some as to whether Europe would be ever capable of delivering on these expectations. 'Delivering' is the word we used for this report.

The Social Pillar is defined as a joint responsibility of the European institutions, the national policymakers, the social partners and civil society. The European Commission considered it to be its responsibility to put the EPSR into practice. The remaining responsibility is in the other hands: an overwhelming combined European and national political responsibility, the new thread of Ariadne running through this report.

The introduction of the European Pillar of Social Rights was a reaffirmation of the European model, a genuine social market economy. The 'great expectations' that were created, and continue to be created, have already materialised, alongside risks that have to be permanently confronted together with shifts towards unwarranted austerity, among others in the pension system. The studies carried out by the European Commission illustrate how the growing welfare state has successfully compensated for the growing need for redistribution, while also implying a certain risk *'to go along with lower government surpluses or higher government deficits. [...], this finding may not bode well going forward [..., and] could confront policymakers with severe economic challenges'* (Larch & Mohl, 2019).

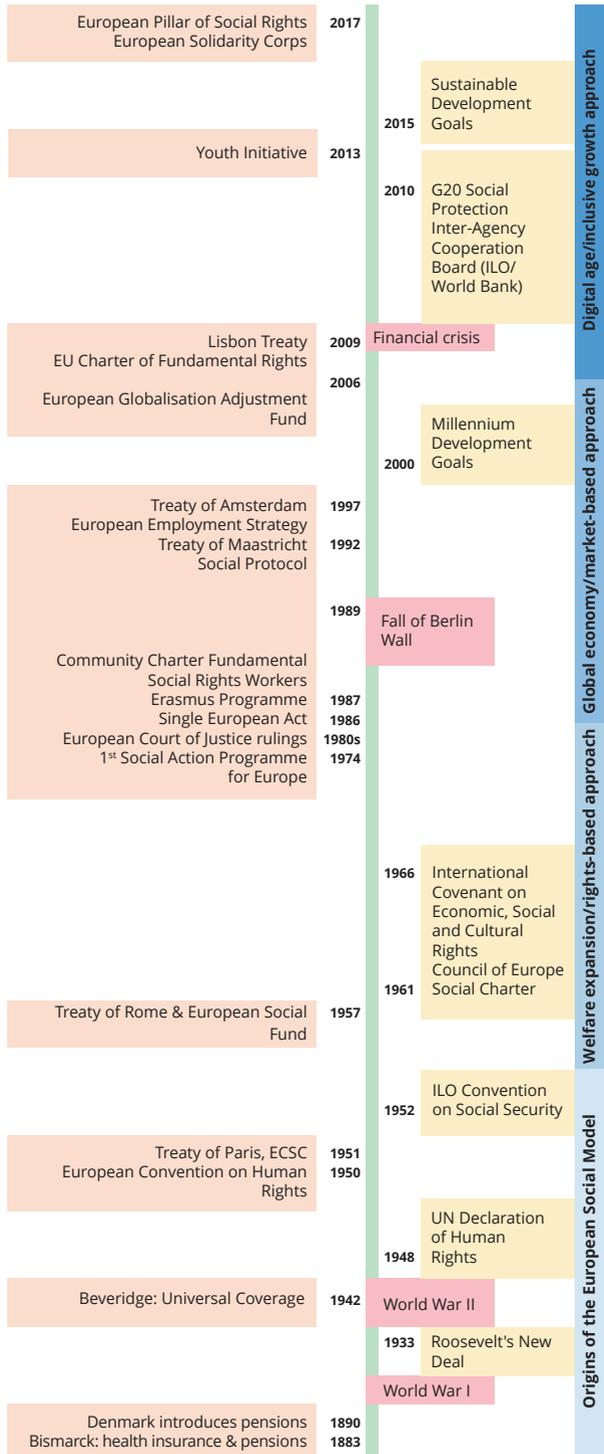
Safeguarding this momentum for further social progress by guaranteeing the political and societal willingness to pay for it, is the role of social organisations such as EZA and its members. It needs vigilance on their part.

As we listen to the opinions and ambitions of the European population presented among others in the Eurobarometer, we should realise that the social market economy is an 'economy for the (common) people'. Policymakers should continue to listen to the needs of these common people. It is the political responsibility of strong social movements and their political parties, on the European and national level.

Perhaps they can find inspiration by listening to popular songs as 'Love of the common people' (Neil Young, 1984). Because that also should be the ambition.

APPENDIX 1: SOCIAL EUROPE – A TIMELINE

Figure a.1 Timeline of Social Europe



Source: European Commission, 2017e, own editing

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