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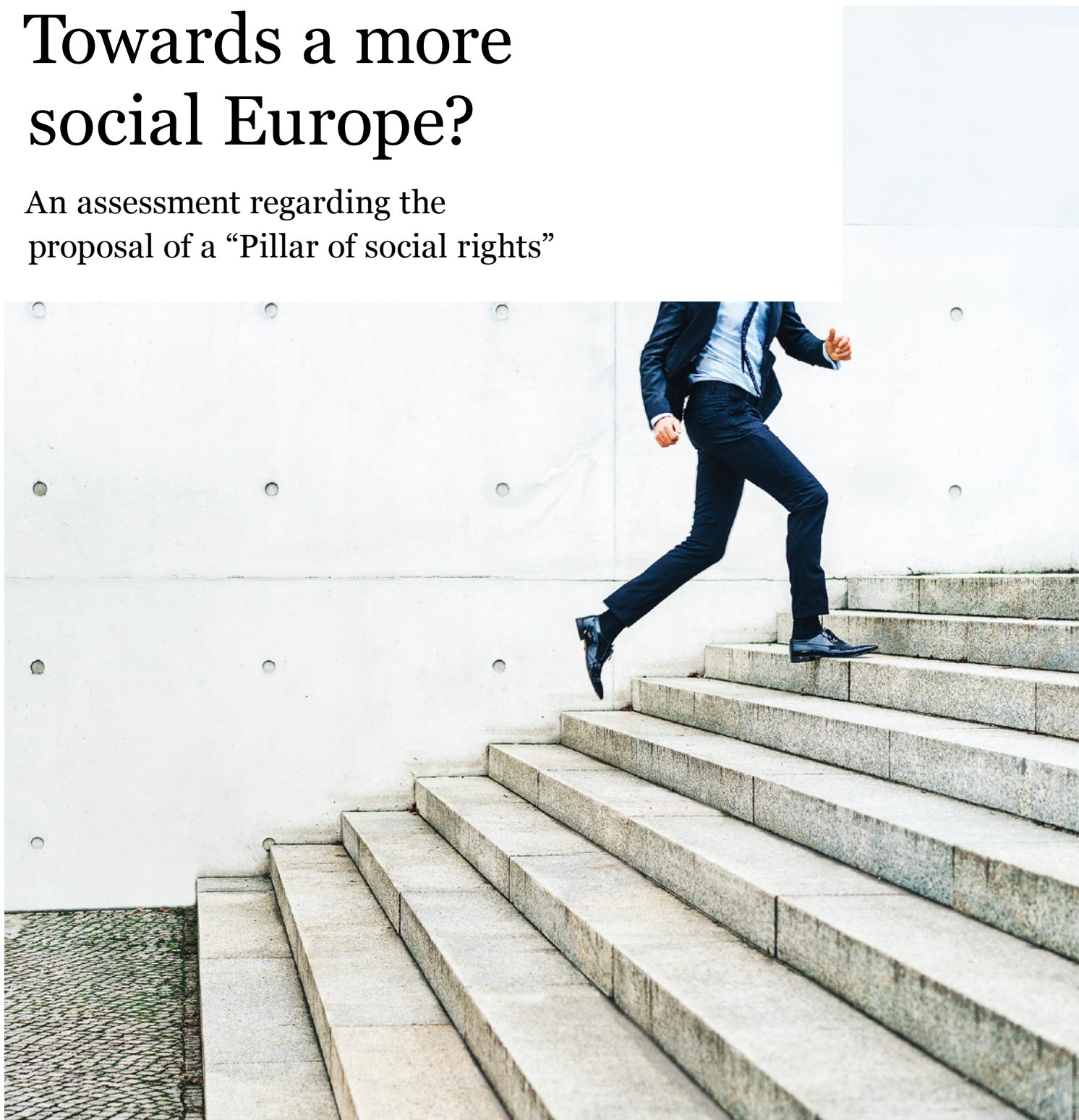


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Towards a more social Europe?

An assessment regarding the
proposal of a “Pillar of social rights”



Dear Reader,

Today you are receiving the very first edition of our “ED Special Focus Bulletin”. “ED” will be published four times a year with in-depth coverage of important socio-political issues, while also providing you with an insight into our policy work in Europe.

Our first special focus is on the initiative launched by the EU Commission to strengthen the social dimension in Europe. This is to be helped by a “European Pillar of Social Rights”. The aim of emphasising social aspects is to encourage the citizens of the European Union to once again be taken with the European idea. The European integration crisis, as demonstrated by Brexit, will now be tackled by the EU through stronger measures to improve people’s living and working conditions. Given the changing world of work and the question of how the “European social model” can be future-proofed, the EU Commission launched a broad consultation open to the public in order to gather their views on the first outline for a social pillar. Based on the responses that it received, the EU Commission wants to present a consolidated concept for a European Pillar of Social Rights in 2017. The EU Parliament has also entered into the debate with its own initiative report.

At the moment, it is difficult to foresee how the Commission will pursue the “European Pillar of Social Rights” in the individual areas of social policy. Therefore, it is all the more important that all members of the European Representation of the German Social Insurance get involved early on in the European discussion so that they can highlight important issues and conditions.

The aim of our first issue of “ED” is to provide our readers with a more detailed overview of the initiative, its background and its possible effects on social policy and social insurance.

We hope you will enjoy reading our very first “ED”!



Ilka Wölflé
Director

The EU Commission wants to create a “Pillar of Social Rights”

What does the initiative mean for the future of social systems? A German point of view.

In Spring 2016, the EU Commission presented its initial thoughts on a “Pillar of Social Rights”¹. This concept, which has gained great public interest, aims to overcome the wide scepticism in Europe as to whether the European Institutions are able to provide social fairness, general well-being and fair conditions to EU citizens. Since then, some of the cornerstones of the pillar have become clearer and it now seems indisputable that the Pillar is not what it first sounds like, that is, a package of enforceable individual rights. Rather, it formulates a set of criteria to evaluate the employment and social policies of the Member States. The degree to which they are binding can vary greatly depending on the sector.

The EU Commission has already formulated a draft² set of principles which are divided into various policy areas. The areas of greatest interest to statutory social insurance include health and long-term care, pensions, occupational safety and health (OSH) and services for people with disabilities. Together, the “principles” form the contours of the “European social model” that has developed in Brussels over the last two decades. As a result, in some areas they once again question the social progress already achieved in various Member States. How these principles are supposed



¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions: Launching a consultation on a European Pillar of Social Rights, 8 march 2016 [COM(2016) 127 final]

² First preliminary outline of a European Pillar of Social Rights, 8 march 2016, [COM(2016) 127 final]

The European Pillar of Social Rights shall formulate 20 topics, divided into three chapters

Gearing the Social Pillar primarily towards the euro area raises questions.

Next steps to be expected in spring 2017: EU Commission is still working on a consolidated version.



to eventually look is currently unclear; equally unclear is their implementation. Essentially, there are only two instruments under consideration for implementing the Pillar: benchmarks and legally binding minimum standards. Benchmarks in the words of the Commission's communications are (indicator-based) "reference criteria". They offer the opportunity to set high goals, to measure against "the best". In the past, Europe has already set quantitative social goals, for example, in childcare, in combatting youth unemployment and in minimising the risk of poverty. One could add further benchmarks as part of the European Pillar and make this part of the Europe 2020 strategy. Above all, these social target figures could be used as a counterbalance to purely fiscal metrics as part of the Stability and Growth Pact. However, benchmarks are not legally binding.

The exact opposite is true for minimum standards. They are embedded in European law and are therefore binding. One example is the European minimum standards for occupational safety and health which are already in force today. Every Member State can set higher standards and this often happens. Of course, there is the danger that the Member States regard these standards as a mere target. As such, it is important to set an appropriate level for minimum standards.

First step towards the Pillar: a European unemployment insurance scheme?

Following the wish of the EU Commission, the Social Pillar will initially only include Member States in the euro area, but in principle is also open to the

other EU countries. The full dimension of gearing the Social Pillar primarily towards the euro area is only revealed when it is placed in a larger context. Then one quickly realises its closeness to the work being done in parallel in Brussels on the European unemployment insurance scheme. This has also been designed for the euro area. It is intended to head off macroeconomic shocks and deepen the principle of European solidarity. It is, therefore, nothing more than a special case of the Pillar. It can be seen in the already advanced stage of discussions that it is a model for developing other elements of the Pillar, even if it is perhaps not the first project to be realised in this context. The same reasons for a European (basic) unemployment insurance are being used to justify the "Europeanisation" of other areas of social security. All of these systems have a macroeco-

The “European unemployment insurance” is therefore nothing more than a special case of the Social Pillar.

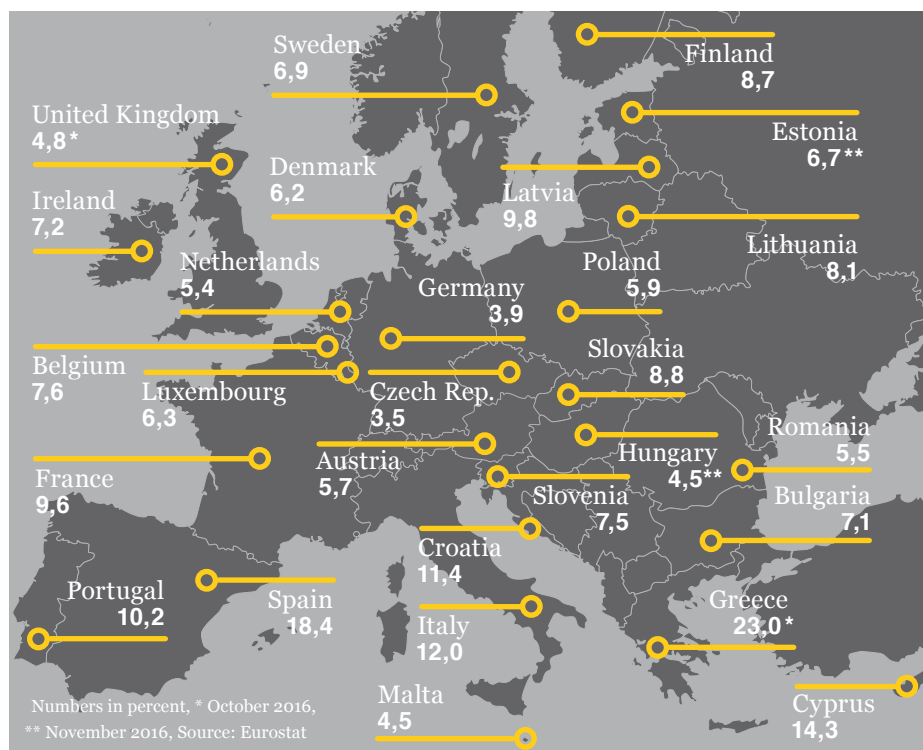
conomic stabilising function, even if they were not originally intended for this purpose. If you believe that the euro, or the euro area, can be saved with the help of this Europeanisation of unemployment insurance, it makes no sense to limit this process of Europeanisation of unemployment insurance alone. Others will follow.

The Pillar of Social Rights: an instrument for saving the euro area?

Both projects, however, will be merged into a single entity via a third: the “Second Phase” of the plan to deepen the economic and monetary union. Its announcement was one of the most

important messages of the “Five Presidents’ Report” released in June 2015³. This phase will finally drive the convergence process forward, which up until now has been going backwards, by making it “more binding”. It is about nothing less than creating uniform living conditions in the European Union. According to the report, the convergence process would be based on “a set of commonly agreed benchmarks for convergence that could be given a legal nature” and “a set of commonly agreed standards with legal character”. Neither of these would work if there was not also agreement to “share sovereignty” in the euro area. This is a friendly way of describing a further

Unemployment rates in Europe in December 2016



³ European Commission: Completing Europe's Economic and Monetary Union, presented by Jean-Claude Juncker in close cooperation with Donald Tusk, Jeroen Dijsselbloem, Mario Draghi, Martin Schulz

Coincidence? Work on the economic and monetary union and on the social pillar proceed almost at the same time.

shift of national competences to European level and thus a departure from the subsidiarity principle.

The common standards to be created – and not only following the presentation of the Social Pillar – are already explicitly concentrated on labour markets, taxes and the modernisation of social security systems. The Five Presidents' Report, which is far more explicit than the communication on the Social Pillar, points to Community financing of the agreed social standards.

Therefore, it will certainly not be a coincidence if in spring this year the EU Commission outlines its ideas for the future of the EU and the completion of the Economic and Monetary Union thereby presenting further steps towards a “European Pillar of Social Rights”.

The European Pillar of Social Rights – many unanswered questions in the opinion of the German Social Insurance

The close derivation of the “Social Pillar” from the project for “Completing Europe’s Economic and Monetary Union” is reason enough to measure it against this yardstick and to put its individual elements to the test. Does the draft European Pillar really respect the subsidiarity principle

No renouncement of the subsidiarity principle



as claimed, that is, does it respect the Member States' competences in the area of social policy? To what extent is the implementation of the pillar dependent on new intergovernmental transfer mechanisms or funding by the European Community? It is realistic to talk about "upward convergence", that is, a situation where some "win" without others "losing"?

Therefore, in a joint position statement, the umbrella associations of the German social insurance system have stated their opposition to attempts to expand competences at European level⁴. Simultaneously, certain positions in the EU Commission's proposed catalogue of "principles" have drawn criticism.

In the opinion of the German Social Insurance, the Commission's initiative offers opportunities to strengthen the social component of Europe and its Member States against purely fiscal and efficiency-driven priorities. However, it also rejects binding European minimum standards and benchmarks for several reasons. Europe would arrogate competences that it simply does not have and should not have. There are good reasons why the design and organisation of social policy and social insurance is primarily a matter for the Member States. The social and economic situation, the national identity, the historical character and the political preferences in each of the Member States are very different. The same applies to financial capability. Therefore, it would be wrong to indiscriminately apply the same quantitative standards and benchmarks to all Member States. Finally, potential European

requirements are not only a "boon" for citizens, they are also ambivalent. The "principles", objectives and policy priorities set out by the EU Commission are linked to conditions and thus can possibly be below the progress already achieved in the Member States.

The changing world of work: does social security need to adjust?

The EU Commission rightly points out that the world of work is changing and there is a need to adjust social protection. New forms of work such as crowdworking or platform work, as well as technological advances,

There are good reasons why the design and organisation of social policy and social insurance is primarily a matter for the Member States.

EU's five main objectives for the Year 2020

1. Employment

75 % of the population aged 20-64 should be employed.

2. R&D

3% of the EU's GDP should be invested in Research and Development

3. Climate change and sustainable climate energy

Reduction of greenhouse emissions by 20% (including an increase to 30% of emissions reduction if the conditions are right) in comparison to 1990;

Increase in the share of renewable energy to 20%;

Increase of energy efficiency by 20%.

4. Education

The share of early school leavers should be under 10% and at least 40% of the younger generation (age 30-34) should have a tertiary degree

5. Fight against poverty and social exclusion

20 million less people should be at risk of poverty.

⁴ http://dsv-europa.de/lib/o2_Positionspapiere/2016-DSV-Beitrag-Konsultation-europ.-Saeule-soz.-Rechte.pdf

New forms of work such as crowdworking or platform work do not alter people's basic protection needs.

Changes in the working environment challenge social security systems



certainly have advantages, but it must not be forgotten that people's need for protection stays the same. This throws up a new challenge in terms of protecting certain groups of self-employed persons, not least in Germany.

Safety and health in the workplace:

The umbrella associations of the German social insurance system believe that the aim of the EU Commission must not only be to ensure "an adequate level of protection from all risks that may arise at work" but also to not tolerate any fatal or serious accidents in accordance with Vision Zero. Similarly, it is necessary to ensure that employees are comprehensively protected against work-related health hazards and occupational diseases through extensive prevention measures.

A comprehensive approach to prevention also includes increased efforts to restore or improve capacity to work through rehabilitation and reintegration, particularly for older people or people with disabilities. After all, it is the social insurance providers who bear the financial burden when efforts fail to maintain or restore capacity to work and employability. As such, prevention and rehabilitation will have to become even more important in the future.

In terms of the digitalisation of the world of work and the new forms of work associated with this, prevention work in the future will also change. In the experience of the statutory social insurance providers in Germany, solutions can best be

Prevention and rehabilitation will have to become even more important in the future.

found under practical conditions and at national level. Therefore, answers are best found by each of the individual Member States.

In recent years, the EU Commission has already established a core set of social rights in the area of occupational health and safety (OSH), while also granting the Member States the right to enact rules and regulations that go beyond European minimum standards. A review of the 24 OSH Directives in terms of their relevance, effectiveness and coherence is welcomed. Firstly, this will maintain a high degree of safety and health in the workplace given emerging risks and, secondly, it will modernise and simplify the European OSH system. A consistent minimum standard of protection is worth striving for but this must in no way jeopardise national standards that are already higher.

Health and long-term care

The umbrella associations of the German social insurance system share the EU Commission's goal of providing every person with timely access to high-quality preventive and curative healthcare. In the German healthcare system, the solidarity principle means that all insured persons have access to the medical services they require, regardless of their income or the amount of their insurance contributions. The benefit-in-kind principle means that insured persons can receive treatment or care without needing to pay in advance. This ensures that essential healthcare services are utilised rather than simply ignored for fear of the financial consequences at the risk that a person's state of health will deteriorate. The fact is, however, that the main problem in Germany and many other Member States for the sustainable

Digitalisation will change the prevention work.



Systematic benefit assessment of not only patent-protected pharmaceuticals but also of those already on the market and no longer patented would be a good example of how to improve the efficiency and effectiveness of healthcare systems as called for by the EU Commission.

financing of their healthcare systems is the gap between the development of the revenue base and the far more dramatic growth in healthcare expenditure. This can only be closed by additional structural reforms, in particular with regard to expenditure. One example of high treatment costs mentioned by the EU Commission is the supply of pharmaceuticals. A systematic benefit assessment of not only patent-pro-

TECTED pharmaceuticals but also of those already on the market and no longer patented would be a good example of how to improve the efficiency and effectiveness of healthcare systems as called for by the European Commission. However, contrary to what the European Commission has suggested, there are no substantial financial savings expected in healthcare as a result of preventive meas-

ures. The aim of prevention is rather to improve a person's quality of life and to facilitate participation in employment wherever possible.

The EU Commission has stated that one of the challenges in long-term care is that regular domestic care is underdeveloped and that there are gaps because care facilities are expensive and there is a lack of supply. However, this does not apply to long-term care in Germany. The German long-term care insurance system and insurance funds provide services for domestic and residential care as well as services for people with cognitive and psychological limitations. Therefore, in this area there is also no need for fundamental changes to EU law.

Every person should be provided with access to high-quality healthcare.



Old-age pensions

The aim of any old-age pension insurance system is, without question, to ensure an adequate standard of living in old age while taking into consideration the financial sustainability of the system. However, opinions can vary widely in terms of what this means specifically and what measures must be put in place to achieve this goal.

The suggestion by the EU Commission that statutory retirement age be linked to life expectancy as part of the Social Pillar is particularly problematic.

The question of old-age pensions is also an issue at EU-level



The suggestion by the EU Commission that statutory retirement age be linked to life expectancy as part of the Social Pillar is particularly problematic. This not only qualifies the “minimum income provisions” for the elderly which have already been brought into play, it is also a good example of aligning a strategy which is by no means only limited to promoting social rights or the primacy of “upward convergence”.

In fact, the EU Commission’s proposal to automatically link retirement age with increasing life expectancy leads to a one-sided fixation. The decline in the ratio between contributors and retirees as a result of demographic change can be countered by various measures.

However, ultimately it is crucial that the decision of how to effectively and efficiently achieve an adequate and sustainable national pension system under the respective conditions of each country should be made by each of the Member States and not at EU level.

With regard to the gender pension gap addressed by the EU Commission, this is not at all due to alleged shortcomings in the pension system, quite on the contrary. The gender-neutral calculation of pensions means that the total pension benefit that women receive is higher than that of men because the life expectancy of women is on average higher. However, in many cases where the pension is lower, this is

It will be particularly important to learn from one another through the increased use of peer reviews.

mainly due to differences between men and women in their participation in the workforce or gender-specific differences in remuneration. Pension systems can only play a supplementary role by providing a certain number of “credits” for raising children. The Member States determine if this is the case, how much and for how long.

More important than ever – learn from one another

There are a number of challenges that lie ahead for the social insurance systems in Europe, challenges that each of the Member States will try to deal with in their own way. It will be particularly important to learn from one another through the increased use of peer reviews. Systematic comparisons and the exchange of best practices between the Member States help them to inspire one another to progressively develop more modern (and better) social security systems. As comparisons between countries will always be flawed in terms of their accuracy and reliability, their ability to be used as a “blueprint” for national reforms is limited. To avoid false conclusions regarding policy, the results of systematic comparisons should be interpreted taking into account national specificities, before policy conclusions are made at the relevant national level.

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