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European Pillar of Social Rights Response to the Public Consultation

The initiative of the European Commission to launch an EU-wide consultation on the European Pillar of Social Rights demonstrates clearly the commitment of the Juncker cabinet to social issues, and follows the declaration made by its President in his State of the Union speech of September 2015. The necessity to deliver credible, concrete proposals for intervention at EU-level in this field is very strong, as expectations from citizens and their representative organizations throughout Europe are high and constantly increasing.

On the path that has led to the strongest source of instability in the history of European integration so far that is Brexit, concerns related to social issues voiced by citizens have played a major role. The fear of an "invasion" of welfare tourists, the perceived risk that immigration flows towards the UK would thwart the capacity of the national welfare system to maintain its standards and lead to massive unemployment of British citizens are only a few of the examples of how strong the appeal to social protection and its defense can be for European citizens. One of the biggest (false) argument purported by the supporters of Brexit, i.e. the possibility to use the amount of the UK contribution to the EU budget to fund the NHS, is probably the best example of how important social concerns can be for European citizens. Besides the implications of the importance for citizens of all the issues relating to the sphere of social rights, we completely agree with the assumption that convergence of social features (employment and labour-related issues, levels of services provided by welfare systems) among European countries are essential to guarantee the smooth functioning of the European Monetary Union.

We as CEC European Managers welcome this initiative which, if well designed, can represent a significant response to the many voices that criticize the capacity of the European institutions to face the challenges of today. In illustrating our position, we will follow the structure defined in the consultation paper.

1. What do you see as most pressing employment and social priorities?

Three major issues can be identified:

- a) Supporting the creation of quality employment
- b) Reducing social exclusion and fostering upward convergence of social standards
- c) Preparing Europe to the challenges of tomorrow to succeed in the global competition

a) **Supporting the creation of quality employment:** Europe has recently experienced the worst economic and financial crisis of its history. This crisis has exposed some structural weaknesses of many European countries and has led to the adoption of policies that, even if effective for some aspects, have had particularly severe social consequences in terms of unemployment and reduction of welfare expenditure. As the European Commission stated in its preparatory paper ahead of the 2017 European Semester distributed to social partners in September 2016, unemployment has reduced since its peak levels, but has not reached the pre-crisis level of 2008, with the situation being even more difficult for the Eurozone. Figures for long-term unemployment and youth unemployment are even worse, with countries like Greece and Spain where youth unemployment almost doubled between 2008 and 2016.

The first priority for Europe must be to re-activate the economic cycle, in order to create more opportunities of stable and quality employment, and this can only be done through an increased focus on investment. The European Commission points out that "*investment remains below pre-crisis levels in most Member States*", in spite of the current European monetary policy focusing on keeping low interest rates. Investment levels must rise, and in the first place private business must be encouraged to invest at higher levels. Of course public investment is essential, but only when it aims at improving the infrastructure (be it physical or intangible) and consequently increasing the capacity and willingness of businesses to invest. Investing in infrastructure means improving transportation (including energy grids), upgrading educational systems and public services in general, focusing on R&D, and any other similar intervention that can sustainably increase the attractiveness of a given geographical area. In this respect, the Juncker plan can have the potentiality to release the resources our economies need, but extra care is necessary to make sure that these funds do not "crowd out" other sources of investment, and that a real synergy is created between the different forms of investment available at European and national level.

b) Reducing social exclusion and fostering upward convergence of social standards

More than many other aspects, what probably unites all European countries is the adherence to the European social model, one of the distinctive traits of the social market economy principle that the European Union has so strongly defended throughout the years. The idea that all citizens can rely on affordable systems of social protection of high-quality is enshrined in the foundations of the European institutional and political architecture, and shared by all Member States. In recent years, both as a consequence of the crisis but also as a result of megatrends like ageing population or the consequences of globalization, the average levels of provided welfare services have been decreasing, and indicators of social distress like poverty or social exclusion show a worsening situation, with a total of 122 million of EU-citizens at risk of poverty in 2015, compared to the 114 of 2009 and the goal of 96 million set by the Europe 2020 strategy.

If economic growth remains the first way to ensure a structural reduction of poverty, effective public interventions to fight against social exclusion remain essential to absorb shocks and restore acceptable living conditions for many. The measures that can be taken vary, according to the various domains that have been used to structure the Pillar, and will be discussed individually. But it is clear for us that the "compass" function

of the Pillar must be complemented by an effective system inciting European countries to “follow” the good example of other better-performing Member states, thus aiming at reaching higher levels of social protection. This must however not be achieved to the detriment of the free appreciation of Member States of some specific aspects of social and employment legislation (like for instance the setting of minimum EU-wide wages).

c) Preparing Europe to the challenges of tomorrow to succeed in the global competition

The biggest risk of an increasingly weaker European Union is the marginalization of our countries in the global scenario. New challenges arise every day, as a consequence of the digital revolution or in the wake of the effects of climate change (just to name two). Europe must be in a position to anticipate the profound modifications that these challenges will bring to its economic and productive structure and to its social traits. Global economy is shifting towards a model with an ever greater polarization of the job market, in which routine, middle-wage jobs requiring little skills will tend to disappear in favor of skills-intensive, better-paid jobs for higher added-value productions on one side and very basic jobs on the other. For this reason, the European workforce will have to be more and more educated; education systems therefore need to be updated, to respond more closely to the needs of the economy. Along the same lines, Europe will have to make a greater use of all available knowledge, fostering gender equality and intergenerational solidarity. And in the framework of how we prepare our societies and economies to the needs of tomorrow, we must acknowledge that digital literacy has become a fundamental skill for any job profile; we believe it is now time that it becomes a citizenship right for all Europeans. As the irruption of new digital technologies in the way we provide goods and services will definitely produce a continuous evolution of the job market with potentially disrupting short-term effects on employment, it is necessary to modernize the structures supporting the labour market, adopting tools to secure labour transitions (between jobs and between a job and unemployment), continuously retraining and upskilling individuals and focusing on ALMPs (*Active Labour Market Policies*). One of the other consequences of the digital revolution is the development of new types of job profiles and employment conditions – legislation must follow this evolution, to prevent any risk of unfair treatment of workers.

How the European Pillar of Social Rights can make a difference in addressing the challenges listed before, we will discuss in the following parts of this paper. But from a preliminary point of view, we believe that Europe must not give up to its framework-setting function: there is a whole set of legislative and non-legislative provisions that are already in place to set a minimum framework of social legislation and common standards, which can be of course updated. More attention to the fair, timely and thorough implementation and enforcement of the already existing legislation must be a commitment for Europe, especially in moments like the ones we are experiencing, when consensus among social forces on more “comprehensive”, sharper interventions on the social domain could be difficult to achieve. In this respect, the constant, timely and effective implication of all social partners in decision-making processes, both at national and European level, must be a priority.

2. How do we account for different employment and social situations in Europe?

Despite the many years of duration of the European integration process, and the policies adopted (in different domains) to increase the convergence of the economic, productive and social fabric of Europe, differences between Member States are still very strong, and in some cases have even been increasing since the outburst of the crisis. Each country has its own specificities, linked to its industrial tradition, its social structure, and its historical trajectories of development. It is undeniable that Europe has contributed greatly to the sometimes spectacular economic growth of many areas of Europe: particularly underdeveloped regions could be lifted out of infrastructural poverty, technological delay and economic stagnation thanks to European regional policies. Along the same line, a lot has been done over the past decades to introduce new rights for European workers and citizens, setting minimum standards. But differences persist, and will most likely still continue to exist as the process of European integration advances.

3. Is the EU “acquis” up-to-date and do you see scope for further EU-action?

The social acquis in the field of employment and social rights is rather wide, accounting for a large range of situations and providing a wide set of rights. Clearly, the world of employment is changing rapidly following the evolution of the major global economic trends, and new situations arise that do not have yet a proper legal setting: for instance, the emergence of new forms of employment as a consequence of the diffusion of the shared economy, or the new implications on the balance between professional and private life of the growing adoption of ICT. There is therefore clearly scope for a further intervention of the European Union in these fields, like in any other legislative domain that “evolve” as the society does (within the limits of the legal competences set in the Treaties). But as an active social partner, participating with commitment to the European social dialogue, we feel the necessity to underline the importance that the European Commission respects the prerogatives of social partners and the obligations deriving from the consultation principle enshrined in the Treaties before taking initiative.

4. What trends would you see as most transformative?

Demographic changes, Technological change, Increasing global competition.

5. What would be the main risks and opportunities linked to such trends?

Demographic change – Longer life expectancy means mainly longer working lives – workplaces will have to adapt to different physical and psychological needs, and so will have to evolve traditional work arrangements. Consequently, a higher level of diversity on the workplace will become the rule for a growing number of companies, and new leadership skills will be required to make this diversity work effectively. But the extension of professional careers opens up new working opportunities and creates new job profiles for young skilled professionals. For many countries, though, longer careers will not suffice to ensure a smooth functioning of the job market and the sustainability of welfare systems. For this reason, growing fluxes of

migrants will become necessary to balance the demographic trends and provide our economies with the necessary workforce.

Technological change - Technological evolution has always been the major impulse for economic development and improvement of how our economies produce wealth. The application of new technologies over the centuries has made it possible for productivity to reach ever higher levels, replacing old jobs with new ones, creating new production paradigms and new growth paths; to quote Schumpeter, the mechanism that is at the foundation of the modern and contemporary economic model the developed world shares is one of “creative destruction”.

For many experts and analysts, though, the wave of technological changes that the incoming “4.0 industrial revolution” will bring along will have a particular impact given the diffusion of automation and digitalization to virtually every sector and activity, as well as the emergence of new business opportunities linked to the so-called “shared economy”. The effects of this phenomenon might be particularly disruptive for the current structure of the job market, as it is rather likely that many “repetitive”, predictable and low-skill jobs will be replaced by automation. But we believe it would be wrong to focus only on the foreseeably negative effects: without mentioning the growth in the demand of “traditional” ICT-jobs, a whole set of new job profiles will be created, as new needs will arise and “digitalized” societies will require new competences and new professions.

Increasing global competition – Besides “traditional” competition between countries or regions of the world, a new form of competition is slowly emerging thanks to the growing importance of digital technologies in virtually all economic sectors. The advent of the “start-up” mechanism as a model of company that rapidly develops from a small entity with a well-defined and limited area of economic interest into a “giant” rapidly spreading to other sectors is probably the most striking example of the kind of new possible source of competition for traditional companies and business areas. Europe needs to modernize its manufacturing system, adopting the newest technologies and productive methods to face the competition of other developed economies. To increase its competitiveness, Europe cannot choose to intervene reducing the level of its social protection: instead, the focus should be on investment, to equip itself with all those features (tangible ones like transport and energy infrastructure or intangible like high-level education) that support the development of private entrepreneurship.

7. Do you agree with the approach outlined here for the establishment of a European Pillar of Social Rights?

The establishment of a Pillar of European Social Rights can be a viable solution in the first place to operate a “mapping” of the current social conditions in the EU, and further encourage convergence. We also very much welcome the political impulsion behind the proposal of its launch, which vouches for the commitment of the Juncker Commission to devote more attention to the social aspects of European legislation, as well as the focus on the assumption that a uniform labour market and well-functioning welfare systems are key to ensuring the effective functioning of the monetary union.

We also believe that the 20 domains that have been pointed out cover sufficiently well the scope of social indicators that need to be taken into account to assess the “social performance” of our economies. But at the same time, it is necessary to point out some generic remarks on the overall structure of this initiative.

A first remark concerns the method adopted. We have found the solution to recur to an open, public consultation somewhat detrimental of the specificity of recognized social partners. Although a series of parallel consultation and discussion initiatives have been put in place to give social partners the possibility to express themselves separately, we believe it would have been advisable to conceive from the start a formally separate format. And we also have to point out how even in the “dedicated” *fora* for social partners their involvement has not always been fair, timely and on equal footing.

Concerning the content, there is still too much uncertainty regarding the scope of possible solutions that the European Commission could adopt to “give life” to the Pillar. During the different meetings with social partners organized by the European Commission in the last months, it was clear that the services of the Commission have no precise preliminary indication as to what possible options (of either legislative or non-legislative nature) could be applicable. We believe the European Commission should have at least given an indication of the general traits it would consider to follow in shaping this pillar (at least in terms of possible legal options), in order to let the debate during the consultation phase touch also on these technical yet fundamental aspects. In our opinion, the Pillar should not serve the function of introducing new competences for the Union that are not foreseen in the Treaties. The Pillar should aim at finding the basis of a common understanding at EU-level of the unavoidable principles of social Europe, setting the minimum level of common standards for these principles and therefore promoting an upward convergence for those “underperforming” countries.

Finally, we think that the current orientation on the “geographical” scope of the Pillar should be reviewed, to include also all countries of the EU (at least in the long term). It is true that the need to improve convergence of social indicators is seen in the framework of improving the functioning of the economic and monetary union, but it is also true that legislative provisions included in the *acquis* cover the whole of the Union (excluding the opt-outs).

If we now focus on the detail, we agree with the proposed domains and the description of the state and main challenges for each of them. We will provide a more detailed opinion, based on the perspective of managers, on the most relevant of them in the lines below. Nevertheless, we think there might be enough room to provide for an additional domain focusing on environmental sustainability, as well as mobility. Although both are essential aspects of a wider set of “citizenship” rights, mobility has probably more direct effects on the overall employment and employment-related social conditions, and should therefore definitely be added to the list of domains. In the first place, fully-enhanced mobility can be a major stabilizer of economic and labour imbalances. Furthermore, the circulation of people fosters the circulation of the ideas, increasing diversity and preparing our economies and societies to the effects of an ever increasing globalization. Finally, professional mobility is fundamental also from a non-economic point of view: allowing

people to establish themselves in another European country has major, positive effects in supporting the creation of a truly common identity, a challenge that in these troubled times Europe needs to win. We also need to point out how mobility is definitely an EU competence, and its inclusion within the scope of the Pillar would prove easier to implement.

9. What domains and principles would be most important as part of a renewed convergence for the euro area?

Flexible and secure labour contracts – one of the most prominent new features of the contemporary labour market is the frequency at which workers change their professional status, to follow the rapid evolution of job profiles but also to better accommodate to the individual preferences and to better adapt to the change in lifestyles. Much more often than before, an individual is likely to switch from employment to the status of independent worker, and then back to salaried work. This flexibility is ever more necessary and welcome, as it adheres better to the real needs of the job market, but it must be accompanied by efficient and effective measures to guarantee the maintain of the same levels of social and labour protection, irrespective of the contractual nature of the job performed. The transferability of benefits acquired during a professional experience, unemployment benefits, social assistance interventions and other forms of welfare services must be guaranteed and all obstacles (of both legal and administrative nature) that hinder the full enjoyment of the rights acquired must be removed. (This also applies to occupational pensions schemes with the small reservation that effective instruments for the protection and the inflation-adjustment of pension entitlements of former employees can for the moment be considered as a sufficient substitute in systems that do not allow for a full portability). Eventually, changing from one professional and contractual status to another must not become a source of social protection “downgrading”, but rather a solution to better face the evolution of the job market, increasing the chances of finding suitable and satisfactory employment.

Active support for employment – Among its many effects, as we wrote earlier in this text and the European Commission has acknowledged the crisis has exposed many of the long-term structural deficiencies of European economies, exacerbating them. One of these is the inefficiency and ineffectiveness of “traditional” support measures, focusing more on providing subsidies to replace the loss of revenue than on equipping people with the right competences to find another job. While the necessity to provide an adequate replacement of the lost revenue is essential to avoid the risk of entering poverty in the short term, the functional and operational links with education and training must be at the center of any modern labour market policy, which shall integrate individualized systems of assistance.

Wages – The European Commission has acknowledged in one of its recent documents how “*wages have largely stagnated over the last years and wage gains have been limited in spite of the reduction of unemployment*”, listing as one of the causes (of a stronger “structural” nature) the long-term labour productivity. We share this approach, linking wages to the capacity of the economy and/or concerned sector to produce more efficiently; furthermore, wage-setting mechanisms are not included in the scope of competences of the European Union, and in many Member States it is a specific prerogative of national

social partners. But at the same time we cannot forget that the levels of available income for households influence directly poverty and that poverty is probably the main source of social exclusion. Furthermore, increasing the internal demand (especially in times of very low inflation rates) is an effective way to boost production and growth, and given the correlation between wage levels and available income, governments should be encouraged to find measures that can increase the capacity to spend of workers while preserving the respect of the fundamental economic assumptions linking salaries and productivity. In this respect, taxation systems can be important levers.

Integrated social benefits and services – The provision of affordable and quality social services is the most effective barrier to poverty, social distress and exclusion. The access to such services like healthcare, education, protection against poverty should be universal, open to all citizens irrespective of their “social” configuration, and corresponds in many Member States to the activation of constitutionally protected rights. Being funded through general taxation, welfare provisions have been severely hit by the various financial adjustment policies adopted by national governments in times of austerity. Also in this field, the crisis has exposed some major structural weaknesses of national welfare systems, while new phenomena (like the increase of life expectancy or the effects of migration waves) are putting to test the sustainability of the system. We insist on the need that European countries continue to provide their citizens with social services of high standards, even if that implies adopting temporarily less rigorous fiscal policies. However, the structural sustainability of the system must not be jeopardized: preventing abuses, assessing the effectiveness of the measures adopted or inserting conditionality clauses for those benefits more closely associated to employment could be effective tools to ensure effective, targeted and sustainable social spending.

10. How should these be expressed and made operational? In particular, do you see the scope and added value of minimum standards or reference benchmarks in certain areas and if so, which ones?

The diffusion of new types of job contracts have helped create new employment opportunities for the newcomers to the job market, and do represent for many categories a valid alternative to otherwise too rigid labour provisions. An excessively rigid job market risks at the same time increasing disparities between categories of workers, creating unfair situations that further worsen the already increasingly precarious equilibrium among generations. In this respect, benchmarks should include an assessment of labour markets rigidity (measured for instance on the availability of new types of job contracts), and the degree at which the transferability of rights, benefits and entitlements is possible between different employment statuses.

If flexibility can therefore be a way to enlarge the range of employment opportunities, it can also become a gateway to precariousness and job insecurity. If the adoption of indicators like the proportion of “new” types of contract over traditional, open-ended ones could prove somewhat too simplistic, it would be useful to understand whether the diffusion of these innovative contractual provisions have consequences in terms of over-qualification of the workforce, absorption of skills mismatch or increasing “stabilization” of individual career paths.

As far as measures in support of employment are concerned, benchmarks should include figures like the number of one-stop-shop PES facilities per unemployed, the number of youth or long-term unemployed receiving tailored assistance and how the overall figures evolve in the short-term, the ratio between ALMPs initiatives and “traditional” ones based on simple income support, the effectiveness of the different conditionality criteria applied, or also the number of those who find employment after re-training or re-skilling programs.

Finally, concerning the domain of social benefits and services, next to traditional indicators like the pro/capita amount of social expenditure divided per sector (health, education, social housing, etc..), the pillar should integrate new innovative criteria providing for instance information about the sustainability of the welfare systems concerned, their effectiveness in terms of gender “bias” or also demographic and generational “polarization”.

11. Detailed comments by domain

A) Skills, education and long-life learning.

One of the most striking phenomena that can be observed in the current economic situation of our continent is that, despite the very high level of unemployment, tenths of thousands of job vacancies remain unfilled, as companies are not able to find talented applicants with the required skills. Clearly, education is also about personal choices and inclinations, but we believe that inefficient education systems that are unable to intercept the current and future needs of the economy contribute to high unemployment rates, especially among the young. This reality highlights the importance that educational systems are “tuned” to the real needs of the labour market, and are designed such in a way as to follow individuals throughout their life and career paths to continuously update their competences and improve their education levels. And as a new industrial revolution approaches, based on the ubiquitous presence of digital technologies in all sectors, the focus on education and training systems should aim as much to basic skills as to high-level ones, including digital skills. Digital literacy will become in the coming years as important as “traditional” literacy, and our educational systems (including those providing long-life learning) must be put in the condition to be ready for the challenges of tomorrow.

More in general, we should also consider the issue of skills and the level of preparedness of our societies from the perspective of the highly-skilled: if on the one hand it is important to make sure that all European citizens (irrespective of whether they are workers or not) are equipped with basic skills and can make use of structures that continuously “update” them, on the other hand Europe’s future growth paths are characterized by an increasingly higher percentage of highly skilled workers. And these workers (with managers being a significant part of this specific group) need continuous training, to keep up with the technological development and the corresponding evolution of the market. This is even truer if we look at the current retirement trends: workers will stay longer on the job, and the skills acquired through education and professional experience might become rapidly outdated in a quickly-evolving professional technological environment.

In the modernization of the education and training systems (including VETs), and in shaping effective life-long learning mechanisms (for which the contribution of social partners is essential), more should be done to give more prominence to the skills acquired outside the traditional educational paths. Competences acquired through informal learning can be as effective, important and “prized” by companies as those obtained via traditional school-based mechanisms.

B) Gender equality and work-life balance

For CEC European Managers, the issue of work-life balance is particularly important. Because of the complexity of the tasks they perform, and due to the specific nature of their work (which can be also not measured in terms of working-hours but rather in terms of goals achieved), managers do enjoy more autonomy in the definition of their working time. This feature (when applicable), although very much valued by managers in general, can also become somewhat problematic when it comes to its possible consequences in terms of negative spillovers in private life. This is even more the case if we look at it from the perspective of female managers, who need a supportive working environment (which includes both specific working arrangements and the necessary infrastructure to provide all the requested side-services) to make sure they can be successful both in their professional and private dimensions. Against this background, we have always supported the adoption of measures, both of legislative and non-legislative nature, that encourage a real sharing of family responsibilities between men and women. From parental leave to careers' leave, from the duration of the working time to the increasing recourse to professional tools that make it possible for workers to perform their professional activities remotely, we believe that the key to finding the right equilibrium is flexibility of working arrangements.

When it comes to gender equality, besides the basic considerations linked to equality as a fundamental human right, to guarantee and enforce equal conditions for both men and women is also an economic issue. The underrepresentation of women in the labour force is mainly an economic loss for all our economies: according to a recent study of McKinsey, 28 trillion dollars could be added to the world GDP if women participated to the labour force as much as men. Finally, a growth in the employment rate of women would also have positive effects on the sustainability of our welfare and pension systems. Participation of women in the labour force must be encouraged, in all sectors and at all levels, including the presence at decision-making levels in public and private companies.

C) Conditions of employment

One of the other consequences of the diffusion of innovative business models associated to the rise of platform economy, or the sharing economy can be the increasing tendency of contractual and employment classifications to become less clearly defined. In some cases, it can be difficult to univocally identify whether a specific professional performance is provided under the conditions of a salaried work, or rather by someone who is working independently. For this reason, we believe it is necessary to make sure that clear legislative

provisions are adopted at national level, but within a common European framework, regulating the new forms of employment in a way that reconciles flexibility (linked with the unpredictability of the technological evolution) with the need to protect the rights of the workers.

D) Social dialogue

Social dialogue is one of the cornerstones of the European social model, and a clear application of that principle of subsidiarity that shapes the juridical foundation of the European Union. From the bottom level of dialogue within the company to the cross-industry collective bargaining, the respect of the prerogatives and autonomy of social partners, and the acknowledgement of their specific status are principles that all European countries should adopt and defend.

As the European Commission points out very often, those countries with strong social dialogue system have proven more resilient in the crisis, and have been able to recover more rapidly than the others. But in order for social dialogue to be effective and truly representative of the complexity of the economic world, it is necessary that all categories of workers (including managers) and employers that participate in the economic and social life of each country are consulted and involved, on equal footing and with the same rights (in proportion to their representativeness). We believe that more should be done, both at EU and national level and in all economic sectors, to effectively ensure that the different “voices” that compose this multiplicity are given the possibility to speak and be heard. Pluralism is a founding value of our political constructions and of our societal structures, and we have to strive for the implementation of this principle in all fields, including social dialogue.