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Strengthening the social dimension of the Economic and Monetary Union: frequently asked questions

Why are you publishing this communication now?

This Communication, adopted by the Commission on 2 October, is a contribution from the Commission to the debate on the deepening of the Economic and Monetary Union (EMU), and follows the Commission's Blueprint on a deep and genuine EMU, published in November 2012 (IP/12/1272). As set out in the Blueprint, coordination and surveillance of employment and social policies should be reinforced within the EMU, and convergence in these areas should be promoted.

The communication responds to a call by the European Council in December 2012 to present possible measures on the social dimension of the EMU, including social dialogue. The June European Council recalled that the social dimension should be strengthened, notably by using appropriate employment and social indicators within the European Semester, pointed out the need to ensure better coordination of employment and social policies, while fully respecting national competences, and highlighted the role of the social partners and social dialogue, including at national level.

What do you mean by the social dimension of the Economic and Monetary Union and why does it need to be strengthened?

While the overall social agenda remains at the EU level, a well-functioning monetary union must be able to cater for the social implications of reforms that are necessary to boost jobs, growth and enhance competitiveness. It also needs to detect and tackle in a timely way the most serious employment and social problems across its Member States as these can have negative impact beyond national borders and lead to long-lasting disparities.

The recently strengthened economic governance rules aim to reinforce the EMU, addressing some of the initial weaknesses of its design. The development of the social dimension of a genuine EMU is an essential part of this process.

In the Commission's view, there is potential for improvement in three areas:

- by tightening up coordination and surveillance of employment and social policies under the European Semester, the EU's annual policy-making cycle, while fully respecting national competences;
- by taking advantage of the solidarity offered by the EU budget and by working with Member States to improve job mobility;
- and by further involving EU-level and national trade unions and employers' organisations in talks during the European Semester.

What is the Commission doing to improve economic governance in the EMU?

While maintaining the structure and objectives of the economic governance system for the EU as a whole, the Communication suggests:

- developing a key employment and social indicators scoreboard to follow issues relevant for the well-functioning of the entire EMU;
- extending the number of extra indicators underpinning the yearly Alert Mechanism Report (AMR), published each autumn, to better reflect the social implications of macroeconomic imbalances. These could include: the participation rate, the long-term unemployment rate, youth unemployment rate and 'at risk of poverty and social exclusion' rate;
- including a section in the in-depth reviews (that follow from the AMR exercise) discussing employment and social developments in the country under analysis;
- strengthening the coordination of employment and social policies within the European Semester by promoting the best practices in individual Member States.

This would enable the EU to better integrate employment and social concerns in the overall policy landscape. It will also help the EU provide clearer guidance on major employment and social challenges. Good examples of this are the recently agreed Council Recommendation on establishing a Youth Guarantee, and the launch of the €6 billion Youth Employment Initiative.

How will the new scoreboard of indicators work?

The Commission proposes to create a scoreboard to follow key employment and social developments relevant for the well-functioning of the EMU. This should serve as an analytical tool, allowing for the better and earlier identification of major employment and social problems, especially those that could have effects beyond national borders.

The scoreboard would consist of a limited number of key indicators focusing on employment and social trends that can severely undermine employment, social cohesion and human capital, and would be incorporated in the annual Joint Employment Report published each autumn.

In the Commission's view, it should feature five headline indicators:

- unemployment;
- youth unemployment and the rate of those not in education, employment or training (NEET rate);
- household disposable income;
- the at-risk-of-poverty rate;
- inequalities (the S80/S20 ratio).

The new scoreboard would feed into talks between national employment and social ministers ahead of the spring European Council, which is dedicated to the European Semester, and into the preparation of country-specific recommendations. It would also be discussed with the European Parliament and social partners.

What will be the consequences if Member States breach the indicators on the scoreboard?

There will be no automatic consequences. The scoreboard is an analytical tool to observe divergence from historical trends or from the EMU average.

Worrying employment and social developments will be better taken into account by policy-makers during the European Semester process in terms of preventive measures, but there are no sanctions foreseen.

When will the scoreboard be in place?

A proposal for a scoreboard should be ready to be analysed in time for the 2014 European semester (so in mid-November 2013). The Commission will discuss the proposal with the relevant technical groups in the Council to determine the choice of indicators. The European Parliament will also be informed and consulted on the proposed scoreboard, as will the social partners.

Why has the Commission not proposed a euro area unemployment insurance scheme?

The legal basis for setting up of a European unemployment scheme or other similar macroeconomic stabilisation systems is lacking in the current treaty. The current EMU architecture is based on decentralised national fiscal policies governed by common rules set out in the Stability and Growth Pact. Welfare policies (in particular, benefit systems) are by and large a national competence.

The Commission's Blueprint on a deep and genuine EMU provides a comprehensive vision for the future of the EMU, containing actions the Commission believes should be taken in the short, medium and longer term, with gradual steps towards more responsibility and discipline taken in parallel with more solidarity and support. Some of the steps can be taken within the limits of the current treaties, others will require treaty change.

In the long term, based on the progressive pooling of sovereignty, the Blueprint mentions the possibility of an autonomous euro area budget with a fiscal capacity, providing for an EMU-level stabilisation tool to support adjustment to asymmetric shocks. This would require a substantial treaty change.

Does the Communication propose any new money to tackle employment and social problems in the EMU?

No.

But in developing a truly social dimension, the Communication recalls that the scope of the EU budget must be fully exploited. The 2014-2020 budget contains reinforced means and programmes to target employment and social problems:

- The European Structural and Investment Funds (ESIF) will continue to be an important driver for the necessary reforms and modernisation of social policies.
- The Youth Employment Initiative will mobilise up to €8 billion to help Member States implement a Youth Guarantee in regions with youth unemployment rates over 25%. This will be frontloaded in 2014-15.
- The new Programme for Employment and Social Innovation, the European Globalisation Adjustment Fund and the Fund for European Aid to the Most Deprived are also important instruments available to Member States.

- Moreover, on 20 February 2013 the Commission proposed a Social Investment Package aimed at providing guidance to Member States on improving social protection systems, with a focus on social investment.

What does the Communication propose to make it easier for people to move around the EU for work?

The free movement of workers is one of the cornerstones of the EU and its Single Market. In the EMU, labour mobility can also, to some extent, act as an adjustment mechanism in times of economic upheaval. However, cross-border mobility in the EU is still low, with only 2.6% of those in the EU (4% in the euro area) moving to live in another Member State.

The EU has already addressed some of these persistent barriers, by establishing a system to recognise professional qualifications and coordinate social security benefits. The Commission is also pursuing work related to regulated professions, with a communication evaluating national regulations on access to professions also adopted on 2 October.

The Commission is also committed to tabling a proposal before the end of 2013 to simplify the way cross-border vacancies and job applications are handled and to step up support for jobseekers and employers.

The Commission also plans to present proposals in 2014 to simplify the granting of unemployment benefits for those seeking work in another Member State.

What power does the Commission have over employment and social policies under the EU treaty?

On employment, the current competences of the EU are limited to encouraging cooperation between Member States and to supporting their action, excluding any harmonisation (Article 149 of the Treaty on the Functioning of the European Union). On social security and social protection, the EU is limited to adopting directives setting minimum requirements for Member States' systems, whose fundamental principles and financial equilibrium are set by the Member States (Article 153).

Further information:

More information: [IP/13/893](#)