

EASY WITH SOCIAL EUROPE!

The European Union is pushing for the enforcement of the European Pillar of Social Rights with increasing force. This document lists 20 principles that are to shape a Social Europe. Unfortunately, in practice, the implementation of these principles may be to the detriment of the poorest EU member states. For example, the implementation of a “minimum income” could cost Poland as much as PLN 36 billion annually. The Warsaw Enterprise Institute is of the opinion that while the main objectives of Social Europe (equal opportunities on the labour market, fair working conditions, inclusiveness) are just, the path taken by the European Union to achieve them leads to the pauperisation of the middle class, the deterioration of the situation of the poorest Europeans, and the loss of competitiveness of European companies. The project is especially dangerous for countries that are still catching up with the richest economies. Poland should work out a clear position on each of the EPSR principles, taking into account its own social and economic interest.

The Idea of Social Europe

20 principles of Social Europe

The European Pillar of Social Rights is a document signed by the European Parliament, the Council of Europe, and the European Commission at the Social Summit for Fair Jobs and Growth held on 17th November 2017 in Gothenburg, Sweden. **It lists 20 principles** with to shape a “Social Europe” with in the following areas:

- 1) Education, training and life-long learning
- 2) Gender equality
- 3) Equal opportunities
- 4) Active support to employment
- 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
- 11) Childcare and support to children
- 12) Social protection
- 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

A growing tendency

The EPSR contains general declarations outlining the social rights of EU citizens (e.g. “Everyone in old age has the right to resources that ensure living in dignity.”) and, as stated in its preamble, **“is to serve as a guide towards efficient employment and social outcomes** when responding to current and future challenges”. However,

this is not an optional guide for EU member states, but rather obligatory, because – as it is written in the same preamble: “Delivering on the European Pillar of Social Rights is a shared political commitment and responsibility”. Its authors make the reservation that it “does not entail an extension of the Union’s powers and tasks as conferred by the Treaties. It should be implemented within the limits of these powers”. **In practice, the implementation of EPSR principles can be carried out either by member states (bottom-up) or the European Commission (top-down). The ever stronger centralist tendencies within the EU compel this institution to rely primarily on the European Commission.**

Action Plan

At the beginning of March this year, the European Commission announced the formal adoption of the so-called Social Europe Action Plan (for Q4 2021), which indicates the legal tools with which it intends to implement the ESFP principles. The initial form of the plan is known today. The European Commission assumes that thanks to the actions presented in it, it will be possible to guarantee that: a) at least 60% of all adults should participate in training every year; b) by 2030, at least 78% of people aged 20 to 64 should be in employment. and c) the number of people at risk of poverty or social exclusion should be reduced by at least 15 million.

Projects of the European Commission

It is already known that as part of the EFPS implementation, the European Commission will present over the next 12 months, among others:

- a proposal of legislation on platform workers (providing services via online platforms);
- a proposed regulation on AI in the context of its use on the labour market;
- a proposal of legislation to counteract aggression against women in the workplace;
- a proposal for a recommendation regarding minimum income;
- a long-term care initiative.

Moreover, the European Commission will undertake a series of consultations as part of the EPSR implementation. It will report on the progress of the implementation of important directives and evaluate their effectiveness.

What looks good on paper does not always work in practice, and the road to hell is paved with good intentions. **The European Pillar of Social Rights is full of good intentions, but if the tools with which it is to be implemented are not flexible enough, the EPSR will not lead us to a richer, more innovative and socially cohesive Europe. Unfortunately, there is a serious risk that the manner of EPSR implementation is based on a false belief that the way to progress consists of regulations, bureaucracy, and far-reaching control. Not only the Action Plan suggests so, but also the very steps already undertaken as part of the EPSR implementation.**

Minimum wage directive

The EC has already presented a proposal for a directive on the pan-European minimum wage, recommending, among others, that it should amount to least 50% the average salary in a given country. **This would be another step that would deprive member states of the freedom to pursue their own vision of socio-economic development.** Take Poland, for example. The present-day level of the minimum wage in Poland (PLN 2,800) is, according to current estimates, above this limit and amounts to approx. 53%. On the one hand, it is good that, as a result of the possible enforcement of the directive, we would not have to automatically raise the minimum wage, but on the other, it will tie our hands in a situation where it is necessary to freeze it due to the economic situation.

A threat to competitiveness

The plans to create a Social Europe reveal one of the greatest weaknesses in the mentality of the European elite: they have forgotten that the secret to development lies in the diversity of both institutional solutions and possibilities of local experiments while applying them. Centralisation is the enemy of competitiveness and innovation, a sad example of which the European Union is nowadays. The EU specialises neither in innovation like the US, nor in scaling production like China, but in regulating what others manufacture. This way, the Union puts a constricting

corset on its citizens. Therefore, it is not surprising at all that the EU's share in the global GDP is steadily declining in spite of an increase in the number of its member states. In the early 1990s, it amounted to less than 25%; today it is barely over 15%. This decrease is accompanied by a decline in the total added value generated by EU industry as well as stagnation in productivity.

Consequences of social legislation

Potentially the most thriving EU economies, and therefore the driving forces behind its growth, are those less affluent, as they still feel the need to become wealthier and catch up with their richer neighbours. However, for these countries – including Poland – social legislation of the EU constitutes the biggest problem. Social rights are not cost-free. The imposition of rules not adapted to the local conditions of a given EU member state may become an unbearable burden for them. It can ruin public finances of such a country, thus forcing tax increases and reducing competitiveness.

Take, for example, the EPSR minimum income principle, which states that “Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services”. The wording is so general that theoretically it would allow the introduction of a guaranteed income for all people who are below the so-called subsistence minimum. It is estimated that around 15 million people live below the subsistence minimum in Poland. Let us suppose that the minimum income would only supplement their ordinary income from work so that in total they would find themselves above this minimum. Let us also assume, an optimistic hypothesis, that on average it would mean a minimum income of merely PLN 200 per month for each of these 15 million people. It would translate into a cost for the Polish budget in the amount of at least PLN 36 billion a year. If the introduction of such a benefit would not be accompanied by cuts in other expenses, Polish public debt would then exceed the constitutional prudential threshold of 60% GDP. Such a situation would create a long-term chaos, with a high probability prompting authorities to take ill-considered fiscal steps. These costs would be borne, as is most often the case, by the poorest citizens as well as small and medium-sized enterprises. One should note in this place that the EU's tendency to marginalize the importance of the SME sector in recent years has been growing dangerously. SMEs employ close to 100 million EU citizens and should be the apple of its eye – every large company had once started small. If the growth of small businesses is constrained, the dreams of an economically powerful Europe will never come true.

Tips for Poland

Actions of the Polish government

The coming months will be a time when the principles presented in the EPSR will be made more precise. The Polish government should not waste it. Poland should work out a clear position on each of the 20 principles set out in the EPSR, proposing a formula for their implementation adapted to our level of economic development and opposing attempts to introduce excessively “ambitious” legislation at the pan-European level. To this end, an analysis of Polish institutions should be carried out investigating the extent to which they already implement EPSR rules.

The tools for implementing the EPSR should take into account the fundamental fact that it will fail if European countries lose their competitiveness and focus on redistributing wealth rather than generating it. For this reason, it is necessary to oppose those proposals for the implementation of the EPSR that would paralyse free-market mechanisms. Furthermore, at this stage, it seems that with the help of the EPSR, one intends to implement a solution along the lines of Danish “flexicurity” (a flexible labour market combined with generous benefits) throughout the entire EU – if this is the case, one must keep in mind that flexicurity operates in conditions of high legal culture and considerable market freedom. One must not forget these two domains. Otherwise, Social Europe will become an unbearable burden, for Poland and other countries alike.