

Speech

Good morning, ladies and gentlemen,

Just a few weeks after the European Parliament elections, I can start with a few words about these results. In the countries of the South and elsewhere where social consequences of the crisis were felt, there are calls for solidarity. At the same time, in high income countries we see waves of welfare chauvinism. In fact, it is not a surprise that after years of financial and economic polarisation, a political divide has also developed.

In order to overcome this divide, it is vital for Europe to return what the Barroso II Commission launched: the Europe 2020 strategy, a strategy for smart, sustainable and inclusive growth. It also must be ensured that all countries and regions participate in it.

Back in 2010 we set targets alongside seven flagship initiatives.

Those targets include increasing the employment rate of the working-age population to 75% and lifting at least 20 million people out of poverty and social exclusion by 2020.

In December 2010 the Commission followed up the headline target for reducing poverty by adopting the European Platform against Poverty and Social Exclusion as a Europe 2020 flagship initiative.

So where do we stand today, compared with the targets set?

Is Europe 2020 on track to delivering smart, sustainable and inclusive growth, and in particular “a high-employment economy delivering economic, social, and territorial cohesion”?

We cannot escape the fact that, despite our collective efforts to tackle poverty, exclusion and unemployment, we are not on track to meeting the targets.

Compared with 2008, there are now 6.6 million *more* people living in poverty or social exclusion.

In 2012 the total was 123 million — equal to the population of Germany and Spain combined.

Poverty and social exclusion were up in more than one out of three Member States in 2011 and 2012, while poverty and social exclusion affecting children has gone up in 18 Member States since 2008.

The crisis has substantially altered the dynamics of inequality and affected the various sections of the population in different ways.

The Commission has not stood idly by.

For the first time, this year's Joint Employment Report, published together with the Annual Growth Survey, features the scoreboard of key employment and social indicators.

It shows in particular that inequality has increased in most southern Member States — Spain, Greece, Italy and Cyprus — as well as in Croatia, Estonia, Denmark, Hungary and Slovakia.

In many countries, the crisis has intensified the long-term trend towards wage polarisation and labour market segmentation, which — together with less redistributive tax and benefit systems — have fuelled the increase in inequality.

The scoreboard also shows that there is growing divergence between Member States in the development of gross household disposable income in real terms.

To help the Member States in the reform process, just over a year ago the Commission adopted the Social Investment Package. This package was designed to help the modernisation of national welfare states, and make them more effective in the fight against such problems as child poverty and homelessness.

While primary responsibility in this area lies with the Member States, the Commission has an active role to play because of spill-over effects stemming from Member States' poorly performing social policy.

The Social Investment Package stresses the need for adequate social benefits and services that focus on developing people's capabilities. .

Member States need to learn from Europe's best examples of reformed Welfare States, be more effective and efficient and fight more consistently against gender inequality.

Active inclusion, with the three strands of enabling services, adequate income support and inclusive labour markets, is a crucial component of the Social Investment Package. But social investment goes further.

It does not confine itself to people of working age, but stresses the importance of adequate support and enabling services at all stages of life.

It emphasises social integration as well as direct links with the labour market.

That is why the Social Investment Package includes guidance on tackling homelessness but also a Recommendation on fighting child poverty.

All Member State governments need to make further efforts to reduce inequality at an early stage by investing in early-childhood education and care.

Ladies and gentlemen,

One particularly distressing aspect of the European election campaign in some countries was the way EU citizens that are making use of their right to free movement were blamed for increasing unemployment or raising the cost of social welfare services.

Clearly, some areas have to deal with sudden, large-scale arrivals of poorer EU workers and their families, which may put pressure on local education, healthcare or housing services.

While this may be a genuine concern, the solution is NOT to put up barriers against EU workers.

The response should rather be to address growing poverty and inequalities and make the best possible use of EU funds to this effect. We have set a minimum share for ESF in cohesion policy and a minimum share for social inclusion measures within ESF to ringfence the EU measures supporting social investment.

In addition to the European Social Fund, the Fund for European Aid for the Most Deprived can help the Member States tackle immediate problems relating to the increase of poverty.

In our Communication on free movement of EU citizens and their families last November, the Commission also announced practical action to help national and local authorities effectively to apply EU free movement rules, combat abuses and use available funds on the ground to promote social inclusion.

The European Semester has also increasingly been used to get Member States addressing the social consequences of the crisis and boost social investment.

While these country-specific recommendations focused mainly on addressing the crisis situation in past years, 2014 has been a year for looking further ahead and focusing on coming out of the crisis stronger.

This year the country-specific recommendations address the adequacy and coverage of social transfers, alongside their targeting and sustainability.

More specifically, the Commission has proposed recommendations for 11 Member States¹ on simplifying and improving the adequacy and coverage of unemployment benefits and social assistance, and establishing a closer link with activation.

Recommendations for another eight Member States² concern improving the efficiency and effectiveness of social transfers for children, families and older people or increasing incentives for working-age people.

The Commission has proposed recommendations for 14 Member States³ on assisting those furthest from the labour market to get back into employment.

The Commission has reflected the importance of investing in children for our future through recommendations for 12 Member States⁴ on investing in early childhood education and care and family support services.

Europe 2020's success depends on implementation on the ground, at national, regional and local level. The Commission monitors progress closely and guides Member States in making the best use of the EU funds, notably the ESF, to respond to the recommendations.

I said we were not on track towards meeting the poverty reduction target.

But the development of the poverty rate depends on many factors, including the employment and economic situation, the social policies in place and the way they have been reformed.

¹ BG, ES, HR, HU, IT, LV, LT, PT, RO, SK and UK.

² BG, EE, ES, HR, IE, IT, PL and RO.

³ BE, BG, EE, ES, FI, FR, HR, IE, LT, LU, PT, SE, SI and SK.

⁴ AT, BG, CZ, DE, EE, ES, HU, IE, IT, PL, RO and UK.

There is evidence that the Member States which carried out major social policy reform in a time of economic growth have fared much better during the crisis, while some Member States facing major social policy challenges have had to implement reforms in an economically very unfavourable climate.

What is also clear is that reforms carried out in close cooperation with the stakeholders are far more successful.

So I call on the Member States to work with the social partners, civil society and all branches of government to make their social systems more effective and efficient.

But also at the EU level, involvement of all stakeholders such as those represented in the European Economic and Social Committee is crucial.

As you probably know, the Commission launched a consultation on the Europe 2020 Strategy, the progress achieved and the further way forward.

A strong involvement of all interested parties, the Member States, the European Parliament, the social partners, civil society and other stakeholders should help ensuring better results in achieving our employment and social targets over the next 5 years.

Ladies and gentlemen,

I started with a reflection on the European Parliament elections. There is often too much focus on personal issues and not enough on reforms that would allow the European Union to function better. President Barroso recently discussed this in Berlin: the reform of the EMU should be a top priority.

In particular, strengthening the social dimension of Economic and Monetary Union must indeed be a priority — for instance through automatic stabilisers and social standards on minimum income support, minimum wages or social investment.

I am confident that this conference will contribute to these reflections and come up with concrete suggestions.

Unless we get the Union back on track of social convergence, the risk of social fragmentation today may well become structural and ultimately put into danger the European project as a whole.

We can still forestall that scenario, but it calls for fresh emphasis on the positive role of social policy.

Thank you.