



European Economic and Social Committee

**Employers' Group**

# How to strengthen the social dimension of the EU: a perspective for Competitiveness and Growth

## Social dimension of the EU

The social dimension of the EU economy is a fact, not something that needs to be created. The nature of the single market is social; many of the benefits it creates are par excellence part of the social dimension.

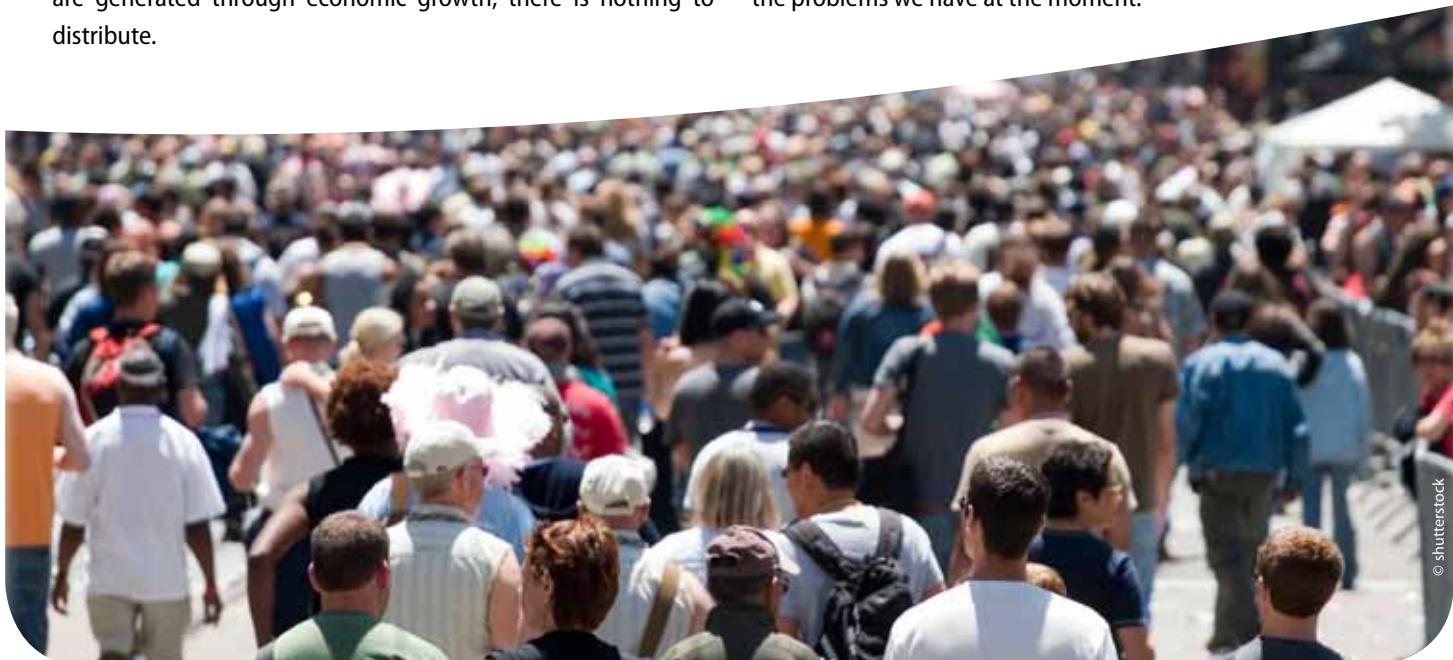
Improving Europe's competitiveness and stimulating greater growth are just two essential conditions needed to further develop the social dimension of the EU. A strong economy resolves the problem of high unemployment much faster than new funds or administrative measures could.

Solidarity within the EU however is not unconditional; it must be accompanied by responsibility of all parties involved. Member States should determine seek and communicate best practice among themselves. Clearly, there is no "one size fits all" solution, owing to vastly different national and regional circumstances.

The social dimension is not just about the simple redistribution of resources: creating jobs is also part of it. Unless new assets are generated through economic growth, there is nothing to distribute.



The social dimension is an inherent part of European integration. The economic and financial crisis has demonstrated that Europe's social model needs to be structurally reformed. The European model is something that sets us apart from the rest of the world, but clearly Europe needs a sustainable social model to overcome the problems we have at the moment.



## **Reforms: overcoming the debt crisis, improving competitiveness**

For many years, Member States in the EU solved on-going problems with non-existent money. The time of growth was used to increase consumption instead of implementing much needed structural reforms. As a consequence of the debt crisis severe austerity measures were needed. This has had a negative impact on the social situation, resulting in a significant increase in unemployment.

The early anti-crisis measures delivered results, but we need to continue with further structural reforms. Growth must be real; it can no longer be financed by excessive debt. Continuing much needed structural reforms will help to increase competitiveness and boost growth in Europe.

While most agree that reforms were necessary to bring ailing European Member States back on track and increase their competitiveness so as to raise the living standards of their citizens, there is no consensus about what the nature of these reforms should be, or the speed with which they need to be carried out. These reforms could take decades to implement, which has left some wondering how the affected countries could possibly maintain an acceptable social balance for such a long period of time.

In times of deep-rooted globalisation, innovation is essential for Europe to stay ahead of countries who can concentrate on low

cost production. The European Union should stimulate product and process innovation more and spend less on fundamental research. Europe's strength lies in producing high quality products and services for the global market.

The single European market makes the task of competing on the global market easier; no individual Member States would be able to face this challenge alone. Free trade is an important pathway towards improving competitiveness.

With its trade surplus, Germany has demonstrated that effective competition with Asia is possible. The German government continued to develop its industrial base, when other countries were switching to a service-based economy. Germany is now reaping the benefits of that decision and has become the most competitive economy in the EU.

To guarantee continued competitiveness, the EU banking union must be completed swiftly to ensure a stable economic and financial environment, crucial for entrepreneurs to develop its businesses. Europe must review its industrial policy and make it a priority of the utmost importance. In addition, red tape must be cut and more efficiency introduced at the administrative level. Europe suffers too much from gold-plating.



## Youth unemployment and social dialogue

The causes of the alarming levels of youth unemployment within the EU are structural; we need European solidarity to make sure that we don't end up with a lost generation.

The Youth Guarantee: ensuring that every young person under 25 receives a good quality offer of a job, continued education, an apprenticeship or a traineeship within four months of leaving school or becoming unemployed. A useful tool, or a waste of money, if no needed reforms of the labour market are undertaken?

The four aspects of the Polish approach towards addressing youth unemployment are: supporting mobility and training; promoting entrepreneurship and better development of academic entrepreneurship; giving NGOs a more active role in projects to get young people working; and finally, getting unqualified people into employment via specific organisations.

Social dialogue is an important tool for the effective implementation of structural reforms. Germany's social partnership model seems to



be a good example of a responsible approach involving all social partners. However, it is difficult to translate this model into other economic and political structures in Europe. Nonetheless, it's an approach that can and should be followed by others.





**The discussion on strengthening the social dimension of the EU took place during the Extraordinary Meeting of the Employers' Group in Berlin, Germany on 29<sup>th</sup> November 2013.**

**The meeting was organised together with the National Union of German Employers' Associations (BDA), Federation of German Industries (BDI) and the Association of German Chambers of Industry and Commerce (DIHK)**



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## About the Employers' Group

The Employers' Group brings together entrepreneurs and representatives of entrepreneur associations working in industry, commerce, services and agriculture in the 28 Member States of the European Union. Our members are genuinely committed to putting their own experiences to good use to further the European venture.

The European Economic and Social Committee is the only European institution that brings together entrepreneurs and people fully involved in the economic and social life of their home country. We make the voice of business heard at European level.



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