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Europe and the European Union are going through stormy times, and there are numerous trouble spots within. Its most important ally, the United States of America, appears to be turning its back, and many of its member states still haven’t recovered from the consequences of the economic and financial crisis, which also threatens the common currency. In some member states, fundamental values of the European Union are being violated, there is no agreement on critical issues such as refugee admission, and populist movements which challenge European unity have made further gains.

It is under these conditions that German Diaconia sets forth a policy paper on a social Europe. German Diaconia is convinced that the European Union has no future without a strong common social commitment with more binding standards than before. It cannot consign the fulfillment of social rights to member states alone.

What does that mean? What are the issues? Where are EU-wide standards necessary? How might they look? Who should pay for it? The Diaconia Charter offers answers and makes specific demands for which it advocates. These are based on two basic principles:

The mission of Diaconia is derived from the Bible and the Christian view of humanity and from the firm belief that European integration is essential for a life in peace and freedom on our continent.

For that matter, the Diaconia Charter for a Social Europe is not the endpoint of a discussion process, but rather only the beginning. It should stimulate exchange and reflection among the local diaconal actors with the other welfare organizations, with policies – national and European – at symposiaums and in the public. The Diaconia Charter for a Social Europe is future-oriented and wants to be effective beyond the next European elections. It lays out a design for a peaceful, fairer, and more united Europe.

Maria Loheide
Executive Director Social Policy, Diakonie Deutschland
I. Introduction: Why a charter?

1. The EU: a shared path

On a continent that was the scene of devastating wars for centuries, an organization like the European Union (EU) is a phenomenal historical advance. Since the founding of the common market in 1957, it has developed into an area of economic and political cooperation and integration. National isolation and one-upmanship has been replaced by mutual respect and understanding based on common European values. Diverse transnational links have emerged, and Diaconia has also profited: Cooperation with partners in other member states has developed further. Diakonie Deutschland and many of its members and institutions are involved in Europe-wide networks in which innovative projects are developed and carried out, and which are dedicated to the exchange of experts and leaders, undertaking joint education programs and organizing transnational volunteering. Many challenges facing Diaconia – such as creating the conditions that allow for a dignified life, the changes in the labor market due to digitalization in the economy and society, and others – can only be tackled together through the EU. This also applies to receiving refugees and migrant immigration.¹

On the other hand, the EU has found itself in crisis, in several respects, for years. Not least, the Brexit is an expression of the unstable situation. The project of European integration hangs in the balance.

It is into this constellation that Diakonie Deutschland introduces its policy paper, which emphasizes social rights and social security at the EU level and in the member states. Diakonie Deutschland sees itself as an advocate for societally and socially disadvantaged persons, as a contributor to a fair, inclusive society, and as a representative of diaconal enterprises and services, which provide a considerable share of social services in Germany. The commitment and service of Diaconia are aligned with core Christian values. Diaconia, as a social ministry of the Protestant Church, is concerned with complying to the inviolable dignity of every human being in shaping the social dimension. It is about a compassionate cohesion of society and commitment with the common good. It is about strengthening people and institutions in such a way that they can take responsibility and be actively involved in the shaping of co-existence.

Since 1992, Diakonie Deutschland has been represented in European institutions. It works closely with the Protestant Church in Germany, EKD, the European diaconal umbrella organization, Eurodiaconia, and the Federal Association of Non-Statutory Welfare in Germany, BAGFW.

2. Crisis and loss of trust

The EU treaties emphasize a harmony between economic and social progress and a commitment to the social market economy. Thereby, they contain a promise that has been increasingly overlooked in recent years.

With expansion of the EU, in particular the states of southern Europe (e.g. Spain, Portugal), eastern, and southeastern Europe, the economic gap between the member states has increased significantly. But there are also large disparities within the Member States. According to Eurostat data, for example, the Gross Domestic Product (GDP)² per capita in the Italian region of Emilia-Romagna is almost twice as high

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¹ The issue of admitting refugees, which for Diaconia has high meaning on all levels, will only marginally be a subject of discussion here. There is already extensive expertise at the EU level, in contrast to social protection of EU citizens, who do not make use of the freedom of movement. S. u. under III. 1.

² Although GDP is only one indicator among others that measure economic differences, it shows a very clear interregional development gap, which, incidentally, correlates with other indicators such as long-term unemployment and at risk of poverty.
as in Sicily. In France, GDP per capita in the greater Paris area is double that of the neighboring regions of Picardie and Pas de Calais. Even in Germany, there are striking differences. In Mecklenburg-Vorpommern, GDP per capita is scarcely 50% of the value generated in the region of Stuttgart.\(^3\) Their heterogeneity has likewise increased, which is to be understood under key ideas like social market economy or social security. Internal migration within the EU has gained new momentum, which can be interpreted as a direct consequence of these considerable disparities. In a few member states, this has already led to legislation aimed at reducing the social costs of free movement.

Growing economic and social inequalities between and within the Member States are the basis for widespread dissatisfaction with the EU. In actuality, there are faults in the institutional architecture of the EU. Democratic deficiencies are still present in its institutions through, among other things, a dwindling participation in European parliamentary elections. However, it is often overlooked that it is not the EU Commission and the European Parliament who are responsible, but rather the Member States in the European Council. It also occurs that decisions from the EU Parliament and the EU Commission are implemented by the Member States with great delay or not at all.

Furthermore, the introduction of the euro on January 1, 2002 as the common currency of initially twelve – today nineteen – members of the EU, has severely limited the possibilities for autonomous policy-making by individual members of the eurozone. The EU’s actions during the financial crisis has raised accusations of satisfying the interest of banks rather than the needs of its citizens. As part of rescue packages for Greece, Spain, Portugal, and Ireland, some of these countries have made massive cuts to the social system, social rights, and labor laws. Other member states like France and Italy have for years been under considerable pressure from EU institutions to reduce the cost of their social systems and institute deregulation, e.g. in labor law. The expectation is that they their competitiveness should increase. Whether such measures will lead to the desired effects, for example, a decline in the extremely high rate of youth unemployment, has been judged differently by various scholars.

An actual or perceived loss of control of Member States in matters of monetary and economic policy as well as the banking system has exacerbated the already existing skepticism towards the EU, which is perceived as part of a globalization that only benefits the wealthy or those who aren’t disadvantaged and “left out to dry.” Added to this is the perception that the EU and its Member States no longer sufficiently protect the external borders of the EU.

As a result, in many Member States, there are large numbers of political parties and groups that are extremely hostile to the EU, who campaign for withdrawal or substantial reorganization. The outcome of the referendum in Great Britain has shown that such movements can be quite successful. The “Brexit” should be a wake-up call to review the existing procedures and political priorities.

Since the 1990s, different sides have called for a strategy of social support of the single market through the creation of a “social Europe”, but it has never truly been implemented. Diaconia fears that the project of European integration will fail if it doesn’t succeed to strengthen social security, making it sustainable and integrating it into EU policy on equal footing with the principles of rule of law, democracy, and economic competitiveness.

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II. The current situation

1. Social provisions in the EU Treaties

The Treaty on European Union (TEU), the Treaty on the Functioning of the European Union (TFEU), and the Charter of Fundamental Rights, as well as some of the Protocols and Declarations for the Final Act belonging to the “Lisbon Treaty”, constitute a framework, within which lies the socio-political latitude of the EU. There are numerous statements on social policy. Already in Article 3 of the TEU, which deals with the goals of the EU, it states: “The European Union is working towards ... a highly competitive social market economy aimed at full employment and social progress ... It combats social exclusion and discrimination and promotes social justice and protection, equality between men and women, solidarity between the generations, and protects the rights of children. It promotes economic, social, and territorial cohesion and solidarity between the member states.” These goals are underpinned by the fundamental values of the EU, which include solidarity, equality, and human dignity (Article 2, TEU).

However, responsibility for social policy projects is predominantly shared between EU institutions and the Member States. Therefore, legal acts can only be prepared and adopted with cooperation from both the EU and the Member State. (Article 4, TFEU) Article 153, TFEU, establishes the socio-political issues and defines the competences and decision-making procedures. These range from Open Method of Coordination (OMC) 4 to specific and proper legislative procedures.

The Charter of Fundamental Rights of the European Union is also relevant and contains numerous social rights such as Article 14 on the right to education and access to vocational training, Articles 25 and 26 on the rights of the elderly and of disabled persons, Article 34 on the right of access to social security, social services, and basic social assistance, and Article 35 on the right of access to health care and medical care. Finally, Article 36 recognizes the access to services of general economic interest.

However, almost all of these provisions are subject to “national legislation and practice”. Reason being that responsibility for key areas of social policy remains with the Member States. The principle of subsidiarity (Article 5, TEU) is also relevant, according to which the EU will only act “in those areas which do not fall under its exclusive jurisdiction” if “the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can due to the scale or effects of the proposed action, be better achieved at Union level.”

Additionally, EU institutions derive no direct sovereignty relating to social rights and social protection.

However, a key commitment for the social direction of EU policy arises from Article 9, TFEU.

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4 The OMC is practiced in areas where responsibility falls to the Member States such as employment, social protection, youth and education. The essential components of the OMC are the following: – identification and definition of common targets (approved by the Council); – jointly defined measurement instruments (statistics, indicators, guidelines); Benchmarking, i.e. Performance comparison of EU member states and exchange of best practices (monitored by the Commission).
Added to that, over the past few years, the EU has made a significant impact on the design of the social protection systems in the member states. Most social services, according to the case law of the European Court of Justice, are so-called "services of general economic interest" (Articles 14 and 106 TFEU) and thus fall mostly under European public procurement and state aid law.

The EU has direct authority in the utilization of social benefits resulting from the exercise of the fundamental freedom of free movement for workers within the EU. The EU coordination laws determine which Member States are responsible for granting these benefits.

2. The social condition in the EU after the financial and economic crisis and current challenges

The social situation is characterized by considerable socio-economic differences. Even seven years after the end of the acute financial crisis, some Member States still face stress. In addition to structural and political deficits, market-liberal cost cutting policies have contributed to a significant deterioration in the states concerned.

2.1. Poverty and unemployment

According to calculations by the European Statistical Office EUROSTAT, in 2015, 119 million people EU-wide were at risk of poverty or social exclusion. That is 23.7% of the total EU population of 508 million. Moreover, children are at the highest risk of poverty – in 2015, 26.9% of all children age 0-17 were at risk of poverty or social exclusion.\(^5\)

8.1% of EU citizens experience situations of severe material deprivation. This means, for example, that they generally lack the resources to sufficiently heat their homes or feed themselves. They have no secure electricity supply and no reserves for unforeseen expenses among other material restraints.

There are nine different indicators, and four must be fulfilled in order to assign those affected to the group.\(^6\)

EU-wide, income poverty affected 25.9% in 2015. Including people who receive social transfers, this figure dropped to 17% in 2015. Income poverty is defined as a value below 60% of the weighted average income (median income). In Germany, this is 942 euros per month. Poverty distribution in the EU Member States can be seen in the graphic above.\(^7\)

Unemployment in the EU remains high, especially in southern Member States. In June 2016, EU-wide unemployment was just under 23 million, and thus still slightly above the level in the year 2000. A particular problem remains long-term unemployment. In the second quarter of 2016, compared to 2008, it grew in all Member States with the exception of Germany.

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\(^6\) Ibid.

\(^7\) The table shows that social transfers, especially in Western Europe and Scandinavia, contribute to a significant reduction in the poverty rate.
II. The current situation

However, the share of this group among all unemployed in Germany is still high at around 37%. A major growing problem is the high proportion of workers whose income is less than two-thirds of the median income. The share of this group among all employees is 18% across the EU, with large differences between individual Member States.

It is particularly high in Germany and Great Britain. In addition, this group of people are unable to build up their social security without government support, despite full-time employment. There is a direct link between a low level of skills and the risk of working in the low-wage sector.

2.2. Social protection quotas in the EU

The expenditures for pensions, disability benefits, and health costs make up the largest share of social protection expenditures in all EU Member States. However, in terms of their share off GDP, there are significant differences. The next table shows the distribution of social protection expenditures in the Member States and the entire EU.

For years, the GINI coefficient as a measure of inequality has been showing an increase in the disparity between disposable incomes, including Germany and in Scandinavian Member States. It can therefore be concluded that social inequality is generally rising, despite improved economic activity in some Member States and a rising GDP (albeit only moderate). Even though a slight economic improvement in economic activity can be observed in some Member States, it cannot be assumed that this trend will lead to drastic improvement and a continuing trend reversal in the development of social inequality. Social inequality is further aggravated by extreme economic disparities within many Member States.

3. Social models in the EU

In discussions of European social policy, the term “European social model” appears time and again. According to this, the EU differs from other developed and emerging economies because it provides social security systems in its Member States as a safety net against major life risks. In reality, however, it is a multitude of social security systems which were essentially formed long before the establishment of the European Economic Community and the EU. A clear distinction between the two models is not possible to draw, especially since over the past two decades under the pressure of market-liberal ideas and the effects of globalization, various

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Poverty Distribution in EU Member States

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<th>Poverty Risk BEFORE Social Transfer (%)</th>
<th>Poverty Risk AFTER Social Transfer (%)</th>
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(1) Estimated – Data not available

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8 EUROSTAT, People at Risk of poverty or social exclusion (Statistics Explained) http://epp.eurostat.ec.europa.eu/statisticsexplained/
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* See country-specific remarks
modifications have been and are still being made to existing systems and regulations.

Conventionally, we distinguish between three different models:

3.1. The Scandinavian Model

The Scandinavian Model is found above all in Denmark and Sweden, with some spots in Finland. The Scandinavian Model is heavily influenced by social democratic concepts and characterized by high social spending and active labor market policies and a comparatively large number of jobs in the public sector. Fundamentally, there is quite a high substitution of lost income provided by social benefits. The aim of social policy is also to contribute to social mobility (opportunities for advancement) on the basis of civic rights.

3.2. The Conservative Corporate Model

This model is mainly located in Germany, Austria, and France, but it also applies to the Netherlands and Belgium. Granting of benefits is strongly coupled to gainful employment and financed by contributions from employees and employers as well as government subsidies to cover certain additional benefits. Social security characterizes the system. The substitution of earned income by social benefits has been severely limited in recent years. The structure of basic security is rather small. Here, those with priority obligations have strong access to the family, in Germany the so-called “community of needs” (with the person or persons entitled to benefits living in the community, even if they have no right to maintenance).

There are opportunities for persons receiving unemployment benefits to increase their social mobility through training and education.

The pay-as-you-go system plays a central role in the pension insurance scheme. For several years, a supplement to the pay-as-you-go pension system has been sought after through funded models.

Health insurance systems are financed mainly by contributions from employees and employers.

3.3. The Liberal Anglo-Saxon Model

This model, used mainly in the United Kingdom and Ireland was strongly influenced by the “conservative revolution” under Prime Minister Margaret Thatcher in the 1980s. Benefits are granted but connected to strict means tests. Attached to this is a high pressure to secure a living through earned income. Demand for labor should be stimulated through the liberalization of labor law and wage flexibility.

Social policies to improve social mobility are scarce. Forms of private insurance, which work according to the principle of capital coverage, dominate especially in the case of old-age pensions. The health system is tax-financed, and every citizen is entitled to free medical care, however sometimes with long waiting periods, especially in the inpatient sector.

3.4. The Southern European Model

This model applies mainly to Spain, Italy, Portugal, and Greece. Here the family plays a central role as a provider of social services. There are little social benefits, rather the state relies on families to administer care.

Claims to the social security systems (pension, health) arise in particular due to belonging to a specific group of workers. To safeguard existing jobs, there is a strong protection against dismissal in employment law. There is no policy in this system intended to improve social mobility.

3.5. The Eastern and Southeastern European Model

The eastern and south-eastern European Member States, which joined the EU in 2004 and 2007 (Bulgaria and Romania), following the upheavals of 1989/90, are a special case.

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II. The current situation

Since a large part of the provision and part of the financing of social services was linked to large industrial and agricultural companies, quick interim solutions had to be found with the collapse of those large companies.

In different ways, existing models were employed with a certain preponderance of Anglo-Saxon and German components. As a result, a “hybrid system” was created in these Member States with elements of contributory financing, tax financing, and private (insurance) provision.

These historically evolved, very different political, cultural and economic forms of European social systems and the protection of rights in the Member States make it more difficult to harmonize systems and implement minimum standards.

4. Current socio-political proposals and positions of EU institutions and social rights in the EU

Social spending cuts and infringements upon social rights were carried out to combat the crisis, which has led to significant impoverishment, unemployment, and deterioration in health care. The goal was to rehabilitate the sometimes heavily indebted public finances in southern EU crisis states by means of the rescue packages provided by the Troika from the European Central Bank, the International Monetary Fund and the European Commission.

However, contrary to forecasts, this has not yet led to a self-sustaining economic recovery process – possibly even the opposite effect. As a result, various considerations and proposals have been developed in the EU, which seek a partial or even more comprehensive reassessment of the social fabric.

This is the first crack in a dogma that sees social spending and the realization of social rights primarily as an economic burden and, under the term “structural reforms”, has defined the political premise of the EU for years.

For a long time, the opinion prevailed that a functioning single market alone would lead to satisfactory social protection. Now it is increasingly recognized that social protection and economic prosperity are mutually dependent.

The following initiatives have been developed in recent years by European institutions and political as well as civil society organizations, which aim to increase social protection and social rights in EU policies, thus also contributing to a rebalancing of the social fabric.

4.1. The Europe 2020 Strategy and European Semester

The Europe 2020 strategy identifies the EU’s policy objectives by 2020 and postulates a qualitative triad of growth:

- Growth should be smart, sustainable, and inclusive. From the five core objectives of the strategy, three are social policy areas:
  - Employment: By 2020, 75% of 20 to 60-year-olds employed.
  - Education: By 2020, the rate of early school leavers should fall below 10%, the proportion of 30 to 34-year-olds with completed higher education should increase to at least 40%.
  - Combating poverty and exclusion: By 2020, the number of people affected or threatened by poverty and social exclusion should be reduced by 20 million.

In particular, the last objective has had concrete consequences for EU cohesion policy. In the 2014 – 2020 funding period, the EU Structural Funds – the European Social Fund and the European Agricultural Fund – can support projects of social inclusion and poverty reduction. In addition, the “European Fund for European Aid to the Most Deprived Persons” was established in 2014, from which projects for EU migrant and homeless people can be funded in Germany.

10 DIW weekly report 8/2017 Austerity policy has worsened the crisis in Spain, Portugal, and Italy. Philipp Engler, Mathias Klein, S. 127-132.

11 S. Article 151 (3) TFEU, which states that the Member States consider that the attainment of social objectives will be based, among other things, on the ‘operation of the internal market favoring the social order’.

An interim evaluation of the strategy shows that the implementation of the socio-political parts of the strategy is far from its objectives.\textsuperscript{13}

- Employment, target 75%: The target value for employment of 70.1\% in 2015 is still below the 2008 baseline of 70.3\%.

- Education, sub goal early school leavers target: 10\%. This sub goal has an intermediate value of 11\% in 2015. Sub goal of completed higher education: 40\%. The proportion of 30 to 34-year-olds with completed higher education is below 38.7\% in 2015, below the target level.

- Poverty and social exclusion, target reduction by 20 million: the number of people affected is just under 118 million in 2015, around 1 million higher than in 2008.

In order to ensure the continuous implementation of the objectives of the Europe 2020 Strategy and other instruments such as the Stability and Growth Pact in the EU and its Member States, an annual monitoring mechanism has been established, the so-called “European Semester”: at the end of the previous year, the Commission presents the “Annual Growth Survey” on the situation in the EU. The heads of state and governments meeting in the European Council will discuss the priorities proposed there during their Spring Summit. In April, the Member States adopt their “National Reform Programmes” outlining how they intend to implement the proposals. The EU Commission evaluates these National Reform Programmes in a draft for country-specific recommendations, which are adopted by the European Council in June. Implementation is the responsibility of the Member States and should be fully carried out in the second half of the year. Subsequently, the voting cycle begins anew.\textsuperscript{14}

Over the last few years, Diaconia has repeatedly criticized the fact that in the European Semester, the social goals of Strategy 2020 have been subordinated to the savings targets of the Stability and Growth Pact.

### 4.2. Social Investment Package (SIP)

In February 2013, the proposals for the Social Investment Package (SIP) were submitted by the EU Commission. This proposal can be seen as a kind of direction change to also classify expenditures for education and social infrastructure as investment in people: Social investment means effective financial underpinning of social benefit systems to achieve adequate and sustainable social security. This makes it fundamentally possible to assess such expenditures as growth-relevant in the context of the European Semester. Because under the previously relatively unspecific EU objective of modernizing the social protection systems, the investment concept of SIP can now be understood as an orientation towards the future-oriented and sustainable structuring of social infrastructure. Reforms must be tailored in such a way that they have no negative impact on poverty rates, productivity/growth, health, and social cohesion. For example, a recommendation to the Member States addresses the need for an adequate standard of living for children through an optimal combination of monetary and non-cash benefits. Family incomes should therefore be supported by adequate, coherent, and efficient benefits, including tax incentives, family and child benefits, and a minimum income.

#### 4.3. European Unemployment Insurance

The idea behind this proposal put forth in 2014 by former EU Commissioner for Employment and Social Affairs, Lázló Andor, was the introduction of a supplementary European unemployment insurance scheme, which would not replace national systems, but complement them in order to cushion asymmetric shocks for national economies. In particular, in states with very high unemployment, it should contribute to both improving the domestic economy through additional purchasing power and reducing the risk of poverty associated with unemployment.

#### 4.4. “Principles of an effective and reliable social benefit systems” of the European Economic and Social Committee

Initiated by the representative of the Federal Welfare Working Group in the European Economic and Social Committee (EESC)\textsuperscript{15}, Bernd Schlüter, in September 2015, under the heading “Principles of Effective and Reliable Social Benefit Systems”, submitted a proposal for better consideration and more effective structuring of social protection and social rights.

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\textsuperscript{13} Eurostat, PM 145/2016.

\textsuperscript{14} Katharina Wegner, a. a. O., S. 314f.

\textsuperscript{15} The EESC is an EU advisory body composed of representatives of employers and workers organizations and other stakeholders.
Considering the systemic differences of social regulations in the EU, the proposal develops, inter alia, general principles of accessibility, quality, minimum livelihood protection, the needs principle, legal entitlement and solidarity financing. The Member States and the Commission are challenged to consider these principles.

4.5. The European Pillar of Social Rights and the White Paper on the Future of the European Union

Soon after the EESC initiative mentioned above, in March 2016, the European Commission presented a first proposal for a European Pillar of Social Rights, which was widely discussed for several months, above all at the European level. Diakonie Deutschland participated in two consultations. With this proposal, the EU Commission intends to respond changes in the labor market, for example through increasing digitization. For the first time, it also draws attention in clear terms to the close link between economic and social policy, especially in the Economic and Monetary Union. In the long term, these cannot succeed without functioning labor markets and welfare systems in their Member States.

In its final draft published on 26 April 2017, the EU Commission took some suggestions from the consultation process. It is not only concerned with further codification of social rights, but it also formulated basic principles for 20 fields of social policy, whose pursuit is intended to ensure that social rights are better than previously implemented in the EU.

These include, for example, the agreement of minimum wages for workers and the right to a decent basic income to ensure a life of dignity. Protection against dismissal is advocated and no longer valued as a cost factor, and a right to access affordable, quality care is formulated. The European Commission proposes that the European Parliament, the Council of the EU, and the Commission commit themselves to this Pillar of Social Rights, as was the case with the European Charter of Fundamental Rights before it became part of the EU Treaties in the Treaty of Lisbon.

This proposal from the EU Commission, laid down as a policy paper, is the context of the “White Paper on the Future of the European Union” put forth by Commission President Jean-Claude Juncker on 1 March 2017. It is one of five policy papers on issues of vital importance to the future of the EU. Additionally, the White Paper outlines five different scenarios for further cooperation between the future 27 EU Member States. The issue of social policy is only marginal, because only in the third scenario, in which a “Europe of enhanced cooperation” – also called “two-speed Europe” – is proposed, does the deepening of social standards occur. The first scenario, which foresees a restriction of the EU to the rules of the EU internal market, is based on lowering social standards in the EU.

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16 EESC, principles of effective and reliable benefit systems SOC/529, 9/17/2015
Diakonie Deutschland considers the welfare state as an essential civilizational achievement of modernity.

The implementation of Article 1 (1) of the Basic Law is concerned with human dignity. The welfare state principle, which is also enshrined in the Basic Law, states that while the legislator has a certain scope for political discretion, the core area must not be infringed upon.

Diakonie Deutschland starts from a welfare state based on theology and socio-ethnically justified social market economy, in which the social is not merely an appendage of the market economic process, but rather is itself an integral part of an economic and social order, and likewise constitutes determining elements in economic prosperity, democratic participation, and social security. In doing so, it emphasizes that social security based on rights is a fundamental condition for equal participation in the democratic process. There is a close relationship between social security and freedom: “Dignity and freedom of the individual are not a means, but rather are the purpose of society. This assumes a society which secures the participation of all in the basic social goods of society.”

According to this understanding, social policy not only acts to counterbalance the disparities created by the capitalist system. The modern welfare state protects individuals from life risks that they alone cannot sufficiently secure themselves against. In doing so, it opens up opportunities for citizens to participate and creates levels of freedom that many would not have otherwise. Social policy, together with the promotion of civil society and the common good, therefore also has the task of enabling social and cultural participation. At the same time, the social state contributes to economic prosperity, thereby opening room for socio-political maneuvering, for example, towards more equitable distribution.

It is the view of Diakonie Deutschland that, the EU must fulfill the above mentioned target objectives of a social market economy as well as social justice, and better than it has up until this point. The existing contractual basis for a better structuring of social rights in the EU should be utilized more than previously and extended. Europe needs a “transnationalization of the basic guarantees of the social state.”

Diakonie Deutschland is therefore committed to the following changes:

1. Equal treatment of social protection and social rights with the internal market

The right of the internal market with the fundamental freedoms of the free movement of goods, the freedom to provide services, the free movement of capital and free movement for EU citizens is comprehensively regulated in the EU treaties and falls largely within the competence of the European institutions. Therefore, it differs from the structure of social protection and the justification of social rights, which are predominantly the shared or sole responsibility of Member States. This relationship needs to be rebalanced in such a way that social protection and social rights are seen as equivalent to the fundamental freedoms of the internal mar-

ket. If necessary, the treaties must be adjusted accordingly. The responsibilities between the EU and the Member States should remain shared. EU-wide, certain minimum standards would be defined, in cooperation between the EU Commission and the respective member states, as the Europe 2020 Strategy sets national targets and monitors implementation by the EU Commission. At the same time, standards should continue their upward convergence.

2. Basic principles of social security systems and social rights

Diakonie Deutschland is of the opinion that social security systems must be suitable to offer effective protection against major risks and in difficult life circumstances such as illness, unemployment, disability, and old age. The economic performance of the state is an important, but not alone a sufficient requirement for adequate social protection. Rather, social consensus is needed on the extent to which redistribution (for example, through taxes and contributions) can be carried out to finance social protection expenditures. Such redistribution is an expression of social solidarity and corresponds to the basic ideas of the social market economy as interpreted by Protestant social ethics.

Other the other hand, a primarily market liberal understanding assumes that high social costs threaten competitiveness and therefore must be reduced. Additionally, due to this approach, the social security systems in EU Member States are under heavy pressure. Diakonie Deutschland does not struggle in principle against the goal of a balanced budget. Rather, it holds the opinion that steps to strengthen economic dynamism, in particular through sustainable investment in public infrastructure, education and through further social investment are necessary.

The systems within the EU should be designed to provide an acceptable level of protection, have no incentive for social dumping, not weaken the competitiveness of less-developed Member States, and be as crisis-proof as possible. Pay, contribution, and tax financed social security systems need to be strengthened and at a suitable level in order to be effective.

Therefore, in principle, it should be ensured that no serious social decline occurs among long-standing affected persons in the corresponding security systems, in cases of compensation for unemployment, disability, and illness as well as for old-age pensions.21

3. Changes in the labor market

In recent decades, the changes in the labor market have increased significantly and is poised for further upheaval. Expanding digitization, Industry 4.0, temporary project work or new self-employment are creating major challenges across the EU for the humane structuring of working conditions and social relations between employers and employees. How the changes in the labor market will specifically impact the labor market and the relationship between supply and demand for labor can currently only be forecasted as an outline. However, it is becoming apparent that the demand for “simple” work will continue to decline. Broken career paths, the transition between self-employed and dependent work as well as changing family roles bring new challenges for social protection systems. They must open themselves to new forms of work such as the growing number of solo-self-employed. On average in the EU, more than two-thirds are already self-employed or solo-self-employed.22

4. More targeted social investment

The classification of social spending of a state as a social investment is an important approach from the point of view of Diaconia. The EU Commission SIP distinguishes between spending on education, childcare and improvements in health protection towards better development and use of human resources. The relationships to the labor market on the one hand (investment in people) and on the other hand to social security spending (pensions, social welfare, unemployment insurance) are of primary importance. The positive

21 On the reform of pensions, the Joint Declaration of the Council of the EKD and the German Bishops’ Conference, Hannover/Bonn 2000.
III. Proposals of Diakonie Deutschland

The effect of individual purchasing power is likewise pursued. These specific issues should lay the groundwork for targeted social investments of the Member States. In particular, they should provide a benchmark for the application of the Stability and Growth Pact, in which they would not be classified as "negative". Diakonie Deutschland fundamentally supports this approach, although the social investment package also contains trends that point towards efficiency and time limits for benefits or, for example, recommending an occupation independent extension of working life. Reason being is that high social welfare costs result without investment, for instance, in education. To avoid this, poverty and labor market exclusion must be prevented with investment measures as early as possible. Social policy investment is cost-cutting and aims to reduce transfer payments over the long term. In that sense, the SIP is an important step towards a reassessment of the social fabric in the EU.

5. Improving the chances of young people in the job market

Additionally, due to changes in the labor market, educational efforts must be stepped up EU-wide to improve career orientation and sustainable labor market integration of young people. The Youth Guarantee and Youth Employment Initiative of the EU were important measures here and not without success in countries like France and Italy. They have led to reforms that better address the needs of young people and connect them with opportunities in the labor market. The combination of substantive recommendations, political pressure, and EU funding may be a model for successful EU social policies, but alone is not enough. A significant increase in labor demand combined with corporate responsibility for lifelong learning is essential for sustainable integration.

6. Pensions

It is often argued, regarding the future development of old-age pensions, where less productive workers must provide for a higher number of inactive individuals, that demographic change threatens a system collapse in the long term and therefore requires a general reorientation. This includes a significant increase in the retirement age across Europe, in particular through a fixed link between retirement age and rising life expectancy, a reduction of benefit levels of pay-as-you-go systems, a further reduction in early retirement, and compensation for stagnating or declining benefits through funded, private provisions. Diakonie Deutschland believes that the negative scenarios are overestimated. In its 2012 White Paper, the EU Commission’s pension expenditure assumes an increase in the share of GDP from 10% to just 12.5% of the EU average in 2060. The continued increase of worker productivity in industrial and service sectors and the resulting contributions should alone constitute an important building block for the long-term stability and financial feasibility of a contribution based but also a tax-financed system.

Apart from that, the sustainability of pensions is based not only on the numerical ratio between young and old individuals, but substantially on a high employment level and the income of employees. Moderate increases in contributions, taking into account equal funding, as well as greater flexibility in the transition to pensions, can contribute significantly to the long-term stabilization of pension systems. Diakonia rejects a general increase in the retirement age and a rigid linking of retirement age to rising life expectancy. Last but not least, it should not be forgotten that people who experience poverty have a life expectancy 10 years or less on average than people who are not affected.

23 However, the bureaucratic outlay was considerable and delayed the start accordingly. 70% of young people in Italy were not taught directly on the job, but in education and training. In this context, it must be made clear that it is not a guarantee of a job, but a real chance in the job market. Information on implementing the Youth Guarantee can be found under: http://ec.europa.eu/social/main.jsp?catId=1079&langId=de, youth employment initiatives under http://ec.europa.eu/social/main.jsp?catId=1176&langId=de. http://www.eca.europa.eu/Lists/ECADocuments/SR17_5/SR_YOUTH_GUARANTEE_DE.pdf.


25 White Paper l.c. O, p.4

26 Social Differences in Mortality and Life Expectancy, GBE Compact, Robert-Koch-Institute, 2/2014, S.3.
7. **Basic social security systems and national minimum wages in the EU Member States**

In view of the ongoing serious problem of poverty in almost all EU Member States, basic social security systems for a minimum income must exist and either strengthened or urgently introduced in the EU in order to enable a decent life above the poverty threshold. This is about the realization of basic human rights as set out in, for example, the United Nations International Covenant on Economic, Social, and Cultural Rights and the EU Charter of Fundamental Rights. These rights must not be earned but are recognized as endowed upon every human. Mandatory socio-political guidelines for the social protection of all citizens in the Member States must therefore be formulated for basic minimum income systems in such a way that the social and cultural subsistence minimum for all EU citizens, in respect to each country, is ensured.

The goal of national minimum wages must be to ensure that full-time workers can live sufficiently and participate in society from their earned income and are independent from additional state benefits.

Higher earned incomes lead to higher social security contributions, more opportunities for additional pension schemes and thereby higher pension entitlements. However, according to Diakonie Deutschland, a nationwide minimum wage is not a panacea for solving social problems, and less so for the fight against poverty, rather only a helpful measure among many. A comprehensive minimum wage can only truly be effective if further accompanying measures are taken – such as basic child allowance and infrastructure services such as free school lunches and preschools.

8. **Funding**

Diakonie Deutschland believes that fiscal solidarity is required within the EU.

If it is true that, as set out in the draft of the European Pillar of Social Rights by the EU Commission, functioning social security systems in the Member States of the Economic and Monetary Union are of crucial importance for the continued existence of the single currency, then it is strongly in Germany’s own self-interest, as a country has greatly profited from the adoption of the euro, to provide financial support for the development and improvement of these systems. However, Diakonie Deutschland does not consider a general transfer union the right instrument to overcome the systemic and structural economic and social differences in the EU. On the contrary, the EU, through existing structures, such as the European Structural Investment Fund for Member State reforms, should provide much greater financial support for the harmonization of social protection levels in the EU. The European Fund for Strategic Investment should be used much more than before to invest in the social infrastructure of EU Member States. However, for the great majority of social projects, revolving financial instruments such as loans, guar-
antees or equity capital do not represent a suitable form of financing in the framework of EU funding.27

Therefore, EU Structural Funds play a prominent role here, which are now wide open for social inclusion projects.

The importance of EU Structural Funds

The EU Structural Funds, through their visible commitment in all Member States, make a significant contribution to the acceptance and cohesion of the EU.

They are an expression of European solidarity and often provide immediate benefits to the local and regional populations. At the same time, they are an important tool for various Member States to support the economic catch-up process.

The Funds play a key role in renewing infrastructure, combating unemployment, and social exclusion, especially in the Eastern and Southeastern European Member States. Diakonie Deutschland is of the opinion that this should fundamentally remain the case in the new funding phase from 2021

onwards and that resources should be increased, especially for the European Social Fund.

However, in order to fulfill their role as a solidarity-building instrument, the Funds must continue to be employed in all Member States. Diakonie Deutschland does not view basic reinforcement of budget resources of the Member States (outright financial transfers) as effective without alignment to EU-wide criteria and indicators for fund deployment. The priority should be on those Member States significantly behind the EU average in key indicators such as GDP, poverty rate, and the employment rate of men and women. But even in more developed Member States, funds should contribute to support disadvantaged areas and neighborhoods. It is absolutely necessary to use funds with a clear orientation towards indicators such as poverty and unemployment rates. A small-scale use of the ESI Fund should address the fact that, even in economically booming regions, “suspended” areas exist, where poverty, exclusion, and a lack of prospects dominate.

Integrating the goal of fighting poverty and exclusion for all ESI Funds and committing a proportion of funds to this goal in the ESF has proven itself and should be maintained and refined. In terms of focusing the use of funds, Diakonie Deutschland encourages the ESF to place stronger focus on the groups most affected by poverty and unemployment.

The resources of the Structural Funds may not be used to compensate for cuts to national funds. In the ongoing monitoring and evaluation of the use of the European Structural and Investment Fund in the Member States, the opportunities of the European Semester and the OMC should be intensively used in order to demand a clear link between inclusive growth, alleviating poverty, and reporting requirements of governments. Member States which have management problems with access and using funds should be assisted by the EU Commission and representatives of other Member States in problem solving (Twinning Projects).

Already in the current funding period, the partnership principle and thereby also the opportunities for participation of civil society organizations in the preparation, implementation and evaluation of the use of funds, have been strengthened. This has proven very successful. Diaconia and other civil society actors implement a great deal of the funding, both developing and implementing projects. The implementation of the partnership principle ensures that practical experience is incorporated into design and organization of national implementation. However, real opportunities for partnership in many Member States remain insufficient. Appropriate information and support is needed from the EU Commission to both enable civil society to take advantage of the opportunities and to persuade Member States to grant participation rights in reality. In drafting the regulations for the Structural Funds from 2021, the legal commitment for participation rights of civil society partners should be strengthened.

9. European Semester and OMC

The European Semester and the OMC offer starting points to establish the previously mentioned equality of social protection with the fundamental freedoms of the single market.

During the European Semester, the EU Commission should evaluate to what extent the Member States have complied with the “social acquis”, i.e. the total of the social obligations of the EU Member States. Social protection and social rights issues should be strengthened in relation to fiscal and economic policy issues and evaluations during the Semester. This would also be in accordance with key proposals made by the 2013 SIP and provide a basis for implementing numerous EU recommendations from the European Pillar of Social Rights.

10. Social protection and civil society

Diakonie Deutschland emphasizes the great importance of civil society organizations for the implementation of social rights in the EU. In Germany, social welfare institutions provide the largest proportion of social services and contribute to the implementation and development of the social state.

The 1990 German Unification Treaty reaffirmed that non-statutory welfare organizations make an indispensable contribution to the realization of the social state principle in the Basic Law. The subsidiary organization of the social state are thus part of the national identity in its fundamental political and constitutional structures. The constitutions of different federal states underscore the special role of welfare organizations and churches in the further development of social protection and a solidary society. In order to maintain this role and the importance of social welfare in the social state of Germany, Article 4 (2) TEU should be applied in the EU, which states that the EU must respect the national identity and the
III. Proposals of Diakonie Deutschland

Not-for-profit social service providers are not only of great importance when it comes to the implementation of the EU Structural Funds. They operate both in a social market with specific rules (services of general economic interest) as well as in non-market sectors (services of general non-economic interest). This close link offers a satisfactory framework for developing social services based on experiences from civil society.

For example, a large amount of social innovations are created in non-economic practice. The hospice system in Germany deserves mention here. It essentially depends on civil society activities partly in cooperation with existing institutions such as hospitals and nursing homes.

In addition, the Church and Diaconia intensively support social rights in Germany and the EU, especially for disadvantaged and marginalized people, and want to make their voices heard. In the EU, participation rights of the Church and Diaconia are guaranteed on the basis of Article 17, TFEU and 11 (2) TEU.

11. Upward convergence and minimum social standards

Diakonie Deutschland considers EU-wide minimum standards to be an appropriate means of strengthening overall social protection in the EU. However, groups of countries with such large differences between economic and social levels, as is the case within the EU, require mechanisms that consistently ensure upward convergence. Minimum standards or European guidelines that contribute to a decline in social protection are counterproductive and increase the negative perception of the EU in the population. The target should therefore be the highest possible level of social protection in each Member State. This can only happen in relation to the economic capacity of a state.

Diakonie Deutschland therefore recommends the further development of relative EU-wide minimum standards, which depend on certain indicators. The EU would have to agree with Member States on this. If GDP rises, for example, basic social security can also be improved. If productivity increases, minimum wage can be raised.

12. On a “Europe of strengthened cooperation” to further deepen European integration

The Articles 326 et seq. TFEU allow for enhanced cooperation of Member States in policy areas in which the treaties do not provide for exclusive EU jurisdiction. This instrument could also be utilized in the area of social protection, enabling opportunities of specific cooperation in further development for Member States with comparable social protection schemes.

However, Diaconia also sees a major disadvantage of this enhanced cooperation, as it depends on countries that cannot or will not participate. A “two-speed Europe” could strengthen the already existing loss of confidence, further fuel populism and extremism. Otherwise, the EU is already moving at several speeds (Eurozone, Schengen). Above all, there are economic and monetary reasons to first implement in particular the European Pillar of Social Rights in the euro area, but always with the possibility to involve all other EU Member States. Such a “vanguard of the willing” sheds light on to those who do not participate in a common path, for example, to formulate a shared social standard such as minimum income or minimum wage.

It could bolster civil society movements by calling on their governments to join social policy initiatives, strengthen the only just beginning revaluation of the social fabric in the EU, and promote the establishment of a social Europe. This would successfully accomplish the fifth scenario of the White Paper from vision to implementation. This means “much more joint action” which should allow citizens to enjoy more rights than they can derive directly from EU law. According to Diaconia’s understanding, this also includes social rights. Diaconia supports the White Paper process by opting for the third scenario (“Whoever wants more, do more”) as an instrument on the way to the fifth scenario of much more common action and the ultimate goal of a Europe of peace and social justice.

13. Consideration of the principle of subsidiarity

National social protection systems have grown out of the history and are therefore closely linked to the traditions of Member States. The way in which social benefits are provided, according to the terms of the EU treaties, is funda-
mentally the responsibility of the Member States, which have a wide scope for discretion in the area of public services. Even though Diaconia advocates the setting of EU-wide minimum standards with regard to the level of social protection in Member States, this does not mean that it favors one single common EU system for providing social services. Member States are free and even compelled to learn from each other by comparing the different systems in the OMC and adopting appropriate elements in consideration of their own systemic conditions. This decision lies in their purview.

Diaconie Deutschland is convinced that the German social model is a well-functioning (competitive) mechanism. Here, on the one hand, social services are predominantly provided by public service providers in a third sector between market and state, and on the other hand, legal and competition relationships are regulated within the framework of a social law triangle between state/social benefit providers, beneficiaries (users) and providers of social services. The system of subsidiary provision of social services established in Germany can provide important impulses for the design of social protection systems and social rights within the diverse landscape of the EU. The focus on the individual user makes it clear that these are services for people who require personal relationships and for whom an unconditional application of the internal market rules is unsuitable.

In the EU, according to the settled case-law of the European Court of Justice, most social services provided by the non-profit institutions of Diaconia, qualify as so-called “services of general economic interest”. Within the framework of the BAGFW, German Diaconia has repeatedly pointed the above mentioned specific challenges for social service providers and – not without success – called for their consideration. The system of subsidiary provision of social services must not be undermined by being classified in the area of “services of general interest”.

Nevertheless, it would be interesting to take stock of the experiences with this categorization in the EU and subsequently make suggestions for improvement. In particular, it should be examined whether the supposed positive effects (higher economic efficiency, and greater accessibility) on providing social services have actually materialized.

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28 See also Protocol No. 26 on the services of general interest for the Treaty of Lisbon. It emphasizes the wide discretion enjoyed by the Member States in the question of how services of general economic interest (services of general interest) are commissioned and made available.
IV. Summary and outlook

In view of the diverse crises facing the EU and the weakening acceptance of the project for European unification among its citizens, Diaconia advocates a substantial strengthening of the social dimension in the EU. In addition to the EU institutions, it appeals in particular to the German Federal Government, which has major influence as one of the most important Member States and advocates the following demands:

- The equality of social protection and social rights with the fundamental freedoms of the internal market: The EU Commission, as “guardian of the treaties”, must lend weight to the equality of economic and social development in the context of the European Semester when formulating country-specific recommendations. The application of the OMC must also take account of this equality. If necessary, the treaties must be adjusted accordingly. An important intermediate step would be the proclamation by the European Parliament of the European Pillar of Social Rights recommended by the European Commission, the Council of the EU and the Commission itself.

- The introduction or strengthening in all EU Member States of solidarity-funded social protection systems which have an acceptable level of protection, do not encourage social dumping, do not weaken the competitiveness of Member States, whose economic power is strong and as crisis-proof as possible. When covering life risks, it is important to ensure that no serious social decline occurs. That would also affect other policy areas. For example, the willingness of the population to agree with EU-wide admission of refugees may increase if they can be sure that their own needs will be considered by the EU.

- The EU’s commitment to sustainable and targeted investment in public infrastructure, education, and other social investment in the EU Member States. To this end, the application of the Stability and Growth Pact in certain Member States should be reviewed in favor of a positive consideration of these investments.

- EU-wide social minimum standards should be set in the context of upward convergence.

- Social protection systems need to respond adequately to new forms of labor, especially digitization, and better consider new employment relationships (e.g. solo self-employment).

- The Youth Guarantee and Youth Employment Initiative should be strengthened, improved and made less bureaucratic.

- EU Member States should be required to establish or extend social security systems that guarantee human dignity and to provide an adequate national minimum wage.

- Germany is obligated – also in its own interest – to a financial contribution for a social EU in the framework of pan-European solidarity. The European Structural and Investment Funds should be used much more for Member State reforms to harmonize a high level of social protection in the EU. In particular, funds for the European Social Fund should be increased. The partnership principle should be further strengthened.

- A supplementary European unemployment insurance should be introduced in order to take advantage of its stabilization benefits for the economy and poverty reduction.

- Civil society organizations should be more involved than ever in EU policymaking – in principle on equal terms with social partners.

- Historically developed social protection systems should not be replaced by a single EU-wide system.

- Diaconia rejects a general increase in the retirement age and a rigid linking of retirement age to rising life expectancy.
The German model can provide important impulses in the diverse landscape of the EU for the design of social protection systems and social rights.

With regard to the “White Paper on the Future of Europe”, German Diakonia advocates for the scenario of stronger cooperation in the area of setting common social standards among the Member States which are willing to cooperate on the goal of further strengthening European integration of all EU Member States.

A “running start” is also necessary in the sense of good governance for a social Europe. Therefore, Diakonie Deutschland calls for a Convention for a Social Europe. The Convention’s aim will be to develop proposals on how social protection and social rights can be structured, safeguarded and sustainable in the EU. Organized civil society (e.g., the Social Platform, EESC, Eurodiaconia, etc.), churches, social partners, and representatives of the EU executive and legislative branches, as well as Member States, should participate in this convention as equal partners.

Diaconia is also itself required. Within its diverse network, Diakonia should also be concerned with taking a larger role in the European public sphere. In Germany, among its members, in church congregations and institutions, it should create spaces for discourse and thought that allow changes of perspective, facilitate lateral thinking, and initiate European projects.

Europe is not an island, but rather, as the issue of migration currently shows, is closely interdependent on social, political, and economic developments throughout the world. The EU should also consider the social situation of the so-called third countries in its trade policies. Finally, together with all Member States, it has committed to achieving sustainable development goals, in which poverty reduction and social security play a prominent role. Diakonie Deutschland is well-positioned here in its affiliation with Brot für die Welt, the Protestant Development Service in the Evangelisches Werk für Diakonie und Entwicklung and should be able to contribute in the future even more strongly in the European discourse on these global issues.
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Herzlichen Dank!
Diankonie Deutschland

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