DIGITAL SINGLE MARKET –
A NEW IMPETUS ON EU SOCIAL POLICY?

Daniel Zimmermann

DOI: 10.24989/ocg.338.21

Abstract
In July 2019 the new president of the European Commission, Ursula von der Leyen, presented her guidelines for the period of presidency 2019-2024. While most proposals perpetuate the current reform agenda, the focus on the social dimension of the single market is remarkable. Von der Leyen has not only announced the full implementation of the European Pillar on Social Rights, but also highlighted new investment in digital competences seen as a key to competitiveness and innovation of the European economy. This paper will discuss whether the dynamics of the digital single market could lead to a new impetus on EU social policy and on European funding of training programmes. Therefore, an overview of significant funding programmes promoting digital skills is given.

1. Introduction
In July 2019, the candidate for the presidency of the European Commission Ursula von der Leyen presented her guidelines for the period 2019-2024 mainly focusing on environment and climate, the social dimension within the single market, trade, digitalization and new technologies, migration and defence policy [23]. Apart from the announcement of a European Green Deal the social dimension by fully implementing the European Pillar of Social Rights (EPSR) will be a major goal for the new European Commission. Focusing on these social issues one should bear in mind that the EU-treaties lack strong social competences, and so the EU is only able to support the member states in intergovernmental ways vitalizing the efforts of their national social policy or setting common social standards to enable the free movement of people within the single market. Thus, instruments are provided financing social projects, investing in competences of labour forces or supporting the unemployed persons. Consequently, the European Social Fund plus (ESF+) will concentrate on implementing the EPSR within the post 2020 period. On a globalized digital market, investment in digital competences will be urgently required to prepare the labour forces for new jobs in digital areas. Erasmus+ will concentrate on digital competences and could so enable a European education policy as a vital element of strengthening national social policy.

This paper will discuss whether the dynamics of the digital single market could lead to a new impetus on EU social policy and on European funding of training programmes to close the digital skills gap. If so, public and private actors within the member states have to adapt their own projects to EU strategic goals. For this reason, this paper will give a summary of significant funding programmes promoting digital skills. Challenges and difficulties in case of implementing European funding on a regional and local level are examined with special regard to the German federal state Baden-Württemberg. In addition, an outlook will be given on how public administrations could support the EU objectives in a more effective way. Based on the proposals of regulations which were published

1 University of Applied Sciences Ludwigsburg, Reuteallee 36, D-71634 Ludwigsburg, daniel.zimmermann@hs-ludwigsburg.de
by the European Commission in May 2018 this paper will scrutinize whether and to what extent a promotion of digital skills could achieve a more social Europe. The proposals will be adopted by the European Parliament and the Council probably by the end of 2020. In all likelihood, no crucial changes are expected regarding the funding priorities.

2. Lack of digitally skilled persons

The impact of digitalization on labour markets within the member states of the EU is undeniable. Studies by economists predict a massive loss of jobs [21]. For instance, drones or robots could replace jobs in the transport or service sector. But the public as well as the manufacturing sector are affected as well. Therefore, pessimists predict the increase of unemployment among European countries [21] having the potential for social conflicts within European regions.

Nonetheless, EU officials expect a brighter future regarding digitalization as an opportunity for innovation, growth and jobs [11]. Due to the digital single market strategy of the European Commission, digitalization is also considered to be a major factor for European business. Consequently, a better access for consumers and businesses to online goods, the creation of the right conditions for digital networks and services and investment in information and communications technologies (ICT) is needed in connection with better public services, inclusiveness and skills [11]. Whereas digital skills might be required by 90% of the jobs in future, the European Commission acknowledges a gap of digital skills in Europe stating that 44% of the European workforce do not have basic digital skills [9].

In order to keep the negative effects on labour markets of the EU member states on a low level, adaptions of education and training systems are required to prepare labour forces for new jobs in the areas of digitalization. The European Commission estimates a lack of nearly 1 million digitally skilled employees by 2020 acknowledging digital skills and expertise as key components of future initiatives [11]. An initial report of the European Parliament aims to the same direction demanding a European strategy for digital education at schools and further training for employed persons [12]. In order to face the challenges of digitalization an active employment policy is needed to keep the EU competitive coming along with efforts in education and training. From the EU’s point of view a high employment rate seems to be the best way to prevent social imbalance and crisis.

3. Social dimension of EU employment policy

Article 3 of the Treaty on the Functioning of the European Union (TFEU) aims at the development of a highly competitive social market economy with full employment and social progress within the European single market. When we look at Article 9 TFEU the social dimension is even more substantial as it confirms that European policies and activities should be linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion and a high level of education, training and protection of human health.

In contrast to these goals, the EU-treaties lack strong social competences remaining within the competences of the member states. As a result, the deployment of EU regulatory measures in the fields of social and educational policy are contested by the member states [22]. Up to now, EU competences in the areas of social policy are rather limited. Article 152 TFEU assigns the EU only supporting and complementing competences vitalizing the efforts of the national social policy or setting common social standards to enable the free movement of people within the single market.
3.1. Areas of EU social policy

Instruments and priorities of EU social policy differ from national social policy shaped by different welfare state systems [16]. While national social policy mainly addresses social security systems and measures to ensure social justice, the social dimension of the common market is basically related to labour [2]. Foremost, EU social policy is based on the free movement and mobility of employees. Thus, it mainly aims at protecting the relevant persons from social risks, at harmonizing working conditions, approving of qualification within the EU member states, creating common rules on pension entitlements and much more. Furthermore, European funding supports the employability of the labour forces basically investing in education and training. Last but not least, there are several instruments to coordinate national social policy in fields of social protection, employment, health and the reduction of poverty [16]. For this purpose, the Open Method of Coordination (OMC) which was introduced by the Lisbon Strategy in 2000 provides a nonbinding mechanism for comparing improvements to achieve European benchmarks by the member states. As a result of the monitoring of the European Semester to implement the goals of the Strategy Europe 2020, social policy goals have recently been integrated into economic policy [3]. Acknowledging the importance of the social dimension of the digital single market, the European Commission launched the EPSR setting out several principles which will be clarified in the next section.

In a nutshell, EU social policy is mostly linked to employment policy keeping the labour forces prepared for new challenges and jobs demanding new competences such as digital skills. That is why education and training have been turned into key factors to promote the employability of labour which leads to benefits in the single market.

3.2. European Pillar of Social Rights (EPSR)

The EPSR is a nonbinding political declaration of the former European Commission. Nonetheless, Ursula von der Leyen emphasized its importance by announcing an action plan to support the implementation [23]. Critics rank the term ‘social rights’ as misleading because the EPSR does not content genuine social rights [15]. In fact, its function is to create common principles. When we have a closer look at these principles, the ESPR perpetuates the labour-based social policy focusing precisely on three chapters which are equal opportunities and access to labour markets, fair working conditions and social protection and inclusion [13]. Several of totally 20 principles are related to each chapter. With special regard to the subject of this paper, principle 1 outlines education, training and life-long learning in order to acquire skills to manage transitions on the labour market successfully. In accordance with the ‘European Skills Agenda’ the promotion of digital competences is directly linked to this principle [10]. Hence, despite its nonbinding character, the ESPR turns training into a solid political objective.

By focusing on social aspects, the ESPR has the potential to close the social gap of the Europe 2020 strategy [15]. The announcement of its full implementation by Ursula von der Leyen can be assessed as a step in this direction. Looking at the future period 2021-2027 of the European cohesion policy, the social dimension will be considered by precisely aligning the ESF+ to the principles of the EPSR [6].
4. Instruments to promote digital skills

As the previous chapter has already shown, the fundamental idea of the recent development of EU social policy is strengthening the skills and capacities of labour forces, rather than providing social protection detached from the single market [16]. The following section introduces the existing steering instruments at EU-level allowing interventions by the EU to close the digital skills gap. Primarily, we have to differ between instruments of distribution and of coordination. While distributive instruments such as the European structural funds or the European action programmes offer funding in favour of public and private actors for projects contributing to European objectives, policy coordination aims at the change of national social and employment policy. As already stated above, the OMC and the European semester have recently become the most vital instruments.

4.1. Funding by ESF

The ESF is the most significant structural fund together with the European Regional Development Fund (ERDF) to strengthen the economic, social and territorial cohesion of the European regions. According to Article 174 TFEU, the EU shall aim at reducing disparities between the level of development of the various regions and the backwardness of the least favoured regions. Whereas ERDF funding is mainly directed to infrastructure, environment and innovation, the ESF is the most important instrument to financially support employment measures, better education and social inclusion. Due to Article 162 TFEU, the fund aims to make the employment of workers easier and to increase their geographical and occupational mobility within the EU. Further goals are the adaptation to industrial changes and to alterations in production systems, particularly by vocational training and retraining. It is evident that ESF funding is based on the activation and labour market participation comprehending both as the best measures to prevent social exclusion [6].

Starting from the period 2014-2020 the European Commission has launched a new approach on outcome orientation. Thus, the priorities of the structural funds ESF and ERDF were closely linked to the Europe 2020 Strategy from 2010 to support intelligent, integrative and sustainable growth and create new jobs [24]. As a result, EU funding should also contribute to the EU digital agenda by promoting digital skills. Critics state that the cohesion goal of Article 174 TFEU has been displaced by the focus on growth [1]. Nonetheless, the European Commission is going to maintain its strategic approach within the post 2020 period even though a sequel of the Europe 2020 Strategy has been missing so far. In accordance with the Commission’s proposal, the following policy objectives will be applied from 2021 to 2027 [7]:

(a) a smarter Europe by promoting innovative and smart economic transformation;
(b) a greener, low-carbon Europe by promoting clean and fair energy transition, green investment, the circular economy, climate adaptation and risk prevention and management;
(c) a more connected Europe by enhancing mobility and regional ICT connectivity;
(d) a more social Europe implementing the EPSR;
(e) a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives.

Policy objective d) is part of the ESF which shall be transformed into an ESF+ in the period 2021-2027. The ‘plus’ takes into consideration that besides the ESF the Youth Employment Initiative (YEI), the Fund for European Aid to the Most Deprived (FEAD), the Employment and Social Innovation programme (EaSI) and the European health programme will be in the scope of the ESF+ regulation [6]. Due to Article 3 of the applicable proposal by the European Commission, the ESF+
shall support member states to achieve high levels of employment, fair social protection and a skilled and resilient workforce ready for the future world of work. In Article 4, digital skills are identified as key competences for future labour markets. Consequently, the funding by ESF+ should focus on the alignment of education, training systems and lifelong learning concerning digital needs. Due to the proposal for a multiannual financial framework 2021-2027 by the European Commission, the ESF+ shall be stocked with 101 billion Euro for the period of seven years [7].

Additionally, the Council announced the programme ‘Digital Europe’ in June 2019. Even though the financial background of the programme has not been set out yet due to the ongoing negotiations on the multiannual financial framework of the EU for the post 2020 period, EU funding should be provided for the fields of artificial intelligence, cyber security, advanced digital skills and the distribution of digital technologies [4].

4.2. Funding by Erasmus+

Whereas the ESF+ focusses on employability of the work forces, the EU Erasmus programme is a vital instrument of the European education policy. With the start of the period 2014-2020 several educational programmes where integrated into the Erasmus+ regulation including Comenius (school education), Erasmus (higher education), Erasmus Mundus (international higher education), Leonardo da Vinci (vocational education and training) Grundtvig (adult learning), Youth in Action (youth) and sports. The budget for Erasmus+ is more limited compared to the EU structural funds. The proposal for the multiannual financial framework of the EU by the European Commission suggests a total amount of 30 billion Euro for the future period [8].

Erasmus+ funding is based on individual scholarships for student exchange, traineeships and staff mobility programmes or financial support for organizations such as universities [19]. In the fields of vocational training, Erasmus+ can be used for occupational traineeships in educational institutions or enterprises and for staff mobility to acquire learning and training in organizations abroad. In addition, the European Commission introduced a training initiative to promote the employability of recent graduates which was integrated into the scope of Erasmus+ in 2018. So-called ‘digital opportunity traineeships’ are provided for 6.000 students and graduates at the most [5]. Helping companies to fill job vacancies with digitally skilled candidates is the programme’s main objective.

The following chart gives an overview of the total amount of funding due to the proposals by the European Commission [8]. It shows that the budget for social and educational projects is more limited in comparison to economic development which is funded by the ERDF and the European cohesion.
4.3. Soft instruments by best practice

Apart from financial instruments, soft instruments concern common objectives, guidelines or benchmarks adopted at the EU-level mainly by the European Commission. The OMC is the most common instrument for nonbinding decision making. So, the member states decide voluntarily how to achieve such objectives or whether they shall be achieved at all. Information is the driving force of the national adaption of policy concepts to European benchmarks being exchanged among the member states. Soft instruments are expected to favour cross national convergence without coercion and lead to policy practice by identifying the ‘best’ concept within European member states [22]. Therefore, other states are able to adapt their national policies to keep up with advanced countries. To this point, the OMC has been implemented in policies such as employment, social policy, health and education having the lack of European competences in common. In a more general way, the European semester was introduced in 2010 together with the Europe 2020 strategy. It allows member states to coordinate and discuss their economic and budget plans. Significant country reports are frequently monitored by the European Commission throughout the whole year.

Crucial initiatives of the European Commission such as its ‘Skills agenda for Europe’ are following this approach demanding member states to invest more in digital skills across the whole spectrum of education and training [10]. The European Commission invites member states to develop comprehensive digital skills strategies and monitor pertinent progresses annually [10]. Soft instruments play a major role in constructing a European education policy as well. Therefore, the founded European Qualification Framework (EQR) is an instrument to measure the output of national education systems in view of making qualifications more transparent [22]. Based on the EQR, the EU member states have to submit reports to the European Commission.
5. Consequences for administrative actors

The previous chapters proved that the competences of the EU are very limited in the fields of social policy. Whether the objectives of the EPSR will be achieved depends on the will and the measures of the member states. Likewise, the weaknesses of policy coordination can be found in its nonbinding character leading to voluntarily induced efforts by the member states.

EU funding seems to be a more effective method to achieve European social objectives. In order to adapt regional and local projects to those objectives, EU structural funds and comparable funding programmes must find their way to the regional and local level [24]. Unlike the Erasmus+ programme which is directly managed by the European Commission, the Education, Audiovisual and Culture Executive Agency (EACEA) and national agencies in programme countries, the management of ESF+ implies a multilevel approach. For a seven-year period, several regulations are adopted at the EU-level including the common provisions regulation and the relevant fund-based regulations. In May 2018, the European Commission published its draft for a common provisions regulation which defines general goals and management principles for all structural funds. In addition, particular regulations include special requirements for the structural funds such as ESF+ and ERDF.

5.1. Challenges for regional authorities

On the ground of the goals and requirements of the regulations and the partnership agreement between the EU and the member states, so-called ‘Operational Programmes (OP)’ have to be adopted on a regional level to implement cohesion policy [24]. By introducing a code of conduct on partnership during the period 2014-2020, partnership has been considered as an elemental principle of the implementation of cohesion policy [20]. That is why the cohesion policy plainly exemplifies multilevel-governance. Referring to the OP, potential beneficiaries such as local authorities, educational, social or cultural facilities or even private companies are able to apply for the European structural funds. In this section, we have to differ between the regional and the local level while dealing with the consequences for administrative actors.

In a federal state like Germany, the German ‘Länder’ are obliged to frame the OP, mainly the ministry of economic or social affairs. During the whole implementation process, the European Commission works closely together with national, regional and local authorities and intensely controls the match making between its policy objectives and the regional needs. Our studies concerning the implementation of cohesion policy during the period 2014-2020 in the German Länder showed clearly that the strategic objectives of the EU were not fully respected, coming along with allegations that the EU funding system was too complex and complicated [20]. Especially when we take a look at the future period with its focus on ‘a more social Europe’, signs for misinterpretations can be found in the fact that the EU social policy is fundamentally different from the national understanding being more related to social security. The responsible authorities should free themselves from the national social policy while programming the future funding period bearing in mind that funding by ESF+ should mainly be used to support the employability of workers. Particularly in member states with a low employment rate and a high demand on qualified workers, the priority should be put on qualification and training programmes to promote digital skills.

5.2. Challenges for local authorities

On the basis of the OP, regional authorities announce calls giving potential beneficiaries the possibility to submit applications for support. In the case of Erasmus+, applications have to be directly
addressed to the European Commission or the EACEA. What the financial instruments have in common is that they have been criticized by local actors for being far too complex and will induce a high administrative workload [25]. However, a high motivation of individuals, incentives (e. g. economic decline, high unemployment in a particular area) and a detailed knowledge of the European funding system in order to link own requirements with the goals of the structural funds are required to be competitive [25]. Consequently, local actors must have an understanding what the priorities of ESF+ are and how to apply for funds successfully. But when we take a look at the results of studies concerning Baden-Württemberg, we see that most of the 260 billion Euro of the ESF funding has been called up by private institutions [18] until August 2018:

On the local level, the cities with over 100,000 inhabitants and the rural districts, the so-called ‘Landkreise’, accumulated over 90 % of funding making them much more successful than smaller municipalities. However, in order to promote digital skills in the future period, especially in prosperous regions like Baden-Württemberg which are heavily affected by skills shortage it should be guaranteed that ESF+ funding reaches rural regions with smaller local municipalities.

5.3. Possible solutions

On the one hand, a rise of the total amount of funding by the EU structural funds might be achieved by shaping the calls to fit the local needs by the state ministries. On the other hand, smaller municipalities have to gain experiences and competences to collect EU funding. In order to increase effective building networks with other local authorities and private actors could be appropriate. Networking might also stick to the request of the European Parliament of a closer cooperation between companies, regional and local authorities in fields of digital education and competences [10]. In Baden-Württemberg the contest ‘RegioWin’ was established within the period 2014-2020 giving ERDF funding to regional innovative strategies including the cooperation of several actors. The federal state of Baden-Württemberg has already announced a renewed call for the next period.
For a closer connection, existing contacts between local authorities and business companies could be used and upgraded as well. For instance, the single points of contact being established by the European Services Directive by the end of 2009 mainly on a regional and local level could be transformed into service centres. David Fenner and Volkmar Kese introduced a chain model to connect the single points of contact in different member states [14]. Such an interconnection might not only help to identify possible projects, but could also bring local authorities and business companies together in order to exchange staff in the fields of digitalization. In case of Erasmus+, companies in a municipality in Baden-Württemberg e. g. were able to benefit from workers that had been conveyed by the local authority by using its networks in other member states. Moreover, vocational training in institutions in other member states could also be an attractive way for municipalities with a private sector demanding digitally skilled workers.

6. Conclusion

The paper stated clearly that EU social policy is closely related to labour. Therefore, the European Commission recognizes in its digital single market strategy that efforts have to be made to prepare employees for advanced jobs in the areas of digitalization. In order to meet business requirements for digital skills education and training have been turned into key factors to promote the employability of labour. With the programming of the new funding period starting from 2021, investment in digitally skilled persons will be a key aspect of funding by the ESF+ whereas educational and vocational training is more in the scope of Erasmus+. While European funding has the potential to achieve its objectives effectively, soft instruments such as the skills agenda for Europe rely on the will of the member states to adapt their educational policy to the European objectives. The answer to the question of this paper is: Yes, the digital single market does lead to a new impetus on EU social policy when taking the EU perspective ranking it as an element of employment policy.

However, one should keep in mind that the EU member states have not yet been willing to transfer social competences to the EU-level. But when we take a look at European funding instruments on a local and regional level, this paper has shown that misunderstandings of the funding priorities, a lack of competence and the funding system itself criticized for being too complex, hinder the implementation even in prosperous regions. Building up networks between local authorities and the private sector on a local level might improve the acquirement of European funding.

7. References

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