

Weekly schedule of President Donald Tusk

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Pay is just one aspect of disadvantage for women on the labour market

The equal treatment of women and men has been a fundamental principle of the European Union since its inception, but women in Europe still earn on average 16.2% less than men. Tomorrow, Saturday 3 November, marks the moment in the year when women symbolically stop getting paid compared to their male colleagues.

Addressing the gender pay gap is an issue of utmost priority for Europe, and pay inequality is an important aspect of Eurofound's work. Earlier this year we released the **Pay transparency in Europe** report, which reviewed experiences of pay transparency instruments in Austria, Denmark, Sweden and Finland. It pointed to a 'bumpy ride' in terms of compliance, and highlighted room for improvement in engaging employee representatives and in raising employees' awareness.

Unfortunately pay is just one area in employment where women face disadvantages. Getting onto the labour market itself is an issue, not just for the women that are unemployed or underemployed, but for Europe as a whole. The 2016 **Gender employment gap** report showed that when foregone earnings on the labour market, missed welfare contributions and additional

public finance costs are taken into account, the total quantifiable cost of the lower female employment rate is estimated to have been around €370 billion in 2013, corresponding to 2.8% of the EU's GDP.

Women who do make it on the labour market not only grapple with pay inequality, but also the issue of the glass ceiling. The **Women in management** policy brief, released last month, highlighted that, on average, women still make up just 36% of all managers in Europe, and despite some progress in recent years, men outnumber women in management positions in most sectors. The women that do make it into management are more likely to be in precarious leadership positions that have a higher risk of failure – either because they are appointed to lead an organisation or team that is in crisis or because they are not given the resources and support needed for success.

These inequalities don't just impact women throughout their working lives, but also well into retirement. The gender pension gap in Europe currently stands at 36.6%, and women in Europe express more concern than men when it comes to having enough income to make ends meet in old age, an issue that is underscored in the new policy brief of **Social insecurities and resilience**.

Gender inequalities in labour markets in Europe are multifaceted, but they are by no means intractable. The European Commission has launched an EU Action Plan for Tackling the Gender Pay Gap for 2018-2019, and has focused on the gender elements of work-life balance. There are notable improvements in women's labour market participation in the last decade, although progress is slow. Eurofound remains committed to providing the research and information required in order to address gender inequalities in all its forms.

[Are apprenticeships keeping up with changes in manufacturing?](#)

Apprenticeships are long established in manufacturing and are attractive for both employers and young people because of the balance between theoretical and practical education that they offer. However, in several countries in Europe and beyond, apprenticeships are lagging behind changes in manufacturing, and the potential of quality apprenticeships for both industry and the labour market are not being fully capitalised on.

The new report on **Adaptation of national apprenticeship systems to advanced manufacturing** from the Future of Manufacturing in Europe (FOME) project looks at apprenticeship systems and practices in the manufacturing sector in five EU Member States (Denmark, France, Germany, Ireland and Italy) and two countries outside Europe (Australia and the USA). It shows that all seven countries have public industrial policy initiatives aimed at fostering advanced manufacturing, but the link between these initiatives and initial vocational education and training (IVET) and apprenticeship policies and

practices is relatively weak. Only in Germany and Denmark has a comprehensive approach to modernising and adjusting apprenticeship training been developed in response to new skills requirements.

Denmark and Germany are also the only countries where apprenticeship is the only or most widespread form of IVET. The systems there are characterised by a strong involvement of social partners in governance and the modernisation of occupations and training practice. Outside of Europe, in Australia and the USA, only limited numbers of occupational programmes and respective apprenticeship programmes are available, and there has been a weak form of social partner involvement, often centering primarily on input from employers. The report also shows that a lack of formally recognised national apprenticeship qualifications in Italy and the USA limits the possibility to significantly modernise apprenticeships to take account of industry changes.

Apprenticeships remain attractive for employers due to their emphasis on practical training, and is preferred by young people who thrive more in hands-on than academic learning environments. Apprenticeship training should be regarded as an integral part of modern industrial policy, and to be successful industrial policies fostering the transition to advanced manufacturing and implementing Industry 4.0 require a complementary strategy of Apprenticeship 4.0. National governments should seek the active involvement of sectoral social partners and IVET institutions in the design and implementation of industrial policies.

Europe has already played an important role in the development of apprenticeship training and industrial policy, with the adoption of a Council Recommendation establishing a European Framework for Quality and Effective Apprenticeships, as well as broader commitments to training and lifelong learning laid out in the European Pillar of Social Rights. More can still be done however, including further initiatives to more actively involve relevant social partners and IVET institutions in industrial policy dialogue.

Ensuring that future workers, primarily young people, have the most appropriate and relevant training they need, including via IVET and apprenticeships, is vital in order to fully develop Industry 4.0 for economic, social and employment dividends. Close cooperation between the EU, national governments, social partners, and educational institutions is essential and, given the pace of technological change and its impact on industry, will become even more important in the future.

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[Peter Praet: Interview with BdP Revista, staff magazine of Banco de Portugal](#)



EUROPEAN CENTRAL BANK

EUROSYSTEM

Interview with Peter Praet, Member of the Executive Board of the ECB, conducted by Isabel Arriaga e Cunha on 18 June 2018 and published on 2 November 2018

Europe is celebrating the 20th anniversary of the European Central Bank (ECB), and in a few months the 20th anniversary of the euro. What do you think are the main achievements and successes of these 20 years?

20 years ago the responsibility for monetary policy was entrusted to a new European institution with the mandate of maintaining price stability. This was a major step forward in the process of building an ever-closer union among the peoples of Europe. We are a European institution that has been capable of deciding and acting in good times as well as in very challenging times. This is a remarkable achievement from an institutional point of view. And we have fulfilled our mandate in very difficult times – despite the financial and economic crises during the last decade. The euro is a stable and safe currency. We see with 74% in the Eurobarometer the highest approval

rating for the single currency since 2004. That is quite remarkable, even more so as there are strong political forces challenging European integration.

So, you see the ECB as having lived up to its responsibility so far?

The ECB has had three presidents over 20 years. There have sometimes been differences. This is quite normal within a decision-making body of today 25 members, but the Governing Council has always enjoyed a strong sense of collegiality. We are all fully committed to fulfilling our mandate and are always open to debate and each other's ideas. This is why the ECB has always had the ability and the willingness to act, whenever it was needed and within its mandate. So, back to your question: what are the main successes of these 20 years? The euro was created, because the single currency is a necessary condition for the completion of the Single Market. This remains true, but you need more than the single currency for the Single Market to function properly: once you have a single currency with a single market with free mobility of labour, goods and services, you are urged to reach a higher degree of political integration. There is a need for more European integration. This integration can take time, it will not come overnight, but each politician should keep in mind that further integration is necessary. If we didn't agree on this need and we neglected the high degree of interdependence between Member States, we would run the risk of going backwards – and that would probably be in a brutal way. In this sense, the sovereign debt crisis acted as a wake-up call and led to substantial steps forward in European integration, including the creation of the European Stability Mechanism and the Single Supervisory Mechanism.

The ECB is a federal institution where competences, such as competition and trade policies, are European, as you said. Does that mean that the euro can only survive in a federal setting, a federal union?

To put it very simply: in the long run Europeans will decide as much as possible in local communities and countries, and will decide jointly at a European level whenever necessary. That is the principle of subsidiarity. Which decision-making belongs to which level is up for debate.

The euro is the currency of the European Union. To reap the full benefit of Monetary Union, it is essential to put in place a sound institutional framework for other policies, where responsibilities are assigned to the right level. Some policies, but certainly not all, are best assigned to the Union level. This is a long process, and the Union has already demonstrated its ability to make progress.

There was a high degree of consensus after the financial crisis that banks would be best supervised at the Union level. The responsibility for banking supervision was accordingly assigned to the Union level, following a decision taken by the European Council in June 2012. In some policy areas, rules are not sufficient, you also need institutions. Crisis management is another example. The rules that we had before the crisis didn't even foresee the possibility of a crisis, and this made the response to the euro area sovereign debt crisis particularly challenging. Lessons were learnt from this

painful experience and a permanent institution for crisis management was established, the European Stability Mechanism.

Assigning monetary policy to the Union level was relatively easy, because there is a broad social consensus on central banking whereby the central bank should be independent and be assigned the pursuit of a single objective, price stability. Defining the right allocation of responsibilities between the Union and its Member States is by nature a long historical process; it will continue to elicit lively political debates in Europe. Such debates are to be welcomed, as they are part of our writing a common history.

Is the ECB's mandate enough for a single currency? For example, shouldn't its mandate include the role of lender of last resort?

The role of lender of last resort is a traditional role for central banks and we fulfil it. This contributes to financial stability. The problem is that some economists and some politicians say that the central bank should stand ready to finance government deficits. This is incompatible with the mandate of a price stability-oriented central bank. This is why in the Treaty there are clauses prohibiting monetary financing and guaranteeing central bank independence. In a monetary union, it is however important to have institutions that can support Member States confronted with serious financial difficulties. If you don't have that you face the permanent risk of instability. This is one of the lessons of the crisis and was the reason for creating the European Stability Mechanism (ESM), a permanent crisis management institution.

For the ESM to properly play its role, shouldn't it become a European institution, with joint decision-making at the "community" level? I mean, a federal institution instead of the present intergovernmental institution?

It is essential for successful crisis management to have an efficient decision-making procedure, because crisis management requires effective and quick action. Crises risk being exacerbated by decision rules, such as unanimity, that prevent timely decisions from being taken and cast doubt on the effectiveness of crisis management institutions. Decision-making procedures of a federal nature are in this sense preferable to intergovernmental ones that often come with veto rights.

In Economic and Monetary Union (EMU), emergency funding is basically provided subject to conditionality on economic and fiscal policies. It is not a transfer; rather, financial support is granted to smooth the adjustment process.

Is this the correct way to deal with potential crises?

I think so. It is a responsibility of Member States to consider their economic policies as a matter of common interest and ensure sustainable public finances. Adverse economic developments can put a Member State under financial stress and bring about a need for reform. Ill-designed policies, fiscal profligacy for example, can also eventually lead a country into crisis. It is a collective responsibility of Member States to ensure a smooth

functioning of EMU and this is why they agreed that a crisis management framework was needed.

The EMU Member States have lost the traditional adjustment tools to deal with shocks – such as the devaluation of their currency – whilst EMU had no proper crisis management instruments...

That's true. Our Economic and Monetary Union was not complete when the crisis hit us. When the crisis came, some countries had weak public finances. Doubts about their creditworthiness led markets to require higher risk premia, thereby stretching even further their public finances. These countries then fell into a vicious circle whereby expectations of them not being able to repay their debt pushed up interest rates and, as in a self-fulfilling prophecy, those higher refinancing rates made their public finances look increasingly unsustainable, thereby leading to a liquidity crisis. If you have a conditional lending facility, a country cannot be pushed into a liquidity crisis based on self-fulfilling market expectations, because markets know there is a facility to cater for a lack of liquidity. This calms down speculation too.

But then, states in difficulty will get even more indebted...

No, because you don't necessarily need to use these facilities. The fact that there is a backstop can, by itself, prevent speculative attacks based on self-fulfilling market expectations. It is important to stress that to access liquidity facilities, such as those provided by the ESM, countries have to accept policy conditionality, to agree on implementing an adjustment programme. But it is true that, when the crisis came, there was a blame game between current account surplus and deficit countries.

Shouldn't this be recognised at last?

It is true that during the crisis there was some asymmetry in the adjustment mechanism. Historically, the deficit countries have always been weaker than the surplus countries. But there is an important point one should keep in mind. What would have happened if the crisis had happened without our Monetary Union guaranteeing capital mobility? For example, when the Spanish or Portuguese banking systems were in difficulty, Dutch and German creditors were still paid back. The counterfactual would have been that controls on the movements of capital would have been imposed and there would have been a sort of debt renegotiation – but this didn't happen thanks to the currency union. With the Bank Recovery and Resolution Directive (BRRD) we now have burden-sharing mechanisms for the creditors.

Talking about the BRRD, isn't it dangerous that the banking union remains an incomplete project?

We should not stay in the middle of the river for too long. That's why we need a clear roadmap to complete the banking union relatively soon – not tomorrow, but in a not-too-distant future. It is abnormal that the supervision responsibility is collective but the consequences, if something goes wrong, go back to the national authorities. I've said very often that we

have to go further. But on the other hand you hear that there are legacy portfolios from the past, and before you can go forward into the banking union, the issue of non-performing loans (NPLs) has to be addressed.

The countries that complain are mainly the ones that had the opportunity to clean up their banks with public money before 2013, when the European state aid rules were in abeyance. Now their banks have been cleaned up, whilst the banks in some other countries that were the main ones to suffer from the economic crisis face a huge NPL legacy which, politically, prevents the banking union from progressing. Is this fair?

It's true that some countries put a lot of public money into the banking system during the crisis. Germany's support for its banking sector had an impact on its public debt of more than 10% of GDP at the peak. Now it's lower, because most of the money has been recovered. In a country like Italy, the difficulties came later, after the rules had changed. The transition to the new rules could have been better designed.

Does this endless discussion on risk reduction before any progress in risk-sharing make sense?

Banks today remain mainly exposed to the national economy and the national debt. The "doom loop" between banks and sovereigns has not yet been fully severed. One way to improve risk-sharing is cross-border consolidation. This doesn't mean that we no longer need local banks. Local banks are still very important for the financing of the economy, but there is a need for consolidation. The regulation doesn't incentivise banks to do that, because of the capital and liquidity requirements for subsidiaries.

It is also important to have more internationally diversified bank bondholders, so as to prevent a situation in which only creditors located in a specific country are affected in the event of a bank failure.

What we really need today is a clear end-point. What would it mean for a bank to eventually be in a complete banking union, and when is this going to happen? There is still too much uncertainty for banks to think Europe-wide and to consolidate across borders, and I think that's a problem.

EMU was launched with a promise of peace, security and prosperity, and that it would accelerate the EU's political integration. What went wrong?

European integration is a process, and it is important to learn from the experience so far to make further progress. I would like to stress two points. First, EMU came with too-high expectations, for example that the growth rates we had just before, or at the beginning of, EMU would continue forever. Many borrowed on the basis of those optimistic expectations. So there was a basic fragility in debt markets. The second thing was the absence of mechanisms to deal with debt overhangs. The crisis was the motivation for establishing the banking union and improving financial sector regulation.

On your question: did the Union deliver prosperity and security? The Single Market is a source of prosperity and it needs a single currency. The currency

crises of the 1990s were very detrimental to the internal market. Just remember the big exchange rate crisis we had before the Monetary Union in 1992-93. In Belgium, for example, people were importing Italian cars directly from Italy, where prices were much cheaper. It was possible to do that in the internal market. Then the car dealers and repair outlets in Belgium started to discriminate against these cars because they were not bought in Belgium. When going to a garage for maintenance, the car was put on a waiting list. In practice, non-tariff barriers were put up in response to the exchange rate effect. And that was jeopardising the very principle of the internal market.

You would say then that for countries most hit by the crisis, such as Portugal or Greece, it would have been even worse if they were not in the euro?

I think so. For small open economies, exchange rates can be very destabilising. That is why smaller economies usually try to peg their exchange rates to a stable currency. In the Monetary Union, insufficient attention was paid to competitiveness divergences, because such divergences build up over time, little by little, and at some point there is a need for a significant adjustment. We should have paid more attention to economic divergences.

Why?

It is important for sound economic policymaking to identify at an early stage the erosion of competitiveness. For example, we should understand why Germany was able to increase the value added in manufacturing during the crisis, while in other countries manufacturing suffered. What happened? Why did German manufacturers do better? The decentralisation of labour negotiations at the firm level proved to be useful to cushion the impact of the crisis. Why did the German unions collaborate to have contracts at the firm level? You also have to look at the fiscal situation, and at education and training. In Germany, you have a lot of jobs, but at the same time inequality has increased. In France, it's the opposite: less inequality but higher unemployment. It is important to understand much better these developments so as to design better economic policies.

European citizens seem to be increasingly disaffected with Europe. In many countries people feel poorer, they are tired of austerity, and they blame Europe, as is happening, for example, in Italy. Everywhere voters are increasingly turning to anti-European parties. How dangerous can this be for the European project?

I think most people realise that the European level is essential. A large majority of people agree that Europe can provide better answers to certain international problems. For example in Italy, according to the Eurobarometer, people say migration should be dealt with at the European level. Think about the threat of protectionism and the necessary response to it, climate change or preserving the environment: people believe these things should be dealt with collectively, because that is how we can make our voice heard on a global stage. But then they feel disappointed in some cases by the inability of the EU Member States to decide together and perceive the discussion

between Member States as a game of shifting problems to neighbours. And the reaction is then often: well, let's do it at the national level because at the European level it doesn't work. My point is: Europe can provide the right answers, but all of us have to meet our responsibilities.

But what if the Europeans feel tempted to try something different?

Most people understand the risks and what we would lose by giving up the objective of an ever-closer union. All of us would become weaker and eventually less influential. If we want to decide about how we want to live, we have to decide together. If we want to preserve our sovereignty, we have to share it. We should think European and move forward.