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Save our Social Europe – A vision for the future Conference, Vienna 2./3. February 2006

Background paper

I. Aim of the conference

II. The political context

I. Aim of the conference

The conference wants to offer a forum for debates about alternative ways for social policies in Europe. The workshops and panel debates will enable participants to commonly develop a clearer understanding of what elements of a social Europe would be and how they can be strengthened. The outcomes of the conference will help us to formulate clear proposals and strategies to feed into the political decision-making on national and EU level.

Taking place at the beginning of the Austrian Presidency, the conference offers an excellent opportunity for civil society and trade unions in Austria, but also Europe-wide to make their voice heard just in time for the Spring Summit 2006, a crucial date for the future of the Lisbon Strategy, but also for the future of social policy and instruments like the Open Method of Coordination on social inclusion. The conference will therefore mark the launch of the SOS Europe campaign with a clear manifesto that will keep reminding EU heads of states about their commitment to a strategy for sustainable change. (www.loseurope.org)

II. What future for a social Europe?

Introduction

The post-war European idea of a welfare state was created because people and circumstances demanded it.

Ideals such as health care for all, decent housing and social protection were achieved through the struggles of organisations of working people. Social democratic parties,

trade unions and non-governmental organisations – in alliance with other progressive forces – built the philosophy and institutions of European social welfare.

The importance which Europe's citizens attribute to the social dimension of the EU is not new. When aiming to define the specificity of Europe – something akin a European identity – the social model is always one element mentioned. Even though there is no agreement on how to define this "European Social Model", and social policy and social protection are not a competence of the EU but of the Member States, the belief in certain values and ideas that Europeans and all European welfare models have in common, and which are at the core of this model, seems to play an important part in the self-definition of Europe – pointing out the differences with other models, like e.g. the USA model.

At the beginning of the 21st century, Europe seems to be at a decisive moment in terms of how this European Social Model will develop. Growth in Europe is stagnant and unemployment rates are high. Increasingly high social costs, low levels of participation in the labour market, too many workers insufficiently trained to face up to new challenges – all these factors have contributed to producing societies which are unable to cope to the challenges posed by globalisation.

There is much talk about a Continental social model in crisis, an Anglo Saxon model offering a focus on productivity and growth as the solution, and a Nordic Model idealised by many as the balanced approach between economic, social and environmental policies. The strength of the European social idea in all the above mentioned models is that is based on the shared principles of pluralism, respect for individual rights, free collective bargaining, a social-market economy, equality of opportunity, social welfare and solidarity. These principles have been pursued in different ways in different countries, but are important elements at national as well as European level.

The challenge for the EU is not so much to try to replicate one model or even to create a hybrid, but rather to begin to put together a European solution to the problems we undoubtedly face. Each European country has its own history and special features which made the development of its welfare model possible. But by sharing experiences and learning one or two lessons from each other, a European society based on economic and social excellence can be developed jointly.

The Lisbon Strategy: a common narrative for facing the change

The tragedy is that a start was made in building a narrative which could have supported and explained the reforms which undoubtedly need to take place.

At the 2000 Lisbon Council, Social Democratic leaders (then in an overall majority in most EU Member States) recognised the challenges and the opportunities for European economies and European welfare states, and, together, came up with a narrative.

The strategy they put forward could be translated into a simple political message:

We live in an age of great uncertainty. We, your governments, can no longer guarantee you a job for life; we, as societies, need to become more competitive and you will have to be prepared for a life of changes. But be not afraid; you will not be alone. We, your government, will make sure that you have access to the best training and education which will allow you to take advantage of new

opportunities; we will make sure that if you lose your job, you and your family will be protected from poverty, and have access to the best health care and education; we, your governments, will give you all the support necessary to get a new job. We will work to make full employment one of the political objectives of our countries. Finally, we will do all this in discussion with trade unions and with other organisations of civil society.

Since 2000, the three pillars of the Lisbon Strategy have become increasingly disconnected. At the time of the mid-term review of the Lisbon Strategy in 2005, an advisory group led by former Dutch Prime Minister Wim Kok produced a report which came close to finally abandoning the social dimension of the Lisbon Strategy and, nevertheless – or therefore – found much support in the Barroso Commission. It was only the stubbornness of Luxembourg Prime Minister Jean-Claude Juncker, then President of the EU Council, and the concerted opposition of trade unions and civil society, which managed to get a last-minute mention of the social side of the deal into the communiqué of the 2005 European Spring Summit.

But the battle is far from won. There is a growing body of opinion which will argue that we must get the economy growing and competitive so that we can address the social welfare issues confronting us. The focus on competitiveness and growth only, however, means abolishing the long-term perspective of the Lisbon Strategy. The imbalance is risking the social, environmental and financial sustainability of the model. The short-sighted redefinition of the strategy is contradictory to the Sustainable Development Strategy the EU committed itself to.

Key EU decision-makers have failed to seize the narrative of the original Lisbon Strategy and weave it into the political discourse of both the Union and its Member States. The challenge we face is how to reconcile the need to build prosperous and competitive societies with ensuring that our citizens have adequate social protection in a very rapidly changing world. One will not be possible without the other.

The challenges we face today

The most important forces leading the change are globalisation, the changing face of work, and in Europe, the continuing enlargement of the Union. Our fellow citizens feel uneasy and anxious about the changes they face. They realise that the opening of markets to international trade has shifted some decision-making from national governments to supranational bodies, thus changing the ability of governments to implement specific social and economic programmes. Governments have also, at times, hidden behind these new realities to press ahead with unpopular programmes, leaving citizens feeling unprotected and unable to influence the process.

To some, the EU has become part of the problem, as it widens the distance between the citizen and the decision-maker. In effect, however, the Union is part of the solution. Retreating back behind the frontiers of the nation state is less likely to secure protection than a considered move to strengthen the Union. The EU, rather than symbolising “big government”, provides a way for our fellow citizens to assert their rights in a fast-changing global world. If the Union is not deepened and strengthened, it is likely that the democratic deficit which many people experience will only increase.

European social policy began as a means of ensuring that Europe-wide labour standards contributed to a level playing field for competitive trading. Setting

common standards was intended to prevent competitors from gaining advantage by forcing down employment conditions and social standards. One major success of European social policy has been the unified labour market, which meant that migrant workers originating in the poorest parts of the Union could expect similar employment and social rights to nationals in their host countries.

The restructuring of industry, with activity shifting firstly from agriculture to manufacturing and then from manufacturing to service industries, needs to be managed. Societies which were in the main homogenous, separate and static are becoming increasingly multi-ethnic, multi-cultural, transient and linked. Social security and life-long learning are now priorities for all Member States.

All EU member states face the phenomenon of demographic change. Ageing populations and increased life expectancy will lead to an increased dependency ratio.

The accession of ten new Member States in May 2004 poses new challenges, but if anything increases the importance of devising common and similar responses to the issues all EU Member States are facing.

Flexicurity?

Flexible employment, in principle, could mean that employers and workers agree together to vary working conditions and working hours in order to meet the needs of business as well as the social and family needs of workers. However, it usually means flexibility for employers, and job insecurity and poor working conditions for employees. It means employers being able to fire workers more easily and re-locate their businesses to countries with cheaper production and labour costs without having to worry about the social consequences of their actions.

Social security and equal distribution as important productive factors

European welfare states progressed during a time of unprecedented economic growth and social stability; a period which came to an end in the mid-1970s with the onset of the oil crisis. After that, neo-liberal economic theories became the dominant economic orthodoxy and were promoted by global institutions such as the International Monetary Fund (IMF) and the World Bank as well as Ronald Reagan's US and Margaret Thatcher's UK. Where these policies have been introduced, they have led to the dismantling of social welfare systems. Social protection implies for neo-liberals a lack of flexibility and an obstacle to investment, and therefore a cause of unemployment.

The EU was never seduced by the neo-liberal economic model, which reduces the state to the role of an almost passive observer, leaving the markets to determine the conduct of its economies. The European project is, in some ways, the antithesis of "laissez faire" capitalism – because of its daring innovation, it has required a significant level of intervention. The inequalities endemic to the neo-liberal models of economic management carry grave risks. A road to economic growth which does not include the majority of its citizens in its strategy is fraught with dangers and can give unwelcome support to nationalist and xenophobic parties which threaten European peace and prosperity.

For people to deal with the challenges of the future, they need to be given the feeling that their fundamental needs are taken care of in all circumstances. Systems

of social protection offering high-quality health and education as well as social insurance in case of ill health and unemployment, and a decent pension for all are important elements in making structural change successful. Only by making this social compact with citizens can governments hope to negotiate the reforms needed by their economies; reforms which will often, at the time, appear to create more uncertainty and anxiety. EU governments must be bold and proclaim this as the European way of life.

In the current situation, it is important to highlight that social security, equality and education are not a luxury which European societies were able to afford for a long time but are no longer able to do so. Rather, they are an important precondition for managing the now necessary changes.

The Nordic countries manage to combine high employment rates with high salaries, good welfare provisions and high social protection. The American and the Nordic models are very similar when it comes to economic productivity, but they clearly differ when it comes to distributing the fruits of this productivity. Europeans believe in the importance of social justice and that a healthy society values development which is sustainable and which balances social, environmental and economic considerations. We are united by a shared belief that our fellow citizens' basic needs must be secured and that everyone has the right to excellent education and health care, decent housing, a pension and access to personal social services.

Striving for full employment in Europe and the need for life-long learning

With unemployment reaching its highest levels since the 1950s, the objective of full employment is questioned by many as a Utopia. Full employment in the global era cannot mean "40 hours for 40 years", but the principle and the political commitment must remain. The 1966 International Labour Organisation (ILO) Convention on "Full Employment", which has been ratified by most EU Member States, commits them to a society in which everyone who wishes to take up paid work "can find it on just and favourable terms".

Governments must shoulder their responsibility and put in place active labour market policies, creating employment opportunities, bringing the unemployed back into the labour market, and providing life-long learning and training to avoid the risk of unemployment. In an era of globalisation, it is the responsibility of government to prepare its workforce for the challenges and changes which lie ahead. We cannot rely on the security of retaining the same job for life. We need to rely on the security of knowing that our skills are being kept up-to-date so that we can remain and progress in the labour market.

There is an exaggerated assumption that employers are less likely to employ staff if it is difficult or expensive to fire them. It is probably more true that the burden of tax and social costs levied on employment is far too high in too many countries, whilst conversely the tax burden on other forms of income is either too low or non-existent. It is difficult to understand what possible social justification there can be for exempting some rental incomes or capital gains which have been earned in another country from tax in Belgium, and to take almost 50% of a low-paid workers salary in tax and social costs. The burden of tax on employees is absurdly high and is a major contributor to keeping employment rates and numbers low.

Job demands will change. Technology is advancing rapidly, and companies often need to be more flexible both in terms of what they sell and how and where they produce it. Governments must therefore take responsibility for delivering high-quality education and making available the best in-service training and life-long learning which will enable workers to retrain for new skills and new jobs, and to face uncertainties with confidence. Education is key to competitiveness and the functioning of our societies. In order to create strong and sustainable competition, we need to ensure continuous education through people's working lives.

Gender equality

Employment rates for women in the Nordic countries are the highest in Europe. Overall, the European economy is still suffering from an under-representation of women in the labour market and gender-segregated labour markets, as well as a high percentage of women working in part-time employment.

Raising the number of women in the labour market is one key to securing the higher labour supply needed because of the ageing population in Europe. Economic growth is not possible without an increased level of employment among both women and men; therefore economic growth and gender equality are closely linked. In this context, family planning, child day-care, benefit and employment security in case of maternity, as well as policies aimed at reducing the pay gap between the sexes and helping more women into full-time employment, are essential.

The need for "more and better jobs"

In the Lisbon strategy, Member States highlighted the importance of promoting participation in employment as an effective way to fight against the risk of poverty and social exclusion. Nevertheless, holding a job is not always sufficient to escape poverty: in the world there are almost 550 millions of working poor. The 2005 Employment report showed that 25% of people at risk of poverty are working. In this framework, ensuring Decent work for all - a concept which includes access to employment, equality for women and men, rights at work, social protection and social dialogue- becomes the core policy objective of a development model in which the economic and the social dimension go hand in hand - in European and worldwide.

This is not only about us – the EU's responsibility in the world

The 2004 ILO/World Commission on the Social Dimension of Globalisation Report has recognized the role of the Lisbon Strategy to move towards a fairer globalisation. The EU has already made commitments to address the social dimension of the globalisation at both European and international levels. Some elements of the Lisbon strategy have been endorsed in the EU external policy. For example, the emphasis put on the **quality of employment** through the instrument of requiring the respect of the core labour standards to receive Generalised System of Preferences (GSP) *plus* status. The Lisbon Strategy should influence the external policy of the EU much more strongly and provide a framework for the EU's response to the Sustainable Dimension of Globalisation. European citizens are more and more aware of the need of an international commitment to tackle poverty and the overriding challenges faced by poor people across the world, such as AIDS and hunger. The Global Call to Action against Poverty (GCAP) Europe has shown the strength of these issues in mobilising

citizens. In order to reconnect citizens with the EU, the EU has to shape its policies in a way that people can identify with.

Trade policy supporting social development

Trade negotiations at both bilateral and multilateral levels provides the EU with the opportunity to promote these elements of the European model as an alternative to economic Darwinism, ensuring that trade policy is fully supportive of social development. In this framework, the current WTO negotiations round (Doha Development Agenda) is one major arena to underline the specificity of the EU model based on the link between the social, the environmental and the economic as well as on solidarity and access to decent work for all.

Trust in times of change

Economic and social progress go hand in hand and the whole point of economic progress is to raise peoples' standard of living. There is a shared conviction in the EU that social protection is a productive factor, underpinning the economic growth and increased competitiveness that in turn sustains social progress.

In the Nordic countries, trust in society is very high. This is, not least, due to the fact that there is a high level of trade union membership and that the unions are full partners in collective agreements with the state and employers. For a multi-level governance system such as the EU to respond to the challenges it faces successfully, we need to widen the concept of democracy by involving trade unions and employer organisations, as well as organisations of organised civil society.

It is not only about making the EU "the most competitive economy"; it is also about making the EU a more decent society. It is not about increasing taxes and lowering living standards; it is about raising standards for all. Governments will not achieve any of the above on their own. This was also central to the Lisbon Strategy.

Without the participation of trade unions and civil society, women and men, Europe will continue to stagger from crisis to crisis. What is needed are bold ideas and bold leadership. The challenge to our governments will be whether they have the vision and inspiration to commit themselves to such a bold course of action.