

A stylized world map composed of a grid of dots in various shades of gray, with several dots highlighted in red. The map is centered behind the title.

Social Europe Breakthrough or breakup?

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- The EU is facing the most severe crisis of credibility and legitimacy in its history. The crisis in the financial sector and the economy is far from over. The reason for this lies, inter alia, with the false prescription of austerity politics to foster economic recovery. Not least the federal German government has contributed to turning the economic crisis for broad swaths of Europe into a full-blown social crisis.
- The best response to the multiple crises lies in a more social and more cohesive Europe. The outlines of the European social model are clear – social security schemes that rely on the solidarity principle, legally binding collective agreements on working conditions to protect employees, the right to worker participation, social dialogue on balancing the interests of capital and labour, and providing public welfare services of general interest.
- Since the recent enlargements to Central and Eastern Europe, differences in the capacity for economic integration and willingness to integrate politically have grown. Add to that the flaws in the way the European Monetary Union (EMU) was drawn up. The result is an enormous pressure for internal devaluation via cuts in labour and welfare costs, once the possibility of exchange rate adjustments within the EMU fell away.
- If Europe wants to regain the trust of its citizens, then Brussels must finally put the primacy of politics above that of the market and shift social cohesion and social democracy to the centre of its policy-making. People's confidence in the EU can only be regained through a sustained improvement in people's living standards and working conditions and the strengthening of EU's democratic processes – and not by dismantling employment and social protection.

Europe – or, more precisely, the European Union – is in no great shape. It has been in crisis mode for many a year. And there are more and more, not fewer, crises – and they're deepening.

Even if Germany has escaped relatively lightly, the crisis on financial markets and in the real economy is far from over. In southern Europe, in countries such as Greece and Spain, the welfare, pension and collective bargaining systems have collapsed. The reason for this lies with the false prescription of austerity politics to beat the crisis. Not least the federal German government has contributed through it to turning the economic crisis for broad swaths of Europe into a full-blown social crisis. It's true of all member states that the gap between rich and poor has grown even wider since the eruption of the crisis in September 2008. Poverty in the world's richest continent has been on the rise ever since. There are more than 22m jobless – of which 4.5m young people. Europe's regions are growing apart instead of growing closer together. For at least the past decade, economic and social divergence in and between member states has increased.

And this has led to the solidarity among the Union's member states crumbling. In its place has come the re-birth of small state politics, fuelling national stereotypes and selfishness. The outcome is the unremitting collapse of citizens' trust in the great European integration project and in EU institutions just as distrust of the political Establishment in member states is rising inexorably. The EU is locked in the most severe crisis of credibility and legitimacy in its history.

These growing doubts of Europe's citizens in the European integration process – intensified by severe splits among EU governments over the refugee issue – have been the breeding ground for the revival of ultra-right, nationalist-populist and anti-European parties. Think of the *Front National* in France, neo-nationalist parties in Scandinavia, *Vlaamse Blok* in Belgium and the *AfD* in Germany. The renationalization of political thinking and activity is growing; Europe as a community of shared values looks ever more hogtied. Austria mobilizes the Balkan states against Greece and allies itself with that autocrat Orban. That other autocrat Erdogan is made into the great white hope of European refugee policy. In Austria the non-party Alexander Van der Bellen has been elected federal president by only the tiniest of margins over the right-wing populist Norbert Hofer of the Free-

dom Party (FPÖ). The flight of hundreds of thousands of people from war and poverty, often and wrongly called a »refugee crisis«, has also led to a strengthening of tensions within and between the countries of Europe.

This mix of crises in the economy and society as well as in terms of trust in mainstream politics, in its very legitimacy, is spreading like wildfire and threatens to escalate into a serious integration crisis calling Europe as an entity into question. The debate about excluding and/or exiting spreads far and wide. First it was Grexit or the Greek exit that we have been discussing until recently. Now it's Brexit or Remain in the EU that the British people will vote upon on June 23. And what path will France take if the *Front National* comes out on top in next year's presidential election?

Many people look at today's multiple crises in Europe and see the EU's very existence at serious risk. So the debate is about how this potential collapse will come about – crumbling first at the edges? or a complete disintegration? Who'll be the first to go, who should go and who might be next?

But here the debate we require is entirely different: How will Europe become viable again? How can one rebuild confidence in this great project? What do we need to do if we are to overcome the great challenges of our time like the impact of accelerating globalization, or digitalization that have long since affected jobs and are transforming the world of work at breakneck speed? And the answer lies in one of Europe's pledges from the days of its foundation, one it has less and less lived up to in recent decades: a more social and more cohesive Europe.

This idea of a social Europe is anything but new. Let's just recall the original reasons for creating the Union: the political generation after World War Two were united in their belief that the answer to the catastrophes of the 20th century could only be the coming together of Europe. The pledge ran: Against fascism and war, for democracy and peace. Against poverty and unemployment, for social progress and a decent standard of living.

Until very recently the EU lived up to that first pledge. The peaceful overcoming of dictatorships in Greece, Spain and Portugal in the 1970s brought social democracy to the south. With the end of the East-West conflict, German unification and the entry of central European coun-

tries, the EU took on an extra peace-making dimension. Putting aside the war in Yugoslavia, European integration has sustained peace on the European continent. And this was recognized in 2012 when the EU, in the midst of its greatest crisis ever, won the Nobel Prize for Peace with its 28 member states.

Certainly, this comes with the task of ensuring Europe's peace-making capacity for the long term. As a peace project Europe hasn't lost an iota of relevance. But the process is faltering: the forceful adoption of a neoliberal process of globalization since the start of the 90s has rendered social harmony fragile not only within Europe but in its neighborhood. Autocratic and authoritarian regimes have brought an abrupt end in many cases to the ongoing process of democratization there. And the consequences of this can be seen directly in the shape of hundreds of thousands of refugees who fear for their body and soul at home and seek protection from political persecution and violence.

A similar process can be seen with the second pledge of the founding fathers, namely the promise of social progress. That was and is a great promise and high aspiration. With the social *acquis* built up by Europe in the last 50 years it was largely met. But now, given the multiple, energy-sapping crises, this vital, central goal runs the risk of simply fizzling out. The political class must step up to the plate here.

From the time of the economic miracle we invested significantly in the welfare state. The whole of western Europe took on the firm conviction that the social market economy is *the* success story. This has found its way into the EU's Lisbon Treaty that entered into force in 2009 and begins by setting the explicit goal for the first time of working towards a »highly competitive social market economy« and this was made legally binding within the European Charter of Fundamental Rights. For decades the EU stood out as the only model of regional integration around the world that had set its face against the neoliberal notion of the free play of market forces and that succeeded in taking on the lead role in socializing economic globalization.

Even though there remained differences among the welfare systems of the member states it has still been possible over the years to more sharply define the outlines of a European social model with its numerous common

characteristics. These include social security systems for insuring against life's great risks that rely on the solidarity principle, legally binding collective agreements on working conditions to protect employees, the right to worker participation, social dialogue on balancing the interests of capital and labour and providing public welfare services of general interest. Many Europeans barely realize this but they've long enjoyed the fruits of numerous regulations that apply not just in one country but in all EU countries. For this very reason, Europe long counted for many as the »social reference model« for a fair form of globalization that succeeded both economically and socially. Europe was more than a »free trade area« and hence attractive to many other economic regions.

But, for the last few years, that's all moved onto shaky ground. Since the enlargements of recent years to central and eastern European states, differences in the capacity for economic integration and willingness to integrate politically have grown. Add on flaws in the way the European currency union was drawn up, with its fixation on monetary policy and blank refusal to entertain the urgently required co-ordination of economic and fiscal policy. Taken with the misguided policy for fighting the crisis, Europe has casually thrown away its powers of drawing up and implementing proper social policies. And, finally, the Commission's comprehensive focus on strengthening competitiveness alone has meant that member states' competitiveness is tied today above everything else to wage and unit labour costs. Once the possibility of exchange rate adjustments within the EMU fell away, pressure for internal devaluation via cuts in labour and welfare costs rose drastically.

All of this has led in recent years to the EU and its member states more and more distancing themselves from their shared aspiration of promoting social cohesion and, at the same time, a fair version of globalization. This is the essential crisis of political Europe: the lack of courage in taking on the global neoliberal mainstream by consequentially pursuing the goal of decent social structures.

It's long been empirically evident that the neoliberal model has foundered. Both the OECD and IMF have recently pointed out anew how the level of inequality has become not only a social problem but an economic one of the first order. Only with a clear change of course can we turn the crisis into an opportunity and progress the European integration process. To that extent, I agree with

Jean-Claude Juncker who, on taking office in October 2014, admonished his team: This is the Commission of the last-chance saloon.

If Europe wants to regain the trust of its citizens then Brussels must finally put the primacy of politics above that of the market and shift social cohesion and social democracy to the center of its policy-making. People's confidence in the EU can only be won back through a sustained improvement in people's living and working conditions and strengthening of EU democratic processes – and not by removing employment and social standards.

The current row about free movement of labour exemplifies this very clearly. The posted workers directive was adopted in 1996 to prevent the posting of workers overseas from leading to unrestricted wage-dumping – and it enshrined the basic principle of »equal pay for equal work in the same place.« Each year about 2m employees in Europe are posted abroad. The situation in the construction industry, the meat industry and several branches of the service sector has, nevertheless, revealed that this has to a large extent resulted in wages at dumping levels and the lousiest working conditions. The draft reform set out by the Commission after huge disagreements still lacks profoundly the powers to combat abuses. But even this inadequate proposal is roundly rejected by ten central and eastern European member states with abstruse reference to the subsidiarity principle: they claim to see within it a huge restriction of freedom of services. But Europe won't work with cheap labour rules that supposedly generate competitive advantages. Social cohesion can only come with fair mobility, i.e. posted workers from the EU must get the same wages and rights as employees in those countries to which they are sent.

Even in its effort to improve legislation the EU is on the wrong track and threatening to throw important social achievements over board. Using the mantra of competitiveness the Commission has been working since 2001 on simplifying European legislation and getting rid of so-called bureaucratic hurdles. In December 2012 the Barroso Commission began the so-called REFIT program (REgulatory FITness and Performance) to subject the entire set of EU regulations to a »fitness check« with the aim of getting rid of supposed bureaucracy and unnecessary regulatory burdens.

From a trade union point of view there's, of course, nothing wrong with trying to make EU law simpler and more efficient. »Good legislation« must, however, effectively meet intended goals such as protection of employees, consumers or the environment and cannot be sacrificed one-sidedly to competitiveness. A common market urgently requires European rules. A one-sided concession or relief for business inevitably leads to more burdens upon employees. EU law in the area of employment- and health protection, the working time directive or EU directives on the rights to information, consultation and co-determination aren't bureaucratic restrictions but a competitive edge: they even protect companies from unfair competition. But most of all they are social protection rights that, given the transformation of the world of work, urgently require further enhancement. For example, the so-called cancer directive has been dragging on for years. Each year 100,000 employees in the EU die of work-related cancers. The cancer directive is outmoded and urgently requires an update. Current legislation covers merely 20 per cent of work situations in which employees are exposed to carcinogenic materials and mutagens.

This should come with a social progress protocol as the trade unions have been demanding for years. This protocol should lay down that social rights take priority over economic freedoms. Such a protocol would give us the opportunity to drive forward social Europe and win it a Triple-A rating – as Juncker demanded at the installation of his Commission in October 2014. That could bring a new course geared to the foundations of a social, democratic and solidarity-minded Europe.

In the context of social dislocations and growing inequality the Juncker Commission in early March began a broad-based stakeholder consultation about a European pillar of social rights and thereby, albeit cautiously, proposed a new path. The rationale behind it refers to the founding principles of the Union whereby economic development should lead to growing social progress and greater social cohesion. The European TUC welcomed an initiative that is simultaneously ambitious – and contradictory.

One positive aspect is that European and national social policy is recognized as a productive factor that in crisis times can contribute to macroeconomic stabilization. It should then be emphasized that the EU's social policy goals should not be subordinate to fiscal policy ones.

That is an insight that's far from being common knowledge in political and economic circles.

But the net result could be that the EU Commission finally takes leave of the austerity politics that has cast so many people into social and economic misery. It should also be established that the long-term effect of wealth and income inequality on potential growth is deleterious, leading to even greater inequality of opportunity. None of these insights is part of the economic mainstream.

The written rationale is well worth reading and it calls for a European debate on the future of work given the scale of globalization and digitalization. This can only be a good idea if it means that the social *acquis communautaire* is finally secured and progressed – and brings better, not poorer working conditions. It's precisely in the digital world of work of the future that we need European rules of the game if the opportunities that come with globalization are to be used properly and we do not fall into the trap of digital casualization. The flexible worlds of work of the future require, *inter alia*, a training offensive, more co-determination, recognition of working people as »citizens in the workplace« and improved employment and health protection in order to contain the risks associated with digitalization and, for example, use the opportunity for more sovereign control over ones working time.

But it's already evident here that the Commission is ambiguous in several places and failing to take a clear path. For example, the »flexicurity« concept is held up naively and uncritically as a way to make labour markets more flexible but should also come with greater safeguards in the event of joblessness. You can see where that leads with the mass unemployment and growing poverty in many southern European countries. This concept has been exposed – not least since the financial crisis – as a deregulation tool and one that has led to hugely increased inequality.

A further proposal is that the legal age of retirement should be tied to life expectation. But how people might work healthily right up to old age, how indeed they should find work in a Europe offering no work in many countries, that's left out. Raising the retirement age is nothing more than a program for cutting pensions as we have learned in Germany. Longer times spent working are completely the wrong way to solve the problems of

social safeguards in old age given the upheavals within work.

Even so, the Commission's initiative *does* offer the opportunity for a robust and broad debate about Europe's social future. At the end of this urgently required debate we don't want to see a document full of legally unbinding ideas but concrete policies and binding social rights. In a nutshell, this is about whether our employment and social rights are subject to globalization or whether we can succeed in pushing through fair rules of the game for a European labour market.

One cannot limit this urgent debate about social Europe to employment and social policy. The EU's trade policy, for example, belongs in here. Trade deals have, along with their economic significance, an immense social dimension and trade has been for decades the core driver of globalization. The latter has brought considerable welfare gains with it. At the same time, these gains have been shared even more unequally. Just 3 per cent of the world's population disposes of 90 per cent of wealth – not what can call justice. International Labour Organization studies recently concluded that the global division of labour is indeed raising productivity but these gains are not being redistributed to employees. To the contrary: the pressure on wages and working conditions has risen enormously. International trade deals have, at the same time, further squeezed social and environmental standards. What is required is a move away from neoliberal trade policy so that environment, consumer, employment and social standards can all be enhanced at a high level around the world.

So the EU above all – if it really wants to become once more a »social reference model« for other economic regions – must rid its trade relations of any colonialist, feudalistic thinking. In public debates and civil society protests against the trade deals negotiated by the EU with the USA (TTIP) and Canada (CETA) unions posed clear demands for a just system of world trade. This urgently requires that there can be no more privatization of services of general interest and that at the very least core ILO employment norms must be ratified by all signatory countries. The fact is that fair trade can only work with strong worker rights, trade union recognition and the right to collective bargaining. Private investor protection does not go with fair trade policy and puts at risk social democracy in Europe.



The EU Commission has reacted to this pressure from trade unions, civil society and the European Parliament and heralded a new trade policy. It should now use this opportunity for a fresh start consequentially and step up for fair global trade under no time-pressure. That too would be a success for a more social Europe. A fair trade agreement could become the blueprint for further deals along these lines.

If we are to get a social breakthrough this does not just depend on a change of course in European employment and social policy. This has to be nourished by another kind of economic policy directed towards sustainable growth and ecological modernization. The European investment pact, linked to an innovative industry and climate policy, these are all important building blocks. But we also need a European fiscal policy that effectively clamps down on tax dumping and evasion. An intelligent policy mix that puts social cohesion and an effective crackdown on unemployment and poverty at its heart can regain the trust of Europe's citizens. We can put the anti-European, nationalist movements back in their stalls with a Europe that's open to the world and a byword for tolerance. Germany has a substantial responsibility in strengthening social democracy and cohesion. So we do need a radical change of course in Germany's policy towards Europe.



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