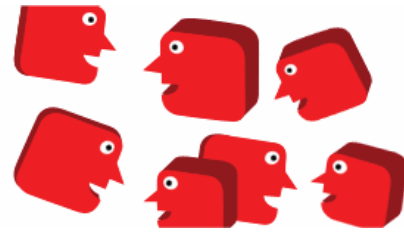




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## Consultation for the PES Manifesto for the European elections 2009: Discussion Paper

### New Social Europe

#### 1. The Challenge

The European Union is admired across the world for its social model: a group of welfare states, sharing common values including human rights, democracy, and solidarity, and bringing together advanced economic development, social justice, social cohesion and environmental protection.

However, the EU is faced with significant challenges, which call into question the future of Social Europe. **Globalization** places more demands on Europe's workforce and economy. Globalization has also encouraged the emergence of new **financial capitalism** - private equity and hedge funds have, in a short period, become owners and movers of vast pools of financial capital, with significant influence on the future of the economy and employment. Europe has an **ageing population** - under current trends the population will shrink – and there will be less than 1.5 workers per pensioner in 2050, when now there are almost three workers per pensioner. More and more **women** are having no children or just one child, due to the difficulties of combining work and family life, economic insecurity and low support for child-rearing and childcare. The number of elderly will rise by over 224% from today until 2050. Rapid **technological change** increases the pressure on European workers to keep pace with new skills.

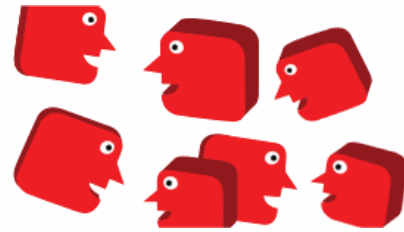
Since 2000, **economic growth** has been too low in the eurozone to make a significant dent on unemployment, although there are recent signs of an upturn. Although **poverty** is lower in Europe than anywhere else in the world, poverty and **unemployment** are still a reality for many Europeans. Europe has 72 million in or at risk of poverty, with another 36 million on the verge of that risk. Unemployment stands at 7.5% and affects young people, older workers and women most of all.

**Inequalities** have been rising within European countries, particularly over the past 8 years, and have been accentuated by strong inequalities across the enlarged EU, notably between Western and Eastern Europe. These inequalities have been accompanied by an increasing gap between the gains of business and workers, as **wages have not kept pace** with increasing profits. 6% of those who work are classed as **working poor**. Rising **living costs**, such as housing – which are often not taken account in national inflation indexes - have been putting more pressure on people with low and middle incomes. **Gender inequality** is still a major issue, with women paid 15% less than men, and facing a greater risk of precarious employment, unemployment, and poverty.

Social dialogue – one of the strongest features of the European Social Model – has been challenged in recent years by declining trade union membership, a lack of government support and the increasingly transnational nature of business. High profile cases of **restructuring** have also highlighted the insufficiencies of current EU legislation protecting workers' rights and social dialogue. The threat of delocalization has increased feelings of insecurity amongst the European workforce.



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Some European countries fear challenges to the future financing of Europe's welfare states, for example the **downward pressure on corporate taxes** within the EU, with the EU's average rate (25.04%) falling below the OECD average and well below the US average of 40%. The flat tax phenomenon, which has recently swept Estonia, Latvia, Lithuania, Slovakia and Romania, is also perceived as a threat.

Some people perceive a conflict between the way in which the Internal Market is being completed and the future of the European social model. The debate over the first draft Services Directive illustrates the differing viewpoints on the liberalisation of economic services that, in many countries, are considered public services. It is fundamental to ensure that the completion of the Internal Market takes place in full respect of the European social model, notably with regards to the right of Member States to organize and finance public services and to promote the public interest.

In many European countries, employment is becoming more **precarious**, with more and more short term contracts and temporary work, in which workers have fewer rights. Precarious employment accounts for over 12% of employment in the EU. **Bogus self-employment** - in which workers are declared as self-employed to reduce labour costs and rights, but are actually dependent on one company - has also risen. **Undeclared work** - reaching over 15% in some member states - has also risen in some countries.

Almost **15 per cent** of young people **leave school prematurely** each year, with at most lower secondary education. In today's Europe, the son of a low-skilled worker is still far more likely to leave school early and have a low-skilled job or be unemployed than to attend university and gain highly-skilled employment. By 2010 only 15 per cent of newly created jobs will be for people with basic schooling, whereas 50 per cent will require highly skilled workers.

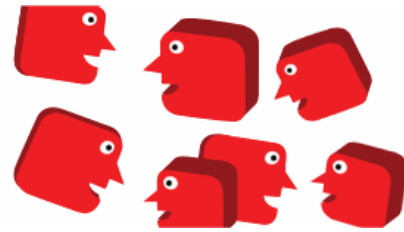
European societies are becoming increasingly **multi-cultural**. Many European economies have been growing economically thanks to a growing, mobile labour force. The challenges of diversity and integration have entered the national debate, involving new questions about the right policies on employment, housing, education and citizenship to name but a few. There is a perception amongst some citizens that the problems arising from immigration need to be recognized and better dealt with. Member States face difficulties of integration not only with new migrants, but also with second and third generation migrants. There are also rising concerns about human trafficking and the exploitation of immigrants, particularly due to illegal migration. There are signs of growing **racism**, **xenophobia** and **extremism** in some Member States.

## 2. What's Europe got to do with it?

The European Union has had **social objectives** from the beginning, making the achievement of equal pay for equal work one of the primary objectives of the Treaty of Rome. The EU's Internal Market has created 2.75 million more jobs and €225 billion in the member states of the EU over 20 years, thereby contributing to rising living standards and employment.



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Europe has set minimum standards in employment and social policies so that citizens do not lose out as a result of open frontiers and to prevent social dumping, including:

- Over fifteen directives establishing **minimum standards** in labour law for information and consultation of workers, the protection of employees in collective redundancies and bankruptcy of the employer, health and safety at work, rights for fixed time, part-time and posted workers, maximum working time, equal opportunities, equal treatment and equal pay, parental leave, race equality, non-discrimination, and the protection of young people at work.
- Legislation to protect the **social security rights of employees**, the self-employed and their families.
- The **European Health Insurance Card** now allows European citizens to gain access to health care in all EU Member States.
- European citizens have a **right to live and work in any Member State of the EU**.
- The EU has established **cooperation** between Member States in the field of social inclusion, pensions, health and long-term elderly care, so that national reforms of social protection systems meet common challenges.
- **Social dialogue** has resulted in the conclusion of over 300 joint agreements, opinions and declarations by European trade unions and employers; the European Social Partners assist in the definition of European labour and social standards.

There is now a debate as to what needs to be done at European level to meet new economic, social and employment challenges and how to strengthen social dialogue.

The EU's Lisbon Strategy, adopted in the year 2000, sets a strategic goal of making the EU into "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" by 2010. In order to achieve this goal, the EU has set policy objectives in a range of fields including employment, economic growth, education, research and development, which it seeks to implement through policy dialogue, exchange of best practice and EU instruments and programmes. However, many member states are not on track to achieving the Lisbon goals by 2010. Furthermore, in March 2007, European leaders decided that the Lisbon strategy should take greater account of member states' common social objectives. It is now a question of how this can be done as well as designing an effective post-2010 strategy once the current Lisbon strategy expires.

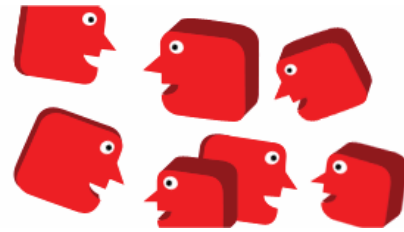
The EU's **Structural and Cohesion Funds** – financing economic and social projects in Europe's poorest regions - have also been crucial in raising living standards and reducing inequalities across Europe. For example, since joining the EU in 1985, Portugal's living standards have risen by 50%. In the EU's Internal Market, rising purchasing power in one Member State is of direct benefit to businesses in another Member State. The question now arises of how to make the structural and cohesion funds work in the new member states – particularly of central and eastern Europe – helping them to develop fast and effectively, adapting to today's challenges and conditions.

The European Union has also established programmes for **education and training**, notably the ERASMUS scheme, which has since 1987 allowed 1.2 million European university students to study in another member state university. Other programmes allow exchanges between students, teachers and institutions, in school, university, adult and vocational education.



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Further EU policies affecting Social Europe are **Economic and Monetary Union** – establishing guidelines for growth and job creation – and the **single currency**. The single currency has ensured financial stability – virtually eliminating the risk of financial crises experienced in the 1980s and 1990s - reduced business costs, and saved money for consumers. At the same time, the **Stability and Growth Pact** was introduced to ensure sound management of public finances in the euro area. This Pact introduced sanctions if a member state exceeds a deficit of 3% GDP, which has had an impact on public finances including spending. There has also been debate about the European Central Bank (ECB) and its role in setting monetary policy, as its primary objective is to maintain price stability – with a target of no higher than 2% **inflation**. In recent years, there has been a debate as to whether the ECB has been preventing higher growth in Europe by setting **interest rates too high**.

The European Council decided in 1999 that the EU needed a **migration policy**, based on a comprehensive approach to the management of migration; to include fair treatment for immigrants; and to develop partnerships with home countries for co-development. This has led to directives on family reunification, the establishment of an EU long-term resident status, and on conditions of admission for pupils, students, researchers and volunteers from third countries.

However, there is **still no comprehensive legal framework to address migration in the EU**. Currently, it appears the EU may go down the road of “selected migration”, preferring skilled migration from developing countries to the unskilled migrants, making temporary stay the norm, and attempting to crack down on illegal migration.

The **European budget** - €126.5 billion - is a potentially significant instrument for Social Europe. It is currently spent in some of the following ways: 46% on cohesion, 43% in aid to farmers; 0.9% on education and training; and, 0.2% on social policy. There is a debate on whether the EU spends its budget on **the right priorities**, in light of today’s challenges.

### 3. Our ideas

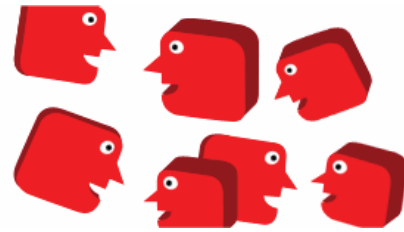
At present, the progressive vision proposed by the PES is encapsulated in “**The New Social Europe**”, presented by PES President Poul Nyrup Rasmussen and Jacques Delors, and “**New Social Europe: Ten principles for our Common Future**”, adopted at the PES Congress in December 2006.

The PES has proposed ten principles establishing a roadmap for the EU and its member states to create a New Social Europe. These are:

1. Rights and duties for all
2. Full employment
3. Investing in people
4. Inclusive societies
5. Universal childcare
6. Equal rights for women and men
7. Social dialogue
8. Making diversity and integration our strength



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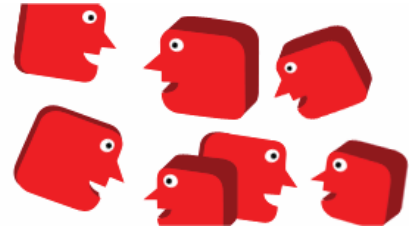
9. Sustainable societies – tackling climate change
10. An active Europe for people

European policy proposals which have been discussed within the PES on the subject of the “New Social Europe” include the following:

- A multi-annual growth and investment strategy – focusing on coordinated national public investments into priority areas such as child care, research and development – within the framework of European economic policy coordination;
- Developing EU labour law to promote high quality employment and working conditions and to fight precariousness, including that experienced by temporary agency workers;
- Strengthening social dialogue, notably through the improvement of EU labour law in relation to worker information and consultation and European Works’ Councils;
- Relaunching tripartite European social dialogue on wages, quality of work, lifelong learning and other issues;
- Tackling the issue of delocalization and industrial restructuring, for example through the development of an EU strategy to monitor transnational restructuring of industries and coordinate EU, national, and regional policies on delocalization and restructuring;
- Introducing legislation to safeguard public services, including health and social services;
- Raising the question of whether we should introduce an EU target for the minimum wage as a proportion of national GDP;
- Establishing more effective social, economic and territorial cohesion policies in the enlarged EU;
- Raising the question of whether we should safeguard against tax dumping through a common base for corporate tax and a common rate for corporate taxation;
- Raising the question of whether we should introduce regulation of hedge and private equity funds to ensure transparency, disclosure, information and consultation of workers and protect social rights;
- Completing the EU’s Single Market in the interests of European citizens, for example in the area of energy markets;
- Instituting a new right to lifelong learning for all, supported by an increase in EU funds in this area;
- Comprehensively revising the EU budget to focus on priorities of economic, social and environmental development;



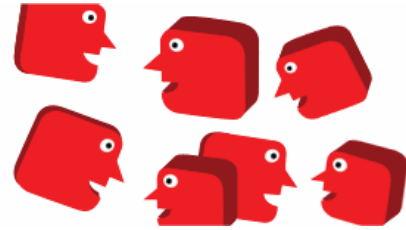
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- Exploring the possibility of a common EU admissions procedure for economic migration, combined with coordination of nationally-determined admissions policies, and a new partnership with countries of origin;
- Developing an effective and comprehensive EU policy for tackling illegal migration;
- Establishing decent work as a global objective for the EU.



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### 3. Questions for you

1. What should the EU's priorities be for Social Europe?
2. What are the biggest problems facing working people and citizens today?
3. How can the EU promote social dialogue?
4. How can the EU promote gender equality?
5. Should the EU ensure a better protection of workers' rights?
6. Should the EU address increasing inequalities in European society?
7. Should the EU set better standards for accountability, transparency and corporate social responsibility, for multinational companies, and hedge and private equity funds?
8. Should public services be protected from liberalization under Single Market rules? If so, which public services?
9. Should the EU develop new and better policies and schemes to upgrade the skills of Europe's workforce and institute lifelong learning?
10. Which priorities and policies should the EU develop in the area of immigration and integration of migrants?
11. What should a post-2010 Lisbon strategy look like?
12. What should the EU budget be spent on?

### Background documents

"The New Social Europe" report, by Poul Nyrup Rasmussen and Jacques Delors, December 2006

[http://www.pes.org/downloads/NSE\\_Web\\_interactive\\_EN.pdf](http://www.pes.org/downloads/NSE_Web_interactive_EN.pdf)

PES Congress resolution of December 2006 "New Social Europe: Ten Principles for our Common Future" resolution

[http://www.pes.org/downloads/10principles\\_FINAL\\_EN.pdf](http://www.pes.org/downloads/10principles_FINAL_EN.pdf)