



# **INCLUSIVE EUROPE, EUROPE FOR ALL**

**5 building blocks for a Europe of social justice and decent work**

**Adopted by the Socialist Group in the European Parliament, February 2008**

## A different vision of Europe

Europe has never been and can never be solely a market. It is and must remain a project for peace, democracy, prosperity - and for solidarity among nations and among citizens. It is fundamentally a political and social project. But the future of Europe's social model has become the subject of a fierce political battle. There are those who argue that Europe, though richer than ever before, can no longer afford high social standards. That nations facing the unrelenting pressure of globalisation should compete to set the lowest rates of taxation and have the fewest workers' rights.

Europe's socialists and social democrats know there is a better way. We have a vision of a NEW Social Europe, and how to achieve it. Our task is to renew, reform and strengthen our social provision, with new rights and duties and a new deal between people and government.

The task of building a fairer, more inclusive Europe is not one for the EU alone. It requires a broad partnership between citizens and public authorities at local, regional, national and EU levels - and the PSE Group wants to see decisions taken as close to the citizen as possible. But Europe's contribution will be essential: in the next few pages, we spell out what it should be.

### The Lisbon Treaty - strengthening the EU's social dimension

2008 will bring us the opportunity to put the European Union more fully and more effectively at the service of this vision of a better society. The **Lisbon Treaty** on reform of the Union significantly enhances its social dimension. It commits the EU to the objectives of a social market economy, full employment and social progress, high levels of social protection and the eradication of poverty. It includes a social safeguard clause, requiring that all EU policies take account of their social impact. It incorporates the European Charter of Fundamental Rights, with legally binding force; removes many national vetoes which have blocked social progress up to now; and imposes, on the EU and Member States alike, an obligation to safeguard public services.

## Ten principles for our common future

In December 2006, at its Congress in Porto, the Party of European Socialists (PES) adopted a report entitled *New Social Europe*,<sup>1</sup> which provided a detailed analysis of the social challenges and opportunities facing Europe and a social democratic roadmap for the future. The present pamphlet builds on *New Social Europe* by setting out the proposals of the Socialist Group in the European Parliament for **the contribution that the EU should make**. Together with our 2005 publication on economic strategy, *A Europe of Excellence*,<sup>2</sup> it spells out a vision of a 21st century Europe which combines economic dynamism and enterprise with a fairer, more inclusive and more equal society. A Europe which offers a new economic security for all its citizens, and where prosperity is built by all and shared by all.

<sup>1</sup> *New Social Europe*, by Poul Nyrup Rasmussen and Jacques Delors. Available from the PES, 98 rue du Trone B-1050 Brussels, Belgium or on their website [www.pes.org](http://www.pes.org).

<sup>2</sup> Available on [www.socialistgroup.eu](http://www.socialistgroup.eu) - press - publications

On the basis of *New Social Europe*, Europe's socialist, social democratic and labour parties unanimously adopted the following ten principles for our common future:

1. Rights and duties for all
2. Full employment
3. Investing in people
4. Inclusive societies
5. Universal child care
6. Equal rights for women and men
7. Social dialogue
8. Making diversity and integration our strength
9. Sustainable societies
10. An active Europe for people

These ten principles have inspired the approach taken in the present document. The concrete proposals made here include, and develop, those ideas in *New Social Europe* where action is needed at European level.

### **Why the EU must play its part**

In social policy, the main actors are the Member States, but we need an active Europe too:

- the market for goods and services - and increasingly for labour - is Europe-wide, yet inequality in Europe is greater than ever
- the European social model is founded on common values, from which all workers and citizens in the Union must be able to benefit: it is Europe's duty to safeguard and promote the platform of common rights expressed in the Charter of Fundamental Social Rights
- our efforts for social progress are interdependent: it is hard to raise standards in one part of Europe if they are being driven down in another.

Europe cannot be simply a common economic space with no social dimension. The single market is one of Europe's mechanisms, but not the only one. We must define more clearly at European level both the role of the market and the limits to the market.

Where the European Commission or the Court of Justice invoke single market principles to override the wider objectives of mutual support, collective security and solidarity, to undermine local autonomy in the provision of public services, to put at risk national labour market traditions or to curtail fundamental rights such as the right to strike, social democrats will legislate at European level to curb this interference, restore local autonomy and preserve the strength and diversity of Europe's social model.

## **Losing the way: the crisis of social Europe**

For much of its history, the European Union has been a driving force of social progress. European legislation has guaranteed new or enhanced rights in the workplace, in the marketplace and in daily life. Groundbreaking laws have brought big advances in the quality of life for Europe's citizens, regardless of where they lived or worked. To quote just a few:

- 1975, equal pay for men and women
- 1989, health and safety at work
- 1996, protection of workers posted across EU borders
- 2000, race and sex discrimination and equality at work.

But things have changed. In recent years, with a shift of political control towards the Right, Europe has seen few significant social policy initiatives. The European Commission has tended to see social Europe more as a cost than a contribution to growth.

Yet Europe faces a social crisis. The pressures facing our citizens are growing relentlessly, at a time when Europe is creating greater wealth than ever before:

- Economic insecurity and inequality are on the increase.
- Globalisation, economic reforms and the growing power of financial markets are producing ever more intense competitive pressures.
- More and more Europeans face precarious work situations
- More and more migrant workers are employed under abusive conditions.
- Real wage levels in many occupations are stagnating or falling
- Children's rights are violated all around Europe. Too many children drop out of school, get poor quality education or suffer from abuse by adults.
- Too many young people have difficulty finding a job and go from one work placement to another, without a proper employment contract.
- Too many people are living on the margins of our society, or even in poverty.

We cannot continue like this. Europe was not created to preside over growing inequality, insecurity, social exclusion and discord, yet that is what is happening. Both the European Union and the Member States have to offer a better model of society. They must look again at the presumptions which have underpinned the policymaking of recent years; look more imaginatively into the armoury of policies at their disposal; and bring forward robust measures to reverse the divisive social trends which are eroding the values on which Europe was built.

## **Europe delivers on reform (but leaves out some key ingredients)**

We are usually told that all Europe's economic problems are due to "failure to tackle structural reform". But it's not true. In the last 15 years, Europe has implemented a massive programme of structural reform:

- established a European Single Market - increased competition;
- created the Single Currency - less transaction costs, more competition;
- opened up many public enterprises to competition;

- deregulated important product markets, telecom, energy etc: still more competition;
- reformed labour markets;
- privatised many public enterprises;
- opened up to much greater international competition and the emergence of global financial markets;
- introduced new technology on a massive scale.

All this was done to improve productivity, growth and prosperity. So, where are the results?

The productivity statistics are disappointing. In the early 1990s, at the start of this period of reform, our productivity was growing at 2.6% a year. After a decade of reform, productivity growth in 2001-2006 was down to 1.6%, despite fast productivity growth in the new Member States.

There are two main reasons for this failure:

- Conservative and Liberal policy-makers, obsessed with flexible markets, have neglected far bigger problems that are keeping Europe from being a more competitive and innovative economy. Problems of education and skills; of research and development; of a massive waste of talent as millions of Europeans are excluded, or marginalised, from the labour market; and of failure to anticipate and manage change.
- Even the right package of structural reforms needs strong support from macroeconomic policies, with incentives for both public and private investment. All of this, in Europe, has generally been lacking.

To rescue and revive our vision of the European social model, we need a determined and activist European Union, working hand in glove with 27 determined and activist Member States. Together, they must be prepared to re-examine cherished assumptions about European social and economic policies, and to tackle head-on the social challenges of the 21st century:

- to create more and better jobs, and fight poverty and inequality
- to provide economic security for all
- to build a socially inclusive Europe
- to better harness and manage the forces of globalisation
- to build a strong social market economy for the benefit of all.

# 1 A new social Europe - for more and better jobs, against poverty and inequality

*In the European Union, one of the richest places on the planet, one in six - some 74 million people - lives below the national poverty line. But without social transfers, the figure would be 185 million and 40% of the population. These figures show how powerful, and how essential, social policy can be as a weapon against poverty.*

*Globalisation, aided by public policies, has transformed the European labour market, causing polarisation between unskilled and high-skilled work, between winners and losers, between rich and poor. The share of wealth going to workers' wages compared to that going to shareholders has continuously declined over past years, and the wage gap has increased. One consequence is a new sort of poverty among us: the working poor, the majority of them women.*

*At the other end of the scale, the richest 1% have more than doubled their share of Europe's income from 8% in 1980 to 17% now. Competition for scarce capital and skills pushes up rewards and pushes down tax rates, as public policies compound the inegalitarian impact of globalisation.*

## The Plan:

1. **More jobs - a dynamic and sustainable growth strategy.** Europe needs a smart growth strategy to restore full employment. Full, high quality employment is the best means to fight poverty and inequality - and we have the proposals to achieve it. As the PES has shown,<sup>3</sup> coordinated investment by the Member States in the five core Lisbon goals<sup>4</sup> - research, education, active labour market policies, childcare and incentives for private investment - would create millions of jobs and substantially higher growth. In addition, smart growth requires a better-managed macro-economic policy; the prevention of tax competition and social dumping; and the replacement of the three separate growth strategies which Europe is currently supposed to follow<sup>5</sup> by a single comprehensive strategy.

*"Some say that full employment is impossible. We, the PES, have made our political choice: full and high quality employment can be realised. It is the best route to make societies more inclusive and more prosperous, using everyone's potential to contribute to the creation of new resources." (New Social Europe, p. 10)*

2. **Better jobs.** Europe's economic success depends on creating a fast-moving, innovative, knowledge-based economy. That will require a highly skilled, educated, motivated labour force, world-class educational and research institutions and life-long learning. These should become the prime target of EU structural reforms and spending programmes. Labour market policies should encourage firms to build long-term, high-trust relationships with their workforce and to invest in their skills and adaptability. Employment legislation and its

<sup>3</sup> PES policy paper, *Acting together & simultaneously: higher growth and more jobs*, October 2006

<sup>4</sup> The Lisbon Strategy is Europe's 10-year strategy, adopted in 2000, to create "the most competitive and knowledge-driven economy in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion"

<sup>5</sup> The Stability & Growth Pact; the Lisbon Strategy; and the Sustainable Development Strategy.

enforcement should be strengthened to ensure safe, high-quality workplaces and secure jobs.<sup>6</sup> As a first step, the labour inspection services in Member States should be coordinated at EU level, to raise the sometimes lamentable standards of enforcement of employment legislation and to promote decent work. Health and safety protection, including protection against excessive working time, must be strengthened and updated.

3. **Minimum income.** We call for a declaration of common principles of social protection, by all EU Member States. At its heart should be the principle of a national minimum income, defined in relation to per capita GDP, which all Member States will commit themselves to work towards - at a level which lifts all its beneficiaries above the poverty threshold.
4. **An end to poverty wages.** We call for an agreement in the European Council that every Member State will establish a national minimum wage policy, either through legislation or through collective bargaining between the social partners, in accordance with national traditions. To take account of different starting points each Member State would set its own national minimum, but it should provide a decent living wage and should rise gradually, as economic circumstances permit, towards a common target.<sup>7</sup>
5. **An end to the gender pay gap.** Equal pay for equal work is among Europe's oldest Treaty objectives, but average pay for women is still 17% less than for men. We call for a radical increase in the powers and resources needed for effective enforcement of the Equal Pay Directive in every Member State. The EU's coordinating role, through instruments such as the Integrated Growth and Employment Policy Guidelines,<sup>8</sup> should be used to highlight the gender dimension of education, training and active labour market policies.

*"Some claim that enough progress has been made in equal rights between women and men and that we need not go any further. We, the PES, have made our choice: in spite of progress, inequality between women and men is still strong and we must act on it."* (New Social Europe, p. 13)

6. **A common stand against growing inequality.** Europe needs a code of conduct on taxation, to resist the erosion of the tax base through competition for footloose capital and highly skilled and mobile individuals. To reduce tax avoidance and evasion, coordination among national tax administrations should be strengthened and a common corporate tax base introduced. We call also for a common commitment to progressive taxation, which pushes nobody below the poverty threshold. The 2008-9 review of EU finances must align EU revenues and expenditures with Europe's social and economic objectives - above all, combating social exclusion and discrimination, promoting social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. EU spending must be used to close the gap between rich and poor regions and to prevent a brain drain from poorer regions.

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<sup>6</sup> For details on employment security legislation see below, "Europe for economic security".

<sup>7</sup> Expressed as a percentage of the national median wage.

<sup>8</sup> The **Integrated Policy Guidelines on Growth and Employment** are the EU's principal instrument for coordinating economic and social reform

7. **Fight against child poverty and strengthening of children's rights.** We call for a national strategy and action plan from all Member States on how to prevent the reproduction of poverty via generations as well as an EU strategy aiming at strengthening children's rights. The Lisbon Treaty will include the protection of children's rights as a goal for the EU and create the necessary legal basis for further action.

## 2 A new social Europe - for economic security

*More and more European workers are in precarious jobs: 13% are now on fixed-term contracts, 23 million in bogus self-employment, with no contractual cover and little social protection. With these non-standard work contracts proliferating, more than 80 million Europeans unemployed and 70 million classed as at risk of poverty, insecurity has become a pervasive feature of Europe's two-tier labour market.*

*European and national law has helped create a two-tier labour market, by failing to extend to all workers the rights and protections enjoyed by full-time, permanent employees.*

*And because of the growing intensity of competition and the unpredictability of economic shifts, feelings of insecurity are more and more shared by full-time, white-collar and even managerial or professional employees.*

### The Plan:

1. **Take action against precarious work and abusive labour practices.** All workers should enjoy a core of rights regardless of employment status.<sup>9</sup> As a first step, we need the rapid adoption of European legislation to protect temporary agency workers and Europe-wide action against undeclared work and the exploitation of undocumented or migrant workers. The EU should urge all Member States to ratify the UN Convention on the Rights of Migrant Workers and the Council of Europe Convention on Trafficking.<sup>10</sup> European legislation should establish minimum norms and standards for internships, including a time limit, a decent living wage, social security benefits in line with local standards and links to educational programmes.
2. **Break down labour market segmentation.** European action is needed to break down barriers to the integration into the labour force of women, migrants, older or younger workers and other disadvantaged groups; remove obstacles to occupational and geographical mobility; help workers to reconcile their work and family lives and help the transition from an old job to a new high-quality job. Through its Integrated Policy Guidelines, the Union should insist that Member States coordinate improvements in access to training and retraining, especially for workers with non-standard contracts.
3. **Implement employment protection legislation effectively.** Revise unclear legislative texts and issue clear guidelines. Ensure that Member States meet their statutory responsibilities to ensure that workers posted on their territory benefit from the same conditions as local workers, established through legislation or collective bargaining - and where necessary strengthen the EU legislation on posting of workers to safeguard this objective. Provide a permanent European platform for cross-border cooperation among government agencies, together with trade unions, to fight abusive employment practices.

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<sup>9</sup> Including equal treatment, health and safety protection, provisions on working/rest time, freedom of association and representation, collective bargaining, collective action and access to training

<sup>10</sup> A more detailed PSE Group paper "Common principles for flexicurity", can be found at [www.socialistgroup.eu](http://www.socialistgroup.eu)

4. **Promote European collective bargaining**, through strong unions and closer consultation between companies, employees, trade unions and public authorities; encourage the extension of collective bargaining and social dialogue to include training, work organisation, restructuring and relocation; develop early warning systems so employees whose jobs are threatened have time to find alternatives; and provide a supportive legal framework for cross-border negotiations and European-level mediation services. It is of immense importance that the fundamental rights of trade unions to take industrial action are defended and that nothing in European laws or policies should call into question social standards or the effectiveness of national collective bargaining systems. That is why, in Section 5, on the Social Market, we propose that all single market legislation should include a *social safeguard clause*.

*"Some say that the time for organised labour is over. We, the PES, have made our choice: as work is an invaluable part of life and society, the way we organise our work and our shared responsibilities through trade unions and employers' organisations is fundamental for modern society". (New Social Europe, p. 14)*

5. **Adequate, sustainable and transparent pension systems:** develop mobility of pension systems across the EU, taking better account of atypical forms of work and career breaks, promoting active ageing, labour market participation, demographic renewal and recognition of the true value of the contribution of carers to society.

### 3 A new social Europe - for diversity, integration and inclusion

*The newly enlarged Union embraces a wider range of cultural traditions; greater variations in the quality of social infrastructure; greater extremes of poverty and wealth; a wider range of problems of social exclusion - such as the position of the Roma in some Member States; and higher levels of migration, both from within the Union and from third countries.*

*While European legislation has greatly strengthened protection against discrimination across the EU, much remains to be done, especially on implementation and enforcement, where some Member States are clearly failing to meet their responsibilities.*

*Exclusion from the workplace, in particular, threatens Europe's prosperity. In the next 25 years, Europe's working age population will drop by 20 million, yet Europe is far from its target of getting 70% of the working-age population into jobs. Most of those whom we need to bring into the workplace face barriers through lack of skills, discrimination, , age, disabilities or problems of reconciling family and professional responsibilities.*

*Policies to break down these barriers are an urgent priority both for Europe's social policy and for its economic success.*

#### The Plan:

1. **Strengthen anti-discrimination legislation and enforcement:** European legislation offers protection against discrimination in the workplace on grounds of race, religion or belief, age, disability or sexual orientation. But outside the workplace, only race and sex discrimination is covered. The broad protection enjoyed at work should be extended to cover discrimination elsewhere, for example in education, social security, healthcare, access to goods and services and housing. Europe must fight all manifestations of racism, intolerance and extremism and defend firmly its commitment to equality. Stronger action is needed to encourage the integration of workers with disabilities into the workforce. And Europe should take action against all Member States which are not properly implementing the existing Directives.

*"Some try to take political advantage of xenophobia and hatred in relation to minorities and immigrants in Europe. We, the PES, believe European societies must reject all forms of intolerance and hatred. Everyone has the right to live in dignity and be treated with respect regardless of their nationality, ethnic origin, race, gender, sexual orientation or religion"* (New Social Europe, p. 14)

2. **Introduce a common European migration policy,** with Member States sharing costs and responsibilities, a common admissions procedure for economic migration and coordination of national admissions policies We need better cooperation between Member States' border control services against irregular immigration channels, with integrated control of external borders to protect migrants' basic rights and fight people-trafficking.

3. **Put effective policies for integration at the heart of Europe's migration policies.** We call for a European Charter for the Integration of Migrants, with all Member States providing access to language-learning, information on common European values and respect for cultural diversity. A new European citizenship of rights and responsibilities should ensure the right to vote and access to education and childcare, with both a right and a duty to learn the language of the host country. There must be rights for migrants to seek jobs and to enjoy full trade union rights. We call for EU codes of conduct for ethical recruitment, for decent work in Europe and in developing countries and for EU firms to show social responsibility. Employers who exploit migrants should face penalties.
4. **Tackle the root causes of migration,** through a stronger commitment to conflict resolution, and a redoubling of Europe's contribution to the Millennium Development Goals, in particular through better use of development aid and more pro-development trade policies. A "Savings for Development" fund should be created, so that remittances from migrants are used in productive investments. Management of migration should form part of EU development policy, in partnership with countries of origin. Fair readmission agreements should be concluded which respect the rights of migrants and the needs of Member States and countries of origin and transit.
5. **Expand access to education and training.** To compete at the leading edge of the global economy, Europe will have to ensure universal access to quality education and training. More attention and more financial resources are needed, with support from EU structural and Lifelong Learning funds - including, a big expansion of support for vocational training through the Leonardo Programme. In 2008, the PSE Group will establish a group of independent experts, drawn from training specialists, business and trade unions, to develop a detailed proposal. We propose further the creation of a European right to life-long learning and second chance education for all those without tertiary education. EU benchmarking should be used to encourage Member States to increase the participation of all disadvantaged groups. Better recognition is needed for informal learning, which is crucial for better integration of the disadvantaged.
6. **A workplace compatible with family life.** The long-hours work culture should be tackled through updating legislation on working time. Europe faces a demographic challenge which will require active policies to help parents to work, or to continue their education or training. The Parental Leave Directive should be strengthened and Member States should be held to the promises made at the Barcelona European Council in 2002 on high quality childcare provision, integrating pre-school education into lifelong learning strategies.

*"Some say that child care is a private matter and nothing more. We, the PES, have made our choice: European countries should move towards childcare for all who want it."* (New Social Europe, p. 13)

7. **Use Europe's Structural and Cohesion Funds as a weapon against exclusion and poverty.** They should be used, for example, to extend childcare facilities and lifelong learning provision in Europe's poorest regions; to improve social provision for care of the elderly; and to fund the programmes needed for successful integration of migrants.

8. **Active ageing.** The EU, through the Lisbon Strategy guidelines, should encourage Member States to improve working conditions and training for older people in order to enhance their ability, if they so choose, to stay in employment. Life-long learning systems must create opportunities for all age groups including the old. A coordinated improvement is needed in the quality of care for the elderly across Europe, with decent work and rewards for the carers.
9. **Mandatory social impact assessments** should be made of proposed EU legislation, and of the implementation of existing EU competition and internal market law.

## 4 A new social Europe - for a better managed globalisation

*Globalisation can boost growth and efficiency. But it also creates new pressures on the European economic and social model through more intense competition and more rapid change.*

*Europe is now, as never before, competing with countries in widely diverging social, economic and political circumstances. Through downward pressure on social and environmental standards, unskilled wages, or taxation of highly mobile factors of production, global competition has become a contest between alternative economic and social models.*

*As the biggest economy in the world, Europe must play a more active part in designing the rules and institutions of global governance in the interests of a world that reflects the values of solidarity, social justice, social inclusion and environmental sustainability. And we must coordinate our resistance to any erosion of our own social and environmental standards.*

*Rapid change in the global economy has led in the last two decades to unprecedented waves of mergers and restructurings. Europe should not put up barriers to hold back the pace of change. But we must become better at foreseeing, preparing for and managing change. And decisions on how to respond to change must reflect the interests of all stakeholders, not just those of shareholders or investment funds.*

### The Plan:

1. **Build a Europe of Excellence.** At the heart of Europe's response to globalisation must be to create "the most competitive and knowledge-driven economy in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion" - the goal set out in the EU's Lisbon Strategy. But we need a re-ordering of the priorities of that strategy. At its heart should be policies to build world-class institutions of education and research, to create the world's most highly educated and skilled workforce and to build on the competitive edge Europe gets from its high quality public services and its social harmony. The PSE Group has set out these priorities in more detail in our pamphlet *Europe of Excellence*.

*"Some say that we just need to focus on opportunities for the highly skilled, not minding the poor prospects for the low-skilled without higher education. We, the PES, have made our choice: the inclusive choice of investing in the capabilities of all people." (New Social Europe, p. 11)*

2. **Revise and strengthen the Works Council Directive.** This Directive and the piecemeal European legislation on information and consultation adopted between 1975 and 2002 should be strengthened and updated to provide improved rights to timely information and consultation on company plans, better retraining opportunities, access for workers' representatives to expert advice, access for European Works Council Members to company sites and EU funding for training of workers' representatives. There must be adequate sanctions to deter companies from breaching the legislation.
3. **Strengthen the European Monitoring Centre on Change (EMCC).** EMCC funding and staffing should be increased, so it can discharge fully its task of monitoring industrial trends and anticipating restructuring and liaise better with other European institutions, including the European Parliament. Each company with a European dimension should be required to establish an annual report on "managing change" (a social assessment), providing information on trends and prospects in production, employment, wages and working conditions.
4. **Expand the Globalisation Fund.** In its first year of life, the EU Globalisation Fund - created in 2006 to provide rapid help for workers made redundant by industrial restructuring - has a budget of only €500 million , and restrictive terms of reference may prevent the effective use even of that limited sum. We call for sufficient finance and technical expertise to ensure that workers made redundant by restructuring get the help they need - education and training, mobility and job placement - to find a new, high-quality job.
5. **Ensure stable, transparent funding for long-term investment**