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Social Europe and the challenge of globalisation

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I. How the social agenda is being redefined as an unbalanced narrow economic agenda: 'reform or sink'

In reaction to the French and Dutch 'no-vote' to the draft Constitution, the UK presidency has brought the issue of the European Social Model to the discussion table. The presidency's formal intention is to ease the widespread fears that, in the face of globalisation and ageing, the overall welfare state will become unsustainable.

Whether politicians will succeed in easing these fears is, however, by no means certain. Indeed, the discussion of a 'modern' social model may also be used as a cover to question the need for, and desirability of, labour market regulations and social insurance systems that protect workers' rights.

On the basis of several speeches and papers², this offensive on workers' protection can be decoded as follows:

- Central to the attack on Social Europe is the phenomenon of globalisation. Globalisation indeed implies (rapid) change. It implies that lower-added value activities disappear and are to an increasing extent transferred to emerging low-wage economies. Resources freed up by sectors and firms restructuring employment are then able to flow into new activities. In other words, workers need to move from activities and sectors in decline into

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² Speech by V. Spidla, 'Modernising the European Social Model', delivered to the Lisbon Council, 20 June 2005, speech 05/365. Speech by P. Mandelson, 'A modern Social Agenda for Europe', delivered to the Reuters Newsmakers event, 23 June 2005. Speech by T. Blair to the EU Parliament on 23 June 2005. A.Sapir, Globalisation and the reform of European Social Models.

other jobs that fit better with the new international redistribution of labour. Social Europe, it is claimed, stands in the way of such a process of 'creative destruction' by protecting existing jobs many of which would need to disappear anyway. Moreover, employment protection and generous unemployment benefits are accused of having the effect of immobilising workers, thereby blocking the process of creation of new jobs.

- Hence, from the standpoint of globalisation the institutions or instruments of the 'old' European Social Model (job protection, high social protection and harmonised labour standards) are considered to have outlived their usefulness. Standing in the way of economic efficiency and hindering international competitiveness, these 'old' social instruments are regarded as weakening the economic and financial basis on which our social model rests. Social Europe is thought of as undermining its own economic and financial basis.
- What then is the alternative? Those who attack Social Europe stress that the basic objectives of social cohesion and low poverty should be retained but that we need to deploy new and 'modern' instruments to achieve these same objectives. Instead of protecting existing jobs and financing 'leisure', policymakers need to shift attention to investing in education, skills and training, in other words, in a highly skilled labour force. A skilled labour force makes it possible for the European economy to move upwards in the process of international re-specialisation and provide the financial basis for those social arrangements that do continue in existence. At the same time, a highly skilled labour force can fully exploit the (job) opportunities on the European internal market, making labour market regulation and strong trade unions superfluous. An exclusive focus on 'Jobs, jobs, jobs' is another part of this agenda. With jobs being thought of as the best way out of social exclusion,

the slogan has become ‘social is what ever creates employment’. Social policies that protect workers and correct market outcomes are considered detrimental to job growth as well as to social cohesion. On the basis of the assumption that increased economic efficiency automatically ‘trickles down’ to all workers, economic policies (including dubious proposals such as the services directive and further indiscriminate liberalisation of network industries) now receive full and exclusive priority.

This is indeed an intellectual ‘tour de force’. Behind the flagship of a modern social agenda for innovation, a type of labour market is being promoted in which employers are unconstrained – or considerably less so than before – by rules and regulations protecting workers’ rights. Instead, ‘skills’ and ‘competition for skilled workers’ are seen as a substitute policy agenda protecting workers from abuse by employers.

The rest of this text consists of a detailed argument that this way of looking at Social Europe is completely wrong. Labour market institutions regulating workers’ rights and the policy agenda of investing in training and mobility of labour should not be seen as substitutes for one another, for they are in fact highly complementary. A labour market that does not protect workers’ rights against the balance of power enjoyed by employers on a free labour market will be the worst enemy of upward mobility and the knowledge society. A real modern social policy agenda is not about deregulating workers’ protection, it is about topping up existing workers’ protection with investments in skills and measures to promote upward mobility and, where necessary, bringing such regulations closer into line with this agenda of skills and upward mobility.

II. On the pitfalls of flexploitation and downward flexibility

What would happen if an agenda of ‘jobs at any price’ were to scrap substantial parts of labour market regulation and social protection schemes providing protection for workers on the labour market?

The principal effect would be to considerably weaken the bargaining position of workers. Workers would often have no other choice than to accept substantial wage cuts and ultra-flexible, low paid jobs with very long working or unsocial hours. As a result, wages would fall, working conditions would deteriorate and poverty and inequality would rise sharply. Indeed, this is what has been happening in those OECD economies that have a deregulated labour market – such as the US – or that have applied the deregulation recipe – such as the UK in the wake of the Thatcher reforms. Nevertheless, supporters of the deregulation view will argue that ‘any job is better than no job’ and that low paid/flexible jobs are to be seen as a ‘stepping stone’ to better jobs. The reality, however, is that excessively flexible/low paid jobs are not a ‘stepping stone’ to better (paid) jobs, but act instead as a ‘bad job traps’. Workers – but also companies – will be faced with several perverse mechanisms that lock them into continuing a practice of accepting and offering low paid, low productive jobs.

Bad jobs block the road to a skilled workforce

Labour markets characterised by an abundance of precarious work are in danger of creating a social underclass from which workers and their families have little or no chance of escape. Avenues for escape are closed down in particular by the fact that unprotected labour markets destroy the incentives and practical possibilities to invest in education and skills:

- It starts at the youngest ages. Children born into poor families have substantially lower rates of success in obtaining sufficient educational attainment because basic attitudes that are conducive to

learning are determined in the first years of life. Along with gender issue considerations, this is one of the reasons why high-quality, broad and affordable child-care facilities are extremely important in providing all children with the basic learning skills they will need during the rest of their lives. Given the importance of ensuring that children do not grow up in poverty, deregulated labour markets that create jobs paid at poverty wage rates are to be avoided. Here, one need only look to the negative experiences in the UK after the Thatcher reforms where the number of children living in poverty increased sharply from 1.4 million at the beginning of the eighties to 4.4 million in the mid-nineties.

- Low pay and poverty continue to block proper educational achievement when youngsters reach the age at which (child) labour is no longer forbidden, for these youngsters then face pressure to support the low family income by leaving school and taking up a (low-paid) job. For example, at the beginning of the nineties, an OECD report on the UK signalled the fact that children living in families with low-paid jobs tended to drop out of school early to take up a low-paid job that would supplement the family income. In this way, children of low-wage earners end up in the same kind of dead-end jobs as their parents, thereby perpetuating the cycle of poverty over the generations and reducing the supply of skilled workers available to the economy.
- Even in working life, excessively flexible labour markets continue to keep workers from upgrading existing skills and acquiring new ones. A further result of low pay it is that it is very difficult to finance further education. Low pay is also accompanied by hierarchical working conditions which reduce the incentives for those at the bottom to upgrade their skills. Importantly, since low pay

and long working hours tend to go together as workers try to secure an overall living income, workers simply do not have enough time available to engage in lifelong learning!

Given all these difficulties facing workers in 'second tier' jobs, it should come as no surprise that statistics show that important segments of workers holding low-paid and temporary jobs remain in such jobs or bounce in and out of employment. Even after a time span of six years, 37% of temporary workers continue to find themselves in the same position. Non-transition rates (56%) are even worse for those holding low-paid jobs: here 26% of low-paid workers remain in such a job after 7 years with 30% having dropped out of employment altogether (European Commission, 2004). The same report also found that countries with the lowest incidence of low pay also presented the highest probability of moving out of low pay (Denmark, Italy, Finland, Austria, Portugal), whereas the UK has a higher than average incidence of low pay but a lower than average probability of moving from low pay to higher pay. It is also worth noting that workers without a level of secondary education have very low access to further training. Only 2.3% of them participate in educational programmes, against 15% of workers with higher education (European Commission, 2003). This naturally limits the possibilities of moving up the job ladder into a better paid job.

The overall failure of those labour markets on which workers are unprotected to deliver a skilled workforce can be illustrated further by looking at the US. It is surely no coincidence that the US, with its rather deregulated labour market and high income inequality, fails to provide its workforce at large with sufficient skills:

- Europe's early school drop-out rate (18%) is certainly too high. But judging from the percentage of upper secondary graduates to the population at the typical age of graduation, the US is in much worse shape. The US figure is only 73%, way below the

OECD average of 80%. Almost all European countries do much better, with Denmark, Germany, Poland and Finland achieving results far above the OECD average.

- The OECD (1996) study on 'Literacy and the Economy' shows that 15% of native-born, high school graduates in the US do not even possess the minimum level of cognitive skills necessary to be 'trainable'. This figure is twice the level in Germany or Sweden (quoted in Esping-Andersen, 2000).
- Germans with relatively low educational attainment score as high as average Americans in literary skills (OECD 1997 as quoted in Schetkatt, 2000).

The arguments of those who claim that workers' rights are a 'relic of the past' and that we need to invest instead in skills are highly inconsistent. As illustrated above, the worst enemy of a skilled workforce is an unregulated labour market that compels workers to accept 'second' or even 'third' class jobs. Dismantling worker protection will deliver a serious negative blow to the agenda of improving the skills and education of the workforce at large, notwithstanding the amount of lip-service paid to the need to invest and engage more in the learning society. If this deregulation agenda were to be pursued, Europe would find itself with an insufficiently skilled work force and far worse placed to tackle globalisation by upgrading its economy. Policymakers urgently need to realise that the two agendas of workers' rights and a skilled workforce are not substitutes for one another but, on the contrary, mutually complementary agendas.

Bad jobs keep firms from engaging in innovation

Many employers are arguing these days for downward labour market flexibility. However, what these employers do not realise is that a labour market that does not try to control and limit precarious jobs will have a profoundly

negative influence on business innovation behaviour and business workplace strategies:

- Why invest in product or process innovation if employers know they can rely on workers to 'bail them out' by accepting cuts in wages and working conditions? Why invest in innovation if employers realise that competitors that are not constrained by general standards on wages and working conditions will react by cutting workers' wages and lengthening (unpaid) overtime? Indeed, the competitive advantage and higher profitability that the innovative firms might otherwise have derived from their innovation immediately disappears.
- With precarious work spreading through the economy, employers will eventually get caught in a 'low skills/low working practices' equilibrium. Investing in a modern work organisation and in workers' skills may very well produce good results in the medium to long run. But confronted with 'cut-throat' competition coming from firms that rely on low wage/long working hours, firms will rarely find short-run room to start up such investments. In that case, the business model of crude workers' exploitation will be hard to escape from, even where employers might wish to act otherwise.
- This explains the paradox noted in the literature on business and workplace models. Indeed, this literature observes that, despite the fact that 'high-performance' and 'participatory' workplaces produce better results, these workplace practices are not widely implemented. The reason is that labour markets that are too flexible stand in the way of adopting such innovative workplace practices. Again, the flexible UK economy in which only one in seven workplaces are considered a 'high performance' workplace, may serve as an illustration (Michie and Sheehan 2003). It is also the

case that ‘high performance’ workplaces are more common in those European countries that protect workers’ rights and regulate their labour markets (Lorenz and Valeyre 2003).

Today’s official Commission philosophy is to liberalise markets and increase competition to the maximum possible extent in order to create powerful incentives for innovation. However, this approach fails to recognize that firms can also escape competitive pressures by resorting to wage and social dumping – in which case more intense competition will result in precarious jobs and ‘cheap’ workplaces, and hence in less, not more, innovation. If the internal market’s competitive force is to be channelled into innovation, it is crucially important to have a social single-level playing field so that the competitive drive of business and markets can be channelled into efforts and solutions that target new products and higher productivity instead of lower wages and worse working conditions. State subsidies and aid that shelter inefficient firms from competition on the internal market are condemned and vigorously attacked by the Commission. But it is important to be equally aware that unfair competition on the social field is as much the enemy of an efficient and innovation-minded internal market as are unjustified state subsidies.

Getting the globalisation argument right: firms and not governments should be competing with each other

Staunch proponents of the globalisation argument will claim that, even though Social Europe is taking workers’ rights out of competition on the internal market, the fact remains that Europe is now competing with China and other emerging economies that use extreme exploitation of workers to their competitive advantage. In the opinion of these pundits, social standards on our internal market are a thing of the past because they are being bypassed by globalisation.

But would giving up on European workers’ standards and social protection solve the problem? Would it save jobs from competition from China? The answer is no. The wage gap with emerging economies such as China is simply so deep that we can never hope to overcome it. And if we were to try to establish an absolute cost advantage, then we would enter into a ‘race to the bottom’ between European member states, which would destroy our own internal market itself by undermining domestic purchasing power.

What needs to be done instead is to upgrade the European economy into areas of activity where competition from low-wage economies is less strongly felt. This implies improving productivity through high-performing workplaces as well as through innovation in new products and services where Europe has a comparative advantage. Stated differently, the right policy answer to globalisation is not about trying to obtain the absolute lowest cost level but about re-specialising European economies into those sectors and activities for which they hold the best comparative advantage.

This is why the argument that we can no longer afford high social standards on the European markets is false. With globalisation, countries are specialising to direct their energies to different kinds of activity and sector: low(er) value-added activities for the emerging economies, activities higher up the value-added ladder for Europe. In that case, high social standards and a social level playing field in Europe do not in the first place affect activities in which Europe has a high level of specialisation. If social norms do affect activities that suffer from competition with low-wage economies, then it is more than likely that this kind of activity will move to the rest of the world anyway. Failure to respect European social standards may buy a little bit of time for these activities, but they are activities that will disappear anyway.

III. A modern social agenda for upwards flexibility: the trade union view

As explained above, workers' rights and social protection schemes, by laying down 'floors' in working conditions on labour markets, keep both workers and employers away from situations that can be described as 'bad job traps'. As such, they prevent the economy from taking up the competitive challenge with emerging economies on the basis of low wages and excessive flexibility, thereby risking losing workers' skills and innovation opportunities on the way.

However, the function of Social Europe goes further than that. Though the neo-liberal propaganda machine systematically chooses to focus on the so-called rigidities of Social Europe, claiming that worker rights and social protection are detrimental to change, in reality workers' rights and social protection schemes can be an enormous help in addressing the challenges of globalisation by increasing workers' mobility and agility in relation to new sectors and activities.

To put it differently, the agenda of workers' rights does not only block the 'low' road; it also opens up the 'high road' response to globalisation.

How 'old' rights contribute to the 'new' agenda of labour market agility

Two examples can be given of how the agenda of protecting workers' rights may serve the agenda of mobility and upgrading on the labour market:

- From the present popular discourse on globalisation, the impression will be gained that employment protection legislation (EPL) is to blame for much of what is wrong. It is argued that EPL is trying to provide workers with 'a job for life' whereas workers should respond to globalisation by moving from one job to another. It is also claimed that EPL is

keeping employers from creating new jobs out of a fear that firing new workers would be impossible or too costly. Much of this is highly exaggerated and resembles the creation of a straw man in order to attack something that does not really exist. With the possible exception of some public sectors, the model of 'a job for life' is no longer a real-world model, not even in highly regulated Europe. In many European countries, open-ended labour contracts can be terminated in a reasonable time span. For example, the table below, taken from the 2004 OECD employment outlook, describes the notification period for workers with 4 years of tenure in case of collective dismissals. If Denmark is the reference benchmark for 'flexible' job protection schemes, it turns out that many other European countries are quite as flexible as Denmark. (Of course, these statistics have to be interpreted with caution: on the one hand, job protection is also determined by issues and procedures other than just advance notification, such as prior approval from labour courts/directorate in the Netherlands; on the other hand, these notification periods register only 'legal' employment protection schemes, whereas countries with low levels of EPL may actually top this up through specific collective agreements).

Notification period in case of collective dismissals for a 4-year tenure worker

Denmark	4 months
Austria	2 months
Belgium	4 months
Finland	2 months
France	2 months and 20 days
Germany	2 months
Italy	2.5 months
Netherlands	1.5 months
Sweden	Approximately 6 months

Source: OECD Employment outlook 2004

In addition, fixed-term contracts and temporary agency work allow employers the work-

force flexibility that they seek when faced with uncertain demand and production prospects.

Moreover, research (including OECD research) has shown no results linking stronger employment protection legislation with higher overall unemployment rates. The only conclusions on which economic research seems to agree is that EPL may have detrimental effects on the unemployment rates of women and youngsters, while it does increase the employment rate of older workers.

In any case, the discussion of a reform of EPL should not take place with an exclusive focus on possible rigidities, for it must be recognised at the same time that EPL has an important role to play in ensuring upward mobility of workers. EPL has the potential to promote this purpose by providing prior advance notification to workers who will be hit by restructuring, thereby providing workers with a head start in their search for a new job. It also creates a not-to-be-missed opportunity to provide workers with measures to support them in the process of change. Instead of letting workers tumble into unemployment and then trying to 'pick them up' by activation measures after one or even two years, notification periods can *and must (!!!)* be used to organise active labour market measures right away.

This is actually the practice in the Scandinavian countries, including Denmark. The Danish/Scandinavian model is not entirely about lack of job protection. The Danish system is also about protecting existing jobs while at the same time making productive use of this by putting in place active measures for retrenched workers. When major restructuring plans are being announced in Denmark, the public employment office, along with social partner schemes at sector level, intervene massively in the enterprise concerned in order to offer retrenched work-

ers re-training schemes, help in looking for new jobs and job trainee places in other firms. In combining 'old' workers' rights with the 'new' agenda of investing in skills, the right kind of flexibility (that is to say *upward* mobility) is being provided. The situation of the US, where more displaced workers find a job than in Europe but where this comes at the cost of accepting lower paid jobs (with wage cuts of up to 30%!), is thereby avoided. In this way, EPL, combined with active labour market measures, can help workers to take up new *and* productive jobs.

- Under the twin motto of 'making work pay' and 'eliminating unemployment traps', unemployment benefit systems are also looked upon by many economic analysts as part of an outdated social agenda that is blocking change and keeping the unemployed artificially active.

However, here too, policymakers would do well to understand that well designed and well developed benefit systems are an intrinsic part of the agenda for change. As with EPL, unemployment benefit systems have different functions and it is very misleading to focus exclusively on the possibility of an 'unemployment trap', while forgetting about their 'springboard' function. Indeed, generous unemployment benefit systems can function as a 'positive force for change' in a variety of ways:

- **Accepting change:** First of all, the fact that adequate and generous benefit systems exist to help workers accept necessary change rather than fighting change. It is, for example, no coincidence that the Scandinavian countries have the most competitive product markets in Europe: they have been able to achieve this superiority because workers know that, should they lose their job, they will be able to

- fall back on these benefit systems and do not therefore need to fear a slide into poverty and insecurity. In such an environment, structural reforms of markets are much more accepted and much more easily performed.
- **Encouraging workers to incur risk themselves.** Unemployment benefit systems also enable workers to face change voluntarily. Indeed, taking up a (new) job or undertaking new training can be looked upon as an investment from the side of workers. In many cases, fixed costs are involved (new housing, organising transport, undertaking training to acquire new skills, etc.). And workers or unemployed persons may not be willing to finance these fixed costs if there is no insurance against a possible loss of earnings. Well developed benefit systems (along with EPL) cover this risk and, in so doing, encourage workers to move between jobs. Here, one striking illustration comes from the new member states where workers do not easily move between jobs, *even if the new job is better paid and more productive* (Casez, Nesporova, 2003). In the absence of adequate unemployment benefits, eastern European workers tend to prefer to stay in their existing job so as not to incur the risk of moving to a new one and then losing it and falling back into poverty.
 - **Helping workers to address change in a positive way.** Unemployment benefits should also be seen as an investment in human and social capital. More generous benefits mean that jobseekers will also invest in more mobility, training and active job search. All of these actions are rather difficult in the absence of adequate benefits where the unemployed may simply not have the means to re-enter the

labour market or may be forced to take up jobs that are far below their productive capacity (and become trapped in the bad jobs described above). Unemployment benefits may prolong job search but they may also improve the matching process on the labour market by bringing reasonably skilled or trainable workers into decent and productive jobs. Research on the basis of household panels suggests the following outcomes: for unemployed people living at around the minimum income level, high and generous unemployment benefits strongly increase the possibility of moving into employment (Nicaise *et al.*, Gaps, traps and springboards in social protection systems, May 2004).

A new agenda for workers' rights

The preceding sections have described how, far from being an outdated agenda, workers' rights and social protection schemes – that constitute the core of the 'old' social model – are even more relevant in today's world of globalisation. Of course, this does not mean that we should not raise the question of how to *improve* these instruments so that they function even better. But this is clearly a different agenda from simply forgetting about 'old' social Europe. Indeed, forgetting about 'old' Social Europe would be like 'throwing the baby out with the bathwater'. So in our view, any discussion on modernising Social Europe should start out from and be based upon what already exists as a social model in many member states. Modernising social Europe is about preserving the main pillars and principles of existing labour standards and social protection systems, while at the same time trying to improve their contribution to the agenda of skills, mobility and labour market agility. Again, we are talking about complementary agendas and not about substituting existing protection for workers with a vague and unprecise 'semi-modern' social agenda.

What might such an agenda look like?

- **A right to productive re-insertion in the labour market for every re-trenched worker.** With ongoing corporate restructuring, many workers in Europe fear that their job might also fall victim to ‘delocalisation’ and that, should this happen, they might not find another decent paying job to replace it. This fear is a kind of self-fulfilling prophecy. It is being translated into high savings rates, thereby dragging down consumer demand, weighing on the strength of the recovery and hence the capacity to create a sufficient number of new jobs. One way to break this vicious circle is to establish the principle that every redundant worker should have a right to productive re-insertion. Social partners and governments should work to take measures to ensure that workers hit by restructuring become entitled to accompanying measures, providing them with re-training, job counselling, job trainee places, etc. Some countries have already established such rights. In Sweden and Finland, for example, social partner funds finance job counselling, re-training and job trainee schemes in other firms from the moment a worker receives a dismissal notice in the context of a collective redundancy. All of this is being done in active cooperation with the public employment services. As described above, such a right assumes that workers receive sufficient prior notification of their redundancy in order to be able to implement all of these measures.
 - **A right to instruments to make longer working over the life cycle possible.** Workers and trade unions are continuously told to end early retirement systems and to increase the retirement age. However, the more important core issue is to redesign social, education and workplace systems so that older workers indeed have the possibility of working longer over the life cycle and are not
- condemned to long-term unemployment or acceptance of precarious jobs.
 - **A right to sabbatical social protection for older workers.** While older workers should receive more intensive re-training, they have, precisely because of their age, more limited access to it. New forms of social protection should be defined to correct for this. From a certain age, workers should have the right to take a sabbatical year and to renew or completely redirect their skills and educational level. In this way, older workers can be enabled to take part in the knowledge society and keep up with continuing technological progress.
 - **A right to an adaptable workplace.** If older workers are to remain in their jobs, management needs to respond by adapting workplaces. The same kind of flexibility cannot be expected of older workers as of youngsters (night shifts, long working shifts, unhealthy work practices). A right to an adaptable workplace should be adopted, with at its core the principle that workers who can no longer perform their job for health or personal reasons are entitled to request from management a correction of their job contents and workplace that will enable them to continue working. Such a right should not be reserved for older workers alone but should apply also to workers at risk of falling out of the labour force through work-related sickness.
- **Right to active but positive labour market policies, along with adequate unemployment benefit systems.** In countries where benefit systems are inadequate (mainly, but not only, new member states), reform is required to in-

crease access to and levels of benefits. In countries where benefit systems are excessively focussed on passive measures, appropriate activation measures need to be considered. However, in effecting such changes, it is important not to fall into the trap of 'jobs at any cost'. Pushing the unemployed into bad jobs is the wrong way to address the challenge of globalisation. Activation measures need to remain positive and geared primarily to getting people into decent productive jobs. Again, much is to be learned from Denmark, where the ending of benefits is not automatic but where public employment agencies do everything possible to prevent a situation where long-term unemployed are thrown out of the system. Activation in the Danish context also means that the unemployed receive a job offer aiming to match their skills.

- **Bringing forms of excessive flexibility back under control.** In many labour markets, the share of flexible workers is too high and this risks creating bad job traps in which workers remain stuck. These traps are characterised by workers having little or no access to further training, poverty wages and lack of upward career development prospects. To tackle this :
 - Specific objectives and policies to reduce the number of 'working poor' need to be constructed
 - Situations of 'bad job traps' on the labour market need to be identified as well as policies to address the problem.

With labour market instruments in operation mainly at the national level (labour law, social security), the previous agenda for a modern social Europe is predominantly a national one. Nevertheless, the European level can and should also play a decisive role:

- European Social dialogue can take up the role of highlighting good examples and setting out the principles to be followed

by national social partners. Reference frameworks in the autonomous European Social Dialogue could take this up.

- Additionally, new European directives that take excessive and unfair competition on working conditions out of internal market competition should also be considered (Revision of the working time directive/Adopting a directive on temporary agency work/A new directive on autonomous economic dependant workers, etc.).
- Finally, social partner and collective agreements determining this modern agenda for new workers' rights should also be financially supported by the European Structural Funds.

IV. Conclusion

The question is not whether or not our economy needs to be flexible. With globalisation, there is not a shadow of a doubt that the European economy needs to have the flexibility to reorganise and upgrade itself to focus on activities characterised by innovation and higher added value. Europe needs to move up the ladder of international specialisation to keep ahead of the emerging economies. The real – and highly urgent – questions are the following. Which policies provide us with the right kind of flexibility? How do we avoid 'downward' flexibility, that is to say, a type of flexibility that lures Europe into the trap of competing with low-wage economies on a battleground where we cannot possibly win? And how to formulate policies that open up a perspective on 'upward' flexibility, that is to say, policies that allow us to re-specialise in activities where the competitive pressure from low-wage economies is less acute and that offer new export possibilities? That is the question to be addressed by the Summit. We have shown that the links between the old and the modern Europe are neither to be denied nor ignored. We need new social rights that promote mobility and agility of workers. And we need to establish these new social rights by taking the old ones as the basis for our endeavours, not by demolishing these old rights

but by adapting them where and whenever necessary. That is the real agenda that the Summit should be discussing, and not the nineteenth-century agenda of labour market deregulation concealed beneath the flimsy veil of fine-sounding social policy slogans.

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