Is Europe Losing its Soul?
The European Social Model
In Times of Crisis

Daniel Vaughan-Whitehead
ILO, Geneva
• Result of **long term cooperation between ILO and EC**
• Aimed at capturing changes in social policies and role of IR
• Series of books and conferences:
  • Working and employment conditions in new EU member states: Convergence or diversity? (2005-2006)
  • Evolving world of work in the enlarged EU – Progress and vulnerability (2007-2008)
  • The minimum wage revisited in the enlarged EU (2009-2010)
  • Work inequalities in the crisis (2010-11)
  • Public sector shock (2012-13)

New project on the European Social Model (2013-14)
The format and objectives of the project

• Set up a group of high level national experts on 12 EU countries with the analysis often extended to 30 European countries

• To respond to simple questions: What was the ESM prevailing in their country before the crisis? What were the changes in this model that took place before the crisis and since then? What have been the effects of such changes?

• The group collected information and data and also carried out a number of case studies to illustrate the most significant changes and their effects. Led to the Conference volume
What is the European Social Model?

- Paradoxically no official EC definition
- But qualified during several European summits
- Could be defined as ‘set of European Community and member-state legal regulations, but also a range of practices aimed at promoting a voluntaristic and comprehensive social policy in the European Union. Beyond this, ESM also represents sharing common views and values/principles on different social issues and their importance within the EC construction’ (solidarity, equal opportunities, social cohesion, social dialogue, quality, etc.)
- ESM also defined according to what EU members have in common / other non-EU countries
Main Pillars of the European Social Model

- Increased minimum rights on working conditions
- Inclusive labour markets with more and better jobs & decent wages and living standards
- Universal & sustainable social protection systems
- Strong & well functioning social dialogue; democracy in the workplace
- Public services & services of general interest
- Cohesion through increasing use of EC instruments; inclusive society
EU support of the European Social Model or
the ‘social acquis’

- EU **Social legislation** to extend minimum legal rights of workers
- Social solidarity at EU level through a redistribution of European **social funds**
- A flexible and coordinated framework between member states (**open method of coordination**)
- **Social dialogue** at EU level
- Extending social rights through fundamental **social charters** (to complement the absence of legislation in given areas)
ESM worked early crisis through automatic stabilizers

- **Increased social expenditure** to cushion social implication of economic shock (increased unemployment; precarity; etc.)
- **Social institutions** also worked in some countries that managed to limit or contain layoffs and unemployment increase i.e. those who avoided layoffs though institutional arrangements (*short-time working schemes*) and **social dialogue** (DE, BE, LU)
- Conversely those with less elements of the ESM, such as new Member States from CEE, endured **immediate and massive layoffs** and higher wage cuts during the crisis (EE, LT, LV)
Annual growth in real public social expenditures
EU27 Countries (2001-2011)
The second part of the crisis: Austerity packages

- Despite the usefulness of ESM elements, budgetary considerations led to reconsidered social policies.
- Adjustments more important where budgetary deficits the highest (EL, PT, ES, IE, etc.) (budget deficit often explained by banks’ refunding as in IE)
- Those that had stabilized their budget earlier were not under pressure to remove their social policies (i.e. SE and other Scandinavian countries)
- Contradicting quotes on the ESM

In the end, is the ESM useful or unsustainable and out of date?
What has been weakened?

**Working Conditions**
- Interventions in freedom of Association
- Minimum wage cuts/OTT cuts
- Heath and Safety Violations

**Labour Market**
- De-regulation
- Hire/fire rules
- Temporary contracts
- Cuts in active labour market policies

**Social Protection**
- Pension reforms
- Cuts in unemployment benefits
- Reduced social security and social allocations

**Social Dialogue**
- Freedom of association
- Reduced scope of collective bargaining
- Derogation
- Structural changes in tripartism
- Trade union rights

**Public Sector**
- Public health & education cuts
- Public sector wage & employment cuts
- Privatization programmes

**Cohesion**
- Regional Cohesion
- Gender Cohesion
- Tax Policies
# Pillar 1: Basic workers’ rights and working conditions

<table>
<thead>
<tr>
<th>Right to Collective Action</th>
<th>Rights on Minimum Wage</th>
<th>Rights on Working Hours</th>
<th>Health &amp; Safety</th>
<th>Other Workers Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Repeated infringements</strong></td>
<td><strong>SD on MW interrupted</strong></td>
<td><strong>Reduced working hours</strong></td>
<td><strong>Sick advantages removed</strong></td>
<td><strong>State intervention</strong></td>
</tr>
<tr>
<td>EL</td>
<td>HU, PL, RO, EL, PT</td>
<td>BE, IT, DE, LV, LT, EE, CY, HU</td>
<td>ES, BG, SI, CY</td>
<td>EL</td>
</tr>
<tr>
<td><strong>Changes to 2010 Law</strong></td>
<td><strong>MW Cuts</strong></td>
<td><strong>Short-time working</strong></td>
<td><strong>Increased work related illness</strong></td>
<td><strong>Limited arbitration</strong></td>
</tr>
<tr>
<td>HU (core services)</td>
<td>EL, SI, HU, IE, CY</td>
<td>DE, SE, AT, NL, IT, LU, FR</td>
<td>HR, PT, EE (violations)</td>
<td>EL, UK</td>
</tr>
<tr>
<td><strong>MW Freeze</strong></td>
<td><strong>Increased working hours</strong></td>
<td><strong>Softening legislation</strong></td>
<td></td>
<td><strong>Overtime cut/unpaid</strong></td>
</tr>
<tr>
<td>CZ, FR, LV, PT, ES, LU, UK</td>
<td>ES, EL, PT, SK</td>
<td>SK, UK</td>
<td>CY, HU, SI, UK, EL, PT, HR, RO, EE, LV, LT</td>
<td></td>
</tr>
<tr>
<td><strong>Introduction of National MW +</strong></td>
<td><strong>Other trends</strong></td>
<td><strong>Other trends +</strong></td>
<td><strong>Unilateral changes possible</strong></td>
<td></td>
</tr>
<tr>
<td>DE</td>
<td>SK, UK</td>
<td>DK</td>
<td>ES, RO, UK</td>
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</tbody>
</table>
## Pillar 2: Inclusive labour markets

<table>
<thead>
<tr>
<th>Promoting non-standard employment</th>
<th>Changing rules individual/unfair dismissals</th>
<th>Rules for collective dismissal</th>
<th>Debate on age indexation</th>
<th>Active labour market policies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promoting fixed-term or agency work</strong></td>
<td><strong>Shortening notice periods</strong></td>
<td><strong>Rules changed</strong></td>
<td><strong>Lack of agreement</strong></td>
<td><strong>State withdrawal</strong></td>
</tr>
<tr>
<td>EE, LT, EL, CZ</td>
<td>SK, ES, LT, EL, SI</td>
<td>EE, EL, ES, RO, SK, LT, UK</td>
<td>BE, MT, LU, ES</td>
<td>UK, HU</td>
</tr>
<tr>
<td><strong>Increased length of fixed-term contract:</strong></td>
<td><strong>Simplifying individual dismissals</strong></td>
<td><strong>Restrictions on re-hiring</strong></td>
<td><strong>Freeze of COLA</strong></td>
<td><strong>Increased expenditure/beneficiaries</strong></td>
</tr>
<tr>
<td>CZ, PT, PL, EL, RO</td>
<td>PT, IT, EL, EE, SI</td>
<td>ES, IT, RO, EE</td>
<td>CY</td>
<td>IE, CZ, EL, LT, LV, EE</td>
</tr>
<tr>
<td><strong>Other forms of contracts</strong></td>
<td><strong>Severance pay cuts</strong></td>
<td><strong>Counter-developments</strong></td>
<td><strong>Gov. decision to increase funds</strong></td>
<td></td>
</tr>
<tr>
<td>UK, EL, ES, SI</td>
<td>EE, CZ, LT, EL, ES, PT, SI</td>
<td>BE, PL</td>
<td></td>
<td>DE, FR, SE, DK</td>
</tr>
<tr>
<td><strong>Counter-developments</strong></td>
<td><strong>New rules - unfair dismissals</strong></td>
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<tr>
<td>AT, BG, IE, SI</td>
<td>UK, ES, IT, HU</td>
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</tbody>
</table>
## Pillar 3: Social protection

<table>
<thead>
<tr>
<th>Unemployment cuts</th>
<th>Universal benefits cuts or changes</th>
<th>Pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced access/coverage</td>
<td><em>Child taxes/allowances</em></td>
<td><em>Increase of statutory retirement age</em></td>
</tr>
<tr>
<td>CZ, HU, IT, EE, LT, PT, ES, UK</td>
<td>BE, CY, LV, EL, DK, UK, PT, IE</td>
<td>AT, BE, BG, CY, CZ, EE, FI, FR, DE, EL, HU, IE, IT, LV, LT, RO, SK, SI, ES, UK</td>
</tr>
<tr>
<td>Reduced duration of benefit</td>
<td><em>Maternity/paternity leave</em></td>
<td><em>Pension cuts</em></td>
</tr>
<tr>
<td>BE, FI, DE, EL, IE, PT, FR, HU, SI</td>
<td>HU, RO, LT, LV, EE, ES, PT, UK, IE, SI</td>
<td>HU, LT, EL, CY, IT, PT, IE, EE, LV, LT, ES</td>
</tr>
<tr>
<td>Cuts in amount</td>
<td><em>Care/sickness benefit cuts</em></td>
<td><em>Change in indexation methods</em></td>
</tr>
<tr>
<td>BE, IE, PT, EL, RO, HU, SI, ES</td>
<td>BE, EE, EL, PT, IE, LT, ES, UK, HU</td>
<td>CZ, EL, CY, IT, PT, SK, ES, EE, UK</td>
</tr>
<tr>
<td>Counter-developments +</td>
<td><em>Housing benefits</em></td>
<td><em>Limitation/penalties for access to early retirement</em></td>
</tr>
<tr>
<td>DK, EE, LV, BG</td>
<td>UK, CY, CZ</td>
<td>AT, BE, CY, CZ, FI, EL, IT, ES, FR, HU</td>
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<tr>
<td></td>
<td><em>Counter-developments +</em></td>
<td></td>
</tr>
<tr>
<td>AT, BG, FR, PL, SE</td>
<td><em>Structural changes</em></td>
<td></td>
</tr>
</tbody>
</table>
# Pillar 4: Social dialogue

<table>
<thead>
<tr>
<th>Tripartism limited or weakened</th>
<th>Collective bargaining restricted</th>
<th>Limited social dialogue (SD) in public sector</th>
<th>Weakening of representative organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abolition of SD institutions/tripartite mechanisms</td>
<td>Elimination of national collective agreements</td>
<td>Lack of social dialogue in reforms</td>
<td>New thresholds for representativeness</td>
</tr>
<tr>
<td>HU, IE</td>
<td>RO, EL (results ignored)</td>
<td>FR, HU, RO</td>
<td>RO, BG, HR</td>
</tr>
<tr>
<td>Weakening of SD institutions</td>
<td>Suppression of extension clauses</td>
<td>Followed by increased protests</td>
<td>New criteria to register TU’s</td>
</tr>
<tr>
<td>IT, LT, RO</td>
<td>EL, HU, PT, RO, SK</td>
<td>EL, PT, LV, IE, LT, UK</td>
<td>CY (2012 draft law), LT</td>
</tr>
<tr>
<td></td>
<td>Inc. use of opening clauses/derogation</td>
<td>Broken agreements</td>
<td>Organizations allowed to sign CA</td>
</tr>
<tr>
<td></td>
<td>ES, IT, EL, CY, BG &amp; SI (in certain sectors)</td>
<td>ES, IT</td>
<td>EL, PT</td>
</tr>
<tr>
<td></td>
<td>Re-centralization</td>
<td>Counter-developments</td>
<td>Reduced subsidies</td>
</tr>
<tr>
<td></td>
<td>BE, FI</td>
<td>IE, EE (fewer strikes)</td>
<td>ES, HU, CY (2012 draft law)</td>
</tr>
</tbody>
</table>
## Pillar 5: Public sector

<table>
<thead>
<tr>
<th>Change in contract &amp; rehiring measures</th>
<th>Cuts in employment</th>
<th>Cuts in wages</th>
<th>Privatization/outsourcing</th>
<th>Expenditure cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increased use: fixed/part-time contracts</strong></td>
<td><strong>Most severe employment cuts</strong></td>
<td><strong>Public sector pay freeze</strong></td>
<td><strong>Extensive privatization programmes</strong></td>
<td><strong>Healthcare</strong></td>
</tr>
<tr>
<td>EL, LV, PT</td>
<td>UK, EL, PT, RO, IT, FR, LV, CY</td>
<td>AT, BE, CY, CZ, HU, IE, IT, PL, SK, UK, FR</td>
<td>EL, PT, CY, ES</td>
<td>AT, BE, CY, EL, ES, UK, LV, PT, EE</td>
</tr>
<tr>
<td><strong>Temporary contracts first to be cut</strong></td>
<td><strong>To a lesser extent</strong></td>
<td><strong>Pay cuts</strong></td>
<td><strong>To a lesser extent</strong></td>
<td><strong>Education</strong></td>
</tr>
<tr>
<td>ES, EL</td>
<td>LT, SE (-1.4% 2008-10)</td>
<td>RO, CY, EL, HU, LV, LT, HR, ES, PT, SI, UK</td>
<td>IE, IT, UK</td>
<td>EL, ES, PT, UK, IE, LV, EE, CY</td>
</tr>
<tr>
<td><strong>Restrictions on re-hiring</strong></td>
<td><strong>Hiring freeze</strong></td>
<td><strong>Constitutions against cuts</strong></td>
<td><strong>Prior to the crisis</strong></td>
<td></td>
</tr>
<tr>
<td>EL, RO, IT, PT, HR, CY, IE (-10% wages)</td>
<td>AT, HR</td>
<td>CZ, IT, LV, PT, ES</td>
<td>DE, SE</td>
<td></td>
</tr>
</tbody>
</table>
## Pillar 6: Cohesion

<table>
<thead>
<tr>
<th>Regional/territorial cohesion</th>
<th>Social cohesion</th>
<th>Gender programmes</th>
<th>Tax policies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Decentralization</strong></td>
<td>Inequalities in access to public service</td>
<td>Rise in gender pay gap</td>
<td>Across the board (rather unequal) tax hikes</td>
</tr>
<tr>
<td>IT, RO, PT, FR</td>
<td>FR, EL, ES, IT, IE, PT, CY</td>
<td>BG, LV, PT, RO</td>
<td>HU, CZ, RO, EL, IT</td>
</tr>
<tr>
<td><strong>Centralization</strong></td>
<td>Growth of discriminatory practice</td>
<td>Rise in gender equality issues</td>
<td>Increased tax measures for high earners</td>
</tr>
<tr>
<td>HU (public services)</td>
<td>SK, HU, UK</td>
<td>EL, PT</td>
<td>AT, CZ, PT, DK, CY, ES, FR</td>
</tr>
<tr>
<td><strong>Regional funds cut/increased tension</strong></td>
<td>Counter-development +</td>
<td>Infringements of the right of pregnant women</td>
<td>High VAT increases</td>
</tr>
<tr>
<td>UK, LV, ES, EL</td>
<td>AT, DK</td>
<td>EL, PT, IT, CZ</td>
<td>RO, EL, IE, PT, CZ</td>
</tr>
<tr>
<td><strong>Counter-developments +</strong></td>
<td>Counter-developments +</td>
<td>Selective reduction in taxes</td>
<td>SK, IT, SE (tax credits)</td>
</tr>
</tbody>
</table>
What effects?

- Working conditions
- Low Paid and Poverty
- Inequalities
- Employment
- Consumption
- Productivity
- Middle Class
Direct effects of the changes

Poorer Quality of Working Conditions

• New Generation of Unsecure and Unprotected Work contracts
  • Zero hours contract (UK), new contracts for youth/unskilled below MW (EL, ES), liberalization of fixed-term contracts (EE, LT)
• Work Intensification and Degradation
  • Greater workloads (ES, PT, FR) and increased working hours (ES, EL, PT, SK)
  • Human Capital Declining – increase in skills mismatch

Increase in Low Pay, Poverty and Inequalities

• 2010 Eurofound study, 40% reported difficulties in making ends meat
• Working poor EU 28 average 9.1% in 2012 (EL, ES, IT, RO are above this)
• New phenomenon of low paid among public sector (i.e. HU, RO, EL, PT, LV)
• 2008-13 significant increase in gini coefficient (IE +11%, ES +8.6%, HU +6.3%, EE +3.2%, OECD 2013)
“The pain was not shared evenly” (OECD, 2013)

Poorer households tended to lose more or gain less

Annual percentage changes in disposable income between 2007 and 2010, by income group

Source: OECD (2013) “Crisis squeezes income and puts pressure on inequality and poverty”, New Results from the OECD Income Distribution Database.
More social deficiencies also affecting the middle class

**Reduced Quality of Public Services**
- Closing down of schools and hospitals in rural areas
- Increased pressure on NHS
  - Long patient waiting lists & fewer hospital beds
- High penalties for misuse of ambulance services—many people not using this service when necessary
- Increased/introduction of university fees (IE, UK), less government funding (i.e. scholarships), higher student teacher ratio

**Impoverishment of Middle Class**
- Shrinking of Middle Income Earners
  - RO & HR -10% in 2008-10, DE -5.5 million 1997-2012, DK -111,000 people 2002-09, PT showed lack of upward mobility (IFRC 2013)
- Targets of tax reforms - stifling consumption (i.e. ES, EL, IE, IT, PT, HU)
- ESM will be unsustainable without middle class to fund it
Economic Effects: Obstacles to Recovery

Reduced household consumption, most significant in 2009
- EE -13.6%, LT -16.7%, LV -21.3%, RO -10%, CY -8.5%, BG -7%
- Continuous decrease between 2008-2013 in EL, PT, ES

Productivity crisis signals drop in motivation
- 2009, LT -6.5%, EL -4.9%, HU -3.9%, IT -2.2%

Increased Social Conflicts, Sign of Disintegration of the ESM?
- Productivity suppressed by increased work stoppages (UK +37 in 2011, EL 833 strike in 2011-12)

Historic unemployment rates - especially among youth
- Above 50% in EL and ES, above 30% in IE, HR, IT, PT, SK
- Relatively low unemployment rates maintained in HU (public works system), DE (internal flexibility), Scandinavian countries
Youth unemployment rate (%) (15–24 years)
GDP Growth for year 2012, in contrast to IMF projections made in 2009 for year 2012
The current debate on ESM at EU Level

- The ESM has been undermined along the economic crisis and constraints on public spending
- Such ‘internal devaluation’ had negative effects on aggregate demand, human capital (incl. emigration) & social cohesion
- ESM crucial to help tackle the jobs crisis in Europe (must consider the costs on a non-social Europe especially for youth)
- Need to address sustainability of social protection system (increasing demand plus shrinking workforce)
- Focus so far on human capital and mismatch (2 million unfilled vacancies in EU) but need to extend.
Policy questions

• What is the empirical evidence? Need to continue to provide empirical evidence on effects (short-term but also long-term, social and economic; and also for non EU countries)
• What are the changes that took place because of sustainability and those that were rather imposed by budgetary conditions?
• Among those changes, what are those that are reversible and those that might turn irreversible?
• What could be a more balanced policy mix? Better on economic side and would avoiding removal of social policies
• What are the necessary policies and institutions that could eventually be re-introduced? (like minimum wage policy, social dialogue and collective bargaining; etc.)
• What are and will be the assets and value of the ESM compared to/for non-European countries also engaged in reforms (China etc.)? What type of cooperation with IMF, OECD, G20?