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**Working Paper**

## Social Europe: Yesterday, today and tomorrow

Warwick Papers in Industrial Relations, No. 100

**Provided in Cooperation with:**

Industrial Relations Research Unit, Warwick Business School, University of Warwick

*Suggested Citation:* Ségol, Bernadette (2015) : Social Europe: Yesterday, today and tomorrow, Warwick Papers in Industrial Relations, No. 100, University of Warwick, Industrial Relations Research Unit, Coventry

This Version is available at:

<https://hdl.handle.net/10419/119762>

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**Social Europe: yesterday, today and tomorrow**

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**WARWICK PAPERS IN INDUSTRIAL RELATIONS  
NUMBER 100**

**March 2015**

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**WARWICK**

## **Editor's Foreword**

This paper publishes the text of the fourteenth Warwick-Acas Lowry Lecture, given to an invited audience at the University of Warwick's Shard campus in London on 16th March 2015. The annual lecture is organised in honour of Sir Pat Lowry. A former chair of the Advisory Conciliation and Arbitration Service (Acas), Sir Pat was for many years an Honorary Professor at the University of Warwick, a long-standing member of the Business School's Advisory Board, and a source of valued counsel to IRRU in its work. His outstanding contribution to the practice of industrial relations commenced when he joined the EEF in 1938. He went on to become the Federation's Director of Industrial Relations. He left in 1970 to join British Leyland as Director of Industrial Relations. In 1981, Sir Pat was appointed as Chair of Acas. He stepped down six years later with Acas' reputation for impartial and constructive advice enhanced, in the face of an often turbulent industrial relations landscape.

Bernadette Ségol has been the Secretary General of the European Trade Union Confederation since May 2011. Previously she was the head of UNI Europa, the European trade union federation for services and communication which represents 7 million workers and 330 affiliated trade unions. One of her main focuses is wage equality in Europe.

In her speech, Bernadette Ségol first outlines the successes of the past, highlighting the hard work and determination that went into building social Europe. This resulted in ground-breaking legislation on pregnancy and maternity, working time and European Works Councils, for example, and culminated in the Lisbon treaty of 2009. Turning to 'social Europe today' she highlights the extent to which the financial crisis and the resulting austerity politics have halted progress, with social dialogue having weakened and the ETUC fighting to preserve the status quo rather than seeking to pursue new agenda. Austerity politics, she argues, have contributed to declining job quality, rising unemployment, rising poverty and rising inequality. As such, the Europe of tomorrow needs action on investment, social justice (including an end to the tax loopholes exploited by multinational corporations), revived social dialogue and movement away from narrow GDP-based indicators of economic success towards a broader focus on skills, education and lifelong learning. Turning finally to the UK, she raises a cautionary note about the potential effects on workers' rights of the Conservative party's pledge to repatriate powers over social and employment law.

Kim Hoque

Ladies and gentlemen, colleagues and friends, Brendan,

It's an honour for me to be invited to deliver this lecture, commemorating Sir Pat Lowry: well-known as a former Chair of ACAS.

ACAS exists to seek conciliation between unions and employers in Britain. I read in Sir Pat's obituary that his was one of the "most demanding and thankless posts in British Industry". Having been General Secretary of the European Trade Union Confederation over the last four years, trying to defend workers against the impact of EU austerity, I think I know how that feels!

Pat Lowry was described as a peacemaker, who established his reputation partly through his even-handedness. His professional background was as an employer, but he always recognised and respected the important role unions play in representing workers views and interests.

We could do with some of that wisdom in Europe today.

A Europe where, in response to the crisis, an unelected financial Troika has trashed democratic choices made by countries and their governments and torn up long-standing agreements between the social partners.

A Europe where a technocratic Troika imposed its own economic views and laws on democratically elected Governments, without any consideration for social justice and social cohesion. Ask the Irish people. It was the same Troika who tore up long standing agreements between social partners. Ask Greek and Spanish people.

What remains of 'social policy' is subject to the dictates of Finance Ministers. Ordinary people, who did nothing to cause the crisis, are still paying with their health and livelihoods for the dishonesty and greed of bankers and speculators while it is them who led us to the 2008 economic and financial earthquake.

## Yesterday

But first, let me look back to the ‘yesterday’ in my title. Social Europe is as old as the EU – or rather the European Economic Community – itself. In 1957, the signatories of the founding Treaty of Rome pledged to promote social progress and the constant improvement of living and working conditions, with a high level of employment, and equal pay for women.

In 1965, the TUC adopted the same principle of equal pay for equal work, and it was the Dagenham women in 1968 who finally forced the government’s hand. The 1970 Equal Pay Act brought Britain into line with the Rome Treaty and allowed for EU accession shortly afterwards.

The visionaries who set out to end war in Europe understood that social, political and economic integration had to develop alongside one another.

In the 1980s, as the EU laid the foundations of a single market, that social dimension took on a more formal shape. It became crucial to securing popular support for further integration in a growing Union.

This could not be achieved without the involvement of trade unions. EU cross-industry social dialogue, launched at Val Duchesse in Brussels in 1985, was a key element. From then on, and with European Commission support, the EU social partners – unions and employers – started to work together, adopting reports, resolutions and opinions aimed at influencing the direction of EU policy.

As Commission President, Jacques Delors had courage and foresight and he was the driving force behind Val Duchesse. I hardly need to remind you that he also played a vital role in influencing the British trade unions’ attitude to Europe. His speech to the TUC in September 1988 convinced delegates that the movement must be involved in developing “a uniquely European model of society” with guaranteed social rights.

But Margaret Thatcher wanted nothing to do with social Europe. In 1989, 11 Member States – all except the UK – adopted a Community Charter of Fundamental. It promised to give equal importance to the social and economic aspects of the single market. This was not only a question of social justice, it was also to stop the market being undermined by distortions of competition. It seemed like a win-win formula, you’d think. But not for Britain’s conservative government.

The Charter had no binding force. So in 1991, the same countries agreed to adopt a Social Protocol to be added to the 1992 Maastricht Treaty. It was based on a text drafted by the social partners, and pledged to make significant advances in social policy. It wasn't until a change of government in 1997 that Britain finally decided to sign up to this Social Protocol, allowing it to be fully incorporated into the Amsterdam Treaty.

That Social Chapter, as it is often called, had momentous repercussions for EU industrial relations. It set out a much stronger role for the social partners. It allowed them to develop an autonomous dialogue, with agreements translated into binding laws. It called for the Commission to carry out mandatory consultations with the European social partners when making proposals on social policy.

During the 1990s, ground-breaking EU legislation was passed. It covered, for example, pregnancy and maternity, working time, and European Works Councils. During the Thatcher/Major years, it was Europe that pushed forward workers' rights, against the will of a truculent British government, using qualified majority voting procedures introduced in the Single European Act.

Remember that it was Prime Minister Margaret Thatcher herself who signed the Single European Act, and her protégé in the Commission, Lord Cockfield, who pursued integration in order to complete the single market!

Also during this period, European social partners' own framework agreements on parental leave, part-time work, and fixed-term contracts were implemented as EU Directives.

Another important development took place in 1998, when the Commission decided to encourage European social dialogue in individual sectors. There are now 43 EU sectoral social dialogue committees, covering 145 million workers.

After 2000, the EU social partners concluded agreements on telework, stress, and harassment and violence at work, and drew up multiannual work programmes. Tripartite dialogue with the Commission was launched, covering macro-economic and employment policy. And March 2003 saw the first of the bi-annual Tripartite Social Summits.

We're not just talking about pieces of paper here. All these agreements led to concrete changes that improved working conditions and made life better for people in Britain, as much as anywhere else in Europe.

The 2009 Lisbon Treaty strengthened the social objectives of the Union, to create a 'social market economy'. It contains a horizontal clause stipulating that: "In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health". It also gave legal force to the EU Charter of Fundamental Rights, with an entire chapter on solidarity.

## **Today**

Ladies and gentlemen,

I think I've said enough to prove that social Europe was built through decades of vision, commitment and hard work. But where is it today, and where will it be tomorrow?

The combination of the economic crisis and the response given by European Governments through EU institutions has slammed the brakes on Social Europe. In the ETUC, in recent years, our energies have often been consumed in fighting merely to defend what we have already achieved and to limit the potential damage from deregulatory initiatives and economic governance rules focused on austerity and attacking workers' protection. Social dialogue has been weakened in many countries, and even the fundamental right to strike is under attack.

The EU used to have five-yearly Social Policy Agendas with new initiatives and regular evaluation. But no more. The 2013 Social Investment Package placed the ball firmly back in Member States' courts.

Even the former Employment Commissioner Lázló Andor admitted last year that austerity policies had aggravated the crisis, and left most people worse off. The Commission laid out plans to strengthen the social dimension of Economic and Monetary Union through a new Scoreboard of social indicators. But yet again, in contrast to the compelling force of economic regulation, these measures lack teeth. The Scoreboard is merely an 'analytical tool', carrying no penalties for bad performance.

At present, social dumping is rampant in the single market, fuelled by growing inequalities and largely unrestrained by EU law. Social dumping, as you know only too well in the UK, is a dangerous

promoter of social unrest, racism and xenophobia, especially when those flames are fanned by sensationalist media. The 2009 Lindsey oil refinery strikes showed the divisive results of labour mobility in the EU being weighted in the interests of employers, and against workers.

It was ACAS that was given the job of investigating that unofficial dispute. In its report it highlighted the contradictions inherent in a so-called single market still riddled with internal barriers. It noted that trade unions and companies demanded to know how to achieve “a level playing field, given the differing income tax and social insurance regimes, statutory rights, and employment practices between UK and other EU countries.” It’s a good question – and we believe the only answer is to raise rights and benefits for workers with minimum standards across the EU.

And the TUC acted promptly to draw attention to the facts on mobility. There is little evidence that migrants deprive British workers of jobs, but plenty of cases of employers taking advantage of them. So it is vital to stop the undercutting of wages and conditions, and to recruit workers of all backgrounds into trade unions, to prevent their exploitation by bosses and gang masters.

The ETUC supports freedom of movement as a basic element of EU integration. Nonetheless, the Laval quartet cases in the European Court of Justice, in 2007, inflicted real damage on social Europe by placing economic ‘freedoms’ above fundamental rights. I will come back to that.

Europe’s population has been bruised and battered by austerity and the neoliberal reforms that continue to give priority to the single market, commerce and financial profit. People have had enough. That became evident many months ago in the rise of anti-EU parties in many countries, including UKIP here in Britain and Front national in my own country.

Already in 2013, polls showed that only 5% of Europeans believed austerity was delivering results.

But since then we have seen numerous research reports warning of the ongoing impact of the dangerous path EU leaders have been taking, of a ‘lost generation’ of young unemployed, of rising inequalities damaging both growth and social cohesion, and of unprecedented levels of poverty and social exclusion. Even in the EU’s model state, Germany, poverty is at a historic high and pensioners and single parents are most vulnerable.

Today, more than 122 million people in Europe are at risk of poverty or social exclusion: almost one in four of the population. In its Europe 2020 strategy, the EU pledged to cut the total by 20 million by 2020. Instead, since the start of the economic crisis the number of poor has risen by 7 million.



Inequality has slashed an estimated 9% off Britain's GDP growth over the last 20 years, according to the OECD. One of the main reasons is that it damages educational opportunities, stopping children from developing the skills and knowledge society needs, and preventing social mobility.

Secure work and better wages are key to tackling poverty. Yet Europe has lost 10 million jobs since 2008, and precarious work, short-term and zero-hours contracts have taken the place of stable employment.

Today's social Europe is not in good health. Action is needed urgently.

The European elections in May 2014 delivered a good kicking to the status quo, contributing to the appointment of an 'elected' head of the new European Commission: Jean-Claude Juncker. Now he has to deliver.

### **Action on investment**

Almost two years ago the ETUC was already calling for massive investment to relaunch sustainable growth. Our 'New Path for Europe' set an investment target of 2% of EU GDP per year, for 10 years, to create high-quality jobs and support good public services, research and innovation, and sustainable development.

In January, the new Commission launched its own €315 billion investment plan. We welcomed that initiative in principle. Indeed, we like to think that without sustained trade union pressure it wouldn't have happened. But it's not enough. With a core of just €21 billion in public money, serving as guarantee; the plan relies on dubious assumptions about leveraging of private money. And taxpayers will pick up the bill if things go wrong. This plan is shaky, to say the least.

### **Action on social justice**

Back in 2012, the ETUC proposed a new Social Compact for Europe combining social justice, economic governance to promote employment and sustainable development, and free collective bargaining and social dialogue.

To restore confidence, Europe's leaders have to show they are committed to social justice. And that means fair tax rules that don't favour the rich and powerful. Yet recent revelations show that tax avoidance and evasion by multinational companies has been tolerated and even assisted by European governments.

First of all, the 'Lux Leaks' detailed how more than 300 major companies like IKEA, Pepsi and Amazon were benefitting from tax rates as low as 1%, by channelling profits through Luxembourg..

Then came the news that the Swiss subsidiary of HSBC was avoiding tax on an industrial scale.

And finally, we learn from research by European and American trade unions that McDonald's has avoided over €1 billion in corporate taxes by moving its offices to Switzerland and reporting profits in Luxembourg.

In the end, this means that Europe has lost hundreds of billions of euro that could have been invested in socially beneficial initiatives.

These vast, powerful companies are sucking the life out of Social Europe, exploiting tax competition between Member States that undermines the very foundations of solidarity. Such outrageous practices have to be stopped – and punished. The ETUC is calling for greater coordination of taxation policies, and also for an ambitious Financial Transactions Tax to raise revenue and curb financial speculation.

I referred earlier to social dumping. The EU's four fundamental freedoms, allowing goods, services, capital and people to cross internal borders, were set out in the Treaty of Rome. The freedoms are key to achieving greater prosperity, sustainable growth, economic and social cohesion and raising standards of living and quality of life. But as the single market has developed, elements of conflict have emerged: conflict between the right of workers to be paid the same rate for the same job in the same workplace, regardless of their nationality, and the right of employers to sell services as cheaply as possible. So far, European case law has judged economic freedoms to be more important than fundamental social rights. That is unacceptable, and the reason why the ETUC is demanding a legally-binding Social Progress Protocol, annexed to the EU Treaties.

Some encouraging news came from a recent case law in Finland. However it is not solving the more general problem of the ECJ decision on the "Laval quartet case".

Article 1 of our draft Protocol states clearly: The European social model is characterised by the indissoluble link between economic performance and social progress, in which a highly competitive social market economy is not an end in itself, but should be used to serve the welfare of all, in accordance with the tradition of social progress rooted in the history of Europe and confirmed in the Treaties.

Neither economic freedoms nor competition rules should have priority over fundamental social rights and social progress. And indeed, where conflicts occur, we insist that fundamental social rights must take priority.

### **Tomorrow**

What policies are needed to put social progress back at the top of the EU agenda? First of all, good-quality jobs and sustainable growth, to improve lives. But, in common with European organisations fighting poverty and campaigning for equality and fairness, we have to question whether GDP is a flawed headline measurement.

- GDP values arms exports, but not caring work in the home.
- GDP puts no value on human wellbeing.

The EU needs to start valuing what really matters: human capital – investing in people to create social wealth.

That means better education and lifelong learning for all, to ensure workers have the skills needed in a sustainable economy. Fundamental changes will be needed in the way we live, to stop the wasteful use of global resources and slow the process of climate change. We insist on a 'just transition' so that workers and their families are not paying the price for these changes.

The European Commission must call a halt to its deregulation agenda, which is rowing back on existing rights and protections for workers. Instead, it must relaunch an ambitious social agenda aimed at better, safer workplaces and higher standards of living.

Policy-makers must prove that social indicators in economic governance are strong enough to change decision-making. It's simple: if policies are increasing poverty and inequality, they have to be reversed. Urgently!

Ladies and gentlemen,

A new IMF report – out this month – directly links declining union membership with growing inequality and rising salaries for top earners. A fair society needs strong trade unions, independent social dialogue and collective bargaining, and sound national industrial relations systems.

Reviving social dialogue was one of the early promises of the new Commission. Just last week, at a high-level event to mark the 30th anniversary of Val Duchesse, Commissioners Dombrovskis and Thyssen pledged a new impetus for social dialogue. We warmly welcome this initiative and we are ready to give them the benefit of the doubt. But just as with the investment plan, we want results!

We have good grounds for mistrust. In 2013, the Commission refused to enforce the framework agreement between European unions and employers in the hairdressing sector, following opposition by some Member States. This decision undermines the whole framework of European social partnership.

The Commission must now act to reinvigorate bilateral European social dialogue. Faced with the employers' intransigence with regard to new Directives, we are ready to negotiate autonomous agreements – but not to waste our time. We are calling for evaluation of how accords are working at national level. If they're not being implemented correctly, governments should be obliged to step in and legislate.

ILO rules oblige members to promote collective bargaining. But in countries like Greece, industrial relations have been trampled by the Troika. The Commission must fulfil its promise to invest in building – or rebuilding – strong structures for national social dialogue.

Ladies and gentlemen,

In February, the Brussels-based Think Tank 'Friends of Europe' – eurofriendly but by no means left-wing – published a report on 'Unequal Europe'. It was authored by a 25-strong 'expert group' of the great and the good including former EU Commissioners and business leaders.

It argued that higher social investment would avoid long-term burdens on economic growth. It urged the new Commission to invest in caring arrangements and in education and training. It referred back to the solidarity that was a feature of European integration from the Rome Treaty until the beginning of the crisis. It spoke of inter-generational solidarity, renewed social cohesion and cohesion between richer and poorer Member States. In short, human investment is as important as investment in infrastructure, innovation and all the other areas seen as crucial to Europe's global competitiveness.

So is the message finally getting through to senior policy-makers? Is there room for any optimism? Polls show that public opinion about the EU is beginning to improve in some countries. But how long will that last if promises are broken and social Europe side-lined once more?

Ladies and gentlemen,

As ETUC General Secretary, I have had the good fortune to benefit from British trade unions' hard work and commitment to social Europe. Indeed, I followed in the footsteps of John Monks, who astutely foresaw the potential dangers of financial speculation when few others countenanced the possibility of economic collapse.

I would like to thank his successor Brendan Barber, now Chair of ACAS, for this invitation. And, as the first woman General Secretary of the ETUC, I have enjoyed working with the first woman General Secretary of the TUC, Frances O'Grady.

Here in Britain you are preparing for a crucial general election in the very near future. The country is again at a crossroads. Will voters opt for illusory isolationism, delivered through a referendum on 'Brexit' from the EU? Or will Britain decide to make a constructive contribution to the advancement of social Europe?

The coalition government has been quick to boast about recent employment figures. But in the ETUC we are alarmed that many of the cuts announced last autumn have yet to take effect, including an estimated 1 million job-losses in the British public sector by 2020 and attacks on benefits that will target the most vulnerable. Indeed, just this month we learned that almost 100,000 children are suffering as a result of benefit sanctions.

Successive UK governments – and not only of the Tory persuasion – have single-handedly tried to block British workers' right to better conditions coming from Europe. Fortunately they haven't

always succeeded. Paid holidays, parental leave, limits on working time, health and safety, protection for agency and part-time workers .... these are just a few of the benefits of EU membership for British workers.

Remember the disputes over workers' rights under privatisation or outsourcing? The Transfer of Undertakings Directive of 2001 protected employees' existing contracts and conditions – and ACAS has been active in providing training and advice in this area. In addition, information and consultation rights have been rolled out across Europe. Last December British and German trade union confederations met together in London to call for greater workplace democracy, including the right for workers' representatives to sit on company boards.

Now, David Cameron is pledging to 'repatriate' powers over social and employment law to Westminster. How many voters understand that this could mean longer working hours, lower health and safety standards ....even withdrawal of paid leave?! Workers' rights are attacked as 'burdens on business'.

We say: no going back on the social rights that Jacques Delors pledged to European workers!

And besides, how would this approach help to promote an EU single market with a level playing field for business?

For the moment, polls show that support for EU membership is growing in the UK. With a 10% margin in favour, it's the highest score since 2010. But it's natural that voters want to know what continued membership will offer them. Without a social dimension, the EU risks being wrecked by a nationalist backlash that would be just as damaging in Britain as elsewhere in Europe.

And that's why it's crucial that social progress and the wellbeing of citizens should be the top priority for European decision-makers.

The ETUC wants to see Britain's full engagement in Europe. In today's world, regional and international cooperation is inevitable if we are to tackle the big issues such as sustainable global recovery and climate change. It is regrettable that the current debate about the EU in Britain is strongly influenced by populist politicians and media with little regard for the truth.

In the trade unions, we do not support European integration for the sake of integration – nor merely to benefit business. We will only support integration which brings social progress, as enshrined in the Treaties. But a return to national borders is not the solution for future generations. We believe the EU is still the best forum – our best hope – for achieving social progress, a sustainable future and lasting peace in Europe and beyond.

Thank you.

Bernadette Ségol, 16 March 2015