



# Does Europe need a social policy?

## A debate between Bruegel Senior Fellow André Sapir and ETUC General Secretary John Monks

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Coordinated action on social and labour market policies must remain a central part of the European project, says John Monks, general secretary of the European Trade Union Confederation. Speaking at a lunchtime debate with Bruegel's Senior Fellow André Sapir on Thursday September 13, he warned that some policy-makers were using André Sapir's widely discussed paper, "Globalisation and the Reform of European Social Models", to question the value of the European dimension across a broad sweep of social and economic policy.

Urging Europe's leaders to forge ahead with coordinated action on issues such as labour mobility and the restructuring of industry, he warned: "If social Europe is dead, how much longer will Europe live?"

### Opportunities

André Sapir opened the discussion by emphasising that globalisation was not just about "threats" as there were also great opportunities. But to take advantage of these opportunities required, in general, more flexible labour and social policies.

Commenting on his paper's division of Europe's social models into four broad groupings he acknowledged that in comparison to other continents there is a "European social model", but emphasised that from an analytical standpoint as well as in any reflexion on the reform of labour market and social institutions one had to start from the variety of those models. The groupings used in the paper were an attempt to "lift the veil" on the "European Social Model" and look at its more distinctive elements – in particular with regard to "efficiency" and "equity".

### Some Models doomed?

His conclusion that the "Continental" and "Mediterranean" social models were not efficient, and therefore not sustainable, had been interpreted by some as meaning that the only viable Models were the "Nordic" and "Anglo-Saxon" ones, and that the others were doomed. In fact, he believed there would continue to be distinctive French or German models, even after the necessary reforms. "I am not suggesting that France is going to become Denmark or Ireland or the UK", he said.

Since the areas in which reform was most urgently needed, labour and social policies, were the responsibility of Member States, the question arose whether there really was a European dimension. He acknowledged Europe's interest in the matter but warned against the risk of raising false expectations amongst the public over what Europe could really achieve.

The Lisbon Strategy was an attempt to deliver coordinated action at EU and national levels on the social and economic fronts, and this was certainly the right idea, but it was important to clearly distinguish what should be done, and by whom at these different levels.



## **The political economy**

Responding, the European TUC general secretary said the “Sapir paper” had sparked a debate about whether there was a real European dimension in all social policy and quite a lot of economic policy. His main problem had to do with the report’s influence on the political economy. By picking out labour markets and social policy as the key areas for reform it supported the view that for Europe to cope it must deregulate labour markets. This was a dangerous message that played well in some political circles, said Monks. For his part he was uncertain how such painful reforms could be acceptable to the electorates.

To forsake the European dimension of labour market policies would be both an economic error and a political disaster, he said. In addition, from an economic standpoint, there was an increasingly strong case for European wide regulation in sectors in which labour markets are less and less segmented, as demonstrated by the increasing employment of immigrant workers in the building and hotel trades and the merchant navy. The development had caused well-publicised disputes in a number of countries, where new workers were displacing the old ones at lower pay. Among other cases, he cited the example of Swedish unions boycotting a Latvian company that refused to employ its workers under the terms of pay and conditions arrived at through a collective agreement and criticised Commissioner McCreevy for having failed to recognised the legitimacy of their concern. The European labour market was coming, he said, and this reality should be acknowledged.

From a political standpoint, Monks pointed out that a Europe without a social dimension would have no appeal to the workers or to the left and would therefore risk collapsing.

## **Rosy view of UK**

Turning to national models, the choice was being presented as being between the Nordic and the Anglo-Saxon models, said Monks. He warned against taking too rosy a view of the success of the UK economy. The strength of the financial services sector, the booming property market and high levels of both public and private spending were in large part the explanation for the apparent British success. While there were relatively high employment levels, the balance of payments deficit was huge and productivity was low.

This point about the doubtful benefits of the Anglo-Saxon model was reinforced by one contributor who challenged the view that France had performed less well than the UK over a range of indicators, including employment growth over the past decade.

Another contributor said that the Nordic model itself might be coming under stress as a result of labour mobility. Commenting on the opposition of Swedish unions to Eastern European workers working in breach of local collective agreements, he said that In Sweden they had a particular social model, and that model should be allowed to work.

## **European involvement**

Sapir said he was not denying the need for European involvement in labour mobility and restructuring of industry. However, there were a number of areas where European involvement was not helpful.

With regards to developments on the Lisbon Agenda, the Stability and Growth Pact (SGP) and the reform of the Budget, he said he was quite disappointed at what happened at the European Council last March. The reform of the SGP had some potentially interesting elements that could be helpful for the Lisbon Process, but it was very unfortunate that no decision was made on reform of the budget.



Monks stressed that a European political initiative was absolutely needed in the area of social policy. He said he did not care that much about the choice of this initiative but was adamant that something was needed. Support to workers affected by industrial restructuring was a possibility, although should have been taken earlier.