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# The emerging European Social Model, an Asset to Face the Crisis

## Summary :

At a time when the euro zone crisis is leading to obvious social consequences, the Robert Schuman Foundation is publishing this text which, using the diversity of national social models as a base, looks into the emergence of a European social model. This question is addressed from a comparative and global point of view. Beyond the three traditional social models - continental, Anglo-Saxon, Nordic - a common European social model is now emerging. The employment pact, a common framework for social dialogue and a set of standards shared by European businesses all bear witness to this. This European social model should be turned to Europe's advantage as quickly as possible given the present crisis.

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Europe's social dimension is often forgotten or limited to the work done by the European Commission [1]. However, although the Commission has an obvious and important role to play, Europe's social dimension should be defined from a wider view point.

The social history of each European country has been built on the base of conflict, innovation as well as, in both cases, on negotiations to achieve satisfactory solutions, and in this way to define social norms. Governments everywhere have played a regulatory role but these necessary legislative interventions have, more often than not, followed the action of "social partners": unions, companies, regions etc...

Indeed autonomy has emerged in the social arena, which does not have its origins in the political sphere. Social democracy has not identified with political, parliamentary democracy. The same applies and will apply to Europe.

## EUROPE AND THE SOCIAL DIMENSION: UNITY IN DIVERSITY?

Can we consider Europe as an asset though? Many authors have described the various models existing: continental, Mediterranean, Anglo-Saxon, Nordic [2]. It is true that there are major differences between countries, in the same way as they exist between companies, sectors or regions. Moreover, the way the

unions and industries are structured and levels of decentralisation are the obvious heritage of these different histories. But this breakdown takes less and less account of progress and innovation, as these are primarily responses to new and widely shared issues.

In other words although ignoring history, culture and different traditions is not the point in question here, we also have to see, and this is the most important aspect - what is emerging before our very eyes: a European social model based on a specific history, an original approach, a common culture, a model which could be an asset against the crisis.

In order to see it we have to have an overview of an ever globalised world. For example, we have to compare China, the USA and Europe. On doing this it appears quite clearly - particularly for HR departments/directors with global experience, practices and responsibilities - that we share a great deal in Europe and, on this basis, we can strengthen our competitive advantages. This can be done on the condition that we do not go straight from an arrogant stance, which characterized Europe just a few years ago, to an attitude of systematic self denigration and also on the condition that we take more notice of our common points rather than our differences. Businesses are building Europe thanks to their transnational operability!

We are Europeans and claim this identity be-

1. This text was originally published in "Schuman Report on Europe - State of the Union 2012", Springer editions April 2012 <http://www.robert-schuman.eu/ouvrage.php?num=141>

2. Cf. Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Princeton University Press, 1990 ; we might also refer to André Sapir, "Globalisation and the reform of European social models", Bruegel policybrief, November 2005.

cause we do not believe that the American or the Chinese social models are appropriate for the future.

On the contrary, Europe and its 27 countries could become the world's laboratory; learning to rise above national differences to set out new, common standards could prove to be vital know-how on a worldwide scale. In an extremely specific area Europe has succeeded in establishing railway-signalling standards and by doing so it has laid down the foundations for global standards. Why should we not aim to adopt a similar approach with regard to social issues: this supposes learning from experience, understanding good practices and organising cross-fertilization; it also supposes gauging specific European features and defining this famous "European social model".

In a time of globalisation Europe as a region indeed benefits from extremely specific circumstances: for example distances are comparable to those of the USA, and the quality of its infrastructures makes it possible to split the working week, for example, with two days in Paris and three in Hamburg (this is not the case however between London and Sydney); cultural differences exist in Europe but they are of a secondary nature in comparison with those on other continents; living standards are a lot closer than on the world scale; the political systems of the Member States are quite similar; the European Union is working towards the creation of a common framework for social dialogue; Europe now reflects a specific employment market.

#### **DEFINITION OF AN EMERGING EUROPEAN SOCIAL MODEL: PACT FOR EMPLOYMENT, SOCIAL DIALOGUE AND DISTRIBUTION OF THE FRUITS OF GROWTH**

Several common features, only the last two of which are usually taken into account, can define the emerging social model. However on each point divergent forces are simultaneously at work and new challenges are rising.

##### ***Common norms created by companies***

European companies still enjoy strong business cultures with high levels of commitment and a sense of belonging; mercenary practice has not become the rule and companies enjoy a certain level of stability in their teams and therefore in terms of their compe-

tences. An implicit pact for employment, particularly evident in Germany, characterizes Europe. Overall European businesses have distinguished themselves by a high level of protection against economic risks, thereby strengthening loyalty to the company. Securing one's professional life is sought in the face of the crisis which forces people into greater professional mobility.

More than anywhere else the management of working time reflects the will to find a balance between professional and family life. Working time is one of the most significant social indicators involving lifestyle, the increasing share of working women and the level of childcare facilities for example. The Netherlands (due to part time work) and Germany (due to agreements that are mainly negotiated by each Land), have the lowest annual total of working hours (1,378 and 1,390 hours respectively). Contrary to preconceived ideas, France finds itself in an intermediary position with an annual total of 1,473 working hours, which has resulted mainly from company agreements signed at the start of the 2000's, that include original flexibility mechanisms (annualisation, counting in days for executives, etc.). For its part the UK still has the highest number of annual working hours in spite of a shortened Friday (1,643 hours on average), without achieving however the rates seen in the US or in China.

The distribution of earnings is tighter than elsewhere, - tighter than in the USA and in China in any event; this is still true in companies as in society and this comprises a kind of social glue. The European model is characterized by a virtuous circle of significant collective productivity gains and has produced, for many years, a more egalitarian distribution of the fruits of growth. The union movement is an important element, even though on observation the differences in union membership levels can be surprising. Apart from the Scandinavian countries with membership of around 70% (because of union membership in the service industry), levels vary from one country to another: France (8%), Germany (19%), UK (26%). But everywhere unions are major actors with high turnout in professional elections. Moreover the emergence of European Union movements, with the European Trade Union Confederation (ETUC), the European Services Union (UNI Europa) and the Industrial Union that is now being created has been evident since the Athens Congress in 2011.

Consultation and negotiation methods are also inherent to the European model: European directives on information, consultation and even European committees have contributed and continue to contribute towards transposing them Europe wide, and by doing this, they bring national traditions closer together. Negotiation methods which were the result of value being given to consensus in certain countries and of the need to settle conflicts positively in others, converge in three ways: everywhere negotiations are increasingly undertaken at the company level and less at the branch or regional level. By doing this pragmatism and the quest for tailor-made solutions win over ideology; European agreements signed by international groups for their European entities are emerging (200 to date) and helping by addressing new themes to extend the range of collective negotiation, which in turn leads to European standards. Finally the idea of majority agreements, which are by definition stronger and easier to implement, and obvious in many countries, are becoming the rule, especially in France where the tradition of minority agreements was however, firmly established.

### **Choosing to regulate**

Legislation governing labour has developed over time through laws and negotiation, and offers real guarantees to employees; but its complexity, which in part reflects complicated situations, has become a problem for companies. Although national legislation remains very different from one country to another, there is however a common vein in continental Europe, and that is of a collective framework which relativises the range of the individual work contract.

The Welfare State, in its role of re-distribution has embodied the maturity of the European countries. The approach, which has been more egalitarian than elsewhere, has not been limited just to companies but has found its place in terms of social goods, such as education and healthcare. In spite of its imperfections this approach has proven effective and has clearly helped towards growth. It now has to contribute to a different kind of generational balance.

### **COMMON STAKES**

Globalisation and the crisis have obviously forced Euro-

pean countries to question this social model. But these doubts, far from being a factor for further differentiation, could lead to the development of new solutions, which, in fact, will bring harmony to existing practices. For each of these present challenges, some countries are showing the way.

### **More human companies**

The most obvious joint challenge is of course that of rising unemployment – at around 10% right now within the Member States – and its counterpart, dualism in a labour market split between secure and insecure jobs. The burden of unemployment weighs mainly on young people.

Germany is however an exception, with an unemployment rate that is half the above figure. This reflects the original way it has managed decreasing activity over the last few years; it has avoided the trap of employment becoming the leading adjustment variable and has used partial unemployment and has only made limited use of relocation. Combined with the traditional strength of apprenticeship and of course the stability of its industry, this approach has stabilised businesses, by enabling them to retain their competence and to maintain unemployment at a moderate level. This exception, although not everything can be transposed, lights the way for other countries.

In addition to this, demography is the most difficult issue, since the share of senior citizens is extremely high in Europe and several countries, such as France, have been indulging in the vice of early retirement since the 1970's. We still have to find a position for the 60 year olds and part time work might recover its dynamism in this area.

A further challenge, both managerial and global, is being launched at European companies – and that is the integration of the Y generation, the children of Erasmus, who are seeking greater autonomy with a more critical attitude towards the traditional organisation of work and wages. But potentially Europe has some specific advantages: the traditional balance between the collective and individual, opportunities for mobility offered by the unified labour market, experiments in time management particularly in the Netherlands, the place offered to women in the labour market especially in north European countries. If Europe rejected

the dogma of single managerial thinking it could come up with answers adapted to business life: how can a profession be assessed without stigmatising people? How can each individual become the player in his own professional development? How should life be injected back into team work? How can we have more human companies?

***A new social pact consistent with limited growth***

The sovereign debt crisis is forcing us to review redistribution levels, which have decreased however over the last few years as well as to re-assess social policy priorities. Choices will have to be made; if possible these will be joint; we might also be able to share some aspects of social policy. The European social contract will have to be re-created in a context of slow growth and with challenges being made to the need for higher productivity.

Moreover the financial crisis is clearly a challenge to governance. Again Europe might have the answer. All of the ingredients are indeed there. There is the German tradition of social relations, typified by the presence of employees on the companies' boards and the quest for shared social solutions. However, this does not mean co-management, because shared solutions only apply to the social field. The example of restructuring is a revealing example since the economic decision is not the focus of just a simple consultation, as in France, whilst social measures have to be the focus of an agreement. Therefore everyone retains his role but "social plans" have to be focus of a consensus.

Potentially, Europe could provide answers to these

questions. It has the diversity, the quality of human capital, the size, the humanist culture in order to rise to this challenge. Convergence is occurring even if the man in the street does not really realise it. Europe also possibly shares the same language – that of negotiation – which is clearly the most modern method to innovate and settle problems. This is possible in Europe since unions exist within companies and also thanks to their independence. This dual condition is not to be found either in the USA nor in China! Yet to negotiate there has to be two sides! European style social dialogue, apart from the fact that it has served in other countries around the world, from Latin America to Australia, is clearly an asset – it is a comparative advantage and in all events, an indicator of the European social model. It might prove decisive when a new social pact has to be re-designed without which changes are hardly possible.

**CONCLUSION**

But does Europe have time to do this? Relations in the world's balance of power develop quickly. It is urgent for us to acknowledge a revamped, more coherent European social model which could then be an asset for Europe.

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