

HIGH LEVEL DIALOGUE

**THE EUROPEAN SOCIAL MODEL
IN THE CONTEXT OF GLOBALISATION**

Turin, 1-3 July 2008

**Modernising the EU social model
for sustainability**

Maria João RODRIGUES
Professor in the Institute of European Studies
Free University of Brussels

The European social model has been at the heart of the European development process. Today, in face of the wider challenges of globalisation, ageing, immigration, technological change and climate change, the European social model is confronted with the need of modernisation in order to ensure sustainable development and its own sustainability.

After recalling the fundamentals of the European social (and economic) model, this paper presents the current European agenda for its modernisation, then focus on the creation of more and better jobs and on the key reforms and finally draws the implications for the external action of the European Union. The potential of the decent work agenda will be highlighted in this framework.

1. The European economic and social model

The European economic and social model is the outcome of a long and complex historical process trying to combine social cohesion with higher economic performance. This means that the social dimension should be shaped with the purpose of social justice, but also with the purpose of contributing to growth and competitiveness. Conversely, growth and competitiveness are crucial to support the social dimension and should also be shaped to support it. This also means that there are different choices in both economic and social policies which have evolved over time and have been permanently under discussion, political debate and social dialogue. This is the European tradition, quite valued inside and outside Europe as a method to build prosperity and quality of life.

This tradition was translated into quite different national models and the most renowned typologies distinguish the Scandinavian, the Anglo-Saxon, the Continental, the South-European and the East-European types. Nevertheless, in spite of these differences, some common features define what can be called the European economic and social model, notably:

- a general access to education and training;
- regulated labour contracts;
- a general access to social protection and health care;
- active policies for social inclusion;
- social dialogue procedures;
- predominance of public funding of health and education systems via taxes or social contributions, with a redistribution effect;
- macro-economic policy marked by the higher weight of the public budget;
- competition policy coupled with industrial, research and regional policy;
- regulated financial systems with predominance of the banking system.

Therefore, the European economic and social model is translated not only into a particular policy-mix but, more deeply, into a particular pattern of institutional features in the systems of education, health, social protection, public administration, finance and the companies themselves. The European economies are regulated by these particular patterns of institutional features.

This model was also strongly influenced, by the very process of the European construction, where the combination of the economic and social dimension was present since the beginning, in the framework of an evolving political framework.

In the sixties, the creation of the European Common market involved the establishment of a European competition policy combined with some instruments of industrial policy and social policy at European level (see the Treaty of the European Economic Community, signed in 1957).

In the eighties, the deepening of the Single market and of the competition policy was also combined with new labour directives, the deepening of the European social dialogue as well as a stronger regional policy. The European research policy was also developed in interface with an industrial policy (see the Single Act, signed in 1987).

In the nineties, the creation of an Economic and Monetary Union led to a single monetary and exchange-rate policy, to a more coordinated fiscal policy as well as to a progressive integration of the financial markets; over this period the *acquis communautaire* in labour law was also extended and combined with a new open coordination of the national employment policies (see the Maastricht and the Amsterdam Treaties, signed in 1991 and in 1997).

A systematic up-date of the European economic and social policies to cope with the new challenges created by globalisation and demographic change has started in the turn of the century with the Lisbon strategy partially reflected, some years later, into the Lisbon Treaty, signed in 2007.

2. The Lisbon Strategy as a comprehensive development strategy: priorities, trade-offs and synergies

In the year 2000, with a European Council taking place in Lisbon, the European Union adopted an overall strategy to build a more competitive knowledge economy, capable of sustainable economic growth with more and better jobs, greater social cohesion and respect for the environment. The central idea of this strategy is that knowledge is now the key resource of nations, companies and people and that new competitive factors should be build based on knowledge and innovation in order to sustain the European social model. This one should also be reformed and put more in line with a knowledge-based society. Against this background, the priorities of the Lisbon strategy are four:

- A. Fostering knowledge for growth by ambitious policies of research, innovation, education and training;
- B. Improving the attractiveness of the European economy to invest and to work, by deepening the single market, improving the business environment and expanding the European infrastructures;
- C. Creating more and better jobs, investing in people, modernising the European social model and combating social exclusion
- D. Fighting climate change by spreading renewable energies and changing the production and the consumption patterns.

The implementation of the Lisbon strategy should therefore be comprehensive, balanced, based on the synergies, but also focused on clear priorities and adaptable to the diversity of situations. One can argue this seems close to squaring the circle, because there are too many trade-offs between these different objectives. There are certainly difficult trade-offs requiring difficult political choices on the short run. Nevertheless, it is important to learn with some success cases. The success often depends on the capacity to overcome a specific trade-off by developing a specific synergy. As presented more in-depth in the next pages, to overcome the trade-offs:

- between macroeconomic stability and growth, by creating some fiscal room of manoeuvre for key-public investments to enhance the growth potential;
- between productivity and employment, by fostering innovation in products and services and not only in technological process;
- between growth and cohesion, by shifting cohesion policies for equipping disfavoured people and regions with more capabilities;
- between flexibility and security in the labour market, by negotiating new kinds of flexicurity;
- between growth and environment, by turning sustainable development into new opportunities for investment and growth creation.

These examples show that a successful implementation of the Lisbon strategy requires a comprehensive approach with implications for both policies and governance*.

The renewed Lisbon strategy is now in implementation using enhanced political and financial instruments:

- the integrated guidelines for growth and jobs and the national reform programmes adapting them to the national specificities (see Table 1);
- the new guidelines for the regional policy and the national strategic frameworks for structural funds;
- the Lisbon Community programme encompassing the legislative and the political initiatives as well as the new generation of thematic Community Programmes, notably for research, competitiveness and lifelong learning;
- the revised Stability and Growth Pact and State aids as well as the new instruments launched by the European Investment Bank.

The implementation of the Lisbon strategy is being based on a wide range of policy instruments: European law, community programmes, structural funds, social dialogue, European guidelines and European objectives, to be translated and adapted to the national level in each Member State.

* For a more general background on these issues, see Rodrigues, Maria João, *The New Knowledge Economy in Europe – A Strategy for International Competitiveness and Social Cohesion* (coord.) with the collaboration of Robert Boyer, Manuel Castells, Gøsta Esping-Andersen, Robert Lindley, Bengt-Åke Lundvall, Luc Soete, Mario Telò and Mark Tomlinson, Cheltenham, Edward Elgar, 2002; and Rodrigues, Maria João, *European Policies for a Knowledge Economy*, Cheltenham, Edward Elgar, 2003.

Nevertheless the mix of policy instruments is different according to each policy field (see Table 2 in annex): the single market policy is more based on directives of European law, whereas the research policy on a Community Programme and the social protection policy on the open method of coordination. Now, when most of the instruments are already defined, the priority should go to improve the consistency and synergy of the instrument mix in each policy field.

In employment policy, several instruments are being combined: the European employment guidelines (see Table 1 in annex), a common programme called Progress, the European Social Fund including the Globalisation Fund, the different mechanisms of social dialogue and last, but not least, a set of directives of European law covering the following topics: health and safety; minimum protection system; individual employment conditions; modernisation of work organisation; work councils; information and consultation; working time and part-time work; temporary workers; fixed term work; part-time work; posting of workers; collective redundancies; corporate restructuring; transfer of undertakings; young people; equitable wage; parental leave; antidiscrimination.

3. Creating more and better jobs

Concerning employment, the central challenge in Europe remains: how can we get more and better jobs at the same time?

The European experience, notably in its more successful national cases is showing that a special policy mix should be provided combining the following orientations, which are central to the Lisbon agenda as a comprehensive development agenda:

- macroeconomic policies (including monetary, fiscal and wage policies) achieving a better combination between macroeconomic stability and growth;
- active trade, industrial and innovation policies to support the redeployment of investment and jobs creation towards new sectors with more added value;
- strong regional policy to support the catching-up of the lagging behind regions in Europe;
- ambitious research, education and training policies to renew the knowledge base of growth and jobs;
- active employment policies aiming at strengthening the human capital, attracting more people into the labour market and improving adaptability;
- promoting social inclusion and modernising social protection in order to make it more adequate, adaptable and sustainable.
- energy and environmental policies for a low-carbon economy creating more opportunities for growth and jobs;

All this means that a central focus should be put in supporting people to move to new and better jobs, as the central requirement to ensure the sustainability of the development process. This requires a proactive approach to explore new opportunities for jobs creation, a more strategic management of human resources, an wider access to lifelong learning and some critical reforms in the European social model. These are the topics to be elaborated in the next two sections.

3.1. Exploring new opportunities for growth and jobs creation in a globalized economy

Globalisation is changing very fast the specialisation patterns of investment and jobs creation in each country, bringing about a new map of the international division of labour. The European Union should reposition itself into new areas in this map in order to create more and better jobs. For this, it is necessary to develop a more pro-active strategy to benefit from the opportunities of globalization.

The Lisbon Strategy aims at giving a positive answer to globalization by redeploying investment and jobs creation to new areas. Therefore, it is very important to target these new areas and their opportunities by an enhanced coordination of the policies concerning trade, competition, industry, innovation, education, training, and employment.

First of all we have the opportunities created by the **European integration**:

- Enlargement (catching up process, managing real and nominal convergence, inter-sectoral and intra-sectoral specialisation, foreign direct investment, capacity building, the European policies and standards as a leverage);
- Regional development (new priorities for economic and social cohesion policies);
- Internal market (opening the markets for goods and services, integrating the financial markets, managing restructuring process);
- Economic and Monetary Union (coordinating macroeconomic policies to promote sustainable growth and to enhance strategic priorities for public investment);
- European research area (networks for excellence, integrated projects and coordination of national initiatives, creating high skilled jobs).

The **external markets** can also provide a wired range of opportunities:

- the current WTO Round is supposed to create more opportunities for trade and foreign investment, not only among developed countries, but also with the developing countries (i.e. the “Development Round”). The reform of the international financial system can play a key role in order to underpin this process, which will also be shaped by the European capacity to have a more co-ordinated voice in these arenas. In spite of the current difficulties, it remains very important to develop the negotiations in the multilateral framework, overcoming the bottlenecks by negotiating more “win-win” trade-offs.
- with a good combination of the policies for international trade, cooperation and development aid it is possible to foster new opportunities for investment and jobs creation in Europe by exporting products and services to developing countries. This is already the case, for instance, of European companies specialised in providing these countries with tailor-made technologies, services and consultancy for sustainable development, health or telecommunications.

Opportunities are also created by a new economic dynamism based on **innovation** across all sectors in: new products and services, process technologies, business concepts, and management and organisation. More particularly, the transition to a low-carbon economy should create many opportunities for innovation, investment and jobs creation.

Finally, **societal changes** can also create new opportunities, where a wide range of combinations between private and public initiatives can be used. All these sectors, where most of the services of public interest are located, are labour intensive and tend to be knowledge intensive:

- adapting to environmental concerns;
- developing of family care services;
- expanding pre-schooling education;
- spreading lifelong learning services;
- diversifying health services;
- diversifying social integration services;
- developing business services;
- regional development services;
- urban management services;
- cultural management services;
- external cooperation services.

The restructuring processes underway in Europe should be placed in this broader context of redeploying the European economy to new activities with more added-value and providing new and better jobs. In order to be successful, this redeployment should be underpinned by a more strategic management of human resources, encouraging a more dynamic and future-oriented interaction between labour supply and demand. Otherwise there is the risk that bigger shortages, gaps and mismatches of skills will coexist with structural unemployment.

Improving the management of the restructuring process requires evolving (see Table 6 in Annex):

- from the traditional passive approach which puts the focus on reducing the social impacts of the restructuring process with social plans in the restructuring companies. This is necessary, but not sufficient;
- to the active approach, which involves various instruments of the active labour market policies and of the regional development policies to move workers to new jobs. This is also necessary, but not sufficient;
- and to a pro-active approach which mobilizes the several instruments of the innovation policy, in a good mix with the trade, competition, employment and training policies, in order to create stronger framework conditions for more and better investments and jobs. Taking into account the current trends for rapid change in the global economy, this approach should be urgently developed because it can prevent the tensions of a restructuring process which tends to be permanent.

3.2. For a strategic management of human resources

The strategic management of human resources becomes an important priority when:

- globalisation and European integration are redeploying investment and jobs creation to new sectors and areas;

- the transition to a knowledge-intensive economy is requiring new kinds of skills;
- the demographic trends is leading to labour shortages;
- increasing migration must be anticipated.

This is exactly the current situation in the European Union. That is why there is a increasing number of companies, regions and countries which are taking initiatives to enhance their instruments for a more strategic management of human resources. These instruments comprise: identifying skills needs; defining job profiles; setting qualification standards; developing new training programmes and curricula; improving vocational guidance; validating individual competences.

A regular foresight on skill needs is critical for a sound development of all other instruments. Specific skills needs can only be identified at company, sector and region levels, but a general and strategic framework can be provided not only at national but at European level, taking into account the global trends of trade, technologies, investment and jobs creation.

In a knowledge-based society, lifelong learning can play a central role in paving the way to new areas of jobs creation. Jobs creation is increasingly intertwined with innovation in all its dimensions: innovations not only in process but in products and services, not only in technologies but in organisation, marketing and design. At the core of innovation there is the capacity to turn knowledge into more added value, and this requires skilled people with specific occupational profiles such as; designers, engineers, different specialists of marketing, management, logistics, telecommunications.

A permanent strategic exercise should be fostered involving the relevant actors at each level, based on partnerships for innovation, jobs creation and competence building. The critical path can be discovered by asking how is it possible to add more value building on the already existent competence. For instance, if we take the general human needs as a reference for associating clusters of economic activity (see Figure 1):

- competences in construction, furniture, electronics, urban management should be combined in order to develop the area of *habitat*;
- competences in clothing, footwear, new materials and design should be combined in order to develop the *fashion* area;
- competences in car industry, transports and logistics should be combined, in order to develop the area of *mobility*.
- competences in tourism should be combined with the competence in cultural activities, sport and environment in order to develop the area of *leisure*;

In the meantime, horizontal competences are required to develop all the clusters of activities: electro-mechanic equipment, information and communication activities and biotechnologies.

3.3. Developing Lifelong Learning

The EU Member States are now committed to develop national strategies for lifelong learning. The experience of the most successful cases shows that the following priorities should be taken into account:

- to define the goals for lifelong learning in terms of not only educational levels but also new jobs profiles and competences;
- to develop a new infrastructure for lifelong learning;
- to create a diversified supply of learning opportunities able to provide more customised solutions:
 - to develop the new instruments of e-learning and to explore the potential of the digital TV
 - to turn schools and training centres into open learning centres
 - to encourage companies to adopt learning organisations
 - to shape the appropriate learning mode for each target group
 - to spread new learning solutions for the low skilled workers
- to foster the various demands for learning and to create a demand-led system:
 - to improve the framework conditions for lifelong learning
 - to develop a dynamic guidance system over the life course
 - to renew the validation and recognition system
 - to create compensations for the investment in learning
- to spread new financial arrangements in order to share the costs of lifelong learning;
- to improve governance for lifelong learning, involving all the stakeholders along the following lines

4. For a sustainable European social model

Nowadays, it is clear that the European social model is facing new strategic challenges, which seem to be:

- globalisation and the new competitive pressures;
- the transition to a knowledge-intensive economy;
- the ageing trends;
- the new family models;
- the very process of the European integration, in its new stage.

The sustainability of the European social model depends on renewing its economic basis as well as on reforming its main components, in order to cope with these key strategic challenges. Against this background, we will identify some of the main priorities for these structural reforms (see Table 3 in Annex).

Education and Training

The education and training systems should be reformed in order to better cope with the challenges of:

- **globalisation and the transition to a knowledge economy**, by a more dynamic identification of the skills needs and by the generalisation of the lifelong learning opportunities in schools, training centres, companies, public

administrations and households, which should be underpinned by an universal pre-schooling education and the reduction of early-school leavers. New and more flexible ways to validate competences (such as the Europass) can also play an important role;

- **ageing trends**, by spreading new methods to assess, enhance and use the elderly workers competences;
- **new family models**, by providing equal opportunities to career choices and more flexible access to lifelong learning over the life-course;
- **European integration**, by adopting a common framework for key-competences and facilitating the recognition of qualifications and the labour mobility.

Social Protection

Social protection systems seem to need structural reforms to cope with:

- **the transition to a knowledge economy**, by a more personalised approach in the active labour market policies, by creating learning accounts with drawing rights and by providing more flexibility of personal choices in using the range of social benefits;
- **globalisation and new competitive pressures**, by giving a stronger priority to more effective active labour market policies; by a careful monitoring of the benefits in order to make work pay and to attract more people into the labour market, reducing unemployment and strengthening the financial basis of the social protection systems. A careful monitoring should also be made about the non-wage labour costs as well as the search of complementary (public and private) financial resources;
- **ageing trends**, by promoting active ageing, reducing early retirement, providing incentives to remain active, introducing more flexibility in the retirement age. Balancing the financial effort to be provided by different generations may also require a careful reconsideration of the balance between the three pillars of the social protection system;
- **new family models**, by spreading family care services and facilitating working time flexibility as important ways to reconcile work and family life;
- **European integration**, with a common legal framework required by the single market concerning minimum standards and portability, to be complemented with the open coordination of the social protection systems reforms.

Social inclusion

The social inclusion policies should also be updated in order to cope with the challenges of:

- **the transition to a knowledge economy**, by putting more focus on developing new social and professional capabilities, beyond the simple income guarantee;
- **globalisation**, by better targeting social inclusion programmes and by strengthening the management of the industrial restructuring;

- **ageing**, by promoting active ageing and by designing target measures for the elderly poor;
- **new family models**, by developing family care services and by designing target measures for single parents;
- **European integration**, by an open coordination of the social inclusion policies complemented with European programmes for social inclusion.

Labour regulations

The labour regulations and the human resources management should also evolve to meet the challenges of:

- **the knowledge economy**, by developing learning organisations in the work place, promoting learning careers and “learning first contracts” for young people, organising learning accounts and improving the working time flexibility for training;
- **globalisation**, by creating more internal labour flexibility (concerning work organisation, working time and wage setting), by combining new forms of external flexibility with security and by strengthening the management of industrial restructuring. The active promotion of better labour standards at international level can also play a crucial role;
- **ageing**, by encouraging new forms of work organisation, working time management and better working conditions;
- **new family models**, by facilitating working time flexibility, parental leave and career breaks;
- **European integration**, by the regular update of the European directives, by removing the obstacles to the mobility of workers at European level and by defining a European frame for economic migration.

Social dialogue

Finally, social dialogue should itself evolve to cope with the same challenges of:

- **the transition to a knowledge economy** by negotiating learning agreements at company, sector and national levels;
- **globalisation**, by negotiating innovation agreements and the social management of the industrial restructurings at company, sector and national levels;
- **ageing**, by negotiating the conditions for active ageing in the collective agreements;
- **new family models**, by systematically introducing equal opportunities in the collective agreements;
- **the European integration**, by upgrading the social dialogue concerning the European strategy for growth and jobs.

The changes which are mentioned above are the outcome of an intensive experimentation, debate and negotiation which is already under way in Europe. Most of these changes are

already pointed out by the integrated guidelines of the Lisbon strategy for growth and jobs after a very rich discussion which took place at the European level, involving all the European institutions and committing Prime Ministers and ministers of very different areas. These changes were subject to a larger discussion in Member States during the preparation of their national reform programmes for growth and jobs.

A re-interpretation of the basic values

This larger discussion in the Member States should take into account this more general background of the European social model and the new strategic challenges it is facing nowadays. Moreover, its underlying basic values seem also to be under re-interpretation, notably when:

- it is said that security should be for change, and not against change;
- in providing security, the focus is put not only in income guarantee but also in enabling and building capabilities;
- the concern with social justice is putting more emphasis in equal opportunities, even if they should be combined with basic solidarity towards the weakest members of society;
- the individual responsibility is also highlighted by this concept of equal opportunities, also leading to more freedom of choice over the life course;
- the principles of sustainable development are taken into consideration in the re-conceptualisation of social justice; hence the contributions and benefits regarding social protection should be balanced across generations.

5. International convergence, decent work and the external action of the European Union

The European Union has an ambitious agenda for sustainable development comprising its economic, social and environmental dimensions, but it cannot achieve it in isolation. The implementation of **this internal agenda needs to be supported by an international movement of convergence** in the same direction, able to create a win-win game, to avoid risks of race to the bottom and to strengthen collaboration to face common global challenges.

This should be the one of the main goals of the new generation of external instruments of the action of the European Union, when improving the multilateral framework and defining **partnership and cooperation agreements** with Third countries. A new approach to strategic dialogue on development issues should be used to identify the agenda for these partnership agreements.

5.1. The need of a new kind of strategic dialogue

We are assuming that the method for this strategic dialogue will be more effective **if it reverses the traditional sequence** of many international dialogues and organises the discussion according to the following steps:

1. First, a general discussion on **common challenges** we are facing together as global partners;
1. Secondly, a general discussion on **development strategies** and on some implications for **internal policies** to meet these challenges;
2. Thirdly, a discussion on **new ways of cooperation for capacity building** in order to spread better standards;
3. Finally, a discussion on the **implications for international relationships**, mutual opening of markets, for global standards and global governance.

This process of strategic dialogue should be developed at:

- **high level**, involving top representatives of the Council, the European Commission and the other countries' governments, who should meet on a regular basis, define the agenda and discuss selected topics;
- **multi-stakeholders level**, involving key stakeholders of civil society, meeting in different arrangements (workshops, conferences, fora).

Some key assumptions should underlie this dialogue:

- the dilemma between globalisation and protectionism should be overcome by an effective multilateralism combined with a strategic regionalism;
- Europe as a civilian power, should use its external policies to project its internal policies;
- in the exchange with partner countries, access to knowledge and institutional learning should play an increasing role;
- a typical example of win-win game can be created by combining mutual opening of the markets and access to knowledge on the conditions of raising standards in the environmental, social, intellectual property rights and political fields.

From this European experience, we can already draw the following conclusions, which can be used in a strategic dialogue with EU partner countries:

1. We need to design and implement a new comprehensive agenda for sustainable development combining the economic, social and environmental dimensions. Synergies between these three dimensions should become more important than trade-offs.
2. We should neither sacrifice social conditions to competitiveness nor the other way round. In order to overcome this dilemma, we should renew both.

3. The triangle of knowledge (research, innovation and education) plays a central role in this agenda.
4. It is not enough to invest in research. It is crucial to turn knowledge into added value through innovation.
Innovation provides a new approach for capacity building, which overcomes the protectionist approach to industrial policy.
5. Innovation is:
 - not only in processes but also in products and services
 - not only technological but also in organisation, management, skills and culture
 - not only for high-tech companies and high skilled workers but also for all companies and people
6. Entrepreneurship, taking the initiative to mobilise new resources to address new problems, should be encouraged everywhere, beginning in schools and universities, ensuring one-stop shop and seed capital for start-ups and supporting innovative companies to reach their markets.
7. The information and communication technologies provide the basic infrastructures for a knowledge society. In order to overcome the risk of digital divide, they should provide better access to all citizens in schools, health care, leisure and all the public services.
8. Social policy can become a productive factor provided that:
 - it equips people for change, to move to new jobs by providing new skills and adequate social protection
 - it increases equal opportunities
9. A sound basic and secondary education is a key factor for better life chances. Nevertheless, learning opportunities should be provided for all over their life cycle.
10. Social protection systems should be built and recalibrated to cope with the demographic change.
11. Respecting environment is not against investment and jobs creation. It can rather turn into new opportunities for investment and jobs creation.
12. Macroeconomic policies should ensure macroeconomic stability, but also a stronger focus on key investments for the future in research, innovation, education, infrastructures and social conditions.
13. Multilevel governance should be reformed for a better implementation of this agenda at local, national, regional and international levels. In all of them, we need more horizontal coordination of the relevant policies and a stronger involvement of the relevant stakeholders.

14. A cultural openness, initiative, participation and partnership are key ingredients for a successful implementation of this agenda.

5.2. From a Decent Work Agenda to a development agenda

In this new context, the debate on the Decent Work Agenda can get central relevance for two main reasons:

- because it can evolve to a broader debate on a development agenda;
- because it involves a central debate on the basic rules to be ensured to make globalisation work for all.

The four main components of the Decent Work Agenda are labour standards, social dialogue, social protection and employment policies. They have been elaborated in order to make the bridge between the social and economic dimensions and to enable an interface with the poverty reduction strategies, where they apply.

Further developments can lead to more policy coherence by formulating more comprehensive development strategies. The following references built on the European experience can provide some useful inputs for this process of enriching the agenda:

- a. the employment policy is, by definition, a central bridge between social and economic policies because it combines the factors influencing labour supply with those influencing labour demand, such as trade, industrial and macroeconomic policies;
- b. the social protection policy provides also a central bridge because it should be envisaged as a productive factor and also because it should take its financial sustainability into account;
- c. the implications of trade cannot be dissociated from capacity building policies such as infrastructures, innovation, industrial and education and health policies. The policies concerning the transition to a knowledge society should always play a central role, whatever the level of development.

These are some of the central ideas shaping the Lisbon strategy, meaning the European agenda for growth and jobs in a framework of sustainable development. That is why the current Lisbon national reform programmes should be considered the equivalent to the Decent Work Country Programmes in the EU.

That said, many conclusions of the European experience cannot be directly transposed due the wide range of national specificities. The specificities concerning the weight of the informal employment, the role of social entrepreneurship or the level of the thresholds regarding the basic social standards are particularly critical. This means that the general framework to be adopted should be flexible enough to take into account the national diversity.

The debate on the Decent Work Agenda is also a debate on basic rules for globalisation, to make it work for all. In fact, these rules are crucial to support the implementation of the Decent Work Country Programmes. These rules are emerging in different policy fields such as finance, environment, intellectual property and labour. Nevertheless, they still lack clarification, enforcement and coordination.

Regarding the enforcement of labour standards, the role of public authorities was underlined as well as the role of social partners.

Finally, the coordination of labour rules with rules in other fields should also be discussed, concerning the interface between UN Agencies and the Bretton Woods institutions as well as the interface between ILO and WTO, where the following possibilities were identified:

- a. to define how could WTO take into account the ILO role;
- b. to create a Committee on Trade and Decent Work in WTO;
- c. to define the role of specific indicators to introduce in the negotiation process;
- d. to go further by deciding that the ratification of the ILO core labour standards should be a pre-requisite for membership of WTO.

5.3. What can be the specific role of the European Union in this process?

The European Union can play a very relevant role in developing and spreading the Decent Work Agenda, by different means:

- by providing a positive example in implementing the Decent Work Agenda in its own Member States (see point 5.1);
- by including the Decent Work approach in its enlargement and neighbourhood policies;
- by including the Decent Work Agenda in the various components of its external action: cooperation policy, external projection of its internal policies, trade policy and foreign policy regarding countries, macro-regions and multilateral organisations.

5.3.1. Decent Work Agenda and the EU cooperation policy

The next generation of the EU cooperation programmes can play a very relevant role in spreading the Decent Work Agenda if this is integrated in the strategies to promote development and reduce poverty. This important potential should also be underlined, but a dilemma can be identified: should these national programmes for partner countries cover all the priorities or just address some of them? And, in this case, how to choose the priorities?

A third approach can be suggested to overcome this dilemma, based on two different steps:

- a. encouraging a preliminary step, by requiring a more comprehensive development strategy in this specific country, defining a strategic framework;
- b. focusing support on some concrete priorities, complementing other sources in the framework of this more comprehensive strategy. The other sources can have very diverse origins: multilateral organisations, non-European countries, EU Member States, other EU policies including the external projection of internal policies of the Union such as research, education, environment, employment.

A more effective programming of cooperation should be able, at least, to combine the core cooperation measures with this external dimension of the EU internal policies.

Nevertheless, this third approach requires improvements in the methodology for technical assistance in the programming phase regarding:

- the discussion of a more comprehensive strategy for development;
- the choices for focalisation;
- the measures to enhance the knowledge base and the technical expertise to support the policy making process.

Regarding the implementation phase, it is important to enforce the ILO core conventions and to develop new governance mechanisms:

- strengthening ownership of all the relevant stakeholders;
- building coalitions for change;
- monitoring and evaluating the impact of public policies in economic and social change.

5.3.2. The Decent Work Agenda and the EU trade policy

The European Union is engaged in developing a social dimension in trade policy. From this view point, it is regrettable that basic labour standards were not included in GSP and in GSP plus, with implications for the Doha Round.

Nevertheless, the European Union can introduce them in its negotiations of bilateral agreements. The current perspective of negotiating agreements with macro-regions in process of regional integration can open important windows of opportunity, even if a special effort will be required to address new and specific problems regarding the social dimension of the regional integration. The main assumption to be taken is that regional integration can become an important leverage to promote trade with decent work.

The EU approach should create an effective environment for this negotiation by combining incentives and sanctions. To improve this combination, it is particularly important to strengthen the coordination between trade, cooperation and the other components of the external action of the Union, including the external projection of the internal policies of the EU, notably the research, environment, education and social policies.

The impact assessment of trade on labour standards should also be improved, not only *ex-post* but also *ex-ante*. For this, it is necessary to develop a clearer framework to analyse the relationships between trade, growth, jobs, capacity building and raising social standards.

The role to be played by companies investing abroad in promoting better labour standard should also be emphasized as a basic component of corporate social responsibility. It was even suggested that partnerships to improve labour standards should combine the EU agreements with the role to be played by European companies in partner countries.

5.3.3. The Decent Work Agenda and the need of a more consistent and coherent external action of the EU

The development and the diffusion of the Decent Work Agenda depend crucially of a stronger ownership by the multilateral institutions and the European Union has a special responsibility about this. Therefore, a more effective action of the EU in this direction is required, notably:

- a. in the board of the World Bank and IMF;
- b. in the UN system, more specifically in the ECOSOC and in the UN Commission for Social Development;
- c. in the interface between ILO and WTO;

In conclusion, the implementation of the Decent Work Agenda is challenging the *coherence* and the *consistency* of the external action of the European Union.

The *coherence*, because if the Union is trying to improve the consistency of its internal policies for economic, social and environmental in the framework of the Lisbon agenda, the degree of consistency between policies prompted by the EU external action in partner countries should also be improved.

The *consistency*, because the action of the EU to reform the multilateral system and to improve the basic rules for globalisation requires a much stronger coordination between the EU and its Member States in the multilateral arenas.

In conclusion, the sustainability of the European social model will depend on more coherence and consistency not only in the internal action but also on the external action of the Union. Drawing the external implications of the Lisbon agenda should support an internal convergence towards a more balanced and sustainable development.

TABLE 1: Modes of governance by policy

| Policies Instruments | Monetary (Euro-area) | Budget | Internal Market | Competitiveness | Industrial | Innovation | Environment, Energy | Research | Education Learning | Employment | Social Protection |
|----------------------------------|-------------------------|--------|--------------------|-----------------|------------|------------|------------------------|----------|-----------------------|------------|----------------------|
| Exclusive EU Competence | X BCE | | | X | | | | | | | |
| Directives, Regulations | | X | X | X | X | | X | X | | X | X |
| Guidelines | | X | | | X | X | X | X | X | X | |
| Common Objectives | | | | | | | | | X | | X |
| EU Programmes | | | | | X | X | X | X | X | X | X |
| Reinforced Cooperation | | | | | | X | | X | | | |
| Intergovernmental Cooperation | | | | | | | | X | | | |
| National Reform Programmes | | X | | | X | X | X | X | X | X | X |
| National Sectoral programmes | | | | | | | X | | | | X |
| National Budgets | | X | | | | X | | X | X | X | X |
| Structural Funds | | | | | X | X | X | X | X | X | X |
| European Frameworks | | | | | | | | | X | | |

TABLE 2: POLICIES, MODES OF GOVERNANCE AND INSTRUMENTS

| <div style="display: flex; justify-content: space-between;"> Policies Instruments </div> Modes of Governance | | Monetary policy | Trade policy | Single market policy | Fiscal policy | Employment Labour Policies | Research Policy | Social Protection and Social Inclusion Policies | Education and training policies | Enterprise and innovation policies |
|--|--|------------------------|-------------------------------------|-----------------------------|----------------------|-----------------------------------|------------------------|--|--|---|
| | | Single policy | Delegation in European bodies, laws | X | X | X | | | | |
| Harmonisation of national policies | Framework laws | | | X | | X | | | | |
| Coordination of national policies | Framework laws, decisions | | | | X | X | X | | X | X |
| Open coordination of national policies | Decision on recommendations with monitoring and opinions | | | | | | X | X | X | X |
| Cooperation of national policies | Recommendations | | | | | | X | X | X | X |
| Supporting national policies | Community programs | | | | | X | X | X | X | X |

TABLE 3: Identifying reforms for the European social model

| Main strategic challenges Main components of the European Social Model | Transition to a dynamic knowledge intensive economy | Globalisation and new competitive pressures | Ageing | New family models | European integration |
|---|--|---|---|---|--|
| 1. Access to Education and Training | <ul style="list-style-type: none"> • Anticipating skills needs • Generating access to lifelong learning in schools, companies and households • Personal competences portfolio (Europass) • Universal pre-school education • Reduce school leavers | <ul style="list-style-type: none"> • Anticipating skills needs • Generating access to lifelong learning in schools, companies and households | <ul style="list-style-type: none"> • New methods of assessing and using competences | <ul style="list-style-type: none"> • Flexible access to lifelong learning • Equal opportunities for career choice | <ul style="list-style-type: none"> • European framework for lifelong learning opportunities |
| 2. Social Protection for all | <ul style="list-style-type: none"> • Activating social protection • Priority to active labour market policies • Drawing rights for lifelong learning | <ul style="list-style-type: none"> • Controlling non-wage labour costs • Mobilizing new kind of financial resources | <ul style="list-style-type: none"> • Active ageing • Incentives to work • Reducing early retirements • Delay/flexibility in retirement age • 3 pillars and inter generations balance | <ul style="list-style-type: none"> • Reconciling work with family life by working time flexibility and family care | <ul style="list-style-type: none"> • Coordinated reforms of social protection systems • European directives on social protection |
| 3. Social inclusion | <ul style="list-style-type: none"> • More flexibility of choices in the life course • Developing capabilities beyond income benefits | <ul style="list-style-type: none"> • To make work pay to increase the employment rates • Managing restructuring process • Targeted programme for social inclusion | <ul style="list-style-type: none"> • Active ageing • Larger measures for elderly poor people | <ul style="list-style-type: none"> • Target measures for single parents • Family care services | <ul style="list-style-type: none"> • European coordination for social inclusion • European programmes for social inclusion • European fund for social costs of restructuring |
| 4. Labour regulations | <ul style="list-style-type: none"> • Learning organisations • Learning careers • Training leave • Learning accounts | <ul style="list-style-type: none"> • More internal labour flexibility (work organisation, working time, wage) • New forms of external flexibility with security • Managing restructuring | <ul style="list-style-type: none"> • New forms of work organisation • New working conditions | <ul style="list-style-type: none"> • Working time flexibility • Parental leave • Career break | <ul style="list-style-type: none"> • European directives on working conditions • Removing obstacles for mobility of workers at European level • European frame for economic migration |
| 5. Social dialogue | <ul style="list-style-type: none"> • Learning agreements | <ul style="list-style-type: none"> • Innovation agreements • Social plans in restructuring | <ul style="list-style-type: none"> • Active ageing in collective agreements | <ul style="list-style-type: none"> • Equal opportunities in collective agreements | <ul style="list-style-type: none"> • European social dialogue on the strategy for growth and jobs |

TABLE 4: Sharing Responsibilities for Lifelong Learning

| MAIN ACTORS | PUBLIC AUTHORITIES | COMPANIES | INDIVIDUALS | SOCIAL PARTNERS | PUBLIC AND PRIVATE TRAINING SUPPLIERS |
|--|--|--|---|---|--|
| PRIORITIES FOR LIFELONG LEARNING DEVELOPMENT | | | | | |
| To define the goals for lifelong learning: new jobs profiles and competences | <ul style="list-style-type: none"> - Forecasting institutions - Partnerships for jobs creation | <ul style="list-style-type: none"> - Human resources management - Partnerships for jobs creation | | <ul style="list-style-type: none"> - Innovation agreements - Partnerships for jobs creation | <ul style="list-style-type: none"> - Training development - Partnerships for jobs creation |
| To develop a new infrastructure for lifelong learning | <ul style="list-style-type: none"> - Telecommunications and TV regulation - Knowledge resource centres | <ul style="list-style-type: none"> - Digital equipment | <ul style="list-style-type: none"> - Digital equipment | | <ul style="list-style-type: none"> - Broadband providers - Content providers |
| To develop e-learning activities | | | | | <ul style="list-style-type: none"> - e-learning products and services |
| To turn schools and training centres into open learning centres | <ul style="list-style-type: none"> - Education and training systems regulations | <ul style="list-style-type: none"> - New kinds of demand | <ul style="list-style-type: none"> - New kinds of demand | | <ul style="list-style-type: none"> - Organisational development |
| To adopt learning organisations | | <ul style="list-style-type: none"> - Organisational development | | <ul style="list-style-type: none"> - Innovation agreements | |
| To shape the appropriate learning mode for each target group | | <ul style="list-style-type: none"> - New kinds of demand | <ul style="list-style-type: none"> - New kinds of demand | <ul style="list-style-type: none"> - Negotiation of training in collective agreements | <ul style="list-style-type: none"> - Product development - Marketing |
| To spread new learning solutions for the low skilled workers | <ul style="list-style-type: none"> - To support new solutions - To ensure basic education for all | <ul style="list-style-type: none"> - Organisational development | <ul style="list-style-type: none"> - Stronger personal commitment | <ul style="list-style-type: none"> - Special conditions for training | <ul style="list-style-type: none"> - Specialised courses - Focus on new basic skills |
| To improve the framework conditions for lifelong learning: time management, care services... | <ul style="list-style-type: none"> - Family care services | <ul style="list-style-type: none"> - Family care services | | <ul style="list-style-type: none"> - Negotiation of working time management - Time accounts and training leaves | |
| To develop a guidance system over the life course | <ul style="list-style-type: none"> - To provide guidance services | | <ul style="list-style-type: none"> - To develop a personal development plan | | <ul style="list-style-type: none"> - To provide guidance services |
| To renew the validation and recognition system | <ul style="list-style-type: none"> - To create centres of competence validation | <ul style="list-style-type: none"> - Intellectual capital reports | <ul style="list-style-type: none"> - To get a personal portfolio - Europass | <ul style="list-style-type: none"> - To create centres of competence validation | |
| To create compensations for investment in learning | | <ul style="list-style-type: none"> - Productivity gains - Corporate assets | <ul style="list-style-type: none"> - Wage increases - Career improvements - Personal development | <ul style="list-style-type: none"> - Reciprocal compensations in the labour contracts and collective agreements | |
| To spread new financial arrangements to share the costs | <ul style="list-style-type: none"> - Basic education for all - Improving education of young people - Supporting target adult people by tax reliefs or direct incentives | <ul style="list-style-type: none"> - Funding job-related training | <ul style="list-style-type: none"> - Learning accounts or special entitlements for training | <ul style="list-style-type: none"> - Sharing costs in labour contracts or collective agreements | <ul style="list-style-type: none"> - Investment plans |

**TABLE 5
PROVIDING SECURITY FOR FLEXIBILITY**

| LEVELS OF GOVERNANCE | EUROPEAN | NATIONAL TO ENFORCE EUROPEAN INSTRUMENTS PLUS |
|--|--|--|
| FORMS OF FLEXIBILITY | | |
| Transition from education to employment | <ul style="list-style-type: none"> 4. European Employment Guidelines 5. European Youth Pact 6. Support to European mobility 7. Skills needs' foresight 8. Vocational guidance 9. Partnership for innovation and jobs 10. European Social Fund 11. Labour law for young people | <ul style="list-style-type: none"> 12. Education planning 13. Internships 14. Financial incentives to recruitment of young people 15. Membership to social protection system |
| Transition from household to employment | <ul style="list-style-type: none"> 16. European Employment Guidelines 17. Labour law on antidiscrimination, equitable wage and parental leave | <ul style="list-style-type: none"> 18. Child and dependants care services 19. Catch-up training 20. Progressive individualisation of contributions and benefits |
| Transition from unemployment to employment | <ul style="list-style-type: none"> 21. European Employment Guidelines 22. Broad economic policy guidelines 23. Labour law on universal minimum protection system | <ul style="list-style-type: none"> 24. Strengthening employment services 25. Vocational and occupational guidance 26. Education and training 27. Decrease non-wage costs for lower skilled jobs 28. Enrolment of non-declared workers in social protection systems 29. Social inclusion measures 30. Adapting social contributions and benefits in order to make work pay |
| Functional flexibility | <ul style="list-style-type: none"> 31. European Employment Guidelines 32. European law on health and safety, individual employment conditions, modernisation of work organisation, work councils, information and consultation | <ul style="list-style-type: none"> 33. Programmes to spread best practices in work organisation and human resources management (learning organisation, multiskilling, careers and job design, modular lifelong learning) |
| Working time flexibility | <ul style="list-style-type: none"> 34. European Employment Guidelines 35. Labour law on working time and part-time work | <ul style="list-style-type: none"> 36. Negotiations on working time 37. Time saving accounts 38. Job rotation 39. Learning accounts 40. Training leave 41. Social drawing rights |
| Wage flexibility | <ul style="list-style-type: none"> 42. European Employment Guidelines 43. Broad Economic Policy Guidelines 44. Macroeconomic dialogue | <ul style="list-style-type: none"> 45. Agreements on wages, productivity, competence building and jobs 46. Innovation agreements |
| Transition between different types of labour contract | <ul style="list-style-type: none"> 47. European Employment Guidelines 48. Labour law on fixed term work 49. Labour law on part-time work 50. Labour law on posting of workers 51. Labour law on temporary workers | <ul style="list-style-type: none"> 52. Membership to social protection system 53. Equalising social benefits 54. Equalising access to lifelong learning |
| Transition from employment to unemployment | <ul style="list-style-type: none"> 55. European Employment Guidelines 56. Labour law on collective redundancies 57. Labour law on corporate restructuring 58. Labour law on transfer of undertakings 59. Social fund 60. Globalisation fund 61. Common objectives for social protection | <ul style="list-style-type: none"> 62. Raising unemployment insurance 63. Restructuring management 64. Regional development 65. Partnerships for innovation and jobs creation 66. Re-training during unemployment period 67. Active job search |
| Transition from employment to retirement | <ul style="list-style-type: none"> 68. European employment guidelines 69. Common objectives for social protection | <ul style="list-style-type: none"> 70. Adapting working conditions 71. New forms of work organisation Reducing early retirements 72. Flexible retirement age 73. Partial retirement 74. Pension calculation rules 75. Exchange of expertise between generations |

TABLE 6
Managing Industrial Change – Levels and Stages

| Stages Levels | Passive | Active | Pro-active |
|------------------------|--|--|--|
| Company | <ul style="list-style-type: none"> • Lay-off process • Unemployment insurance • Early retirements | <ul style="list-style-type: none"> • Corporate social plans for restructuring (CSR) • Competence report (“bilan des competences”) and personal plan • Outplacement services • Training for new jobs in the region • Incentives to geographic and occupational mobility | <ul style="list-style-type: none"> • Strategic management of innovation • Strategic management of human resources • Competence building • New models of work organisation • Innovation agreements |
| Sector/Regional | <ul style="list-style-type: none"> • Sectoral programmes of restructuring and downsizing • Social programmes with minimum income | <ul style="list-style-type: none"> • Rapid Response System and change managers • Sectoral/Regional programmes for labour force transfers between companies and sectors with specific training • Financial incentives for recruitment by new companies • Local employment initiatives • Incentives to new investments, both national and foreign • Local partnerships for growth and employment | <ul style="list-style-type: none"> • Clusters development • Networks and partnerships for innovation • Innovation poles • Plans for regional development • Learning regions |
| National | <ul style="list-style-type: none"> • Labour law on lay-off • Social protection regimes for unemployment and retirement | <ul style="list-style-type: none"> • Active labour market policies • Vocational guidance services • Training programmes to tackle labour market mismatches • Coordination of employment and industrial policies • Labour market regulations: flexibility with security • Social partners consultation • National Employment Observatories • Housing market and geographic mobility | <ul style="list-style-type: none"> • Coordination of employment, industrial, innovation, education and trade policies • Partnership for change involving social partners • Foresight system for new sources of job creation • Pro-active programmes for education and training • Lifelong learning strategies • Labour market regulations: Transitions and competence building |
| European | <ul style="list-style-type: none"> • Directives (lay-off, information and consultation) • Social protection guidelines | <ul style="list-style-type: none"> • Coordination of employment, competition and industrial policies • European Employment Strategy • European Social Fund (ESF) • Directive on works Councils • Directive on portability of pensions | <ul style="list-style-type: none"> • Lisbon Strategy • Partnership for growth and jobs • European Social Dialogue (sectoral and cross-sectoral) • Community Programmes for R&D, innovation, employment and lifelong learning • ESF+ERDF • European Monitoring Centre for Change • European foresight system for new sources of job creation |

FIGURE 1

FRAME TO EXPLORE NEW AREAS OF INNOVATION AND JOBS CREATION

