

# Foreword

Europe, over the past nine years, has gone from crisis to crisis: from a financial crisis, to a protracted economic and social crisis, to a political crisis. This atmosphere of destabilisation is compounded by an economic outlook that remains at best bleak with a diverging Europe and stagnating world outlook. Though employment has begun to show timid signs of growth, unemployment remains unacceptably high and investment alarmingly low. Within this context Europe needs to establish the fundamentals for a sustainable economic and social path into the future. The challenges on the way ahead are daunting: not only is there an urgent need to take climate change seriously and ensure that the right incentives are put in place and appropriate action taken to enable the European economy to undergo the requisite transformation for fulfilment – or even surpassing – of the COP21 commitments; there is an equally urgent need, in the face of digitalisation of the economy, to engage in the debate about how to meet and shape the tremendous economic and technological changes entailed by this revolution and the accompanying paradigm shift, all of which will inevitably have deep and dramatic implications for the European social model.

While none of these debates are new, they are becoming daily more pressing just at a time when economies are highly fragile, inequality is increasing, and efforts to devise appropriate and timely policy responses are fraught with difficulty.

Worrying problems identified in previous issues of *Benchmarking working Europe* have not gone away. Europe still needs a higher level of public and private investment, and growth is still hampered by a chronic lack of domestic demand in some regions of Europe. Though new initiatives have been placed on the table, the net impact appears minimal. As a trade-off for a slight loosening of the formerly tight fiscal stance, deregulatory structural reforms remain high on the agenda. Against this background the net effect of policy endeavours to promote sustainable growth and quality job creation appears barely perceptible.

With this year's chosen focus – 'prepared for the future?' – the new edition of *Benchmarking working Europe* sets out to assess and analyse the state of working Europe with the aid of a multi-level and multi-dimensional set of indicators. This 2016 edition is thus intended as one contribution to an assessment of what the current policy stance has achieved, or above all – as will emerge from a reading of the following chapters – what it has *not* achieved, and hence as an assessment of the extent to which Europe is prepared for the future.

All four chapters of this report conclude on a negative note, and each puts forward suggestions for some appropriate policy changes. The macro-economic indicators point to a slight increase in GDP that would set it, in 2015, at just 2% above the pre-crisis level. Meanwhile, we have witnessed a reorientation of the economy towards external demand such that Europe, in economic terms, has become more dependent on developments elsewhere in the world. With growth slowing down elsewhere, this new orientation could well threaten the stability of the EU economy. While the fiscal stance *has* moved from restrictive to neutral, accompanied by a warning to accelerate structural reforms, this shift is unlikely to give the economy the stimulus it desperately needs. In practice it signifies a continuing degree of austerity, thereby limiting the effect of the timid attempts to increase investment and much needed R&D spending. The uncertain world outlook and the fragile recovery of the EU economy are bound to lead to a situation where the ratio of public debt levels to GDP will continue to increase, investment levels will remain too low, and deflationary trends will persist. Yet, as bluntly stated in the conclusions of the first chapter – 'Dangers ahead without new policies' – it is essential to counter these trends, if the EU is to engage, in any sustainable manner, with the challenges posed by climate change and digitalisation of the economy.

Insofar as this dire macro-economic context shapes and sets the framework conditions for labour markets, it is hardly surprising that several alarming trends are apparent here too. Unemployment remains unacceptably high and employment, while it grew between 2014Q2 and 2015Q2, did so at a slower pace than during the previous period. Temporary employment continues to form a growing share of job creation, and part-time employment is increasingly concentrated among low-paid workers. These too are alarming trends insofar as they seem to indicate a growing polarisation of the workforce and social exclusion of the lower-skilled. With 'Professionals' being the fastest growing occupational group in the EU, it seems vital that more attention be paid to how to limit the social and educational divide in Europe and ensure that future developments in the labour market and economy at large are fairly distributed across populations. Meanwhile, attention needs to be focussed also on the *quality* of jobs; recent trends indicate that highly skilled workers are employed below their qualification levels, that young workers still have difficulty in making quality transitions into the labour market, and that, with the postponement of the retirement age and low employment rates among older workers, steps are needed to ensure that quality jobs are available for all age groups and all skill levels. Job quality is also key

in the context of the latest debates and developments with regard to migrant and refugee flows. The neglect of job quality in favour of quantity ('a poor job is better than no job'), will jeopardise sustainable development of the European Union. While demographic and technological changes are clearly pointing up some of the challenges faced by European labour markets, there is a paucity of debate and action on issues the implications of which are liable to exert such strong pressure on the future of the European social model. That the market will automatically come up with a sustainable solution appears highly unlikely; it will take regulations, negotiations and action to ensure that the changes and challenges facing Europe can be shaped for the benefit of all workers rather than acting as factors of polarisation, increasing inequality and downward spiralling social standards.

Inextricably linked to developments on the labour markets, the strategy of internal devaluation and its spill-over effects on countries that did not themselves pursue this strategy – compounded by an undermining of workers' rights – have exacerbated the subdued levels of domestic demand. After real compensation per employee had lagged behind productivity gains from 2008 until 2014, 2015 saw real wages catching up with productivity and curbing the vicious spill-over effect of internal devaluation; real minimum wage developments also displayed new dynamism. For a sustained EU recovery, wage developments should continue in this encouraging direction. There is a need, simultaneously, to reassess current minimum wage levels in several countries in order to ensure that the amounts paid are actually high enough to keep workers out of poverty and constitute a 'living wage'.

The foregoing developments have taken place in a climate of attacks on trade union rights and a deliberate weakening of collective bargaining institutions, thereby raising questions with regard to the capacity of trade unions to continue to ensure a fair distribution of productivity gains for workers in all EU member states. Trade unions are aware that a diversified repertoire of action is needed to counter these trends, in particular in the light of attempts to restrict the right to strike. In recent years there has been an increase in demonstrations and legal action geared to enforcement of economic rights as a means of countering deregulation, austerity and restrictions of the right to strike. In the light of the changes gripping or looming above European Union economies, it is alarming to see that institutions and actors that habitually frame and manage change are being sidelined, leaving ever greater scope for inequality and polarisation within populations.

Compounding these challenging economic circumstances on the labour market itself, structural reforms aimed at increasing flexibility and imposing wage restraint are exacerbating the vulnerability of many categories of workers in Europe, further widening the many forms of inequality observed over the past decade, and even more so with the recent emergence of new forms of work such as 'crowdworking'. One mechanism that has, in the past, been instrumental in managing various forms of divergence is the system of national as well as European-level worker participation. Recently, however, and in spite of an overall increase in cross-border business activity and the ensuing cross-border implications for workforces, this mechanism too has come under pressure at both European and national levels. A well-functioning and well-articulated system of worker participation contributes to European integration by respecting information and consultation as a basic right for workers. Failure to respect these rights is tantamount to disregard for basic concepts of democracy.

The findings reported here point to a lack of engagement with some of the fundamental issues that need to be tackled in order to get Europe back on to a sustainable path that will lead to an upward harmonisation of standards and outcomes. The current trend towards ever greater economic as well as social divergence across the European Union cannot form a viable basis for the future of European integration; nor can it form a foundation upon which to engage with the tremendous challenges currently facing the economy, labour market and social protection systems. The conclusions of this report draw attention to numerous deeply disturbing trends and call for a genuine reassessment of the direction currently followed by both EU and national policy-making; not only must a suitable policy mix include a fully-fledged investment strategy for the future, with a genuine focus on research and development; it must also halt the deregulatory process, allowing fiscal policy to come fully into its own, consolidating and enhancing social protection and committing to a Europe characterised by high social standards including in the field of health and safety. This is the agenda to be followed in seeking to engage with the challenges and paradigm changes emerging in the wake of climate change and digitalisation of the economy.

*Benchmarking working Europe* first appeared in 2001. By providing a genuine benchmarking exercise applied to the world of labour and social affairs and grounded in effective labour and social rights, this annual publication represents a contribution to the monitoring of the European Union. It aims at establishing what progress – or lack of it – has taken place in selected areas of importance to the trade unions and of significance for a social Europe.

We hope you will derive both interest and benefit from your reading of this year's edition of *Benchmarking working Europe*.

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