



What future for social Europe?

*A collection of views
on the future of social Europe
from a left perspective.*

a Catalyst discussion document

Contents

Poul Ryrup Ramussen	5
John Monks	8
Michael Meacher	11
Janet Bush	13
Brendan Barber	16
Billy Hayes	18
Kelvin Hopkins	21
Hilary Wainwright	24
Jeff Sommers Charles Woolfson	27
Michael Sommer	30
Peter Gustavasson	32
John Grieve Smith	34
Adrian Askew	36
Derek Simpson	38

Poul Nyrup Rasmussen - President of the Party of European Socialists

'Social Europe' is a beacon of hope and inspiration to anti-poverty campaigners in developing countries with rapidly growing economies. For many people in Brazil, China, India and elsewhere, 'social Europe' represents an alternative to the individualistic, 'dog-eat-dog', free-market free-for-all that is held up by others as an ideal. It represents the hope that capitalism and justice and equality are not incompatible.

Yet 'social Europe' is coming under attack. People say that with globalization, increased economic competition and an ageing population, Europe will no longer be able to afford current levels of social protection. It is said that some of our current social protections – such as labour market regulations – are preventing economic growth. High levels of unemployment are cited as proof both that 'social Europe' is failing and that Europe can no longer afford the same levels of social protection. Inequality is on the increase.

These are not questions that can be ignored. There are real challenges ahead. Times are changing – economically and socially – and 'social Europe' will certainly have to adapt. Economic globalisation does mean increased competition, and there is real fear that if Europe fails to maintain competitiveness there will be further job losses and greater pressure on budgets, which would in turn threaten to squeeze social spending.

Enlargement of the European Union has brought greater diversity and inequalities of wealth to Europe and makes us question what constitutes 'Europe's social model'. The consumer society has given citizens a taste for choice that cannot be ignored – uniform provision for all is not as acceptable as it once was. Demographic changes, our ageing population and altered family structures, also demand different types of provision.

All these factors suggest that reform is needed. The question is – what sort of reform? We need reforms based on a new vision of the social rights and provision that matches the economic and social circumstances of the 21st century. People understood, and indeed fought for, the post-war welfare states with 'jobs for life' in a large state sector including many nationalized industries, with basic universal health and education, and with increased access to justice and, in many cases, housing. But now people are less clear what is on offer.

Politicians and business leaders talk a lot about the need for reform – labour market reform, tax reform, pension reform, increased charges or insurance for health and education, privatization – but no one offers a clear view of the guarantees society will offer. As a consequence citizens feel insecure and uncertain about the future. The 'no' votes in the French and Dutch referenda on the European Constitution were symptomatic of that unease.

The welfare states were largely the creation of socialist and social democratic parties and it is that movement that must redefine the 'social contract'. Our vision of 'social Europe' must enable us to make a clear distinction between the reforms offered for the renewal and modernization of 'social Europe' and the neo-liberal reforms offered by those who wish to roll back 'social Europe' under the pretext of modernization. We must renew social Europe, and denounce those who wish to weaken or destroy it. We must avoid a race to the bottom not only at a global level, but also within the enlarged European Union.

Voters distrust neo-liberal 'reform'. Despite difficult times in Germany, voters did not give a majority for Angela Merkel's tax cuts for the rich or the removal of tax breaks for ordinary citizens. Even in Poland, where the ruling socialists suffered a heavy defeat, voters unexpectedly gave more support to the Law and Justice Party which is suspicious of economic liberalism than to the Civic Platform which wanted to introduce a flat rate tax, and speed up deregulation and privatization. But socialists and social democrats must translate this distrust of neo-liberalism into a clear alternative and clear vision for social Europe. We must show how 'social Europe' can once more become an integral part of the fabric of our society – and not a luxury that we can only afford when Europe is booming. We must demonstrate that social Europe is not a cost to society but is an essential element of what holds society together.

There is a clear need for a new vision but the task needs to be properly understood. Academics are quick to point out that there is not one but several European models – some distinguish between an Anglo-Saxon model, a Nordic model, a continental or Rhineland model and a Mediterranean model. Obviously there are significant differences, but the similarities are more important – especially when compared

Poul Nyrup Rasmussen (cont)

to the US or Asia. Regardless of how they are organized or financed, all Member States spend between 7-10 per cent of GDP on health and 7-12 per cent of GDP on pensions. Despite the differences, you cannot convince an American or an Indian that Europe does not have a unique system of social protection!

However, the sort of new vision for Social Europe that socialists and social democrats need to paint for the citizens of Europe is not a 'one size fits all' system of social protection. Member states will continue to provide services such as health, education and income protection in a way that is appropriate to that society.

Of course, there also needs to be a debate about strengthening the 'social acquis' - the basic social provisions that are required in all EU member states. There is a whole set of EU laws and directives covering social dialogue, safety at work, the mobility of workers and freedom of movement, and European labour market regulations.

Our vision of a renewed social Europe must be an articulation of common values and principles. Perhaps it can include a common understanding of the range and types of social policies required in today's Europe. A political and social direction is what is needed, not a blueprint for the actual provision of specific services.

It is not hard to identify some socialist principles that must underpin our vision. Solidarity, equality, and justice remain as relevant and popular as they have ever done.

Solidarity means that everyone has the chance to access basic necessities such as health care, education, decent housing and the opportunity to work. It also means collective provision. Socialists, and indeed most Europeans, support the idea of collective provision: that everyone pays for services that everyone has the right to use when necessary. All health services in Europe are based on collective provision of one type or another – in the US they are centred on the individual provision. Solidarity also involves a measure of wealth redistribution – within and between Member States of the European Union.

Social Europe must also address how we deliver social justice in today's changing society. Universality is at the centre of our approach, and for this reason, we must modernise social protection in order to provide it in today's world. The rise of new disadvantaged groups in our societies – like single-parent families and second and third generation immigrants – highlights the need to rethink our approach to social justice and target it pro-actively to these groups for labour market - and also societal - integration. Public policies – in social protection, employment and education – must be modernised in order to address new societal issues - for example, ensuring a smooth transition for divorcing families, this period being one in which many women and children fall into poverty.

What are the sort of policies a new social Europe might embrace?

I believe 'flexicurity' is one policy that deserves wider consideration. This means increasing labour market flexibility while providing income support and assistance to get back into work during periods between jobs. There does seem to be evidence that this approach is more efficient than the very strong employment protection adopted in some countries. However, the left must insist the any increase in 'flexi' is accompanied by real improvements in security – income protection, training and support to find new employment. And 'flexi' cannot simply mean making it easier to fire people. It also means making it easier for people to enter employment – whether by providing better child-care facilities or by introducing anti-discrimination legislation. It involves active labour market policies, with concentrated investments in training and re-skilling as well as in personalised career advice for the unemployed.

There is an increasing difficulty for young people to make the transition between education and work. There is a need for more access to vocational training, workplace experience, modular education and credit accumulation - 'small steps' education and training so young people don't fall off the ladder.

I believe there is a case for a more thorough debate and comprehensive approach to equalities issues. Attitudes and legislative action on racial discrimination, on the rights of gays and lesbians to a family and working life and on equality for

women vary greatly. There is a need to take a look at initiatives on gay rights in Belgium and Spain for example, and at initiatives on racial discrimination in the UK and elsewhere. There are women in Europe who still do not have access to affordable childcare and do not have individual fiscal and social security rights.

There needs to be a calm assessment of the policy requirements of demographic change. An ageing population is not necessarily a disaster either for the pension system or for health costs but the implications cannot be ignored. The third and fourth ages of life – which are rising rapidly as a proportion of society – also require new, pro-active public policies for 'active ageing'. 'Active ageing' is not just about paid employment, but about maintaining health and actively contributing to society, through engagement in local communities and in politics. Falling birth rates can be tackled, and indeed there is evidence that women in countries with low fertility rates would like more children, and require better childcare, improved parental leave and a closing of the gender pay-gap.

There is an urgent need to improve how Europe looks at - and deals with - migration and integration. Here a new EU common framework for admissions is needed alongside the reinforcement of anti-discrimination legislation and clearer rights and duties for migrants. There can be no new social Europe without a new approach to migration and asylum that combines solidarity and respect for the individual with a positive appreciation of the economic value of migrants and mechanisms for helping migrants to integrate and enter the job market. Here Europe should not only share experiences and build on best practice. Europe has made tremendous strides in becoming a multi-cultural society, yet the political right continue to exploit migration and integration problems in order to whip up resentment and undermine solidarity, and Socialists cannot ignore the truth that dissatisfaction is high both among migrant communities and also in many 'host' neighbourhoods.

This is not a cry into the wilderness for a debate. In addition to the Informal European Summit on Europe called by Tony Blair under the British Presidency of the EU, the Party of European Socialists is kicking off a dialogue between its member parties on how to combine social security with

international competitiveness, growth and jobs in new and modern ways. Following an initial conference in Brussels involving several Ministers and European Commissioners, and a discussion among PES Party Leaders, before the informal Social Summit, the PES will set up three Forums for the different parties to discuss An Active Society, An Inclusive Society, and The EU Dimension until mid-2006. These forums will allow us to exchange experience and best practice, and develop fundamental common principles in our approach at the national and European level. The launch conference for this initiative will take place this December and a comprehensive policy report will be presented to party leaders at the PES Congress in autumn 2006. As President of the Party of European Socialists I am proud that the PES is fulfilling its role to bring together the socialist, social democratic and labour parties of Europe to forge a new vision for Europe for our new millennium.

John Monks, ETUC General Secretary

The 'European Social Model' – what does it mean to the average EU or British citizen? The French and Dutch voters' knock-back of the EU Constitution suggest that expectations of what Europe can deliver for its people vary dramatically.

The current debate about social Europe, focused on the informal summit meeting called by the UK Presidency, represents a crucial challenge for the European trade union movement, an opportunity to raise awareness of what makes up Europe's unique social structure, and why it is so important to defend and strengthen it.

The EU is built on the principle of social partnership, a compromise between different interests in society that can still unite around common values. Even if European nations represent a wide range of different experiences and ideas, they are united by a clearly identifiable set of political and social principles that have been forged – often painfully – over the centuries during which this continent's unique history and culture have developed.

These values are in line with many of the traditional principles of the trade union movement: solidarity, equality, social justice, internationalism and the belief that social and economic structures should be designed to benefit humanity. More than anywhere else in the world, such concepts are embedded in the governance of the EU and its Member States.

As the Union has grown, new nations, including former dictatorships and Communist countries, have adopted and consolidated these principles, while active solidarity has radically increased social well-being in poorer entrant states.

Yet of late, Europe's disappointing economic growth has brought strident calls for 'reform' and deregulation, even for the dismantling of the social dimension of the EU, and reducing it to a free trade area in which different countries can compete to cut costs and roll back social protection.

Britain's Labour government has often been happy to go along with a negative portrayal of the way things are done in the rest of Europe. It is fond of comparing itself favourably to other EU economies in terms of growth and reform – the subtext being that this is due to courageous emulation of the American model.

Yet are high social standards really a drag on competitiveness?

The ETUC is convinced that, on the contrary, they are an essential stimulus to innovation, productivity and sustainable growth. For example, enterprises which promote good working conditions, offering equal opportunities, flexible work, organisation, and a strong emphasis on social dialogue, have the best conditions for competitiveness, long-term success and maximising commitment and loyalty from employees. Investing in people, in their skills and ability to adapt, is crucial for the future of individuals, enterprises (public as well as private) and countries. Studies show that precarious work, low pay and long hours undermine productivity, reduce motivation and increase absenteeism.

Indeed, there is now growing evidence that the UK's recent prosperity is less sustainable than claimed. Management research data suggest that UK companies have achieved 'reform' in recent years by focusing on cost-cutting, downsizing, outsourcing and imposing longer working hours. But there's only so far such belt-tightening can go before it starts to hurt. With a lack of investment in research and innovation, British business lacks a long-term strategy for growth and development.

EU figures show that UK investment in R&D as a share of GDP has been below the EU-15 average, and well behind Germany, where both overall investment and business input is close to the US level. And British manufacturing has been underperforming for a number of years in comparison with all its major competitors.

Thus, the UK's reputation as one of the most liberalised labour markets in the world has done little to boost either private investment in innovation or labour productivity. It comes tenth in the EU-15 league – with productivity levels some 20% below Germany's. While that country, which has struggled over the last decade to handle the impact of unification, appears to be on the way towards economic recovery – often through reforms carried out in consultation and cooperation with trade unions – regaining its place as the world's largest exporter.

As for the US, growth there has taken place at the expense of family incomes, with workers' wages falling since 2001. The much-quoted gap between European and American growth levels does not appear so stark when the role of the rise in US population is factored in: US GDP growth per person falls to around 2.1%.

If any doubts remained as to the wisdom of Europe abandoning its own model of society in favour of the US example, Hurricane Katrina should have been a salutary lesson, exposing with brute force the unheard and unseen stratum of American society living without a safety net of any sort.

Indeed, is Europe really doing so badly? In a recent World Bank survey, 11 EU nations were among the top 30 most competitive countries in the world, with the Nordic and Baltic States showing especially strongly. Top of the 11 came Denmark, with the greatest economic prosperity, the highest employment rate and investment in social protection in the EU, unemployment at 5% – and over 80% of the workforce in trade union membership. Denmark's 'flexicurity' model is increasingly discussed as a way forward, rather than the piecemeal withdrawal of worker's rights in the interests of a so-called 'business-friendly' economy.

Anyone who visits a German, Dutch or Northern Italian city or a French village or sees modern Spain cannot fail to make favourable comparisons with many areas of the UK. It is the UK that is trying to catch up with average EU levels of health spending, for example, never mind the best.

There is good reason to be concerned that the European social model is under threat, not only from without, from those who believe they would profit if the EU were reduced to a free market, but also from within, from politicians looking for a short-term fix to boost ratings. In fact, the current situation demands a measure of political courage and vision on the part of EU leaders, to hold to the long-term objective of harmonisation of high living standards.

'Better regulation' is the catchphrase for the European Commission's current drive to withdraw 68 pieces of pending legislation in the interests of 'growth and competitiveness'. Better regulation is like motherhood and apple pie – who would oppose it? But if this is a mechanism for backing away from difficult issues like the protection of temporary agency workers, it will only serve to create greater disillusionment among EU citizens.

Another dangerous proposal is the draft Directive on Services in the Internal Market (the so-called Bolkestein Directive) currently under scrutiny by the European Parliament. Without major changes, this legislation would have the effect of allowing workers doing the same job in the same place in Europe to be employed under totally different conditions and salaries. This is completely unacceptable, and would lead inevitably, we believe, to a downward spiral of workers' rights and conditions. This is one proposal the ETUC is fighting tooth and nail, with good support from a majority of MEPs in the European Parliament.

Globalisation is a fact, and to argue that it is good or bad is too simplistic. The European trade union movement fully accepts that it cannot reverse such trends. But a strong and integrated Europe should be able to manage the process of globalisation so as to maximise the benefits and minimise the costs – to create as many winners as possible and give support to those who lose out.

We cannot afford to leave everything to market forces. The European Commission and social partners need to draw up forward-looking industrial policies at sectoral level, which take account of the social dimension. They should jointly be aiming to enforce strong rules on information and consultation and effective European Works Councils, to make full use of the skills and creativity of their employees and enable them to have a greater input and more control over their futures.

John Monks (cont)

Every European worker should have the right to readjustment. In Sweden and Finland, industry-wide collective agreements between the social partners guarantee funding for job counselling, retraining and work placements in other firms as soon as workers receive notice of redundancy. The ETUC has also called for the EU's financial instruments, and especially the Structural Funds, to be directed towards anticipating and managing restructuring.

But if the EU is to compete in the globalised market, it must pay more than lip-service to developing high quality products and services. And this means increasing investment in research and development, and above all in lifelong learning, to create a skilled and adaptable workforce. The ETUC has called on Member States to invest an additional 1% of GDP in measures to achieve the Lisbon objectives. So far, the EU's progress towards its objective of full employment has been unimpressive, and a 'hands-off' approach will do nothing to help.

Another reason for defending the social model is because it has an impact outside European frontiers. The EU should promote its social principles powerfully and confidently on the global stage, in its trade and development relations with other states.

Europe has a responsibility not only in fighting poverty and extending prosperity to developing countries, but also because it is unique in offering a model of social organisation that links the objectives of economic growth and increased well-being for all. The destiny of the European labour force cannot be separated from the welfare of workers in other countries often employed by the same multinational companies. European firms have a responsibility to behave responsibly and apply the same employment and environmental standards outside the EU.

In rapidly developing countries like China, workers have everything to gain from the example of their counterparts in Europe. Chinese wages are rising rapidly, and workers have organised strike action to demand better conditions. Trade unionists on European Works Councils in multinational firms are starting to examine how to extend consultation rights to workers employed outside Europe. And in September, the ETUC and European social partners took part in the first ever EU-China social dialogue event in Beijing, in the framework of the EU-China summit, with regular contact anticipated in future.

In building a social Europe, the role of collective bargaining is crucial, within a strong framework of minimum standards. Collective bargaining has been an important element in the construction of many European countries and it must remain so. Equally, to meet the challenge of cross-border business organisation, the structure of social dialogue must be strengthened at European level. The ETUC now represents 60 million trade unionists in 34 European countries, and is the only organisation qualified to speak on behalf of organised labour on an EU-wide basis.

With its democratic structure of decision-making by members, the ETUC is well placed to understand the concerns of workers across the EU. Its aim is to play a strong and constructive role in the crucial task of setting social Europe in the right direction in the twenty-first century.

Michael Meacher MP and Catalyst Vice-Chair

The rejection of the proposed EU Constitution by the French and Dutch in the recent referendum led to much crowing by Tony Blair about the failure of 'old' Europe's social policies to adapt to globalisation compared with the superior Anglo-Saxon neo-liberal model. The facts, however, suggest that such a simplistic presentation is quite false.

The true picture is rather more complex and the balance of advantage is far from clear-cut. First, it is rather deceptive to pretend there are just two models – the British (and Irish) on the one hand and all the rest on the other. In fact, the rest divide clearly into two or perhaps three distinct categories. One is the Scandinavian pattern and the second is the Continental European model, which perhaps sub-divides further into the differences between the central European large economies and the southern European ones.

The Scandinavian welfare states are unquestionably expensive in terms of tax take. But they are clearly better-adapted to the pressures exerted by post-industrial change, largely because of their service-intensive and women and child-friendly public policies. Denmark and Sweden adopted a policy of high public employment in the 1960s, and this expansion of so-called 'welfare state jobs' steadily drew more and more women and lone parents into the labour market. This led to very high levels of employment for men and women alike, less early retirement, and relatively high birth rates. All these trends have contributed to reducing the long-term strains on pension systems, and have also largely eliminated social exclusion due to poverty and long-term unemployment.

The main problem for the Scandinavian model, however, is of course the financing of the welfare state. Several factors have exacerbated this – high capital mobility, the fiscal and budgetary constraints imposed by an ageing population structure and by European monetary integration, as well as political resistance to high taxes. As a result of the latter, tax revenues as a proportion of GDP have not increased since the 1980s, so neither has public employment. Any further enlargement of the job market must therefore come from expansion of private sector jobs. But that presents the Nordic countries with the dilemma – either to liberalise private services, which would lead to more wage-inequality, or to continue to pursue relative wage equality, but at the expense of higher unemployment because of budget constraints.

The Continental European welfare state profile is built on different foundations. The main problem here is very high fixed labour costs, and this high wage floor is the main impediment to private sector job expansion. On the other hand, public sector employment growth is limited by the fiscal burden of supporting a very large inactive (non-employed, rather than unemployed) population. This overall job-stagnation derives mainly from the particular method of payroll-based social insurance financing.

This framework has bred a self-reinforcing cycle of retrenchment. To break out of stagnation – both Germany and France currently have unemployment rates roughly twice as high as that of Britain – economic policy has been directed at boosting international competitiveness through a combination of early retirement and increasing labour productivity via high-quality vocational training and education. The problem with this strategy is that ever fewer workers must cover for ever fewer persons in employment, which substantially increases the 'tax' on labour. It leads to rising labour costs and to the exit of less productive workers, which then ratchets up a further notch in the vicious spiral of more productivity-increases accompanied by another round of workforce reductions through subsidised retirement-exit.

This whole process strengthens 'insider-outsider' cleavages in the population and adds to the incubus of inactivity and social exclusion. This is exaggerated even further where labour markets are heavily regulated, as in Southern Europe. The main victims of this self-reinforcing spiral have been the young and women, especially those with children. One consequence is that, despite the huge change in women's preferences brought about by rising education, the institutional culture remains frozen in the traditional male-breadwinner role, so that women face strong employment barriers when they opt for a career.

The 'Anglo-Saxon model' represents a very different response to these dilemmas, but one where the balance of gain is heavily countered by significant downsides. New Labour has in effect abandoned the pursuit of greater equality in the interest of jobs and budgetary restraint. Redistribution on moral grounds has been rejected, and such egalitarianism as remains is sought solely through increased incomes via employment, most notably through the welfare-to-work programme and the working families tax credit.

Michael Meacher (cont)

The advantage of this approach is that it is much more likely to be financially sustainable. But it comes at a heavy price. It encourages wage inequalities and the expansion of low-paid jobs, with a significant polarisation of incomes. The poor have become marginally better off under New Labour, whilst at the same time remuneration for the rich (often through bonuses, so-called 'fringe benefits', and stock options) has soared, so that inequalities have widened sharply. Equally, access to social insurance has become ever more unequal, so that those who can afford private insurance are fully covered while those who cannot are at risk of poverty.

Furthermore, the rise of female employment in the UK has not hitherto seen much determined policy to reduce gender inequalities. Equal pay for work of equal value remains a mirage, with a pay-gap between men and women of up to 30%. Moreover, women are often forced to accept low-quality part-time work. However, this may now be about to change with the Government's latest proposals for a national system of quality day-care provision for working mothers.

But the most significant feature of Britain's Anglo-Saxon (for which read Americanised) model is the labour market de-regulation which deliberately tilts the balance of power in the workplace heavily in the interests of employers. The power of the trade unions was emasculated by Thatcher in a series of anti-trade union Acts in the 1980s, and this framework has been largely left intact by New Labour. The result has been that the co-operative management of industrial relations between employers and trade unions as seen in Continental Europe is absent from Britain. Britain continues to have a poorly-trained workforce, and the combination of skill shortages, low wages and poverty continue to produce the inter-generational cycles of social deprivation that have so marred the country in the past.

This analysis makes clear that boasting of the superiority of one model over another is misplaced. Each of the models has a substantial downside. However, it is worth noting that over the past decade some EU countries have had considerable success in breaking out of the confines of these in-built dilemmas. Denmark and the Netherlands have in particular managed to increase jobs in the service sector in a virtual full employment economy without abandoning their commitment either to relative wage equality or fiscal

restraint. Indeed, both countries have amassed large budget surpluses. Equally, Sweden and Finland succeeded in overcoming the deep economic downturn of the 1990s by reducing their budgetary deficits and sharply cutting unemployment.

The Scandinavian model therefore remains probably the best resolution of the latent conflict between economic competitiveness and social cohesion. Sweden matches the UK in growth, GDP per capita and low unemployment, while at the same time Sweden has a current account surplus of \$10bn compared with Britain's \$30bn deficit. Even by New Labour's favourite neo-liberal criteria, Sweden wins: it has lower inflation, higher global competitiveness, and a better business record for creativity and research. And when it comes to quality of life, Sweden is streets ahead. Its life expectancy is much higher; its poverty level is less than half that of Britain, its illiteracy rate is a third of that of Britain, and its social mobility is far higher.

The British model, so far from meeting the over-blown puff of the Prime Minister, is beset by serious failures for which no remedy at present is in sight. Despite a decade of continuing labour de-regulation and resistance of EU measures to produce a better work-life balance, many of the new jobs have been very low-wage (even despite the welcome minimum wage legislation, because the floor has been placed so low) and, crucially, productivity has remained very disappointing. The much-vaunted economic success of the British economy in European terms is thus likely to be unsustainable. Product market deregulation, liberalised labour markets and low taxes have not produced the big growth returns or the breakthrough to long-term competitiveness that were promised. Worse still, the Economist Intelligence Unit's quality of life index ranks the UK bottom among the EU15 States because of its poor public services and high rates of family and social breakdown.

We should therefore welcome the Prime Minister's decision to hold a major review of the different economic and social models currently operating in Europe. But perhaps he should be warned that it may produce a rather different result from the one that he is anticipating.

Janet Bush, former Director of the No Campaign and former Economics Editor of The Times

It seems strange to begin an article about 'social Europe' by talking about Kenneth Clarke, the former Tory Chancellor; but his passionate support of the euro during his wilderness years and his recent conversion to euroscepticism is instructive. His abandonment of the euro was widely interpreted as a rather obvious piece of cynicism to pave his way to the party leadership, but there is more to it than that.

When I was Director of the No campaign (and, I should say at the start, a member of the Labour Party, then and now), I had lunch with Ken Clarke. It was an opportunity to grill him on why precisely he was such a supporter of the euro. There was an element of *yah boo sucks* to the right of his own party who he clearly despised far more than New Labour; but the main reason he wanted the euro was because he believed it would serve as a battering ram to the free market in Europe, dismantling Europe's social model and bringing Thatcherite enlightenment, at last, to our continental neighbours. One of the reasons he finally ran up the White Flag was that the free market revolution he foretold had not happened.

This was not, however, for want of trying. Ken Clarke was spot on when he saw the euro as a weapon with which to assault the social and labour market protection that have been the cornerstones of Social Europe. The European political and business establishment – with Tony Blair and Gordon Brown at the vanguard – is still working very hard on trying to undermine Europe's consensual model, gradually wearing down opposition from beleaguered European electorates.

The British Prime Minister, the most right-wing leader of the Labour Party in its history, has been the leading campaigner for the euro in Britain – and the leading proponent of what is euphemistically called economic 'reform'. Gordon Brown has been somewhat more cautious about the euro in practice, if not in principle, on grounds very similar to the latter-day Ken Clarke – that the free market revolution is not advanced enough yet to make joining safe for a post-Thatcherite Britain.

The point is that the euro was designed with the explicit intent of dismantling 'social Europe'. Why else would Economic and Monetary Union have been set up in the masochistically rigid way that it was? The Maastricht Treaty, which set up EMU, provided for a strictly independent central bank to set interest rates for the sole reason of bearing down

on inflation; nowhere in its mandate – as is the case with the US Federal Reserve and the Bank of England – is there a remit of promoting growth and employment. At the same time, the Stability and Growth Pact (now defunct because the large Eurozone countries were not prepared to accept the economic damage it was wreaking) ruled out using fiscal policy – cutting taxes or raising public spending – to boost growth, setting strict limits on deficit spending and threatening fines to whichever country exceeded those limits.

It needn't have been this way. The ECB could have had a dual mandate – fighting inflation but also promoting employment; and fiscal policy could have been made the explicit instrument that created flexibility to counteract the inflexibility of monetary policy. In every other monetary union in history, this is the case and for very good reason. In any single currency area, differences in economic performance develop with some regions doing well and others doing badly. Because you can no longer use interest rates to rebalance such things (everyone, by definition, has the same interest rate, whatever their need), you have no other choice but to use fiscal policy (taxes and spending) to iron out differences. The way this has done in all other monetary unions is through a mechanism called 'fiscal transfers' – in essence, some of the tax revenues from booming regions are recycled into unemployment benefits in regions that are not doing so well. In the US, 25% of the federal budget is available for such redistribution.

No such system is available in the European monetary union – because Europe is not a country, it does not have a single tax and social security system, and there is no prospect of one being set up because Europe's electorates don't want to pay taxes to Europe as opposed to their own countries. Many electorates resent even the 1% of EU GDP that is payable into the central EU pot – which is why current budget negotiations are so tortuous. We are so close to the debate about European monetary union that we forget just how unprecedented and radical is the idea of a group of nation states opting to share a currency. The normal thing is for a country to be formed and then for it to have a currency for that state; it really is very abnormal for a group of states to want to share a currency with each other.

Janet Bush (cont)

Eurosceptics of the Left argued from the outset that the euro was set up by orthodox monetarists and fiscal Puritans and that the Eurozone risked becoming a region of permanently high unemployment as a result. These fears have proved well-founded. Europe hasn't collapsed into a deflationary bust but unemployment remains very high and, compared with practically any other region of the world, growth has been slow. Why, oh why, could the architects of the euro not have seen this coming?

Sorry to say, they did. They set EMU up the way they did not because they were misguidedly zealous about fighting inflation; they did it because they knew that the system was set up in so rigid a way that social Europe would finally be crushed. Economics can be somewhat impenetrable but here it is in essence. If you can't cut interest rates to boost growth in your region and you can't increase public spending or cut taxes either, then the only other way to restore competitiveness is for wages to be cut. You can achieve that either by doing just that – cutting the wages of individual workers – or you do it by cutting the wage bill overall – by laying workers off. Instead of governments taking responsibility of getting out of an economic hole by using the levers of economic policy, the burden falls on the workers. Welcome to the market.

Perhaps this sounds like a rather silly conspiracy theory; on the Left, don't all our instincts tell us that European policymakers are far more enlightened than their British counterparts in our scorched earth, post-Thatcherite, Blairite Britain? I am afraid the evidence is compelling that, despite the enduring utopian rhetoric about social justice, Europe is fighting tooth and nail to impose the Anglo-Saxon model on its peoples.

Take a recent interview in The Financial Times by Ludger Schuknecht, Chief Economist of the European Central Bank, in which he called for key aspects of EU Member States' welfare systems to be dismantled and for governments to cut public spending.

Governments may not be spending too little but too much money: on excessive bureaucracy that discourages investment and employment; on activities that the private sector could do better; and on over-generous welfare and

early retirement programmes that discourage people from seeking work. Sounds like the election manifestos of David Davies and Liam Fox, doesn't it?

These views are entirely consistent with those expressed by the ECB since 1999 when the euro was launched. His predecessor as Chief Economist, Otmar Issing, wrote in 2000 that the risk of [the euro's] failure can be summed up in a few words. An EU which enchains its huge innovative potential through all sorts of regulations, suppresses economic incentives through high taxes, seeks to protect its prosperity from the outside behind all sorts of barriers and strives to redistribute wealth internally, based on an ideology of equality portrayed as justice, renounces not only an important role on the world stage but also its own future.

The ECB has, since its inception, taken upon itself the responsibility of spearheading the EU's intellectual drive towards the free market. Although the management of fiscal policy, labour market regulation and social policy are not within its jurisdiction, it expresses views on them virtually non-stop. From its start in 1999 to February 2002, the President, Vice President and Chief Economist of the Bank made 14 appearances at the European Parliament's Committee on Economic and Monetary Affairs; on 12 occasions, the bank official concerned asserted that further efforts were required to reduce taxation or government expenditures; on 13 occasions, reference was made to the desirability of 'structural reform', 'deregulation' or some other expression with a meaning including labour market deregulation.

Yes, but they're bankers, you might say; what do you expect? Unfortunately, the European Commission stands shoulder to shoulder with the ECB in pushing the deregulatory agenda. Take the ongoing row between the Commission and the Government of Sweden.

At the beginning of October (2005), the EU's Commissioner for the Internal Market, Charlie McCreevy, said that the Commission would stand against Sweden in a legal case over whether it can apply its collective wage agreements to companies employing foreigners who work in Sweden which, it argues, contravene the EU principle of free movement of labour. (No such qualms, apparently, in the compromise

framework agreement struck for beginning EU accession negotiations with Turkey which appears to hold out the prospect of a permanent bar on Turkish workers being able to migrate to other EU countries).

Sweden has reacted furiously, interpreting Mr McCreevy's intervention as a direct attack on one of the most successful social models in Europe. It threatened to retaliate by withdrawing its support for the new Services Directorate. But what was this arch defender of the European Social Model doing supporting this directive in the first place? The Services Directive plans a Big Bang liberalisation of European services, boasting that this will create millions of new jobs. But, behind the glowing rhetoric is a nasty piece of neo-liberalism. For one thing, the directive makes no distinction between service industries and public services – so public services are, at a stroke, subjected to market forces. It also effectively dismantles health and safety and other rules governing corporate behaviour through its 'country of origin' clause. Companies are only bound by the rules of the country where it is based, not in the country where it is working: so there is an incentive for companies to locate to where the rules are least onerous. Workers are left unprotected.

But, surely, something must give, Europe's political and business leaders say? How can we, as a continent, accept 20 million unemployed, average economic growth in the established EU Member States of less than 1 per cent and youth unemployment in all 25 Member States averaging nearly 20%? We have to take hard decisions. And even states whose national identity has rested on adherence to a more consensual, enlightened form of capitalism are beginning to throw in the towel.

Before we admit defeat, we need to analyse just why the Eurozone (non-euro EU countries have done significantly better), with all its ingenuity, its skills, its world class brands and companies, has done so badly? The neo-liberals argue that enterprise is being stifled by red tape and rules; and that companies cannot afford to take on workers because of generous social provision and high corporate taxation. That's the supply side view and it admirably suits the free market agenda. But there is another view and J.M. Keynes would have been shouting it from the rooftops – its demand, stupid! European

economies have been subjected to an unprecedented, simultaneous squeeze from both the monetary and fiscal side. The usual routes out of stagnation – lower interest rates and/or higher public spending have largely been closed off. Were it not for the fact that the largest Eurozone economies refused to comply with the deficit limits of the Growth and Stability Pact, the Eurozone would be in outright recession.

The euro has, in other words, performed its task brilliantly – so successful has it been at creating stagnation and entrenching mass unemployment, that resistance to the market is breaking down; Ken Clarke, Tony Blair and Gordon Brown will get their way; 'Social Europe' will have been demolished.

Brendan Barber, TUC General Secretary

Having been rejected by two of the EU's countries that are traditionally the most 'European', the EU constitution, has joined Britain's adoption of the euro in the deep freeze.

There may not be a crisis in Europe, but the storm clouds are gathering. Nationalists ask "who needs Europe, when our economy has been powering ahead while the rest of the EU has stagnated?", whilst business leaders are using the rejection of the constitution and the stagnation in the Eurozone to mount raids on the social model, arguing that the EU should be merely a Thatcher-style single market, with free trade but no social regulation.

Yet a fair question to ask, as the Prime Minister did in his speech to the European Parliament on 23 June, is "what type of social model is it that has 20 million unemployed?". But that unemployment is certainly no good argument for British disengagement from Europe, nor for abandoning the European social model.

Britain's economic good health cannot long survive without restarting the economic motors in France and Germany. We need their economies to grow along with ours so that we can sell goods and services to them. It's worth noting that for all Germany's problems, they continue to export strongly – in fact they have this year overtaken Japan as the world's top trading nation.

Business leaders tell us that we can no longer afford social protection because of low-cost competition from China and India but it has not hit German manufacturing. The problem in Germany has more to do with its nervous citizens saving rather than spending - which is why increasing job insecurity and making people even more scared will hinder, rather than help, the German economy.

The UK economy enjoys enormous financial benefits from EU membership, and of course British business and the government know this. However, all too often they seem to ignore the fact that creating more trade within Europe, and a more competitive economy on the global stage, requires popular support - and popular support for the European idea itself.

This will not be secured by repeating the arrogant mantra that 'Europe is rubbish but, don't worry, we can fix it', nor by opposition to the 'nuts-and-bolts' of social Europe (basic rights for agency workers, health and safety limits on excessive working-time, or rights for European workers to influence the way their companies are restructuring).

Are there signs of a new approach? A special summit meeting to discuss the future of Europe's economic and social model could be important, but it is important that the right questions are addressed.

When we evaluate the economic record we need to be clear from where European difficulties flow. It is very easy for UK business leaders to blame 'red-tape' for every economic problem, but when you start to look at individual companies with problems you are more likely to find bad management, poor products, lack of investment and innovation and terrible marketing than new rights for part-time workers as their root cause. There are EU countries with higher degrees of social protection that are more prosperous than the UK, and those with more deregulation that are less successful.

But while we can dismiss the call to end Europe's social dimension, that does not mean there is no debate to be had about its future. The real issues are what kind of social dimension the EU needs, and what should the relationship be between the European and national levels.

And despite the UK government's occasional disdain for Social Europe there may well be lessons we can learn from the rest of Europe, just as there are changes introduced in the UK since 1997 that can help others.

Without a doubt, unemployment is unacceptably high in a number of EU countries, but even a brief analysis of the record shows that the level has little to do with whether labour markets are becoming more or less flexible. Getting an economic model across Europe that actually produces growth and not just stability (the current number one priority of both the EU and many member states) ought to be at the centre of the Summit's deliberations.

However, this is not to say that labour market reforms have no role - in many member states they are part of the packages being introduced, generally after discussions with trade unions. But a distinction has to be drawn between positive and negative flexibility. Unions support positive measures, such as better training and more job search assistance, but oppose easier 'hiring and firing' which increases workers' insecurity (and hence resistance to change or consume) and discourages employers from investing in their workforces long-term.

Work by both the OECD and the LSE's Centre for Economic Performance casts doubt on whether easier firing really improves labour market performance.

European employers have always had strong reservations about a European social dimension, often arguing that things are better done at the national level - creating suspicion in many trade union minds that they are really 'anti-social' full-stop. Trade unionists fear that in the absence of Europe-wide labour standards there will be pressures on even good employers to compete by reducing labour costs (eg wages and workers' rights) - what we call 'social dumping' - rather than on the basis of excellence. European-wide collective bargaining and legislation are ways to secure minimum standards, not detailed prescriptions that bind everyone in every case.

In his speech to the European Parliament, the Prime Minister said: "I believe in Europe with a strong and caring social dimension. I would never accept a Europe that was simply an economic market. [...] The purpose of social Europe and economic Europe should be to sustain each other." The heart of the social dimension is the belief that social progress should be a goal not only for its own sake but also because it helps create the conditions for successful economic progress too. And that social dimension includes solidarity (expressed through collective bargaining, public services and welfare states and active labour market policies) and equality.

The British government deserves a lot of credit for the improved employment situation that its New Deal and other policies - including its growth-orientated macroeconomic policies and its commitment to growing public expenditure (certainly compared to those of the

eurozone) have brought about. And its measures to promote equality - such as the minimum wage and family friendly policies - are worth celebrating too. However, there are also things that Britain needs to try to learn from other member states - such as why productivity is higher in France and most of Germany, or how the Nordic countries can maintain high welfare benefits and high employment.

The UK is distrusted by many in Europe because of its perceived hostility to the social model and because of its identification with neo-liberal, 'Anglo-Saxon' ideologies. There have been fears that the UK might try to use the special summit to undermine social Europe - even to ram a 'British model' down others' throats.

The Prime Minister's speech to the European Parliament sought to rebut those fears by cataloguing the social advances his government has made. If the UK Presidency maintains this change of tone, accepting that setting minimum standards is normal and that collective bargaining is a good thing, then the summit will be half-way to success. To complete the process, however, the government will need to prove its good faith - by moving on the social dossiers such as working time or temporary agency workers, or by developing new dossiers on restructuring, skills and family friendly rights.

Billy Hayes CWU General Secretary

There is a deep crisis of perspective for the EU. This became clear with the rejection of the Constitution in the referenda in France and the Netherlands. Two expectations asserted themselves. There were those, including the British Government, who believe that referenda open the way for an acceleration of the neo-liberal, deregulation of the EU and there were those, including many from the 'No' campaigns, who believed that there would be a reassertion of a more progressive economic policy, against the deflationary precepts of Maastricht and the Constitution.

Contrary to both viewpoints, there has been a deepening and broadening of conflict around the future of the EU. The first signal of this was the failure to make any progress on the budget negotiations. Conflicts are becoming institutionalised, not resolved.

The task for the left and labour movement in Europe is to begin to map a way out of this crisis. This requires a positive engagement with the EU through parties of the left, and through the unions and social movements. We must press for European governments to make two decisive turns in policy: a break with the US's hegemonic line; and an economic and social policy which expands the EU economy.

In regard to the first of these, it seems strange that anyone in the EU sees the US economic model as worthy of emulation. Over the past thirty years, poverty in the US has grown from 11.2% in 1973 to 12.5% in 2003. Thirty-five million US citizens are now living in poverty, whilst 44 million cannot afford health insurance.

The growing inequality in the US should be avoided, not emulated. The catastrophe in Louisiana should surely awaken concerns in the EU about the inability of the US administration to assist its very own most vulnerable citizens. Rather, the countries of the EU must assert the positive contribution that government makes to the market and to social provision.

The fact is that we are facing either a deepening of course towards the US model, or a turning away. All the major post-referenda events confirm this. On the one hand, we see the rise of pro-US politicians like Merkel, Sarkozy and the newly elected Law and Justice/Civic Platform in Poland. Merkel

explicitly rejected the line promoted by Schroeder of a foreign policy independent of the US. Sarkozy has proposed that a group of G6 countries outline a course for the whole of the EU. This group consists of France, Germany, UK, Italy, Spain and Poland – a recipe for deepening the neo-liberal, pro-US line.

On the other hand, we see a growing opposition to this agenda. Despite a previous collapse of its popularity, once the dangers of the CDU/CSU policies became clear, the SPD rallied strongly in the German election. In France, around 1.5 million French workers took strike action against the de Villepin employment law reforms – a challenge which awakens memories of the successful actions against the Juppe reforms of 1995. And, in Belgium, a one-day general strike has been carried through against government attempts to worsen pension provisions. Nor can it be said that such developments are 'minority interests' – a poll indicated 74% public sympathy with the French strikers.

The left must grasp the fact that these alternative courses cannot be mediated. We have to choose. A fight for the future direction of the EU is as important as a progressive policy on national government.

The neo-liberal suggestion – that governments are powerless in the face of the markets – is passing from fashion. I agree with Douglas Alexander MP when he writes:

'..... there is a growing recognition that in today's world every international initiative relies ultimately on political will by national governments and their people. In short, that social, economic and cultural change comes down, in the end, to the moral duties national governments – especially the richest national governments – recognise and are prepared to discharge on behalf of their people.' ('Telling it like it could be', p.35, Smith Institute, 2005)

The left must not accept the idea that the EU is inevitably only subject to the world's vicissitudes, rather than a maker of a better, more just, world. Our task – preferably from a position of government – must be to stimulate governments into the economic policies that genuinely expand the economy.

One notable lesson that should certainly be drawn from the experience of the UK economy since 1997 is the irreplaceable role of government spending. In a recent piece in the Financial Times, Andrew Glyn and John Edmonds demonstrated how the entire difference between the UK economy and those of the Euro zone is down to the role of government spending. The private sector in Britain has performed no better than that of the private sector in Germany or France. The only reason that the UK economy has out-performed the Euro zone is because of massive government spending.

The Stability Pact, with its severe restrictions upon government spending and borrowing, is being by-passed as governments discover that the market has not been delivering for their peoples. At present twelve of the twenty-five EU countries are in breach of the Pact. We could not face a better time to open a discussion on a new economic policy.

One debate that is already opening up is on the future of the funding of government in the EU. The strongest expression of this is the promotion of the 'flat tax' by East European governments, and by forces inside the CDU. The proposal is yet another import from the US school of neo-conservatism. It has gained a hearing only because the left has been very wary of progressive taxation because of supposed electoral unpopularity. It is crucial that the left stands clearly for a progressive tax regime in national government and in the EU. This is particularly true in Britain where we have experience of the claim that flat taxes reduce tax avoidance, and increase tax revenue – a claim made despite the direct experience of that most infamous 'flat tax' bringing down Thatcher.

'In the UK, the top rate of income tax was reduced from the punitive 83% to 40% and the corporate tax rate was reduced from 52% to 30%. Yet this has not eliminated the tax avoidance industry nor reduced tax avoidance which now costs the UK around £100 billion each year. The reduction in headline tax rates was accompanied by an increase in indirect taxes (or flat) to 17.5%. This means that the UK taxation system has become more regressive as the less well off now pay a higher proportion of their income in taxes. The UK experience does not serve to support the claim of flat tax advocates.' (Prem Sikka, 'Tax Justice Focus, Third Quarter 2005')

All the evidence serves to remind the left of the need to promote direct taxes over indirect taxes – and to promote progressive taxes over regressive or 'flat' taxes:

'The flat tax in Slovakia has been hailed as a success because it resulted in an increase in tax revenues from SK two-hundred billion in 2003 to SK two hundred and nine billion in 2004. However, the Financial Times (29 March 2005) reported that, 'income tax revenues fell 21%. The government covered most of the short-fall with higher excise and sales taxes'. This illustrates how flat taxes shift the tax burden onto consumption and labour; yet official sources are silent on this shift and its social consequences.' (Prem Sikka *ibid.*)

Promoting a progressive tax policy is only one part of an alternative economic strategy. But it is essential for a rounded policy. The EU has no value for the vast majority of Europeans unless it has a social dimension. An expansionary economic policy is necessary in order to fund the welfare state in the EU. This is a dividing-line in a practical sense. All measures that undermine the welfare state – or that prevent sufficient resources being raised for public spending – must be opposed.

For example, the 'Services Directive' is clearly an assault upon Social Europe. Services currently make up 70% of EU economic activities. The definition of 'services' in the Directive includes private commercial services and public services. The Directive currently approaches services primarily from the point of view of competition. That reflects the interests of private capital, and thus represents a minority interest in the EU.

Yet in three areas the 'Services Directive' will mean the majority of EU citizens will lose out. Firstly, the Directive will lead to the privatisation of health, education and social protection agencies. Secondly, it will seriously weaken the pay and conditions of workers sent to work in another country ('posted workers'), whilst also undermining protective employment legislation and collective bargaining. Thirdly, it will introduce a 'country of origin' principle that undermines health and safety, environmental, and other, public protection. It does this by allowing companies to work according to the laws of their country of origin, rather than according to the laws of the nation state in which the company operates.

Billy Hayes (cont)

Already we have a taste of this when we see a Latvian company taking the Swedish government to the highest court in the EU - the European Court of Justice. This is because the company wants to pay Latvian construction workers in Sweden less than that paid to Swedish workers by collective agreement. In this, the Commissioner of Competition, Charlie Macreevy, is supporting the Latvian firm and intends to speak at the ECJ against collective wage agreements. Clearly the left must stand up against such an assault upon the welfare of the majority of EU citizens.

The assumptions behind the Services Directive are that discrimination by national origin is acceptable. This sadly chimes in with the existing institutionalised discrimination in the EU against migrant labour and asylum seekers. Antonio Guterres, the new head of the United Nations Refugee Agency, recently expressed concern about tighter asylum rules, especially in Europe. It is often difficult, or impossible, for those fleeing persecution or violence to have their asylum cases seriously heard.

One thing is sure – if the EU continues to promote a deflationary economic policy; if welfare provisions are attacked and if hostility to migrant workers and asylum seekers is promoted then racism will continue rising in Europe, with fascist parties assuming ever menacing growth. Yet the EU has no future without migrant labour and a welcome for refugees. This element of the EU's social dimension is, perhaps, the least explored.

The EU's declining birth rate demands an influx of people if the labour market is not to suffer shortages, if public services are to be maintained and if pensions are to be funded in future. It is crucial, then, that the EU is 'a union of equals'. Migrant workers and asylum seekers must gain full citizen rights in their countries of residence. The scandal of denying these people votes, employment protection and the general right of citizenship must end. Trade Unions need to organise such workers. The amnesty granted to 'illegals' in Spain recently should be copied across the EU.

In summary, if the EU is at a turning point then it is vital that the left influences its direction. The choice is between a US social model – no welfare state, private insurance, deregulated labour market, segregated economy – and a

social model that is conditioned by the struggle of trade unions, by the left and by socialist traditions. The outcome of this battle of ideas matters not just for the peoples of the EU. It also matters desperately for the people in the developing world. The choice is between an EU that acts as another arm of the White House or an EU that offers the developing world a point of support against the pretensions of the US administration's empire.

By pushing an expansionary economic policy and an independent international policy, the EU would contribute to the world's progress. The issue is whether the left is up to the challenge to bring this about.

Kelvin Hopkins MP and member of the Catalyst National Council

It was Liberal Democrat European spokesperson and former MEP Nick Clegg MP who recalled in a Commons debate on 8th June that on his first day in the European Parliament a socialist member had gloomily declared to him that 'he had lost all faith in the EU because it had become a neo-Thatcherite construct'. Like many French voters in the recent referendum, he was turning his back on 'the neo-liberal, Anglo Saxon project'. The 'No' vote in the French and Dutch referendums on the EU Constitution, and, before that, the Swedish referendum 'No' to the Euro confirms that this sentiment is shared by millions of ordinary people across the EU, and especially on the Left.

The division of view on the European Union's future has now more obviously become a division between, on the one hand, the view of the political elites and, on the other, that of the peoples of Europe. It is quite astonishing how diplomats and the representatives of the political establishments across the EU seem to share the same view while their electorates are voting the other way. The self-righteousness of these elites was humorously illustrated when I was a guest speaker for a visiting delegation of Finnish newspaper editors. I asked why there had been no referendum on the Euro in Finland, and they replied, "Oh no, we couldn't have a referendum in Finland, the people would vote the wrong way!"

It was voters of the Left - socialists and trade unionists - who were most prominent in the recent referendum 'No' votes, and it was because they were fearful that the welfare state and social provision in their countries were under threat that they voted 'No'. They were clearly not convinced that 'Social Europe' has much of a future and have decided instead to defend their domestic welfare state and social provisions at home rather than trust a European Union now being hard-driven into a neo-liberal future with "flexible" labour markets and savage cuts in social spending.

The socialists and trade unionists of Europe are of course correct in their assessment. The cynicism of those running the show was illustrated in a recent conversation with a British MEP who told me she had unexpectedly found herself at a meeting in Brussels where a handful of Commission officials, civil servants and right-wing politicians were discussing how to render the social component of the EU as weak as possible while retaining a token public commitment.

They apparently explored a number of formulations focussing on who should have the Social Affairs Portfolio in the Commission. They allegedly decided that the best arrangement would be to seek the appointment of a Commissioner who was sincerely committed to Social Europe but politically ineffectual. A nice man from the Czech Republic ultimately got the job.

Some 15 years ago, in a previous incarnation as a trade union officer, I attended a meeting at the TUC addressed by a German official from the European Commission and asked a very specific question about the social policy element of the then 'European Community'. He explained very clearly that social provisions were included only to oil the wheels of the market and not for the purpose of societal good in itself. This was a quantum leap away from the social democratic and socialist commitment to welfare states and workers' rights of governments across the whole of Western Europe after the Second World War. Another 15 years on and there is almost no pretence. 'Social Europe' is becoming little more than a fig-leaf to disguise the naked neo-liberal thrust inside the EU.

Until recently this was driven by Britain, the Spanish conservative government under Prime Minister Aznar, and Berlusconi's right-wing Italian government. With the electoral defeat of Aznar and the enfeeblement of Berlusconi, a new neo-liberal triumvirate has been waiting in the wings - Britain, France (led by a possible future President Sarkozy), and Germany led by Angela Merkel and her right-wing Christian Democrats. Once again these best laid plans seem to have foundered with Merkel's last minute electoral collapse. The working people of Germany may not have liked the rightward drift of the Social Democrats, but they were more fearful of an even more right wing government committed to dismantling German social provisions and social protection.

But that German Commission official 15 years ago made it very clear that EU social provision and economic strategy were bonded together and that the laissez-faire market economic philosophy had the dominant role. The creation of the Euro and the Eurozone set that relationship in stone and put all the post-war gains in social provision under threat. Monetary policy is now paramount, with interest rates set by a European Central Bank made deliberately independent of all government and democratic pressures. The ECB's job is to

Kelvin Hopkins (cont)

ensure so-called 'price stability' by targeting a low level of inflation, so that an inherent deflationary bias is built into the whole arrangement. The inevitable consequence has been low growth and high unemployment, especially in the big three Euro states of Germany, France and Italy.

The neo-liberal construct that is now the Eurozone has removed macro-economic policy from the hands of democratic member state governments and is now forcing the pace on privatising publicly-owned assets and public services. The third component of the package is so-called labour market 'reform' – weakening employee and trade union rights to make workers more "flexible".

From the very start it was evident that establishing the Eurozone was a terrible mistake, especially for Germany. An exercise undertaken early in the life of the Euro estimated what interest rates would be appropriate in the member states of the Eurozone had they not been bound together in one. Using a methodology employed to determine UK interest rates, Spain should have had an interest rate of over 5% and Germany should, by the same token, have had a rate below 1%. No wonder Spain has done well out of the arrangement while Germany has been under a deflationary cosh from which there is no escape unless the Euro unravels.

This economic arrangement has a direct impact on social provision, which has inevitably to be paid for out of public funds. With high unemployment tax revenues are lowered and unemployment benefits costs are higher, creating inevitable financial deficits. The problem is then compounded by the "stupid" (former EU President Prodi's description) Stability and Growth Pact which is intended to enforce strict limits on government deficits.

To require an economy on the brink of recession and with high unemployment to cut public spending is indeed "stupid". It is illogical and dangerous to follow such advice, and it is not surprising that the Eurozone economies have not adhered to the terms of the Pact. Savage cuts in social spending would merely deflate these economies into serious recession with catastrophic economic effects that could both have shattering political consequences for those member states and a knock-on impact on the whole European Union. Neither is it at all surprising, therefore, that even the Europhile Guardian has

been urging the German government to ignore the Pact and relax fiscal policy, and also pressing the European Central Bank to reduce interest rates and relax the monetary brake.

Even more alarming for the Euro obsessives has been recent serious talk of dismantling the Eurozone entirely. Senior Italian politicians have openly discussed the possibility of re-establishing the Lira. Private government discussions have taken place in Germany about how the Deutschmark might be recreated, and the French representative at the ECB has conceded that it would be possible for member states to re-establish national currencies. For the Europhiles the 'unthinkable' is now being thought – at least in some quarters. The possibility of the whole Euro project being deconstructed in the next few years has become distinctly real.

The drive for such a dramatic change will come from the peoples of Europe, determined to retain their strong welfare states and social provisions. As evidenced by the referendum result, they have already made the connection between the threat to their welfare states and the EU – and further attacks on social provision and worker's rights will serve only to make the neo-liberal project that is 'The European Union' still more unpopular.

There are those, notably in Britain, who believe that labour market "reform" is the way forward in bringing unemployment down and promoting economic growth in the EU. Putting downward pressure on wages merely takes spending-power out of the economy and makes the situation worse. This is most obviously the case in Germany where, despite its apparently high labour costs and strong worker protection, it is doing well in export markets and is retaining a strong balance of trade surplus. It is the low-level of domestic consumer-demand and retail spending which is their problem. Constraints on public expenditure or raising taxes to adhere to the Stability and Growth Pact and at the same time squeezing wages will merely add to the country's dire economic difficulties.

There are lessons from history too – and very close to home. The 1931 political crisis in Britain arose because of a decision by the Ramsey MacDonald Labour government to cut unemployment benefit in a recession – much the same as the European Union has been urging on Germany and other

Eurozone member states. The collapse of the 1931 Labour government led to the creation of a Conservative national government which immediately devalued the currency and began the process of reflation through the 1930s. There is a distant parallel to what is happening to Schroeder's Social Democrats, except that this time the German people have realised that a Merkel government would be even worse. Socialist governments should not be sucked into such right wing economic policies unless they have a death wish! In France, strikes against privatisation are taking place, and Prime Minister de Villepin's post-referendum Gaullist stance was strikingly "non-communautaire" and quite at odds with the EU neo-liberal Zeitgeist.

So what is the future for 'Social Europe' and what should be done? Firstly, Socialists and social democrats across the whole of the EU must fully recognise the threat the EU poses to social provision and its determination to promote market economics at all costs. Secondly, it must also be recognised that the primary instrument of this market objective is the Eurozone and the institutions and rules that govern it. Thirdly, socialists and social democrats in the Eurozone countries therefore have to seriously consider the desirability of recreating national currencies and pressing their governments to develop independent macro-economic strategies appropriate to their own economic needs. Fourthly, EU governments should promote expansionary domestic economic strategies with appropriate monetary and fiscal policies. On that basis, and as part of a new direction, social spending and welfare states in EU countries should be protected and enhanced with redistributive taxation policies where appropriate and the protection of pension provisions as a key objective.

If such steps are not taken, then the future for 'Social Europe' looks bleak. There are very hopeful signs, however, in that working people across the EU, especially in the Eurozone, are now standing their ground and are clearly determined to defend their own domestic social provision against the predations of the EU and the right wing ideologues driving it.

I hope it is not too immodest to once-again quote Lib Dem MP Nick Clegg – this time when, in the House of Commons on 8th June, he said that "the critique of European integration made by the hon. Member for Luton

North, who adopts a left-wing stance, has been arguably the most intellectually coherent and consistent in today's debate". I do not claim to have all the answers, but I think I have a clear view of the problem.

Hilary Wainwright – Editor of Red Pepper and Research Director of the New Policies Project of the Transnational Institute

In search of a fresh argument for the left in Britain to become more European in its thinking and organising, I picked an extraordinary book off my bookshelf: 'Europe in Love; Love in Europe' by Louisa Passerini from the European University Institute in Florence.

Two of its insights deserve particular attention. Firstly, the argument that the distance between emotions and European political institutions is 'one of the roots of the failure of the political idea of Europe, second to nationalist interests.' Secondly, the idea that 'placing love at the core of identity rather than abstract individualism or inherited patrimony based on class, race or region' provides the basis of chosen affinities as well, or sometimes instead of, inherited ones becoming what constitutes an individual and their relationship with their collectivities. To be European is mostly a chosen affinity, hence love being closer to the core of our identity is an important condition for the spread of a European identity.

Her examination of the cross cutting themes of love and Europe (in fact more Britain and Europe and the changing emotions of the British left towards Europe) between 1920 and 1945 includes two complicated moments in which activists and intellectuals on the British left were prepared to sacrifice their lives for a democratic Europe: the Spanish Civil War and the resistance to Fascism. To illustrate her arguments, she provides an analysis of the writings of two partisans - the poet, John Cornford, who was killed at the age of 21 by Franco's troops and Frank Thomspon (brother of E.P. Thompson) killed by fascists in the fight for the resistance in Bulgaria.

The context of 21st century Europe and the continent wide struggles against economic insecurity, the destruction of public services and the growth of racism is of course very different but there are strong signs of an equivalent emotional engagement with the idea of a democratic and egalitarian Europe. I am thinking of the extraordinary growth of the European Social Forum (ESF) and all the spreading networks and campaigns that this has generated or reinforced.

An outcome of the global social justice movement, the ESF has organised three four-day events - in Florence, Paris, and London - and next April in Athens, around the theme of 'Another Europe is Possible.' Forty thousand activists gathered to debate, plan and enjoy. It fits Passerini's theme.

For its momentum, the Forum, despite huge organisation, political and cultural problems, owes much to sharing different cultures and to the international friendships generated in the course of working for a common belief in social justice and human dignity. It is this rather than the cold, remote, intergovernmental negotiations which will lay the foundations for a democratic Europe.

The achievements of the ESF process stem from a recognition of the need for a cross border, trans-European way of organizing, debating and exchanging ideas. This is being reinforced by accumulated skills creating new, international networks for social change. As a result there is a strong dynamic around the ESF as a pan-European civic space. Evidenced by significant growth of trade union involvement and by new practical initiatives in co-operation and joint action. Another is the creation, most notably at the 2004 London ESF, of a web or 'galaxy' of autonomous spaces, connected by common publicity and by thousands of individual participants whose eclectic political desires gave them the energy to criss-cross London in pursuit of new ideas and connections.

There are important areas of conflict in the ESF which its participants do not fear to face. These concern both the basis upon which the infrastructure of the Forum should be organized and the Forum's programme. And also the relationship and dependency of the Forum upon political institutions and their impact upon its autonomy.

First the issue of the infrastructure of the Forum: its physical architecture, the organisation of the translation, the management of the knowledge generated, and the way finances are administered - including the relation of free labour and the social economy to services bought commercially from the corporate economy.

These practical issues are also political - they are sites of radical imagination and sometimes, of conflict. For example, many feel uncomfortable listening to panels on food sovereignty and then going to a bar stacked with Coca-Cola. Conflict over these issues has illustrated two sharply different views of politics. If the Forum is treated as a means to an end, on an instrumental approach to politics, then the nature of the space it takes place in, or the means by which it is paid

for and organized, don't much matter. But the predominant ethic of the Forum implies that rather than a means to an end, it is an attempt to prefigure the kind of 'other world' that it promises to bring about. Prefigurative politics of this sort is understood not simply an alternative means to reaching the same end. Instead, it recognizes that our knowledge of possible other worlds is incomplete, and that we will only arrive at meaningful social improvements (if not perfect 'ends') through refinements developed out of our everyday practices. As the Spanish poet Antonio Machado put it, "Caminante no hay camino se hace camino al andar" ("Walker there is no road, the road is made by walking").

Babels, the network of volunteer interpreters and translators, is another example of prefigurative politics. Born in a squatted medieval tower in Florence, Babels is a non-market alternative to professional translation services – relying on solidarity and a massive collective effort of voluntary labour to make space in which language diversity (and, through that, political and cultural diversity) can flourish.

The Babels network was also involved in the birth of Nomad, an international project for the construction of non-proprietary alternative technologies. Using free-software to record and transmit different translated versions of speeches, it increases the number of different languages that can be offered simultaneously and even more innovatively, it allows for the real-time streaming over the internet of speeches in several different languages.

The – precarious – development of Nomad is an example of the use of the Forum as a laboratory of experimentation for alternative technologies, for volunteer work outside of the money economy, and for alternative ways to engage in non-corporatised, locally appropriate production within a global scope.

Running through the organization of the Forums is a division over organizational principles, summed up (far too crudely) as the division between 'verticals' and 'horizontals.' These arguments also have wider implications for the debate about the nature of democracy within our movements. On the one side, 'verticals' assume the existence and legitimacy of representative structures, in which bargaining power is accrued on the basis of an electoral mandate (or any other agreed means of selection). On the other, 'horizontals' aspire to an

open relationship between participants, whose deliberative encounters form the basis of any decisions.

There is, however, also a clear danger inherent to the framing of this debate in binary terms (vertical vs. horizontal), which is that the division could harden and become entrenched. Horizontality can be specified as a 'mode of doing' but there is a risk that it is becoming a mode of being, an identity formation which defines and delimits itself to a specific group of people; 'the horizontals'. To fully assume this identity could risk the reproduction of a core/periphery structure which, in antagonistic terms, would undermine the fluid relationship between the 'official' Forum and the autonomous spaces from which both potentially derive strength.

Going beyond these divisions in the preparation for the 2006 ESF in Athens is enabling the organizing committee to address a growing dissatisfaction at the Forum's core programme. Up until now it has been based on a system of national bargaining, weighted in favour of the host country, which has not produced creative outcomes – on the contrary it is leading to repetition and tedium. There is much to learn from the way that activists prepared for the 5th World Social Forum (WSF) in Porto Alegre in January 2005.

The 2005 programme was decided through a six month process of consultation with all the campaigns, networks and projects who have participated. The method was, in theory at any rate, one of co-ordination without centralization. The overview is a widely shared one rather than the monopoly of small organizing groups. It is an experiment from which the ESF is learning. The result was messy and problematic as well innovative and productive. It takes time for organizations to get used to working in this way, by which they have to take some responsibility for making the whole process work, rather than just working on their particular project. But it is a methodology that builds on the networking methods that are already second nature to many organizations.

In the first phase of this innovation this could tend to favour organisations that have more resources and time to participate in the process. On the other hand, there is much wider access to the decision-making process than before, every network and group can play a part. We will see. For its success much will depend on the capacity of the process to learn lessons from its experiences and negotiate new solutions.

Hilary Wainwright (cont)

The need to reclaim the global and globalization from all the varieties of neo-liberalism is leading us, the 'alter-globalization' movement, to produce radically different understandings of space and place. The global is being reproduced and struggled over in every locality – from Manchester to Sao Paulo and beyond. We have a sense of space that allows for a multiplicity of histories simultaneously occurring, rather than a single queue or line of historical development. Therefore what becomes strategically important and interesting is the consciously created connection between these struggles to enhance their collective ability to determine the nature and direction of globalization. In this sense the global is highly concrete. If the movements that are a product of these different but connected histories are to produce democratic counter power internationally then the existence of a means by which locally rooted organizations and networks can exchange and debate the lessons, insights and perspectives arising from their different histories is of vital strategic significance.

Here lies the importance of the ESF, WSF and the international process they and other Social Forums have stimulated. This internationalism is part of a rejection of a politics organized around the nation state. The Social Forum process explores new forms of political agency, new subjectivities, and new agencies of social transformation. The process is an experiment in finding new ways of integrating the particular – demands and campaigns on specific issues – with the universal – the wider effort to bring about a radical transformation of the whole of society. Traditionally political parties have had a monopoly over such a process.

The principles of the WSF, the original inspiration of the ESF, specifically exclude the direct participation of political parties and state institutions. This does not mean the Forum is necessarily or invariably anti-party and anti-state. In both Brazil and Italy many of those most energetically building the forum come from parties (the Brazilian Workers Party, PT, and the Italian Rifondazione Comunista, PRC) trying to open themselves up to the influence and activity of the social movements. The point is that just as the Women's Movement and movements of ethnic minorities argued in the 1970's, movements of the oppressed and marginalized need autonomy to develop and identify their own needs, identities

and sources of power. And that includes thinking through in theory and in practice what forms of political subjectivity/ies to create or recreate.

In that context, relations with existing political institutions will be judged according to how far they behave with a genuine modesty, showing that they recognise the need to learn and support from the movements. Fausto Bertinotti, leader of Rifondazione Comunista, made an interesting remark: 'Every way of reforming party policy has to start from an experimental approach; practice has to come before theory.... The collective intellect is the movement and the party is helping to contribute to that but it cannot in itself be that collective intellect.'

The notion of 'a collective intellect' is controversial and still to be negotiated in the new conditions of the diversity of the alter-globalization movement but the commitment to a collective process is clear. Negotiation and experimentation will be influenced by the example of Paulo Freire, Antonio Negri, Antonio's Gramsci, and by feminist, environment, peace groups and new networks of precarious workers as well as traditional organisations of labour. And it will be driven by chosen affinities that combine the powerful mix of friendship, political commitment and the excitement of intellectual and cultural discovery.

Jeff Sommers -

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Two possible futures exist for Europe. One comprises a liberalized labour market with little regulation of salaries and safety standards. The other, a managed system of labour mobility designed to improve competitiveness, but retaining the protections of a social Europe model. Those preferring the former now seek to advance their case with the proposed Services (Bolkestein) Directive which offers business the full advantages of the internal market, including the freedom to move labour around as cheaply as possible.

The values of the social model are embodied in the oddly-named EU Posted Workers' Directive. This requires that where a 'host state' receives imported labour, workers should be employed at such higher employment standards as may exist there. In a bitter industrial relations dispute between Latvia and Sweden, the issue of labour standards in the new enlarged Europe has quickly moved from mere parlour discussion, into the public arena. In the process, an ideological and political litmus test has emerged which goes to the heart of the future of the European social model. It crystallises the dilemma of whether the new Europe of 25 states will finally choose a social model over a deregulated labour market, in the search for competitiveness in the global economy.

Latvia, a former Soviet republic and now poorest EU member state, is anxious to capitalize on new opportunities to provide what it sees as legitimate services in the enlarged Europe. Allied with them, are those in Sweden who wish to rollback their country's social democracy. On the other side, is Swedish organized labour and those still attempting to preserve Swedish employment standards. When a Latvian building company, Laval and Partners, imported Latvian labour to Stockholm to refurbish an old school, they reportedly paid the Latvian workers 80 kronor per hour (under 9 euros), as against the 145 kronor (15 euros) per hour that Swedish workers could expect under the Swedish construction industry collective agreement.

The Swedish building workers' union blockaded the site where the Latvians were working, eventually forcing the company to withdraw. Their objective was to defend their higher standards (and Swedish enforcement through collective bargaining) of the Posted Workers Directive. The immediate outcome, a temporary victory for Swedish organized labour, will now be subject to review by the European Court of Justice. Those in business and government wishing to extricate themselves finally and fully from Western Europe's 20th century social democratic experiment will closely follow the legal outcome of the Laval episode.

Organized labour erupted in protest over the implications of the proposed Services Directive in the spring of 2005. Tens of thousand trade unionists marched in Brussels over the perceived threat to labour standards. The Directive was seen to spell the ultimate demise of the 'social dimension' in Europe.

But the real context is not so much European as global. To be sure, pressures building since the demise of the managed capitalist economic and financial world order in the 1980s, and resulting greater permeability of capital and consumer markets, have finally opened Europe to these global pressures for change. Matched by economies no longer rooted in long-term investments in production designed to last generations, the newly emerging global economic framework is one requiring greater labour agility and flexibility based in rapidly changing labour markets.

However, in the US, these pressures just provided a convenient pretext to rollback New Deal protections on labour, with the result of wages often stagnating, work hours increased to Japanese levels and devoid of holidays, lapsed safety standards, and 45 million plus workers left without health benefits. In short, US-style "flexibility" became a not-so-pleasant euphemism for a speedup in work and a decline or stagnation in per hour compensation, rather than real labour force renewal and reform.

Jeff Sommers & Charles Woolfson (cont)

In Europe, a genuine dialogue on issues of growth, productivity and the need for flexibility matched by appropriate guarantees of security can still be engaged. This is entirely consonant with aspirations regarding life-long learning, re-skilling and adaptability to technological change, and in line with the stated objectives of the Lisbon agenda.

Currently, however, the mantras of 'flexibility', 'adaptability' and 'the imperatives of globalization', are more often being deployed as cover to increase short-term profit. Some members of the European Parliament, along with the European Trades Union Council, appear to be willing to engage an open debate on the labour "flexibility/security" issue. By contrast, liberalizers in the European Parliament, derisively dismiss outright such attempts at meaningful engagement and navigation of this terrain as more "red tape proposals." It is clear that they think the time is ripe for full liberalization along the lines of the US model.

Europe itself is of two minds on labour standards and worker mobility. On the one hand, there is the Posted Workers Directive, which embodies the Social Europe model. It conforms to Article 41 of the International Labour Organization that asserts labour is not a commodity or commercial article. It recognizes the human dimension of labour that links it to society generally. By contrast, the proposed Services Directive situates labour firmly within a commodity context that has it traded as necessary to meet the competitive demands of a global economy. The European economy needs change and reform, but the question is, does the current menu of choices provide acceptable, or even workable, options? And if not, are we likely to see Europe move further down the road of accepting the necessity of Europe liberalizing to compete in the global economy?

In this increasingly de-regulated environment it would be tempting for former communist new member states, such as Latvia, the strongest supporter of the 'new' vision of a liberalised Europe, to use their comparative advantage in poverty and dangerous working conditions to reach some parity with their European neighbours. Those who doubt the strength of this temptation need look no further than a current advert on the website of a Latvian recruitment agency Eiropas Eksperti (European Experts). This proudly proclaims 'You don't pay any employers or social taxes for the

workers you rent from us. You also slip (sic) employers responsibility, because employer of the workers is still our company. We send our workers to perform the work at your company. You save 50 % or more on salaries if you compare with the wage you would have to pay to nationals of your country.' The services of this recruitment agency are offered to 'the whole European Union' and especially Great Britain, Germany, the Netherlands and the Nordic countries (Sweden, Finland, Denmark). Below this enticement, there is a handy reply form which interested inquirers can email to Eiropas Eksperti, complete with convenient tickboxes to list the number and type of workers required (See <http://www.eiropaseksperti.lv>).

While some consider the proposed Services Directive an inherent good, others recognize its potential harm to the social Europe model, but see it as a necessary in order to restore European economic competitiveness. The presumption that the proposed liberalization of labour markets will generate economic growth, however, might be mistaken. Capital takes the least path of resistance to acquire profit, unless pressured to do otherwise. Certainly, the negative evaluations of Europe's relative lack of competitiveness are based on some fairly dubious comparative criteria.

Findings have shown that much of the heralded US productivity increases of the past few years, in actuality, are often nothing more than the incorporation of profits from outsourced overseas production that shows up in the growth and productivity numbers of American firms. North America continues respectable rates of economic growth and is considered by many reformers in Europe the country to emulate.

Yet, the North American economy is not as vigorous as its high growth rates suggest. Part of its economic growth merely represents the annual addition of 1.5 million immigrant labourers. In other words, there is no added efficiency, just more labour. There is a certain Soviet dimension to this model, in that they too largely grew by putting more people to work, but stagnated when they ran out of new hands. Subtracting this infusion of labour from the economic growth data brings US and European real economic growth figures much closer to each other.

Additionally, the US has extracted more work by increasingly making people work longer and harder; but not necessarily smarter. Given human physiology, there are limits to this model.

Moreover, it's difficult to say how reliable the US productivity figures are, given the routine misreporting of key data most recently evidenced in massive accounting scandals at Arthur Anderson, Enron, etc. Making further difficulties in obtaining accurate US productivity data, America's largest employer, Walmart, and others, have their employees work off clock when not needed, a practice is widespread in America's retail sector.

An unhealthy alliance has emerged between neo-liberal imitators in West Europe and the business elites in the new post-communist European member states. Both are looking to escape constraints on quick returns made on speculation and increased exploitation of cheap labour. Both seek to secure a comparative advantage in cheap labour exposed to dangerous working conditions. Political and business interests in the new member states see their advantage in having unrestricted access to West European labour markets. Lacking West Europe's capital, they cannot compete on the plane of long-term investment. Moreover, given that their class of new rich has risen quickly on the appropriation of state property and fast profits, they lack the long-term psychology and recognition of lower returns on money as acceptable, and even necessary, as a prerequisite for financing long-term growth and innovation.

But if the liberalizers in the new member states play their hand too strongly they risk wrecking a significant engine of that prosperity machine: innovation based on the push factor of increased labour costs, demanding the more efficient organization of labour and technology. Moreover, any gain would be short lived as the new member states pull down the wages and working conditions of Europe as a whole, thus leaving them without any growth rooted in innovation and investment in new technologies and human capital.

Against the liberalizers, are those who recognize the value and necessity of preserving labour standards achieved in the complicated labour/state/corporatist mix that created prosperity in the West European social model. Given the current framing of the debate – that the European regulation of labour standards per se is a 'bad thing' - this can only result in a loss for the Social Europe model.

An alternative to such an outcome would be a negotiated process to determine at what wages, and under which conditions, the labour of rich and poorer nations of Europe can mix. Access to markets of richer nations will be key for the development of poorer new member EU states. But, this process must proceed by negotiation and by involving organized labour itself if a true democratic consensus is to be reached.

The thinking behind the proposed Services Directive is a million miles away from this perspective of growth based on long-term investment and the introduction of genuine efficiencies and democratic involvement. The Directive introduces the prospect of companies providing services subject only to their home country regulation and standards. This threatens to tear open the European labour market to letterbox companies that would race out of the remaining European socially regulated economies to those states whose only protection is for business and against workers. In short, this would chop off one leg on which the European social model stands-- mandated labour protections. The EU would come to even further resemble the US, where businesses set up offices in less-regulated states of the American South. Yet, the situation for labour would even be more compromised in the EU, as regulation and enforcement in the poorest EU states are at levels below those of even the poorest and most conservative southern states in the US.

Prime Minister Blair will seek the re-introduction of the Services Directive onto the policy agenda of the UK 2005 presidency as part of the 'overdue modernisation' of the European social model, necessary for 'renewed competitiveness' and 'growth'. In so doing, the issue of preserving labour standards in the wider Europe, may finally reveal new and decisive fault lines in the European project.

Michael Sommer, Chairman of the Deutscher Gewerkschaftsbund

Europe has been debating the “European social model”. There is a lot of disagreement about whether there is such a thing as a specifically European social model at all. Nobody disputes that the welfare state is organised along different lines in different countries. But it is equally clear that there are similarities in at least four areas. In all European states, social welfare cushions people at a level which exceeds minimum subsistence. Apart from providing this cushion, welfare systems fulfil a function of preserving social cohesion – that is, ensuring that the divide between rich and poor does not grow too wide. Civil society and the labour force with its trade unions have strong participatory rights. And finally, there is a well developed system of public infrastructure and essential services accessible to all.

When people talk about Europe’s role in the globalised economy, an impression is created in the European debate that this social model has run its course, and that Europe can only compete in the global race if it “goes American”. Interestingly enough, there are those in the United States who adopt a completely different perspective. Jeremy Rifkin recently published a book in which he maintains that the states of Europe are the first to have understood the emerging realities of a globally interdependent world and react accordingly. Others, he says, will follow suit.

I find this intriguing. I do not share the view that Rifkin’s “European Dream”, as the book is called, has already become a reality. But I am certain that Europe can succeed in the 21st century if it remembers its strengths.

This does not simply mean business as usual. We need a new social contract for the 21st century, a European one. However, just as in the young nation-states of the 19th century, this is not only a matter of political constitution. The evolution of social forces and relations between the social partners, between management and the trade unions, are equally important.

The trade unions have three specific tasks to confront: continuing to build a European collective bargaining policy, strengthening workers’ participation in European companies and becoming more European themselves. Collective bargaining policy is the core business of trade unions, and if they are serious about Europeanisation they

need to complement national and sectoral collective bargaining with a European dimension. Some beginnings have already been made.

Firstly, the European Trade Union Confederation does negotiate with European employers as part of what is called the social dialogue; concluding binding agreements on questions like maternity leave, part-time jobs and teleworking. There are also over thirty sectors which now have their own committees for sectoral social dialogue.

Secondly, in some sectors and even across sectors trade unions have decided to co-ordinate their collective bargaining policy by agreeing that collective bargaining rates should express at least the productivity gain plus the ECB’s target inflation rate, in order to prevent European countries from underbidding each other and to maintain domestic demand within the single European market.

Between those two poles – the ‘softer issues’ of social dialogue and the ‘hard question’ of wage policy – trade unions in Europe have to develop a common collective bargaining policy. This could entail cross-border agreements at company level addressing specific company matters such as restructuring. Additionally the sectors could deal with questions such as skills and organising working hours.

The EU Commission has also recognised this need. Its social policy planning for the next five years includes some ideas on the subject: “Providing an optional framework for transnational collective bargaining at either enterprise level or sectoral level could support companies and sectors to handle challenges dealing with issues such as work organisation, employment, working conditions, training”, states the Communication on the Social Agenda of 9 February 2005.

Apart from developing European collective bargaining policies, workers’ participation in European companies needs to be strengthened. To this end, trade unions will make even greater use of European Works Councils (EWC). The forthcoming revision of the EWC Directive must, therefore, improve the conditions under which the European Works Councils function and extend their rights of information, consultation and co-determination.

However, there is also a need to Europeanise workers' participation rights at company level. This applies to European entities such as the European Company (SE), which already exists, but also to firms which become Europeanised as the result of mergers or transfer of seat. Different models for this will remain because our systems are so different. In seven European states workers do not participate at all in company management structures. In Germany, participation begins at a headcount of 500, in Finland at 150, while in the Czech Republic and Slovakia the threshold is only 50.

To meet these challenges, trade unions must themselves become more European. This means strengthening the European Trade Union Confederation and Europe's sectoral unions. Above all, European issues and cross-border action formats and working methods need to be anchored more firmly in the federations and sectoral unions active at national level. This is possible, as we can see from the debate about the Commission's proposed Service Directive, which mobilised trade union members from the local branches right through to a demonstration of 75,000 workers in Brussels.

If this ongoing cross-border activity is to be intensified, we must make use of the above-mentioned European Works Councils and the Interregional Trade Union Councils (ITUCs) currently established in 41 regions of Europe. Together these constitute the laboratories for European trade union work, because this is where the research and development takes place for genuine European trade unionism. In works councils and at the grass roots it is experienced how trade unions from different cultures can co-operate. Questions such as corporate restructuring and regional structural policy are addressed here in a concrete manner, generating a European response.

It is at these different levels that a European social contract is taking shape. As the process continues, other elements will no doubt be added to the ones described here. Apart from management and labour, the political community and civil society can expect to undergo further Europeanisation.

The trade unions are ready to accept this challenge. And they will make sure that the employers play their part in co-operative social relations at the European level. After all, the alternative to a European social contract would be European anarchy – a devastating race to the bottom, with confrontation and industrial disputes in every individual company.

This is surely not the road we wish to choose. We must have the courage to formulate a social contract for Europe in the 21st century. Jeremy Rifkin says his greatest worry is that perhaps the Europeans are not optimistic enough to assert their new vision of the future. We ought to prove his worries are unfounded.

Peter Gustavsson - Research Fellow at the London-based Centre for a Social Europe

Sweden has had Social Democratic governments for 65 of the last 74 years, and nearly 85% of workers are organised in a trade union. The labour movement's political dominance has resulted in a Swedish social model based on collective bargaining, universal welfare and high levels of employment. The success of the Social Democratic welfare state has led to increased equality between the classes. Sweden is also proud to be the most gender equal society in the world. Despite these successes, however, we have a long way to go to achieve complete equality.

During the last 25 years, the international wave of neo-liberalism, matched with periods of right-wing governments, has put the Swedish social model under pressure. After Sweden joined the EU in 1995, the adoption of EU policies has meant that important victories for the labour movement have been rolled back. Key priorities of the Swedish social model have stood against the principles of a single market that puts competition first and foremost. Adaptation to the EMU convergence criteria has also led us to converge with a liberal economic policy that accepts unemployment as a measure to hold inflation down.

During these 10 years of EU membership, we have been fortunate to have a Social Democratic government that has been quite successful in avoiding the policies that would have inflicted the worst harm to the Swedish social model. The impact of EU directives and institutional pressure has been somewhat countered by trade unions and social movements fighting to ensure that we preserve what we have achieved.

However, a shift to a right-wing majority in the Swedish parliament would change this. The Swedish conservatives lost the ideological battle of the 1990s and have now retreated from neo-liberalism to a Swedish form of 'compassionate conservatism' that pays lip service to the Swedish social model. This new rhetoric has helped the right-wing to achieve a position whereby they have a plausible chance of winning the next general election in September 2006, which would put them into power for the first time in 12 years.

The extremely pro-EU stance of the established right-wing parties in Sweden is based upon the idea of using the EU to break down social democracy by the back door. That is why Svenskt Näringsliv, Sweden's CBI, invested around £50 million

on campaigning to join the euro in the 2003 referendum. The leader of the Swedish Conservatives' campaign for the euro, Gunilla Carlsson, said that the euro would lead to more conservative policies in Sweden. Analysts from business organisations pointed out that with the euro, the government would be forced to de-regulate the labour market and to cut the very taxes that make our welfare system successful.

Since the right-wing has now taken a majority in the EU council, the European Parliament and the EU Commission (where our Commissioner is one of only 6 centre-left Commissioners out of a total of 25!), the possibilities to tear down the Swedish social model through the EU have increased. Two clear opportunities have opened for such a development. The first, the Directive on Services, is now well-known all over Europe but it was Swedish and Belgian unions who first rang the alarm bells on what the consequences could be for public services and collective bargaining. The directive is a crude attempt to undermine those countries in Europe that have made advances on strong health and safety legislation, and strong collective bargaining rights for workers.

The second opportunity for the right-wing comes through the case of the Latvian company Laval un Partneri which won a contract to build a local school in Vaxholm close to Stockholm in 2004. The company brought in workers on poverty pay and outside the terms of collective agreements which other building workers receive. The builders union, Byggnads, launched industrial action, including blockades and secondary picketing, in order to support the workers and to protect other builders from pay cuts. Through this united action, the Swedish labour movement won that battle, but now the issue of whether our unions acted legally has been referred to the EU's Court of Justice.

The internal market Commissioner Charlie McCreevy has said that he will argue strongly that the unions acted unlawfully and that the company should be paid compensation – he says that he will argue that in taking action to protect collective agreements negotiated with the employers, the unions were acting illegally by blocking the 'freedom of movement' for businesses. If the ECJ rules against the unions, the company will seek compensation for the financial costs caused by the strikes. As a student of UK

politics, I know how similar this must sound to the TaffVale case – but this is the 21st Century, not the Victorian age ! We don't know how the case will be resolved, and there will certainly be a huge uproar if the case goes against the unions. But even if it is won by the trade unions, the fact that the EU's leaders take sides with social-dumpers, wage-cutters and union-busters tells us a great deal about the kind of Europe that they want.

The Vaxholm conflict is an historic court case for Swedish unions and it prompted Erland Olausson, the deputy chair of LO (the Swedish TUC), to state in a press release that if the ECJ decides against the trade unions "the conditions for the Swedish EU membership would disappear and then LO must reconsider its support for the EU. We can't be in the EU if it means the Swedish model falls apart".

Swedish voters are wary of giving away too many powers to the EU level – that much is obvious from our referendum on the euro, in which 57% of voters, and a majority of social democrats said 'no'. But it isn't an isolationist streak in Swedes that makes us cautious – nor even a superiority complex. We know that we have much to learn and gain from co-operation with other European countries. We have a very rational basis for our caution – we think that we lose out by giving away power.

Sweden has achieved our strong welfare system, strong economy and a strong place in public life for working people through the concerted efforts of social democrats, working side by side with the trade unions. Throughout our history you can match the strength of the labour movement with the advance of progressive policies. Even democracy itself was won by the unions and other progressives.

We think that decisions should be made where democracy is at its strongest, – not just because that is right on principle, but because that is how we built the Swedish social model. If we give away power, at stake is not only the democratic – principle that decisions are made by people who you can kick out if you do not like their decisions – but our strong welfare state is also at risk. Take the Services Directive, for example. A huge majority of Swedes are against it. The unions oppose it, and so does the Swedish parliament. But when it comes to be voted on in the EU Council, Sweden can be

easily outvoted and the legislation imposed on us by politicians we did not elect. That's not a social Europe, and neither is it a democratic Europe. As far as we are concerned, a socially progressive society cannot be built whilst a situation exists in which decisions have been taken out of the hands of the voters and dropped into the laps of people who are not accountable. Strong democracy is the first principle for building and protecting a social model that works.

After the French and Dutch 'no' votes, we have the opportunity to form a labour movement alternative for Europe. I really hope that we take it. The Swedish experience implies that the struggle for a 'Social Europe' doesn't necessarily mean that we build one model or system for every country in Europe. Such a project would not only be a project too big to be realistically undertaken by the European labour movement, but it would also mean posing a risk to the achievements of those countries who have already progressed on the road to a socially just society.

Therefore, the European centre-left should work for a 'Social Europe' with many different social models based upon the experiences of the labour movement in each country as well as upon inspiration from other countries. Such a 'Social Europe' should be based upon the principle of minimum standards instead of harmonisation and 'one-size-fits-all'. And it should stick to the principle that power should reside where democracy is at its strongest.

John Grieve Smith - Member of the Catalyst National Council and author of 'There is a better way: A new economic agenda For Labour'

The persistently high levels of unemployment in the EU call for a revolution in attitudes to economic policy. Current rules and institutions established by the Treaty of Maastricht are perverse and outdated. They reflect the neoliberal reaction to the inflationary crises of the 1970s and the abandonment of full employment as a keystone of economic policy.

The two most important examples of this are: the establishment of an independent European Central Bank with a remit couched solely in terms of price stability and no responsibility for achieving high levels of employment or growth; and the restrictive terms of the Stability and Growth Pact. Both these legacies of Maastricht are now major obstacles to overcoming what threatens to be a serious unemployment crisis. The over-riding need today is for expansionary monetary and budgetary policies to increase demand and reduce unemployment.

Unemployment in the EU now stands at 8 per cent, 9 per cent in the eurozone; with pockets of much higher unemployment in particular areas, such as East Germany. The high level of youth unemployment is also particularly disturbing. Nearly 20 per cent of the workforce under 25 in the eurozone is unemployed. European leaders may not yet be overconcerned about the unemployment problem, but the antagonism to the proposed Constitution, and the elections in Germany, suggest that this is beginning to be a major concern with voters.

In so far as reducing unemployment is on the political agenda, discussion has focused on so called "structural reforms". These consist mainly of measures to increase the power of employers relative to employees and trade unions. The only rationale of this in terms of reducing unemployment is that it might make it easier to raise demand without stimulating excessive wage increases, but national wage bargaining on the social democratic continental model is a better way forward. It is a depressing indication of current attitudes that our own Labour Government has persistently resisted all TUC proposals for regular consultation on economic policy.

Tony Blair and Gordon Brown's watch word is "flexibility – which can cover a multitude of sins! Multi-skilling and

flexibility in the workplace can benefit both employers and workers. Flexible ("family friendly") working hours to help people with children, or caring for others, are also a positive development. But to provide more scope for changes in pay and working conditions without negotiation or consultation would be retrograde. The idea that "flexible" wages, ie wage cuts, are a remedy for unemployment was disproved by Keynes 70 years ago. Wages are not just a cost to employers they are also a major source of demand. Making one employer, or country, more competitive may give them a larger share of the market, but only at the expense of their competitors. It is not a means of reducing unemployment in the EU as a whole. Furthermore in so far as flexibility worked both ways, and wages went up more rapidly as unemployment came down, this would make it more difficult to achieve full employment without inflation.

It seems perverse that a British Labour Government should be so anxious to demolish the social democratic aspects of the EU, and enhance its neoliberal features. It is noteworthy that unemployment in Denmark and Sweden, two countries that have maintained their social democratic traditions, is lower than in the eurozone. The UK has a relatively good unemployment record, but this is largely due to the effect on demand of the strong growth of public expenditure – something which is now coming under fire from the Commission because we are breaching the 3 per cent budget deficit limit.

The underlying assumption at Maastricht was that demand needed to be kept in check by monetary or other means to avoid a resurgence of inflation. The reverse is now true, and expansionary demand management is needed to reduce unemployment. But even if the remit of the European Central Bank were widened to include full employment, and not just price stability, the scope for achieving this by the use of monetary policy on its own is limited: interest rates are already relatively low. The key tool must be the adoption of more expansionary budgetary policies, in the form of temporary tax cuts or additional public expenditure. The difficulty is that such measures would put key countries in difficulty with the Stability and Growth Pact.

The Pact puts a limit of 3 per cent of GDP on budget deficits, including public investment expenditure. There are potential exemptions to this limit for unusual events outside the control of the state concerned, or downturns in GDP; and earlier this year finance ministers agreed to extend these to cover a protracted period of very low growth, such as the eurozone is experiencing at present. If interpreted sensibly, this should allow more room for the “automatic stabilizers” to operate – ie the effect of lower tax receipts and higher social security payments in mitigating any fall in demand - and ease the pressure on France, Germany and Italy to take measures to reduce their deficits which would, if anything, accentuate the unemployment problem. But there is still no provision in the rule for active budgetary measures to increase demand.

To make any progress on this front we need a revolution, or counter revolution, in current orthodoxy – both to cope with changed circumstances and to reestablish the political priority of full employment and acceptable working conditions. This would involve rewriting the Stability and Growth Pact to permit more active budgetary policies. The new pact should not be based on excessive concern with public debt, which is not the main problem. Nor should it be expressed as a set of arithmetical rules, which cannot allow for all the potential differing circumstances in a growing variety of economies in the enlarged Community. The pact should allow countries to adopt the most suitable budget policies for their own particular circumstances, as well as having regard to the situation of the EU as a whole. It should also provide a new forum for coordinating macroeconomic policies. Successive Treaties have made provision for economic policy coordination, but with little effect.

As the European economies become increasingly interlinked, changes in demand and output in one country increasingly affect its trading neighbours. For this reason, any attack on the present high levels of unemployment should involve coordinated expansionary measures, which would take into account both variations in circumstances between countries and the mutual effects of their actions. Coordination does not mean that everyone needs to follow identical policies. Indeed, the need to allow for differences in budgetary policy, or fiscal

stance, is particularly important in the eurozone where there is no scope for differences in monetary policy.

One factor potentially affecting the future use of tax policy is tax harmonization. In certain fields harmonization must come sooner, rather than later. This applies, for example, to sales taxes on high value, easily transportable, goods like alcoholic drinks. There is also a strong case for harmonizing the rules, and then the rates, for company taxation. This would mean that changes in the rates of such taxes would have to be agreed at EU level, which could be difficult. There would, however, still be adequate room for individual finance ministers to vary other tax rates on an individual basis.

In the longer term, growth of the EU budget could provide an additional tool for demand management on a European scale, but while EU expenditure remains below 1 per cent of GDP, there is little, or no, scope for action at this level. There is, however, one long standing proposal for action at a European level that could be put into immediate effect: that is to institute a programme of infrastructure investments financed by borrowing from the European Investment Bank, or by issuing EU bonds. These projects could be concentrated in areas with a problem of persistently high unemployment.

It would be tragic if the great European venture should come to grief because politicians at both national and European level failed to tackle this problem. While it would be over-alarmist to suggest that continued failure to do so would lead to a crisis on the scale of the 1930s, growing disillusionment among the electorate is already stimulating the growth of extreme right wing parties and could ultimately pose a threat to democracy itself.

Adrian Askew, General Secretary of Connect, the union for professionals in communications.

Perhaps it's because Europe has spent so long in a state of war that the future of the EU is always seen in terms of a battle between two opposing forces. A war of ideology which is fought, not in the muddy fields of the Somme but in anonymous corridors in Brussels. Two-sided, polarised debates almost always dominate in the UK. Should the EU be a Christian club or secular society, do we pin our allegiances to an EU army or NATO and, of course, do we want a 'Social Europe' or one built on a neo-liberal US economic model.

The problem is that whilst debate in the UK and perhaps some other European countries may be polarised around two diametrically opposing arguments, the debate in the European institutions is often far more complex.

One of the great differences between policy-making in the EU and the UK is that in Europe outcomes are almost always achieved through intricate negotiation. For trade unionists, this is familiar territory; our day to day work is all about negotiation. However, many British politicians and most of the media reporting EU issues in this country are far more familiar with the Westminster way of life; a way of life in which the government makes a proposal, a noisy polarised debate ensues, followed by the government getting basically what it wanted in the first place.

This is one of the reasons why this particular debate is so often positioned as a choice between a European social economic model or one based on US style neo-liberalism. The problem with such a polarised debate is it isn't always going to be easy to decide the exact ground on which we are debating.

We need to start with an understanding of what we mean by the European social model. Despite various pieces of EU legislation, different European countries deal with their citizens' protection and their workers' rights in different ways. So if there isn't a single methodology, is there at least a single outcome around which EU policy revolves? There are perhaps a few basic principles which can be instructive. In most European countries policy-makers recognise the economic benefits that come from protecting citizens and providing workers with a voice in their workplace. Whilst vested interests may try to denigrate the role that social protection and employee representation plays in a strong

economy, the benefits in terms of productivity are significant. There are, of course, other economic benefits which flow from the type of employment legislation we find in European countries. For example, health and safety legislation keeps people economically active, whilst providing employees with a better work-life balance which means that they are able to participate in the economy as consumers as well as workers – increasingly important in today's consumer-driven economies.

So, one element of the European model is that the state recognises that social protection and employee involvement are important parts of economic policy. However, there is a more basic principle involved. It's not just about economic benefits. Across Europe there is an acceptance by both government and society at large that we have a moral and social responsibility – a responsibility that is shared between the state, citizens and business. It is from these basic principles that the idea of a European model emerges, but like many things that are hard to define, it is easier to see it when contrasted against something very different. Which is where the polarised debate comparing Europe and the USA is particularly instructive.

The US model certainly does offer a stark contrast to the European way of dealing with the weakest in society. Take an example. Much has been said of the American response to the impact of Hurricane Katrina, but there is a reason why it has received such great scrutiny. Whilst the extent and scale of the damage was unimaginable (and it is likely that any country would struggle to cope with such an onslaught), it was a real surprise that the world's richest and most powerful nation could have been so ill-prepared in a region notorious for tropical storms. The problems experienced in New Orleans demonstrate some of the key failings of the US model.

To European observers it was incredible that only those able to afford to leave the affected area were evacuated; that the refuge to which people unable to evacuate were sent had no clean water or medical supplies. The US model's reliance on charity to provide for the least well off meant that when disaster came knocking, the state was unprepared and unable to help.

The real reason that the tragedy in New Orleans received so much attention is that what it means to be poor in 21st century America was laid bare for all to see. The European social model is about giving citizens a level of protection that, sadly, millions of Americans are lacking.

However, the way in which that protection is provided varies from country to country, which makes a definition of any kind, beyond one of simple social responsibility, difficult to attain.

Unfortunately, this doesn't stop a myriad of interests from blaming 'the European model' for economic failings, determined to water down social protection and force down taxes in the pursuit of greater profits. Opponents of employment rights and state funded social welfare are using the opportunity of an economic downturn to attack Europe's tradition of putting people first. This is dangerous enough on its own, but it is also of concern to anyone who wants to get to the bottom of the EU's inability to meet its ambitious Lisbon targets. By focussing attention in the debate on Europe's social and employment policies, some of the real failings of EU policy are being missed.

For example, we are told that Europe's high employment standards make us uncompetitive in comparison with countries like China, and that these standards must be cut back if we are going to compete. The problem with this argument is that if a government wants to choose labour standards as the ground on which to fight these emerging economies then it has chosen a losing battle. The logic of their argument fails because in the foreseeable future European member states have not the slightest chance of offering labour costs comparable to those available in much of Asia. To do so would be politically impossible – and rightly so.

However, despite this a number of vested interests have been able to put the focus on the 'European social model', using it as an excuse for failure in other fields. Recent studies have found that as much as two-thirds of the productivity gap between the EU and US can be linked to the high level of investment in new technologies that has taken place in the US. It is not America's low taxes and low levels of employment protection that make it economically strong. It is the fact that it is at the cutting edge of IT and continues to invest in research and development – areas in which the EU, despite various action plans, is still lacking.

This is not to say that we should stick with existing policies without question. Certainly European countries face a whole range of challenges, be it Italy's difficulties in meeting the economic requirements of the Euro zone, Germany's struggle to cope with unification or the development of mature economies in the EU's newer member states. In dealing with these economic challenges governments are bound to consider how they meet those basic principles that prop-up 'Social Europe', but that debate about methodology must not become a debate about the principles themselves.

Most importantly, we must not allow a simple 'social Europe' v neo-liberal America debate to dominate our thinking on Europe's economic future. A complex debate about how Europe can succeed without losing its enviable employment and social policies might not make good headlines, but then good policy very rarely does.

Derek Simpson Amicus General Secretary

Too much time has been spent recently debating whether a European social model exists as a concept because each country within the EU approaches the issues in a different way. What Amicus has been saying since its formation in 2003 is that we are tired of playing 'catch-up' with the rest of Europe when it comes to workers' rights, protection of jobs and social justice. We want the UK to become the benchmark against which the rest of Europe's employment and social legislation is measured.

Government ministers justify the poor position of UK workers in the European League of Social Protection on cultural and historical grounds, as though a traditional exploitation of British working people is something of which we can all be proud along side Waterloo and the 1966 World Cup Final. Presumably they also view the job and pension protection afforded to workers in continental Europe as a quaint Gallic or Teutonic aberration like eating frogs' legs or wearing lederhosen.

It is an indisputable fact that UK workers are more likely to be targeted when company restructuring is on the agenda simply because it is so much easier to dismiss a UK worker and close a UK factory than it is to do so in France, Germany, Italy, Spain and other EU states.

It is equally indisputable that the protection German workers have against the loss of their pension when companies go bust is better than in the UK - even after the introduction of the Pensions Fund. Similarly, it is recognised that many European countries provide their citizens with a retirement that ensures dignity and financial stability as a reality rather than as the mere aspiration that it remains in the UK. In the UK the absence of implementation of the Directive on insolvency protection means that thousands of savers in the UK face the risk of poverty in their old age.

It is the legacy of a Thatcher government that has created a UK with a deregulated labour market; with poor employment protection; and with legal shackles on a trade union movement. These British 'traditions' have combined to put downward pressure on the earnings of working people in the UK. Without a fundamental shift towards a social model which embraces the principles of the Lisbon Strategy for growth and jobs, we face a downward spiral leading to

increased temporary labour; further diminution of our manufacturing base and a widening of what is already the largest gap between rich and poor in Europe.

So what is needed in the UK to deliver the "social model" which we demand?

At the beginning of 2005, the European Commissioner for Employment, Social Affairs and Equal Opportunities said: "This dynamic new agenda will help to provide what citizens most want: decent jobs and social justice. It is about equipping everyone to manage the changes facing our society and about looking after the neediest. It is designed to preserve and modernise our valued social model as the essential tool underpinning Europe's drive to boost growth and jobs. It maps the route for reforming labour markets in order to make work a real option for everyone. At the same time, it provides pathways for modernising welfare systems and combating poverty." It is simply that working people and their families should have the same protection, security and opportunities for work and prosperity in the UK as other working people enjoy throughout Europe. This can only be achieved where government is committed to meaningful dialogue and a willingness to accept that being a "change-maker" does not mean that change is mono-directional in favour of the business community. For too long we have borne the brunt of strategic industrial and employment policies which have been bereft of a social dimension.

How else can we explain why UK workers work longer hours than the rest of Europe? The refusal of government to end the 'opt-out' from the working time directive not only disadvantages workers at work but has a negative social impact on families at home that may provide one of the reasons for the high – and still growing – divorce rate in this country.

We have seen hundreds of thousands of manufacturing jobs swept from this country - many in strategically important industries. In France, politicians take a pride in defending domestic industries and in defending French jobs. Nowhere is this more vividly illustrated than in the French government's proposals for plans to shield companies in ten key industries from foreign takeover. In effect, this new French legislation erects barriers around 10 sectors and gives powers to block hostile foreign bids for French businesses from computer makers to casino operators.

The reality in the UK is that we are witnessing the export of work to areas of the world where wages are low, whilst we are subject to an employment policy which creates jobs that are frequently low paid, part-time or temporary agency jobs. Employment may be at an all-time high - but at what social cost? Worse still, we have a government that believes that the proposed Services Directive is 'good for business' and is no threat to UK workers. In reality, it is a piece of legislation that will import workers at the lowest possible cost, thereby undermining workplace collective agreements and existing UK standards in training and health and safety. Far, then, from being 'no threat to UK workers', the proposed Services Directive would act as yet another contributing factor to the widening gulf between rich and poor in this country.

When we demand a 'level playing-field' – and when we demand social planning, it is because we recognise that workplace issues cannot be viewed in isolation from the economic and social issues that impact on the quality of life of everybody in the UK. To pursue economic policies without regard for a social dimension is to condemn the majority of working people to a mere supporting role - without ever being at the front of the queue. It undermines confidence and fuels the apathy that is so damaging to democracy and, politically, it is tantamount to suicide.

To deny a future for the European Social Model is to deny a sustainable future for all the peoples of Europe.

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