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Promoting Labour Rights and Social Protection in Post-Crisis Europe

New Research Agendas. Labour Futures Working Group

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FEPS YOUNG ACADEMICS NETWORK

The Young Academics Network (YAN) was established in March 2009 by the Foundation of European Progressive Studies (FEPS) with the support of the Renner Institut to gather progressive PhD candidates and young PhD researchers, who are ready to use their academic experience in a debate about the Next Europe. The founding group was composed of awardees of the "Call for Paper" entitled "Next Europe, Next Left" — whose articles also help initiating the FEPS Scientific Magazine "Queries". Quickly after, with the help of the FEPS member foundations, the group enlarged — presently incorporating around 30 outstanding and promising young academics.

FEPS YAN meets in the Viennese premises of Renner Institut, which offers great facilities for both reflections on the content and also on the process of building the network as such. Both elements constitute mutually enhancing factors, which due to innovative methods applied make this Network also a very unique project. Additionally, the groups work has been supervised by the Chair of the Next Left Research Programme, Dr. Alfred Gusenbauer – who at multiple occasions joined the sessions of the FEPS YAN, offering his feedback and guidance.

This paper is one of the results of the third cycle of FEPS YAN, (the first one ended with three papers in June 2011, while the second one led to five papers in spring 2013), in which six key themes were identified and were researched by FEPS YAN working groups. These topics encompass: "Precarious employment in Europe"; "Full employment: A progressive vision for Europe"; "Get the party started: Modernizing progressive politics"; "The 2014 European elections"; "Enhancing EU enlargement" and "Young and easily allured? A comparative analysis on the relationship between populism and youth in Europe". Each of the meetings is an opportunity for the FEPS YAN to discuss the current state of their research, presenting their findings and questions both in the plenary, as also in the respective working groups. The added value of their work is the pan-European, innovative, interdisciplinary character – not to mention, that it is by principle that FEPS wishes to offer a prominent place to this generation of academics, seeing in it a potential to construct alternative that can attract young people to progressivism again. Though the process is very advanced already, the FEPS YAN remains a Network – and hence is ready to welcome new participants.

FEPS YAN plays also an important role within FEPS structure as a whole. The FEPS YAN members are asked to join different events (from large Conferences, such as FEPS "Call to Europe" or "Renaissance for Europe" and PES Convention to smaller High Level Seminars and Focus Group Meetings) and encouraged to provide inputs for publications (i.e. for FEPS Scientific Magazine "Queries"). Enhanced participation of the FEPS YAN Members in the overall FEPS life and increase of its visibility remains one of the strategic goals of the Network for 2014.









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Keywords: Labour futures, Basic income, Migrant rights, International solidarity, Industrial strategy

Executive summary

European labour markets currently fail millions for whom they cannot provide work, and millions more who must face job insecurity, underemployment, stagnant wages or poverty pay. The forces which have served to weaken our labour markets include political failure, globalization, technological change, labour union decline and the increasing power of capital vis-à-vis labour. Ominously, each of these forces look likely to accelerate, rather than abate. This is – clearly – a particular problem for a movement so historically and closely bound up with the labour movement, and labour rights. Given this, it is imperative that European socialists look beyond their existing prescriptions for labour markets. We may have lost the recent history of labour, but it is essential we reclaim the future.

This paper identifies and develops four new areas which policymakers may seek to exploit. Firstly, we assess the potential for strengthening labour markets through a renewed focus on international solidarity – including deepening cross border cooperation with labour organisations and learning from best practice both in and outside of Europe. Secondly, we consider the options for strengthening the position of migrant labourers within the EU – a policy which serves to not only build solidarity within Europe, but also begin to mitigate the race to the bottom which characterises man sectors of European Labour markets.

We also consider the possibility of developing Europe's industrial strategy such that it becomes capable of coordinating the development of capacity and innovation – and in so doing, securing the kind of work that (particularly young) European workers often seek. And in the same vein, we conclude by arguing that the European left must look much more closely at developing a basic income style proposal of its own. Such a policy, we argue, offers the prospect of the most radical and effective rebalancing of Europe's labour market. We argue that much of the leftist scepticism over a basic income is misplaced, and that suitably defined – the policy represents an invaluable pro-socialist and pro-labour option for the future.









INTRODUCTION

The issue of work is historically central to leftist and progressive thought and activism. As such, the health of our labour markets often says something about the health of our movement. In this regard there is reason for grave concern. Labour markets face severe and worsening challenges, and worse, our ability to address these conditions appears to be weakening.

This paper asks how socialists should respond to this state of affairs. Labour markets are still the primary means to guarantee citizens' security and wellbeing. But it is no longer clear that they are a sufficient, or adequate means for many millions of Europeans. The material and social basis for work opportunities and a corresponding wage is rapidly eroding. One coclusion of this paper is to suggest that, in light of this, a basic income may not just be desirable, but necessary.

We take as our starting points the assessment of labour market conditions as set out by Lavery et al¹ in their accompanying paper. The chasm in the wage share has been perpetuated by post-crisis EU policy. We are on course to repeat and reproduce the problems that give rise to it. To overcome this, current EU policy thinking must be surpassed. The authors assay well how EU policy expresses and consolidates contemporary capitalism's destructive rationality. Post-crisis EU policy has shored up capital. It repeats and reproduces power relations that subjugate labour and maintain inequality. The 'dysfunction' of the system suggests that, as the authors put it puts it, 'something will have to give'.

The wage share imbalance is unshakable as long as things remain the same. Inequality is part and parcel of capitalist society. It is futile seeking to shift the wage share only so as to steady the ship of the present state of things. The ship, rather, must be rocked. Wage imbalance is a permanent condition of capitalism. Unequal distribution of wealth and property are structuring principles of capitalist social relations. They guarantee the possibility of a market in labour. The wage share cannot be shifted to save the world, because the world as we know it depends upon its imbalance. The world must be changed instead, and with it the unequal relations of wealth and ownership it implies. We must critique the wage itself, not only how it is shared. We must question labour markets, full stop. Alternatives must be developed.

This paper takes this insight forward. Everything has changed. Old certainties are dying. At the same time, the problems we face are woven in the fabric of this evolving social formation. Its contradictions confront us. The tendency towards low growth twins with a tendency towards brutal inequality. The former- the bleak outlook for economic growth- forecloses certain responses to dealing with the latter. We cannot count on the riches and resources necessary to distribute wealth in a fair and equitable way after its generation. Rather, the form and means by which this wealth is generated in the first place must change. Predistribution is one response. But this paper goes further, arguing that it is in the realm of work and industrial policy that these matters are up for grabs. Technological innovation, coupled with a radical restructuring of how we work, earn and live, can help us escape the impasse.

¹ See Lavery S, Paulusma P, Venhaus M, Warner N And Wilhelm B, 'Capital and Labour in the post-crisis European context: Distributional, Institutional and Political Considerations', Foundation for European Progressive Studies, Brussels 2016



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The paper begins from a bleak prospectus: the labour market is in crisis. Persistently high unemployment leaves many without work. Unemployment, particularly among young people, is at crisis level in many areas. Cutbacks in welfare provision exacerbate the misery of worklessness. Median wages in both Europe and the US are out of step with returns to capital and productivity increases. This brings greater economic inequality, with its attendant social costs and harms. But it also results in an explosion in the number of Europeans classifiable as "working poor". This has placed an increased burden on welfare states. In turn, this makes it easier for conservatives across Europe to portray these systems as running out of control. The withdrawal of state support compounds labour market failure to grant citizens financial security. The costs they pass on to the state are perceived as too great to bear.

Labour markets do not serve those in work, let alone those without. The unskilled, unable and the unlucky compete for scant bad jobs. Employment growth is largely restricted to what some have called *lousy* jobs. Largely temporary, they leave millions underemployed. And they are increasingly insecure, with a fixed term, and no set or regular hours. The available jobs lack prospects, stimulation, prestige and decent pay. To a great extent, the middle has fallen out of the labour market. On one hand, we have low-skill, low-pay service work. On the other, high-tech high-pay work in other sectors. Little lies in between. A scarcity of profitable investment outlets leads accumulated wealth into speculation, services and luxuries. Low-skilled workers languish or compete to meet the demand, cleaning, cooking or caring.

Elsewhere, increasing automation threatens the most routine employment. Of course, in low-paid, low-skill work, employers gain little in switching humans for machines. Costs can be no cheaper and productivity little better. But for those in intermediate positions, the prospect of automation looms large. Alongside skilled manufacturing personnel, white-collar workers like legal clerks may also face technological unemployment. The precarity of these strata emphasises the severity of the crisis.

Some may pin their hopes for overcoming the crisis on high-tech investment and a new industrial revolution. This requires, as Chapter 3 of this paper suggests, a strong industrial policy. It must be capable of coordinating the development of capacity and innovation. Technological advances may remedy the low-productivity, low-skill quagmire of some European economies. They may even heal the widening gaps in the wage share. Higher wages attract greater company investment in new technology, and vice versa. The two work hand-in-hand, as employers strive to get more from the worker for the wage paid out. Further, the investment opportunities of new tech shake free the accumulated wealth of the 'one per cent'. It circulates in productive spheres rather than financial speculation or low-skill, low-pay service work.

But capitalism's circumstances of profound contradiction and bleak prospects for growth forestall optimism. Scenarios for escaping the crisis may imply fresh and worse crises to come. The accrued benefits of new investment- better jobs and higher wages- may not tell the whole story. Some workers will be expelled from production, replaced by robots or unable to keep up with the shift to a high-skill economy. Companies will close through creative destruction, as investors move on in search of better margins. Without a strong welfare state or a restructuring of how we relate to the wage and the ability to subsist with or without work, turmoil will ensue.









Yet policy options are available to smooth the transition and mitigate the crisis. They may even leave us in a more socially just and equitable situation than that in which we started. This paper assesses these options, concluding by recommending a basic income (see Chapter 4). This measure would help ease the fallout from a bad-jobs to a good-jobs economy. As low-productivity companies close, and remaining firms expel labour, a basic income bridges the gap. It keeps the continuity of the workers wage without the compulsion to compete for scarce jobs in the remnants of a dying past. Indeed, the remaining work can be shared out more equally. In this way, the basic income creates the possibility of less work and more enjoyment for everybody. Aided by strengthened trade unions (see Chapter 1), a basic income also endows those in work with greater bargaining power. They can demand better pay. By backing such demands, a basic income complements the industrial policy recommended in Chapter 3. Forced to grant better pay and conditions, employers are less likely to offer bad, low-skill jobs. Productivity rises in turn. Consumption-wise, by closing the wage share, the basic income eases constraints on spending. It puts money in the pockets of newly discerning consumers keen to buy decent goods. In this way, it further assists industrial shifts towards high-quality, high-tech production. More enjoyment, in life and work, awaits.

One thing is for sure: there is no going back. This demands new strategic orientations. Chapters 2 and 3 suggest how social democrats can approach migration and industrial policy in a forward-facing way. Further, our organisational and political infrastructure can be wielded in favour of radical alternatives. Volume 1 ends by identifying trade unions as possible translators of policy goals into practical action. Chapter 1 of this volume compounds this point. Its examples of innovative labour campaigns suggest that unions must change to win. Too often they mirror an older capitalism. Their aims rest on continued growth and wage labour, unsustainable now and in the future. We might extend this to the social democratic and socialist left more broadly. How unions and parties meet the new reality is significant. Their response is pivotal for the social democratic and socialist development of a future politics of work fit for new times. Perhaps, if demands for basic income replace polite appeals for paid employment in any job available, we will be part of the way there.









CHAPTER 1: STRENGTHENING LABOUR RIGHTS THROUGH INTERNATIONAL SOLIDARITY

Introduction

Labour market restructuring in Europe has intensified inequalities and injustices in society. A host of factors have worsened inequality internationally. These include deterioration of working conditions, rising income inequality and weakening trade union power. Institutions have taken measures to protect the value of labour in Europe.

However, this labour protectionism has fuel a perception that European workers have different interests from workers elsewhere or even from workers in Europe but who are not nationals and who don't have citizenship. Furthermore, the decreasing relative productivity of Europe vis-a-vis the developing world, will be hastened by inequality in labour rights, as well as weaken Europe ability to influence changes.

This situation has caused a split between trade unions across the world. Trade unions have hard time recruiting workers who do not hold European citizenship. Social democratic and socialist parties have lost support. They seem incapable of getting votes from workers and migrants across Europe. These changes and challenges confront European social democrats and socialists. How can the latter respond to assure equal social rights and security for workers regardless of their citizenship?

We will look at how European progressive institutions can become more sensitive to labour protection problems both in the internal market and beyond. They must aim for full parity, coherence, sustainability and trustworthiness. This incorporates two main points:

- 1. The development of European collective legal and foreign policy measures relating to improving labour standards.
- 2. Secondly, developing strategies for transnational solidarity through progressive institutions such as Trade Unions and NGOs by building common platforms.

Inequality at work, inequality in international labour law: challenges and obstacles towards the formation of international labour standards

Despite many political, cultural, social and economic issues becoming increasingly globalized there is seldom influence of them in the formulation of EU social and foreign policy. The EU's stance on violation of social rights around the world is subject to scant consideration. It finds little regard in the construction of foreign policy in European countries. The creation of a common foreign policy on regional conflicts is a goal that the EU is yet to achieve. But the creation of common policy stances on global social and economic problems could be a starting point and one the EU should proceed with as a key international power. A second point could be granting equal social rights for workers who don't hold citizenship but who live and work in Europe. This could also reinforce the bargaining power and action scale of trade unions in Europe.

The collective EU disinterest in the violation of rights around the world has negative outcomes. It generates an impression of eurocentrism, and develops mistrust of progressive European values. It









breaks the solidarity among workers coming from different origins in Europe. The EU lose its credibility also in the eyes of European trade unions as some ECJ rulings provoke "'implications for trade unions' ability to promote equal treatment and protection of workers regardless of nationality".²

The recent situation presents three main challenges. The first is obstacles to legal regulations ensuring equal rights and conditions for European and non-European workers. With reference to the first challenge, Colleen Sheppard points out that

While non-discrimination was initially understood as fairly limited legal principle mandating equal treatment for similarly situated individuals, it subsequently expanded to address indirect discrimination resulting from apparently neutral rules, standards and practices at work. It has expanded further to take on group-based patterns of inequality at work related to the structural constraints of the market, the family and community life, ultimately resulting in convergence between anti-discrimination law and legal initiatives to reduce class-based socio-economic inequality and poverty [...]. As we expand the paradigms that shape our thinking about inequality at work, it remains important to understand how manifestations of socio-economic inequalities reveal group-based disparities in terms of sex, race, national or ethnic origin, disability, social origin, political belief, religion or sexual orientation, and how those disparities are revealed in both the formal and informal sectors of the economy [...]. For as we enlarge our understanding of discrimination to embrace the systemic and structural dimension of group based inequalities, anti-discrimination law converges with other domains of international labour law in the struggle for both the empowerment of workers and more equitable working and living conditions in an increasingly global economy.³

The second challenge is the difficulties of the uniformization of labour law across Europe and beyond Europe. Concerning this challenge, Jan Martin Witte suggests that

To date, the principle dynamics of labour regulation – a constituent element of social policy – have not changed. They still follow the dynamics of regulatory politics: costs as well as benefits for introducing and enforcing new standards tend to be concentrated within clearly identifiable stakeholder groups, thus resulting in entrenched special interest politics. Consequently, the implementation and enforcement of labour standards will, in most instances, be the result of political competition among different special interest groups. Policy initiatives designed to foster the realization of core labour standards will have to recognize and build on this important fact.⁴

⁴ J.M. Witte, *Realizing Core Labour Standards. The potential and limits of voluntary codes and social clauses. A review of the literature,* Germany: Office for Social and Ecological Standards, 2008, p. 79.



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² See, Michael Whittall, Unions fear ECJ ruling in Laval case could lead to social dumping, 24 February 2008,http://www.eurofound.europa.eu/fr/printpdf/observatories/eurwork/articles/unions-fear-ecj-ruling-in-laval-case-could-lead-to-social-dumping, consulted on 16.11.2015.

³ C. Sheppard, "Mapping anti-discrimination law onto inequality at work: Expanding the meaning of equality in international labour law", *International Labour Review*, Volume 151, June, 2012.





Moreover, the primacy given to freedom of contract is inappropriate for relationships of unequal bargaining power. Due to this, EU law cannot guarantee the *uniformization* of labour law.⁵

The third challenge is barriers to structural linkages between international and national labour organizations. The implementation of international labour standards beyond Europe sees international institutions and organizations cooperate. These include the ILO (International Labour Organization) and the WTO (World Trade Organization). But, as the IOE (International Organisation of Employers) posit, the two exhibit fundamentally different approaches:

An argument of those calling for structured linkages between trade and labour standards is the potential recourse to the formal dispute settlement mechanism of the WTO, which contrasts with the absence of comparable enforcement procedures within the International Labour Organization.⁶

Thus, the IOE challenges moving labour standards to the WTO or its dispute settlement mechanism. It would place excessive strain on WTO members. This may jeopardize their commitment to, and membership of, the multilateral rules-based trading system. According to the IOE, the ILO has the constitutional authority to respond to serious violations. A lot of attention currently surrounds the impact of trade. There is a feeling that the benefits of trade agreements must have flanking measures on the social and labour side. And the ILO appears to be signalling a willingness to develop its work in this area.⁷

But there are some causes for concern in terms of an ILO role as the 'Office'. It increasingly intervenes in debates and policy areas outside its traditional mandate and competency. In this context, there is a need to redress one of the paradoxes of the new European social model. The model relies on social dialogue. This depends on equal strength in collective bargaining for both European and non-European workers. But, concurrently, it provides no mechanisms for strengthening and protecting collective organizations. Sollective organizations are essential in ensuring collective rights of workers. Thus, new legal regulations for better international labour standards by the ILO, WTO or UN are not enough. There must be collective action to undergird it. In this respect, the chapter will now examine strategies of labour organizations. Labour organizations can drive policies more capable of ensuring international labour standards.

Tackling the challenges: trade unions' collective action and organisation strategies and progressive policies as possible solutions for international labour standards

Tackling the challenges of promoting full parity among workers in Europe and constructing efficient international labour standards requires collective action. This should take place on two main levels: workplace issues and non-workplace issues. These issues can be either national or international. In this





⁵ A. Blackett, "Labour Laws and Global Trade, by Bob Hepple", *Osgoode Hall Law Journal*, Volume 44, Number 3, 2006. p. 578.

⁶ IOE, *The evolving debate on trade & labour Standards*, IOE Information Paper, 2006, p. 3.

⁷ Idem.

⁸ A. Blackett, *op.cit.*, p.578-579.





context, the chapter posits two possible solutions. First, the active engagement in workplace issues by common platforms and trade unions. Second, the active engagement of these common platforms and trade unions on non-workplace issues.

The first sees national and international unions and actors cooperate on cross-border workplace issues. In this case, taking direct action and getting engaged in the field seem to be more effective than the legal regulations. Many unions take action in different countries, different sectors and on different issues. These include, but are not limited to, violations and problems related to national policies.

Unions engage in national strategies to ensure international standards and fight global rights violations. The French Trade Union of Sud Solidaires fights for social and labour rights in the Middle East, Latin America and China. It publishes brochures and handbooks on the functioning and the structure of labour organizations in Tunisia, Iran, Egypt, Canada, China and Mexico.⁹ In so doing, Solidaires underlines the importance of international solidarity among workers.

The International Network of Solidarity and Struggles comprises European, African, American and Asian unions. It declares that trade unions should intervene not only within sectors, but between sectors. They assert that international labour solidarity should incorporate other areas of struggle. For example, women rights, immigration, housing, ecology, health and financial solidarity. For unions with greater material resources, other projects are possible. Technical assistance for common projects between trade unions, for instance, is possible.¹⁰

The organisation of the *sans-papiers* (irregular migrants) by the French CNT is another good example. This brings unions into defence of the rights of migrant workers.¹¹ The organisation of irregular migrant workers proceeded on a cross-sectoral basis. This allowed the CNT to mobilise in spite of differences between sectors and ethnic groups. It also enabled them to create cross-national forms of organisation.

ETUC declarations on multinationals and legal regulations on Health and Safety at Work are important here.¹² They provide a basis for international and European cooperation about national workplace issues. The recent revision of the EU Strategic Framework on Health and Safety at Work (2014-2020), still limiting the problems and solutions related to occupational health and safety to the European level, prouves the need to consider this question as a global issue¹³. The interdependence of labour markets





⁹ Union Syndicale Solidaires, "Dossier Chine", *Solidaires International*, Printemps, 2008, N.3, Union Syndicale Solidaires, "Dossier Egypt", *Solidaires International*, Automne, 2011, N.7, Union Syndicale Solidaires, "Dossier Tunisie, Iran, Quebec", *Solidaires International*, Automne, N.8, 2012.

¹⁰ Union Syndicale Solidaires, "Dossier Mexique, Chiapas et Zapatistes", *Solidaires International*, Automne, 2013, N.9

¹¹ CNT, "Mobilisation en cours en soutien aux sans-papiers", 04.04.2014, http://www.cnt-f.org/59-62/2012/04/mobilisation-en-cours-en-soutien-aux-sans-papiers/, consulted on 19.06.2014.

¹² ETUC, "EU Commission's Framework on Health and Safety at Work: too late, too weak", http://www.etuc.org/press/eu-commission%E2%80%99s-framework-health-and-safety-work-too-late-too-weak#.U6K7eLuKDmQ, consulted on 19.06.2014.

¹³ European Parliament, Draft report on the EU Strategic Framework on Health and Safety at Work 2014-2020, 29.5.2015.





around the world makes it indispensable for the EU to produce policies that could ensure the implementation of international standards.

European concerns should encapsulate an Egyptian labour activist's murder, or Bangladeshi women's working conditions. The attack on workers, their rights and their organisations is global. The response must be too. As the International Trade Union Confederation (ITUC) suggest,

corporations, using their power over governments, are attempting a co-ordinated global attack on workers' rights, including the right to strike. Union leaders were murdered in ten countries including Cambodia, Bangladesh, the Philippines, Mexico, Honduras, Guatemala, Colombia, Mauritania, Egypt and Benin. Union leaders were murdered in ten countries including Cambodia, Bangladesh, the Philippines, Mexico, Honduras, Guatemala, Colombia, Mauritania, Egypt and Benin. 14

Health and safety is another issue around which European workers' organizations can cooperate. The Soma mine disaster in Turkey illustrates this. Jan Buelens argues that the European Commission can learn from the mine disaster. The lessons show how to prevent deaths in both Turkey and Europe. Addressing European election candidates, Buelens underlines the importance of health and safety at work. He connects the death of workers in Soma in Turkey in May 2014 with the death of workers in Toulouse in France in 2001. The common factor is subcontracting. The issue of subcontracting, Buelens shows, is a global issue of the present economic system. The fight against the poor conditions it causes cannot be solely local.

Workplace related issues on an international level manifest themselves in non-workplace actions. There are a number of recent examples. The ITUC campaign against labour rights violations in Brazil and Qatar led to a call for a World Cup boycott. The struggle for the implementation of international labour standards could yet achieve local success. Social media platform Labourstart campaigns against rights violations in Bahrain, Kuwait, Turkey and Indonesia. Both evidence use of collective action repertories to protest international rights violation.

Akin to these instances is the "Labour Against The War" platform. This brought together US unions and labour groups to protest against the Iraq war. It is an example of labour solidarity on non-workplace related issues. ¹⁷ The political stances of the workers involved may have differed. But emphasising shared

¹⁷ S. Harris, "Interview with Michael Zweig, delegate to Iraq International Labour Conference", http://uslabouragainstwar.org/article.php?id=18891, consulted on 19.06.2014.





¹⁴ ITUC, "ITUC Global Rights Index shows workers' rights under threat despite public support for strong labour laws", http://www.ituc-csi.org/ituc-global-rights-index-shows, consulted on 19.06.2014.

¹⁵ J. Buelens, "Quand il pleut à Soma, pleuvine-t-il à Bruxelles ?", 19.05.2014, http://www.levif.be/info/levif-blog/vu-de-flandre/quand-il-pleut-a-soma-pleuvine-t-il-a-bruxelles/opinie-4000628938737.htm, consulted on 21.05.2014.

¹⁶ See, ITUC, "ITUC Global Rights Index shows workers' rights under threat despite public support for strong labour laws", http://www.ituc-csi.org/ituc-global-rights-index-shows, consulted on 19.06.2014, ITUC, http://www.ituc-csi.org/play-fair, consulted on 19.06.2014, ITUC, "Qatar 2022: Re-run the vote", http://www.ituc-csi.org/rerunthevote, consulted on 19.06.2014.





socio-economic interests constructed of a common platform for peace. European progressive parties and institutions could thus learn from trade union strategies and actions. A common foreign policy for Europe against the violation of trade union and social rights is vital at this point.

In this context, European progressive efforts to generate interest in international issues is crucial. It is necessary for the struggle against discrimination, inequalities and injustices in the social protection system. It is necessary for the defence of human rights and liberties. And it is necessary for the reinforcement of non-European workers' trust and interest in European trade unions and also in social democratic and socialist parties.

Conclusion

For efficient European common foreign policy, progressive researchers and politicians must modify their stance. They must turn outward to global socioeconomic issues and labour rights violations. Longer term, the progressive left should seek to develop a common European foreign policy. This would incorporate trade unions, socialist and social democratic parties, associations, researchers and activists. Its sweep would take in political problems and armed conflicts around the world. These conflicts concern all countries from Latin America to China, from Asia to the Middle East. Moreover, migration and free movement of labour are cross-cutting issues, beyond individual countries. This warrants a broader cooperation. It must include US and Middle Eastern unions, NGOs, progressive institutions and social actors. EU engagement in international issues would shape its global credibility and world role. It would lead to a positive change in the feelings of resident migrants towards the EU. It would bolster the regulation and unionisation of migrant labour in Europe and across the world. It might also have a long-term impact on the enlargement policy of the EU. Most of all, it would precipitate more progressive prolabour policies in Europe.

Social democratic parties can learn from international trade union campaigns against global rights violations. Common platforms between European progressive forces, political parties, NGOs, trade unions and social movements can increase trust in socialist parties and values. Only a collective struggle against all kinds of discrimination in the labour market and in the social protection system can assure equal labour rights and international standards. The restructuring of the European labour market has a global context and global consequences. The recognition of this can bring together the labour movement on a global basis.









CHAPTER 2: STREGTHENING LABOUR MARKET FOR THIRD COUNTRY MIGRANTS

Introduction

Seven years into the crisis most EU countries have not yet fully recovered. Third country national migrant workers feature among those most negatively affected. This warrants a closer look at how the crisis has affected them. It is simplistic to generalize that non-EU workers are most vulnerable to economic fluctuations. A more nuanced analysis can help motivate the EU to better protect and integrate workers with and without jobs. The goal of this section is to shed more light on the effects of the crisis on non-EU migrants in the EU. It points to some challenges and examples of 'best practice' from a progressive perspective. It will pose a series of questions. How did the economic crisis affect EU's migrant workforce? Were foreign workers affected disproportionately? Which foreign workers suffered the most and why? What EU policies could reintegrate migrant workers with and without a job?

The effects of the crisis varied among EU – MS being most acute in Ireland and Southern – and least in Central and Nordic Europe.

Southern European countries & Ireland experienced the sharpest post-crisis increase in unemployment. Spain and Greece experienced tripling unemployment rates during the crisis. They reaching 26% in December 2012. At 15 and 16 percent, the unemployment rates in Ireland and Portugal doubled between 2007 and 2012. By contrast Germany registered lower unemployment rates than before the crisis.

Generally, the crisis exacerbated the position of non-EU migrants on the EU labour market. At the outset of crisis migrants and Europeans registered similar declines in employment. Since early 2010 the gap between migrants and Europeans began to widen. But migrants in some countries suffered more than in others. Migrant unemployment in Greece and Spain increased by 10 percent and 6 percent more than among nationals. Ireland, Portugal, Estonia, Italy and Slovenia also saw increased migrant unemployment. By contrast, from 2008 to 2012, Austria, Norway, Luxembourg and Switzerland experienced little or no decline in migrant employment. In Germany, unemployment declined for both migrants and nationals. In Poland, a country largely spared from crisis, migrant employment rates reflect national averages.

Intra-European migrants were least hit by the crisis. This may be attributed to a number of factors. These include freedom of labour mobility, recognition of skills and stronger social networks. By contrast, migrants from North Africa were most affected by the crisis. The unemployment rate among North Africans in the EU increased from around 14 percent in 2008 to around 27 percent in 2012. This owes mainly to bleak employment prospects in Spain, construction and manufacturing.¹⁹

In some countries, including Greece, Italy, Spain, the Slovak Republic, Slovenia and Luxembourg, migrants and nationals held different jobs. The crisis affected migrants disproportionately more because it affected the sectors where migrants worked. These sectors include construction, manufacturing,

¹⁹ OECD, International Migration Outlook 2012. OECD: Paris 2012a, p. 7



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¹⁸ OECD, International Migration Outlook 2013. OECD: Paris 2013, p. 72





hotels and restaurants, agriculture. Migrants who worked in other jobs were able to mitigate the effects of the crisis.

The impact of crisis varied by the national origin and labour market distribution of migrants. But it also varied by their gender, qualifications, degree of integration with the labour market and age. Between 2008 and 2012, in Greece, Portugal, Denmark, Germany and Austria migrant women suffered less from the economic crisis.²⁰ This is because the recession has mostly affected male occupations, especially construction. Migrants who became unemployed tended to work in low-skilled, temporary or cyclical jobs. These jobs have very low dismissal costs. Migrant women suffered more where the crisis affected services. The demand for services like cleaning and child care is sensitive to the family income of service-users.

Moreover, young migrants were more affected by the crisis than other population groups. There are several reasons for this. First, they tended to be concentrated in cyclical sectors and in temporary jobs. Second, having worked for shorter periods they received less investment in training and benefits. Hence, younger workers were less costly to fire than the older ones.

In coming years, long-term and youth unemployment will be among the most formidable obstacles to migrant integration. Solutions are not easy.

The Czech Republic provides one example. In 2013, unemployment among non-EU nationals was 16 percent higher than Czech nationals. Luxembourg provides a contrasting example. Non-EU nationals faced 10 percent less unemployment than Luxembourg-born workers.²¹

The crisis has not only increased the likelihood of unemployment but also the time it takes to find a new job. This worsens unemployed workers' vulnerability to deskilling. Long-term unemployment has increased for non-EU nationals. Where it was 28.5% in 2009, it stood at 48.9% in 2013.²²

As the crisis lingered, long-term unemployment afflicted native and migrant populations across the EU. In 2008, home nationals faced a higher risk of long-term youth unemployment (above 12 months) than migrants. The crisis reversed this. Low-skilled and young migrants faced the highest risk of long-term unemployment. The risk of long-term unemployment varied between the EU countries. It was highest in Greece, Spain, Portugal and Ireland. But in Germany and Austria, both native and migrant long-term unemployment decreased over the course of the crisis.²³

Different groups of workers face different risks of long-term unemployment. The risk depends on their qualifications, experience, age and the sector in which they work. For instance, foreign-born youth are vulnerable because of limited experience and social networks. Post-2012, countries with already high unemployment rates witnessed further increases in migrant unemployment rate. These included Turkey, Greece, Spain, Italy and Portugal. Many of the unemployed meet the "NEET" classification: not in

²³ OECD, International Migration Outlook 2013, OECD: Paris 2013 p. 82





²⁰ OECD, International Migration Outlook 2012, OECD: Paris 2012c

²¹ Eurostat, Migration integration statistics. Employment. Eurostat 2014

²² Ibid.





employment, education or training. This portends a difficult return to the job market, even as the crisis subsides. Some experts refer to this phenomenon as "scarring". Apart from immediate effects (e.g. inability to find a job), joblessness has long-term effects. For years thereafter, it affects the job performance and satisfaction of those subject.²⁴

EU member states must prevent and tackle migrant labour market isolation. To do so, they must remove barriers to jobs and training. Sweden, for example, offers some valuable best practices.

To ensure social cohesion and support economic recovery Europe needs policies. These policies should help its most vulnerable, particularly migrant, populations find decent employment. Many of Europe's third country national workers have skills and are willing to move where the jobs are available. But they face barriers. Their mobility is restricted. Their skills go unrecognised. They lose legal status along with their job. The crisis limited migrant worker integration policies in Southern Europe. Particularly constrained were Greece, Spain and Portugal. Migrants have been better shielded from the crisis in Switzerland, Germany, Austria and Scandinavia. Unlike the former group, these latter countries continued to invest in migrant integration. Spain, for instance, limited migrant access to free healthcare.²⁵

Research should investigate whether policies used pre- and post-crisis should be emulated or discarded. Thus, further research is needed on the two groups and their labour market integration policies.

With slow job creation, Southern Europe and Ireland adopted prudent migration policies during crisis. They facilitated migrant access to temporary jobs only. This is prudent in the context of continued economic uncertainty. But it brings migrant workers back to the most vulnerable jobs. This may reinforce the segmentation of labour markets.

Migrants need better protection against unemployment in the future. To achieve this, Southern Europe and Ireland should facilitate migrant labour mobility. This would loosen attachments to specific employers, sectors or geographical areas. It would retrain migrants, and address any gaps in the recognition of migrant skills. State employment services also have a vital role in migrant reintegration within the job market. More specific measures can address migrant youth unemployment. Foreign students at EU universities should be free to seek work post-graduation, within reasonable limits.

These recommendations also apply to states with fewer settled migrants. These include the Czech and Slovak Republics and Bulgaria, still developing migrant integration policies. These states should avoid the mistakes of Southern Europe. Instead, they should look to Germany, Switzerland, Austria or Scandinavia.

One of the most formidable barriers to migrant integration is host language. This is especially so in Central and Eastern Europe. Yet even where migrants quickly master languages, requirements must not

²⁵ OECD, International Migration Outlook 2013. OECD: Paris 2013, p. 94





²⁴ Scarpetta, S. et al. "Rising Youth unemployment during the crisis: how to prevent negative long-term consequences on a generation?" OECD: Paris. OECD Social, employment and migration papers, no. 106, 2010.





be too restrictive. Even in high-skilled jobs, like ICT, migrant workers perform tasks effectively without full fluency.²⁶

Despite their financial costs, affirmative action policies towards migrants have a good track record. Where implemented, they are likely to pay off in the long-term. This is not to say that Southern European and new centres of migration have no best practices to offer. In the Czech Republic, employers who laid migrants off prior to the crisis were made to bring them back. Italian schools have made efforts to facilitate foreign language integration for pupils from overseas.²⁷

What can Europe learn from Sweden?

No single country can claim to have found how to shield migrants from economic fluctuations. But Sweden's migrant integration policies have attracted considerable favour and admiration. Sweden drew little distinction between foreigners and Swedes in labour and social integration policies. The state invested in migrant integration. It managed to help some of its migrants to move from low-skilled to skilled jobs. It expanded the scope of support available through the Swedish Employment Services. And it facilitated recognition of migrants' skills, as well as language and vocational training.²⁸

Sweden kept the migrant-national labour market integration gap relatively controlled. This provides a model of best practice for other European countries. Unlike other EU states, Sweden's pre-crisis immigration policy featured humanitarian rather than labour-market goals. A significant proportion of Sweden's migrants had weak work experience and education upon arrival. But, admitted on a humanitarian basis, Sweden's migrants could bring non-working family members in. Ensuring migrants' familiarity with Swedish language presented an additional obstacle. Even in the midst of the crisis in 2010, Sweden continued to admit migrants for humanitarian reasons. It even introduced further migrant integration measures. These included state-subsidized work-experience programs encouraging employers to hire migrants still in training.²⁹ Through the crisis, the vocational system remained comprehensive and free to all, migrant or otherwise. Some of Sweden's vocational programs were even delivered in migrants' own languages. All Sweden's migrants receive free language training, as well as adult education. Further, the Swedish government attempted to provide employers with incentives to hire migrants.

Conclusion

The Swedish model is not perfect, but nonetheless, it an important reference point, for Europe to strive towards as a whole and in particularly for Ireland, Spain, Greece and Portugal. Southern Europe cannot draw upon the same reserves as Sweden, and with migration being a common cause for the European project more should be done at a European level to finance similar provisions.

²⁸ Emilsson, H.,, Sweden". In: Triandafyllidou, A., Surrey, G. *European Migration: A Sourcebook. Asghgate.* 2014 ²⁹ Ihid.





²⁶ OECD, 2014: 41, International Migration Outlook 2014. OECD: Paris, 2014, p. 41

²⁷ OECD, International Migration Outlook 2013, OECD: Paris, 2013, p. 97













CHAPTER 3: STRENGTHENING LABOUR MARKETS THROUGH INDUSTRIAL STRATEGY

Introduction

This chapter brings forward the discussion of labour markets and the wage share set out in our first volume. It explores European options for stimulating sustainable wage-share increases through supply-side industrial policy. Technology has an effect on wage share; in developed economies it has a modestly negative but has a positive effect in developing economies. Our first volume also sets out that technical innovation is only going to have a greater impact on the labour markets. In the single market, policymakers can do more to maximise new technology and promote alignment of skills. This, by extension, must happen through industrial policy.

History

Industrial policy is the bedrock of the European project. The EU sprung from supranational industrial collaboration in the European Coal and Steel and European Atomic Energy communities.³¹

Member states implement core industrial policy in Europe.³² It is seen as a key aspect of national security. The major European economies develop policy in light of national circumstances. They coordinate through intergovernmental agreements only when advantageous. Examples include the Common Agricultural Policy or Britain's City-centric resistance to bank regulation post-crisis.

"Vertical" industrial policy made way in the 1980s for "horizontal" policies. These targeted a competitive and increasingly financialised environment in parallel with European integration. In the wake of neoliberalism and globalisation several trends followed. These included the shift of manufacturing to Asia and the rise of services in the West. The services boom, allied with the so-called "knowledge economy", widened wage polarisation.³³

Response to the Global Financial Crisis

The European Union has responded to the global financial crisis with the *Europe 2020* plan.³⁴ It aims to strengthen R&D investment, reduce unemployment and develop a skilled labour force. These will, it intends, create a favourable environment for competition and SME growth. It links with European

³⁴ "Europe 2020 - European Commission." 2010. 14 Mar. 2015 < http://ec.europa.eu/europe2020/index_en.htm>





³⁰ Stockhammer, Engelbert. "Why have wage shares fallen? A panel analysis of the determinants of functional income distribution: for the International Labour Organisation (ILO) project" New Perspectives on Wages and Economic Growth"." *ILO Working Papers* 2013

³¹ For a background of industrial policy in Europe since 1945 see Owen, Geoffrey. "Industrial policy in Europe since the Second World War: what has been learnt?." 2012

³² Trouille, Jean-Marc. "Re-inventing industrial policy in the EU: A Franco-German approach." *West European Politics* 30.3 (2007): 502-523.

³³ Goos, Maarten, Alan Manning, and Anna Salomons. "Explaining job polarization in Europe: the roles of technology, globalization and institutions." *CEP Discussion Papers* Nov. 2010.





Commission initiatives such as *Innovation Union*³⁵ and *New Skills for Jobs*. ³⁶ The first aims at producing a sustainable knowledge economy. The second coordinates a relevant education framework with member-state-led action and targets.

The focus of this new era of industrial policy has shifted from a defensive posture. It no longer supports trailing-edge industries after a decline of comparative advantage. One example of the latter is the past action taken to protect British steel. Instead, focus moves to rising specialised industries. These are oriented upstream vis-a-vis Global Value Chains and promise embedded socioeconomic outcomes.³⁷

Regional industrial policy is crucial in this.³⁸ It ensures that economic gains are shared and that disadvantaged regions receive support. Such policy is implemented by encouraging clustering of industries to strengthen comparative advantage.^{39 40} Associated with this is the EU plans will transform regions into powerhouses of forward-looking industries. This proceeds via discovery of specific strategies for growth across regions. Growth will be generated through smart specialisation, geared to reducing socioeconomic disparity.⁴¹

Skills Strategy

The wage share will rise if labour reorients towards higher-skilled and better-paid occupations.⁴² This is the direction in which Europe is moving anyway. However, we can further utilise industrial strategy and regional specialisation to strengthen the outcome.⁴³

Firstly, the productivity of labour in a particular job depends on the skills possessed. Skill distribution spans the continent, across member-state and regions. The single-market removed economic and legal barriers for labour mobility. But there are additional barriers that act against freedom of movement.





³⁵ "Innovation union: a pocket guide on a Europe 2020 initiative ..." 2015. 15 Mar. 2015

http://ec.europa.eu/eip/agriculture/en/content/innovation-union-pocket-guide-europe-2020-initiative

³⁶ "Europe 2020 Targets." 2011. 10 Mar. 2015 http://ec.europa.eu/europe2020/pdf/targets_en.pdf>

Aiginger, Karl. "Industrial Policy for a sustainable growth path." *WWWforEurope Policy Paper series* 10 Jun. 2014; De Backer, Koen, Isabelle Desnoyers-James, and Laurent Moussiegt. "Manufacturing or Services-That is (not) the Question'." (2015).

³⁸ "Regional Policy contributing to smart growth in Europe 2020." 2010. 15 Mar. 2015

http://ec.europa.eu/regional-policy/sources/docoffic/official/communic/smart-growth/comm2010-553 en.pdf>

³⁹ European I Cluster Pollcy - European Cluster Observatory." 2010. 10 Mar. 2015

http://www.clusterobservatory.eu/common/galleries/downloads/ECPG_Final_Report_web-low1.pdf

⁴⁰ "The role of clusters in smart specialisation strategies." 2014. 14 Mar. 2015

http://ec.europa.eu/research/evaluations/pdf/archive/other_reports_studies_and_documents/clusters_smart_spec2013.pdf

⁴¹ Foray, Dominique, PA David, and B Hall. "Smart specialisation." *Policy brief* 1 (2007); EC-European Commission.

[&]quot;Guide to Research and Innovation Strategies for Smart Specialisations (RIS 3)." Regional Policy, Brussels (2012);

[&]quot;COHESION POLICY 2014-2020 - European Commission." 2012. 14 Mar. 2015

http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/smart_specialisation_en.pdf

⁴² Lansley, Stewart, Howard Reed, and Trades Union Congress. *How to boost the wage share*. TUC, 2013.

⁴³ Although regions may have multipolar centres for potential comparative advantages and strategy may be more appropriately devised at a sub-regional or metropolitan level.





These include cultural, linguistic and familial factors.⁴⁴ Moreover, ones freedom of movement is determined by access to the financial means for migration. Some of these points were addressed on the previous chapter on third country migrants.

We begin by identifying three broad categories of occupation: high-skilled⁴⁵, medium-skilled⁴⁶ and low-skilled⁴⁷. We can also define three levels of education: high-level⁴⁸, medium-level⁴⁹ and low-level⁵⁰. Education levels in Europe have been getting better, but a key challenge remains: a mismatch between the jobs available and the skills they require.

Compared to low- and high-skilled jobs, the EU suffers a lack of historic and projected growth in medium-skilled jobs. This will displace the lower-skilled and increase education requirements on workers. A social democratic industrial strategy should promote growth in medium- and high-skilled jobs.

Concentrating solely on high-skilled jobs will lead to undesirable social polarisation. We can avoid this outcome by concentrating on developing jobs from low- to medium-skill production.⁵² Businesses must take a lead in developing this workforce.⁵³

But we can also utilise regional specialisation and synergies to encourage medium-skilled occupations. Such initiatives would designate leading specialist regions as a model. Their direct expertise and best practice could then be shared with secondary specialised regions.

Alongside emphasising upskilling and increasing the attained ISCED level, broader approaches are necessary. The provision of suitable avenues for graduate reskilling would address the existing skill-mismatch.

Let us apply this to the UK. At present, a student loan provides for a first degree. Yet any requirement to retrain at an equivalent or lower qualification is not possible. The upcoming introduction of postgraduate funding, however, may allow for conversion Masters courses.

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⁴⁴ Grasmane, Daina, and Sanita Grasmane. "Foreign language skills for employability in the EU labour market." *European Journal of Higher Education* 1.2-3 (2011): 192-201.

⁴⁵ International Standard Classification of Occupations ISCO 08 skill-level 1

⁴⁶ International Standard Classification of Occupations ISCO 08 skill-level 2

 $^{^{47}}$; International Standard Classification of Occupations ISCO 08 skill-level 3 and 4

⁴⁸ International Standard Classification of Education ISCED 2011 level 1.

⁴⁹ International Standard Classification of Education ISCED 2011 level 2-4

⁵⁰ International Standard Classification of Education ISCED 2011 level 5+

⁵¹ Maselli, Ilaria. "The evolving supply and demand of skills in the labour market." *Intereconomics* 47.1 (2012): 22-30.

⁵² Beblavý, Miroslav, and Marcela Veselková. "Future of skills in Europe: convergence or polarisation?." *CEPS Working Document* 391 (2014).

⁵³ "Growth Through People report - Gov.uk." 2014. 16 Mar. 2015





Further dialogue is necessary between academia and industry. A new European industrial policy would assist this. It would help specialise and make relevant course content. It would identify funding priority for taught course places. Joint industrial-academic teaching initiatives could address areas of skill shortage.⁵⁴

Industry Strategy

Numerous factors influence where organisations choose to locate. Capital and labour mobility influence the decision. So too does the scale of synergies created by co-locating with other firms both within and between industries. This hinges on the existing infrastructure, regional specialisations, and legal and business culture.

Policy strategies to achieve such synergies demand clustering and smart specialisation. This would bring together firms, research institutes and industries. Smart specialisation avoids top-down decision-making. A local discovery process with stakeholders circumvents the failed ways of "picking winners".

This may lead to duplication. Competing and contradictory regional plans could develop within and between member-states. ⁵⁶ This self-interest could ultimately erode the international comparative advantage of research and industry, which in turn would limit growth and labour market development. For example, the UK identified this as a problem, and set up a UK Advisory Hub to coordinate specialisations. ⁵⁷

As in this example, European industrial policy needs to correspond to the EC's commitment to a coordinated plan. It must promote collaboration between regions, ⁵⁸ and encourage negotiations between member-states to establish priorities.

A major issue with this is avoiding narrow national interest through pork barrelling and ignoring targets and convergence either by lack of political will to prioritise funding or lack of funding overall due to austerity policies. While as social democrats we advocate boosting investment, we are limited in our political reach to make this a reality. Furthermore, the Open Method of Coordination being part of the Brussels machine lacks visibility for public scrutiny, and is limited in what it can achieve as it requires consent from member states to voluntarily implement beyond the competence of the community formal governance processes.

http://s3platform.jrc.ec.europa.eu/documents/10157/409345/Interregional%20collaboration%20in%20RIS3_Uyar Sorvik Midtkandal FINAL%20for%20PUBLICATION.pdf>





⁵⁴ Adranghi, Alexander, "The Controversialist" (Higher Education Funding), *Anticipations*, Fabian Society, Vol 15, Issue 4 (2012)

⁵⁵ Midelfart-Knarvik, Karen Helene, and Henry G Overman. "Delocation and European integration: is structural spending justified?." *Economic Policy* 17.35 (2002): 321-359.

⁵⁶ Bonaccorsi, Andrea et al. "The Question of R&D Specialisation: Perspectives and policy implications." (2009).

⁵⁷ "S, 'Smart Specialisation in England' - Gov.uk." 2014. 16 Mar. 2015

england_2.pdf

⁵⁸ "Inter-regional Collaboration in Research and Innovation ..." 16 Mar. 2015





As such, there is a place for a single OMC surrounding coordination of industrial coordination, skills and regional specialisation, but with the aim to start building European dialogue.

The Commission does have levers of its own to utilise – the purse strings, and through this could look in parallel to set up a coordination group between all the relevant DG's on industrial coordination, skills and regional specialisation mirroring that of a potential OMC.

With international competition from Asia intensifying, we need to ensure that Europe's best are working for Europe as a whole. We should support commitment to the European project by sharing the best expertise across Europe. States and regions with weaker industrial expertise must not lose out on high-skilled job creation.

As such we need to go further, and set up regional coordination centres that include reporting lines into Europe and not the member-state, with democratic legitimacy provided through an oversight committee with representatives from the European Parliament and Committee of the Regions.

Effective coordination avoids the erosion of comparative advantage. Integrating economic activity within local markets, also helps to alleviates structural disparities between core and periphery regions. Moreover, it stabilises against future shocks. ⁵⁹ This coordination features the sharing of expertise between specialist and secondary-specialist regions ⁶⁰.

This new institution would be able to drive a core coordinated agenda for aspects like regional specialisation which could be supplemented by additional member-state initiatives from any OMC.

There needs to be an explicit programme within this strategy to develop and design medium-skilled jobs. A number of contributions are necessary to achieve this. Regional specialisation must meet critical mass. Advanced apprenticeship design should receive financial incentives. Productivity arguments must be well communicated. This is especially important in situations of polarization, geographically-dependent industries and large unskilled workforces.

In line with the Europe 2020 goals, a key aim should be encouragement of medium-skilled job growth around the green economy targets. An extension of this is the new *Energy Union*, which provides opportunities to develop workforce for infrastructure maintenance for member-state energy interconnectivity, as well as further developing the market for the application of technology to reduce emissions and increase energy efficiency. These are examples of potential labour markets that are geographically dispersed and provide jobs across Europe, as well as further developing R&D and manufacturing clusters.

In order to achieve development and expansion of clusters, and especially the creation of medium-skilled and worthy jobs, we need to address problems with complex and dispersed European funding



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⁵⁹ Botta, Alberto. "Structural asymmetries at the roots of the eurozone crisis: what's new for industrial policy in the EU?." *PSL Quarterly Review* 67.269 (2014): 169-216.

⁶⁰ Foray, D and Van Ark, B, "Smart specialisation in a truly integrated research area is the key to attracting more R&D to Europe", Knowledge Economists Policy Brief, no. 7. (2007)

⁶¹ Gibson-Smith, Chris et al. "The Resolution Foundation Commission on Living Standards."





programmes.⁶² This paper proposes the creation of a single interface for industrial and innovation funding would reduce public and private administrative burdens.

Recommendations

To increase the wage-share, the objectives are simple: reduce unemployment, develop a skills-adaptive and mobile labour market, and provide targeted strategies to increase the relative share of medium- and high-skilled jobs.

The European Commission work with member-states and transcend current targets to assume a stronger active role in leading industrial policy. Some recommendations for how to do so follow.

- 1. Establish a European industrial coordination centre, centralising industrial policy from the various DGs. Here, member-states and regions would create collaborative industrial policy, aiding international competitiveness. It would be fluid enough to evolve as a result of the discovery process. Democratic oversight could be provided through an oversight committee involving European parliamentarians and representatives from the Committee of the Regions. Member states would also be able to supplement this core coordination at a European level through a potential OMC.
- 2. European Commission takes the lead in co-ordinating regional efforts. This would require the establishment of regional coordination centres with industrial managers. They would manage European funding and lead regional and national stakeholders to increase competitiveness. Regions should also monitor shifts in the wage share. They could then identify and share strategies that have benefited it with other co-ordination centres.
- 3. Establish primary regions of particular specialisms, to help develop secondary specialist regions. This treats weakly specialised regions as blank canvases, and large unskilled populations as opportunities.
- 4. Harmonise European funding programmes around innovation and industrial policy through the coordination centre.
- 5. Conduct further studies to establish and support the benefits of developing medium-skilled roles. These would communicate to businesses and trade unions on their potential. They would also build support for the strategy within educational institutes. Coordination centres would consult industrial stakeholders on course content and higher education funding priorities.



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⁶² "Guide on Synergies - European Commission - Europa." 2014. 16 Mar. 2015 http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_en.pdf





CHAPTER 4: CIRCUMVENTING LABOUR MARKETS WITH A BASIC INCOME

Beyond Labour

The left still has much to say on how we ensure labour markets become stronger in terms of worker rights and social protection. However, we wish to close by recognising there are substantial political and economic barriers in realising this vision. Even with our best efforts, labour markets may become weaker, rather than stronger. And if labour markets cannot provide for citizens in the way that we want, we owe it to those left behind to offer something in their place.

As such, we will explore a way for the left to offer support to those ill-served by the labour market by reducing its role as the dominant influence over their wellbeing. A 'basic income' style policy - we will argue - can act to insulate citizens from the worst excesses of weak labour markets. And this in turn offers a plausible mechanism by which the balance between workers and employers may be redressed. Most importantly, we argue that such a policy need not be antithetical to socialist ideas. Indeed, it may represent one of the most promising - and simple - policy proposals by which socialist values may be made relevant to a post-crisis Europe.

Broken Beyond Repair

We noted at the outset that Europe's labour markets are failing in terms of providing decent work and social protection. If anything this finding understates the challenges we face. The effects of the global financial crisis are likely to blight European economies for years to come⁶³. Similarly the processes of capital accumulation documented by (among others) Thomas Piketty will further entrench the power of capital over labour.⁶⁴ Concurrently, globalisation will continue to exert increasing pressure on European labour markets as more workers than ever are active in global labour markets. And perhaps most decisively, developments in computing and automation will are poised to drastically reduce the number of workers an economy requires⁶⁵. Significantly, both of these phenomena will likely accelerate, not abate, in coming years.

These forces will serve to make it even harder for European socialists to staunch prevailing labour market trends. Piecemeal reforms such as increases to the minimum wage, a renewed focus on labour standards or jobs and training guarantees not only fail to confront the weakness in labour rights and social protections Europeans face – but also the gathering pace of these countervailing powers. It is not clear to us that social democrats can say in good conscience that they expect labour markets to function adequately in the near future. This confluence of circumstances places an imperative on European social democrats. What we are to do if we cannot be confident of substantially reforming Europe's labour markets? What hope can we offer to the millions for whom empty promises simply will not be suffice?

⁶⁴ T Piketty, *Capital in the twenty-first century*, The Belknap Press of Harvard University Press, 2014

⁶⁵ For an analysis of near future prospects for technological automation see Frey, Carl Benedikt, and Michael A. Osborne. "The future of employment: how susceptible are jobs to computerisation." Retrieved April 27 (2014): 2013.





⁶³ [REF] Lost decade





Can a Basic Income Answer the Labour Question?

A better question may be to ask how else we can provide for those whom labour markets are failing? Here, the case for a basic income comes in. A basic income provides the economic security and social protections that modern labour markets (often) cannot. As a direct economic transfer, it affords policymakers opportunities to influence citizen wellbeing immediately. It rebalances the wage share. Moreover, it does so whilst making the power of collective political action refreshingly clear. At this level, a basic income offers a potentially valuable answer to the question we face.

Much of course will depend on how such a policy were formulated. This chapter - aiming to open up a research stream - does not dwell on this aspect. There is an enormous literature on how basic income is financed, to whom it is paid, and by what institutions. ⁶⁶ These questions would be an important first step for future research.

For illustrative purposes though, let us sketch a brief outline of what the kind of 'socialist' basic income discussed here would entail. The payment should be a universal and unconditional monthly grant. It will be paid to all adults and set above the poverty line such that a citizen could live on it, albeit modestly. The basic income would replace existing unemployment benefits. But it would not replace other welfare payments: child benefit, disability allowance, state pensions. Nor would its funds derive from a retrenchment or privatisation of other social or welfare services. Rather it would draw upon higher taxation of income, wealth and financial transactions. It would also derive funds from new environmental taxes, and funds released through the elimination of corporate and agricultural subsidies. Such a policy could be national or Europe-wide. Within each configuration, it could be centrally funded or harmonised across member states.

This sketch pre-empts a number of charges that are often levelled at the basic income. The payment, critiques suggest, would be so small as to be meaningless. It may also be supposed to perversely incentivise either migration or having children. Others suggest that it would require the large-scale unwinding of the welfare state. These risks may follow some versions of the basic income. But they are not essential parts of it.⁶⁹

Let us suppose that the account of basic income given above is at least plausible. What then would be the *principled* socialist objections to such a policy? Most oft-cited is that the basic income violates the principle of *contribution*. This position is neatly summarised in a contribution by Sigmar Gabriel to



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⁶⁶ For an illustrative summary see: K Widerquist, J Noguera, Y Vanderborght, and J De Wispelaere (eds.). Basic Income: An Anthology of Contemporary Research, Oxford: Wiley-Blackwell, 2013

⁶⁷ Significantly, there are enormous 'hidden' costs caused by weak labour markets. Consider the billions of Euros spent dealing with the consequences of poverty through education, health, social work and criminal justice system. It is not at all clear that a poverty-eliminating basic income would be 'unaffordable'.

⁶⁸ See P Schmitter & MW Bauer, *A (modest) proposal for expanding social citizenship in the European Union*, Journal of European Social Policy 11 (1), 55-65, 2001

⁶⁹ Indeed there are reasons to suppose that a basic income scheme and high-quality welfare provision are likely to be mutually supportive. L Haagh, *Basic Income, Social Democracy and Control over Time*, Policy and Politics, January, Vol. 39, No.1, pp. 41-64, 2011.





the 2010 publication "Next Left – The Leader's Vision for Europe's Future". ⁷⁰ In it, Gabriel suggests the following:

In return [for social support from the welfare state], we expect people within this society to make an effort. Because only if everyone makes an effort, we can help those in need. For this reason, dear comrades, I don't want us to support the new project put forward by the Conservatives and occasionally the Greens, namely to pay a basic income to everyone, without asking for anything in return. It would not teach people in our society to make an effort.

Gabriel presents this ideal of contribution as a distinctly socialist principle. This has some intuitive basis. Socialism emphasises collective action, mutuality and social cooperation. But upon closer examination his claim bears scant scrutiny. It should not stifle meaningful discussion of a socialist basic income. Granted, the basic income may increase the perception that the employed subsidise those who are not. But it would be a grave error to suppose that this meant those 'contributing' or 'making an effort' subside those who are not.

Gabriel's standpoint ignores the manifold and vital contributions to society that fall outside formal employment. These contributions are not currently valued or priced by the labour market. A parent who stays home to raise a child. A carer who looks after an ill or elderly relative. A student who coaches a local youth sports team. A charity worker in a soup kitchen. Are these "contributing"? Are they "making an effort"? The answer would be yes, on both fronts. But Gabriel's perspective, by implication, denies it.

The ideal that Gabriel presents is clearly problematic in many ways. With casual ease, it dismisses socially valuable activities. Our first volume identifies that this prioritization of employment as a shortcoming of EU economic policy. Moreover, it unthinkingly endorses patterns of valuation which are inherently gendered and ablest. Further, the sentiment is fundamentally *unsocialist*. Our values surely demand that we must resist, not embrace, the idea that one's contribution to society is measured according to the extent to which it is *valued by capital*. And so too must we resist its corollary: That those whose work is valued *most* by capital must be those who contribute the *most* socially. This is a claim for which modern bankers and financiers act as a living, breathing *reductio*. The idea that the market is the proper arbiter of what is socially valuable is not a socialist principle. It is a *bourgeois*, *capitalist* principle, and appears irreconcilable with progressive values of the past, or present.

The most common reason given for socialists to reject a basic income, then, seems dubious. Rather, the basic income fulfils socialist values in a far more effective way than such critiques permit. Erik Olin Wright lists three ways in which it fulfils, not violates, socialist principles.⁷²

⁷² EO Wright, Basic Income as a Socialist Project, Basic Income Studies, issue #1, 2006



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⁷⁰ E.Stetter, K.Duffek, A.Skrzypek, *Next Left – The Leader's Vision for Europe's Future* (2010), Foundation for European Progressive Studies, Brussels 2010

⁷¹ S Moller Okin, Justice, Gender, and the Family, Basic Books, New York, 1989; I Young, Justice and the Politics of Difference, Princeton University Press, 1990





First, it serves to immediately rebalance the relationship between capital and labour. This it does in two ways. On one hand, it guarantees a more equitable sharing of the social products of growth. On the other, it increases the bargaining power of workers vis-à-vis employers. Workers have their subsistence guaranteed outside of work. Thus, rather than offering employers a means to reduce wages, basic income empowers workers. It emboldens workers to place demands on their employers for better pay and conditions. With the threat of destitution eliminated, capital's most effective means for coercing its workforce. In this sense, then, Wright argues that basic income represents a *permanent strike fund*.⁷³ It affords labour bargaining power that social democrats have been unable, of late, to secure. This is an essential step in ensuring that labour markets offer Europeans the social protection and working rights that socialists advocate for.

Second, the basic income brings about the *decommodification* of work and workers. This is achieved by severing the link between labour and subsistence. This, Wright argues, is itself deeply rooted in socialist principles. Whilst vaunted by socialists and social democrats, work is not an end in itself. It is a means to individual and social well-being. It was this sentiment that led to historical demands for policies such as a two-day weekend, and a choice to reduce the working week. It also inspired contemporary demands for greater holiday, parental leave and working-time directives. From Gabriel's standpoint, these policies seem somehow anti-socialist. By seeking to escape work, presumably, they would *not teach people in our society to make an effort*. But this is manifestly their aim. Citizens' work-lives ought to complement, rather than dominate the other aspects of their existence. A basic income, unlike existing labour market models, ensures this balance.

Third, the basic income may help those who traditional labour markets fail, and who are (as a result) often amongst the least advantaged in our societies. This applies to those whose contributions go unvalued and unpriced - such as domestic labourers, carers and charity workers. But it also applies to those who cannot find work. This may be due to due to disability, mental illness or labour market hysteresis, for instance. A basic income serves these groups in two ways. It firstly provides a form of economic security seldom guaranteed by labour markets - shorn of the monitoring and *shameful revelation* that polices out-of-work benefits. Second, it reduces the fetishisation of work and greatly expands the sphere of what we take to be a valued social contribution. In this sense a basic income also protects those outside labour markets from low self-worth and social exclusion. A basic income does not 'reward' the 'undeserving' but rather abolishes the application of this poisonous standard to Europe's most vulnerable citizens. This compassionate and egalitarian sentiment is deeply compatible with socialist values.

Conclusions

It is beyond the scope of this chapter to comprehensively cover basic income as an alternative and ideal. The chapter's contribution, rather, is to commence a conversation. The social democratic and socialist

74 Ibid.

⁷⁶ A Knabe, S Rätzel, R Schöb and J Weimann, *Dissatisfied with Life but Having a Good Day: Time-use and Well-being of the Unemployed*. The Economic Journal, 120: 867–889, 2010





⁷³ Ibid.

⁷⁵ J Wolff, Fairness, Respect and the Egalitarian Ethos, Philosophy and Public Affairs, 1998





left must consider basic income as a real prospect, and investigate it as such. The chapter ends with four points to which should spark a research agenda in this area. Taken together they constitute a good basis for social democrats to begin talking in earnest. The points are as follows:

- 1. Currently Europe's labour markets are not effectively bringing about socialist goals.
- 2. It is both possible and likely that we will be unable to make them do so in the foreseeable future.
- 3. A basic income can guarantee economic security and well-being that labour markets increasingly cannot.
- 4. A basic income is not in tension with socialist principles, but rather a conduit for our values and goals.

Labour market policy will remain a central concern for socialists and progressives in Europe. But there are good reasons for socialists to begin to explore alternatives to labour markets. Labour markets are not effective guarantors of citizens' security, prosperity and even dignity. Basic income is one alternative. The present prospectus is bleak. We cannot look into the eyes of young unemployed Europeans and promise a future of financial security, self-respect and meaningful control over their lives. Because we cannot, we owe the decency of either admitting our powerlessness or exploring alternatives. A basic income – radical in both its effects and simplicity – stands as the most promising alternative. It is an idea with too much potential to be left to European Greens and Conservatives to define.









CONCLUSIONS AND RECOMMENDATIONS

This paper has outlined that there are different channels that can be used to address systemic weaknesses in the labour market. The recommendations from each of these channels are independant solutions in their own right, but together work in synergy. The political restrictions are recognised to limit wholesale implementation of these recommendations together, but over time, and working with European and international stakeholders, these may serve the basis of a sociable and fairer Europe.

To summerise, our recommendations are:

- 1. To build common platforms for organised labour throughout a range of institutions on cross-cutting issues with international counterparts to promote solidarity.(Chapter 1)
- 2. Development of a Sweden-inspired integration model for third country migrants through European initative supporting free vocational and language education and employer incentives and implementation of a progressive EU foreign policy promoting global labour standards. (Chapter 2)
- 3. Harmonise European industrial policy, by creating a centralised but accountable European Industrial Coordination Centre and corresponding regional headquarters to develop plans, allocate funding, monitor and implement skills and industrial policy to maximise medium-high skilled job growth and strengthen resilience of this complex to international competition. (Chapter 3)
- 4. Socialists must confront the possibility that political, economic and technological forces behind the weakening of Europe's labour markets may be beyond their capacity to roll-back. As such it is vital that we have some vision to offer European's desperate for economic security and wellbeing in the event that labour markets cannot be fixed. The recognition (and investigation) of a basic income as one such alternative must be at the heart of this such that a genuinely socialist version of this potential policy can be developed. (Chapter 4)









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