



Georg Fischer

European Centre for Social Welfare Policy and Research: 50 years cooperation in social policies in Europe

Key-note speech at the Ceremonial Act to celebrate the 50th anniversary of the European Centre at the Austrian Ministry of Social Affairs, Health, Care and Consumer Protection – 25 September 2024

Excellencies, dear Kai, Anette and colleagues,

It is an honour and pleasure to speak on 50 years of social policy cooperation in Europe at this important occasion. Being aware that the European Centre covers the entire UNECE Region but having worked more than two decades for the European Commission I will mostly deal with the evolution of European Union social policies.

The Centre and the Commission have a long history of working together. I remember the “Active Ageing Index” – a tool to understand the challenges our societies face in the context of demographic change, and to shape policy discussion as well as the contribution the Centre made to developing EUROMOD – today a frequently used instrument for understanding social

trends and social impact analysis. The Centre's work on long-term care and childcare has been an inspiration for the European Care Strategy. And the Bridge Building exercises are highly appreciated in Brussels being seen as support for the ongoing enlargement of the Union. And so are the activities on the situation of intra EU and third country labour migration and on the posting of workers.

Let me first remind you of what European social policies and cooperation meant 50 years ago when the Centre had been established. I will then discuss the concept(s) of "European social policy cooperation" and review the experience since the financial crisis. I will conclude with thoughts on what is coming next, also raising issues for discussion at the conference that will take place over the next two days.

Social Policy Cooperation in Europe 50 years ago

In 1972, when the European Social Affairs Ministers called for "*the development of research and advanced training in social welfare*" many of the principal ideas of European social policy cooperation were already in place. The Council of Europe's *Social Charta* of 1965 comprises a set of important labour and social rights and established a monitoring process on how member apply these rights – the Council of Europe confronts member countries with shortcomings and deficiencies and hence plays an important role in defending social rights. The Social Charta had a strong impact on the later adopted *European Community Charter of Social Rights of Workers* and on the *EU Charta of Fundamental Rights*.

Looking at the European Economic Community (today the EU), already the *Treaty of Rome* (covering Belgium, France, Italy, Luxembourg, The Netherlands and West Germany) had among others social and labour provisions on equal treatment of (intra-EEC) migrant workers in the labour market and on women and men concerning wages. It also announced the creation of a European Social Fund. The OECD organised regular exchange on social policy and employment-oriented analysis and country reviews.

To make a jump to a different type of policy cooperation in the late 1960s and early 1970s I would like to turn to issues resulting from the massive moves of workers from Southern to Western and Northern Europe. Bilateral recruitment agreements contained provisions on wages and working conditions including references to sector specific average wages and the provision of housing. They were followed by social security agreements covering health and pension insurance. So, when the Centre was established different forms of substantial European social policy cooperation were already in place.

Modes of social policy cooperation

Turning to the modes of social policy cooperation over the past 50 years, my first observation would focus on the *tension between national and multilateral levels in social policy making*: Social policies are undoubtedly seen as being primarily the responsibility of countries rather than of broader geographical entities. This applies also to the present EU even if the body of EU level social legislation and policy action has grown quite considerably over the past fifty years. And there are valid reasons for this: differences in history, in peoples' preferences, in societal institutions and political traditions as well as in fiscal and administrative capacities.

However, it is true that European countries face similar challenges in terms of social and employment developments and changes in society – well summarized in the three background papers published by the European Centre’s research teams for this conference. Also, surveys on expectations of populations in European countries often show similar results on social policy issues. Cooperation should thus be useful, even if there is a wide field of what cooperation can mean – comparative analysis, exchange of experience, identifying good practice, harmonisation of practices through commonly agreed standards, enforceable legislation as well as common programmes and funding. The latter three instruments clearly require a system of multi-level governance.

While most agree that analysis and dialogue is useful, going beyond can be more controversial. While much of the European Centre’s work is located in the generally accepted area of analysis and dialogue, things can get more difficult when it comes to translating good practice into policy advice. The European Centre experienced some controversy in this area as also OECD and the Commission itself did and do. Two examples may illustrate these difficulties: one from my time when I worked at the OECD concerning the early years of the PISA comparisons, and one from my Commission time regarding the analysis of the impact of ageing and of Member States’ policies on the adequacy and sustainability of pension schemes. Multilateral analysis and comparison frequently do not please national policy makers. It is important that researchers and multinational and national policy makers respect their respective concerns and take research results seriously. This cleavage between research and policymaking in which the European Centre should build bridges will be discussed in the ensuing panel discussion (and during the conference) more broadly.

My second observation points to the fact that social policy is rarely the starting point of supranational integration. It is rather economic integration that comes first. *Social policy cooperation is typically in a catching-up position vis-à-vis economic integration.* However, this catching up is needed – and both the OECD and the European Community noted this early on. The OECD highlighted already in the mid-1960s: “*In view of the interdependence of national economies it is advantageous for an individual country if in all other countries high employment prevails ... Consequently, the OECD countries have a joint interest in exploring solutions to employment problems.*” Arguably, interdependence of the economies remained a main driver of social policy cooperation: the establishment of the EU Single Market, the related trade and cooperation agreements between the EU and European non-member countries, the Single Currency and globalisation reinforced this need for cooperation.

A third observation is that *economic integration does not translate automatically into improved social welfare for everybody.* In 1974 the European Community Social Action Plan explains that “*(...) greater prosperity (resulting from economic integration) has not resolved the social problems of the Community and indeed in some cases it has exacerbated them (...) Unless these problems – of inequalities and the unacceptable by-products of growth – can be resolved, economic growth will fail to provide the improved quality of life our peoples expect from it.*” It then sets out a labour and social policy programme, including poverty and social protection. Incidentally, the document announces work on how the “*Community could support the costs of national income support schemes for the unemployed.*” Clearly this suggests that cooperation should go beyond analysis and exchange of good practices.

More binding modes of policy cooperation

When cooperation goes beyond joint analysis and related policy assessment it will typically define common policies or multilaterally applicable standards. Let's take the issue of common standards as an example. Those in favour will argue it makes it easier to improve social standards at home and encourage those countries lagging behind to improve theirs. But other policymakers might not necessarily be enthusiastic as supranational measures might restrict the freedom to act nationally.

At the same time, stricter cooperation can be used to defend national social policy space rather than imposing the same standards for all countries. The prime example here is the EU legislation on free movement of workers. It makes sure that the standards of host countries in terms of wages, working conditions and social security fully apply to migrant workers. A more recent example is the complicated process on agreeing standards regarding the wages and working conditions of posted workers. Basically, the right of hosting Member States to define earnings and working conditions of posted workers prevailed even if posted workers who work in the host country are not employed in a host country company but in one of the countries from which the workers are posted.

Agreements on the same standards across the participating countries is the next step – but making them binding and enforceable is one further step. Examples are the many health and safety directives of the EU or also a very recent case: the pay transparency directive concerning wages of women and men.

There is a second group of cooperation measures that belongs to this category when the higher multinational level supports national measures. The prime example here is the “European Social Fund” that was established in 1957 with the explicit purpose to help groups of workers to cope with the adverse structural impacts of deepening economic integration. A particularly interesting recent case is the Social Climate Fund – operational from 2026 – not only because of its objective to support disadvantaged households and people in coping with the green transformation but also because it has its own funding source (independent from the annual fight on the EU budget).

What all these measures have in common is that they consider *cooperation as a win-win for all* – bundled together they are often called the “social dimension of European integration.” Given the wide diversity of European countries common standards and policies require compromise – and this might make it difficult for some countries with more advanced welfare systems to agree. However, given the interdependence, is it not in the interest of countries with stronger welfare states to promote progressive catching-up that will lead to social convergence rather than cementing differences with negative impacts for all?

Some lessons from policy cooperation in recent years

It would be nice to give a broad overview on social policy cooperation development in the last 50 years, but this would definitely go beyond what is feasible in this talk. Still, I would like to make two points:

1. In the European Community, *social and labour policies of the 1990s mainly responded to the creation of the Single Market* by enhancing directives on health and safety, European works councils and working time as well as on the expansion of the Regional and Social Funds. Employment and social policy coordination followed later in the 1990s and in the early 2000s and so did anti-discrimination legislation. In this way it became standard practice to agree on EU level employment and social targets (employment rate and poverty reduction) to be achieved through national efforts. As mentioned earlier the European Centre contributed to this multifaceted development by reminding European policy makers of emerging challenges such as the new social risks resulting from demographic and societal change in combination with more precarious labour markets leading to new vulnerabilities and new needs to provide childcare and enhanced care for older persons in need of long-term care.

2. The most fundamental change of the policy landscape was, however, the *collapse of communism* and the transition of the former socialist Central and Eastern European countries to market economies and Western European type of economic and social policies. This context contributed to start the process of accession of these countries to the OECD and the EU, which also changed the role of the European Centre. As we heard already in the introduction and welcoming speeches, the European Centre is focusing on *bridge building* as a tool to support the transition process and countries' preparedness in the accession process, in particular regarding the area of social policies. Having worked at the OECD on economies in transition and on accession processes in the Commission, I like the term and the practice of bridge building as it is indeed underlining a two-way process of mutual learning at the same eye level.

With the proclamation of the European Pillar of Social Rights (EPSR) in 2017, the EU started a *new phase of European social policy*. This can be shown most clearly in the difference regarding the response to the COVID-19 crisis as against the reaction to the financial crisis. Mario Draghi, one of the central actors in the financial crisis management explained earlier this year in a speech at the La Hulpe Conference on the EPSR, how the response to the financial crisis weakened not only economic recovery but also undermined the welfare states in Europe: *"We pursued a deliberate strategy of trying to lower wage costs relative to each other and combined this together with a procyclical fiscal policy – the net effect was only to weaken our own domestic demand and undermine our social model."* This type of crisis response led to the *collapse of social convergence* between South and North in the "old EU" and questioned the legitimacy of the EU project.

Social convergence had always been fundamental to the understanding of the EU. This can be illustrated on the example of tackling unemployment – in 2007, the year before the financial crisis, unemployment rates across the EU had converged to a margin of two to three percentage points around the average. Ten years later, in 2016, i.e. even after some economic recovery, the difference between the average EU unemployment rate and Spain and Greece was still over ten percentage points. Social misery increased as well. By 2016, the share of households experiencing Severe Material Deprivation (SMD) doubled in Southern Europe, reaching over 20% in Greece and over 10% in Italy and Cyprus. Some Central and Eastern European countries displayed similar levels but on a continuously declining trend. Restoring *social convergence* was therefore the headline message when the EPSR was proclaimed.

Did Europe manage? Indeed, the next big test was the COVID-19 Crisis – and in terms of unemployment the answer must be yes, even if the gap in unemployment rates between the South and the average is still substantial. Still, it declined even during the pandemic and stood around 5 percentage points in 2023 compared to the more than 10 percentage points in 2016.

The EPSR was the starting point of many new European social and labour policy instruments in legislation that put a stronger weight on combating inequality and poverty and focused on enhancing job quality, including wages, in policy coordination. Perhaps the most significant difference to the financial crisis response was the *European instrument for temporary Support to mitigate Unemployment Risks in an Emergency* (SURE) – a 100 billion Euro programme to facilitate short-time work measures in particular in those countries that would not have had the fiscal space to fund them. This was the first application of the principle mentioned in the 1973 Action Plan on supporting Member States' unemployment schemes. Obviously, an important aim for the future will be how to transform the positive experience of the SURE programme into a general crisis intervention instrument.

The EPSR reflects many of the rights contained in the Social Charta and in the Charta of Fundamental Rights. It opens new territory by requiring *good quality* for jobs, education and essential services including care, social housing and services for persons with disabilities, and to prevent precarious working conditions. Since the adoption of the EPSR a number of important measures in the labour and social field were taken to name a few:

- the minimum wage directive and the minimum income recommendation,
- the directive on wage transparency for women and men, and
- the directive on the rights of platform workers.

Moreover, in the EU policy coordination processes (in which the European Centre is involved by implementing a wide range of peer reviews and other mutual learning processes in the fields of employment, social affairs and inclusion) not only the number of jobs counts but also the quality of employment, poverty and inequality. These issues are now also targeted in the financial instruments such as the Structural funds and the new Recovery and Resilience Facility (RRF).

And what about the convergence in income equality across the EU? The relation between the income of the 20 percent richest households in the EU and the income of the lowest 20 percent stood in 2007 at roughly 7:1, stagnated through the financial crisis and declined to about 5:1 in 2023. The main reason for this decline in inequality is the catching up process of those countries that joined the EU during the 2000s. It is important to add that in particular the lowest incomes in the “new accession countries” did catch up faster with the EU-15 than the higher incomes, as presented in a recent Bruegel Study on “20 years of European East-West household income convergence”. One of the drivers of this trend is probably the declining wage differential between Central and Eastern Europe as against Western Europe. Let me qualify these findings: in the “old” EU trends went partially in the opposite direction, and there is the challenge of a deteriorating housing situation across Europe. As a corollary, the news on employment and inequality remains mixed: social convergence returned and inequality across the Union is declining but gaps remain substantial.

Outlook and Conclusion

Can we be sure that Europe will continue on the route to social convergence? Will this be an easy ride? The European Centre's background papers compiled for the anniversary conference are an excellent base to think about the massive challenges: they address the social impacts of decarbonisation and digitalisation, the care needs of an ageing population, migration, how to cope with a shrinking labour force as well as how to address poverty and ultimately how to preserve the welfare system.

Finally, it is worth turning to Mario Draghi again. His recent report about "EU competitiveness" frames the issue around low productivity growth and technological developments lagging behind. The key words are modernisation, transition and a massive boost in investment. And the report continues: *"The European welfare state will be critical to provide strong public services, social protection, housing, transport and childcare during this transition...Europe will need a fundamentally new approach to skills. The EU must ensure that all workers have a right to education and retraining, allowing them to move into new roles as their companies adopt technology, or into good jobs in new sectors."* In a similar way the recent Belgian Council Presidency convinced Finance and Social Affairs Ministers to present social investment as a key component of improving economic performance, showing that there is certainly scope for social policies and there is also a demand to deliver results.

Indeed, the new (and previous) Commission president listed in her first speech to the European Parliament a number of planned actions for EU labour and social policies, including two *"first ever EU actions,"* namely an *"anti-poverty strategy"* and a *"European Housing plan."* The first should provide protection and services and address the root causes. The latter includes the Social Climate Fund, mentioned earlier, a review of state aid rules and a major funding on affordable housing by combining a new EIB initiative with the cohesion funds. The new Commissioner in charge of social and labour issues, Roxana Mînzatu, will be one of the six Executive Vice Presidents, signalling the importance of the matter. Her responsibilities explicitly include quality jobs, social rights and the European Pillar of Social Rights, yet her job title as Commissioner for People, Skills and Preparedness neither mentions social nor employment policies – which has raised questions among social policy makers and activists. Rather than reading between the lines what this might signify, there are still a few points more where increased European cooperation is needed:

- *The spread of AI, more tele- and digital work will lead to more cross-country employment activity.* Equally, the social protection implications of the digitisation of work (*"digital nomads"*) make it impossible to find solid solutions without European cooperation – and this includes the EU, accession countries and others from the UNECE region.
- In order to succeed with the *"Green transition"* this transformation must be *just for all.* Indeed, the guidelines for the next Commission call for *"new quality jobs with fair wages and good working conditions to be achieved through a strengthening of collective bargaining."* European initiatives will need to compliment national efforts – the guidelines announce *a European Social Dialogue Pact* and increased EU funding for the just transition.
- To promote a fair society and a highly skilled and productive labour force progress on *gender equality* is needed and all experience suggests that European cooperation is crucial for it.

- The European Centre's anniversary conference will also discuss the *demographic shifts* our societies experience. I very much appreciate the European Centre's advocacy of policy integration and the concept of the *integrated life course approach* which remained not without impact. Also, the *EU High Level Group on Social Protection* used this concept as a way to overcome the often sterile controversy about pension reform or disincentive effects of social benefits.
- Last but not least, Europe will have to work together to cope with the labour force needs, for instance in specific sectors such as health and long-term care as addressed by the European Centre's work. Here, I would like to just remind you to keep in mind that in a recent survey in several European countries *E-Migration* was seen as a bigger threat to society than *IM-migration*. The European Centre also draws our attention to continuous problems with posting and the abuse of third-country workers which can only be addressed through multinational cooperation.

Everybody agrees that achieving Draghi's transition will require an educated labour force that continues education during working life. Early childhood education and care as well as adult training are essential to combat inequities across the life-course. We have solid evidence that countries that do more on care and adult education display better economic performance and lower inequality, in other words: *social investment pays off!*

The EU has consequently *fixed targets* on early childhood education and care as well as on adult education. The target on participation in adult education is 60% of all adults annually. Only a few countries surpass this target, in many only around 40% attend training, and in some as little as 25%. Moreover, *inequality within countries* remains massive. Although people with lower educational levels would most urgently need a boost, they are the ones that participate significantly less in adult education than those who are already better educated. In many countries participation rates differ by three to four times, and even in the best performing countries the participation rate of better educated is twice as high compared to lower educated citizens. So, we are a long way away from convergence. Unfortunately, this is also true for participation in *early childhood education and care*. The EU target for children below 3 years is 45% but presently only 20% of children living in households at the risk of poverty or social exclusion attend such a service, and even for the other households it is 40%. We therefore remain with low access levels and high inequality.

To conclude, I would therefore like to be blunt: Without boosting childcare and training for those at the lower levels the needed labour market transformation and the modernisation of our economies will simply fail! Draghi and others propose that the EU should mandate a right to adult education and European funds should encourage countries to take action. Indeed, both the European Social Fund and the RRF have been promoting childcare and adult training. But is it enough to address these fundamental inequalities? I think these two areas will be the real test case for European social policymaking together with the follow-up to the SURE programme to be prepared for crisis situations.

It is now accepted that improving European economic performance and European social policy cooperation are not only *not in contradiction but necessary complements* – and expectations are high. I am convinced that the European Centre will provide important ideas and proposals how European cooperation can meet them also over the next decades.