

# WORKING NOTES

NUMBER 12 MARCH 1990



FACTS AND ANALYSIS OF EMPLOYMENT AND UNEMPLOYMENT

## *A Social Europe?*

The SOCIAL CHARTER (or to give the official title 'COMMUNITY CHARTER OF FUNDAMENTAL SOCIAL RIGHTS OF WORKERS') was adopted by the European Council at its summit meeting in Strasbourg last December. As with many important social developments - the Beveridge Report introducing the Welfare State in Britain at the end of World War II or the U.N. Charter on Human Rights - the power of a word or a phrase to capture something of how society might be transformed in significant ways can be central in bringing about major social changes. The Social Charter has emerged as a way of expressing the convictions of many in Europe, that without a social vision the moves towards completion of the internal market will result in an exaggerated emphasis on economic issues, reflecting the interests of business and financial institutions, and neglecting key implications for the lives of workers, the unemployed, and citizens generally across Europe.

The words of the preamble to the Charter express the nature of the ongoing struggle to create more than a market in Europe: "its aim is also to declare solemnly that the implementation of the Single European Act must take full account of the social dimension of the Community and that, in this context the development of the social rights of citizens of the European Community, especially workers and self-employed persons, must be assured at appropriate levels". The debate surrounding the framing of the Charter has helped bring out the fundamental struggles taking shape around these issues.

The Charter has not been universally popular. As it has advanced through a series of drafts it has been watered down quite significantly to appease those objecting to it, most notably the British government. The present British Chancellor described the Charter as a "confused mixture of general principle and detailed intrusive regulation". Their opposition reflects a rejection in principle of the need for legislation to regulate the labour market and to protect workers and citizens. Other Governments, including our own, had

more specific objections. In the course of negotiations the document has gradually been rephrased to cover principally those at work in Europe. The original proposal of a charter of fundamental rights of citizens has become a charter of workers rights - in fact the draft title was simply the "Community Charter of Fundamental Social Rights" and the addition of "of Workers" only came with the final draft.

This narrowing of the Charter's focus has meant the deletion or weakening of references to rights of persons not in work such as the elderly and others. As for the unemployed, their 'Fundamental Social rights' are not specifically mentioned at all. Even in relation to the rights of workers, much watering down occurred. For example, while it is correct that the Charter never specifically referred to a statutory national minimum wage, an earlier draft did specify that "a decent wage shall be established, particularly at the level of the basic wage", while the final draft simply talks of the need for an equitable wage.

The Social Charter comprises thirty-one articles, covering rights to: freedom of movement; employment and remuneration; improvement of living and working conditions; social protection; freedom of association and collective bargaining; vocational training; equal treatment for men and women; information, consultation and participation of workers; health protection and safety at work; protection of children and adolescents and decent treatment for the elderly and disabled people. While the Charter is a declaration of the policy of the EC, it is not, in itself, legally binding on the member states. The member states have committed themselves in principle to complying with the provision of the Charter through national legislation, collective agreements etc. However there is no mechanism to ensure that this actually happens and progress will largely depend on what political pressure is brought to bear in each member State.

If this was all that resulted from the adoption of the Charter, it could rightly be seen as little more than a



public relations exercise, a sop to the trade union movement and the social lobby to sugar the pill of the single market. However there is reason to believe that it may be more than this. Though the Charter itself is not directly binding, it will be used as the basis for further EC action which may have more bite. The European Commission has drawn up an Action Programme on the implementation of aspects of the charter. The Action Programme sets out forty seven proposals for initiatives in this area to be introduced over the next three years. These are a first step and a more comprehensive package of proposals is to be brought forward by the end of 1992 at the latest. Included in the Action Programme are proposals for important new pieces of European social legislation which, if adopted, will have force in the Member States.

The way things happen at EC level can be roughly summarised as follows: Proposals from the European Commission (in effect the EC civil service) are decided upon by the European Council (which brings together Government ministers from the twelve member states under various heading e.g. Social Affairs, Finance etc). As part of the decision making process proposals are presented to the European Parliament and the EC Economic and Social Committee for 'opinion'. Amendments may be proposed by these bodies but the final decision making power rests with the Council. The impact of EC law on the law in a member state depends on the type of legislation adopted. Regulations become part of member states' law without any further action being taken. They are included fully in the law of the land. Directives are not as far-reaching as regulations. They state what ends are to be achieved but leave it up to the member state to decide how to achieve them. Member states are normally given a time limit to implement directives. Recommendations are not legally binding though they are an official statement of EC policy.

Many of the proposals in the Action programme will not result in new legislation and are fairly innocuous. Even in some areas where legislation is proposed, such as health and safety, the measures are considered uncontroversial. However disagreement seems likely over other proposals. For example the action programme wants a directive to be introduced to provide safeguards for so called "atypical" workers - i.e. part-timers, temporary workers, people on short-term contracts etc., and it also proposes directives on the re-organisation of working time, on the introduction of a form to serve as proof of an employment contract, on the conditions of employment for workers from one State doing work in another etc.

In all these instances the forces that pushed for a watering down of the Charter in the first place will try to prevent adoption or will try at least to water down the proposals. Again the British Government is seen as

the main opposition, while outside the Council opposition has come from UNICE, the European Employers Federation. Whether their opposition succeeds depends on whether votes at the European Council on these matters must be unanimous or whether a majority will suffice. This itself is a matter of dispute. However it also depends on how resolutely the other Governments are prepared to push their support. The Irish Government can have a key role during its presidency in supporting these measures. The Action Programme is on the agenda of the Social Affairs Council meeting in Dublin next May, presided over by the Minister for Labour Mr. Ahern. The outcome of this meeting will give a good indication of the extent of our Governments support for social progress in Europe. ■



# IRELAND IN THE EUROPEAN COMMUNITY

Last September the National Economic and Social Council (NESC) published "Ireland in the European Community ; performance, prospects and strategy" (1). This major report examines three areas; firstly the impact of EC membership on the Irish economy since 1973; secondly, the likely effects of "1992"; finally the report tackles the policy implications. This article outlines the main findings of the report.

## The Impact of Integration

The NESC report shows that since 1973 "Ireland's economic performance compares, unfavourably with that of other member countries" (p. 523). For example, income and consumption grew more slowly while unemployment increased faster than in almost every other country in the EC. Ireland has achieved virtually no convergence towards average EC living standards. But the report points out that this lacklustre performance

is not simply an effect of EC membership. There is no straightforward way to separate the effects of integration per se from those of all the other factors - domestic policy, technical change, world recession etc. - affecting the Irish economy over the period. (See box for details by sector).

'1992' is the deadline set for the completion of the Single European market. The 1992 programme "...consists of a set of measures to make international trade easier between the member states, to remove some of the many non-tariff barriers to the movement of goods, services, capital and labour, and to open up much of national public procurement to tenders from throughout the Community" (p. 233) The basic idea is that trading throughout the community should be no different than trading in your home market.

The opening up of the 'single market' is expected to



have positive economic benefits - growth in output and employment - for the EC as a whole. But how will these benefits be distributed between the member states and in particular how will a less developed region like Ireland fare? On this the NESC strongly disputes earlier suggestions (e.g. in the Cecchini report) that the benefits will be evenly spread or even favour smaller and newer member states. Their analysis suggests the opposite - that the benefits will be unevenly distributed in favour of the core regions. The challenge to policy at national and community level is how to counteract such a development and promote 'cohesion' within the EC.

### Policy for 1992 and beyond

It would be impossible here to cover all the policy recommendations made by the NESC. Two general points can be made. First, throughout the report it is constantly emphasised that the eventual outcome of integration for Ireland depends on the response by companies and public policy-makers in this country to the threats and opportunities that arise. In a recent comment on the report, a member of the NESC points out that "Membership of the Community does not lessen the need for national policies to solve national problems ... The quality of Irish policies (and the structure of policy-making in Ireland) are more rather than less relevant in an integrated European Community" (2). The analysis of the NESC report shows clearly that to date Irish policy (e.g. industrial policy) in response to the challenges of integration has been seriously inadequate.

Secondly, NESC clearly states that the single market in itself will not reduce the disparities that persist between different regions and countries of the Community. Therefore they support the development of Regional Policy in the EC and also argue that 'the development of the social dimension of the single market merits considerable and more urgent attention' (p.513). They go further in that they fully support the development of Economic and Monetary Union. Economic and Monetary Union goes beyond a common market by trying to co-ordinate the tasks of broader economic management between states or even to combine these functions in community level institutions.

According to NESC even the proposals for EMU presently on the EC negotiating table (for example the moves towards some kind of European Central Bank) still fall short of what would be required to achieve significant convergence or cohesion in the EC. They favour a much more full blooded economic union which would include a very substantial role for Community institutions - essentially that there should be a Community budget, raising tax and engaging in public expenditure - just like a national State. They argue that the ability of nation states to autonomously manage their economics has been lessened by changes in the world economy and they see the further development of the EC as a response to these changes. But the level of integration presently achieved, while it has reduced the autonomy of the member states has not compensated for this by increasing the power of the Community institutions - therefore leaving us between two stools.

### CONCLUSION

The NESC report is the most comprehensive attempt yet to assess Ireland's experience in the EC to date and its future prospects. It paints a dramatic picture of opportunities and dangers involved in the '1992' process, and emphatically states the need for an Irish policy which will identify our best interests and take the initiative in pushing them. The debate about such a policy is just beginning.

(1) "Ireland in the European Community: Performance Prospects and Strategy", NESC Report No. 88, August 1989. All quotations are from this report, unless otherwise specified.

(2) Miriam Hederman, in "The NESC Report and our European Future", ICEM Conference papers, 2 October 1989



# THE NESC VERDICT BY SECTOR

## Manufacturing

EC membership to date has had most effect on manufacturing where more trade barriers have been removed. Membership increased the attractiveness of Ireland among foreign investors. This was further enhanced by our policy of generous grants and tax incentives. The result is well known - the emergence of a range of mostly foreign owned new industries in Ireland for example in chemicals and electronics. But this report highlights again the importance of developing a strong indigenous manufacturing sector.

Indigenous manufacturing has fared poorly as a result of integration. There has been a process of constant attrition over the period - "instead of integration stimulating dominant indigenous firms to exploit economies of scale and thus eliminate the tail of high cost producers, larger Irish manufacturers would seem to have been part of the tail eliminated by producers in other countries." (p.160) And to date industrial policy has failed to counteract this trend

What is the likely impact of 1992? Overall the immediate effects may benefit Irish Manufacturing Industry as, on average, the barriers that will be removed confer less

advantages and impose greater disadvantages on Irish firms relative to many of their competitors abroad. But the longer term effects will be more important, and more threatening, for Ireland. Increased competition will encourage industrial restructuring. Firms will succeed by becoming big enough to reap the benefits of economies of scale and/or through being to the fore in innovation. The challenge facing Irish companies is to match this restructuring or again be part of 'the tail' that will be squeezed out. Industrial policy should see that this restructuring takes place. The record since 1973 shows that 'business as usual' is not good enough.

## AGRICULTURE

The expected benefits to agriculture were a key attraction of EC membership in 1973. The common Agricultural Policy offered increased markets and higher prices to Irish farmers. As a result farm incomes increased rapidly in the first five years of membership. But subsequently changes in the CAP and domestic economic factors led to a reversal of this situation and the first half of the eighties was a lean period. More recently farm incomes have again improved rapidly. (Of course these effects are unevenly distributed within the farming community.

The report identifies three key weaknesses in Irish agriculture; the reversal in incomes; the persistence of a sector of Irish farming where incomes are very

low and which has benefited little even in the good times; and the poor linking of agricultural production to the food processing industry. NESC argues that the CAP has done little to tackle these weaknesses. But there has also been an abdication of responsibility for these issues at national policy level with all agricultural policy being seen as dependent on Brussels. 1992 will have limited direct impact on agriculture given the continuing predominance of regulation in this sector. But the report does point out that over the longer-term significant reform of the CAP system is likely and that we need to clarify what type of reforms in this area we should support.

## SERVICES

Much of what constitutes the services sector (for example personal and social services) is not traded internationally and therefore is not directly affected by the growth of the single market in Europe. However the importance of internationally traded services is rapidly increasing most notably in financial services. In addition many services are inputs to the production of traded goods. NESC believes 1992 will be more significant in services than in manufacturing because it is in services that most barriers to trade continue to exist - "In effect, therefore, service sectors are now going to face what the manufacturing sectors faced in 1973 when Ireland joined the Community" (p.310). Industries likely to see significant change include distribution (especially wholesalers), transport and financial services.