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Social politics in the European Union

Summary

Europe a Social Space – Changes in the Social Politics Survey of the Situation

The European Union (EU) is an economic and financial union, meaning that it is based on the free circulation of capital and labour, on services and trade unhindered, and these principles are taken for granted. However, the fact that the EU is also an economic and social community, remains the background^{1|2} even if it has a major share in social politics – although so far only as ‘national social politics’.

Social Politics and its Necessity

Here social politics refers to political institutes, processes and ‘essences of decisions’, ‘which – firstly – give protection against scarcity in such a way, that they provide the subsistence level, – secondly – aim such changes and risks of life, which are over the capacities of an individual and his/her relatives.³ Apart from the above, the further concepts of social politics require control and the decrease of social inequality.

In a limited meaning of the word social politics has a role to provide securities, which securities are a guarantee for the risks of a society based upon division of labour: when citizens have an accident, become physically or mentally handicapped, lose their job, reach old age, or require support and provision due to circumstances of family conditions: maternity, disadvantages. In a general meaning social politics forms the social and working order of a community according to ideas, which are far ahead of the ideas of a constitutional state: therefore, apart from the reduction of the risks of the above mentioned social politics there are other goals to set, such as “social law, reduction of inequality, increase of welfare for a part of or for the entire society, supporting the ability of the subjects of economy to help and control themselves and (...) full employment.⁴

- A significant part of a society is not able to provide for existence and livelihood, and to acquire the rights for social security by earning money with work (those, who are handicapped, or have chronic illnesses, etc.).
- A large part of a society provides for existence by earning money with work. Without state institutes of social security their livelihood would cease to exist

¹ Wolfgang Däubler [2002] page 477

² The EU role of social politics will be presented during the lecture in details

³ Manfred G. Schmidt [1998] page 17

⁴ See: the same source

when facing temporary or long-lasting inability to work, in case of unforeseen expenditures e.g. accidents, loss of work, disability, and also when reaching old age.

- Economic development at the same time also means the change of the economic and social structure. As Schumpeter wrote, it is a ‘process of constructive demolition⁵, which is accompanied by burdens of compliance⁶ overwhelming those working in jobs. For social politics it means, that it has to create a control aiming a social distribution considered justified the reduction of annihilating the values of economy to the lowest possible level. It also means, that social politics must provide the preconditions to create a system of social security for the reduction of the burdens of compliance, which system is acceptable on a social and economic level, as well.
- The creation and development of a supposed social state principle.⁷

Types of Capitalism, Models of a Social State

Types of capitalism: after the collapse of the actually existing socialism (communism), now the world is maximally controlled by capitalist states of industry having been created in conformity with liberal-democratic principles. While analysing the system of capitalism a French economist, Michel Albert and others separated three models of capitalism. They are different from each other regarding the types and effectiveness of the structures of a social state on the one hand, and in the field of social and political control over the market and means of production on the other hand.

In the *Anglo-Saxon capitalism* (Great Britain, U.S.A., Canada, Australia and New Zealand) market is the central institute making the distribution of goods. It also has a high rate of control over how the demands of individuals are satisfied. Since political supervision over the markets controlled by property is minimal, the social sector is only very roughly composed. Accordingly, the services required to give protection against different risks of life are also on a very low level. They are based on social rights, which are not, or only minimally institutionalised.

In the *East and Southeast Asia type capitalism* (Japan, Taiwan, South Korea, Malaysia, Thailand, Singapore) private capital and the respect of authority are combined to make political decisions, while there are also strict limitations in the domestic markets imposed by cartels. There are hardly any social state securities, rules of labour law and real wages – in the case of Japan these statements are only referred to conditionally, and do not hold true for political grading. The still

⁵ Joseph A. Schumpeter [1950] page 134

⁶ Burdens of compliance, e.g. the reduction of material and human capital in value, lay-offs, termination, changing control of companies, etc.

⁷ Heinz Lampert [1996] pages 14-16

existing and intact model of large families forms the social net, and it is the starting point for social solidarity.

In the continental Europe, Scandinavian countries the so-called *Rhine type capitalism* has marks on the model of social market economy to a certain extent. Here market is embedded in a fully constructed social state, characterised by social civil rights, different political rules and an existing right of labour. This way the distribution of individual prospects for life – considerably out of the field of authority of the market – is done democratically, through political decisions.⁸

In the European Union we see the 1st and 3rd types.

Models of a social state: The social security systems of Europe, mainly Western Europe, were created in the last phase of industrialization during the fights for social rights, at the end of the 19th and in the beginning of the 20th century. They were developed in the third quarter of the last century. Although all of them have common elements, such as providing individuals' rights and aiming for the creation of a welfare state, there are very different types of a social state, in which the fields of labour, human needs or families are dissimilar. The role of families as the sample of security and socialization is immanent for every welfare system, and all of them are based on human working conditions. Every system has the aim to prevent old age poverty, poverty due to illness, accidents or unemployment through systems of insurance and provisions given according to needs. The contents of the above areas and the scale of values chosen within given national frames are controlled by rules very different by nations.⁹

In spite of the above, these nation-specific models of a social state can be put into classes and defined. The most well known classification, which is the basis for all the other ones, is by the Danish Gösta Esping-Andersen published in his book entitled 'The Three Worlds of Welfare Capitalism'.

His model of ideals mentioned three logics of insurance, namely conservative, liberal and social-democratic, which compose a welfare state.

The *conservative or continental European welfare state* (mainly in Germany, France and Italy) is based on the 'late feudal paternal traditions of the rulers' bridling the anarchistic market forces¹⁰, as a result of which through the proper social state control of the 'social market economy' the free movement of market forces is limited. On the other hand, the employees themselves must make social insurances proportional to their wages in order to ward off risks of poverty, accidents illnesses, and hazards of old age and unemployment, while the employers must also pay their contribution of the same magnitude. However, the services provided in proportion of payment still require a limited inter-social redistribution

⁸ Thomas Meyer [2002] pages 82-84

⁹ Benjamin Benz [2000] page 77

¹⁰ Stephan Lessenich [1994] page 228, quoted by Benjamin Benz [2000] page 78

in such a way, that the status hierarchy of workers' life is determined by the state social security. The insurance systems divided according to groups of jobs (office clerk, physical labourer, employee, farmer, entrepreneur) underline this trend. As it has already been mentioned before, this insurance system is based on a 'normal family', in which the husband provides for every member of the family by working in a full-time job and earning at least an average wage.¹¹ For the 'remaining families', which have been appearing in large numbers due to the industrialization of the society in recent times, and for families with very modest incomes, this insurance system – taking the principle of equivalence into consideration – is not enough.

On the other hand, the *liberal or Anglo-Saxon welfare states* (Ireland, Great Britain) emphasize the responsibilities of the citizens, themselves, rejecting this way the statuses provided by a conservative social state. It is up to private initiation to protect an already achieved living standard against the basic risks. The role of state to provide guarantees is limited to a minimal level, it is under the influence of a constant and necessary supervision and there is always ground for suspecting exaggerated support and subsidies, which reduces the inclination and wish to work. Collective social security protection excludes a large part of the total population.¹² This model of insurance based on the minimum level together with 'atomised labour market (exclusive contracts, week trade unions, large differences in wages)¹³ supposes social polarization on a large scale.

The *social-democratic or Scandinavian welfare state* is based on established civil rights including every member of the society¹⁴ and it is characterised by an active employment policy, which integrates the total population with work against payment, and equalizes the differences in living standards.¹⁵ It covers all the areas of risk (e.g. illnesses, need for nursing, unemployment and old age inability to work) in the case of every citizen by providing proper social services. Apart from giving ample financing from the government budget it also includes the citizens to pay for these services. The very social culture of solidarity¹⁶ mentioned by Thomas Meyer has several guarantees, including a strategy 'in which education, upbringing supervision and nursing are given in largely public frameworks, partly to make it easier for women to find a job, and partly to create a larger demand for workers'.

¹¹ Benjamin Benz [2000] page 82

¹² Thomas Meyer [2002] page 82

¹³ Benjamin Benz [2000] page 79

¹⁴ Thomas Meyer [2002] page 85

¹⁵ Benjamin Benz [2000] pages 79-80

¹⁶ Thomas Meyer [2002] page 85

Stephan Liebfried has put the countries in the southern part of the EU not considered by Esping-Andersen in his analysis into a fourth category – that of *Latin border countries*. These ‘rudimentary former countries of authoritarian ruling’ are characterised by the defective mixture of the social states described above, to which another element is that ‘the guarantee given by jobs is superseded by jobs entirely different from the standards’¹⁷ (transitional and difficult conditions of work).

Changes in social politics

Observing the countries of the European Union we can see, that

- Every state has the mixture of the above models, increasing the actual heterogeneity in these countries.
- There is no European social model, and there is no European social state.
- In almost every country the governments make such changes in the field of the social sectors of state, which primarily have negative effects on the active workers or old age pensioners.
- The EU has still not initiated the establishment of a social state.

It is to be noted by all means, that globalisation and being European have very strong affects on the social states of the EU in different aspects.

- In the EU ‘Agreement of Stabilisation and Development’ (1997) the members take obligations to equalize their budgets in the medium run, make the surplus available to others, so that to eliminate budget deficits in the long run. This acceptable requirement is met almost exclusively by the reduction of expenses, as a result of which segments of the state budget can be freed for the purpose of accomplishing tasks to be done by the state and the governments.
- The member of the European Union, the countries becoming members in 2004, and the countries planning access in 2007 are in contest for the best positions for companies, which fact also means, that most of the investments are required in the fields of training, research and development and infrastructure.
- In several EU countries in the background of high unemployment the employers demand strategies of decreasing the costs. On the basis of neo-liberal ideas they refer to the minimal level of insurances, the additional wage costs and the low sector of wages. They want to make the labour market even more flexible by decreasing the protection level against illnesses and dismissal by employees¹⁸, because the economy must be, or become attractive for investors.

¹⁷ Benjamin Benz [2000] page 80

¹⁸ Memo-Forum no. 28, pages 25-26 and Benjamin Benz [2000] page 81

- During globalisation the national governments have liberalised their capital and financial expenses. On the one hand the capital markets are not embedded beyond the borders (here I refer to investment and pension funds) – due to their sizes these markets are capable of putting not only economies, but entire regions in a situation of crisis¹⁹. On the other hand, the governments have to ‘take care’ of the capital (modest taxation for business capitals and profits, low taxes for capital interests, etc.) preventing its escape or becoming a local disadvantage in the contest.
- The mixture of different cultures change the samples of connection for the citizens, and at the same time also make them more dependent on financial social benefits and social services.
- The ever-increasing age of the citizens – possible by the development of medicine, and by the social health and old age insurances – obviously increases the financial burdens on the system of health and old age insurances. (It is to be noted, that we seem to forget a fact; it does not only depend on the population and the relationships among generations, but also on the process of cession, as a result of which public property becomes the assets of individuals.)²⁰

Let’s see, how certain European countries react to these given ‘skeleton conditions’:

- Little tax income with reduced or ‘0’ economic increase
- Little tax income by ‘taking care’ of the capital
- ‘Tight’ households in order to remain in conformity with the economic agreements of stabilization
- Larger expenses for training, research, development and infrastructure
- Larger expenses for the insurances of the unemployed with continuously increasing unemployment or unemployment stagnating on a high level
- Higher state expenses due to the ‘changed culture of life’
- Larger expenses in the system of health and old age pensions due to the changed life expectancies

Reform models

In the following sections, four European reform models²¹ and the model of the Federal Republic of Germany will be presented.

¹⁹ Thomas Meyer [2002] pages 42-43

²⁰ Benjamin Benz [2000] pages 82-84

²¹ Wolfgang Merkel [1999] and Martin Frenzel [2000] – summarised by Thomas Meyer

Great Britain: British Labour party – market oriented model

The state is a partner of economy. It mainly provides economy with favourable conditions of starting and developing a business with a strict order for the state budget. It abandons public programmes, for the purpose of ‘creating’ and increasing social demand (Keynesism). Keeping the buying power of the money has a priority. It sustains a flexible labour market (Thatcherism) and the weak position of trade unions. Further developing the social state of services into a social state of investments: purpose-oriented training programmes, sanctions for the rejection of training programmes or offered jobs considered acceptable.

Introduction of minimal wages and low-level social benefits.

Holland: Konsens – (Podler) model of the Dutch Labour Party

It is characterised by improving the supply conditions of the economy and a strict budget. Public programmes are abandoned for the interest of the overall demand. The office workers’ wages and the social services are reduced. Presently Holland is considered a controlled labour market with full employment, the rate of unemployment is around 5 %. Only the registration of the unemployed and supply of unemployment benefits are to be organised. Private employment agencies have been offering full- and part-time jobs to their clients since 1982. Offering jobs giving employment for more than 6 months is entitled to bonuses from the state budget. Part-time work paid on the basis of set rates is a well-proven method. There are about 850 companies offering part-time jobs. Those working in part-time jobs (Flex workers) have the same rights as those employed by the state, and it is the employers to pay the charges of the employment agencies. Part-time jobs are subsidised by the state, especially for women – 50 % of the women have part-time jobs. Apart from the above, a labour market no. 2 has been established from government money, here wages are a bit higher than social benefits – those not working at least some hours a day, get less money.

However, the rate of unemployment has been ‘embellished’, because the high number of those with early retirement unable to work reduces the rate just like the high proportion of those in part-time jobs.²² Restructuring the social state is based on the principle of ‘having three supports’: a basic insurance financed from taxes; subsidiary support from social insurances or company contributions; life standard insurances financed individually.

Sweden: The reformed welfare state of the Swedish social democracy

Here the main features are the continued supply-oriented economic policy, and the reduction of demand-oriented public programmes without their total termination. The state budget is consolidated by a tight control over the social services:

²² Cathrin Kahlweit [2003] page 10

reduction of unemployment benefits, sick pay, paid sick leave, the termination of nursing subsidy. The company and direct income taxes are reduced, and the value added taxes are increased. The traditional policy of labour markets is continued: there are programmes of further training and part-time jobs require more time – 4 out of 5 women in active age are working. The labour market is made moderately more flexible (working hours, labour contracts) and the trade unions have a strong position.²³ The universal welfare state based on taxes is sustained, although there are certain reductions in services (number of paid days when a worker is ill, old age pension, contribution to old age pension from employers, support to subsidiary pension funds).

Denmark: The social-liberal model of Danish social democracy

Apart from the consolidation of the state budget, there are also programmes of demand to quicken prosperity. The labour market is made more flexible. There is a pressure for taking jobs or starting training programmes and at the same time the demand for high social standards is sustained. Denmark is a good example for a social state with high levels of security and flexibility. It offers tailored programmes of training and further training for the participants of the labour market. Those taking part in it get a guarantee for being able to keep their living standards. In the interim periods the unemployed having proper qualifications fill these jobs. Those withdrawing from this policy get a considerable reduction in subsidies.²⁴

Federal Republic of Germany: - Agenda 2010

According to the view of the SPD (German Social Party) the structural measures in labour and health policy, together with the programmes of community investments, have to be considered a tax reform.

Their main elements are:

- Making the labour market even more flexible, setting up a network of labour agencies, hiring the registered unemployed, offering wage-work according to the Dutch model. Jobs for not young workers are subsidized, the employers are exempt from paying insurance against unemployment, and the contribution from employees is reduced to 50 %. In the future those over the age of 52 can accept jobs without limits of time. Those getting jobs are required to contact the local labour offices without any delay otherwise they may lose the subsidies. The ones receiving subsidies from the labour offices are entitled to bonuses (Ich-AG).

²³ Gerhard Fischer [2003] Page 9

²⁴ Thomas Meyer [2002] pages 86-93

- The provision of unemployment benefits is limited: unemployment benefits can be paid for 12 months, over the age of 55 for 18 months.
- Right of labour – limiting dismissals: artisans and craftsmen can employ workers for a certain period of time without increasing their contribution to the social security – limiting dismissals for 5 employees
- Unemployment and social benefits: they will be contracted into an unemployment aid II, which is to be lowered to the level of social benefits. Both of them will be financed from taxes and adjusted to the needs of individuals. By this measure €10 billion are expected to be saved. In labour offices special managers will deal with those able to work and living on benefits, trying to put them to work again. The ones having been unemployed for a long time and rejecting the offered jobs face the following sanctions: after the first rejection they get a 10 %, after the second rejection a 30 % decrease of subsidies. Unemployed under the age of 25 may lose the subsidies entirely. However, they always get offers for jobs – if necessary, for public benefit work. The basic principle is that every single job must be occupied, even if working very little. Pressure can only be put on the unemployed if there are jobs available. However, the lower unemployment benefits do not create new jobs and make labour force cheaper.
- ‘*Capital for work*’ programme: if a company employs an unemployed person permanently, gets credits up to €100,000 after every new employee. It may also get credits up to €100,000 after every person employed and to receive training.²⁵

Social politics in the European Union

The second article of the EC Contract aims the creation of a ‘harmonic, well-balanced society with a continuous development of economic life’, and ‘a high level of employment with strong social protection’. The European social plan of 2000 December was approved in Nice. Now social politics can make individuals more competitive, protect individuals, reduce inequality and create social cohesion.²⁶ For the EU the basic social rights common in the member states are the following:

- Unrestricted right to change places of living, to work and to get the same treatment in the inner market of the EU
- Just payments, paid yearly vacation, weekly holidays and labour contract
- Right for a minimal social protection, especially the right for a minimal income during unemployment or old age

²⁵ SPD Parliamentary Fraction [2003] pages 2-12

²⁶ Wolfgang Däubler [2002] page 477

- Right for being members of trade unions
- Right for in-work co-operation, making remarks of contribution, getting proper provisions of health and labour safety, equal treatment for men and women
- Right to protect juveniles.

In conformity with these basic rights the community and member states have social politics, according to which they

- Support employment
- Improve living and working conditions within the EU
- Provide the proper social protection
- Have social dialogues
- Improve the potential of the labour market in order to guarantee a high level of employment
- Fight against layoff. ²⁷

By making the 1997 Amsterdam Treaty social politics has got some field of play. It is to mention Item no. 13 of the EC Contract, which makes measures of anti-discrimination possible for working life. Based on an agreement made by the European partners some basic principles have been issued. In the German law they mean, that those hired only for a certain amount of time must get the same treatment as those, who are employed for an indefinite period of time. The basic principles of 'equality without regard to ethnic and racial differences' and the 2000 November basic principles of 'equality in work' ban any and all detrimental discrimination in connection with sex or age.²⁸ In Item no. 16 the EU definitely approves freedom of entrepreneurship and the right of ownership. However, Items no. 27 and 32 are against the absolute liberty of entrepreneurs to make any decisions by stating that employees are justified to have protection against unfair layoffs. 'Everybody is entitled to use the services of employment agencies. The healthy, safe and proper labour conditions give much freedom to the judges.' Item no. 28 contains the rates of payment and strikes. Employees and employers are also entitled to have the right to strike and negotiate – just like in the German law – not only trade unions and employers' associations. 'Collective measures are allowed not only for wages, but in case of every conflict of interests.' Item no. 34 guarantees access to social provisions without mentioning their scale or institutional guarantees. Apart from the above, the rights to 'social support' and 'contribution to housing' are also guaranteed. Medical care is according to the 'legal provisions of law of individual countries'.

'The basic principles, decisions of the European legal bodies and the Charter of Basic Rights make the impression, as if the activity of the community would include the entire field of labour and social deficiencies. The list is very long.

²⁷ REGIERUNG online [2003] pages 6-7

²⁸ Wolfgang Däubler [20020] pages 482-483

Actually, at least 95 % of the questions regarding social rights and the rights of labour are decided on national levels.’²⁹ The labour and social law of the European Union only covers some minor fields.

Summary

By the prescriptions of stabilization having been made by the financial community, certain countries of the EU have hardly any possibilities to create new jobs, subsidised by the state or to improve the financial situation of the social security systems. They are dependent on the neo-liberal market and have to accept the organs of the EU to give consent to certain corrections. For its realization it is necessary, that the unemployed and those in socially drawback positions become active, be organised, express their demands and opinions, and use measures accepted in democratic societies to achieve their goals. Social politics can only be effective when controlled by the wish of the people. This is why the European social politics, just like the European integration, requires a ‘Europe built from below’.

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²⁹ the same source

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