The European social model

in the face of the crisis and of globalization

Yves Barou and the circle of European HRDs

with the participation of Michel Aglietta

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Translated by Lauren Esnault
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Preface by Laslo Andor
Introduction: HRDs in search of a new Europe, Yves Barou

A few months ago, Mario Draghi declared, “The European social model is dead.” This point of view is often enounced without the author defining precisely what really is dead! The same blurriness can be found within said model’s advocates.

Admittedly the repetitive crisis we have been going through in the last forty years, combined with the ever growing globalisation of the economy, have forced us to rethink many practices, which seemed intangible, and to question many certainties. However one ought to be precise, not to mistake symptoms for causes, not to be the prisoner of any ideology.

Europe doubts herself. Is our way of living together threatened? Are our democratic systems outstripped by the markets? European countries were supposed to converge thanks to the Lisbon summit but are they not in reality diverging? Is it necessary for Southern European youth to migrate to Northern Europe?

Although the European social model’s death is regularly announced, few works have been carried out on the topic. Truly no one knows for sure towards which model countries should converge. The American one is no longer attractive and the Chinese one, rather misunderstood, frightens.

In this context of confusion, the European HRD Circle, a think-tank aiming at sharing best European practices, has decided to seize the topic.
100 HRDs from large European groups with no more legitimacy than that of having European and worldwide responsibilities as well as being faced with these questions on a daily basis. Definitely not posing as the model to copy. HRDs’ everyday tasks would prompt rather to more modesty.

Firstly, the aim is to talk, exchange best practices in order to crack the Tower of Babel that is Europe nowadays – creating a consensus between professionals from 10 different countries is not easy even if they do the same job!

Secondly and foremost the aim is more openness.

More openness by working with researchers from the IRES\(^1\), the Work Foundation, the Friedrich Ebert Foundation, the CEPII\(^2\) or other social stakeholders such as VIGEO, Entreprise et Personnel or Planet Labor. More openness by interacting with European trade unions and officials from the European Commission.

This book synthesizes the works of the Lisbon forum. It is a book with many voices since explaining differences and comparing practices is necessary to search for converging ideas. Each text and intervention only binds he who said it. This book collects views and debates so as to give food for thoughts and actions.

Businessmen and women are the basis for the discussions and following propositions.

\(^1\) Institut de recherches économiques et sociales – French institute of economic and social research
\(^2\) Centre d’Etudes Prospectives et d’Informations Internationales – French institute for research into international economics
Decision-makers too often forget the social dimension of Europe even though it is always brought to their attention. However, one of the Circle’s core convictions is that the social cannot be built without economy and that competitiveness should integrate social performance. Hence Michel Aglietta’s contributing questions and reactions to these debates.

We are Europeans and would like to remind that we need more Europe and that Europe needs its social dimension.

Our starting point has been an attempt at defining the European social model, followed by a study and questioning of the Chinese approach.

The various facets of European social dialogue were then analysed and subsequently the common demographic stakes as well as the opportunities to fortify the European approach.

Finally short-term stakes, critical for many Europeans companies, were considered with a view to highlighting the main paths to follow and the propositions that should be into place.
1. Yves Barou: the European social model, an asset for Europe

The European social model is hardly the object of sufficient work, it is not clearly defined, its perception remains different from one country to another, and it is usually mentioned only to indicate that it is in crisis!

Yet the European social model exists and to analyse it we have to go past approaches that are either too national or too EU-limited, and not limit it to macroeconomics.

Indeed a social model is based on a global view of the company. From it follow economic and social dynamics as well as national or EU-limited labour market regulations.

If Europe’s social dimension is frequently forgotten it might be because it is too often reduced to the work done by the European Commission. However, although the Commission has an obvious and important role to play, Europe’s social dimension ought to be defined from a wider viewpoint.

The social history of each European country has evolved as a combination of conflicts and innovations as well as, in both cases, negotiations to achieve satisfactory solutions, and as such to define social standards. Governments everywhere have played a regulatory role but these necessary legislative interventions have more often than not followed the action of “social partners”: unions, companies, branches, regions etc....
Indeed the social field’s autonomy did not come from the political one. Social democracy has not identified itself with Parliamentary political democracy. The same applies and will apply to Europe.

Can we consider Europe as a whole though? Many authors have described the various existing models: Continental, Mediterranean, Anglo-Saxon, Nordic. It is true that there are major differences between countries, as between companies, sectors or regions. Moreover, the trade unions’ structures, the industrial organisations and the levels of decentralisation are the obvious legacy of these different histories.

But this breakdown shows less and less progress and innovation, as these are primarily common responses to new issues.

In other words, although denying the different histories, cultures and traditions is out of the question, we also have to see – and this is the most important aspect – what is emerging before our very eyes: a European social model based on a specific history, an original approach, a common culture, a model which can be an asset in view of the crisis.

In order to see it we have to take a step back in this ever more globalized world. For example, let us compare China, the USA and Europe. Thereafter it appears clearly – particularly for HRDs with global experience, practice and responsibilities – that we, Europeans, think very much alike and that we can strengthen our competitive advantages on this basis. This can be done provided that we do not go straight from an arrogant stance, which characterized Europe just a few years ago, to an attitude of systematic self denigration and that
we concern ourselves with our similarities rather than our differences.

Thanks to their transnational operability, companies are building Europe!

We are Europeans and proclaim this identity because we believe that neither the American nor the Chinese social models are appropriate for the future.

On the contrary, Europe and its 27 countries could become the world’s laboratory; learning to go past national differences to set out new, common standards could prove to be vital know-how on a worldwide scale. In a very specific domain Europe has succeeded in establishing railway-signalling standards and thereby has laid down the foundations for global standards. Why should we not aim to adopt a similar approach with regard to social issues? This presupposes learning from experiences, understanding good practices and organising cross-fertilization; it also presupposes measuring specific European features and defining this famous “European social model.”

In times of globalisation, Europe as a region benefits from rather particular circumstances:

- Distances are comparable to those of the USA, and the quality of its infrastructures makes it possible to split the working week, for example, with two days in Paris and three in Hamburg. This is not the case however between London and Sydney!
There are cultural differences in Europe but they are of a secondary nature in comparison with those on other continents;

- Living standards are a lot closer than on the world scale;
- The political systems of the Member States are quite similar;
- The European Union is working towards the creation of a common framework for social dialogue;
- Europe now reflects a specific employment market.

Employment pact, social dialogue and distributing the fruits of growth

Several common features can define the European Social Model:

- European companies still enjoy strong business cultures with high levels of commitment and a sense of belonging; mercenary practice has not become the rule and companies enjoy a certain level of stability in their teams and therefore in terms of their competences. An implicit employment pact, particularly evident in Germany, characterizes Europe. Overall European businesses have distinguished themselves by a high level of protection against economic risks, thereby strengthening loyalty to the company.

- The distribution of earnings is tighter than elsewhere - tighter than in the USA and in China in any event; this is still true in companies as in society and it constitutes social glue. The European model is characterized by a virtuous circle of
significant collective productivity gains and has produced, for many years, a more egalitarian distribution of the fruits of growth.

- More than anywhere else **working time management** reflects the will to find a balance between professional and family life. Working time is one of the most significant social indicators involving lifestyle, the increasing share of workingwomen and the level of childcare facilities. The Netherlands (due to part time work) and Germany (due to agreements that are mainly negotiated by each Land) have the lowest total of working hours per year (1,378 and 1,390 hours respectively). Contrary to preconceived ideas, France finds itself in an intermediary position with a total of 1,473 working hours per year, which has resulted mainly from company agreements signed at the start of the 2000s, that include creative flexibility mechanisms (annual working time, counting in days for executives, etc.). The United Kingdom, on the other hand, still has the highest number of working hours per year in spite of an often-shortened Friday (1,643 hours on average), without reaching however the rates seen in the US or in China.

- **Trade unionism** is an important element, although studying unionization levels can be surprising. Apart from Scandinavian countries with rates around 70% (high rates in the service industry), levels vary greatly from one European country to another: France (8%), Germany (19%), United Kingdom (26%). Nonetheless trade unions are major actors with high turnouts in professional elections everywhere. Moreover the
emergence of union activities at European level, with the European Trade Union Confederation (ETUC), the European Services Union (UNI Europa) and the Industrial Union (currently being created), has been obvious since the Athens Congress in 2011.

- **Consultation or negotiation methods** are also inherent to the European model: European directives on information, consultation or even European committees have contributed and still contribute towards transposing them across Europe, thereby bringing national traditions closer together. Negotiation methods, the result of the valorisation of consensus in some countries and of the need to settle conflicts positively in others, converge in three ways: negotiations everywhere are increasingly undertaken at the company level and less at sectoral or regional level. As a result pragmatism and the search for tailor-made solutions win over ideology. European agreements signed by international groups for their European entities are developing (200 to date) and help extend the range of collective bargaining by addressing new themes, which in turn leads to the emergence of European standards. Finally the idea of majority agreements, by definition stronger and easier to implement, clear in many countries, is becoming the rule, especially in France where the tradition of minority agreements was, however, firmly established.

- **Labour law** has evolved over time thanks to laws and negotiation, and offers real guarantees to employees; but its complexity, although partly the mere reflection of situations’
intricacy, is becoming a problem for companies. Although national legislations remain very different from one another, there is a common vein in continental Europe, one of collective framework that puts the reach of the individual work contract into perspective.

- **The Welfare State and its redistribution role** characterise the degree of maturity of European countries. The more egalitarian approach has not been limited merely to companies but has managed to make sense in terms of social goods like education and healthcare. Despite being imperfect this approach has proven effective and has clearly helped towards growth. It now has to contribute to a different generational balance.

Globalisation and the crisis obviously force European countries to question this social model. But these doubts, far from being a factor for further differentiation, could lead to the development of new solutions, which, in fact, will harmonize existing practices.

**New but common stakes**

The sovereign debt crisis is forcing us to review redistribution levels, which have however decreased over the last few years, and to re-assess social policy priorities. Choices will have to be made, jointly when possible. The European social contract will have to be re-created in a context of slow growth and a challenged higher productivity race. There again only collective negotiation can generate the necessary consensus and refereeing. The new common rules will most likely, and in that differing from the previous period,
give way to individual choices, which may vary throughout life. This is especially true for working time choices, be the matter time per year, partial time, chosen time or even, when talking about retirement, the balance between contribution level, number of trimesters and retirement pensions levels.

When talking about the labour market, the recurrent themes tend to be flexibility or flexi-security. Nevertheless it would be an illusion to think that acting on work legislation is essential against the crisis. Bringing back or strengthening European companies’ competitiveness is more likely to be achieved through activities with an important added value and the existence of adequate financing modes than through an impossible bringing of our behaviour into line with that of the emerging countries, incidentally evolving at great pace themselves.

Collective negotiation is fundamental to finding the right balance between securing legal protection for businesses and employees. It must be deployed by branches because the theme of labour laws’ simplification is largely deceptive: the complexity of labour laws and/or jurisprudences largely reflects that of our economies. Wanting to simplify drastically would in many cases come down to building ready-made solutions that would not meet the businesses’ needs or making the judge the real decision-maker. Thus reducing collective legislative rules could lead to an increased legal regulation of social relations, itself causing increased insecurity for businesses. Handling issues such as welfare at work, the computerised databases or diversity by increasing the weight of litigation certainly is not the
right method to allow companies to concentrate on their work and develop themselves.

But to dwell on these macroeconomic issues would be to forget that the European social model’s first five fundaments reflect a specific conception of the enterprise. A company is defined as a human community held together by an industrial project rather than as assets that can be traded freely on the financial markets.

Yet the financialization of the economy and the businesses is a real trend that has led to deindustrialization everywhere, even though European countries have more or less embraced it. This trend pushed to its term would probably induce the progressive disappearance of the European social model but it would be to ignore the recent financial crisis that somehow reopens the question.

The most obvious joint challenge is of course that of rising unemployment—at around 10% right now within the Member States—and its counterpart, dualism in a labour market split between secure and insecure jobs. The burden of unemployment weighs mainly on young people who are asked to have at least 3 years of work experience in order to enter the labour market!

Germany is however an exception, with an unemployment rate that is half the above figure. This reflects the original way it has managed decreasing activity over the last few years; it has avoided the trap of employment becoming the leading adjustment variable and has used short-time working and has only made limited use of relocation. Combined with the traditional strength of apprenticeship and of course the stability of its industry, this approach has stabilised
businesses, enabling them to retain their competence and to maintain unemployment at moderate level. This exception, although not everything can be transposed, lights the way for other countries.

On the short term many companies will have to face a new order: negotiations at company but also branch or regional level will be necessary to come up with new solutions in order to abate deindustrialisation and comfort competitiveness, perennial solutions and not only conjectural, solutions that favour employment by betting on workforce quality and consequently training and innovation.

These balances cannot be found globally without falling into "ready to wear" solutions that translate ideological options rather than concrete answers. To succeed, such negotiations cannot either be reduced to employment blackmail but to mutual commitments based on restored trust. This entente is all the more necessary that benefits for companies can be instantaneous even if the company cannot, by construction, predict and formally commit to a job quantity.

Another challenge, another opportunity for business, that of current demographic changes: ageing workforce of course, but also increasing feminization of the workplace, welcoming of the Generation Y, and diversity resulting from globalization.

Age management represents the most difficult question because the weight of seniors is very important in Europe and several countries, including France, have since the seventies devoted themselves to the drug of early retirement schemes. The place of the workers in their sixties has yet to be invented and part-time work could find a new
impetus there. This really cannot be solved independently from the integration of the Generation Y, children of Erasmus, looking for more autonomy and with a more critical approach to the traditional organisation of work and employment relations.

Finally the gradual feminization of the workplace leads to a new conception of management, less based on hierarchy and more on team spirit and networking.

Europe has, in all these areas, specific assets: the tradition of balance between the collective and the individual, mobility opportunities offered by the unified labour market, experiments in time management, particularly in the Netherlands, the place offered to women in the labour market especially in Northern Europe. If Europe rejected the dogma of single managerial thinking it could come up with answers adapted to business life: how can a profession be assessed without stigmatising people? How can each individual become the player in his own professional development? How can teamwork be revived?

The concept of sustainable development also encourages companies to look beyond their legal boundaries by focusing on long term whilst considering the company in its ecosystem, meaning taking into account all stakeholders. Risks of image, investors’ willingness to be more and more socially responsible, the surge of social rating leads to the conclusion that what is not in a company’s operating statement or balance sheet may eventually be included; in other words, we increasingly take into account the externalities that price systems or laws may eventually re-internalize.
The social relations’ mode must finally be changed to invent modern forms of conflict resolution, to find the right levels of negotiation, to stop the destruction of corporate cultures, to enhance employee commitment.

**It is therefore a challenge of social governance.** There again a European way can exist. Indeed all ingredients are present.

On the one hand there is the German tradition of social relations, characterized by the presence of employees in the boards and the search for shared solutions. This does not mean co-management since these solutions only apply to the social field. The example of restructuring is instructive. Indeed the economic decision is, like in France, subject to a single consultation while social measures have to be based on an agreement and downsizing on a consensus. Thereafter everyone stays in his or her place.

On the other hand there is the clarification, as seen in South Europe, between the trade unions’ role and that of the works council and the creativity they show during social negotiations, especially in France when it comes to negotiations on anticipation for example.

Europe has at its disposal a specific advantage, a common tradition linked to its history, and also shares **one same language – that of negotiation** – which is clearly the most modern method to innovate and settle problems. This is possible in Europe since unions are present in companies and are independent. This dual condition cannot be found in the USA or in China!
Yet to negotiate there has to be two sides! European style social dialogue, apart from the fact that it has served in other countries around the world, from Latin America to Australia, is clearly an asset – it is a comparative advantage and in all events, an indicator of the European social model. It might prove decisive when a new social pact has to be re-designed without which changes are hardly possible.

As a result Europe should have the ability to find answers to these new social challenges and, thus, to feed a new development model.

It has the diversity, human capital quality, size or even the humanist culture to meet these challenges. Convergence mechanisms are at work even though they are hardly visible to citizens.

But all this implies strengthening social partners’ role and autonomy in Europe, that of the negotiations they conduct and the agreements they reach.

The social is not soluble in the political!

Far from being a more and more unbearable burden, this model can then be seen as specific asset when faced with the crisis, a competitive advantage in globalization.
2. European social model and Chinese social model

From Japanese screens to Chinese regulation

Going through China to talk about Europe may seem like a paradox, and yet!

Yet China is gradually entering the different debates on social standards, not in a defensive way as it has done for a long time in order to master the schedule of its social progress, but now in order to influence and maybe, tomorrow, impose its decisions. Step by step, China will take on the role of tomorrow’s dominant power; we may as well get used to it!

Observing the other to define oneself seems, as a matter of fact, essential to fully grasp the concept of globalisation.

This is why, in addition to our work, we went to the Museum of Art in Lisbon to see the Japanese folding screens the Portuguese brought back from Japan in the 16th century.

What can we learn from these screens today?

Picture, 5 centuries ago, the Portuguese surprising the world by opening new shipping route, the first step toward globalization. In Africa, Asia and America, they meet “barbarians” as the Europeans see them as the time.

However, at the same time, Japanese artists paint, in their own way, the Portuguese’s arrival. The screens show how surprised they were with these foreigners dressed in strange ways and who spend a great deal of their time bowing before strange paintings. To make matters
even worse, these foreign travellers are all sporting ridiculous, incredibly long noses!

They are the barbarians!

These screens are the expression of the other’s eye, free of any calculation as they were not destined to leave Japan. They are the ancestors of Montesquieu’s Persian letters, using mirrors as an artifice to tell his contemporaries “a few home truths.”

By reflecting our image, these screens warn us about the risk of retreating into our convictions. If we believe that Europe, without being the definitive system, can help develop international standards, then we have to prove it and convince ourselves before we can convince others.

Therefore, let us raise a few questions by looking at the Chinese model.

Michel Aglietta shows that, in a way, the socialist revolution brought back the imperial system, along with its values, revolving around the principle of equality: equality in terms of social security cover, equality in terms of land, role of the social networks against local bureaucrats. He provides essential theoretical references to understand this system which can seem, at first sight, beyond understanding or shocking.

Indeed, maybe are we watching the emergence of a new, original social model?
In any case, comparing China and Europe sheds new light over our own values and institutions.

Martine Le Boulaire has a different approach as, relying on the experience of German and French companies, she points out the difficulties western management has in taking Chinese reality into consideration. She also explains how German companies are making an effort to understand, and therefore master, the Chinese reality, thus building a significant commercial advantage.

China’s ability to make considerable progress all the while inventing a new form of regulation based on open testing – although not questioning the State and the social conflict, but without independent union organisations – was then brought to light in the debate. It has two major assets: a long-term view and a tremendous pool of manpower that can be easily mobilised, as demonstrated by the iPad example analysed by Hervé Dufoix.
Michel Aglietta: the social contract in China and in Europe – testing theorisation

On the basis of Yves Barou’s analysis of the European social model, Europe and China have nothing in common. The social model should therefore be defined in broader and more theoretical terms. A look at history is needed to understand the reality of China compared to Europe. The social model could be defined as a set of institutions aiming at regulating the contradiction stemming from the dynamic of capitalism and our principles of justice. These stem from a shared view of equality and the rule of a law as a formal expression of a common interest. Both are necessary as a basis for the social model. On these matters, China and Western Europe have opposite foundations in political philosophy. The European concept that is the origin of the problem of equality is the rise of the notion of the individual, which emerged in the 18th century from the intellectual and political revolution against the theocratic concept that used to prevail, and the stratification of existing social orders. It was impossible to have political equality before the French revolution. Only the American revolution in the 18th century, preceded by the UK revolution at the end of the 17th century with Locke were a bit in advance on the French, but not quite. The purpose of law when there is an atomistic concept of the individual legitimizes the market as a universal social link. What is important is that people have their own individual preferences, independent of that of others, which have to be bound to form one individual society. That is the magic of the market: it makes everyone stick together without any direct relationship. The problem in the 18th century is that markets
generated inequalities that were magnified by rising capitalism resulting from the surge of market economies. The question of social justice has been hotly debated since the failure of the 1848 revolution, which brought the problem of inequality to the forefront. That was the framework of the problem of social models in Europe.

The Chinese history is totally different. In China the Empire was unified early and after this society became classless, the opposite of what happened in Europe. There was a leader who ruled over an ocean of rural families. For two millennia China was essentially rural, as more than 95% of the population was made up of rural families. There was a holistic view of society, as opposed to the atomistic view that we have in the West in general. This holistic view of society prevailed and market economy developed from the 9th century on, much before Western Europe. However, there was no accumulation of wealth or possibility of power to defy the Emperor. The linkage between the unitary sovereign and the ocean of families was shaped by meritocratic bureaucrats. The Confucian principle reigned, the meritocratic bureaucrats had to justify what was called the ratification of names. If they did not fulfil the role for which they were promoted, they were dismissed, as were their families, so there was upward and downward mobility. Private power that could defy the State was impossible. In this type of society, Confucian principles were adopted: society was conceived by intertwining solidarity and family-like networks - the basis of civil society in China (as opposed to the individual). The consequence is that individuals are not defined by their individual preferences but by their obligations to others. The
common interest is the basic interest that should be fulfilled. The State has an obligation to provide goods deemed necessary for the welfare of the people. This is why, unlike the concepts we have in the West, the basic concept in China is the political stability of the sovereign. When stability is achieved by balancing obligations in both directions, social harmony is achieved, a kind of contradiction that makes societies stable. Harmony is a matter of balancing social obligations. The crucial point in understanding China is understanding that the social revolution essentially brought the Empire and an imperial regime back.

What does this different definition of equality mean for the social systems in Europe and China?

Western Europe waited until the middle of the 20th century before considering social models as legitimate. There was a century of conflicts, strikes and other attempts to legalize different concepts of social models. The difficulty is that the market is the social linkage for Western capitalism. The market has its own concept of a social model based on welfare and utilitarianism. The problem is that welfare utilitarianism does not provide a meaningful answer to problems such as relative inequalities, social exclusion, and absolute poverty. The market can be optimal whilst some people starve at the same time. There is no rule allowing everyone to be a part of society and there is an impossibility theorem by Nobel prize Kenneth Arrow, stating that it is impossible to meaningfully aggregate individual utility functions in order to find out a social utility. Welfare economies have nothing to do with equality or inequality, which is why this problem is not economic. It is also why, in the 80s, with the
counterrevolution of Thatcher and the like, rational expectations and all concepts in favour of financial globalization made the problem of inequalities and the question of the resulting limits disappear in the Anglo Saxon world.

Rawls’ theory on justice totally rejected utilitarianism and said that we needed to base equality on objective relationship and criteria. A society is just if primary resources are accessible to all. The question is the definition of primary resources, and a social debate is held on which primary resources permit inclusion of everyone. These resources are material (minimum real income), institutional (basic education), environmental, etc.... These primary resources should be inscribed in the law so that everyone has access to them. The extended view thereof is social redistribution: societies cannot be compact and sufficiently peaceful if there is no limit to the inequalities of income. That was the first important view to underpin the process theoretically. The second is Sen. He goes further than Rawls and says that the question of equality and social justice is the reallocation of real democracy. Formal democracy cannot ensure that society is ruled by actual democracy. A real democracy means enhancing people’s capabilities and eradicating discrimination to really promote the idea that everyone can fulfil their potential in life. This is more demanding upon society, as it includes learning, fighting gender discrimination in social, political and business life, and everything related to innovation, which should be promoted by everyone. We know that, in capitalism, inequality stems mostly from the market mechanism. The labour market is a system of power relations in production and income distribution and this was the ground for the social model. The labour market involves regulation
by law because the market cannot handle the intrinsic contradiction by itself, by collective bargaining and social redistribution. There can be regression upon this, i.e. the predominance of finance upon the economy, and the fact that globalization has permitted large firms to evade the law.

There are three main social models and some options to take them further.

1. The Scandinavian social model, researched in depth by Espen Andersen: this model is universally inclusive. The threshold of primary resources is very high; everyone should be a citizen, even if they are foreigners. Real equality between genders and really active life long training, flexicurity, and moderate income redistribution. This model is the most advanced in the world.
2. The liberal Anglo Saxon model: the notion of primary resources is minimal; there is a minimal social safety net for all. There are two progressive ways to enhance the principle of justice: 1) very open employment opportunities and a flexible labour market so that everyone can potentially be an innovator. 2) macro-economic policies dedicated to full employment. The US cohesion is related to the fact that employment cannot be permanent. This social model is operative but requires full employment, at least in the medium run. Unemployment should be seen as a change in the state of employment only.
3. The German ordo-liberal model: the rule of Law is fundamental because, unlike the Anglo-Saxon model, the German one considers that the market cannot work by itself. It should be
framed into Law to foster stability and competition. The Law exists to avoid arbitrary powers, private or public, in society and was established much before the Republic. There is elaborate corporate governance, stakeholder view, and legal commitments that can be de-centralized.

The problem with building a social model with Chinese characteristics arises because for the first time there is an embryo with class differences. The accumulation in capital was so strong in the past 20 years that the problem of classes arose. For the state, it is something that should be prevented. No economic power should challenge the sovereign. In the socialist era China went back to imperial ruling and full equality in wages and education, minimum social welfare that was provided by the enterprises, which in turn were productive branches of the state at the time. There was therefore a formula to provide the ‘iron rice bowl’ for everyone: i.e. a complete equality – and uniformity- in society. Now, with mounting inequality and the transfer of rule to the corporate sector and the massive migration of young employees in the last twenty years, the former society deteriorates. Hence, social welfare will be developed and the government has already established 3 basic points of attention:

1. Universal coverage to cover the primary social needs of everyone. This universal coverage will be minimal, however. The state as the sovereign and upper society should provide common goods to everyone, i.e. the goods necessary for society to function.
Before 2020 (AFTA plan) the universal coverage of the primary social needs will be fulfilled for everyone. This is difficult because rural and urban populations are very different.

2. Inequalities are not only quantitative, they stem from a deep matter in China, i.e. the status of the ownership of land. The status of land is vague, as it is not public or private, but ‘collective’. This means that bureaucrats can take the land from peasants and give it to firms or sell it to developers for a high price, thereby gaining profits and stimulating corruption. The land problem is very important for rural people to be able to move to cities and to have land property as their ultimate safety net. Added to this there is the difference between public and private employees. The public sector and the FOEs (Foreign Owned Enterprises) have employees with a very protected status. This is completely different for employees in the private sector. This will lead to difficult compromises in the communist parties, because there are opposing interests.

3. The informal social networks have a crucial role to play and they keep that. They will keep mutual obligation alive and pressure bureaucrats to deliver basic public goods. Now there are interesting experiences with revolts and the organization of solidarity networks that have overrun the bureaucrats of towns and villages. So there can be a real democracy from the bottom, rather than political deliberation. Can the sovereign stay unitary whilst a solidarity movement from the basis arises that results from a type of organization that China has had for 2 million years and that can eventually turn into a Chinese solution to the problem? In this case, the Chinese people from the bottom should be taken into account politically.
Martine Le Boulaire: French and German management put to the test by China

For six years, a study has followed about thirty French and German businesses which settled in China many years ago. It reveals that European businesses will have to deeply review not their social model but their management model.

First, it is important to remember that China is one of the countries with the highest protest rate in the world. Indeed, two years ago, the country witnessed 180,000 critical incidents, more or less severe. This phenomenon seems to be spreading still. There are extremely wide gaps between the different social classes, known as the Gini ratio, which helps measure the polarisation in our society. It amounts to 0.47, one of the highest rates in the world. Yet some economists believe that, when you reach 0.40, an outburst is near! In China, mobility is still very common within the social classes. There, the dominant factor is the role of the government and the position held by the communist party, which now only represents 10% of the Chinese population – for a total of 1,360,000,000 people. Social networks and a high level of solidarity in between families, friends or neighbours are absolutely crucial in the Chinese society. The Chinese government itself is heavily influenced by social concerns, inherited from the socialist ideology with extreme reluctance to letting cast-off regions grow. Chinese managers have a true fear of social instability. At the same time, a climate like this one shows growing democratisation in Chinese society. The press is here to inform on
any kind of fraud – corrupt administrators and politicians. The influence intellectuals and NGOs have on politicians is growing. In this atmosphere, which political leaders fear as unstable, they have realized that they need to stop “burning China” in order, they claim, to achieve a harmonious, updated society which would be content with a growth rate much below what it has been doing for years, around 10-12%. This graceful society Chinese leaders want to build will have an impact on the western companies in the country and the way they can stay. These events will affect management methods.

China started trying to structure labour law in 2008 and wages have been noticeably increasing for five years. There is now a workforce shortage, i.e. not enough multilingual workers trained to European/western management standards, which western businesses are requesting. Now, employees have expectations, and businesses were not ready for that. Chinese employees want wage increases and better working conditions. Young Chinese employees are calling for more work-life balance, which we did not expect so soon. This situation should lead some companies to reconsider the way they manage local staff, especially since young Chinese people are increasingly responsive to the image of the company they work for and of the products they make. Besides, the social relations system is still quite young. First, Chinese unions are a tool the government uses simply to force employers to comply with the law. Basically, western businesses consider that the Chinese communist party’s representation system, with the single Chinese union, is rather useless to them. Western businesses have questions about the way things are done in practice. For instance, a company like PSA has been experiencing, for several years, difficulties in getting
information from the plants as few Chinese people speak English even in middle management. Therefore, it has decided to bring the Chinese language back to its entire hierarchy, with about 150 translators in total. These difficulties and step backs show that it is not easy to be content with the single union representing the communist party and that, in the end, many of our businesses are starting to worry about the need to activate all the channels of social regulation, including participation and managerial channels. Besides, many are afraid of a certain number of social issues and carefully watch what happens on the East coast, analysing the widespread strikes. German businesses are frustrated with the social situation as employee participation is essential to their management system.

For German and French businesses, the key objective is to attract and keep employees, trying to improve their training systems as many feel that even though Chinese universities have high standards they are failing to provide employees with the appropriate standards. They want to make up for the shortcomings of the university system by introducing additional in-house training. Some German businesses, Daimler and BASF for instance, have developed a true know-how of industrial training for young Chinese people. Career development schemes are also spreading. They tend to show that, with young Chinese people yearning for high incomes and better living conditions, French and German businesses’ ability to offer career development, training and career advancement opportunities is an extremely important factor.

As regards local HR management in China, there are major differences between France and Germany. Indeed, French businesses
are extremely isolated in China, while the Germans are very well organized at all levels, taking into consideration all the data they need to do business at local level and help all Chinese businesses in the region grow. Much more than the French, German businesses have the ability to get into networks, learn information, and understand and spread it within the corporate community. They know how to transfer knowledge and technologies which means, as far as management is concerned, a large number of long-term expatriates who will be true pillars in establishing the company in the country. They massively invest in training and introduce a more built-up form of social dialogue than what is allowed with the single union. French businesses are, in general, opposed to transferring technologies. They are not very well established, notably with the public powers. They do not make an effort to learn the language. There are very few expats and those who come don’t stay for a long time. Because of that, investment into training is more limited and the development of social dialogue is much more varied.

In fact, the management system in French and German businesses established in China is becoming a hybrid. Based on a quality international standard, companies felt that settling in China was like settling anywhere else, taking all the characteristics of the management system that proved to be successful elsewhere. Now, studies show that this management system is becoming a hybrid, with a new culture and a special social system.
**Debate 1**

**Sean Mc Ilveen:** How can we explain living with a Gini coefficient of 0.47 in a classless society like China? How is this sustainable and what can we expect?

**Michel Aglietta:** It is no longer a classless society, but it might be bizarre as there is no capitalism as we understand it. The firms that have captured the big business are active in exportation and have a great capital accumulation. They are exclusively dependent on the state and the ruling party and they are dedicated to re-accumulating everything. That is why there was an over-accumulation in some sectors where others were underdeveloped. Inequality essentially resulted from the very low wages in ‘94-’08, a period of major growth and capital accumulation, with hundreds of millions of young rural people moving into new export zones for very low wages and no social benefits. This resulted in huge benefits for the firms established there. The change in demography and the labour market was backed by the central government with the new labour law. Therefore the people who protested did not protest against the central government, but against local governments. The legitimacy of the communist party as a sovereign is very high but the fact that in China the country is too de-centralized and a lot is invested in big firms, and in some ministers and local governments, can be regarded as a transfer of power against ordinary people.

**Martine Le Boulaiine:** The social pact linking the Chinese population to decision-makers is as follows: the Chinese renounce individual liberty and entrust central decision-makers with the mission to develop the country so that everyone can reap the benefits.
However, local governors are not following central policies. Many people were imprisoned because they had opposed central powers. The problem is that these local governors are very often involved in economic activities; they are landowners and industrial owners, as they bought businesses from the State. These governors are not willing to renounce the development of their fortune.

Steve Jefferys: John Locke wrote the constitution for Pennsylvania where he said that a slave was property and therefore did not have a vote. This was carried on in the American Revolution and Constitution. It is wrong to conflate the American and the French Revolutions. The former said that property was what gave people rights, whereas the French one was based on the principle that being a human being was what gave people their rights. These two ideas have always been there. Very often decisions are made because people with property and power have the capacity to think that they have the right to decide for other people. In China, it does seem that the description given of the Confucian tradition of a collective is very true, but there is also a transition underway towards a society with rights on the basis of property. Years ago, the communist party gave its friends pieces of collective property. This reminded me of the enclosures of the 16th, 17th and 18th centuries, in which private landlords suddenly made land their own, and disposed of it at will, without taking into account the people living and working on that land. The 18 million people who are now middle class and have cars in China, have now had property displaced towards them and when the “new revolution from below” is mentioned, this seems to be wrong, as it is not rural China that is moving; it’s the 18 million that claim that, because they have property, they have rights.
**Hervé Dufoix:** Are current trade unions and works councils in China allowed or prohibited by law, and what is the position of international companies on this topic?

**Martine Le Boulaire:** The only authorized trade union is the All-China Federation of Trade Unions, a unique organization representing the communist party. It is involved in all Western companies. As the right to assemble does not exist in China, it is not possible to create a union. However there has been an evolution over the past two years, especially with the major strikes on the East Coast organized by migrant workers. Migrant workers appear to be much more qualified than before, and they are highly skilled and respectful of labour legislation. They now have the support of NGOs and lawyers. Currently there is the surge of pro-trade unionism in China, and immigrants are at the basis of this development. This had sparked new legislation in China some 18 months ago with the birth of a local mediation system that allows handling conflicts and tackling them at company level. These are new developments that have sparked new types of conflicts, formerly unseen in China. This could be a prelude to a new organization and public authorities are closely monitoring this.

**Michel Aglietta:** Property as such is collective everywhere, but what has been privatized in the urban sectors is the right to use the property. Unlike Western countries, China is always experimenting. The country is so large that it is possible to conduct experiments safely. China is carrying out experiments in large provinces such as Sichuan giving long land leases (99 years) to peasants and organizing a land market, not to sell the land itself, but for the right to use it.
This is for farmers who want to move to cities, pushed by the drive to urbanize, so that they can sell the right to use the land for the future market price, which can be rewarding for them. This is different from when bureaucrats grabbed the land and gave only low compensations to the farmers. If the law concerning the use of land is changed, there could really lead to great changes in terms of mobility. Peasants will not abandon the right to use the land in order to make a living unless they can have the necessary resources to do so, which they would gather through this land market. The urban population has a right to use the housing they had for free before the reform of ‘98. The system has evolved from having people use the houses allocated to them for free, then in the 80s for a low rent and when the market created the bubble, they made a lot of profit from that. The question now is, What should be done in rural areas so that people move to the cities? People will not be expropriated like in the 17th century in the UK. The system of keeping people stationary was intended to avoid the creation of slums and to control the urbanization process. In terms of the type of governors, it should not be forgotten that in China, before the labour law of 2008, more than half the workers did not have a contract at all and were legally unknown and could be exploited without any capacity to appeal. Now the idea is to have contracts everywhere, which will make progress possible. The debate now centres around whether it is possible to have workers take over the official unions at company level and acquire the right to vote, thereby transforming the official union or maybe even creating a type of association or solidarity networks in the firms. But the idea that there would be associations
or unions challenging the sovereignty of the state is a no-go area. For now, only parallel unions are in scope.

**Steve Jefferys:** Concerning the migration into the cities and its impact on urbanization, and in the light of the European social model being related to the welfare state and mechanisms, infrastructure and civic institutions, it should be noted that the migration into urban areas brings about some challenges. With the growing middle class and the urbanization, there is a growing propensity for the people in China to develop a kind of Western lifestyle and Western illnesses. Between 2005 and 2008 there has been an 800% increase of people of working age in China having lifestyle diseases such as obesity and diabetes, 33% of all adults in China are overweight, type 2 diabetes prevalence increased by 300% in the ten years before ’94, cardiovascular diseases increased to 36% of all deaths, tobacco use claims the life of 1 million people in China each year, 15% of all deaths of men under 44 are attributed to alcohol. 700 million people in China, i.e. 62% of the population are infected with at least 1 parasite, there are at least 35 million diabetics in China, 20% of the world’s total, which by 2030 will be 70 million and 1/20 diabetes sufferers in Beijing is under 13 years old. This raises 2 questions: issues about the health and productivity potential of the future labour force in China. To what extent is there an infrastructure in China that will look after and support the welfare and productivity and productive capacity of the Chinese workforce?

**Rainer Gröbel:** IG Metall has quite good contacts with Chinese unions. A few years ago the Chinese communist party sent union leaders to Germany and Scandinavia to study their models and see
which tasks unions would fulfil in the future in the social market. We can see that it is a long-term project and that there are big differences between younger unionists and their older leadership. For large German companies it is very important to have representatives on all working sites. Volkswagen tried to set up works councils there but you have to do this with the existing “unions.” But the union in China has 134 million members and will not lose its influence.

*Hervé Dufoix:* The iPad is a very successful product and Apple is a case in point of how production can be organized in China. When we read about everything that’s happening in China in terms of manufacturing, we never hear anything about riots, safety issues, trade unions, works councils etc.... The current debate is very important. In the case of the iPad, a western, global organisation makes a profit and Foxconn takes care of the work in China. This model is simple.

In Foxconn there are a number of hidden rules like not working more than 60 hours per week, but audits carried out by Apple show that even those rules are not respected. There are huge organizations with sites that employ ten to twenty thousand people; it is perfect as people do not leave the company and sleep on site, which assures their flexibility. Those sites work 24 hours per day. In Europe this would not be possible.

Apple does not even share the name of its subcontractors in Asia. Reliable information would then be needed from independent audits. As an example Apple and Foxconn had to take action after an audit and started offering jobs with better conditions. Their only official
response was a 5-minute video on the working conditions and health and safety of the thousands of employees.

iPad and Apple are considered to be world-class, and financially they are. In the US, consumers were asked about the negative points regarding Apple. 75% of respondents answered that there were none because they do not know the reality. There is a gap between reality in China and our perception of that reality. In Europe, whenever there is a problem with a subcontractor, it can’t be hidden.

**Gian Paolo Naef**: The issue of perspective is quite important and here we see companies in Europe that look at China from our (European) point of view. But how do Chinese companies view us? How do they see our social model? We are struggling to defend and protect our model while Asia effectively has the power nowadays.

**Martine Le Boularaire**: One answer lies in the Chinese way of managing their economy. The State is very important in companies. National champions like Huawei are companies where the State is omnipresent. So economic and industrial policies are geared towards delivering Chinese champions who can develop Chinese brands worldwide. This is a very important characteristic of this business environment. Moreover the Chinese attitude in the world is defined as the Beijing consensus: doing business all over the world without taking into account the existing social and political models, without trying to export their own political model. It is not sure at all whether the rest of the world aspires to our political model. A new, authoritarian liberal model is taking shape and may be better suited for countries of China’s size.
Michel Aglietta: China is still a low-income, developing country even if it is a 2-millennium empire. In 1950 China was by far the lowest income country in the world, with earnings twice as low as in Africa. There has been tremendous progress since, with about 400 million people kept out of poverty, which is a great achievement. It is not fair to immediately gauge what is happening in growing countries undergoing many structural changes. Structural change brings a lot of contradiction in the development process, while mature countries with a moderate growth want to maintain their income level.

It should not be forgotten that in Asia as a whole, not only China, before the wage level rose, firms had always been backed by the state. There was a high level of interdependency between the administration and the company. China distinguished itself from other Asian countries by opening up to the world. In other countries, companies developed on their own and exported after they already had a high productivity level. China, for many reasons, amongst which the importance of the rural sector, needed to open to sustain its growth, it needed foreign markets. It therefore opened up massively and firms were geared towards exportation whilst being backed by the State. So now there is a sort of state capitalism for big SOEs. However there is also a huge private sector that was very performing in industry but terrible in service. And the problem that China is trying to tackle now is the transformation of opening liberal services. Liberalizing services will increase productivity tremendously. It requires a change in the price system though, and many regulations will have to be dismantled. The main problem in services is the health sector. It is as low performing as in the US, which is terrible. It is very costly and low performing, not because, as in the
US, it is completely privatized, but because it is completely bureaucratic. No one can have a private doctor, everyone has to go to very large hospitals, a system which is terrible in rural sectors and poor provinces where there are virtually no basic health services to fulfil people’s needs. The transformation of the health sector is now one of the main priorities for this country. But more generally there is a problem with the liberalization of services, changing financial prices, the land reform, new energy-efficient objectives and carbon problems. The fact that China has strategic planning is interesting: they have identified and analysed the problem and they are trying to manage it. They have the time for that, their long-term view and strategic planning is their strategic advantage.

**Bertrand Moingeon:** In Europe, when we think about China, we need to revisit our own mental model. We have to think in terms of a mutual learning relationship. We need to develop local knowledge and we know that we cannot just apply our vision of the world, because things are completely different. The state-owned assets supervision and administration commission runs the SOEs, which have 300 billion euros. They are in transition from state-owned companies to partially privatised companies. It is advisable to be more modest when approaching China. Their main need now is to understand Africa - because it is an interesting market, indeed even a new frontier.

**Yves Barou:** Now, the Chinese claim to be the ones defining future social standards. But what are they really aiming at? Do Chinese companies copy American companies or are they inventing
something new, maybe a blend of their culture and our Western culture?
3. The European social model: a model based on social dialogue

Searching for the European social model
Convinced that the European social model is strong, while sharing the fear that it is now being undermined, the authors share the same views on two key issues.

Unlike previous work, they place the essence of this model in the company, not at macroeconomic level. Even though the Welfare State and labour law are founding elements, they only prolong and globalise a certain view of the company, the industrial company, which isn’t the same as the “Wall Street” company as Michel Aglietta points out. The industrial company relies on a human community which carries a long-term industrial project instead of simply gathering financial assets to be sold on the markets! In the same vein, Marcel Gignard calls to reinvent the company. Starting from research on the content of jobs and working conditions, Stephen Bevan points to the quality of employment, aiming to overcome a post-Taylorist view of labour. And indeed, different views of the company and of labour do merge.

Social dialogue is the other key axis of this tentative definition. A sort of European Esperanto which, as Steve Jeffrey points out, could link the dictatorship of financial accounts and social responsibility, while providing a modern answer to the disputes. Obviously, national histories and traditions are still different but, as Udo Rhefeld points out, there are more and more similarities, for instance between France and Germany. Convergence for negotiation to be transferred to the company level; convergence for durable agreements introducing a consensus and; finally, convergence to acknowledge
the specificity of the two forms of employee representation, union organisations and works councils. With this dynamic, the European agreements Bart Samyn and Yves Barou are hoping and praying for can play a key part. Based on the agreements signed in recent years, they describe methods and explain what a flexible legal framework could be. However, in order to successfully face up to the coming challenges, the bargaining tradition needs to spread, as Philippe Vivien proposes, going from the traditional field of industrial relations to fully embracing issues such as employment, training, professional equality, management, or the relation with the company’s ecosystem. This then means securing the place and independence of the social partners in relation to political stakeholders and establishing the role social dialogue plays in our democracies.

Therefore, there are a lot of contradictions here, questions asked because of the crisis and of globalisation, as well as converging practices and influences between European social players. In this "melting pot," the golden triangle of social Europe is fully playing its role: information and consultation procedures are gradually getting closer, European Councils bring stakeholders together, and European agreements introducing concrete convergence methods. For the citizens, the social dimension of Europe is hardly visible. However, behind such apparent absence, businesses create a little more Europe everyday. As Philippe Vivien concludes, and beyond the necessary learning process, no other region in the world can better grasp the complexity of the dynamics between economic and social issues.
Michel Aglietta: An industrial view of the company
Steve Jefferys: Portraying stakeholders and settling conflicts

Yves Barou has clearly set out the advantages of the European social model: out of struggle came a ‘humanist culture’ of ‘social governance’ with a considerable capacity to combine employers and employees in innovation and in resolving problems. In Europe, perhaps uniquely, the common language of negotiation can act as bridge to a richer future in the face of externalities that include tensions between balance sheets and social responsibilities.

Yves links the realisation of these advantages to the representative role and autonomy of the social partners. If these can be strengthened, he considers that new pathways to conflict resolution and higher productivity can be achieved, demonstrating the superiority of the European social model to the rest of the world. This too, he suggests, might help the development of new forms of conflict resolution.

The association of the strength of social dialogue and of the representativeness and effectiveness of the trade unions with conflict resolution, social innovation and productivity poses a research question about the relationship of representation systems and the emergence of alternative dispute resolution mechanisms: does the apparent growth of individual grievances and decline of collective grievances reflect a loss of representativeness and weakening voice on the part of the trade unions?

This question was addressed in a research carried out in 2009-11. The project investigated state-supported conciliation, arbitration and mediation mechanisms in five EU member states - Italy, France, Portugal, Poland and the UK. Its methods involved dialogue between
government conciliation agencies, labour lawyers, trade unions, employers and researchers and detailed case studies of state interventions in collective and individual conflicts.³

Where collective conflicts were concerned the different mechanisms of conciliation, arbitration and mediation were often accessed because the trade unions considered that by appealing to some form of external intervention the legitimacy of their grievance could be confirmed. This step tended to be resorted to either when the unions (or the workforce) considered that the imbalance of forces within the workplace or firm meant that they could not exert sufficient pressure merely by using ‘normal’ social dialogue, or when the absence of social dialogue or its token nature meant that the country’s legal framework might have been infringed.

Two interrelated elements here are trade union strength and the embeddedness of the legal (or collective bargaining procedural) framework. There is no doubt that the European experience of the last two decades is of a significant decline in trade union density. Taking just the EU15, trade union density fell 40 per cent between 1975 and 2005, and the decline has continued since. By 2008 density had declined from 1996 levels by 9 per cent in France, 11 per cent in Italy, 14 per cent in the UK, 20 per cent in Portugal and by 50 per cent in Poland, and where reliable data exists for 2009 or 2010 it confirms a continuing downward trend.⁴

⁴ Visser, J. (2011), Data Base on Institutional Characteristics of Trade Unions, Wage Setting, State
In most countries, however, this density decline is not matched by an equal decline in what is termed ‘trade union bargaining coverage’ or the scope or influence of collective bargaining or social dialogue, although this is the case in the UK. There, where the legal framework is less supportive of social dialogue, there has been a decline in wage bargaining coverage from 22 per cent of private sector employees in 1996 to 18 per cent in 2009, and from 74 per cent to 68 per cent of public sector employees.

Besides trade union density and union influence through collective bargaining coverage, another indicator of trade union ‘strength’ could be the presence of collective conflict. A common trend in all of the five countries researched is a three decades’ long decline in strike statistics, although there has been greater variation in recorded strike levels (albeit still at a much lower level than in the 1970s) in recent years with ‘political’ strikes against government policy marking a renaissance.

Yet alongside the trend towards lower levels of externally-counted collective conflict, there is also some evidence that internally, conflict is persisting, often taking other forms than strike action.

For example, some 30 per cent of management respondents from workplaces with 20 or more employees to the French REPONSE survey thus reported at least one labour conflict involving some form
of employee protest between 2002 and 2004 compared to 21 per cent between 1996 and 1998.\(^5\)

The suggestion that legally or voluntarily-constructed social dialogue systems in wage bargaining are more ‘sticky’ (or embedded) within some EU employment relations systems than in others may also help explain the use made of collective conflict resolution systems. In the more recent democracies of Portugal and Poland, where state intervention is not as embedded or always viewed as fully legitimate, state interventions in collective dispute resolution are as rare as they are in the UK, where they may only take place if both parties agree. By contrast in Italy and France, where state intervention is deeply embedded, tripartite intervention still occurs quite frequently.

In the Italy, France and the UK, at least, the unions’ own sense of their declining strength at workplace level has meant that they are perhaps more likely to propose accessing state conciliation, arbitration and mediation services than when they felt their voice was stronger.

What, though, about the increased use of alternative dispute resolution mechanisms for resolving individual grievances? Across all of the five countries researched, the discourse of ‘individual rights’ is now either more strongly embedded or (as in France) at least as strongly embedded as one or two decades ago. EU equality legislation has played a part in this (with the requirement for Equality Bodies and transposition in Italy, for example, actually extending

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protection to include the right to be reinstated). But so too has a societal shift away from the toleration of abusive forms of employment relationships.

This has meant that in all five countries there has been an increase in the number of areas over which individuals can take grievances to court. Coupled with the increasing numbers of workplaces where trade unions are simply not present, and hence employee representation and social dialogue are not options, this has led to a much higher number of such cases than 20 years ago. In some countries, too, where social dialogue has failed to get a result, the unions have encouraged employees to submit their individual grievances as part of a collective strategy against a particular employer.

At the same time although these employment courts were originally designed to be more practical, common sense focused, and user (employee and employer) friendly than the criminal legal system, in most countries they have become more legal: there are more lawyers representing employees and employers and more procedures and case law to be aware of.

Responses by governments to what was traditionally ‘free’ access to these increasingly costly court procedures have been to try and cut their costs. Some have proposed increasing the procedures required to apply and requiring the grievant to share some of the cost, others have proposed making it more difficult to get to court through strengthening the pre-legal conciliation obligation. Employers have often supported these moves so as to avoid what they see as ‘unnecessary’ waste of their time and money in legal fees. In Italy, for
example, only a small proportion of employers actually attend the compulsory first stage of conciliation, which then has to be reconvened.

Considering both individual and collective conflicts, employers generally appear ambiguous about the presence of third party intervention mechanisms: for many, rather than reaffirming their social responsibility, it appears to threaten their managerial prerogatives. In those countries where their participation is voluntary they often decline to participate until it becomes compulsory. Sometimes they appear only ready to cooperate fully with third party intervention when it is backed by the force of law. This generalisation must be qualified: larger employers and those that have well-embedded trade unions to reflect employee voice tend to be more cooperative than the smaller ones. But there is some evidence that court decisions are commonly ignored, or settlements delayed, even by some larger employers.

While conflict in employment persists, a weakening trade union presence and voice in Europe encourages conflict to manifest itself in increasingly dualist ways. On the one hand there is some continuity of social dialogue and traditional conflict resolution processes for what is already or is becoming a minority of the workforce - in much of the public sector and some of the private sector where trade unions still have a voice. On the other there is a growing proportion of the workforce whose recourse to social justice in employment contexts is usually through exit, anger or despair, and tribunal action. Yet even getting to that tribunal and securing a platform for justice is becoming more difficult. To ensure that the competitive advantage
Yves referred to of Europe’s deeply rooted negotiation traditions is not eroded, the larger employers practising social responsibility must seek ways of ensuring wider adhesion to their good practices.
Philippe Vivien: European social dialogue

In the current European maelstrom, with uncertain results, can the social partners provide a few signs of hope and convergence? Citizens blame the officials for too much State and not enough State at the same time, for too much short-run and a lack of vision for the future. Are businesses, employees and their representatives able – and willing – to pave an integrative path which, by exceeding national “social models,” could create European social ambition for growth and solidarity?

Many an opponent explain that it isn’t their part, that they barely have any legitimacy. What right would the social partners have to create a form of transnational, conventional regulation which could, in theory, replace laws and individual contracts? The answer is simple: laws follow practice, they don’t come before it. They are the reflection of Society, not the watch or the prophetess. On the contrary, the social partners are constantly running the necessary link between economic and social issues. The social sphere is simply what the economic sphere can buy, but economic development cannot grow without an established, adjustable social system.

But then, how can this approach be legitimised at a time when businesses and unions are having such a hard time with it? The answer could be a simple offer: risking reviving clear, ambitious social dialogue on a subject which exceeds the classical, now restrictive approach of the labour relation (time, status, individual or collective relations…) to turn towards a broader scope, that of environmental and social responsibility: employment, training, mobility, flexisecurity, as well as health, professional equality, professional
balance, professional life, link to the employment pool, relations with the subcontractors.

Combining social dialogue and CSR (corporate social responsibility) can – should – be the distinctiveness of the European social model, where each stakeholder, each country can find its own room for manoeuvre.

We need strong, concrete and quick answers. Yet, since the end of the multi-annual joint work program between the European social partners in 2009-10, joint, sometimes even “tripartite” answers (European Commission and representatives from European employers and workers), are missing. Businesses and union organizations need to take over and are trying to disprove the often popular idea that European social dialogue is at a standstill.

Can European social dialogue foster sustainable growth?

While there were only two articles about European social dialogue in the Rome Treaty, the social dimension has been constantly influencing the construction of the European Union since 1957. Between 1971 and 1978, the six tripartite conferences on employment were major steps towards the official recognition of the European social partners.

The European Commission took a major turn for the social dimension, at the instigation of Jacques Delors. On January 31, 1984, in Brussels, the social partners were asked to cooperate in order to improve growth and employment. Representatives from the ETUC, BUSINESSEUROPE (formerly UNICE), CEEP and the UEAPME met for
the first time at the highest European level to talk about the social chapter of the construction of the EU.

European social dialogue secured a legislative reach with the agreement of October 31, 1991 between the ETUC, the CEEP and EuroBusiness. It provided for the possibility of implementing a directive with an agreement, and for the need for the European Commission to consult the social partners regarding all its social proposals.

A great deal of this agreement was included in the European agreement on social policy of February 7, 1992, which was added to the Maastricht Treaty and, in 1997, to the Amsterdam Treaty.

A crucial step towards more independent European social dialogue was made during the Laeken Summit in December 2001, when the cross-industry social partners released a “joint contribution.” The foundations for this new era were improved further the year after, when the social partners adopted their multi-annual joint work program for 2003-2005.

The concept of “European social dialogue” first appeared in the 80s at Jacques Delors’ initiative. Broader than “collective bargaining,” social dialogue refers to different phases in the establishment of social standards and, in more general terms, a strong ambition of shared regulations.

Thus, the modalities for consulting the social partners, informal or organized via consultative committees, are involved in social dialogue. European social dialogue, by involving the social partners in
the Commission’s initiatives, implies strengthening a legislative system.

László Andor, European Commissioner responsible for Employment, Social Affairs and Inclusion, says, “One of the key teachings in recent history is that quality dialogue notably helps lessen the impact of the recession. We must also determine, together with the social partners, the way to combine our efforts on issues such as pay or retirement within a strengthened monetary union.”

In 1999, the Supiot report once again rejected the idea of systematic preference to European policies concerning flexibility. However, as early as 2003, finding balance between flexibility and security (“flexicurity”) became an objective for the EU’s social policy and a priority in the social partners’ work program.

Indeed, the Employment Guidelines 2003 stated, “providing the right balance between flexibility and security will help support the competitiveness of companies, increase quality and productivity at work and facilitate the adaptation of companies and workers to economic change.” The Member States were asked to introduce social pacts encouraging adaptation while guaranteeing a high level of protection for workers. The stake for the social partners is to soothe the tensions between flexibility and security.

With increased differences in an enlarged EU, the Member States now want to preserve their national social model. Only France, Germany and Belgium have officially declared themselves in favour of extending qualified majority voting. However, the Member States
have a way of making progress, the “bridge clause” included in the Constitutional Treaty.

In 2002, the first steps toward more independence were taken with the communication on “European social dialogue, a force for innovation and change.” In this communication, the Commission called on the social partners to “further to develop their autonomous dialogue and to establish joint work programmes” because they have the “ability to undertake genuine independent social dialogue, that is to negotiate independently agreements which become law. It is that ability to negotiate agreements which sets the social dialogue apart.”

The Commission’s decision to be less intrusive in social dialogue (outside of logistic and financial support) can be interpreted as an increasingly important opportunity to define the social agenda and enhance their position in searching tools for sustainable economic and social steering based on compromise.

However, this approach raises the thorny question of the social partners’ ability. Is the Commission too absent from steering European social dialogue? Will the social partners be able to take hold of this bargaining space to come up with innovative solutions?

Under the social partners’ impulse, the importance of the different misnamed “soft tools” went up over the past few years. Sharing best practices and transferring skills are the first steps to spread action standards or principles. They need to be added to the law and can become, depending on how relevant they are, negotiated elements which may be used as the foundation for future collective standards.
Besides, businesses seized the opportunity that came with the introduction of European businesses to develop social dialogue. European Works Councils (EWCs) are the first truly European structure representing employees’ interests at company level. They are the perfect example of the new awareness that the economy is becoming European as a result of the single market and of European employee representation.

According to Vladimir Spidla, former European Commissioner for Employment, Social Affairs and Equal Opportunities, "the European Works Councils have been the pioneers of social Europe for almost fifteen years.” They play “a vital role in anticipating and managing the social dimension of change within large businesses across Europe. Similarly, they contribute to improving corporate governance, a critical factor in maintaining competitiveness.”

About 1,000 businesses currently have a European Works Council. Thus, only one third of the businesses concerned are covered by a European Works Council. Active EWCs represent 17.3 million of European workers today.

By spreading and generalizing the strategic and economic dimension, European social dialogue is a factor to understand the realm of possibilities.

In large businesses, strategic decisions on research & innovation as well as managing resources, restructurings or selling or buying activities, go beyond the national framework. They are often misunderstood and objectified when communicated at local level.
However, they show the real, operational dimension of the markets, always international, sometimes global.

European social dialogue provides businesses with an adapted space, a single opportunity to give a detailed explanation of their strategic view and to write the future which is, by essence, uncertain, but which opens a view giving meaning to actions. It allows employee representatives to put this view into question, to challenge their choices, to make it their own, or to propose, where appropriate, alternative solutions.

Many referential frameworks born from quality steps or certifications were then added to social standards and texts. Because they are of Anglo-Saxon origin, they aim to look for compliance rather than fostering a true development policy.

Via quality European social dialogue, the social partners are able to create their own referential and are therefore committed to the effective and shared implementation of the agreements signed.

With this approach, the social partners have to report on the results of this dialogue, thus helping compartmentalize their practices and risk assessing them.

Today, European Works Councils are the logical partner for companies in defining their social agenda.

Besides, the first transnational agreements and transnational employee representation started with the introduction of transnational representation structures, EWCS, within a new regulation space – Europe – and in a context where businesses are
adapting their HR policies to globalization. Actually, a simple statement of conclusions adopted by the European Works Council can give birth to a transnational agreement.

But is there truly such a thing as European social dialogue? Are its modalities systematically compatible with existing national laws? The question is simple. The answers are complicated and uncertain because of the maze of texts and practices translating into a legal scrubland. Only true European social dialogue based on trust and transparency will let us face up to this challenge. Negotiating European agreements fosters innovation and standards which will set precedents, carried by the social partners.

Negotiating collective agreements isn’t a standard order of the day for European Works Councils. Indeed, the Directive of September 22, 1994 simply sets a goal to improve employees’ right to information and consultation. However, exchanging information leads the way for true dialogue. In 2004, the European Commission pointed out, “Increasingly the range of issues being considered within EWCs is expanding beyond the core issues of company performance and employment to embrace subjects with a strong European dimension such as health and safety, equal opportunities, training and mobility, corporate social responsibility, environmental issues.”

The European Union has been moderately involved in regulating labour. This policy has its drawbacks but it does give the social partners a lot of freedom. European social dialogue is a true space for transnational bargaining, where the parties can decide, independently, to implement concrete actions based on indicators of their choosing.
It gives room to promote policies in areas where national practices are not necessarily the most appropriate level. Exchanging good practices in all areas affecting employees’ everyday life is an efficient learning tool, which can give the necessary impulse to achieving and supporting a European social policy. European Works Councils are a preferred space for the social stakeholders to exchange information and share experiences, methods and operating schemes.

Europe is going through difficult economic times and inescapably needs to build more stable policies.

In the midst of these uncertain times, the social partners’ role is essential in strengthening a European model made up of homogeneity and diversity. No other region in the world can grasp such complexity.

Obviously, a learning process is necessary to allow the stakeholders to organize elements and information coming from different cultures, practices and realities and to overcome the obstacles of social, economic and cultural differences. But we need to make it a strength, not a weakness.
Bart Samyn: the force behind transnational negotiations

Since the early 90s - during the Delors Presidency of the Commission - the EU has been opting for increased involvement of the social partners in the decision-making process in Europe, especially in the field of concluding collective agreements. The following basic principles were first established in the Social Agreement and since May 1999 through the Treaty itself (articles 138-139):

The Commission has a legal obligation to consult both sides of industry twice before submitting proposals in the field of social policy, first on the general principle and later on the details of the policy proposal.

Management and labour may, during consultation, inform the Commission of their intention to sign a collective agreement on this topic. The actual decision-making process of the Commission is herewith halted for at least 9 months (it can be extended at the social partners’ request).

Such agreements can, at the joint request of the signatories, be incorporated in a “Council Decision” on a proposal of the Commission, making them effectively generally binding, the signatories can decide to implement the agreement through the procedures and practices specific to labour and management in the member countries

In any case, a Member State may entrust management and labour, if they jointly so request, with the national implementation of any Directive adopted under the Social Agreement.
In this framework an agreement lies the basic layer of a system of European collective agreements, the legal authority to conclude agreements on most social policy issues (equal treatment, training, working conditions, working time,) with a most notable exception: wages."

But it is in reality just a basic layer, the underpinning of the house, without the main building.

European unions already pointed out in 2001 what was missing in this basic layer for a European system of collective agreements or industrial relations system. In fact it is obvious that all we have to do is look at the pre-existing systems in each European country to see exactly what is - still - missing at European level. What the Treaty is doing on the one hand - art. 138 - is including a compulsory "consultation" of the social partners for overall EU social initiatives. On the other hand it creates the legal possibility to conclude agreements at European level. Two important principles, although the second one does not, in retrospect, do much more than giving a legal framework to the ILO convention on the right to collective bargaining.

What it does not do is create an overall framework for these kinds of agreements; important questions remain unanswered (partly due to the fact that it was at that moment impossible to go further, partly due to the fact that they mainly - if not only - considered the possibility for European cross-sectoral and possibly sectoral agreements):
The exact definition of an agreement (versus joint texts, statements, positions, ...) and its legal effects;

The parties to a signed agreement;

The format of an agreement (specifications, technical specifications: duration, validity, context, termination, ...);

The legal implications of the context: collective normative elements, individual normative elements, ...;

Registration of and information about the agreement;

Legal validity of the agreement in the different Member States (subsidiarity versus compulsory, although this was in part regulated through the possibility for Council directives (erga omnes principle), but not completely for the (compulsory or not) implementation via the national system);

Hierarchy of the agreements vis-a-vis the existing national agreements (which one takes precedence over the other?);

Interaction and hierarchy between the different levels of agreements (cross-sectoral, sectoral and company level);

Interpretation and mediation: there is no planned official mediation role as there can be in several countries (although the social partners signing the agreement took this responsibility in a number of cases), or a European labour court;

The European right to industrial action;
What was especially missing was any kind of notion on what would/could happen with European company agreements.

The Commission’s Social Agenda and subsequent initiatives opened the debate once more, although, for some reason (pressure from BusinessEurope?), the initiative was relatively quickly focused on an optional framework for transnational company level agreements. Forgetting for the moment that that basic architecture for the two other levels was not finalised yet and that by focussing on only one level also left the question about the interaction between the levels in the open.

Most of the other missing elements have at one moment or another been discussed in the expert group on transnational collective agreements, with two notable exceptions: the debate on the need for a European Labour Court (or at least a special Labour chamber in the European Court of Justice), which for us should preferably be of a tripartite nature; and the hierarchy of agreements vis-à-vis the national level agreements.

The consequence of these missing elements can already be seen in the recent cases linked to collective agreements (Laval, Rüffert, ...) that went before the European Court of Justice, which here gave a rulings outside the scope of an existing legal framework for European collective agreements.

The European metalworkers’ federation and its affiliates clearly state that collective bargaining is a priority issue for the trade unions in particular and the social partners in general. This principle is valid at company, sectoral, national and European level. A European
collective agreement can only be signed by one or several of the representative employers’ and trade union organisations at cross-sectoral or sectoral level. At company level agreements are signed by the company and the trade unions through their representative European federation.

A European industrial relations system should not be a threat to the national systems but emphasize the role of national practice added to the European dimension. Any kind of European structure should aim for the European level without changing the national systems.

The Commission should imagine a procedure to monitor the legality of the agreements but without interfering with their content. The social partners should remain autonomous. If they so prefer, implementation through subsidiary rules must remain possible (compared to the immediate implementation possibility): this shows that for us "optional" is not just a catch phrase but a reality. In comparison: some countries use their "erga omnes" clauses often, others mostly not (example: Belgium versus Germany).

The Commission also has to change current rules on representative organisations and the right to be a member of the social dialogue committee (as opposed to the current ‘first come first serve’ basis: if two parties sign a social dialogue request they can block the participation of other representative organisations).

_European works councils versus trade unions_
In debates preparing for a concrete company case, we quickly realised that having a good legal framework (or any framework at all for that matter) for transnational agreements is not enough. An organisation also needs to clarify its internal mechanism for such this possibility.

That is true for employers’ organisations and the trade unions as well as for companies. Especially in the case of companies we have seen that the pre-existing structure is often not prepared for such cases. To oversimplify, industrial decision-making is often quite streamlined, the social policy and bargaining structure is mostly decentralised, with major emphasis on the existing rules in the different countries.

For companies and trade unions the national decision-making process is pre-dominant. To be successful an organisation needs to set up a structure allowing it to organise a new (European) level, without loosing the national (or site) level. In short there is a need for a European decision making procedure which all parties involved will respect. A signed agreement is only valid if all parties and all countries implement it.

Our bargaining procedure in multinational companies sets up clear mandate rules as well as for the decision making process, which is binding for all affiliated organisations. This means that when the procedure complies with the mandate, the negotiating group and the decision-making, we can and will sign for all members, whether they were in favour of the draft agreement or not.

On the contrary, there is also the notion that, when an agreement is reached without respecting the procedure, the national trade unions
affiliated with the European federation are under no obligation whatsoever to respect the agreement. Therefore, there is no guarantee that the agreement will be implemented and respected in all European countries.

**Some of the more relevant rules:**

The trade unions involved in the company are the ones that give the European federation (EMF) a mandate;

The negotiating group is organised through the European federation (pre-selection), the persons are mandated by the national trade unions;

Mandate and decision-making are based on a 2/3 majority in each country involved;

The EMF signs the agreement;

The agreement is signed for the countries where the company has sites at that moment (no automatism for future acquisitions, since the trade unions from new countries at least have to be consulted before an agreement can be extended to a new country);

The mandate is given on a case-by-case basis: this increases the involvement of the trade unions in the process and is deemed more effective than an overall mandate for a company;

A lot of ink has been spilled on the debate on EWC versus trade unions. First we have to state that part of this debate originated in a different use of definitions and traditions: the German "tarifverhandlungen" or "tarifpolitik" is usually translated into
"collective bargaining" and "collective bargaining policy." Yet they are not identical topics. *Tarifverhandlungen* is mostly focused on core bargaining issues – wages, working time and elements directly linked to this (e.g. framework conditions and training are also included). On the other hand you have the specific company elements (including company-based discussions on filling in the framework agreements e.g. training). In the German model, these belong to the work council.

In most other countries (some exceptions apply although to a lesser degree than in the German case) "collective bargaining" applies to all topics, which therefore traditionally belong to the core business of trade unions.

Trade unions do not negotiate (at company, sectoral or cross-sectoral level) without involving their members – the workforce. Whether it is the work council (Germany) or shop stewards/union representatives (other countries), the principle remains unchanged.

So the EMF was very practical and pragmatic about this: at European level there are no trade union representatives but there are EWC members. So logically in our procedure we have foreseen the logical inclusion of a number of EWC members in our negotiating team, insofar as they receive a clear bargaining mandate from their national trade unions. During the negotiations they are in practice trade union delegates instead of EWC members.

This means that in practice we have combined the German model with that of the other countries a created a new specific European solution respecting as much as possible all models involved in the process. For instance, the German delegates represent (and are
mandated by, and have to consult) their works council for those topics that belongs to the work council, and they represent (and are mandated by, and have to consult) the trade union for those topics that belongs to the trade unions.

In fact all delegates from all countries mandated through this procedure increase the level of representativeness of the negotiation process. And this aspect is definitively needed because it also answers a last question: how can a European agreement be implemented in each country?

The direct answer is, of course, through a legal framework at European level making the agreement binding in all the Member States for the signatory parties (company level). This would most definitively be the easiest way. But even with such a legal framework at European level this would only be an optional framework, to be used at the request of all signatory parties involved.

The alternative without a European framework is more complex to organise, but in fact technically quite easy: a signed agreement can easily and without changes, all the while complying with national systems and traditions, be transposed in each country into a valid agreement. In most cases the relevant social partners in each country co-signing the agreement is enough if they follow the necessary procedures, registration....

Registration or validity under one national law (as is the case for EWC agreements) is not an acceptable alternative, since no trade union (and trade unionist) will accept an agreement which can be defined solely (and brought to court) in another country without respect of
its own country’s definitions and traditions. So the answer is: a European framework or validity in each individual country, or a combination thereof (optional framework).
Yves Barou: The key role of transnational company agreements in building a social dimension for European development

Collective agreements have created, in each European country, a solid basis with agreed principles and common protective rights. However, it is almost impossible at national, sectoral or regional level to elaborate customized solutions to specific company related issues.

It is why transnational company agreements are so important. They reflect the transnational nature, organisation and management of medium-sized and large companies, which can be pioneers for social responsibility.

The emergence of European companies does offer opportunities to start building the social dimension of Europe. As it has been previously done for information-consultation procedures or for European Works Councils, a legal framework is necessary to foster the development of transnational company agreements.

Almost 200 transnational companies have paved the way and they did it without any European optional framework. To go further such a framework is needed, because business needs security, and these agreements provide a good basis for such an attempt.

This framework, which should validate existing agreements, has to fulfil three conditions:

Be optional; each company has specific questions to solve with a particular timing; furthermore the reciprocal commitments have to be endorsed by both parties, which is not always possible;
Fully respect rules and mechanisms of collective agreements; without referring explicitly to a legal framework of a particular country, they have to take them into account as a basis;

Be flexible enough to allow for more creativity while organising social dialogue;

The aim is not only about generating transnational texts without impact or at the other extreme about producing European collective conventions to define the collective terms and conditions.

It is about answering at the European level to new and common issues.

It is not to generate national texts. It is about finding, through social dialogue, innovative solutions to face and overcome the current economical and social crisis. It is about building a new layer of practices negotiated with a win-win approach. It is about addressing a situation entirely new on a new perimeter. It is a new game where we will have to find the rules by mixing our national experiences.

It is not about closing Europe to the rest of the world by creating barriers or protectionism. It is about finding solutions to balance economic and social dimensions, solutions that can be applied in any country aiming at a social democracy.

The market is global; processes to elaborate social solutions should increasingly take advantage of cross-fertilization.
For multinationals, such negotiations are easy to consider and to manage because those companies have built common management and the Executive Committee can make final decisions and commitments.

On the worker’s side, it is not that easy.

A mechanism has to be found to create an ad-hoc negotiation group with the proper leadership.

It would be then useful to formalize the conduct and outcome of transnational company agreements.

The basic principle is that collective bargaining is a core competence of national trade unions, based on national legislation and varying practices in different countries.

However, at the same time the role of the EWC will be critical.

Three lessons can be extracted from past experience:

The appropriate European workers’ federation that can easily take advantage of previous and similar discussions in other companies should naturally lead the negotiation. This mandate should be very clear and reflect the willingness of both parties to reach an agreement.

The second step is the creation of the negotiation body; each country should of course be represented but furthermore each country should delegate its representative(s) according to its own tradition
and culture. This decision should be made by the trade unions that are the most representative of their national systems and taken into account, where appropriate, the opinion of the national works councils.

As the European Works Council has a role of information and consultation (Directive 94/45/EC), it should be actively involved in monitoring the process and the implementation, before and after the signature.

The topics selected for such discussion should not be, for the time being, the classic bargaining domains such as pay, which have to be discussed at national level following the national processes.

However, there are a lot of shared issues where a transnational approach will be more appropriate and more effective than a national one.

It is the case for topics such as employment prospects and professional development, assessments and management practices, diversity and equal opportunities and, more globally, all the domain of social responsibility.

It means that those negotiations will not reduce the field of national bargaining but will address unsolved questions and new territories. It will enlarge the field of negotiations strengthening social dialogue as the modern way to solve problems and to generate continuous improvements.

It is a new frontier for social dialogue.
The first step (which can be quite long) is building the negotiation body, which has to be done carefully to create trust. It should not be a permanent body; the mandate given to the European federation has to be very clear.

A second step, which appears to be critical for many agreements, is gathering existing good practices to create a solid, pragmatic and shared bargaining platform.

For the third step – signing the agreement –, transparent consultation should be organized at national level. There should be a clear majority in each country. That is the only way to avoid rediscussing the agreement in each country, which would inevitably destroy the building of common rules between countries.

As a consequence, a European legal framework is needed to keep companies willing from engaging in such a process to “reinvent the wheel,” and to secure the implementation and to formalize the conduct and outcome of transnational company agreements.

Each agreement should define and clarify follow-up mechanisms – scorecards – which would of course be much more effective through meetings between management and unions and regular assessments by the European Work Council.

Those European company agreements are not inconsistent with worldwide company agreements. Depending on the topic to address, each company should decide the appropriate level of negotiation. It is clear that, because of globalization, the worldwide approach will increasingly make sense when possible. But for the time being,
Europe can be a good transnational level to start with. The similarities between European systems make it easier to share good practices and, in any case, a negotiation is possible only when unions are structured within companies. So far, company unions do not exist in most companies in the US, and in China, they have no autonomy. At the same time, in Australia or Latin America, the situation is quite often comparable to Europe.

It is why European company agreements are today more precise and more action-oriented than worldwide agreements. European Company Agreements are clearly paving the way.
Udo Rhefeld: similarities and differences between France and Germany

I will try to explain the differences and also convergent elements between the German and French models of employee representation, focusing on the company level. We will show that these differences and similarities do not only stem from different legal institutions, but that they are also the result of the strategies and practices of the three main stakeholders: the trade unions, the employers and the State.

The German Model, also named the “dual model”, has emerged as the second main model after the “single channel” model, invented in Britain and for a long time the only model of employee representation in Europe. Single channel means that the trade union is the sole legitimate institution of employee representation, regardless of the level (establishment, company, sectoral or national). The corollary of this singularity of representation is the singularity of the relationship with the employers, which is exclusively one of collective bargaining. In Britain it was based on “voluntarism”, i.e. on the mutual recognition of the parties, with no State intervention and no legal obligation other than those jointly agreed. The basic features of this model were high level of conflict, a high unionisation rate, based on compulsory union membership (closed shop) and the election of workplace union delegates (shop stewards). Although the single channel model is still a major reference point in the former British dependencies (Ireland, Malta and Cyprus) as well as in Italy and the Scandinavian countries (and also, to some degree, in many of new Member States in Eastern
Europe), it has lost its former dynamic and attractiveness. We will therefore not speak of this model here.

**The German model**

The historical roots of the German model go back to the 1918 Revolution, when Germany, despite its social-democratic and reformist trade unionism, was touched by a spontaneous movement of workers councils. Although this movement was short-lived, the Constitution of the new German Republic intended to structure the entire economic order in accordance with the council principle (a cascade of elected bodies). Finally the only new institution effectively established, by a law of 1920, was the works council (*Betriebsrat*). Although it only had information and consultation rights limited to working conditions, this new institution had a significant impact on the industrial relations system, which had previously been characterised by centralised contractual relationships between unions and the employers’ organisations. Formally a second channel of employee representation was later introduced. The unions however managed to maintain, at sectoral level, their monopoly of employee representation through collective bargaining.

This separation of tasks was justified by means of a theoretical distinction by the main author of the 1920 law, social-democratic labour lawyer Hugo Sinzheimer. His intention was to limit the prerogatives of the works councils to matters of “production,” which were considered as a common interest shared by the employees and the employer. The unions’ function was seen as the defence of the workers’ interests of “distribution,” where disputes between the two
are inevitable. Thus, legally, the works council was conceived as separate from the union and was subject to an obligation of social peace. Works councils had no right to strike action.

After the Second World War, in Western Germany, a Christian-Democratic government extended the works councils’ rights from information-consultation to a new type of employee participation called codetermination (Mitbestimmung). Codetermination is a suspensive veto right for the Works Council, with the obligation for the employer to negotiate an agreement in order to implement a decision concerning matters listed in the law. Because of the peace obligation, called obligation of “cooperation in mutual trust” in the law, any disputes had to be resolved either through negotiations with the employer or through external conciliation and arbitration. In practice, the arbitration procedure is however rarely used because of its uncertainty. Both parties clearly prefer to negotiate, including on matters not covered by codetermination rights.

Economic matters are not part of the works council’s codetermination rights. Economic codetermination rights were however introduced by law for bigger companies through the participation of employee representatives in the supervisory board. Generally, this is limited to one third of the seats. In the iron and steel industry, equal representation was introduced and, in 1976, was extended to all companies with over 2,000 employees. Different than codetermination in the works council, joint codetermination in the supervisory board is still controversial between unions and employers’ organisations. The latter want to replace it by voluntary negotiations backed by a one-third minimum standard. Management
in big companies tends however to evaluate the practice of board-
level codetermination in a more positive manner. The government
has not granted employers’ organisations’ demands. Even for a
Christian-Democratic chancellor, board-level codetermination is
unquestionable element of corporate governance and accounts for
the economic achievements of big German companies.

The founding principle of separation between works council and
union is reduced by the practice of presenting union lists for the
elections (unlike France, unions have however no legally protected
monopoly to present such lists). Today, around two thirds of elected
members and the vast majority of chairpersons in works councils
(which are purely employees bodes) are union members. Big
cOMPany leaders are involved in the strategic discussions inside the
unions and play an active role in the preparation and conduct of the
collective negotiations at sectoral level. The German system of
industrial relations is thus today less characterised by a separation
between councils and unions than by a link between the two. The
predominance of collective bargaining by unions is legally protected.
A recast law of 1972 stipulates that the collective agreement is a
superior norm that works councils are not allowed derogate from
through negotiations at company level, to make them better or not –
unless the sectoral agreements invite them to do so in an opening
clause. Today opening clauses are widely used, especially in the event
of momentary economic difficulties in a company. Unions have thus
accepted, in practice, a certain decentralisation of bargaining.
Previously, employers’ organisations had asked the legislator,
without success, to make derogatory negotiations possible. They
have abandoned this demand because they are now satisfied by the practice of decentralisation through negotiated opening clauses.

*The French model*

The French model of employee representation is a mixed one. It is neither a single-channel model, nor a genuine dual model with its clear division of labour between elected representatives at the workplace and trade unions at sectoral level. Initially, it had some of the characteristics of the British model, but the French unions have never been strong enough to impose their own system of representation inside the companies. French employers were reluctant to recognize the presence of trade unions in the workplace level, let alone bargaining rights. Thus, the unions had to act essentially from outside the company. It was only in 1968 that the presence of trade union delegates at company level was legally protected.

From 1936 onwards, the French system underwent a process of “dualisation”, highlighted by the introduction, in 1945, of works councils (*comités d'établissement* or *comités d'entreprise*) with information and consultation rights. Initially they were conceived, like the German ones, as bodies of cooperation in the context of economic reconstruction, but the communist majority of the CGT union confederation soon rejected this orientation. Today the French system can be characterized as a multi-channel system, France being the European country with the greatest variety of interest representation bodies at the workplace level -- besides being also the country with the highest number of union confederations and the
lowest unionization rate. As with the single-channel model, the workplace trade union delegates perpetuate the trade union monopoly on collective bargaining down to the workplace level.

Despite numerous legislative backings, French unions had difficulties developing autonomous, regular and generalized collective bargaining. Historically, strikes were frequent because they appeared as the only way to impose negotiations on reluctant employers. As a result, the State had a leading role in industrial relations by setting minimum wage and extending collective agreements. In recent years, a strategic change took place on the side of the employers, who now foster decentralised workplace bargaining, because this meets their demands for flexibility and also because there was a change in the balance of power to the detriment of the trade unions. Union density has fallen to 8% (only 5% in the private sector). Union presence in the workplace is strong in large firms but low in small businesses. In order to allow bargaining in workplaces without a trade union presence provisions were made to allow, under certain conditions, negotiations with elected bodies or with employees mandated by trade unions.

The number of workplace agreements has increased in recent decades. But this does not necessarily mean an increase in autonomous social regulation. According to a survey on industrial relations at company level conducted by the French Ministry of Labour, a range of juxtaposed modes of determination of pay co-exists: regulation by the State (for minimum wage); joint autonomous regulation by collective agreements concluded at sectoral or company level; consultation and, finally, unilateral regulation by the
employer. Unions are in a position to push through their own demands and to resort if necessary to industrial action only in a few cases (namely in larger companies). Strike statistics show that in the private sector the previously high level of conflict has fallen below the European average.

Laws were voted in 2004 and 2008 to give a new impetus to autonomous collective bargaining. The 2004 law partially abolished the “favour principle” by which sectoral level took precedence over company level - which could only derogate from sectoral agreements to introduce more favourable provisions for the workers. The 2008 law introduced a new majority principle for the validity of collective agreements. In order to be valid, company agreements must now be signed by a union or a coalition of unions that represent more than 30% of the workforce, based on the previous elections, and must not be rejected by a coalition that represents more than 50%. Workplace elections are the basis for new criteria of representativeness. Only unions that have gained more than 10% of the votes are allowed to nominate union delegates and to participate in collective bargaining at the workplace level. Formerly, five unions, the CGT, the CFDT, Force Ouvrière, the CFTC and the CFE-CGC (only for managerial and professional staff) were considered as nationally representative, which meant that a company agreement was legally valid if it was signed just by one of them.

The 2008 reform is too recent for us to evaluate its effects on the stakeholder. One might expect that they will be more responsible at company level. Employers will no longer be able to choose their negotiation partners beforehand. On the union side, there is a need
for more strategic unity and for more realism in the negotiation process. It will be more difficult for a big union to explain to the employees why it preferred to stay outside the negotiations and did not sign the agreement if its support is needed for its validity. So a combination of legal reform and strategic reorientation by the actors might finally lead to a certain convergence between the France and Germany, despite the inherited institutional differences. One might call it “coordinated decentralisation”.
Tanja Haak: employee involvement, one of the founding principles of the European social model

Employee involvement is a typical feature of the European Social Model. I am a European Industrial Relations Advisor and as such advise large and medium sized companies (management and employee representatives) in Europe who have dialogue at the European level. And this dialogue is key to foster employee’s involvement as a founding principle of the European Social model.

Since the birth in 1994 of the European Works Council Directive, the European Social model has changed significantly. Since the Directive was implemented in 1996, the oldest operating EWCs are 16 years old – rebelling teenager, not yet knowing what choices to make, and on the way to living a full and responsible life. They are not yet of age but they are working towards that. The EWC has indeed become an integrated part of a majority of companies covered by the Directive. The question can be asked whether EWCs are considered to add value, or just a box to tick to comply with regulation, or an additional place to voice national employees’ or unions’ interests.

Adulthood, however, implies a shared responsibility from both sides. The question is how this responsibility for the wellbeing of the company and all its stakeholders translates into the practice of operating EWCs, and whether the lack of European unity within companies jeopardizes a coherent European view and policy. EWCs are struggling with their identity and like 16-year old teenagers, they are trying to determine the role they have to play and the responsibilities they should take on. They do not find answers in regulation. The stakeholders of EWCs are left alone to work out what
the shared objective is, so that they can really make a difference. In addition, the objectives and the degree in which they are realized must be measured, both in terms of quality as in terms of quantity. Therefore, before EWCs are burdened with even more responsibilities, such as the negotiation of European framework agreements, they should be given the time to come of age.

Non-Europeans view the European structure of employee involvement practices as a spider web with national, sectoral, transnational branches and a variety of employee representation structures. Because of this complexity, they often see employee involvement as burdensome, not as an asset. This creates resistance from management and thus hampers trust levels.

In the HR function, less time, manpower and resources have been allocated to translate the European employee involvement systems and their possible benefits to non-European (and often also Anglo-Saxon) decision-makers. I firmly believe that HR professionals have to be trained and need to exchange experiences across borders on a regular basis. The 2009 Directive contains a training obligation for employee representatives, but HR managers responsible for EWCs would also greatly benefit from this type of EWC-specific training. Often when management appoints a coordinator for the EWC and they do well, they never get rid of this task anymore, even when they receive additional tasks. The problem is that when these people leave, there is no one left to pick up the pieces. This is one of the consequences of organizations becoming too lean. This is a pity, as a well-functioning EWC can be an ambassador for the company.
There are occasions where you can see a difference between the trade union approach and their support to the employee representative members and BusinessEurope’s support to the HR community. BusinessEurope does not consider that they should assist companies on this particular subject, and neither do the national employer organizations so there is an experience gap there.
Stephen Bevan: quality employment: one of the founding principles of the European social model

Why is good quality work important in the current crisis? Did you notice when you checked in or during these days what was written on the name tags of some of the staff in the hotel? Dream. Most people have a short statement on the dream that they have. The couple I saw wanted to visit the source of the Amazon river, and someone else wanted to live a good life. The concept of dreams is part of the overall brand proposition of this hotel. The brand proposition is probably if you choose this hotel, it has very pleasant facilities and the whole experience that you get will help you to fulfill some sort of dream. The act to present the staff’s dreams is to connect them with the brand of the business. I will leave it up to you to determine whether connecting people to the organization in this way is authentic or cynical, and only the staff can tell you that.

In the current crisis with high levels of unemployment in Europe, especially amongst the young, the idea that everyone has a right to a good quality job giving them a sense of wider purpose and hence a sense of meaning may appear naïve and unrealistic. Surely in today’s labour market, any job is a good job.

I am going to argue that good work is an essential component of business success, productivity growth, human dignity, social inclusion and the wider social contribution that organizations can make. I will be arguing that its definition goes beyond what already exists with the Lisbon Treaty and the ILO. The idea of work fulfilling a profound human need has a long history and has often been the theme of great philosophers. With Peter’s presentation last night I realized that
quoting philosophers was allowed. Emmanuel Kant said “If a man has done much, he is more contented after his labours, than if he has done nothing whatever, for by his work, he has set his powers in motion”. Thus work has the power to animate us as individuals.

In 2011 in the UK, a group of Chief Executives from major companies and trade union leaders established, with the Work Foundation, a “Good work mission.” For 18 months it examined the levels of job quality in the UK labour market and looked into the possibility of creating more quality work. They concluded that all employees, no just the elite, wanted to do work that ha a wider purpose. The Commission echoed the famous word of Terkel, who said in his book in 1974, “Work is about a daily search for meaning, as well as daily bread, for recognition, as well as cash, in short, for a sort of life, rather than a Monday-to-Friday sort of dying.” And the father of organizational behaviour, Frederik Herzberg, instilled the message in a short phrase that underpins all good HR practices to engage employees, “if you want somebody to do a good job, give them a good job to do.”

This should prompt HR Directors to examine the extent to which work organization and job design maximize the intrinsic quality of the work that people are asked to do, and that is why understanding how to provide good and meaningful work is part of the strategic landscape of the employment relationship of the 21st century. There are, however, some dark forces at work in the European economy. I will discuss three of them:
• Erosion of trust in some of our big institutions in many countries. There has been an erosion of trust in our banks and financial institutions. In the UK and probably some other countries, an erosion of trust in politicians. You remember the scandal with MPs falsifying their expenses and this severely affected the trust of citizens in their elected representatives. We have even seen some institutional embarrassment in some churches. Citizens are more suspicious of big institutions, especially if they work in businesses whose ethical reputation has been damaged.

• Growth in the knowledge economy. Most EU countries have over 40% of their workforce being knowledge workers with the creation and exploitation of knowledge as a source of competitive advantage. The knowledge economy is not about the transition of manufacturing to services, it represents a third pillar. The motives and expectations of these workers are different. However, with rising skill levels comes an increased need for consent for change, for consultation and employee involvement. This desire keeps the European social model relevant, but it needs to be responsive, perhaps by going further without abandoning traditional imperatives of coordinated bargaining, social protection and social dialogue. Many economies are looking like an hour-glass in terms of the labour market. They have growing groups of high and low skilled jobs, but hollowing out in the middle. You almost have a two-tiered labour market developing and within some countries that effect is strongly regional. We also have the additional effect of the utilization of skills. Up to 13% of
employees are working in jobs for which they are overqualified or working in part-time jobs when they actually want full time jobs.

• Growing intensification of work. Longer hours, bigger workloads, work-related stress, reduced work-life balance, technology operating as a vehicle for scrutiny rather than deliberation and the erosion of job quality, especially control, autonomy and task discretion, the ability to learn new things and skills and have variety and challenge in our jobs. In the UK we have seen over 15% reduction in workplace autonomy over the last 15 years. That is when we are moving towards a target of 50% of our population going to university. Adding to this is the corrosive impact of job insecurity. In the UK in 2008 67% of the workforce said that they felt secure in their jobs. In 2011 that had dropped to 45%. There is a macro-economic impact because we know that insecurity in the workforce undermines consumer confidence, a key pillar of demand. So with the erosion of employment rights and protection, we have to take care as we strive for more flexible labour markets. The UK already has a very flexible labour market but a report this week suggested even more deregulation of labour rights. It is now easier to sack someone in the UK than it is in China or India.

There are a number of benefits to more workers having access to good work. Higher engagement and discretionary effort, high levels of performance and productivity such as creativity, innovation and team working, higher resilience with regards to change and
uncertainty and there is a strong link between individual resilience and business resilience. I was talking to the Chief Medical Officer of the London underground, who is very concerned about the levels of stress in her workforce, and the London Underground needs to be very resilient this July and August because of the Olympics. And if their staff are not resilient, the organization will not be resilient. You also get better workforce health. We know that there is a strong epidemiological link between good quality jobs and the health of the workforce. Poor jobs bring more accidents, high rates of cardiovascular disease and mental illness. Good work is also good for a better social performance of businesses. Workers are connected to the purpose of the business, want to do work that is socially responsible, and is of benefit to countries who wish to play a more positive part in the communities from which they seek a license to operate.

We have quite a distance to travel, though. A survey we did amongst UK workers last year, showed that only 4/10 British workers believe that their bosses act with integrity. Only half of British employees feel that the level of trust between management and employees has got worse in the last year, and only ¼ employees in the UK feels that their organization manages redundancy with compassion. The danger is that in a recession, labour standards will decline as a race to the bottom, and that labour surpluses will be seen by some employers and governments as a justification to erode the intrinsic quality of work. These of course are the same employers who will be complaining about skills shortages when the recovery happens.
The core dimensions of good work are in my view:

- Secure and interesting jobs that employees find fulfilling and developmental, which contribute to the achievement of high performance and sustainable business success
- Style and ethos of management based on high levels of social capital, trust and recognition that managing people fairly and effectively is crucial to skilled work and high performance. The word ‘fair’ here is quite interesting. I think that it means justice and proportionality rather than equity. This is sometimes a difficult message for unions to accept, that equity is sometimes less important that fairness. E.g. outcomes for employees like pay, jobs, progression, may not be equally distributed but reflect discretionary effort and sometimes luck.
- Flexibility and choice over working hours. I think that working long hours is less important than having sovereignty over your working time. It comes back to the core theme of your job
- Autonomy and control over the pace and the working environment
- A voice for employees in the critical employer decisions that affect their future

There are some interesting debates about ownership structures. In the UK we have the John Lewis partnership, an employee-owned organization with lots of shares. The evidence suggests that if you just try and increase financial participation of employees, without
doing more to increase wider participation in decision-making, you do not get the type of connection to the business you might hope for.

The bottom line is that good work results from high-quality and enlightened line management. The HR profession has only limited impact here, and that is one of the big challenges for HR professionals. But where it can change HR policy and strategy, which emphasizes job quality, it should do so. The three things the HR profession can emphasize are:

- Where they can ensure that line managers get their jobs because of their people skills, rather than their skills as engineers or accountants, they should do so. Line managers should also be assertive.
- HR should focus on approaches to work organization and job design, which maximize control, autonomy and discretion and variety. Things like job rotation, self-managed teams, etc. have all been shown to be very useful.
- Be creative and bold in increasing mechanisms for employee involvement and participation, through dialogue, mutuality and partnership. In the UK we have seen amazing changes and resilience in the car industry because of collaborative joint decision-making between employers and unions. Industrial relations and partnership work will never be the same in those organizations because those parties have demonstrated to each other that they can do things together.

I would like to finish with a quote from the chairman of the good work commission, Mr. Alan Parker, who was the Chairman of the
Brunswick Group in the UK and is very interested in business. At the beginning of the commission he did not seem very interested in good work, which is slightly ironic, but he said at the end, “The recent financial crisis crystallized a lot of profound concerns about how we do business. The bigger trend is how good work can be at the heart of high performance organizations, whether as an individual or as an organization, and it is a key ingredient in creating the winners of tomorrow.”
Marcel Grignard: transformation and sustainability of the European social model

Thank you very much for having me and giving me a say in this debate. Indeed, I will give you the point of view of an iconoclast unionist who personally negotiated the latest labour market reform in France.

With growing globalization affecting the political, economic and social spheres where the organization of societies and companies borrow from different cultures and tend to look alike, in some respects, identifying the “European social model” is tantamount to pointing out what characterizes it in view of social relations and the meaning of public policies implemented elsewhere in the world.

Such is the case for forms of “welfare state” which, relying on high debits, guarantee high levels of health, education and social protection rectifying the inequalities in accessing them. They create a favourable environment for businesses and economic development.

It is also a form of link between economic and social issues. It is at the heart of social dialogue that is the envy of the world.

It is collective employee representation in businesses, greatly spread in European countries, the presence of European Works Councils, of sectoral dialogue committees. They are also systems for employee representation at the level of companies’ decision-making structures. The most successful form is the European company.
They are national sectoral and cross-industry systems with a European extension with dialogue between BusinessEurope and the ETUC and with dialogue with the European Commission.

In the end, from very different national systems (organisation of social dialogue and protection, ...) and funding, national as well, there are real similarities which, over the years, have allowed linking economic and social issues, ensuring development and progress. Over the years, poverty and inequalities were reduced. Social progress and democracy are gains of the “European social model.”

A series of evolutions coming from Europe itself and from international developments and corporate behaviours are jeopardizing the European social mode” and questioning its future.

Europe is more unified but it is also more heterogeneous, which makes it more complicated to run and to come up with compromises at the hands of increasingly fragmented situations. Therefore, businesses and employees are increasingly competing because of the gap between social protection, labour costs and fiscal policies.

Intra-European competition spread as the room taken by emerging countries stripped developed countries (especially Europe) of the ancient dominant role they had at global level. This enhanced competition between Europe and the other regions.

Finally, the crisis we are going through, especially the crisis of public debts within the euro zone, is leading to high unemployment rates which particularly affect young people in Southern Europe. There are
also policies of drastically cutting social guarantees and pay within the most badly affected Member States.

In total, for a growing number of employees, Europe is no longer a synonym of social progress but one of austerity and destroyed social gains.

The multitude of facets of the crises affecting Europe can explain the rise of populism and national withdrawal which, in the most complicated national cases, lead to political crises.

If, for the most part, macro-economic policies are being questioned in an attempt to explain the nature of the crisis, it nevertheless seems like we need to point out two aspects which should call out to businesses. First, technological change and the financialisation of the economy have deeply upset the way companies operated. The growing individualisation of employees’ assignments, while fostering motivation and a sense of responsibility, also adds tension to the relations between employees in businesses and between businesses. Top management making common cause with shareholders puts middle management in conflicting injunctions between short-term financial objectives on the one hand and the need to organise cooperation in the long run on the other. Hence the imperative need to rethink corporate governance and the roles of the different stakeholders.

Then, we must assess the long-term impact of the refocusing done on the core of the trades that led to outsourcing activities considered as peripheral or with too little added value. Over time, the link between these legally independent entities, which used to be part of a whole,
have become relations of ordering parties – subcontractors answering demanding cost and profitability criteria. What used to be socially mutualised within the company has become fragmented as values took shape. This is one of the reasons why inequalities grew between employees.

We can even less ignore this reality since collective bargaining at company level is growing. Although it is indispensable to make way for social reactivity and innovation, it also forces us to rethink cooperation and solidarity resources beyond the company itself in order to guarantee justice and social cohesion.

Businesses have a major role to play in ensuring the durability of the European social model.

Europe is in the middle of the ford. Status quo would mean its downfall. On the contrary, rethinking our development systems by facing competitiveness challenges and environmental stakes, finding the resources to fund appropriate social protection, these are cards that can be played to carry the future.

Linking social and economic issues via social dialogue is one way of meeting these competitiveness challenges. Keeping the values of solidarity, justice and democracy alive also means creating a context where social cohesion is favourable to the in-depth changes our societies have to face.

In other words, our social model relies on a series of reference points we need to sustain through adapted systems to answer future challenges. In this respect, we need to reinvent the concept of
“company” in Europe: a company better able to reconcile economic and social issues, always looking for the best compromise between all the stakeholders and defining cooperation between them as a way to achieve economic and social performance. This new model should follow 4 tracks:

Involving employees, developing cooperation in order to achieve greater collective performance, and cooperation between all the stakeholders will foster competitiveness. Social dialogue in businesses remains the most appropriate way to express conflicting and similar interests as can be found in any community. Social dialogue, aiming to overcome these conflicts by arranging compromises with a joint interest. Dialogue which first ought to take account of the company’s employees and also include other stakeholders (businesses before and after, shareholders, public authorities, users/consumers).

Talking about performance-oriented governance taking the employees into consideration necessarily means thinking of a new organization of labour, management and social dialogue. If proven that companies’ performance relies – increasingly so in the future – on immaterial investment, and improving employees’ skills and motivation, it then needs to be the centre of a new form of governance. The company’s strategy and performance are not simply the result of the choices made at the highest level and throughout the hierarchy. They need to be combined with a growing component, starting from the employees and, therefore, involving them even more. Otherwise, how could we mobilize all this available energy, which often goes to waste? It also means using the quality of labour
as a way to help employees blossom and to boost economic performance. To do so, exchanges and dialogue are important to enhance cooperation, uncover difficulties, identify solutions – turning them into objectives of economic and social progress. Employees need to be a part of the identification of economic and social goals... coming to add value to and, where appropriate, question the company’s global strategy. To that end, the best would be to organize businesses, regardless of their size, into sub-groups with a human scale where the people know each other, talk to each other, debate, and have independent spaces to answer the challenges of economic and social performance. The management is supposed to organize and manage this independent space. Unions are protectors, not leaders in this space and would find the resources to reinvent and fuel social dialogue and carry economic and social issues in the debate with the company’s management, regarding its project and its behaviour, and be involved in choosing indicators to assess social performance.

If, at all levels in the company, we manage, in a conflicting and transparent manner, to define objectives in terms of economic, social, societal and environmental progress, we can also use them as criteria for the financial involvement of all the employees, and criteria for managers’ variable pay. It is also important to think about the perimeter affected by financial participation (so as to involve a maximum of employees in the economic process, even if they are legally separated) and to discuss the forms of participation having regard to the social objectives it can fund.
The damage caused by the financiarisation of the economy (high financial output regardless of the social and economic impact) is making socially responsible investment more plausible. The point is simply to direct financial funds (notably those where employees put their savings) towards businesses matching social and environmental responsibility criteria. It is a lever to support the growth of businesses that view the social dimension as a performance tool.

We are not going to get rid of the crisis that gradually entered our developed companies simply by adapting our models. Besides, the changes are such that we cannot propose a new ready-made model.

We cannot reinvent the company and make it the subject and a tool for the durability of the European social model simply by giving succinct theories on new balances. We need to look for possible paths through social and managerial practices. We are simply giving substance to the CSR concept, whose principles have been laid down for a long time but which need to be implemented while taking account of our analysis of the period and while acknowledging that its impact has not, to this day, been efficient enough.

And yet, it is a dreadful challenge. For numerous companies, the priority is “cost competitiveness” and they consider that social dialogue is too long, too complicated and too uncertain. We also need to find an answer to these criticisms.

From a union point of view, the proposed path entails serious questioning. It is banking on the fact that we are going to positively influence employees’ future, inventing the future rather than trying to save what is left from times past.
To conclude, I believe that, if we want to reinvent the company or renovate the European social model, we cannot make marginal changes but on the contrary very deep changes in social and managerial practices. It is a true challenge.

Therefore, I will ask three highly personal questions:

1- Are European companies able to face up to the challenge of the European social model if multinational firms do not make a clear distinction between the European and global dimensions?

2- Are we able, in a company, to relax the obligations coming with current operations vis-à-vis these numerous suppliers? Can a company consider that the partnership should overcome the mere decrease in production costs?

3- Sometimes, I feel like there are actually few HRDs like those gathered here today and union members trying to get off beaten tracks. Are the initiatives businesses take enough to one day have a massive influence?
Debate 2

**Dirk Schneemann:** Total is an example of how EWCs are now very well organized and managers actually lag behind in terms of the information people are sharing. 16 years might be young, but EWCs are running very fast.

**Tanja Haak:** There is a big difference between EWCs in large companies like Total and other EWCs. 10% of existing EWCs run well, and they are usually in large companies. But there are others where employees cannot communicate outside of meetings due to, for example, a lack of language skills.

**Philippe Vivien:** I am a great fan of EWCs but we need to transform them into a change agent for the company. Integrated companies run at global level and have some HR processes that need to be implemented in different countries. As an example, we had a plant closure in Belgium that was handled quite swiftly because a strong business case was presented to and assessed with the EWC.

My company has signed the first European gender equality agreement in 2007 and today, in all the companies’ sites, feedback is provided on this topic. The EWC can therefore be a booster to HR processes.

**Yves Barou:** I agree. Quite often when reference is made to the social dimension of Europe, it is related to directives, political decisions etc. The reality is that large European companies create norms and standards that they develop throughout countries because they have common HR processes that are partly discussed in EWCs. The social dimension of Europe is currently being built by companies!
However, many misunderstandings may arise in the EWC. Whereas French managers do not ask the reps for their opinion and just ask for the green light to go ahead, Dutch managers ask for the opinion of the representatives who, when they say no, expect that to be taken into account. Cultural differences are quite interesting and a long learning process lies ahead of us in that field.

_Hervé Dufoix:_ Two matters have not been debated, at least not directly: the management culture and the interface between management and trade unions.

_Cornelia Hulla:_ The social model is more and more important and we should create a common language at European level. Some managerial characteristics of the social model are essential: respect and real understanding of each other’s points of view as well as mutual trust.

In the past 30 years we have seen a great evolution in mindsets, which is reflected in business schools, where the marketing culture was replaced by the financial culture, whereby the social aspects became of lesser importance. This is something we see reflected in the post-war cultural and social models: strong regulation was put in place to make sure some things were taken into account (e.g. in Germany - the right to co-determination, in France -managers were often reminded that there was a social reality). That, however, has disappeared in many business schools, where the focus is on the markets and financial aspects, which is why young graduates and managers are often not aware of social realities. They have actually not been trained to take this into account.
We need to have a joint reflection with the social partners on the role of management. 30 years ago managers were technicians who functioned in a simpler and more straightforward world where they were closer to employees and to their own CEOs. Then suddenly managers were asked to take care of Human Resources, without taking into account that a “real” relationship was what had allowed things to work well in the past. So even the best of managers involved in HR are faced with a hurdle because, very often, they do not have a personal link with employee representatives. Moreover the power distribution is distorted because of globalization. In France, relationships have clearly changed and the role of the manager as an interface with the employee representatives will be absolutely essential for the future. Very often the importance of the relationship with employee representatives has to be explained to managers, and they should even be helped in negotiations, because if this does not happen, they will remain absent from the debates on social aspects, or even worse, be opposed to them. It would be interesting to discuss what can be done to improve a social model mindset in order to make sure that the relationship between managers and employee representatives and employees becomes richer.

**Rainer Gröbel:** In Germany the dual model with coordination has existed since 1976, and out of IG Metall’s 1 100 political secretaries, 500 sit on supervisory boards. This allows an understanding of economic, political and industrial matters and creates a knowledge that goes beyond the knowledge of any political party in Germany. However, German managers in large companies support co-determination, as opposed to the USA. Not only experience and
rights are necessary, but also strong unions whose strength is individual and do not come from the government. IG Metall now has increasing membership, which is exceptional in Germany, where organizations see their affiliation dwindling.

**Cornelia Hulla:** What do we think about the new trends related to social media and how do we integrate this in the social model? In Germany it is said that the political system is in the midst of a crisis. Now there is a so-called “pirate party that would actually get 10% of votes if national elections were held now, in spite of the fact that they have no stated programme on many topics. Their appeal is that they master social media and have set up “liquid democracy.” They have tools in place to better involve people to discuss things and come up with “cloud sourced” recommendations.

**Dirk Schneemann:** Labour relations are complex, legislation is indeed important, just like collective bargaining and the balance in the relationship between employers and employees. There are initiatives that do not come from the Commission and are aimed at dismantling the rights to collective bargaining and imposing decentralization, i.e. doing away with negotiation at sectoral level. This decentralization would be forced, which is an authoritarian approach that cannot be tolerated.

**Robert Zelweski:** When talking about the future European social model, we imply distinguishing the European dimension from global aspects. In a global company, different national systems are used, as well as the EWCs, how can all of these be combined?
**Marcel Grignard**: multinational companies have the most capacity to innovate and have a greater impact than SMEs for example. Major companies apply different models from different regions, and they have to face competition from companies with different backgrounds. If we agree that we need to invent a European business model that would help us to better consolidate the different perspectives, we should make sure that we develop new initiatives, particularly in companies that are developing rapidly. CEOs often say now that 20% of their market is in Europe and 80% outside of it, and that the problem does not limit itself to Europe. If we think that we have a special social model in Europe, even if that is difficult, we need to make sure that in global companies we also develop global social dialogue, without having the European perspective dilute in the global context. We should bring it out and expand it, or else at some point in the future companies might overlook the European perspective as the business importance of Europe decreases.

**José Antonio Rodríguez**: Having a corporate focus on equality is a useful way to get people to think about and pool resources. This occasion should also be used to do a corporate review of subcontractors and outsourcers to create the corporate culture companies want to have themselves, and want others to have.

It is important to establish a common of the works council as a body that adds value. This is not the perception of HR managers who are not directly involved in the EWC. Often it is regarded as an additional barrier to making things happen, instead of an additional tool to build new things for the companies.
Philippe Vivien: In Elewijt centre, during a wrap-up meeting, a business case will be presented on two major topics: gender equality and anticipation of jobs and skills.

Stephen Bevan: most of the discussion on European Social models was based on the mechanics and the institutions and the forums for discussion and exchange, rather than the process by which employee involvement is embedded in working practices through e.g. ownership structures, autonomous working groups, how to involve people in decisions that are made. The focus on institutions and mechanisms is interesting but it is only part of the story.

Hervé Dufoix: Steve Jefferys pointed out how important it is to come up with one single language allowing for some form of innovation. Social innovation leads to concrete progress. I would add managerial conditions, which are key for social dialogue to move forward: respect, understanding the other’s interests and stakes, and trust. What has happened in the last thirty years is jeopardising this model. First, the whole culture and evolution of business schools: starting from a rather strong marketing culture, focus has now moved onto finance. Social aspects have never been a priority but they were completed, in the social and cultural models born with the War, by the fact that there were strong regulations and (???) supervision from the managers, who considered that they had to take account of different missions, either because of the law or because of social reality. They have disappeared and business schools have given a lot more weight to the financial dimension and increased students’ appeal. In large groups, managers were increasingly less sensitive to all these social aspects which, moreover, they do not know very well.
Secondly, we really need to think, with our social partners, about the issue of management’s role. Thirty years ago, managers were like technicians; businesses and the world were rather simple: there were employees, managers, plant management and the HRD, and this set worked quite well. Then, managers were asked to take care of human resources but no one trained or supported them in their relations with union organisations, hence the misunderstanding. “How can we, today, make sure that the relations between managers and employee representatives are there, richer and more productive?”

Fernando Vasquez: I would like to get back to the issue of the role of the law. What Udo Rehfelt said about the overemphasis of the law’s weight struck me. I want to say, first of all, that I really don’t believe that labour law and the industrial relations system are the creation of legal experts or academics. Reality is very different from that. It was businesses and the social partners who developed all the tools we currently have. In some countries, Denmark for instance, a collective agreement dating back to 1899 is still in force, and the law does not interfere in that field in any way. But law is necessary, even though there are several legal tools everywhere, including EU directives, that resulted from the economic and social reality: there had to be a law, either to reconcile different interests or to encourage desirable behaviour. For example, before the 1994 Directive, there were about 30-40 European Works Councils. Within two years, there were 400. Today, there are approximately 1,000. Therefore, the law can create a safe framework of promotion and help implement principles deemed as necessary.
Listening to this debate on the European social model, I feel as if we all know something is getting weaker and weaker or even vanishing. I, too, feel that way. There is no mistaking the signs in the current policies. Everywhere, strategies and measures are questioning rights that used to be considered as a given in Europe, e.g. the principle of justifying dismissals. The Charter of Fundamental Rights of the EU states that you cannot dismiss an employee with no justification and yet some countries, the UK is a recent example, are questioning this. It is unacceptable and banned by written provisions. Besides that, recent policy orientations, coming also from the European Commission, invite the Member States to decentralize collective bargaining. Collective bargaining must always be something left to its creators and owners, the social partners. The form it takes, the level at which agreements are negotiated, the timing and the content of these agreements are the result of economic and social requirements, not of macro-economic goals. Pretending the contrary is useless and leads nowhere. Another example is the recent idea (quickly abandoned) of exempting businesses with less than 15 employees from any regulation, even in terms of health and safety. Everybody rejected it, primarily employers’ organizations.

These are examples of the fact that reference principles seem to be disappearing and that we now often tend to value the evolution of our systems that are the result of first steps, poorly analysed initiative that make no sense and oftentimes conflict with existing texts. We should wonder whether or not there is a line that cannot be crossed and, in this respect, I will once again mention a text that binds us all: the Charter of Fundamental Rights of the European Union. It contains a series of civic and political rights as well as an
important chapter on labour and social law. I believe that these rights, secured over several decades, have to be maintained.

_Udo Rhefeld_: I was not questioning the importance of the law. I have been working on industrial relations for a long time and I am aware that labour relations are out of balance, at the expense of employees, and that statutory law and collective bargaining, which is another form of law, are important elements to restore the balance. I believe we cannot dismantle the rights protecting collective bargaining or impose decentralisation, leading to sectoral negotiations. Indeed, it would not be coordinated decentralization but forced decentralization.

_François Curie_: I have a question for Marcel Grignard. Could you explain, when you say that, to meet the challenge of building or reshaping the European social model, businesses would need to differentiate between the European dimension and the global dimension. I have come up against this problem in my company, which is mostly international and relies on determined national social systems. We’re trying to build, via the EWC and European bargaining initiatives, a part of the European system. I believe it is a strong, structuring element of the approach we need to take. Could you comment on this a little further?

_Marcel Grignard_: I think that large multinational businesses are the ones that innovate the most. They borrow from the different models in the continents where they are present and are faced with other businesses with American, Chinese or Indian roots. If we agree to say that we need to come up with a corporate system where economic and social issues would be more balanced in a new market economy,
from this point of view, the Americans, Chinese and Indians don’t think exactly like we do. Therefore, we need to develop, not impose, what we consider as essential in the European culture, in the companies that are doing well and growing. In Europe, we have specific social systems and our own social model. I think we need to try, although it is not easy, to develop global social dialogue in international-scale companies. We mustn’t drown the European dimension in this global social system but on the contrary strengthen an innovative European view as a support to develop the social dimension in Northern America and elsewhere. Personally, I am really afraid that businesses will one day tell us that the European social model is dying but that it isn’t their problem since it doesn’t really influence their business.

**Marie-Françoise Damesin:** The notion of ecosystem is particularly relevant for automakers. We are striving to take account of the entire industry because we need perennial, stable partners. It is so true that we ask our partners to go along with us in our international development. For all the stakeholders in the company, the concept of social responsibility is a way to broaden our horizon and take into account, as Jérôme Nanty put it, the externalities generated by the company.
4. The demographic challenge: joint questions and answers to invent together

Three generations under one roof
In order to converge, and therefore overcome, the divides inherited from the past, the best solution remains to sit down on the same side of a table to solve new issues together. From this point of view, Europe has what it takes since it has, even though there are similar versions, two tremendous, complicated and intertwined challenges: welcoming the youth and keeping seniors, thus having three generations living together under one roof for the very first time!

The most blatant demographic problems are found in Germany. Rainer Gröbel describes them quite well, giving the example of a somewhat peculiar company, the IG Metall, the largest trade union in Europe with 2.5 million members. As everywhere else, issues of ageing, the risk of losing skills and the transfer of knowledge are raised. To make this necessary transfer easier, Caroline Young especially mentions the possibility of appealing to the experience of new early retirees. Indeed, as Yves Barou pointed out, it is clear that HR managers now have to come up with new answers for employees over the age of 60, who can potentially foster a new labour relation. However, as Robert Zeleski said, employees are still not ready for these questions.

Even though massive retirements sometimes solve employment unbalance, they also reduce the pool of skilled labour. Michel Aglietta answers with the potential women represent, provided that the labour market is able to welcome them and that collective childcare
facilities are adapted. Bernard Perry shares this call for diversity, wondering if businesses’ male chauvinism is truly out-dated!

This new demographic deal has been influencing the balance of retirement and of skills for a few years and is not affecting Europe alone. It will be even more violent in China. However, Europe can, notably by relying on its training tradition, find the betting system to solve this.

However, at the same time, the slower growth rate is keeping newcomers away from the labour market, and this chapter calls for a true overview of Europe.

Let’s start with Spain where, as Gonzalo Romeu pointed out, the solution introduced for young people is that of exile. In Italy, Gian Paolo Naef points to the link between education, vocational training and employment. Mark Mansell agrees for the UK, pointing to the specific characteristics of generation Y and listing welcoming programs for new graduates in businesses. With the French example, Yves Barou mentions several tracks to integrate the youth, notably asking that companies stop requesting three years of experience before they open their doors. With massive unemployment and, in a way, the sacrifice of a generation, the German example is strikingly different. In this context, Cornelia Hulla analyses the foundation of the German apprenticeship system and the conditions that led to its success: the educational system is flexible, the different stakeholders work together, businesses are committed, and there are stable and clear rules.
Therefore, it is logical that think tanks look into the definition of a possible European learning program, something like a second Erasmus.
Rainer Gröbel: solving the demographic issue at the IG Metall

One of the core challenges for non-profit and profit organizations is the ageing workforce and the increasing lack of well-trained personnel. We at IG Metall, Germany’s biggest industrial trade union, are concerned with these problems, just as the employers in our industries are. Before confronting you with the challenges our HR department has to cope with and the solutions we designed so far, let me give you some short information about IG Metall itself.

With shortly 2.5 million members, IG Metall is the biggest trade union in Europe. While negotiating wages and working conditions for the workforce in most of the important industries, IG Metall itself is a medium-sized employer.

Most of our staff works in the local offices all over Germany. Staff size varies between five and up to 40 people. 400 employees work in our headquarters in Frankfurt. Administrative and political functions are nearly balanced.

The following chart shows the main challenge we are facing: we will have to replace nearly ten percent of our staff by 2015.

This challenge primarily has two dimensions:

- We are facing a considerable brain drain
- We need to develop new recruiting schemes

The oncoming brain drain is first due to the fact that older political secretaries are both leading staff of local bureaux and headquarter departments. But there is a second impact: even if they are not in leading positions, older political staff are often highly involved in key
issues of bargaining, supporting workers councils or supervisory boards in our most important industries or companies.

Hence we need to answer two questions:

- How to organize and support sustainable successions of departing staff?
- And how to recruit new staff replacing those who succeeded to the retired?

To give an answer to the first question, IG Metall’s HR department developed specific training for possible successors. These curricula were mostly designed in-house. To level up female leadership within our organization we set up one course exclusively for women. So far, we have trained 63 people, 38 of which were female.

Although this was an outstanding effort, compared to other German trade unions, the output does not match the need.

We started a “Senior Trainee Program” with a highly individualized curriculum for employees and volunteers. To access this program, volunteers need to be named by the local structure. Currently we are discussing and evaluating opportunities to develop a Bachelor’s in cooperation with a German university. This again would aim both at high potential staff and at volunteers. While empowering the first group for former leadership, it should enable the latter to access IG Metall staff and to take career opportunities in works councils.

This leads to the second question: How to recruit new staff?
One key element in our recruitment strategy was developed in the “Project 2009” process: the so-called “Strategic Investment Fund.” By reducing the staff in our headquarters we assigned a yearly amount of €20 million to this fund. We use this fund to create new jobs in strategic organizing projects. These will lead to an increase of 15% recruitment peak. These should build up the talent pool for future successions.

Up to today, our primary recruitment channel is the broad range of volunteers who act as WC members (the Betriebsräte, engaged in co-management and co-determination) or as shop stewards (the Vertrauensleute, representing the trade union inside a company). With some 80,000 people, this is indeed a huge talent pool to recruit trade union staff from.

We are actively screening this pool with a special training program aimed at young volunteers who want to enhance their methodological and political knowledge. While attending this program, they are eventually informed of and confronted with opportunities to work at IG Metall.

But we have to admit that the demography of our membership is quite similar to that of our staff. So we cannot totally recruit new staff – whether for junior or senior positions – solely from this pool. This strategy would shift the brain drain issue from the professional level onto the volunteers and finally weaken our position inside companies.

That is why IG Metall is now starting to develop strategies of recruiting personnel from outside the trade union universe.
Luckily, we can build upon one thorough foundation: our trainee program. We launched this program twelve years ago and meanwhile trained some three hundred candidates. For some years, the part of non-former volunteers has been growing slowly but steadily. The trainee program itself has proven that it can provide IG Metall with new staff ready to take off as political secretaries.

Furthermore some years ago we started a membership program in different universities and high schools, to win students and young professionals as members for our trade union. We now emphasize the career opportunities one can find at IG Metall and use our presence on campuses to promote our employer’s brand.

These efforts may give us an interesting windfall: while still hiring volunteers and additionally addressing non-trade unionist young professionals, we will adapt the cultural skills of our staff to the diversity of the workforce IG Metall is going to represent in the future.

In our industries we are organizing the whole workforce: blue and white collar workers, as well as middle management. This population is rapidly changing: skill levels in most blue collar jobs are much higher than 10 years ago and still rising. There is a constant shift of responsibility from middle management to employees. Furthermore, the workforce is increasingly composed of women and international members.

To be able to cope with this dynamic landscape, we made big efforts in training and empowering our staff. With an average of 40% graduates among our political secretaries, IG Metall has good
premises to meet the needs and demands of this renewed workforce. But we have to further diversify our staff, especially the political secretaries. We are looking for graduates from a broader range of studies as well as for high skilled professionals, both male and female.

To summarize I would like to emphasize that the ageing population defines two major challenges for IG Metall’s HR-Department: training and empowering young professionals for future management tasks and winning new and different talents. The main new aspect for both challenges is the huge number of vacancies we have to deal with.
Caroline Young: young retirees’ expertise, an asset for the European economy

Retirees represent a source of skills essential to the long-term survival of European industries and services. The success of the experiment in post-retirement employment conducted by Experconnect proves it.

Why are retirees a source of skills for the economy and for society? Because so many members of the baby-boom generation are now retiring.

Why is their contribution necessary? Because their long experience means they are highly qualified; because when they retire, they leave a skills gap. It takes 10 years to design a train, a nuclear power station, an aircraft that will be operated for 30 to 40 years. However, young people are not familiar with pre-digital technologies, and engineers have not been trained in sufficient numbers to ensure the transmission of knowledge from one generation to the next.

Every sector will need its senior experts. It is true in every sector. The national education system too must call upon former employees. Retired IT experts, nurses, and doctors are a resource because there are shortfalls in their professional demographics. Associations, municipalities, churches, etc., would not be able to function without their senior members. For businesses and companies, retirees represent a key asset.

The loss of skills is a major threat. Europe tries to appease the financial world by making its industrial sector leaner. But the departure of recognised experts has weakened it with respect to its
competitors. Age-related measures have reduced its ability to recapture lost market shares. Some brands have offshored their production activities. They restrict themselves to assembly and design functions, manufacturing their products in low-cost countries. This is a delicate situation at the same true. China and India are training millions of engineers. The transfers of Western technology have boosted their capacity to design, produce, maintain and... win markets. These countries invest massively in R&D, contrary to France and the United Kingdom, which do not nurture any real interest in a structured industrial sector linked to training, in particular through apprenticeship. Quite unlike Germany!

The growing shortage of skills is less visible in the industrial sector than in the health sector. France for example has become aware of its shortage of doctors. It has relaxed the restrictions on access to medical school. However, the effect of this measure will be felt only in ten years' time. The situation will be worse in industry, where no figures exist to predict the extent of the skills gap. Engineers and technical experts have a high average age but many years of experience. These are the Space Cowboys, who must be called back to work on an older model space shuttle.

Too few engineers and technicians are being trained in Europe additionally. They tend not to remain in technical jobs but move to positions in business and consulting. There is no map of the demographic cataclysm that the baby-boomer retirement will produce... The transition is rarely well organised at Small and Medium companies’ management level. Buyers receive any help? Are they not hindered by investments and the absence of assistance?
2012 is the Year for Active Ageing. Nevertheless, we lack indicators. Certain activities are already disappearing, since there has been no long-term planning in public or private sectors.

The situation is urgent. Experconnect is managing a pool of experts with extensive know-how. As an example train maintenance is a real challenge. The generations pass, but the tool remains, and maintenance requirements are increasing for SNCF, Alstom, Bombardier, Siemens, etc. The same goes for the energy industry, where the nuclear sector - after Chernobyl - has long ceased to recruit and train. Consequently, the veterans can help not only to resolve crises but also to anticipate them. Their long careers behind them, they know the entire gamut of procedures, the traps and the art of avoiding them. Their advice represents a gain in time, energy and money, for implementing a project. Many companies have entrusted us with managing the human resources they wish to preserve.

How do we raise companies' awareness that these resources exist? With difficulty, because, handicapped by short-term financial management, they do not realise until their backs are to the wall. Experconnect's vocation is to anticipate and organise the response, for Areva for example. Global warming has revived a little interest in nuclear power. China is a huge energy consumer. And so it is building power stations. With Areva, ExperconneXt maintains a file of future "missionaries". Two years before retirement, these employees are identified. An "experience interview" pinpoints their skills and their aptitude for transmitting them. Six months before retirement, another meeting.
With SNCF and RATP, Experconnect missions are often concerned with engineering. The good reputation enjoyed by French engineers means they are entrusted with building railways, underground systems and tramways in other countries. This requires specialists in signalling systems, tracks, etc. Experconnect makes an inventory of these skills and geographical preferences and puts these engineers in the “pool”.

GDF-SUEZ, through its Degremont branch, manages water treatment in many cities and provides employment to people throughout the world. MBDA engineers know the Gulf States dignitaries who acquire their air defence systems with their help.

Every year, 500 experts in nuclear power station construction and lifecycle management, etc. accomplish missions with Experconnect. The Experactiv association maintains the link. It offers training, debates, tours, etc. to bring their knowledge up to date.

In the United States, many companies are updating their retiree network files in the same way. They pay attention to the well-being of their retirees, a key factor in their desire to work and their efficiency. But preserving these experts also means keeping them active at least 50 days per year. Otherwise, they will be lost to other activities such as museum visits, fishing and ocean cruises, etc.

In fact, money is less important than the continued desire to work except when pension income is low. Retirees want to feel useful, a part of society. Preferring professional work to volunteering is not necessarily a question of financial gain. In France, the community sector does not always offer a level of professionalism to satisfy
workers who are keen on efficiency. The baby-boomers continue to astonish since for them the generation effect often dominates the age effect: 50% say they are willing to maintain a professional activity after retirement. Trade unions sometimes cling steadfastly to the idea of retirement at age 60. But no union still maintains it as a key demand. Incorporating the "desire" to work into the union discourse will help to change the relation between work and the promotion of individual initiative.

This post-retirement approach can finally be transposed to late career management. Many companies are having trouble; they don't know how to treat their senior employees well. Managing the post-retirement period teaches us to maintain well-being in the workplace and the desire to work in individuals. These are determinant factors of their appetite for action, as well as being the keys to the future of the economy and public health.

For the company, managing the pre- and post-retirement period is a win-win task in favour of sustainable development. We must preserve our natural resources and human resources are the most important natural and cultural resource.
Bernard Perry: diversity

Homo-Social Reproduction is a phenomenon described by Rosabeth Moss Kanter (Professor at Harvard Business School, specialising in strategy, innovation, and leadership for change). She describes the habit of selecting and recruiting colleagues that fit a particularly familiar profile as a culture that persists on many corporate boards.

Strictly speaking, ‘diversity’ can be defined by gender, race, nationality, disability, age, sexuality, etc. While diversity of race and gender have long been addressed in the United States, the current European debate about diversity tends to generate most headlines and focus predominantly on just one factor – that of gender.

Arguably, the introduction of (or the threat to introduce) regulatory pressure appears to have had the greatest effect – certainly in terms of the statistics. Scandinavia has traditionally led the way, with Norway pioneering the gender diversity debate back in 2003. However, the introduction of quotas in that country was not without controversy. A significant proportion of publicly listed corporations re-registered in order to escape the legislation. Almost ten years later and after several years of rapid increase, the proportion of women on Boards in Scandinavia may now be stabilising – somewhere between 20% in Denmark and 40% in Norway. In France, quotas were introduced prior to the 2010 elections in response to pressure to appoint more women onto Boards by 2014 - with a requirement of 40% by 2018. Spain and the Netherlands are following suit. In the UK, The 30% Club is leading the way towards redressing the balance and is seen as a real alternative to formal
quotas and should be embraced as an alternative to punitive legislation.

Virtually all of the recent surveys – whether carried out by the European Professional Women’s Network, or other independent organisations - report that overall, over 80% of the top companies by market capitalisation across Europe have at least one female Board member and over 50% of those companies have two or more (2010).

However, one of the most hotly contested issues about balanced gender mix, is that of company performance. The Annual pan-European study by McKinsey – *Women Matter* – is often quoted as suggesting that companies with a more balanced gender mix may in fact also exhibit superior performance. But does this really only prove correlation, rather than causation?. What specific performance results can be attributed to increased gender diversity on the Board or in the senior executive team? Do women have a different management style – is it more acceptable – is it more effective? Do women in senior executive positions or on Boards, lead to improved corporate performance and/or better governance performance?

Back in 2001, a study in the US attempted to show that the Fortune 500 Companies with the best records of promoting women to senior positions, including the Board, were more profitable than their peers. The Conference Board of Canada also carried out a study in 2002 - *Women on Boards – Not just the Right thing, but the Bright thing*. One of the conclusions seemed to suggest that “Boards with more women surpassed all-male Boards in their attention to audit and risk
oversight and control”. In addition, “the service of women on Boards makes a practical difference to the strength of its governance”.

What is probably more relevant and less controversial in the McKinsey studies, is the analysis of ‘why’ the proportion of women executives rising to the very top of corporations is out of balance with that of their male counterparts and what factors (professional, socio-economic, etc.) may be responsible. Companies, which are keen to achieve a better gender balance from the bottom to the top, must examine the processes and criteria at entry level, but also the probability of promotion success as careers progress up the corporate ladder. Is the greasy pole more slippery for women – and if so, why?

Perhaps better corporate performance results from higher emotional intelligence and intellectual quotient, rather than simply gender? Clearly, more evidence-based research is required.

_Talented Women – or ‘wannabe’ men?_

Despite her success as CEO of Newton Investment Management, Helena Morrissey admits that bearing nine children and running a £50bn investment fund would probably be challenging for most women in business. As Founder of The 30% Club in the UK, Morrissey is at the forefront of the debate to promote greater gender balance at the top of companies. The phenomenon and headlines in the UK about ‘Superwomen’ first surfaced with Nicola Horlick (with a family of only six children), back in the late 1990s. Now in her 50s, Horlick reflects that despite being described as a poster child for breaking the glass ceiling in the male-dominated financial services sector, she
encountered relatively few road-blocks along the way. She claims not to have encountered Sexism in the City. Was she uniquely immune to the high pressure that is often cited as a cause for women to shy away from seniority and responsibility in corporate life?

The fall of Bernie Madoff seemed to signal the end of a certain machismo and ‘casino capitalism’ in the financial sector. Has feminism finally caught up with misogyny on corporate Boards, Wall Street and elsewhere? Perhaps not yet - one of the most eye-catching headlines during the global banking crisis was Christine Lagarde’s suggestion that if ‘Lehman Brothers’ had in fact been called ‘Lehman Sisters’, the financial crisis might have been avoided. We dare to hope – but alas, within the past couple of weeks, Ina Drew, Chief Investment Officer at JP Morgan and quoted as ‘one of the most powerful women on Wall Street’, may have lost her job as a result of rogue behaviour deep in her own organisation. This seems to imply another case of lax management and poor risk assessment processes. Does gender at the top really make the difference?

‘Inclusion’ rather than ‘Diversity’

Michael Hyter is President and CEO of Novations Inc, a human capital training and consulting business. In his recent book ‘The Power of Inclusion’, Michael argues that the term ‘diversity’ can have negative connotations – he prefers ‘inclusion’ – if only because it implies that no-one is ‘excluded’. This also broadens the diversity debate into race, nationality, age, disability and sexuality – complex topics in their own right, which this brief paper cannot possibly address fully.
The backstop is to ensure that corporations strive to have the best possible people in particular roles, where they can perform to their maximum ability and capability, while enjoying a long and satisfying career. Clearly, the key is to have access to the widest, most diverse network available.

*The Lazy Headhunter?*

The development of a diverse and inclusive shortlist during an external candidate search often remains the responsibility of the headhunter who is retained to fill executive and non-executive positions. The publication of a forthcoming Cranfield School of Management study at the end of May will elude to the fact that “headhunters have improved their (lazy?) performance in addressing diversity, since the introduction of voluntary targets to boost female representation and are striving to address the equality gap”. Recycling the same faces is no longer an acceptable option.

However, is it realistic to expect a three, six, or nine-month headhunting process to short-cut what should have been a longer term responsibility of corporate leaders for internal executive career succession-planning. Nominations Committees and Human Resources Directors need to play a fully active role – whichever route they chose to pursue to fill senior positions. Demands for women-only shortlists are not always the answer – and in fact would probably be challenged as discriminatory. There is little doubt that the most visible and/or highly regarded women in the market, risk being spread too thinly. This raises the question as to whether the serial woman non-executive may in fact block a better alternative who could commit the time, energy and resources to a company
Board. Equally to be avoided are accusations of ‘tokenism’ when considering diverse appointments at any level. We are all better off appointing on individual merit.

Do Chairman, Nominations Committees and CEOs look solely for finance and P&L experience, or are they considering a variety of other performance metrics – both ‘hard’ and ‘soft’? Some of the most successful women in the corporate environment excel in functions such as sales & marketing or human resources. The onus in any appointment process should be on ensuring that the external recruitment process is as objective and broad-reaching as possible. Many of the recent UK FTSE100 Board appointments have been women – but interestingly, not always with previous quoted Board experience (e.g. from smaller quote companies - AIM or FTSE350). Should the spotlight turn to smaller quoted business Boards, to provide the experience required before stepping up. In the meantime, major professional services firms – management consultancy, accountancy, legal – are increasingly valid sources of potential women candidates. Indeed, McKinsey would have to concede that it is among the firms most often targeted – but no doubt happy that its alumni populate the upper reaches of many successful companies world-wide.

Finally, CEOs can be reluctant to allow their high-performing senior executives to take on external Board roles – arguing that it would be a distraction from their main responsibilities. This should perhaps be given greater consideration and allowances be made to release a potentially larger pool of highly qualified and motivated women or men into the market.
Easier said, than achieved... the weight of expectation is on all of us to seize the initiative and turn it into an opportunity, rather than a threat.

**Gonzalo Romeu : Spain sacrificed?**

Spain is struggling under an unhealthy sovereign debt burden while facing several other macroeconomic problems. The crisis, which has only gotten worse for Spain since the initial recession in 2008, has left much of the nation’s youth unemployed. Overreliance on the construction sector has left many young people in the country with a limited skill set.

What’s going to be the most overused headline in Spain in 2012? That’s easy: “The employment pain in Spain.” Spanish unemployment is already the highest in Europe.

Youth unemployment is one of the main malfunctions in the Spanish labour market, impacting directly on the current and future economic situation of those unemployed youngsters and their environment and indirectly on the wider economy. While highlighted by the current crisis, it has been a problem in Spain for several decades. The unemployment rate among the active population under 25 years old has doubled that of the over-25s for the last four decades. Currently, youth unemployment rate is 50%.

The working conditions of the Spanish population in general and of youngsters in particular depend on the effectiveness of the education system. In an environment of surplus job supply and increasingly demanding training requirements by companies, the likelihood of a youngster obtaining a stable and adequately remunerated job...
depend, among other things, on the quantity and quality of education received. However, the relationship between the education system and the job market is bidirectional. For example, when the probability of getting a job drops, or when vacancies for a student wishing to work fall short of his/her expectations, the opportunity cost of continuing to study falls, and this tends to have a negative impact on the percentage of youngsters entering the job market, thereby limiting the rise in the unemployment rate.

For this reason, we need to look for the causes of youth unemployment in Spain in the deficiencies not only of the education system but also of the labour market. Of the former, the most important are early school leaving and the polarisation of education. For the latter, the most significant is the segmentation of the labour market and the ineffectiveness of active employment policies.

The abrupt end of Spain's construction boom left thousands of young labourers without work. Joblessness has since spread to the country's most educated youth, cementing fears of a "lost generation" blighted for many years to come. The delay in entering the workforce risks scarring a generation of young people, and argues that those who can should move abroad if they need to.

As an increasing number of educated young Spaniards leave to seek work abroad, the country risks being deprived of talent that will be in demand when better times return. Spain’s National Statistics Institute expects more than 700,000 people to leave Spain each year until 2020 if demographic trends continue.
For those who choose to stay in Spain, a solid education provides no guarantee of finding work.

In a country where 30% of work contracts are temporary, Spanish youth hold twice the number of so-called "junk contracts" than the OECD average.

Spain's labour law reforms will lower the amount of compensation offered to workers who are laid off, in the hope that companies will be freer to offer permanent contracts to the predominantly young Spaniards stuck in the slow lane of the country's two-speed labour market.

Young people emigrating might be painful in the short term, but they will one day return with better skills, and knowledge of the world. It may hurt, but is a good thing for Spain in the long term! Emigration seems like the only option for most of the unemployed population as they face the choice of leaving or awaiting a recovery that could be many years into the future.

Emigration is a possible strategy for Spain for a multitude of reasons. The first of these is the simple fact that it is easier. Free movement of people inside the European Union makes emigration easy and cheap. Certain skills are required in other countries that are not needed in Spain, e.g. engineers in Germany, Norway, etc.

The second is the sector specificity of unemployment in the country. Because of the concentration on construction jobs it is almost impossible for many workers to regain positions like those they held
before the crisis. For these only two options is available, retraining or emigration.

Retraining or emigration

More than half of Spaniards under 25 are now without jobs. The first-quarter 2012 employment data showed that 365,900 people lost their jobs, bringing the number of unemployed Spaniards to 5.6 million. The unemployment rate for people under 25 climbed to 52%.

The numbers out of Spain just keep getting worse. Unemployment is now up to a shocking 25%, compared with less than 8% at the end of 2007. Jobs are being lost at the rate of 100,000 a month. Youth unemployment is now above 50%. A Spaniard under 25 is more likely to be out of work than in a job. At this rate, a whole generation of Spaniards may never get into the routine of working — surely a catastrophic outcome for the country.

Rising unemployment, the lack of jobs and the prevailing conviction that the economic crisis is going to continue for a long time and get much worse has resulted in people leaving Spain in droves in the hope of finding work elsewhere. Many Spanish youth are leaving the country, more than double the numbers who left in the first quarter last year.

Education-related decisions and the evolution of the labour market are interlinked. The success of the transition process from the education system to the labour market is conditioned not only by the training received but also by the employment situation and outlook and by the quality of (worker-job) matching, all of which can have an
impact on the decision to continue (or not) studying. This means that malfunctions that complicate the efficient transition from the education environment to the job environment will lead to increases in youth unemployment. The smaller the unemployment-triggered disincentive to join the labour force, the greater the increase. Below, we analyse some of the drivers behind youth unemployment.

Spain stands out for its high early school-leaving rate, which is taken to be the percentage of the population between 18 and 24 that has not completed higher secondary education (or second stage secondary education) and that is not participating in any kind of training. Spain's rate (30.6%) is high compared with other EU27 member countries; only Malta (38%) and Portugal (34.3%) had higher rates during the five-year period 2005-2010. However, the most worrying part is not the figure itself, but its recurrent nature and limited relationship to the economic cycle over the last 15 years.

The stubbornly high rate of early school leaving is not incompatible with the improved educational attainment of the new population cohorts registered during the last three decades. However, the increase in training has been more focused on university education, and this has led to imbalances between job supply and demand at the different education levels, which condition the youth unemployment evolution.

Spain's increase in human capital has not been sufficient to enable convergence with the surrounding countries, particularly when referring to the population with higher secondary education.
The problems of youth job insertion and employability not only depend on the education received over the course of the training phase but also on the labour market's institutions. And this is where temporary hiring plays a relevant role.

From a regulatory standpoint, companies prefer to hire a youngster without work experience on a temporary basis if the difficulty of knowing their productivity ex ante is big. In the same way, an individual deciding to enter the labour market may opt for a temporary contract if they consider it to be the best way of obtaining a stable job. Limited effectiveness of ALMP when it comes to reducing youth unemployment in Spain has little to do with the level of youth participation in activation programmes. Instead, it probably has to do with the small amount of available resources to introduce measures, and with the erroneous focus of the programmes.

Youth unemployment in Spain is a persistent phenomenon that has worsened during the current crisis. Choosing the right policies to ease the problem requires the correct identifying of its causes.

The former include early school leaving and the imbalance between job supply and demand at the different education levels, which complicates youngsters' access to the labour market and has a negative impact on their professional career. Although Spain has stood out for its high rate of early school leavers for the last two decades, it is only since the onset of the current crisis that this has had a clear repercussion on youth unemployment.

Spain's high level of early school leaving means that the relative weighting of the least educated youngsters is higher here than
anywhere else in Europe. This, together with the extraordinary rise in the weighting of university graduates among the youngest cohorts to the detriment of those with a higher secondary education has led to education polarisation of the population, which in turn has led to an imbalance between job supply and demand, a high rate of underemployment, and a fall in the wage premium of education.

Spain's youngsters are highly persistent, which condemns them to a vicious circle of uncertainty, insufficient opportunities for specific training, and unemployment. And in the case of the latter, while youngsters make up one of the largest groups participating in the activation programmes, the reduced amount of resources channelled into ALMP and the wrong focus of measures conditions their effectiveness.

Now that we know the main causes, what measures might help alleviate the problem of youth unemployment in Spain?

In terms of education, it is absolutely vital to reduce the rate of early school leaving. This action is required on two fronts. Firstly, through improved control and support for those students at risk. The introduction of an early-warning strategy together with the compulsory participation in intensive support classes (the most personalised possible) would help meet this objective.

At the same time, it is important to encourage youngsters to remain in the education system via policies that improve education appeal. It would help if both were made aware of the return on education – in terms of employment –, which means that there would have to be
public information and advisory services. And finally, greater control over school absenteeism would also help.

The second front would involve reinstating early school leavers into the education system. This would require increasing the flexibility of education programmes.

In addition to measures that try to combat early school leaving, it is important to improve the probabilities of job insertion among the younger population, easing their transition from the education system to the labour market and avoiding underemployment situations. Business leaders need to be more involved in the design of the training on demand and in establishing working conditions for interns.

As for university education, what is really needed is a reform of the number of degrees, their content, and their duration. In particular, the possibility of obtaining a degree after three years of transversal training –as in other European countries for example- would help reduce not only the number of youngsters that fail to complete their university studies, but also the cost of training, and underemployment.
Gian Paolo Naef: an Italian point of view of youth employability

The Italian unemployment rate is close to 10% but over 35% of 15-24 year-olds are unemployed.

It’s important to contextualize this development within a broader landscape characterized by a birth rate equal to 9%. It’s a sad picture of a country that is aging and not investing. A real social alarm if you fix the line in a logical long-term perspective.

Permanent position and brand loyalty are words that have lost any kind of meaning for young people.

There is a huge generation gap between parents, who are putting work before their private life to succeed, and young people who change rather quickly if they do not get what they want, without necessarily the assurance of a permanent job. Their objective is, first of all, the human being, with his professional needs but also personal ones, inextricably linked.

It is then time to find a new channel of communication, something that comes closer to being so young. Their world runs on high speed rails: where access to information is unlimited, they can’t wait to "learn the business" and after only 1 year already want to do something else. Organizations’ processes and procedures are often perceived as an intolerable burden.

But these are their needs, their wealth of values and we must learn to live with them, transforming this energy into focused actions.

Team spirit, steady job and abnegation are sometimes conflicting in the common thoughts of youth.
5 years after graduation, engineers still get permanent contracts (82% of cases). Mechanics, telecommunications and chemicals are the most popular degrees. Among the most attractive are also graduates in pharmaceutical chemistry, business and dentistry.

A year after graduation, however, doctors and law graduates are unemployed, but only because they engage in postgraduate studies or apprenticeship after graduation. For graduates in literature, psychology and science, the future is not at all reassuring. For them, the difference is either contractual or remunerative (temporary contracts and lower pay).

The duration of university studies was one of the items of a huge reform made in the 90s which introduced the “3+2 scheme” in most Italian university programs. The first 3 years (equivalent of a Bachelor’s Degree) include a basic set of curriculum studies. After a significant period after the application, businesses’ appealing for professionals who "know the job" – especially in technical roles – was confirmed. The market suggests focusing on those universities, which prepare to the health professions, like nursing care or obstetrics. One year after completion 84% of graduates already have a job with a permanent contract and a good level of remuneration.

For all other disciplines, however, better to go with a five-year degree (Master’s Degree). It remains a good long-term opportunity to enhance career and profitably quickly.

Those who have a degree in psychology, biology or engineering, continue their studies in four out of five cases, a figure even truer for economics and statistics, socio-political and letters.
At the end of the Master’s Degree, the picture is quite different: medical school graduates get results five years after graduation, after completing the postgraduate or completing an internship. The same occurs for law studies while engineers, architects and economics graduates continue to be advantaged whether for the work opportunity or remuneration.

Two further elements stand out:

- In the long run, graduates are able to better react to labour market changes, and throughout their working life the title proves rewarding. Five-year graduates have a 10% higher chance of getting a job and earn on average 65% more than their colleagues without a degree.
- However, many graduates engage in careers that are not in line with the path of study they carried out (over 20%, mainly graduates in letters, psychology, languages and bachelor in law).

There are also a number of successful factors increasing the possibility of finding a job within one year after graduation: being a man, living in Northern Italy, and having a degree in engineering, physical education, architecture, achieved at the universities of Northern Italy and on time.

Moreover, making experiences during college internship in companies and/or abroad, or work experience of various kinds is preferred to ensure a position within this time.
Studies should also be completed on time, better with a high score but above his academic record by integrating job experiences also short, simple in substance but as a guarantee of contact with the world of labour.

It also confirmed that the brightest graduates tend to move abroad. They do not move for economic reasons but for better perspectives of self-realization: they succeed in finding more career opportunities pertaining to their educational qualification.

Moreover, the employment rate three years from graduation by gender and residency provides further colours to complete the overall picture: men are more employed (90% vs. 84%) than women with a predominance of 90% residents in the North of Italy versus 78% in the South.

ISTAT data from 2011 confirmed however that the employment rate of college graduates is higher than for high school graduates, confirming that, in the long run, higher education “works better.”

10 years after graduation, engineers are the most satisfied and those who have achieved more professional objectives, but doctors are paid more than engineers.

Now, let’s look at which kind of tools the labour rules offer to junior graduates and businesses to manage their working relations.

Employment agreements and contracts applied after the internship reveals a strange phenomenon in the Italian labour market:
• On the one hand, there is a variety of contractual instruments applicable to enter into work: apprenticeships, fixed-term contracts, project contracts, self-employment, semi-subordinates: each with his own safeguard, different terms and conditions. The demand for even greater flexibility is in reality a sort of "deregulation" made by companies when implementing above contractual instruments, with negative consequences on the stabilization of labour relations for young people.

• On the other, the labour conditions for the “older generation” employees created a barrier to exit with very little possibility to individually terminate a permanent employee.

In recent years, through very hot debates between left wing unions and various centre-right wing governments, the thesis of "job" rather than the "job guaranteed for life" has started to take place. This proves the excessive number of contractual instruments, with long trial periods, internships, followed by infinite number of not protected contracts.

This leads to the road taken recently by the Monti Government that seems to re-launch the apprenticeship contract as the main instrument to allow young people start to work.
Yves Barou: debates and proposals in France

While the average unemployment rate in France is around 10%, it amounts to 25% for people aged 15-24. There is clearly a special problem, which will incapacitate the future.

Nevertheless, for young people, unemployment isn’t the most relevant indicator as many of them are not working yet and still in training. The “share of unemployment,” measuring the unemployment rate compared with the entire population, whether or not it is active, is around 10%.

For young people, the key is professionalizing paths. Indeed, while a majority of youth easily enter the labour market, there are more and more malfunctions: longer accessing periods, even for skilled workers who are not engineers; disengagement for the most fragile categories; vicious unemployment cycle for others; going back to school; many businesses requesting three years’ experience; and, consequently, precarious paths with fixed-term contracts following temporary assignments.

Finding a permanent job is increasingly long. Generally speaking, a young person needs two years to be stably transferred onto the labour market. This situation will have a lasting impact on the relations between businesses and this generation.

Thus, one cannot look at young people’s situation through fixed statistics but at dynamics and paths.

\[6\text{ Actually, the OECD used the concept of “neither in employment, neither in education nor training”}\]
Besides, the economic situation has a greater impact on these youths and, as a result, the crisis has hit them harder, making their jobs more precarious and of lesser quality than for other workers.

Compared with other European countries, what characterizes France isn’t really the unemployment rate but rather the employment rate. Indeed, the employment rate of the 16-24 age group is lower than in other countries because initial training is long and there is less work-study training and “odd-jobs.” On the other hand, the employment rate for the 25-30 age group is higher than in other countries.

Actually, comparing the different European countries isn’t easy. It is clear that young people suffer more because unemployment is high, and it is easier for young people who do work-study training or apprenticeships to enter the labour market.

From this point of view, Germany is an exception since unemployment is lower than elsewhere, and therefore youth unemployment as well. Besides, apprenticeship is particularly efficient, has the support of businesses and, for some trades, is the only way to access work. This shows a working link between the educational system and companies.

Working and studying at the same time is commonplace in the Netherlands and Scandinavian countries and seems like a way of generalizing education, more than work-study training, which is more of a link.

*Tracks for youth employment*
• In order to combat precariousness, the idea of a single contract, particularly for young people, was brought up. However, it would be an illusion to think that the introduction of a new labour contract would solve the problem. It would even be tautological to pretend that precariousness could be reduced by removing fixed-term contracts without taking account of other precarious contracts, e.g. internships and temporary work. This raises many legal questions and covers the real question for businesses: how can we reduce precariousness, therefore increasing our human capital, while being organized to respond to increasingly changing markets? In this respect, short-time working and annual working time schemes are the key to address the real causes.

• A closer link between universities – with the Department of Education in France – and businesses, and developing work-study training are vital to adapt training to what companies need.

• This means that businesses and sectors need to do a long-term effort on jobs. In France, there are a number of company agreements anticipating and managing jobs and skills (Gestion Prévisionnelle des Emplois et des Compétences, GPEC). These new methods are essential but they are more about long-term quality than about quantitative forecasts. The idea that businesses should plan employment is a myth!

• There is an increasingly striking lack of information and guidance systems for young people.
• For those leaving the educational system unskilled, the existing “remedial” methods are necessary, even though they conceal a form of failure of the initial training system.

• In France, paid and unpaid internships have boomed in recent years. First created as an element of work-study training, they have oftentimes become waiting jobs that are not supervised by labour law. Therefore, a clear definition is necessary, with follow-up and a defined rotation between school and professional situations.

• Finally, for young people with professional skills, the growing trend of requesting three years’ experience prior to recruitment is twisted. Not only does it trap young people in a vicious circle, but it is not even a consistent way for a company to build adapted, durable human relations. On the contrary, many businesses know that welcoming and fitting young people into the labour market is, first of all, an essential social responsibility, but also the most effective way of increasing their attractiveness. Company agreements setting target proportions of permanent recruitment for young people in all recruitments made would be a way to set a path and measure ambitions.

• In the same spirit, France is probably going to test, within a few months, “generation contracts.” The idea is to mobilize the stakeholders to welcome young people with a permanent contract better without excluding seniors, whose role is critical in passing professional knowledge on.
Mark Mansell: the British approach

In the years ahead, employers will need to prepare themselves to welcome the next-generation workforce. "Generation Y" is the expression often used to refer to those born after the mid 1980s, who are in their 20s or early 30s and just entering the job market.

The arrival of Generation Y will undoubtedly have a significant impact on the working environment. How will employers need to adapt their working practices to accommodate them and what key challenges might this bring from an employment law perspective?

To set the scene, what types of characteristics might we expect to see of Generation Y’ers and how will these affect their expectations in the workplace? Extensive research has been conducted in this area. Some of the characteristics identified as typical include:

- **Tech-savvy** – They have grown up with technology and are plugged into it 24 hours a day, seven days a week. They will rely on technology in the recruitment process and have high expectations from it in their work. As at home, they want access to social media – technology enabling them to interact and share information publicly or privately with one another, for example, Twitter, Facebook, Skype and LinkedIn – in the workplace.
- **Independent** – They are independent. They have taken instructions from their parents, but got on with things themselves. They want clear direction, guidelines and managerial support but they want to get the job done how they want and on their own timescales.
• Collaborative – They are probably the most collaborative generation ever. Wikipedia and YouTube are a testament to this. They work well in teams and are very happy to share their knowledge, their experiences (good or bad).

• Work/life balance – Their priorities are different. Money and status are not so high on the agenda. They care more about freedom, flexible working, the chance to take sabbaticals and a better work-life balance. They are not afraid to move if they do not get what they want.

• Feedback needs – They are used to getting feedback instantly on everything they do, be it Twitter, Facebook or texting, and they expect the same from their managers. They want continuous feedback, not just an annual performance appraisal.

• Challenge authority – They have grown up with exposure to diverse views, choices, opinions and beliefs. They are used to speaking their mind, and so might not settle for a manager's solution until they have explored others.

KEY EMPLOYMENT LAW ISSUES

Whilst many of the employment law issues will be the same, here are two developing areas which will be particularly relevant to employers recruiting and employing a Generation Y workforce:

Age discrimination

Age discrimination is an area where we are seeing the steepest increase in UK Employment Tribunal claims. The number of age discrimination claims accepted by Employment Tribunals in 2010-11
rose by nearly one-third (32%) to 6,800, according to the most recent statistics for the year ending 31 March 2011. The average compensatory award was £30,289 - considerably higher than for other discrimination strands.

Why is this? It is partly because everybody is protected and so can potentially formulate an age discrimination claim, whether young or old, but also because the law is constantly developing in this area leaving fertile ground for employee claims.

Recruitment

Employers should ensure that they do not inadvertently discriminate against, or in favour of, Generation Y workers, in the recruitment process as this could amount to unlawful age discrimination under the Equality Act 2010.

Age should not generally be used in recruitment criteria. For example, adverts and job descriptions should not specify a preferred age range for a job, or use language such as "mature", "youthful", or "recent graduate". Although these terms do not expressly exclude those over or under a certain age, they may have that effect in practice.

In Canadian Imperial Bank of Commerce v Beck EAT/0141/10, the Employment Appeal Tribunal upheld an Employment Tribunal’s decision that Mr Beck, a 42-year-old banker, had suffered unlawful age discrimination because of a bank’s use of the word "younger".

He was employed as Head of Marketing and was dismissed as redundant. The bank planned to recruit a new marketing team and
issued a job description internally which referred to the recruitment of a “Head of European Derivates Marketing” as a “key priority” and listed the desired attributes, which included “seeking younger, entrepreneurial profile (not a headline profile rain maker)”. It eventually recruited someone who was 38, although another preferred candidate was at least 50.

Mr Beck relied primarily on the word "younger" in the recruitment brief as evidence of direct age discrimination. He argued that he met the criteria and skills-set for the new job (which were much the same as for his existing job), apart from the requirement to be "younger". The EAT held that the burden of proof was on the bank to explain its use of the word "younger" and that its decision to dismiss was not influenced to any significant extent by age. Since the bank was unable to provide a convincing explanation, the EAT upheld the age discrimination claim.

Succession planning

The UK Supreme Court has recently given a fairly helpful ruling for employers seeking to compulsorily retire older workers in order to make way for younger ones.

In Seldon v Clarkson Wright and Jakes (a partnership) [2012] UKSC 16, the Court has confirmed that a rule requiring partners in a firm of solicitors to retire at 65 is potentially justifiable for the following legitimate aims:
• Giving associates the opportunity of partnership after a reasonable period, thereby encouraging staff retention ("dead men's shoes");
• Facilitating the planning of the partnership and workforce across individual departments by having a realistic long-term expectation as to when vacancies will arise ("workforce planning"); and
• Limiting the need to expel partners by way of performance management, thus contributing to the congenial and supportive culture in the firm ("collegiality").

Partnerships and employers would still need to show that these aims are legitimate in their own specific circumstances, and that their compulsory retirement policy is implemented by appropriate and necessary means, which would include justifying the cut-off age they choose for retirement. The case has been referred back to the UK Employment Tribunal to decide these points.

Technology usage and social networking

As Generation Y'ers are likely to rely on social media in the workplace, employers need to think about managing the risks for their business. These two examples of UK cases show the importance of addressing in a policy whether, and how employees can use social media.

Preece v JD Wetherspoons plc ET2104806/10
In this case, Miss Preece posted rude comments about several customers who had recently subjected her to a tirade of abuse when she had been working at a pub. The daughter of one of the subjects of the comments saw the posting and complained to Wetherspoons who investigated. She was dismissed because her comments were held to be inappropriate and identified Wetherspoons specifically; this was in breach of company policy and amounted to gross misconduct.

What was notable in this case was that the employer had a well-drafted policy, which referred to social networking, blogs etc., and which specifically gave the company the right to treat as gross misconduct any conduct, even outside the workplace, which was "found to lower the reputation of the organisation, staff or customers and/or contravene the company's equal opportunity policy".

Given this policy, the tribunal found that Wetherspoons' response was within the band of reasonable responses and that the dismissal was fair. Although the applicant had a right to freedom of expression under Article 10 of the European Convention on Human Rights, Wetherspoons' action was justified because of the damage to its reputation. The Employment Tribunal did comment that it would have issued a final warning, but that it could not substitute its view for that of the employer.

Hays Recruitment v Ions [2008] EWHC 745
Under UK court and employment tribunal rules, parties to litigation are required to disclose relevant documents even if they support the other party’s case. This process is known as "pre-action disclosure". This case was an application for pre-action disclosure of documents in relation to a potential claim that, while employed by Hays, Mr Ions copied and retained confidential information which he used after leaving Hays.

While employed by Hays, Mr Ions was encouraged to join LinkedIn. Hays alleged that he had deliberately "migrated" details of business contacts from its confidential database to his personal account at LinkedIn. He argued that this was done with Hays’ consent and that, once the business contact had accepted the invitation to join his network, the information ceased to be confidential as it could be seen by all his contacts.

The High Court held that Hays had reasonable grounds for considering that it might have a claim against Mr Ions in relation to the transfer of confidential information to his LinkedIn account while still employed by Hays. He was therefore ordered to disclose his LinkedIn business contacts requested by Hays and all e-mails sent to or received by his LinkedIn account from Hays’ computer network. He was also ordered to disclose all documents, including invoices and e-mails, evidencing his use of the LinkedIn contacts and any business obtained from them. He was told to ask LinkedIn for the documents.

Although the employer succeeded in this case, it is a warning of the risk posed to businesses by the use of social networking sites such as LinkedIn, and the need to keep business information confidential.
It is increasingly common practice for UK employers to adopt a policy – either a stand-alone policy or provisions within a broader technology (e-mail and internet) usage policy – to minimise risk associated with employee use of social media. This can convey the employer's attitude towards social media use in the workplace and set the parameters for how it should be used. The cases so far (on dismissal for misuse of social networking websites or the employer's IT system) show that having a clear policy in place will put an employer in a stronger position to defend any resulting claims of unfair dismissal.

Key issues to be addressed in the policy are:

- Whether personal use of social media will be encouraged, discouraged or simply tolerated.
- For those who are permitted to use social media for their work, how this should be regulated.
- Whether employees can identify themselves as representatives of the company. If so, the need for them to take responsibility to represent the company in a professional manner. Also, a requirement that any personal blogs and other personal posts contain disclaimers that make it clear that the opinions expressed are solely those of the author and do not represent the views of the company.
- Measures to protect confidential information, trade secrets, client relationships etc. As well as repeating confidentiality obligations, the policy should spell out what type of use is prohibited (e.g. adding business contacts to personal social
networking accounts) and which information remains company property.

- How the policy ties in with other policies – e.g. equal opportunities/dignity at work, disciplinary rules, internet and email policies, confidentiality obligations, data protection policies and ethics codes – and vice versa.

- The employer’s monitoring policy, which would include the right to monitor posts on social media using the employer’s IT equipment to ensure that company policies are being adhered to.
Cornelia Hulla: the German apprenticeship system – much more than a better way of welcoming young people on the labour market

Europe’s youth is its future and its competitiveness will depend to a great extent on skilled workers. While this is EU’s official discourse, statistics show the contrary: youth unemployment is currently at approximately 20% in the EU, with some counties at around 50% (these figures disregard the 14% youngsters that are no longer in education but not yet employed and are not part of the statistics due to other measures). At the same time according to CEDEFOP, the demand for highly skilled workers in the EU will rise by almost 16m by 2020, for semi-skilled workers by around 3.5m, while the demand for low-skilled workers is expected to decrease by 12m. Strategy and numbers clearly indicate, that there is a strong case for action.

A twin-track vocational training system, as established in Germany, is a well-known skill-building program that seems to be a key building block for competitiveness especially of the private sector.

Although many EU countries have apprenticeship and or vocational training in place, the key success factors of the German dual training system do not seem to be easy to copy and introduce.

This summary will lay out the German concept as well as its key success factors. Furthermore it will discuss the concept before the background of lifelong learning.

The European Commission is well aware that education and training are essential to the development of today’s and tomorrow’s knowledge society and economy. It endorsed a strategic framework for European cooperation in education and training (“ET 2020”). Part
of this framework is, among others, a clear focus on higher and vocational education and training. The EU aims to foster lifelong learning, improve the quality and efficiency of education and training, promote equality, social cohesion and active citizenship, and enhance creativity and innovation with a focus on entrepreneurship. These aims should apply to all levels of education, in this context especially vocational and adult education. Two 2020 EU benchmarks specifically apply: the share of early leavers from education and training should be less than 10%; the share of 30-34 year olds with tertiary educational attainment should be at least 40%. These benchmarks are broad indicators that do not meet specific future requirements for corporate capacity building.

The German apprenticeship concept is basically an integrated approach between dedicated schools with specifically trained teachers, corporations or enterprises that train the apprentices mainly in-house according to a strict competency model. The framework includes strong quality assurance and performance management for the apprentices as well as authorities that monitor and certify the entire process. Learning in schools and learning in companies are very much linked and tuned.

The programme consists of the following components:

For apprentices:

The program has clear entrance requirements for the apprentices: to be over compulsory school age and to have successfully completed lower secondary school.
The duration of the apprenticeship program is 2-3 years. The apprentice will spend 3,5 to 4 days being trained in the company and 1 to 1,5 days in part time vocational school (especially in rural areas the apprentice spends several weeks in school and the rest of the year in the company – which is normally much easier to handle for the companies). In the part time vocational school only one third will be general education and the other two thirds will be occupation related technical tuition.

Apprentices earn while they learn: based on a contract between the employer and apprentice, wages are paid according to a collective bargaining agreement.

**For teachers:**

Teachers of general subjects should have a university degree and a minimum of 1-year teaching experience. If they teach practical topics such as the brewing of beer they would need to have qualified for the occupation in addition to studying pedagogy or at least 4 years of industry practice. Continuous learning for teachers is a must. Special focus should be on additional qualifications e.g. IT or languages.

**For employers:**

The companies that employ apprentices have the obligation to train their apprentices in the defined occupational areas according to the competency framework authorized by the responsible Chambers of Commerce. Any corporate trainer has to qualify for training by passing an exam. Companies are required to monitor learning progress on a regular basis. They highly value being ranked top notch
with the best apprentices at the final exams, which is why many employers provide extra training lessons to their apprentices. They use their rankings for employer branding purposes.

The Chambers of Commerce and the Chambers of Labour are the highest authorities for vocational training. They play a key role in monitoring, checking, examining and advising the apprenticeship programme with regard to personal and technical aspects. Furthermore they negotiate minimum pay for practical training and apprenticeship (collective agreement). Involved bodies in the entire process are: the Apprenticeship and Youth Welfare Centres, the Federal Advisory Council on Vocational Training, Provincial Advisory Councils as well as the Chambers of Commerce and Industry and the Chambers of Labour.

This German concept is successful thanks to the following the key success factors:

- The permeability of the education system, i.e. ever adapting to new occupations in order to be responsive to the labour market
- Effective institutionalised cooperation between the social partners and the education system, especially the strong links between schools and companies
- A strong involvement of the employers in the system, i.e. in establishing curricula, taking on a lot of organisational work etc.
• The importance and success of the program for the youth is evident: it provides good earning potential and career opportunities.
• The apprentices spend the majority of their time in the company for learning.
• The willingness of employers to pay for a significant share of cost and administration (in Germany about €24 billion per annum) including the necessary infrastructure while bureaucracy stays relatively low.
• Adequate and reliable framework conditions are in place and well known.
• Availability of highly qualified and well trained school teachers as well as pedagogically well trained company teachers.
• Properly equipped vocational schools so that young people will bring the newest know how to the company

Given the demographic challenges the EU will face in the years to come it is of the utmost importance and urgency that the successful synergies between practical job experience and classroom training is implemented throughout the EU consistently. The “dual” vocational education system should be replicated across the EU with increased funding to support the coordination needed in establishing such systems country by country.

A twin-track/dual learning system is a good role model not only for educating the youth but also for addressing the expected long-term skill shortages in the EU. Life-long learning approaches should offer structured skill based training in line with a twin-track framework similar to the German apprenticeship model. All professionals should
be offered skill-building possibilities every 10 to 20 years within their professional life. These programmes have to be in line with a jointly agreed EU framework. Such an approach, if rigorously implemented, would clearly strengthen EU competitiveness.
Debate 3

Philippe Vivien: What we say seems to be a common perspective. But is that true everywhere in Europe? Practice would suggest answering yes but I would like to know from the colleagues around the table if it is true or not.

Martine Le Boulaire: It is less a problem of national policies than a question of corporate culture. What motivated the implementation of policies in companies? The drivers are company culture, namely the company is convinced of the importance of human capital and the necessity to preserve skill levels in the long run and then of course you can talk about BMW in Germany. BMW has always invested in this dimension in a very remarkable way; it is also the case for other companies in Germany. The second key factor is that companies that are concentrating on this issue are companies which need skills and are facing difficulties and need to react urgently. It is not because the government is imposing it and implementing national policies, this is induced by the different situations in terms of the skill level that companies need. It is also linked to a pre-existing corporate culture and this is why this is being done. We have seen this in France. There have been national plans and policies and they have not produced impressive results at all. The explanation is to be found rather in the company culture and the urgency of companies’ needs rather than something that has been implemented at the national level.

Yves Barou: We have a new question in HR, which is raised everywhere: how to manage people between 60 and 70? Before 60 there is nothing to mention except avoiding discrimination on the
basis of age; it is work as usual and of course all the bad habits in some countries of early retirement should be history.

Age is not relevant HR data; it should not be part of an individual profile. When you organize the people review and a succession planning, there is no point in knowing the age. The only interesting factor to build a career is the number of years before retirement,

Seniors have specific expectations; they have nothing to prove but they want to be respected; they are eager to transfer their knowledge and want a better work-life balance than they had before. After 60 they do not worry about the next job!

The question for companies is whether they are able to meet those expectations. Part time may be part of the solution, but also expertise and learning positions

We will discuss youngsters’ entering the labour markets, but it is clear that you do not want the seniors to block the promotion system in a company. This is why it is important to create specific positions for seniors! The question of seniors should not be seen or understood without having in mind what to do with young people.

**Tanja Haak**: Just because Yves gave a few wishes for older workers, in my experience with EWCs this is a topic high on the agenda, also for an extra wish, i.e. that physically some of them cannot do the same work anymore in the factories. We are talking about the blue collar workers and that is another aspect of it. In the past companies would have positions available, maybe working in the garden, but
now all of that is outsourced, so there is nothing left? That kind of concern comes up in discussions with EWC members.

**Dirk Schneemann:** Just a comment from a German perspective. Rainer, correct me if I am wrong but I will try to speak only for the oil and chemical industry. The picture in Germany is very complex: we have a very difficult triangle conflict. On the one hand the government is pushing retirement age upwards. On the other, we are used between the companies, the employees and the trade unions to living with pre-retirement systems, having the opportunity to retire at 58 or earlier, with some compensation. Thirdly, there is a dramatic demographic development with older people in the company and very few youngsters graduating. So there is a huge question and no consistent answer because of the conflict of interests between the government, the trade unions, and companies. If you translate this for international companies, you will reach another dimension of conflict because this carousel is running at a different speed at global level. So all ideas are very much welcome and I do not speak about the differences in Germany between Eastern and Western Germany, at least for the generation which retiring now. I guess that the situation in other branches might be the same, but in the chemical industry it is really dramatic.

**Rainer Gröbel:** It is the same in the metal industry, and the electronic industry. In the union we are now discussing building up opportunities for individuals with different retirement ages. Retirement age wouldn’t simply be 65 or 67 but depend on how long the people have worked for. But you also need finance systems and I
think that is not only an issue for the State but also for collective bargaining and companies.

**Steve Jefferys:** Adding one comment to the debate, which is that in a way what is being described is the value chain of an organization and that value chain can be white-capped with people like me, but the question is how to retain the value chain, and different companies have different solutions for that. One of the approaches to skills shortages is agency labour and this is quite a major phenomenon in a number of companies. A recent study on Rolls Royce looking at agency workers taught us that this is not a source of skill. People who have developed and retained their skills often work with organizations for a long period of time. If you think of the job of the HR being the creation of a value chain, one of the questions is how much of your value chain do you wish to outsource. There may be a business case for taking certain parts and moving them out, but in terms of actually creating an organization that will be able to mature, develop and renew itself and face new challenges, that is an issue which is something about the role of people and in a sense the role of HR managers.

**Stephen Bevan:** Just to follow up on that, the UK civil service is a really good example of this problem at the moment. There are about 650 000 public sector workers in the UK who have lost their jobs in the last 18 months and many central government departments have not done effective workforce planning in a way that enables them to retain the skills they need and essentially because they have used voluntary redundancy as a mechanism for reducing headcount very quickly, which has been a political imperative. The people
volunteering are predominantly the older more skilled people with longer service and that has caused some big problems. Indeed even this week, the Ministry of Defence has been warned that it has lost too many older highly skilled people too quickly and that they will regret this. The other thing that is important is to therefore think about the extent to which we can use things like the taxation system to be more flexible and to support people who want to continue to have portfolio careers at the end of their working lives. At the moment I am not sure that that is properly calibrated. Obviously from an HR Directors point of view, in terms of the overall resourcing picture, you have to be really clear about the extent to which you are using people who are operating as freelancers for example or agency workers, and whether they are meeting your needs for miracle flexibility, or functional flexibility. I would argue that with higher skilled older workers it is more likely to be functional flexibility and therefore having resourcing strategies to use highly skilled people out there in the labour market, some of which may have worked for you previously, are not always helped by the taxation system.

The other thing is that I would like to add two things to Yves’ list of what older workers want. This week I got some data back from a survey that we have done looking at the aspirations of older workers in the UK. I would add that there is a very high need for doing work that is socially useful. They want to do work that makes a difference, either to their organization or to the wider society. There is something about having a more ethical perspective on business and the nature of the work you do, and as people reach the end of their careers, they feel that they don’t have to prove anything to anybody, but they have to exercise their discretion to do some work that has
wider use. That is an important thing to tap into. Finally, we need to rethink our definition of work, because for many older workers, work does not only mean paid employment. It can mean volunteering, getting involved in other activities and so it is quite important to recognize that older workers can play a useful part in engaging in meaningful activities, perhaps through social enterprises or the voluntary sector and organizations, and that can be as socially useful as their economic contribution.

There is clearly a re-setting of expectations as well, because there is the pattern of the baby boomers reaching a certain age, being paid to retire, and that is going to have to change in the future. So I agree that we have to be a lot more innovative in terms of working styles and I see the issue of elder care also encroaching on that because people are living longer, they will work longer, and there is also a detachment of pensionable pay with work. In certain societies you can still pull down your pension and continue to work, so the notion of when that income flow comes in is going to change as well.

**Paul Mayer:** Building on what Yves was saying about the blank page when it comes to the management of senior employees. I believe that this is a very good field for labour negotiations at company level. In France, a law made mandatory a negotiation at Company level on working conditions for senior employees. To our surprise we found our unions very receptive to this. As an outcome of this negotiation, we agreed with our unions to give the possibility to any worker who wishes to arrange the end of his career to declare himself 2-3 years before the expected moment of retirement. We opened a part time solution for these employees allowing them to work at 75%, with a
pay at 75%, but maintaining their pension rights at 100%. It is very simple, it represents minimum costs and it does work. Moreover, it gives us an idea of who wants to leave and when which is a precious information that we cannot obtain from the Social Security or the Pension Institutions. Hence, this is helping us to build our workforce planning. It is also raising powerful questions such as the organization of labour. Senior employees are much more willing to work in a project mode rather than under the natural hierarchy mode. In the Technical Service department of Tetra Pak France, we made a list of the projects available for the people who volunteered to follow this program. In terms of numbers, it is still limited (around ten cases) but this is promising and it has been very well received by the organization. This is working especially well for our field service engineers whose job is to install or to service equipment at customer sites: at the age of 55-60 they talk to us about their fatigue at the end of long working days or about their back problems. So this program is a positive response to a couple of issues specific to our more senior employees.

**Philippe Vivien:** We have to think differently and out of the box and try to take away what I would call a very special day: you move from an old employee to a young retiree. We cannot continue saying I am 65 or 67 and I have to leave. My point is what can we do as HR officers and trade union members to try to negotiate what could be the last part of the life in the company and which does not mean that today you are no more an employee of the company. My point is how can you move from your package of an employee to a new way of dealing with the company that you have been working with for many years? This is the kind of transition that will make the
breakthrough, and I am quite sure that we are very shy about it, that we could be much more aggressive in the way we negotiate. A lot of our companies and agreements with trade unions everywhere have proved that we can do many things. Probably we are too shy and probably we will have to be much more innovative and it is not only a matter of contract or salary but also of how you have managed your staff for years and years. Do not tell people when they are 62 and 63 that you are sad that they are leaving if you have not proposed them a great job for years. That is something that we have to reshape in the way we are operating right now.

**Cornelia Hulla:** I want to stress the idea that we need a new contract between trade unions and employers for managing this transition phase, it is something that we need to keep an eye on. We can do much more and should be innovative in these areas.

**Caroline Young:** We now work often with HR directors on building up coaching programs for executives which aim at helping them to project themselves over the next 10 and 20 years. These meetings usually take place when they are 55 or 60. It allows them to think about their future, but not only in the company, but also beyond their current job and career. “What am I going to do over the next 20 years” and, as Yves was mentioning, it helps them manage their transition in a smart way.

**Steve Jefferys:** I joined a university when I was aged 48 and at 50 I got an automatic letter from the HR Department saying would I like to take early retirement. I left that university one year later. My father stopped working at 80. I think the concept of age to retirement is probably a good way of thinking about it because it
does vary enormously. If you are in a manual working job it is very different than if you are in an intellectual job. Physically your own interests and desires can vary enormously, but the concept of taking on board what the individual considers would be a suitable retirement age for them seems to be a good way to approach the issue of actually being sensitive to the individual, at the same time trying to build in the notion of planning for the workforce skills.

_Tanja Haak_: I just want to go one step back. A lot of companies do not know what their needs are. The need to first make an assessment of what they would need at the different levels in the company. We have done that exercise with the help of a EWC in a company and it was fascinating to see that they did not know how old their employees were in the different countries and what consequences that had.

I would like to get back to a comment Steve made, to put in perspective the question of value chain of a company and to link the ageing problem to that and the question of human capital. If you try to bring these three items together, you might be able to identify added value in solving this problem.

_Robert Zalewski_: I agree with what Tanja said. I have this ageing problem in my company, and what I realized when we started to tackle this is that people were surprised that we were approaching them and asking them about their plan. At all levels, managers, line workers, people were surprised about this question. The common answer was, “I do not know.” They had no plans or they had the same plan as we heard about some HR people, i.e. to survive until retirement. What happened next is that some of them stayed longer
than the retirement age because when they saw that the company was interested in asking them, they thought, “We want to work longer. Then we could also change our plans.” Some groups who knew what they were planning. Some of it resulted in early retirement because they said I want to go now. The lesson is simple: ask, be open and be prepared for different solutions. As I said though, it is not common practice.

Jose Antonio Rodriguez: I would like to make a reflection and see if there is any possibility to revisit the mentoring and internal coaching concepts and how they are used in companies, to see if older people could add value to these skills, helping the rest of the organization.

Joachim Sauer: What I missed is a discussion about whether we are sure that productivity won’t increase so dramatically that we will not have a demographic issue. We now extrapolate a given situation in a static manner. But maybe we will have such a dramatic increase in productivity in the next 20-30 years, and we won’t have the demographic issue we have been debating about. If we do not have this workforce issue, we would not have the big issue to hire people, and we can refinance the retirement system because the economic situation is excellent. Secondly, 150 years ago we were 100% dead. Life expectancy was between 35-38 years old. I believe that people become healthier and my assumption is that we will see the same evolution in the next 20-30 years. So why do we extrapolate the current situation? You may be more tired when you are 60, but why do we assume we will have the same situation in 20-30 years? Maybe some 70-80 years olds are as dynamic as 40 year olds. Thirdly, I do not know if it is possible to overcome the problem at hand by hiring
more women. At the moment we have a big gap between part-timers, this is the situation in Germany, and if we take into account how many woman are working and how many hours they work, there is a gap of 30%. Last question is whether we are sure that the working time will increase in the next 20-30 years? If working time decreases we should be able to let older people work 20-25 hours per week.

Michel Aglietta: Regarding what you said about the size of the labour force in Europe, the important thing is to increase labour supply in Europe. There was a study by McKinsey a few years ago, which calculated that, if Europe achieved parity in employment at each level of skills and responsibilities in the workforce, macro-economic growth could reach about 1–1.5% in total. What it means, especially for Germany, Italy, and some other countries, is that where there is a problem of employment for women it is because there are not enough public services to take care of children for example. The problem is the organization of family policies within the countries. Some countries are very advanced in this respect and are very close to achieving parity: Scandinavian countries. Their growth rate has been improving since the financial crisis in the early 90s. They invested into education for all, public services to help women to join the labour force, regulations for women not to be handicapped when their career is interrupted for a short time after pregnancy, etc... We should organize society to increase the labour supply. I guess it largely depends on management considering gender discrimination. You need to get over the glass ceiling in compensation and a lot of things to increase the labour force in a meaningful way and to
increase productivity. If we do that, growth can potentially increase in Europe.

François Curie: My takeaway from this session: knowing that beyond retirement there are mechanisms allowing people who have the motivation and expertise and competence to continue to work to do so.

Now, let’s move on to the second part of the discussion: how to better welcome youngsters in the labour market?

Agnes Bureau-Mirat: If you look at the interesting figures issued by the European Commission, you will see that more than 5 million people in the EU are unemployed today. This means that 1 out of 5 young people on the labour market today cannot find a job. Youth unemployment rate is today at more or less over 20%, twice as high as the rate of the entire working population, and nearly 3 times as high as the rate for the adult active population. If we look more accurately into the figures, we see that there are significant differences between the countries, some countries like Spain and Greece have horrendous figures, above 40%, almost 50% now, and other countries have better results in terms of youth employment, since in Germany, the Netherlands and Austria, youth unemployment is below 10%. There are differences between countries but there are also subgroups that are severely affected by this unemployment problem, for instance women and youngsters with disabilities or a migrant background. There is also another issue we have to face today: that many people decide not to go into the labour market and they prolong their studies when they can afford it, this is called the skilling-up approach. And there are also a larger number of people
who are neither studying nor employed, which means that they are no longer seeking employment: they have given up. Long-term unemployment is also on the rise. If you look at the figures, recently, 28% of unemployed youngsters had been unemployed for over 12 months. They are also overrepresented in temporary contracts. Beyond the direct cost of unemployment, there are also long-lasting effects for what is often referred to as the lost generation/decade. If you have been unemployed when you were young, you are more likely to be unemployed again before you reach 34, so it is predictive of further unemployment. Lack of confidence, lack of entrepreneurship, less innovation and wage scarring: if you start underpaid, it will probably take 15 years before you catch up. More than ever, this situation calls for action. At European level, you are probably aware that, 25 years after the successful launch of Erasmus, the European Union is working on a flagship program called Youth Opportunities Initiative and meant to address this situation with drastic measures. The Member States’ roles are very important as well. Recent studies have shown that the causes of youth unemployment are more or less related to early school leaving without qualification, lack of relevant skills, work experience, precarious employment and a poor support through the first work experience. The transition from school to job is very difficult to achieve. The speakers come from different countries but have the same concern, and we will try to make the most out of everybody’s experience, feel free to react, but preferably at the end of the presentations.

**Charlotte Thompson:** In the UK particularly we have a good way to help young graduates integrate into the labour market with all the
graduate schemes. In the UK you do not need to study for that long, you usually have a Bachelor’s Degree and companies take up the challenge of finishing training whilst you are working, so you are paid decently and are working and have real responsibilities, but you still continue training so that you can fully understand the stakes and respond to what is expected of you.

**Rainer Gröbel:** When you want to have good collective bargaining agreement with good conditions and salaries, you must have innovation, growth and higher productivity in the company every year. For that, you need a highly skilled and qualified workforce. Youngsters are the start and this is very important. This is not only a public matter, companies should also be involved. We struggled with companies on the number apprentices and now there is a new collective bargaining agreement that most of the young apprentices get a long-term contract after their apprenticeship. Unions should also focus on this and try to get deals for the youngsters. At IG Metall, we have the highest youth membership rate because we work with them. The governments and the European Commission spend a lot of money on learning. “Why can’t we create a European apprenticeship system? The Chinese come to Germany to copy our system, why can’t we do this in Europe?”

**Fernando Vazquez:** There are a few explanations for this. Education and training are a national competence, so Member States resist enormously letting the EU interfere with that. Secondly, we have an enormous amount of money dedicated to training (ESF), about €11bn per year, but since 2000, 99% of this money is managed by the Member States. It is much more difficult to have joint programs on
the basis of the ESF. In spite of that we have European programs, like the Erasmus program, which is an enormous success, and we are now launching a European program for apprenticeships, that is part of the employment package that was presented some weeks ago. It will take some time to put in practice. We think that the Member States are now much more willing to cooperate because there are enormous differences in Europe with regards to skill needs. The Spanish and German cases are obvious. Germany needs people from other countries and Spain and others need to let some people go. For that we need a European instrument and we may have it relatively quickly.

**Rainer Gröbel:** Now we have a discussion in Europe, after the election in France, that there are new programs to stimulate growth in Europe. We in Germany do not want to finance this, but that is because we do not want to finance the finance system. We would prefer to finance something where Europe has a chance to grow, for youngsters, not in the bankrupt financial system.

**Dirk Schneemann:** 2 comments to underline two topics mentioned by Cornelia. On the one hand, for sure, the demographic development in Germany is different from Spain. This lack of young people helps us to promote the apprenticeship systems but on the other hand, Cornelia mentioned that if you have an apprenticeship in a company, you are able to reach the top. There are no levels exclusively accessible for university graduates. In the last years we have attracted more people who could go to the university and who came in the company at 18-20 years old and they stayed. Sometimes this is different in the UK. People in German universities come out at 27 or
28 and older, and so they miss one or two job generations. And if you attract people saying that they will go into the dual system and there is no limit to growing in the company, society will be divided in two. This is a lesson learnt that helps us promote this system.

**Steve Jefferys:** First of all I think that we must make a distinction between the problems of graduates and the broader problems of youth unemployment. The issue that was touched on about school leavers in Spain is the same as in the UK. Unfortunately the government changed its policy very recently. We had a system, which was to pay school students to stay in school. The poorest families could apply and receive money to stay in school beyond 15 years of age. With the austerity measures that have been introduced, that has been abandoned and that is going to leave a much stronger mark on the economy of the future. Those sorts of measures should lead to a reflection on more positive ways to incentivizing people staying at school.

Schools need to be better and should give more motivation to students to actually stay on. We have the problem of needs, not in employment, education or training, i.e. how to get them into training. The German model is very important for Europe because it shows that it can be done. I am not sure if it shows how it can be done. The reason is what we call path-dependency. German employers were the first employers’ association in the world to create, in 1844, a network for training, which was unheard of in the rest of Europe at that time. Even today we ask ourselves why in Britain, none of the employers’ associations are involved in training. One of the questions is why should any company train employees,
and this is the old conundrum, when the people trained would then go somewhere else? So it is in the individual interest of the firm not to train people too much. On the other hand, in the societal interest it is very important or you have to start importing trained workers from other parts of the world. That is OK, as long as there are trained workers in other parts of the world. Actually, the supply to the UK of trained Polish workers is declining, because in Poland the training mechanisms, which used to operate, have been folded up. We are in a situation in which it is seriously the question of looking at the skills profiles of companies, and saying, where are we creating new training and apprenticeship opportunities? This is now something that is being encouraged at one level by the UK government, who has started encouraging firms and giving some incentives to what are effectively 6-month apprenticeships. It is not good enough, and there has to be a stronger incentive for people to be both motivated and do more than work for six months, it has to be a longer term and more progressive thing, and that really does involve HR managers, and companies thinking about their own organizations and where they are going to recruit from. I was looking at a recent case study: a company wound down its apprenticeship program in the 80s and is now realising that it has to bring in skilled workers from the outside. So it increased its apprenticeship offer. There the question of HR, looking at the skills profile of the company, trying to estimate the needs in the future, and making the arguments for the long term now, has to be the way forward.

**Joachim Sauer:** About the German system, I believe that apprenticeships and the dual system are extremely important but we should not forget that the majority of the age groups are in
universities for two years. There are 550,000 youngsters in universities, the so-called entry fees are cancelled now, from land to land, and research shows that this evolution is something that we will see for the next 10-15 years. The higher the education, the higher the probability that you are reintegrated. Secondly, you spoke about the dual system being in a school and a company at once. We have the same now in a construction where someone is in a university and in parallel has a contract with a company. At Airbus we have about 200 people in Germany who are doing this, they are in university for 3 months, then come into the company for 3 months, then go back, etc... A very weak point is that every year about 20% of our young population are in so-called transfer systems, i.e. they were not successful in school and stay in a system that is revolving with no results and the majority of them are NDH, which means that their parents are not German. This is target group where Germany is not so successful; the system has to change, so be careful not to copy it as it stands now!

**Fernando Vazquez:** There are two important subjects that have not been mentioned in the context of youth unemployment: job creation and the fact that we have to deal with the enormous mismatch between the companies’ needs and the output of the education system. It is incredible that we have millions of unemployed people and millions of vacancies. This means that in general our occupational data systems do not work properly. This requires a much better anticipation of skills needs.

**Stephen Bevan:** In the UK we use the term parity esteem, the extent in which apprentices are regarded as having the same status as
someone with a university degree. That is one of the things that Germany has done better than almost any other country. Although there have been some increases in the UK in the number of apprenticeships, and the government seems to be more committed, parents do not regard apprenticeships to be as valuable as going to university. One of the challenges we have is to achieve a greater parity of esteem between different routes between the vocational and non-vocational academic routes. The other thing that was done well in Germany is increasing the quality of the labour supply, and matching it to the demand of employers. The danger is that if we just invest heavily in improving labour supply, without working on demand, we will be in big trouble because we are going to have an over-supply of over-qualified people where there are either no jobs or jobs that do not use their skills. That is a real problem. Once you have a good supply of labour, it relies on firms’ ability to make good use of that labour. A researcher in the UK says that if UK managers had access to the same skills level as their German counterparts, they would not know how to use them. So there is an issue in some companies about whether or not managers are adept enough to make use of the skilled labour force they have. When you compare the UK with Germany, I agree that the UK has a problem. The other issue is about training. I think that in many European countries there is no tradition of businesses investing into long-term training. I hear the argument that when you train people, they leave because they become more valuable in the labour market, but I have seen the opposite. If you do not train people and invest in their skills, they do not feel valued and they leave. We therefore need to deploy arguments to support firms that do invest in long-term training. On
Wednesday, the Work Foundation published a piece of research on NIETs (Not In Education or Training) in the UK saying that 50% of people not in education, training or employment had never had any work experience at all, which is a very shocking finding, and it reinforces the view that, unless people have access to some form of work experience, there is a scarring effect which will affect them in terms of employment prospects, pay and self-esteem, probably for a generation. The answer lies partly in improving the quality of training, but is does come back again to the macro-economic question of where demand comes from.

**Yves Barou:** Building on this I wonder what will happen to societies like Spain. As you said Gonzalo, they have heavily invested in training students and, because of the lack of demand, the best guys are emigrating to Scandinavia and Germany. What kind of long-term effect wills this produce on Spain as a country?

**Stephen Bevan:** No matter where we set up our businesses around the world, we have to establish the supply base of skilled technicians in apprenticeship programs. We have them running in Germany, the UK, Brazil and the US and we find that half of them usually never touch the tools and go straight into a graduate career. In the UK, because of the introduction of the fee structure this year, £99,000 per year, we have worked out that our average graduate would have to make £100,000 per year to pay of their debt by the time that they are 42. So if you are a bright young student with 3 or 4 A stars, you’re probably better off coming into an apprentice program and moving on to a degree and asking the company to pay for your education, rather than taking the traditional route. There will probably be major
restructuring in the UK in terms of how people access higher education.

**Yves Barou:** If we say yes to apprenticeship, can we define it as a fundamental element of the European Social Model, and can we create European rules reflecting this idea?

**Cornelia Hulla:** A message by the German government was released on the Internet today: the country will back up the plan to help Europe financially if the German apprenticeship model becomes a rule.

**Philippe Vivien:** What Cornelia mentioned is very important. You say that the company has to do its part, but education does too. You have well-trained teachers who really understand the necessary link between teaching and practice in a company. I think this is something to address. Quite often in France there is a big mismatch between the two and we have to educate the teachers so that they understand these skills needs.
5. Two concepts to strengthen the European social model: social responsibility and the human capital

Companies in their ecosystem

Critiqued, undermined, forgotten, torn by the crisis, the European social model needs vitamins. Two concepts could be fit the bill to strengthen it and provide it with the dimensions of globalisation.

The first is Corporate Social Responsibility (CSR), the counterpart of the extension from investors’ point of view, through Socially Responsible Investing (SRI). What is it?

As Jérôme Nanty and Yves Barou explained, social responsibility is an invitation to a broader view exceeding company and legal barriers, placing the company in its ecosystem and asking it to accept the externality it generates. Many topics are included in this responsibility towards society, for instance the management of employment and social issues, environmental issues, or the relations with the stakeholders in the employment pool or sector. As Laurent Brugeilles reminded, social rating therefore becomes a logical practice that could in the near future bring more transparency, thus offsetting excess financial ratings.

Totally consistent with these principles, ‘social business’ has been spreading. As Bertrand Moinjeon showed, it is not a mirage even though it doesn’t aim for profit and can, on the contrary, reactivate the company’s model.
Extending the approach is probably the condition for recovered social cohesion, as Sandra Enlart is hoping and praying for. Indeed, cohesion has definitely become eroded in recent years but, as (???) pointed out, businesses are at the centre of its reconstruction.

Time is a key factor for all social stakes. The conflict between economic and social issues can only be solved in the mid/long run. Having regard to skills, the future is the key as professional careers now exceed forty years.

It just goes to show how important the concept of human capital is!

Alain Oumeddour proposes a stimulating approach while analysing possible difficulties businesses may face when implementing the system because of what he calls “The great escape of the human capital.” However, with a collective view of this concept rather than an individual view, he paves the way for fruitful thinking in companies, to finally overcome a mere financial definition of capital stock. This could be a way of bringing training back in the centre of the answers to the crisis.
Jérôme Nanty-Yves Barou: social responsibility, an invitation to a broader view

The international HR community has only been marginally involved in the debates and think tanks of the last decade on social responsibility, leaving consultants, consumers’ associations and experts in charge, even though they are sometimes far from the reality of businesses.

Yet, even if it brings questions up, this concept raises relevant concerns about corporate practices.

For HRDs, particularly in Europe, the responsibility is to bring this debate back up, help clarify it, match it with businesses’ social practices, updating the link between economic and social issues, matching it with the European social model(s) and, finally, think about the place and future of human resources.

In other words, it isn’t too late for the HR community to fully take on its role and responsibilities in this domain, aka its reason for being. We are responsible for giving value to this concept by bringing its up to its full.

The fact that HR isn’t involved can be explained by several (bad?) reasons:

- Conceived as an obligation for all the organisations, SR (social responsibility) has in fact hidden CSR (corporate social responsibility).
• An increasingly global figure, HRDs have had little room for discussing underlying models: the American model, the Chinese model, the European model(s)...

• Worried about the requirements and formalities coming with social rating and ISO standards on top of national laws, they are suffering from the growing complications of the job with the risk of becoming estranged with management and employees at the same time.

• Rather ill-at-ease (and this is a good thing!) with a marketing system too far from reality, they tend to stay on the sidelines, letting sustainable development or social responsibility blossom on the outside, but they are bothered (as well they should be) by the ramping OPA of those who specialized in the social sphere.

• For their part, union organizations have also remained on the outside of these debates, feeling the ambiguity of the founding concepts.

Yet, the key stakeholders in increasingly global firms and seeking more consistency, the HRDs should be the pioneers of this reflection.

Make the concepts less vague

Businesses concerned with developing voluntary practices even beyond national requirements have often used the notion of Corporate Social Responsibility (CSR). Its content and domains can vary depending on the company or the country, which isn’t a problem provided that good practices are listed and spread.
The European Commission adopted a definition that refers to the “voluntary integration, in businesses, of social and environmental concerns into their trade activities and their relations with the stakeholders.

According to ISO 26000, it is the “responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society, takes into account the expectations of stakeholders, is in compliance with applicable law and consistent with international norms of behaviour, is integrated throughout the organisation and practiced in its relationships.”

This last definition is actually a general, ambiguous compromise (for all forms of organization), far from the company (9 pages on working conditions and labour relations out of a total of 127), when we should be focusing on the company and on the very specific context in Europe in this early 21st century, with original social models that can serve as a reference to think about after the crisis.

It can be the impact of pollution, financial costs transferred to a collective system, or mutualized, the economic consequences of laying off people with no employability, the responsibility a contractor has vis-à-vis his/her subcontractors...

Actually, wanting to bring these costs back in has amended industrial accidents contributions, depending on the changes made in terms of working time. For a long time, in the United States, there has been a complicated system to adapt social contributions to the company’s employment policy.
In addition to the definition given by the ISO 26000 standard, we propose defining this concept as the responsibility for all economic or institutional stakeholders to transparently comprehend and endorse the direct or indirect impact of the decisions, taking account of everything surrounding it – social, environmental and economic factors – generated by their actions. This would help foster a fair, durable global development.

This helps clarify a few ambiguous points:

- The notion of “voluntary” needs to openly include social dialogue inside and outside the company and rely on the proactive respect of existing regulations and agreements.
- The definition of underlying values or behavioural standards should be democratic. Bringing ethics into the public sphere cannot be the job of stakeholders or lobbies that are not representative.
- The notion of ‘stakeholder’ is a problem for employees because it almost implies that they are not inside the company, when the company is actually a working community.

On the other hand, defining sustainable growth is easy. Sustainable growth isn’t stuck on a shortage of natural, unreproducible resources and doesn’t damage the environment so long as it doesn’t alter the conditions for growth.

Defining sustainable development is both richer and difficult.
The notion of sustainability represents the ability of international development to preserve the core of its technical, social and cultural heritage.

Even though it is an interesting concept, it has nevertheless become somewhat of a youth hostel. Some recommend zero growth or even downward growth. Others have a very European-centred view, while some believe that growth can feed itself. Some implicitly refer to the American model and, in fine, directly involve the employees, avoiding union organizations, while others refuse to question the European social model(s); finally, some want the human sphere to prevail while others focus on nature.

What’s more environmental issues have spread onto social responsibility, where HRDs and union organizations are excluded or have been forced out!

Yet, while the two concepts are completely coherent and it can even be useful to use them together, having one depending on the other would be hazardous.

3 existing models

In the end, the point is to create standards. There are three ways to do this, leading to three different systems:

- Voluntary, unplanned collective action based on a joint agreement and focusing on a shared value. Standards can be spread via exemplarity or social disputes. However, even if it is a voluntary approach, there are two risks: voluntary participation from the management only, i.e. not shared by the
affected community; or a single thought prevailing and voluntary participation being only a facade.

- Collective, planned action, characteristically collective bargaining (at company, sectoral, local or national level). Here, the limitation is the stakeholders’ ability to reach a compromise that can really be enforced and that overcomes the mere assessment of principles.

- Arbitration from the State (or the EU for instance): the regulator uses laws, directives or recommendations. In this case, the risk is to simply list options or, on the contrary, issue standards that are too binding and therefore won’t be applied in many companies.

Social history shows that these three options are and have been at work.

However, the synthesis is not the same depending on the economic and social model:

- In the north-American model, where individual contracts are preferred, the reference value is the freedom of all the stakeholders, even defining your own ethics. Therefore, voluntary participation is encouraged and joint agreements sought.

- In the European models, the collective reference comes to balance the concept of individual freedom: the social contract is exemplified through company, sectoral, regional, national or European agreements and through the law. The social partners’ role is more important than the other stakeholders’.
Negotiating is the way for social progress more than voluntary participation.

- In the Chinese model, the group is the nation and, in some cases, the region. The authorities define standards are defined at central level.

To generate joint standards, first in Europe and then at global level, therefore “civilizing” the market, social rating can be very important. It can thus be added to financial rating, as long as it avoids its obstacles.

- Reference frames must be transparent because it would be an illusion to want a single reference frame in the way of IFRS standards. All referential obviously echo a social model that needs to be explained. Thus, some SRI (Socially Responsible Investment) frames give priority to employment, some don’t.
- Rating agencies have to be independent and authorized by a national or European organization.
- Reporting and monitoring compliance should not take over the reality of social practices. Rating cannot be based on a simple declaration without investigating the different stakeholders involved.
- Searching for indicators is useful but a number of social criteria cannot be measured.
- The parties involved in social rating ought to deliver their conclusions in an analytic, therefore detailed manner because, as rating becomes public and transparent, it can have a significant impact on the businesses concerned, their name and, therefore, their clients.
However, in growing and entering supervisory boards, rating can help balance economic and social issues.

For a company, social responsibility can, provided that it goes beyond principles and marketing, generate and represent an opportunity to give meaning to their actions.
Laurent Brugeilles: non-financial rating, social responsibility and socially responsible investment

Non-financial rating

Corporate social responsibility (CSR) is the commitment by management to take into account the legitimate expectations of different stakeholders in a company, their involvement with managerial procedures, and communication of results in order to reduce non-financial risks. There are four of these risks:

- reputation/image and branding
- human capital
- legal security
- operational efficiency

Rating agencies work for investors. Indeed, the companies rated do not pay for rating, which guarantees that the rating agencies are independent.

Vigeo’s method is legitimate because it is opposable. Indeed, it relies on a series of international texts, e.g. the OECD’s guideline, the ILO and UN’s conventions, etc., which constitute the structure of our analysis framework. Completely compatible with the ISO 26000 standard, the model comprises 39 criteria in 6 domains, and every model is adapted to the industrial sector where it will be used.

Regarding the social field, the two main subjects are HR and Human Rights. When it comes to non-financial rating, taking Human Rights into account is extremely important, as the European Commission confirmed in November 2011.
In this respect, 5 criteria should be respected:

- fundamental rights;
- union freedom;
- non-discrimination and the promotion of equal opportunities;
- the ban on child labour;
- the ban on forced labour.

As regards human resources, 6 criteria are used to determine whether or not an employer is responsible:

- the promotion of social dialogue;
- employee participation;
- the responsible management of restructurings/reorganizations – two words that need to be distinguished as reorganization is a permanent process in organizations
- the promotion of employability and career management;
- the quality of remuneration structures;
- the improvement of health and safety at work.

Our method follows a ‘managerial approach’

- we value the fact that businesses include responsibility principles to their guidelines,
- we then look for consistency in the implementation of these policies through management systems,
- finally, we look into the accuracy of the results and the presence of a reporting system and of indicators.

**Socially responsible investment**
Investors then use the results of our analyses to develop their socially responsible investment strategy. The last benchmark study on SRI in Europe was carried out by EUROSIF in 2010 on 2009 figures. At that time €5 billion were managed following these principles in Europe, an 87% increase over the previous two years. There are two major categories of SRI stakeholders: institutional (pension funds, pension schemes, insurance firms...) and asset managers (for their own account or for a third party). There are many different strategies for socially responsible investment. EUROSIF distinguishes core SRI from mainstream SRI. In 2009, core SRI had €1.200bn, and mainstream SRI €3.800bn. There have been many reports on SRI funds and, while studies and meta-studies do not find a consensus, a majority tends to show that these funds are at least as competitive as the others. Mindsets are evolving quite rapidly. The United Nations have also developed an initiative on principles for responsible investment (PRI), which started in 2006. Today over 1,000 parties (investors, asset managers have ratified this agreement, which represents over $30,000 billion in assets at global level.

Another still pioneer initiative is nonetheless interesting to look at, the ERAFP (the French pension fund for civil servants). It has recently redefined its investment policy, adding a new governance criterion. The Fund now only invests into businesses where the gap between the highest and the lowest salary is not higher than 1 to 20. This rule affects private and public companies. In this respect, the ERAFP goes even further than what the new French government is aiming for.

_Towards European harmony?_
At European level, methods and analysis processes still vary between the different agencies. More harmony would certainly be a good thing, at least as regards the companies rated. Is it fair that different non-financial rating agencies carry out their analyses following different methods? Yet, such diversity can prove to be interesting in some cases, but it can also confuse an activity which is still quite young. That being said, overall societal responsibility has been changing in recent years. Indeed, there is now a joint framework with the ISO 26000 standard, which most agencies now refer to. This is a major step forward towards standardizing CSR concepts and reference frames.

Besides, an initiative launched by the European Commission in 2011 should soon extend the reporting obligations of a number of European businesses.

The government’s plan for social rating

‘Social rating’ was included in Proposal No. 24 of François Hollande’s program. The chapter entitled “I want to give value to justice at work,” itself included in the “Bringing justice back” section, read: “I will combat precariousness.” Therefore, the way the government sees it, ‘social rating’ is a way to protect employees and the quality of their jobs. With the envisioned system, “businesses with 500+ employees” would have to “annually authenticate their HR management with regard to criteria of employment quality and working conditions.” Apparently, the government wants to commit to a process of authorizing these authentication organizations. The public powers should definitely be alerted to the general savings brought about by a system like this. But we are raising the question
of immediate and recurring funding for this project in a negative economic context. Besides, we would like to point out that several rating agencies already have a lot of experience in this area, which could be very useful notably for the method and interaction with businesses.

CSR is on the right track: wide publicity and maturity, notably driven by regulation. Non-financial rating agencies have a major role to play in this context. They can also guide investors' choices and quicken the virtuous circle of social responsibility. To that end, research based on environmental, social and corporate governance (ESG) should be of quality and credible. To that end, an international quality standards was created for non-financial rating (CRR-QS 2.1.) It contains several requirements in terms of quintessential methodology, ethical agencies and transparent systems.
Bertrand Moingeon: “social business”: no profit, no mirage

It has become a platitude to state that Corporate Social Responsibility (CSR) is a concern for contemporary business managers around the world. Several reasons explain this trend: the critique of business, which is growing with the current crisis; the failure of governments to solve many societal problems; the increasing evidence of threats linked to poverty as well as climate change; the exponential growth of consumption per inhabitant, especially in areas such as India and China. Together, these considerations endanger life and peace.

Facing such evolutions, firms are questioning their own role. Most have adopted a defensive behaviour consisting in reacting to external pressures through ill-assorted and poorly-coordinated actions and abundant communications, sometimes referred to derogatorily as « greenwashing » (Davis, 1992). Furthermore, these activities are often of a philanthropic nature, disconnected from the core business of a firm and leading to what some have labelled as a CSR bubble (Husted et al., 2007).

Some firms, however, are aware of the gravity of the stakes and of their role and wish to elaborate a strategy going beyond regulatory requirements, thus integrating CSR issues into their core business. This is often referred to as “pro-active CSR” (Carroll, 1979; Wartick et al., 1985). Two types of pro-active CSR can be distinguished, explaining the origin of the firm’s commitment. The “moral case” relates to strategies stemming from the desire to do good: firms act this way for ethical reasons, because it is “the right thing to do.” The
“business case” pertains to firms engaging in CSR as a means to fulfil self-interest: firms consider the underlying opportunities in CSR and try to turn them into a business opportunity.

Can a firm do well by doing good?

Over the past few years, many studies have argued that both cases could be reconciled: a firm can do well by doing good (Husted et al., 2006; Margolis et al., 2003; Waddock et al., 1997). One of the most well-known is Prahalad’s book (2004) encouraging companies to seek “Fortune at the Bottom of the Pyramid,” whereby they can contribute to eradicating poverty through profits.

However, Prahalad’s ideas have been vigorously criticised, disparaged as naïve and fallacious. The most virulent has been Karnani’s (2007), who argues that these ideas are a mirage: there are no profits possible for MNCs and the poor are more assisted than helped.

So how does one step out of this controversy? Can the poor be helped at all through pro-active CSR? If there is no fortune at the BOP, do firms get any benefits beyond financial profit from this type of CSR initiatives?

The mirage can indeed be turned into real social benefits but those benefits don’t directly turn into a fortune for MNCs. Simply put, there is a return on CSR investment but conventional financial profit is not a direct part of it.

To make our argument, we draw from several examples of partnerships in Bangladesh between MNCs and the Grameen Group -
the microcredit pioneer founded by 2006 Nobel Peace Prize winner Yunus.

**What is a social business?**

Over the years, Grameen Group has indeed developed partnerships with MNCs (e.g. Telenor, Veolia, Danone) so as to build “social businesses,” that is a hybrid form between a non-profit organization and a profit-maximizing organization. The former is cause-driven rather than profit-driven but will have the same organizational structure as the latter. Social businesses are not charity organizations but true businesses: they seek to be self-sustaining through full cost recovery since they believe that only profitability can ensure sustainability. It is a no-loss, no-dividend, self-sustaining company that sells goods or services and repays investments to its owners, but whose primary purpose is to serve society and improve the lot of the poor.

We suggest that a business model has two major components:

- A value proposition, the answer to the question: who are our customers and what do we offer them that they value?

- A value constellation, the answer to the question: how do we deliver this offer to our customers?

These two components need to fit together like puzzle pieces in order to generate a positive profit equation. This profit equation is the financial translation of the two abovementioned components.
Drawing from the Grameen experience, we can highlight the adjustments needed to switch from a traditional business model framework to a social business model framework. The first change is the specification of targeted stakeholders. Thus, the value proposition and constellation are not solely focused on the customer but encompass all stakeholders. The second is the definition of desired social profit through a comprehensive view of the ecosystem. The third is that the economic profit equation targets only full recovery of cost and of capital and not financial profit maximization. These changes are illustrated in figure 1.

What are the real benefits of CSI? For Telenor, Veolia and Danone, creating social businesses with Grameen could not be fulfilled through a simple replication of their conventional business models in Bangladesh. Due to the lack of infrastructure and retail outlets, Grameen partners willing to address the poor while breaking even need to revisit dramatically their business model, to come up with new value propositions and new value constellations. Table 1 contrasts the conventional business model in use in developed countries and the new social business models of the three cases. This resembles business model innovation, which is about generating new sources of profit by finding a novel combination of value proposition and/or value constellation.

This type of new business models addressing issues of poverty or other sustainable development issues is called corporate social innovations. It is as a specific form of business model innovation.

This social business model provides several major social profits and therefore is not a mirage. All three new Grameen businesses have
provided local employment, in the distribution channel, the factories and the micro-farms. In addition, Telenor offers poor people the opportunity to be connected to their family or to develop new business opportunities. The Veolia Grameen social business provides people in rural areas with drinkable water, enabling them to escape deadly threats. The Grameen Danone partnership provides a nutritional profit – yogurt should have a strong nutritional impact on children aged 3-15 who eat it on a regular basis. Thus, there is no “mirage” in those cases: there is social profit for the poor.

Indeed, we believe these models of “Corporate Social Innovation” can become learning labs. This type of innovation, leading to exponential market growth (Kim et al., 2005; Markides, 2008), represents an important stake for existing companies since they have to question a model that previously led to success. It consists in revisiting a number of basic assumptions and resembles what Argyris and Schön (1978) have qualified as double-loop learning. In contrast to single-loop learning, which consists in changing strategies within an existing framework, this type of learning forces the organization to transform its fundamental references and to adopt new ones. Profitable CSI initiatives foster a culture of challenge to conventional wisdom and traditional mental schemes. This double-loop learning process is exactly what is required in the current business environment: managers constantly need to reinvent their business and question their existing frameworks and industry recipes so as to achieve business model innovation. Thus, we want those initiatives to become laboratories for practice and for breeding a new culture, which will benefit the entire firm.
Alain Oumeddour: European human capital and competitiveness

“When any expensive machine is erected, the extraordinary work to be performed by it before it is worn out, it must be expected, will replace the capital laid out upon it, with at least the ordinary profits. A man educated at the expense of much labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education.” (Smith, 1776)

[Adam Smith, The Wealth of Nations]

For Europe, the knowledge economy is the only way to distinguish itself in the war it is fighting against large, old or new, economic powers. This isn’t new. Awareness came in the 1960s with the beginning of the IT (information technology) revolution. It has been spreading since, notably with the combined effect of the brilliant victories of large technological empires – businesses like Apple or Microsoft – and the almost total deindustrialization of western economies. Thus, as it happens when mountaineering in bad weather, the only way out is the way up.

The new trend of the last two decades is that what we call the “developed” world (western Europe and north America) no longer has the monopoly of this knowledge economy and that the game is now considerably harder. Today, it is not about dealing with a
situation of absolute competitive advantage (i.e. “We use the brain while they use their arms”). Now the point is to stay ahead in the field of human capital, in which emerging country have invested. Thus, India and China train nearly 20 times as many students as France each year, and China alone has the same number of students as Europe.

Obviously, the “grey matter pool” in these countries is smaller, the quality of diplomas cannot be compared (for instance, it is said that only one in two Chinese engineers has the same level as a French or American engineer; the other one is closer to a qualified technician). Yes, the fundamental research structures in these emerging countries are less elaborate than in the EU or the US, but it is said that, in 2020, China will be the first technological power in the world (number of active engineers, patents, technological export...).

Consequently, it is essential for Europe to think about how to remain a leader in terms of human capital.

The concept of “human capital” first appeared in 1961 when American economist Theodore Schultz wrote, “Although it is obvious that people acquire useful skills and knowledge, it is not obvious that these skills and knowledge are a form of capital, that this capital is in substantial part a product of deliberate investment.”

At collective level, the human capital is generally considered as the “intangible” capital formed by all the investments made in education, training, and innovation. Thus, it is the opposite of the “tangible” capital – the industrial world.
Thus, the definition already raises two problems:

- How can we measure the value of this human capital with a method that cannot be rejected (the same way a certified accountant or author can certify a company’s balance sheet)?
- How can we measure the return on investment of the money spent to help build this capital?

Besides, before even assessing anything, how can we know which levers to activate to increase the human capital? Finally, is there a “European” way of building and measuring this human capital? In that case, what could HRDs do to help?

But how do we measure the human capital today? How can we measure the return on investment of what is spent on “human resources”?

One way human capital can be assessed is to measure its impact: the number of patents and publications, the part of services with economic added value, well-manufactured exports…, all these are indicators as to the input of the human capital.

However, at European level, we can measure the human capital by trying to evaluate HR indicators, divided into two categories:

- Education and training
- Workers’ jobs and skills

The European Community regularly orders large-scale investigations to assess education and training levels but there is a major problem: giving meaning to information that is, by essence, heterogeneous.
Here are the two measured values:

- Human capital pool (sic!)
- Investment into human capital

Likewise, each country measures two values:

- HR pool
- Flexible HR (indeed, we rightly assume that mobility is a key factor in exchanging and sharing information and knowledge and that the human capital will yield profit if it is strong).

Therefore, we can see that the States, as a group, have a comprehensive statistic tool, which raises several issues:

- The values measured (notably the stock) are easily determined when they are tangible assets, which is harder with the human capital. Thus, there is a ton of information which is useless in action, notably down at company level.
- These calculations are based on the presupposition that, and it makes sense, the higher the values, the higher the potential for growth and innovation. However, this presupposition, which often seems more like a belief, doesn’t shield us from one problem: assessing the impact investments (and which investments?) have on these values. In other words, everyone agrees that a stock that is big and of high quality will lead to greater economic efficiency. Yet, this general belief doesn’t explain every cent spent into human investments (initial training, continuous education, mobility, health at work, …) compared with more traditional investments into the
production system, or even cost cutting (smaller HR teams, spending less for training).

In this context, there are three challenges in the management of human capital.

*Knowledge without borders or the great escape of the human capital*

For a long time, we believed that “knowledge goes through hallways faster than through oceans.” This idea that the human capital, which is also intimately tied to each individual, is not mobile, is being given a pounding by the globalization of knowledge and know-how which is carried by technologies.

Thus, there is a new risk for Europe: seeing its best engineers, researchers, executives or technicians leave, thus forming new centres of gravity for the grey matter. Research centres are created or transferred in emerging countries (e.g. SSII in India, a manufacturer of plane engines in Singapore, electrical giants or carmakers in China...), with imported resources for a while supporting local resources which later replace them! Therefore, entire businesses change nationalities, countries lose their human capital, and HRDs are faced with recruitment or working organization problems.

Besides, acknowledging the return on investments into human capital is always tricky. Even though implementing relevant indicators is complicated, they are necessary for the truthful recognition of the
human capital beyond the traditional circle of HR communities in businesses, which is, if I may say so, their core business.

Besides, you cannot evenly fight the ‘short-term dictatorship.’ Indeed, forming a capital takes time. Company managements or shareholders take this time to build a factory or form a client base but they are not as patient for the human capital, despite what they say. Here is an example: at European level, the Erasmus program for university exchange, presented as the perfect for of cooperation of human capital in Europe, is actually quite unambitious:

- Only 1 percent of European students are involved each year.
- The program’s annual budget is €190 million, which is nothing compared to the tens of billions invested to support agricultural production – even though it is necessary.

This example alone shows how complicated it is, in spite of great ideas from an institutional stakeholder like the European Commission, to plant the seeds for the future. From then on, it is easy to imagine how hard it is to invest into the long run for private economic stakeholders pressured by the short-term dictatorship.

Can HR courses of action be found at European level?

*European skill assessment systems:*

The measures taken at national level in the EU are hard to use, therefore each company needs to come up with its own assessment tool at European level. Even though developing and maintaining these assessment tools (more or less structured reference frames for
skills) is tricky, they can nevertheless create joint reference frames, which has several advantages:

- Levelling up, since the gaps between different countries and jobs are more easily identified
- A new corporate culture
- A new mobility framework

*European training in businesses:*

Thus, in line with the previous point, the idea is to bring all the European subsidiaries of a company to a community of practices, which would also encourage internal mobility, forcing the company to wonder about discriminating know-how. Indeed, as soon as goals are set in terms of learning skills, education, contents, good practices, and so on, to be successful, management has to wonder about the skills it wants to foster and bring into the future, in other words the evolution of human capital. Besides, funding for training should be European, with the introduction of a mutual training fund allowing countries with fewer resources to have equal access to training with the others.

*Towards a shared, official method to value the human capital*

The Social Report should contain a special chapter on the value of human capital. As social rating emerges, each company should be partly evaluated for its ability to improve its human balance. Therefore, giving value to human assets shouldn’t be a part of the strategy but a goal in itself. HRDs would no longer be simple “business partners” (a title that rather unsubtly pushes them out of
the company’s “true” stakes) but have a true business responsibility: making the capital grow, and therefore being directly, measurably involved in creating the company’s wealth.

Relying on a joint, widespread corpus of skills, HRDs should also have, at European level, their own budget to fund intra-European mobility. Indeed, while it has been established that mobility outside Europe is necessary for some businesses, it is commonly thought that mobility inside the EU’s borders is not necessary since each country is supposed to have a sufficient HR pool. Yet, the lack of mobility within the EU is a reason why the human capital is underdeveloped. Therefore, we need to invent a corporate Erasmus program.
Sandra Enlart: social inclusion performance

Faced with a major economic, social and societal crisis with globalization in the background and a shift in traditional balances, France will have to wonder about the survival of its social system, which is threatening to go bankrupt. At the same time, social inclusion, a major stake in our society, is becoming eroded in proportion to its failure.

A political issue in the fullest sense, but also a social and economic issue, it will call on all the parties involved in the French society, particularly large businesses and their HRDs, who are being watched for their level of commitment and search for social cohesion. The fact that they take the political dimension into account and their views on social inclusion will be essential when inventing a realistic social pact that will also be a source of wellbeing and performance. All the same, HRDs need to get out of their purely managerial role, take the time to discuss, anticipate and innovate socially.

There are series of financial, economic and social crises in the countries with unbearable public debts and bankruptcies.

Radical changes are unavoidable but they come with a feeling of loss of control, defiance, sometimes even fear, increased by an ever-present virtual sphere which gives credit to the idea of a permanent present where events pile up without making sense. This opens the door for simplistic political speeches...
In its *Europe 2020 Strategy*[^1], the European Commission points to the need for “inclusive” growth, i.e. making sure that the Union reaps the fruits of growth, ensuring an increasing number of jobs of better quality, helping people of all ages anticipate and manage change, investing into skills and training, and modernizing labour markets and social protection systems.

These inevitable changes are the background for a confused French society. Since the oil crisis and, even more so, the recent financial crises, our system which, in growth, allowed several generations and peoples to live together and thrive around democratic and social values, is disintegrating. We have failed to adapt it and to make another world.

The bankruptcy of social security and the health system is unrelentingly growing; so is the public debt. Fiscal reforms cannot save the middle classes and new forms of poverty and exclusion are arising. Young people are striving to enter the labour market. Seniors are often left out. At the same time, the issue of funding for pension has not been solved. Ghettos are legion in “tough suburbs.” Social mobility is almost gone. Structural unemployment is settling in and the gap is widening, to the detriment of the lowest incomes. We *have* to rethink our social model. Countries like Germany, Sweden or Italy were able to take salutary measures which, by making sacrifices, led to new balances, which are often worthwhile.

*Businesses at the centre of social inclusion*  

[^1]: Europe 2020 Strategy
Today, the State alone is having a hard time bearing the weight of social inclusion. Nevertheless, as it is a key stakeholder, it will have to share its prerogatives as regards its commitments to society and business. Large firms are a credible partner that cannot be avoided, in the strongest sense of their social responsibility. Obviously, their involvement won’t solve everything but it will help structure society.

Large groups have become local and global stakeholders with a liability towards the region, the citizens and the parties involved. They need to imagine internal groups from outside social data because employee participation has become the key to performance. They have three available levers:

- **Employment.** Businesses have to make employment available to young people, recruiting and integrating them and being involved in education and continuous learning – banking on apprenticeship. They also need to recruit seniors and manage their careers.

- **Pay policies.** We can truly feel inequalities growing in our country. Since the distribution of wealth starts with pay, wage policies and their negotiation are at the heart of the matter for a majority of citizens. Businesses have a true responsibility when partaking in redistribution policies, the foundation of the French social system.

- **Access to democracy and social justice.** For employees to be stable and employable, businesses need to grow in an environment where access to health, security, housing and education is a given. Poor workers, precarious workers and the
free movement of migrant workers in Europe are also themes on which citizens will judge responsible businesses.

By working with the local “stakeholders” (different associations, NGOs, the media, political parties, local representatives, SMEs, universities, consumers’ associations, customers...), businesses will secure skills in the mid run. However, they need to learn to negotiate with parties that don’t know them very well.

At international level, they are watched in the field of the development of skills in emerging countries and the maintenance of a high level in western countries. In theory, they are one of the only stakeholders that plan outside borders, aiming for durability. Their global strategies imply political stability, social regulation, skills and innovation in the countries where they set up camp.

Obviously, linking the local and global levels is not easy. How to be present on both fronts when international developments sometimes encourage economic and social arbitration that isn’t favourable to France or the EU? Large firms will have to regulate and negotiate in a responsible way of building trusting relations between the economies, businesses and employees.

The social model at the heart of HRM

So far, general management was in charge of defining social policies. HRDs were in charge of turning them into management procedures and applying them. Tomorrow, HRM will be the company’s armed division in its relations with the outside and in terms of consistency with internal policy, setting the levers they master to music.
While maintaining equity, HRM will also have to include employees’ unique expectations in terms of employment, labour relations, relations with the company, private life, and the region. For instance, the weakest can request to durably belong in the company or region while changing jobs on a regular basis. Others will feel like they belong in outside networks and will probably negotiate forms of “renewable fixed-term contracts.”

Therefore, HRM’s role is bound to change:

- Building and implementing social policies linked with economic and social stakes, national, international and local stakes, and the different parties involved.
- Using the law and social dialogue to sign cross-industry agreements at national and European level, thus updating representation and bargaining tools.
- Running HR policies and HR/managerial management procedures, listing society’s stakes in a diversified, effective manner.
- Introducing a managerial system and proximity stakeholders involving employees, on a daily basis, in the production mass.
- Linking these different levels implies refusing to juxtapose window-dressing social responsibility, European company agreements that are never enforced and procedures plastered on the organisation.

A system like this demands changing prospects, roles, skills and job organization:
• Creating an HR function involved in external and internal social policies;
• Improving managerial competence which develops and introduces the procedures providing people with different alternatives;
• Creating a new function, “Quality of Life and Work Organisation,” aiming to accompany employees in the field, introducing tight relations with the “managerial” part of human resources, advising and supporting local management.

Its missions are to coordinate health representatives and work physicians, to create micro work organisations within management\(^8\), especially when changes are taking place, and paying attention to the “learning” dimension of work situations.

For this system, you need top-flight HRDs who have the resources to embody and run the company’s extension. After integrating the political dimension, they can negotiate with partners from different spheres, including the international sphere, and integrate the social policies agreed to on the inside.

Along with the HRDs, top HR experts watching the real way the company operates will monitor the definition, efficiency, assessment and evolution of the procedures. Different management levels will also have to be properly articulated when they are stretched. Local management, vital in employees’ everyday life, will have to be more and more powerful, trained to the integration and operation of

\(^8\) Which can remind of the role of ergonomists, too often absent from businesses
different working communities... as long as they are given the proper resources. Therefore, managing managers becomes the key.

Finally, let’s insist on the competence of the social partners. Training them and renewing the generations is essential to achieve quality social dialogue.
Debate 4

Steve Jefferys: We touched on Singapore yesterday. It’s a very small country and we talked about knowledge management and human capital this morning. If you look at what Singapore has done as a government, we should not forget that prior to 1963 Singapore had probably one of the worst industrial relations climate, comparable to the UK in terms of industrial strikes. They formed a tripartite arrangement between the unions, the government and companies, and it is a controlled state, we should not forget that. But if we look at the legal structures they have put in place to protect intellectual property, which is clearly a function of knowledge, because it is more than the kind of skills and education that you have amongst employees, it is how you then protect that for added value. We suggested or it was suggested yesterday that the Singapore model be an alternative model. If I were sat in Asia and I spend a lot of time in Asia, they do not look across to Europe for the model, they look at Singapore. Therefore we need to be really careful that we do not convince ourselves that the Asian markets are looking to Europe. If you look at the investments, the outward/inwards investments out of India and China, the investment flows are more into the Southern hemisphere, than they are into the Northern one. The point about other perspectives is very important, because we are in danger of assuming they aspire to be like us, whereas I do not think they do.

François Curie: I have two comments. The first one was mentioned several times; I think we are in a relatively defensive mode in Europe,
while emerging countries are more in an offensive mode. How can we move from this offensive mode on the social model to create something which could be a breakthrough, taking into consideration the situation of Europe? I am not sure that CSR is the only answer. It could be part of it but I really think that we have to move out of the frame we put ourselves in. The second comment is on HR transformation: I do think that we have to move in both directions. We have to remain extremely good in techniques because we’re living in a much more complex world and we need to understand a lot of things which we did not have to understand before. On the other hand, we need to be much more of an agent for change. And as Yves said, we need courage for that, and this is not taught in business schools. Thirdly, I think we should have a financial way to measure, as Michel Aglietta said, what human resources bring. It is very difficult and we should see how we could measure the added value of the social model.

Véronique Rouzaud: I would suggest that we are bold or courageous, ambitious or candid enough to really agree from an HR professional standpoint on measurement. What is it really that we want to comply with, which would be more of a rating approach, or to boost, as you say, or promote to check and to show as a creative but also financially tangible approach?

Tanja Haak: Alain talked about training systems in companies and I think that it is a really important topic to benchmark on, to see what companies really are doing in that respect. I would say that, because national training systems are so different, it will make it very difficult to actually arrange that at the European level. The other point comes
under HR transformation. Sandra said that, in the future, companies should be more actively involved in many other areas than they are now. One of the things I notice coming from the European Commission is more and more Green Papers, a wonderful word for papers that start a policy for the future and where input is requested. What you notice often, the last one was on anticipation of change in March, is that the input comes from very few individual companies. At the moment there is a Green Paper on and there is a public debate where they talk about traineeship, what should be installed and whether there should be a European framework for traineeship. I do not know how many of the companies here are aware of that, and if they will put their input into it, but that is where the Commission is trying to get you to actually tell them what to do, and of course this comes back to what we said yesterday: businesses do not have time to look at these things and provide that input.

**Martine le Boulaire:** I just wanted to comment on what has been said in terms of the evolution and policies that require our attention. In terms of mobility, Alain said that we have to address this within and outside of Europe. We see that the happy few have been aware of that and have migrated to the Asian continent. We need to take a look at what is happening in Europe, and the issue of mobility in Europe is changing importantly and for demographic reasons and, as Alain said, namely the European budget today in terms of the Erasmus program, is not very well developed. This is only one of the characteristics of what is happening in terms of mobility today and in terms of the image and perception we have of that. A certain number of European surveys show that when young people come into the labour market, they are more trained, more qualified, and at the
moment where companies are offering them opportunities to travel abroad, we see that both partners have equal qualifications in the couple and this was not the case before. And people are not inclined to accept mobility at the critical age of 30-45 years old. People tell us that, with the crisis, they will lose their foothold and there is nothing tangible, and people are looking for territorial links, links to their families and friends and so on. This why young people, even when they are highly qualified, choose to stay in their countries, regions and cities, rather than running the risk of abandoning everything just for the sake of ambition. This means that mobility will be a very important issue. We used to believe that everybody was dreaming about the same thing, changing countries all the time, and this apparently is no longer the case. We need to take this sociological parameter into account for the young generation in terms of mobility, as it is a very important priority for companies as well.

**Cornelia Hulla:** I think that our company’s HR departments don’t obviously take social responsibility into account. There is clearly an HR organization for managing people, as Yves mentioned this morning, to manage social and employee relations, professional development, but social responsibility is not always clearly established as a part of the HR responsibility in the company. So I think that it is something we need to take care of: clearly establishing social responsibility, in all companies, as a real part of the role of the HR organization. Doing that, we need to find a good balance between having KPIs and being capable of explaining that we are not just proposing something to spend money on in companies, but to globally improve the sustainability of the company, taking social responsibility into account. I am sure that this field is new for us, a
way to be a change agent via concrete actions. When we talk about social responsibility it should not be just a general concept, but something defined, that we can identify as very concrete, with specific actions. We could elaborate a bit more on this part of this new area of responsibility for the HR organization. But not all people in the HR departments of companies are ready to do that. And you are right, Yves, when you say that there is a risk in specializing too much in specific more technical things in HR. We have to do that, but we need to catch this new area of responsibility.
6. The shock of the crisis and the European social agenda

Wrong tracks and joint answers

However, will Europe find the time to converge and find groundbreaking solutions inspired from its traditions? Will the crisis leave enough time to come up with something new when the stakeholders are manhandled by the events ceaselessly following each other?

First, we need to understand the nature of the crisis, particularly the euro crisis. Michel Aglietta reminds us of the heart of the matter, beyond twists and turns. In Europe, the crisis is mainly a crisis of competitiveness, first compared with emerging countries but also within the EU. Unlike what the Lisbon Treaty promised, European economies didn’t get closer, they grew further apart. Actually, the Eurozone as a whole has a rather even trade balance compared with the rest of the world. This puts into question all the stakeholders and a debate on the diagnosis and solutions is necessary.

From then on, what can the European social agenda be?

As an answer to Fernando Vasquez, who describes the European Commission’s agenda, or rather agendas, Josef Niemiek presents European trade unions’ reflections. Aware of the seriousness of the situation and of the differences between the economies, he suggests bringing the values of solidarity and unity back to the top, giving preference to European answers via European social dialogue. He points out that European trade unions cannot go on without asking questions about their own representativeness.
With this context of crisis, some stakeholders point to the need to reform the labour market. Reinhard Neumann thus analyses the ongoing changes in Portugal, showing its limitations and risks. With a more general framework, Marie-Noëlle Lopez analyses the transverse themes of these reforms and their pretences: a lot of declarations, few concrete efforts, but a real threat to European social dialogue.

Better regulating the economy by relying on the strengths of the European social model is the objective of the proposals made at the end of this chapter. The different contributions gathered in this chapter concur.

Finally, coming back to the central theme of employment and the urgency of finding a solution to unemployment, Xavier Broseta shows how much the concept and practice of anticipation can be promising, avoiding the fits and starts in staffing management. Finally, Hervé Dufoix describes the conditions for successful prospective employment management which, while it subject to a lot of work, is still far from being included in businesses’ genes.
Michel Aglietta: euro crisis and competitiveness crisis

Today there is not enough growth in Europe. The question is, “Why are we in this situation? What are the characteristics of the crisis now? And what can possible solutions be?

The crisis mostly originated from weak governance in the Maastricht Treaty, widening differences rather than the similarities forecast by the European Commission in the early 90s.

There is nothing about the public debt here. Greece entered the Euro zone in 2001 without fulfilling the Maastricht criteria but for political reasons only. At some point Valerie Giscard d’Estaing said that it was impossible to slap the door in Plato’s face, and that is why Greece entered. The second point is about the crisis now worsening, and the link between different parts of our debate, the macro-economic question was in the financial stress in the public sector and the new emergence of a call for growth. I will just hint upon it, but corporate fiscal policy instead of the golden rule, and Eurobond insurance are absolutely fundamental. A change in the ECB’s doctrine is warranted in the question of the sustainable growth pact.

The background is the fact that the Euro is not a complete currency because it is like the gold standard, a currency that is foreign to all countries and that defines the exchange rate. The difference with gold is that a country could temporarily exit the system and join again when financial problems are over. Instead, with the Euro, a no-exit clause was inscribed in the Maastricht Treaty. The ECB is a single federal agency in a set of countries that is not federal at all. The ECB’s mandate is very narrow and, with this type of arrangement, there are only 2 possibilities for such a system to work. The fist is bringing
countries together so that they become more homogenous – a single monetary union can work when all countries are homogenous but if they are not, which is clearly the case, you need a fiscal mechanism allowing fiscal transfers in order to adjust to shocks. And we have neither, which leads to what we call the unsustainable triple dogma enshrined in the Maastricht Treaty: no fiscal federalism, i.e. no mechanism to adjust shocks that are not symmetrical between countries; no transfer union, which would be another possibility to carry out the same process, i.e. coordination to absorb the shock of the countries that are hurt asymmetrically at some point; and no default. So it is impossible to get these three conditions. It can work while the world is in good shape and the environment is stable, but for a large (especially financial) shock, it jeopardizes everything and the triple impossibility arises. This is what happened in the Euro zone and the reason why the crisis in the Euro zone amplified 2 years after it started in the US.

That is why the main weakness is a political weakness in governance.

The second is divergence in competitiveness. What is happening is exactly the opposite of what the Commission thought. In 1992, the single market was complete; a very important report called the Emerson report said that we were going to have a very bright world in Europe and that the future would be very bright because the single market would increase competitiveness for the whole of Europe, which would grow so that countries lagging behind in terms of income level would catch up. There were conferences after that, and I remember one where a key economist specialized in geographical economics (who later received a Nobel prize), Paul Krugman, said it
was impossible. When you add countries with a single exchange rate and expand domestic demand, you increase specialization, exactly the opposite of what the Emerson report said. He had studied that in the US, and why is there this increase in specialization? The answer is that an increase in demand will foster higher productivity in industries that already have a competitive advantage and destroy the rest of the industry for the remainder of the area. Economic integration, increasing market size, increasing return in scale all lead to industry specialization where it is already more competitive. This is exactly what happened, the industrialization of Southern Europe and concentration of the industry in the German block (Germany, Austria, Finland and to some extent in the Netherlands). Now we have a lot of figures that confirm the fact that industry specialization has been going on for a decade and that is important. And because of this structural divergence, the problem of weak governance was of course magnified. In order to fight this type of spontaneous evolution—the divergence between the countries as far as location of industry is concerned—, we should have added a strong industrial policy. The Lisbon paradigm and agenda should have fostered a very strong industrial policy in order to fight against the spontaneous tendency of divide between countries. Nothing was done, and that is really the background of everything that has happened.

The second and perverse evolution was of course the consequence of the financial integration. It was supposed to foster convergence and investment in ‘late’ countries but the opposite happened. When arriving to the beginning of the Eurozone, there was a convergence in nominal interest rate because it was precisely Maastricht requirement. For instance, Spain’s interest rate was about 12% in the
beginning of 1998. Within a few months, it was 3% (the German rate). So with this type of evolution, such a decline in interest rates in such short time, you have a complete transformation of the yield structure. This means that capital flows arrived from Germany, France, etc. to Spain, Portugal and Ireland, because with the decrease in the cost of capital, a lot of profitability of ventures occurred. And the Lisbon paradigm said that those ventures should and would be in the productive and industrial sector, because productive investment would foster productivity, higher wages would be parallel to productivity, competitiveness would be assured and the current account would be stable. This was what the people who wrote the Lisbon Agenda expected. What happened came from the right hand side: capital flow entered and went to the most performing sector at the time, and we were already in the high speculation mode in the real estate market. Real estate speculation was high, especially with the new engineering techniques and securitization of loans and excess demand. And when there is real estate speculation, there is an increase in nominal wealth because you have a bubble in housing prices, people are much wealthier than they used to, so of course they consume a lot and you get a decline in saving, excess demand, higher wages because excess demand led to higher consumption and inflation occurred. In the end, inflation decreased price competitiveness in those countries and industrial goods were imported from everywhere. You have a higher current account deficit and to finance that we needed more capital inflow. So finance determined a vicious circle that was self-generating, there was absolutely no adjustment to regulate this type of process. All arrows point in the same direction, so you have a self-fulfilling roundabout
process. Here you see ways to illustrate that. As you can see that on the left side of the graph, there is a tremendous increase in debt, at the level of debt as a proportion of GDP, and you can see of course that the financial sector was the most in debt. The financial sector went into a very high leverage in order to finance the speculation in the asset price.

This process included an increase in asset price, in leverage, in debt for the household sector, etc. If you can see the right graph, it becomes clear that it is about the same in the US and in Europe. Europe had the same speculation intensity as the US. There is no difference because the financial sector was worldwide and European banks were part of the feast as much as American banks, while it lasted. But after that you can see the difference. The leveraging has already occurred in the US substantially and not at all in Europe. You can see more here. Here is private debt, here you add up all the indebted sectors and the government, and that is all private and public debt together.

What is important in this process is that on the right there is an extremely worrying element for Europe as a whole, namely the increase in debt after 2008, after Lehman Brothers, and you can see that the debt in Europe, especially Spain and France, continued to increase after 2008. If you look at South Korea, the US, Australia, i.e. countries outside of Europe, you can see the difference: leveraging and the beginning of a process to cure over-indebtedness. This does not happen at all in Europe. Of course, there is a clear difference between Germany and the other countries. Germany’ debt never increased, because consumers in Germany do not consume. They do
not go into debt, not before or after the crisis. There is a 7% GDP increase, as opposed to the UK, with 175%. The consequence for the cost of capital and unitary labour cost is clear. However, the conclusion of the two tables is that the countries that benefited from a lower capital cost were precisely the ones that had the biggest increase in unitary labour cost. Here you see the vicious circle: low capital cost meant a lot of speculation financed by debt, and the consequence was a large increase in unitary labour cost. You can see the tremendous differences within the Eurozone. The same is reflected in this graph, a kind of array of diverging unitary labour costs that already occurred in the economy and industry. The German cost was not increasing at all between 1999 and 2010, whereas it increased by 20-40% in all other countries, which therefore lost competitiveness against Germany.

The most important problem for Europe is not the public debt, but the financial divergence that resulted from all these problems, the divergence in current accounts, and you can see the consequence of all that exactly. There is a permanent increase in the surplus of the current account of Germany, compensated by an increase in deficit of all the other countries, except for those in the German block. It was a cumulative increase in the current account! For instance, Greece reached 15% of GDP as a deficit in current account, which is astronomical. Portugal reached 12.5-13%, and Spain 10%. When you add that over a decade, you get a foreign debt that is very important and as I mentioned for Greece, now foreigners hold 2/3 of the Greek debt. When foreigners hold debt, it is more fragile because risk aversion could change the holding of the debt and foreigners can leave, which is exactly what happened and what triggered the crisis.
What is interesting is the influence of weak governance, because if the Eurozone were a country, with proper governance mechanisms to sustain the single currency, it would be one of the most robust countries in the world. The Eurozone has no deficit and surplus, the green curve on the right side reflects the current account and is around zero, meaning that, as I have already said, the German surplus balances off the deficits of others. Germany made its surplus and sustained its economy in getting the others into deficit, because you have balance for the Eurozone as a whole. When looking at the public debt in Europe, we see that it increases much less than in the US. Japan is another world; the debt in Japan is over 230% of GDP.

This is the foundation of our current problem. What made it worse was first the Greek tragedy. We thought that with the PSI in the beginning of March, as Sarkozy said, the problem would be solved. However, helping Greece means turning a private debt into a public one. Debt abatement amounted to about €100bn and there are more official loans of about €130bn. In that way Greece has increased its debt with a lot of loss of sovereignty and more pressure upon austerity. The consequence is a depression in Greece. If you cumulate the last four years, you arrive at a 17% depression, i.e. minus 17% of GDP. This year we will have at least 4% more, and next year and the one after that. No one in the international institutions thinks that Greece can recover. It is impossible for Greek people to sustain that. Of course the political problems just reflect that. The public debt is increasing because tax receipt collapsed, with a collapse in demand, and more importantly the economy is completely disorganized. Investment has stopped in Greece. So with wage cuts, there comes a cut in productivity that is as high as the wage cut, and therefore there
is no increase in competitiveness. The current account deficit, in the midst of all this, is still around 10%. The most important thing here is that Greece is insolvent, as everyone knows, even if the government does not want to acknowledge that. The consequence is that a country in this state cannot service its debt, and that leaves only two solutions: the first is for official creditors of Greece to abandon most of their claims, cancel the debt both in the private and public sectors by converting debt in capital for instance, as was done at the end of the 80s to solve the insolvency problem in Latin American countries. The second would be a Euro exit, and that probability has increased a lot in the last few weeks with this evolution and its political consequences.

In terms of the role of the ECB I can say it finally is a schizophrenic institution, because it is impossible for the ECB to stick to its mandate. Its mandate said: we have a single objective that is inflation and a single instrument that is interest rate. Of course in today’s world of financial crises coming from the public sector, the ECB is forced to help the public sector but it does not want to do it, so it does it indirectly. It drowns the banking system with liquidities. It was the long-term refinancing operation that occurred in December and at the end of February, and €1 trillion was given to the bank. There was a short-term impact, but it did not last long because when the ECB gives liquidities, it cures nothing fundamentally, it only buys some time for the bank to roll over their own debt and absorb their losses and for that the banks have to increase their capital and make provisions. How can they do that? Not by issuing shares, it would be very expensive and no one wants to buy bank shares anymore. So what they have to do is to decrease the asset side of their balance...
sheet and for that you get credit. The banks did that in the best way for them, they withdrew from their foreign claims, and by doing that they created more difficulties for the countries depending on foreign claims because of their deficit in current account. The consequence is now that Germany has a lot of capital coming back to Germany, and there is a very important withdrawal from the already fragile countries.

This is a report from the banks themselves, when you compare that with what the SMEs say, there is a contradiction. SMEs say the situation is very tight and banks say that they deliver credit to everyone. Considering the figures from the banks, you can see that an up-rise occurred at the end of last years and alarmed the ECB, together with the decline related to the change in credit standards. These are not the interest rates but the condition under which banks deliver credit to businesses active in specific areas. But if you look at the spread over German bonds on the public sectors, the public bonds, you can see what occurred. The LTAO worked between January and March, and there was a significant decline in Italy and much less in Spain. However, after March, the stress in the financial markets increased anew, which brought us to today’s situation that might be as dangerous as last November. Another view of aversion for risk and consequences of that is the withdrawal of mutual funds.

US Mutual funds had a lot of deposits in European banks, and since the middle of last year, when the crisis got even worse, there is a big decrease in the mutual funds deposits. That means that foreigners who are not in Europe really consider that the future of Europe is not something that you can invest in. All of the above illustrates the difference in how the crisis was handled.
Here you see the composite rate of interest for 10-year public bonds in the Eurozone and in the US. Until the beginning of the Eurozone crisis in March of 2010 there was about the same evolution of interest rate. After that however, the situation in the US and the situation in Europe are completely different. The US made the right choices and the FED had the capacity to do it; the interest rate for Treasury Banks decreased to 2% for 10 years, whereas it increased dramatically in Europe. This illustrates the difference between a complete currency in a federal state and an incomplete currency in a zone that is a mix of diverging countries.

How can we change that? The present situation can grow worse, especially if Greece exits with a risk of contagion that the ECB will handle alone. I want to move on the structural change that is needed for all the impediments we have seen. At least three conditions are absolutely fundamental: an enlarged mandate for the ECB, which has already happened de facto but should be more for the private investors to consider it credible. Collective action on fiscal policy, which should be different from what it is now. And, finally, the issuing Eurobonds, that is absolutely fundamental.

The ECB should do like the FED, i.e. commit to very low interest rates as long as it is necessary and macro-economic indicators show that there is low inflation, in order to make investors consider that long-term rates will be kept as low as possible. The service of the debt depends on the interest rate because the debt in Europe is not very old – about 3-4 years in some countries, 5-7 years only for the longest. We are already in the fourth year of the crisis and we come
back to interest rates that could increase unless the Central Bank regulates them.

The golden rule is very interesting: the idea that we should achieve balance on the structural deficit and that it should be limited at 5% of GDP maximum. That is interesting because a structural deficit is not a yearly deficit, it is a deficit through the cycle, i.e. there can be short-term fluctuation because of the shocks that we can have in our economy. This means that the government, rather than determining the law of finance year after year, should have projections of public finances in the medium term. If the debt is to be consolidated, that requires a lot of time, and we obviously need to control public finances in the medium term so that investors consider it to be credible.

The question is that the structural deficit is not an observable variable. Consider a situation where you say that the structural deficit should be less than a figure that is an absolute constraint, and bureaucrats on the basis of calculations that are very difficult determine. This would result in continuous quarrels unless you say that there is no more sovereignty in Europe. And the way in which this is defined is somewhat crazy and there are also other things that are bizarre. If you have structural deficit, you should let leeway absorb the downward shocks so you cannot super-impose a structural deficit + the 3% yearly deficit that was the old Maastricht Treaty deficit. If you do both, you create incoherency. If you want to stick to structural deficit benchmark, it should first be cooperative, not as an absolute rule, it makes sense as a cooperative process, but is has also sense if investment is not within the rule. We do not know
what the Commission will say but suppose that the structural deficit also embodies investment expenditures. This would mean that it is no longer possible to finance investments after that. It is exactly like saying to a company, “For the time being, you will finance all your investments alone, you do not have any debt to finance investment.” What would be the growth rate in this case? This constraint would not work in the corporate sector. Investment is productive and the state is as productive as the firms, with its infrastructure, education, etc... But productive investment should be controlled and governments that want to investment more should argue that and it should be controlled by an agency that says that it is a real investment. In this case it is self-financed as it is profitable in the long run. It is crazy to say that public investment should not be financed by debt because it is not debt if you consider an inter-temporal process which finances itself through time. Since the calculations are not very clear, the French government is asking for clarifications to make it work and agree on something that can work.

We should have a fiscal/budget union with a cooperative process. What would be binding is the result of the cooperation, a process that is carried out multilaterally with all the countries. The Commission did that and we agreed on it that last year, but afterwards we had the golden rule abruptly. The process before that was cooperation with a binding decision and so it is a shared sovereignty, which is completely different from an absolute exogenous rule.

What may be the most important is that there will be no possibility to make the Euro zone work if there is no minimum tax harmonization
in Europe. The evasion of capital for Luxemburg and through Ireland is maximal and if we keep this type of Euro zone, it will never work.

*Issuing Eurobonds.*

Is it possible to issue Eurobonds in a controlled way, thus limiting moral hazard? Yes it is. Eurobonds have a lot of advantages because Europe will have a market capable of competing with the US Treasury market. In that case it would be possible to attract savings from all over the world. The Chinese would absolutely like to diversify their reserves and they cannot do that right now with the current situation in Europe. But if we have a Eurobond market that works, we will have a lot of savings from Asia. With these we could cheaply finance investment.

The idea of growth strategy is also critical. We need labour intensive growth, we need to re-industrialize formerly de-industrialized regions and for that we need a strategy that at the European level that could be decentralized to regions. The main idea is austerity rigor for the countries and growth for Europe and for that we need a type of industry that can be located in the territories and that is innovative because they are part of the transformation of the growth regime in the 21st century. This transformation is related to sustainable growth and environment, and there is really a tremendous pool of employment for a very long time if in every region of Europe we say that we have a systematic improvement in housing, local transportation and agriculture. The question is, “How to finance that and change incentives for firms to choose that?” The only way to do that is the notion of carbon assets, because the environment would be complementary to any investment project, if there is a specific
agency that can assess that. That already exists at international level with the UN convention. We can have that in Europe and create an agency that can assess projects as long as we have carbon value. If there is a price for carbon, we can value the return and the risk of any project and projects that have carbon value and are currently not profitable will become profitable, as long as we have a financial mechanism to do that. Regarding these mechanisms there are different possibilities, the Commission is working on project bonds that are directly issued and held by the public budget. The second idea is an intermediary that can attract investor money, pension funds, sovereign funds, etc, as a lot of savings are currently not used for investment. If there is an intermediary that gets more capital to guarantee the bond it issues, capital can be obtained by a tax on financial transactions, which could be levied at European level. The budget should be increased, not to make transfers but to make capital for the European Investment Bank to issue bonds. We need at least $200 billion, and going to $1 trillion in 2020, that is the growth we need in Europe. If we do that, this intermediary would issue bonds for institutional investors and finance all kinds of projects from venture capital to loans, local authorities and so on, to finance a large array of investment, all consistent with the idea of improving the environment of our countries.
Debate 5

Francois Curie: I have a straightforward and pragmatic question: if there is a possibility for the Greeks to exit the euro today, how would this be done practically? Would all Greek people send their money abroad? What would be left in the country to be exchanged and how can we go back on that?

Michel Aglietta: We have a lot of examples and models that can be used; I supervised a thesis on Argentina at the time of the crisis there. The first thing to do is to have ultra-tight capital control. Greek Banks should be nationalized immediately, deposits should be frozen while the currency is changed and the dragma re-established. Of course banks should all become national because they can no longer borrow money in other countries so they would collapse immediately, and the frozen account would last as long as it is necessary to make the new currency work. The payment system has to be rebuilt and, meanwhile, the exchange rate will drop, as we saw in Russia in 1998 and in Argentina in 2002; devaluation would be around 70-75%. How much devaluation? What is necessary to get the balance from current account to 0, because the balance of current account is at -10. It means a contracting imports and a loss of production of about 20%, which amounts a 20% loss in GDP. But the increase in competitiveness would be seen after a while, one year or 6 months, as it did in Argentina. After 6 months the inflation rate begins to decline and with this huge devaluation you have a tremendous increase in competitiveness. The most important theorem in economy is what we call the law of comparative
advantage. With proper price levels, a country can always find a competitive advantage. It is impossible for a country to have no competitive advantage at any price. So there will be a huge boost of exports and growth would rebound. The question after that is to make this growth process continue. In Argentina and Russia it went on for years. What it means for the financial sector is that for all the debt in Greek law, the loss is reconverted in Greek dragma, so the loss for all creditors who have claims in Euro (which can be converted in new dragma) will amount to 70-75% of the value. In other words, the loss is accounted for by devaluation. For the debt that cannot be converted because it is not under Greek sovereignty, they will do the same as any other insolvent country, i.e. declare a moratorium. They will negotiate with their creditors, one after the other, to find an agreement. And the creditors will say, either we loose everything because there is a moratorium, or we convert the bonds in 30-50-year bonds and loose the net present value of that. But it is insolvency, and that is something we need to recognize.

**Robert Zeleski:** Imagine that your rather Federal solution for the situation does not gather enough support within the EU, which is highly likely; would the alternative solution be the break-up or disappearance of the Euro as we know it? Is that possible at all?

**Michel Aglietta:** If there is no substantial change in the mood of the European Council, Greece will exit, probably even this year, but there will be a contagion process... If it is contained there is no reason for the Euro to break up because the other countries are not substantially insolvent. They will be made insolvent if we allow the contagion to go on. Interest rates would go through the roof and any
country could be insolvent in this situation. So this means that contagion should be fought by the only institution that can do that, namely the Central Bank. The European Stability Fund cannot do that because the banking institution can cap the interest rate at such a level that it is possible for the country to consolidate its debt. This can be calculated because the dynamic profile of a debt can be simulated. What we say is that the reasonable thing is to impose a primary fiscal surplus to a country by withdrawing the payment of interest (the balance between the expenditure and the resources minus the interests). But it is impossible to force a country to have a fiscal surplus over 3% of GDP substantially for many years. For that growth rate needs to be higher than the interest rate, to alleviate the situation, which is why we should cap the interest rate. If the Central Bank says that it will buy every bond that comes on the market until the interest rate is higher than the aforementioned maximum, then speculation will stop. An example: the central bank of Switzerland had problems with speculation that occurred round after round. At some point they were fed up and decided to cap the exchange rate to the euro, and they bought every currency that arose up to that exchange rate, and they succeeded and speculation against the Swiss currency stopped. That is the power of the Central Bank, namely that it can issue unlimited liquidity and in a crisis it is obviously not inflationary to do that, it is essentially to fight a deflation. If the Central Bank can do that, we can manage and then do what was said, but at least we avoid the break-up of the Euro zone.

**Rainer Gröbel:** It sounds very good and I agree with you that we can do it in China, but can we do this in Europe with the different governments and weak European Commission? With different tax
and economic policies? We are democratic countries; we need a majority in our countries to do this. Please explain to me why German taxpayers, and in Germany most people pay taxes, as opposed to other countries like Greece, should have to take more risk for the debt in Europe. On the other hand there are countries and governments who can’t decide by their own. This can be done, but then we need a single government for financial and economic issues, not the structure that we have today.

**Michel Aglietta:** I fundamentally agree with you. The question when we are in this type of systemic crisis is, “What are the fundamental objectives of having a single currency?” That was a promise of political sovereignty, because essentially money is a public good, not an ordinary commodity, it cannot be run by the market, it needs a sovereign institution to take care of it. It is impossible to have separate fiscal policies with a single currency, so we are now at the tipping point. If the objective is keeping the Euro, which is really the prolongation of the construction of Europe and a political priority, the governments will explain that to their people. And they really have to make that step on economic governance in Europe. The type of cooperation in fiscal policy I mentioned is essentially that and I agree with you. The question is are we able now in Europe to take the necessary political move to save what we’ve been building for the past 60 years?

**Steve Jefferys:** I have one brief question, how far has the change in the economic structure of Europe made your image of a renewed Europe with industrial investment in areas that have been de-industrialized? Given the fact that we have shifted so much towards
service sectors, how much of the promise that your proposals hold is realistic?

Michel Aglietta: The Germans have not shifted a lot to the service sector and you are asking the question from a British point of view. In France we tried to do that and it was a failure because the services sector was already established in the UK and finally and our move to financial capitalism did not do France a lot of good. What I said is that the world will be in a transformation of the growth regime, and we should innovate in the direction that the world will take. I gave you the example that I studied a lot, i.e. what the Scandinavian countries did after their own financial crisis in the beginning of the 90s. They temporarily nationalized banks, got the bad debt out of the bank for the bank to be able to do credit, they devalued a lot, and if you have a monetary policy that can bring the Euro close to the dollar, we will have a lot of increasing demand that will allow us to do that. Then they also transformed the structure of their budget in contracting transfers and investing a lot in innovation with an industrial project in mind, and that project was of course being leaders in technology of information, which was the innovation of the time, and they succeeded in 5 or 6 years. But there was a government that could change the structure of the budget, both in expenditure and in taxes. The last point is that you have to see what the real fields of innovation are now. I am sure they are in the link between ecology and economy, conservation and improvement in the environment and tackling climate change. If we are sure about the direction we need and we have more and more objective information, we know what to do.
Fernando Vasquez: the European Commission’s agenda

Portugal evolved from a colonial power that took the first step towards globalization and acquired great prosperity to a state with the challenges brought about by globalization, with a number of external and internal constraints and facing economic regression.

Everyone knows the European economic and social agenda of the 2020 strategy of economic growth, through smart growth (high-tech and value-added products, green products) and inclusion. Everyone agrees with it, and practices it, yet there are some challenges to be faced. The broad policy program that was launched two years ago with the 2020 strategy came to a halt because in the last 18-24 months Europe has been living in a state of urgency, trying to solve one problem after the other. Any solutions found will not necessarily be solutions that will be maintained indefinitely. The public view of Europe and the challenges ahead have greatly changed since last year’s meeting, and the policy solutions implemented next year might be completely different from the ones under discussion now. There is no real long-term vision for Europe. Moreover, the crisis is not only economic and social but it is becoming increasingly political, which was obvious after the last elections in France and Greece. If no solution is found for the economic and social crises, there will be enormous political challenges in one or two years’ time.

The crisis presents itself differently in the various European Member States, some doing better while others are in great trouble. This means that the solutions found will be diverse and could lead divide the Member States and create obstacles to European decision-making. There is a divide between countries that are relatively well
and others that cannot cope with the current situation. The question arises whether Europe should have an expansion or contraction policy. Will the current challenges be solved by contractive policies, or will policies be expansionary? The final answer will be in the middle. That being said, even if great adaptations of the social protection systems and economies are required, we should not go back to the situation of the 19th century, which is already the case in some parts of Europe. Companies can contribute greatly to this thinking process as they are at the centre stage of all these processes.

It has to be said that the business world has been quite stable considering the scope of the crisis. In spite of the fact that demand plummeted down to 50% in some sectors in 2008 and 2009, the labour market did not take great hits. Although the social security system is very complex, it does help us get through the crisis, it has allowed many of the economies to get through a very difficult period without major disturbance.

In this context, let’s focus on a possible EU framework for corporate restructuring. In January we published a Green Paper on this, launching a consultation with all the stakeholders, including the social partners. We are now in the process of analysing the results of that consultation. It in fact started as an announcement of formal consultation of social partners in two or three important policy documents of the Commission and was then downgraded to a Green Paper. The interesting element is that the European Parliament is preparing a very rare initiative that came from the Lisbon Treaty: a legislative initiative. The right of initiative in the European Union is
the monopoly of the Commission but the Lisbon Treaty allowed the
Parliament to strongly request the Commission to present a
legislative proposal, attaching a text with the proposal. They have
done it once for a health and safety Directive, and apparently they
are about to do it again. We have debated whether or not we should
have rules for restructuring for many years. Restructuring only
represents a very marginal part of job losses in the economy.
However, in terms of political impact, public perception, and action
taken in all parts of Europe, it can be huge. Very often, those
operations, especially when they have a major impact on
employment are the result of public policies. The EU started with an
everous restructuring operation that put together the coal and
steel industries. There was a specific treaty for that, with specific
financial means to support the restructuring processes. Then, for
many decades, we had the construction of the internal markets with
specific regulations to go with the deep changes that it would trigger,
and some financial instruments, the main one being the European
Social Fund, conceived from the beginning as a way to help people
cope with the effects of the European integration.

Since the 70s we have had directives on information and consultation
and, even if they cover issues other than restructuring, the main
point there is to try to govern what happens when restructuring
occurs. The difference between the most common perception now
and then is that we have moved quite naturally and gradually from a
reactive to a proactive and anticipative attitude.

If we look at our rules on collective redundancies, they intervene
when the employer decides to dismiss, not before, and the idea that
we have been developing at the level of companies, trade unions, and authorities in general is that if we want to have a decisive action in this field and cope with the positive effects of restructuring in terms of increased productiveness of companies and the problematic effects that often occur in terms of employment, we have to anticipate events and do whatever we can to make the change process more fluid and, insofar as it is possible, avoid crisis situations. That is why we have developed instruments, some of which are already in place, in the field of the anticipation of needs for instance. We are launching 15 sectorial councils whose aim it is to anticipate skills shortages in Europe. They have been launched by the European social partners and organizations of those sectors and are financed by the Commission. The idea is to try to match the supply and demand of skills in Europe and that is part of the process of adapting the European economy to the new situation.

Most work related to restructuring however should be done within companies. For that we have tried to have some rules. We have consulted the social partners twice in 2002 and 2005 and there is a European text, the status of which is not well defined because the ETUC never ratified it. It is called orientations for reference in managing change, 2003. Even if that text contains very useful guidance on how to anticipate, prepare and manage restructuring, nobody knows it and there is a problem with implementation. That is why we have thought of a new initiative and why we think that Europe can play a role in this. Many companies that make an effort in anticipating restructuring still end up in negative economic situations because they destroy productive capacity that could be kept in some cases and because it has a very painful employment effect that could
be avoided. We know that when the EU decides to intervene, even if it is difficult to identify and apply concrete rules, it is a very powerful instrument for changing the stakeholders’ actions and attitudes, whether they are companies, employee representatives, employees themselves and authorities, national and regional.

So should there be a set of rules in the European sphere? Those rules could take different forms: legislative, a Directive, a voluntary instrument like a Recommendation – not legally binding but with clear guidance on how to proceed. They could translate into different types of incentives (access to EU funds, financial support, etc) or we could decide to do nothing.

I think that in the current set of circumstances we have to do something because one of the weaknesses of Europe with our strong social model is that the model was and is the basis for enormous prosperity, which Europe has known since WWII, but it makes it more difficult than in other parts of the world to reallocate resources from declining sectors and activities to new ones. It is also less and less protective, a function for which it was created. This is because our employment protection rules do not function very well in a situation where there are high levels of unemployment. We have to think about making our systems more proactive and dynamic and that is one of the reasons why we think that EU action is necessary.

The second reason is that in the current situation in Europe and parts of Europe we must do whatever is required to build trust amongst citizens and economic social stakeholder. For instance we know that in a few months there will be a succession of very problematic events in the European automotive industry. There is a real perspective of
closure in some of the big sites in Western Europe. In recent weeks that perspective has materialized. We are all waiting for it, and if we do not have a clear guidance on how to proceed, this process that is more or less inevitable and necessary, unfortunately, may become very messy and very difficult to manage, even from the point of view of other European policies. Governments might start intervening, preventing companies from closing in some countries and then the companies move to other countries where the government is weaker.

We must try to avoid this and one way of doing it is to establish clear guidance for everybody to respect.

In terms of the possible content of that initiative, I want to refer to the text the Parliament will publish in a couple weeks or to check on our website the checklist for restructuring processes. That is a comprehensive document with most of the good practices identified at European level. From that collection of practices it is not difficult to envision what could be included in a European instrument.

There could be a call for companies to pick up in terms of the objectives of long-term strategic planning rather than short-term productivity levels, and that is the long-standing discussion in corporate governance. If you are speaking about anticipation and companies are not managed that way, it is impossible. Secondly, HR must be at the heart of companies’ strategies. They should not be seen as a cushion of external strategies but be their centre. That also means that skills anticipation is a vital element to be developed within companies and that companies have certain responsibilities in the field of training. One of the rules that could be included, even if it
might be a bit problematic, would be to create a right to training. That does not exist in European Law, not even as a recommendation, but the OECD has been defending and proposing it for many years, saying that if we want training to be a permanent feature of our labour market, we have to establish this kind of guidance. There could also be a section on the preparation of restructuring processes, some circumstances in which companies must engage in reorganizations. Those practices that could be developed would be linked to building trust and transparency, informing and consulting employee representatives, explaining and justifying the reason why restructuring is needed, looking for alternative solutions, rather than going directly to the easier ones, adopt employability measures, like training and occupational guidance for employees who risk dismissal and so on. All of this is known, it is part of the orientation of reference of the European social partners and the ideal would be to translate it into some kind of European document.

Two important issues could become controversial:

• The role of public authorities, including regional authorities. They are very important in helping SMEs deal with these processes as they can contribute to anticipation activities
• The link between companies and subcontractors. This topic is very sensitive but if we really want to develop the anticipation of restructuring in Europe we must consider that some decisions affect outside companies, in many cases much more than within companies.
This will be discussed in Europe in the coming months as a result of the Parliament’s initiative.
Josef Niemiek: the crisis, a challenge for European unions

The European economy is at a standstill. More and more people are unemployed (over 24.5 million already), especially young people. With the economic and social situation worsening in Europe, the European Trade Union Confederation (ETUC) is more than ever convinced of the need to have strong unions able to face up to future challenges.

European unions put to the test by globalisation and economic change

For several years now, Europe and the world have been going through deep changes. We are all aware of their long-term stakes, e.g. the demographic or environmental challenges.

At global level, the centre of gravity has shifted towards countries we used to call, not long ago “developing nations.” Social aspects are the first to be sacrificed in the name of competitiveness. To stay in the race, Europe has chosen to deregulate the economy, to privatize public services, and to make the labour market more flexible – widening gaps and increasing precariousness.

Neoliberal principles infiltrated the economy and mindsets, short-term became the rule (a victory for the “Chicago boys”) and financial capitalism became all-powerful.

I would also add a key element: the evolution of the economic and political situation, namely the fall of the Communist system, which I have known in a chapter of my life. Communism had a major impact on the way capitalism developed, which has a completely different
profile than what was done in Western Europe after the war. At the time, the States’ debts were much higher – 250% for the UK. Getting rid of this debt – contracted to pay for the war – only happened a few years ago and didn’t keep the European countries from building their social model.

In this context, it is also important to see the evolution of this economic world in the absence of competition, which the Soviet Union was at the time. You had to provide an answer to workers and societies so they would accept to live in this capitalistic system. With the current crisis, we can observe the same trend and, sadly, China does not yet influence the European social model in this debate as it doesn’t have a social protection system or a developed public system, even though it is clearly headed that way. It is also interesting to consider the evolution of pay in some EU countries, and not only Bulgaria where wages are lower than in China. Portugal could also enter a less favourable situation than some regions in China where the industry is more developed. All this is extremely worrying.

The crisis has sharpened existing issues, notably the increasing precariousness of the labour market. Unemployment is exponential in some countries, growth is at half-mast, and all this undermines a quick recovery. Austerity treatments are actually worse than the evils they aim to fight. People are infuriated. Social discontent is raging and taking hold of the public sphere.

Some countries have abused precarious contracts and employees’ flexibility. With these realities, at least in some sectors, union representativeness has decreased in recent years.
Faced with these challenges, we are trying to maintain our role as employee representative and social partner, and therefore, via collective bargaining, come up with agreements at company, sectoral, national and European level.

On a political scale, Europe is splitting to short-term national logic, sometimes with a vote-catching logic. The European Union is increasingly seen as the cause of the problem and not the solution. Euroscepticism is spreading. Worse, nationalist, or even xenophobic parties are doing increasingly well in the polls. Except in Poland, parliamentary elections tend to get rid of the governments implementing austerity policies.

Today, the labour market is all precarious labour, atypical contracts, temporary workers, bogus self-employed workers, long-term jobseekers, unskilled youth.... One of the challenges for unions is to defend all these people equally. Some are already doing it. It is a tremendous challenge for the trade unions: being able to face heterogeneous, complicated situations and to tackle all forms of precariousness. Indeed, even though these situations are not the same, there are collective problems, for instance worsening working conditions, standards of living, buying power and pay.

Unions are evolving in a fragmented economic framework, which makes it harder for them to take action. Industrial capitalism brings together, financial capitalism tears apart. Employment has become increasingly dual as precariousness has soared. We are often accused of being corporatist. We have to show that the union movement can adapt to the new realities of the European employment market,
mostly to mirror the wage system and keep pushing it out of its “traditional” boundaries.

The sensitive issue of decreasing membership seriously needs to be taken into consideration. As we all know, in most European countries, the number of union members has fallen in the last 20 years. In Europe, the proportion of workers affiliated with a union hasn’t been this low since 1950. Our political influence is at stake. For unions to survive, under-represented categories of workers like women, youths, migrant workers, or precarious workers need to be involved.

Stay unique while standing out in the public debate. Therein lies the difficulty. All options need to be explored in order to improve unions’ action. It isn’t always simple, especially since union rights are directly under attack in some countries.

Another option would be to better link unions and associations. With the same issues to handle, shouldn’t we work together more to unite our efforts? The ETUC has already made commitments in this respect in the area of environment and financial regulation (joint campaign in favour of a tax on financial transaction).

Unions need to focus on solidarity and unity – the ETUC’s mission and purpose. In a context where the social link has disintegrated, these values must be guiding principles for the European trade unions. Each union feels the attacks against union and social rights in a country. During the campaign against the draft service directive by Commissioner Bolkestein, unlike the political sphere, we have demonstrated solidarity at European level. Now it is with workers in
southern Europe, particularly in Greece. But, the question was asked: can unions stay united to give European workers and citizens a better fate?

What is unions’ true ambition about this? A future challenge will be to overcome the trend to defend national independence. Unions cannot give in to protectionism either. These strategies are appealing to a growing number of people, disappointed by the weakness and ineffectiveness of European responses.

The ETUC pointed to the dangers of ‘casino capitalism’ long before Lehmann Brothers collapsed. Since the crisis began, European unions have been campaigning against austerity. They proposed solutions that have made progress and are entering the public debate, for instance a financial transaction tax, euro-obligations and, currently, the debate on growth. Unions need to keep pushing these messages through and point to the part Europe has to play in providing solid, coordinated answers to the crisis in order to regulate finance.

To coordinate its economic policies better, Europe has decided to improve governance, mostly austerity governance. It is used to decrease wages and dismantle wage bargaining systems, which fall under the social partners’ province in several countries. This is a blow to the social partners’ autonomy.

In a context of increased economic integration and decreased pay and working conditions, it seems that making European unions stronger is vital. One of the greatest challenges ahead is the feeling of disenchantment workers, and more generally European citizens, feel regarding the European project. The European project isn’t simply an
economic and monetary project. It is also a project for society. Yet, the societal project relying on solidarity is missing. As a direct consequence, there is a trend to withdraw, which is dangerous and unions need to take action. It is a democratic stake.

Certainly, euroscepticism is increasingly visibly among workers. They feel like everything that is happening in Europe means austerity, lower pay, and drastic cuts to public services and social protection. Withdrawal prevails. People are also more susceptible to nationalist parties’ arguments.

Unions need a European view and analysis of the current crisis, not a primarily national approach. Together, we must change the course to achieve a social, solidary Europe and durable growth for all.

In spite of all the bumps in the road, the solution is European. Even though the political and economic context is extremely hostile, European trade unions defend the view of a Union carrying a social model, capable of investing into an ambitious industrial policy and projects fostering employment.

What we have to do is huge. Europe must be in the vanguard for the green transformation of the economy. It is one of the ETUC’s battles as this will create jobs and initiate a new model of society. The point is to organise an active industrial policy. How can we master restructurings?

European social dialogue also needs to be enhanced and help improve national dialogue. Sadly though, in many countries, dialogue is under assault and its structure undermined. European unions need
to closely look out for these assaults against trade unionism, as was the case in Hungary (and other eastern and central European countries) with the Labour Code reform, or in countries supervised by the Troika. We cannot tolerate these attacks on fundamental rights.

A social contract for Europe

The EU adopted a budget contract to ratify its austerity policy. We believe that this policy is erroneous. Not only does it have severe social consequences but it is also counterproductive. Indeed, it worsens the economic situation and delays the end of the crisis.

Defending social justice and human dignity and combating inequalities and precariousness remain unions’ absolute priorities. The ETUC is currently finishing a tentative social contract for Europe, which will be adopted in early June before being sent to employers’ organizations and political decision-makers. Please remember that Europe can only have workers and unions’ support if it develops a strong social model. It managed to do so after the Second World War, an even harder time with public debts even worse than today’s. So it should be possible now. Therefore, some ideas have gained ground. Actions shouldn’t only take account of the debt with an austerity program but focus on Europe’s ability to create the conditions for growth.

Indeed, our support in favour of economic governance versus the problems the European Union has faced in the past is an issue today. Governance was proposed but, with the current conditions, we should call it austerity governance instead, as it primarily focuses on implementing the austerity policies heads of States have agreed to.
Let us point out two major risks: if governance is restricted to this aspect, it will not produce positive effects. We can see that austerity policies do not improve the situation in the short run. On the contrary, they make the economic situation worse. The United States, the Monetary Fund, the OECD, have made different choices, not to mention economists who, for a while now, have been criticizing this European project. This form of governance poses another risk: that of democracy compared with our role in social dialogue. Indeed, we think that this governance introduces or imposes rules that destroy national collective bargaining systems. For instance, in the countries supervised by the Troika, existing social dialogue is in jeopardy. In Spain and Portugal, there is the same problem. In more general terms, the regulations imposed through governance do not give the social partners room for manoeuvre or the possibility to decide according to their preferences, mirroring the situation in the economy and sectors concerned.

We need to make our voice heard and sit at the bargaining table. When workers see or hear about a European proposal, they reject it because it is European. Indeed, they immediately see it as danger, a deterioration of their salaries, their pension benefits, their ability to enjoy social benefits, access to health services, education, ...

Therefore, we need to ask the question of the social contract again. In the beginning, it was the foundation for the construction of the European model after World War Two. This social contract must contain the proposals we have already mentioned as well as actions in terms of investments for growth, a sort of Marshal Plan. Indeed, we believe that Europe can still do great things, not simply use the
European funds for the coming challenges. As regards funding pools, we want a stronger symbol for the European Central Bank than that of last resort loaner, as is the case in any democratic country. We want greater political union in European construction because these approaches, such as euro-obligations or changing the ECB’s role, are not only economic but also political decisions.

Regarding austerity, in the current situation, we need to review our ambitions in terms of timing and schedule for budget stabilisation, for it would be intolerable in democratic terms and countries like Spain, Greece or Portugal would reject them. If we share the belief that the European Union and the European currency have a value and can be effective tools in the future, we must make sure that they are accepted. We believe this social contract proposal would make a difference compared with the budget pact. We want to show that the European Union is capable of having a social face, another approach based on solidarity and unity.

Unions are always trying to speak with one voice. At the Confederation in Athens, they decided to do a joint campaign, a good opportunity to reassert unions’ priorities, values and solutions to face all the coming economic, social, societal and environmental challenges in order to build a better future for the next generations.

A social contract with European citizens is possible. There are signs, for instance the results of recent elections, showing that the European policy needs to change. These changes can foretell the ambition to do so within a joint project, as in France, and to question it if the voters don’t see a way out of the crisis they would accept in social terms, as in Greece. The ETUC’s social contract will be sent to
employers and politicians. Its proposals will tell what Europe’s future could be.
Reinhard Naumann: the risks of labour market deregulation policies – the Portuguese example

Portugal is one of the three so-called “programme countries” in the Eurozone. The reasons why the troika (IMF, ECB and EC) intervened are not the same as with the other two cases. Unlike Greece, public accounts were reasonably in order when Portugal entered the Euro and Portuguese banks did not suffer major losses on the financial markets in 2008-09 (as it happened in Ireland). In fact, the immediate impact of the global financial crisis in Portugal was less severe than in the EU (2009: GDP EU27: -4.3%; PT: -2.9%), but the recovery in 2010 was weaker than at European level and in 2011 the national debt-crisis erupted.

The major reason for Portugal stepping into the debt-trap was that since the early 1990s the convergence of the Portuguese economy with the European average had stopped. Thus, the national economy was not growing enough to sustain increasing State investments in infrastructures, the qualification of the workforce, welfare institutions etc. A modern sector of internationally competitive companies (in part in the knowledge-based economy) had emerged and grown but not at a pace allowing to compensate for the losses of the traditional work intensive sectors (textiles, clothing, shoe, etc.). In this context, unemployment rose steadily from approximately 4% in 2000 to more than 8% in 2008-9.

The global financial crisis directed the attention to the imbalance between the sluggish growth of the Portuguese economy and continuous increases in public expenditure and resulted in the crisis of the Portuguese sovereign debt.
The Memorandum of Understanding (MoU) that opened the way for the bailout was negotiated by the Socialist minority government under PM José Socrates (March-May 2011) but implemented by a liberal-conservative coalition that came into power after the anticipated general elections in the summer 2011. The political parties that form the new governing coalition, the so-called social-democrats (PSD) and the CDS-PP, were involved in the negotiations of the MoU and agreed to its ratification.

The declared aim of the MoU is to reduce the Government deficit (2011: 5.9%, 2012: 4.5% and 2013: 3.0%), to maintain fiscal consolidation in the medium term and to support competitiveness. In this relation the memorandum formulates a set of fiscal policy measures to be implemented until 2014:

- Fiscal policy,
- Financial sector regulation,
- Fiscal-structural measures,

Furthermore, the memorandum sets concrete targets in four other areas:

- Labour Market and Education,
- Goods and Service Markets,
- Housing Market,
- Framework Conditions,

The containment of public expenditure growth and the increase of taxes and public services prices result in a drop in domestic demand, thus reducing the potential for economic growth. This and the
obligation of public services to cut costs at all levels obviously have a negative impact on employment.

Furthermore, the MoU demands an effort to reduce labour costs in general and to implement a set of measures for a more flexible labour market and less protection rights for employees.

In 2011, the first year of the MoU’s implementation, Portuguese GDP shrank (-1.5%)\(^9\) while the unemployment rate rose to 12.7%. In 2012, this negative trend will intensify (GDP -3.3% and unemployment 14.4%). It is expected that the GDP will register a modest increase in 2013, while the unemployment rate will still be growing.

The MoU’s section on the Labour Market (4.a) has been almost completely implemented. The most recent step was the Parliament voting the revision of the Labour Code (May 2012). The measures aimed in the first place at cutting down certain workers’ rights that exceeded the European and OECD average. This implied:

- reducing the maximum duration of unemployment insurance benefits and capping of unemployment benefits,
- reducing statutory employment protection by reducing severance payments and facilitating individual dismissals and
- more flexible working time arrangements, particularly by drastically reducing the cost of overtime.

In the present situation of economic contraction, reducing statutory employment protection will in the short run increase the number of

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\(^9\) Data regarding GDP, unemployment and inflation in IMF, World Economic Outlook, April 2012
redundancies. At the same time, reducing unemployment benefits will increase the social impact of the rapidly growing unemployment rate. For those in employment reducing overtime pay, freezing statutory minimum wage (affecting more than 10% of workers in the private sector) and the growing problems in collective bargaining will result in income stagnation or losses (added to previous reforms such as the extra-tax on the Christmas-allowance). The government argues that these sacrifices will help create jobs in the medium term and reduce labour market segmentation.

Irrespective of some minor improvements of a few workers’ rights, the recent revision of labour legislation is fundamentally a major move in deregulating the Portuguese labour market. This refers to the above-mentioned downgrading of unemployment benefits, employment protection and working time regulation, and the ongoing radical changes in collective bargaining. The MoU demands profound changes in this area, namely more restrictive rules for the extension of collective agreements, facilitating the termination of expired agreements, a process of “organised decentralisation” and a stronger role for works councils in bargaining.

During the past decades the Ministry of Labour used to issue decrees for the extension of existing collective agreements (at an average of approximately 100 per year) if the signing parties (employers and unions) asked for it. This practice resulted in a very broad coverage of sectoral agreements. Since it came into power the new government did not issue a single decree of this kind, and sectoral coverage has fallen substantially. The present moratorium in extensions and their future reregulation will weaken the existing system of collectively
agreed regulation of labour relations. The most probable result will be that in the future large parts of the economy will not be covered by a collective agreement.

In the context of economic crisis, growing unemployment and profound wage cuts in public administration the income of salaried workers in general is decreasing. In 2011, collectively agreed nominal wage increased by 1.5% (2.1% below inflation) and the first few agreements signed in 2012 indicate that the nominal increases in 2012 will be close to zero (expected inflation 3.3%). The losses in real effectively paid wages are most probably much higher, and they are aggravated by overall increasing taxes and charges.

The lack of jobs, dropping income for workers, and decreasing employment rights are narrowing down workers’ future prospects. This particularly affects young (youth employment now at 30% and growing) and increases the risk of emigration. The country runs the risk of losing a considerable part of the generation who benefitted from the enormous investments in education and qualification of the last 10-20 years. In order to avoid this brain and skills drain Portugal must make a strong effort to keep its most qualified workers on the domestic market and making earlier investments profitable for the country.

In this context the stakeholder are forced to rethink labour market and employment policies. In January 2012, the government, the employers’ confederations and the trade union confederation UGT signed a tripartite agreement on the implementation of the MoU.

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10 Most collective agreements stipulate average monthly wages between €500 and €600, while the average effectively paid basic rate is lying above €900.
This agreement was opposed by the larger union confederation CGTP and due to the ongoing massive job losses it is not sufficient to create a broad consensus for the difficult tasks in the future.

Concluding remarks:

The labour market deregulation demanded by the MoU is almost complete. In the perspective of keeping at least a part of the trade unions in the coalition for the MoU’s implementation, it seems to be wise not to go further in this direction.

Income losses for wage earners have been considerable, particularly in the public sector. In order to halt a further downturn of domestic demand and to avoid the loss of qualified workers by emigration it seems important to find ways to stabilise wages.

Qualification must go on, despite of the growing risk of a brain drain, but under the regime of austerity it must be redefined. The same applies for active employment policies.

The “decentralisation” of wage setting demanded by the MoU could be a positive move to create a new system of collective bargaining, with the articulation of different levels of negotiation and based on an adequate method for measuring the representativeness of the organisations involved (employers and unions). The government’s unilateral decision to stop issuing extension decrees and the content of the government’s proposals at the tripartite negotiations point in the direction of dismantling collective bargaining rather than decentralising it.
The major challenge of course is to get the economy out of the crisis, allowing it to create more jobs. There are indicators that the present strategy imposed by the MoU is not sufficient to open the way for such a recovery.
Marie-Noëlle Lopez: reforms that may durably alter the European social model?

It may seem kind of strange to talk about a wave of labour market reforms when one can legitimately feel like labour law reforms have been running through EU Member States for 10-15 years, notably at the incentive of European integration and of the confluence created by European social policies. Yet, the reforms introduced in European countries in the last couple years are so specific that they can be set aside from the others. First, these reforms affect countries experiencing a sovereign debt crisis, but one can imagine they will have a wider impact as, in each of these countries, it is shattering or at least deeply affecting labour law pillars, somehow directly or indirectly questioning some elements of our European social model.

These reforms, rooted in the debt crises (starting in the summer 2010), are completely different from the reforms adopted just before (the financial crisis in 2008). Indeed, the latter witnessed a sort of sacred union between the governments and the social partners, which quite often led to compromises allowing businesses to make the necessary adjustments while restricting the social consequences of the crisis. Reforms following the debt crisis are on another level and used other methods. Of course, there is a form of continuity with the direction reforms took over the previous decade, but they are faster and with new modus operandi. What characterizes these reforms?

1/ The urgent need to reduce public deficit has ‘legitimized’ the fact that reforms are done in a slightly less respectful manner, less concerned with social dialogue procedures. This tradition was shaken
by governments in a hurry, ignoring dialogue (Greece, Romania, Hungary...), giving no time to find a compromise (Spain in the second period, with the Rajoy administration). Unions were put in a “defensive” position: when they signed the reforms, it was to limit employee’s burden, or to no appear opposed to change or indifferent to/irresponsible in the face of the crisis their country was going through (Spain during the Zapatero era, Italy during the Monti period). The crisis also led to union divisions (Portugal, Italy during the first Berlusconi era). All this took place in a context of admission and resignation from the people, which can explain why unions were so reluctant to launch general strikes and enforce severe and direct confrontation actions, at least until now.

2/ These reforms tackle structuring aspects of our social models, probably underlined by a strong ideology (the view the European Commission, the IMF and the ECB have of the ideal labour market), to such an extent that the researchers who looked into it are talking about a new paradigm. In any case, labour rights are definitely shrinking. Yet, all these reforms have one thing in common: they are all being questioned as regards their compliance with national Constitutions or international standards (ILO), which some say shows that they even defy fundamental rights.

**Collective bargaining and layoffs, preferred fields of these reforms.**

Regarding collective bargaining, these reforms are in line with decentralization. However, they took an additional, significant step in that direction. This step is that of questioning sectoral agreements as a reference level for regulation, harmonization and balance, and that of disrupting the hierarchy of standards. The countries mentioned
above have one thing in common: sectoral bargaining is not very active and businesses see it as hindering their capacity for adjustment. Obviously, there are legal reasons behind such inertia, but there are reasons having to do with role-players on both sides. The choice made was to “neutralize” sectoral bargaining in the most extreme cases, or to reduce its regulatory role in others. Besides, decentralization often comes with new rules for signing these agreements, both aiming to improve the representativeness of unions in the company (since they are going to sign less advantageous agreements), and to make it easier to sign them, with more flexible bargaining rules allowing non-union parties to sign.

**Some national examples:**

*Greece:* possibility of derogating from sectoral agreements in pejus and signing company agreements with “people’s unions;” organizing the “invalidity” of sectoral agreements which haven’t been renewed to “free” the definition of pay.

*Spain:* company agreements take precedence over sectoral collective agreements and clearer conditions allowing the former to “derogate” from the latter; removal of the automatic extension of collective agreements until the next collective agreement is negotiated.

*Hungary:* possibility of signing agreements with the works council and amendment of representativeness rules to sign company agreements.

*Romania:* removal of the national collective agreement which used to apply in the absence of a sectoral collective agreement, even if this
level didn’t really add much, but this weakens the partners at cross-industry level. Amendment of representativeness criteria (a union can only sign agreement if it represents at least 50 percent + 1 of the staff, instead of one third + 1 before) and, if there is no union, the company may negotiate with employee representatives.

The reforms have something else in common: they directly and substantially attack layoff rights, the idea obviously being that it should be more flexible or cheaper in order to boost recruitment. The given answer, which deregulates layoffs, is presented as a way to combat the segmentation of national labour markets.

**Some national examples:**

Spain: compensation for unfair layoffs is now 33 days per year worked with a limit to 24 months’ pay (instead of 45 days with a 42-month limit). The circumstances justifying economic layoffs or the substantial changes to the working conditions are clearly defined to avoid the legal uncertainty resulting from the judges having free interpretation. Removal of the administrative authority for economic layoffs.

Italy: the emblematic obligation to re-hire employees unfairly laid off was cancelled and is only an option for the employee in cases of discriminatory layoffs, the lack of grounds for disciplinary layoffs and “clearly inexistent” economic grounds. For other cases of unfair layoff, the sanction is compensation – which is limited.

Hungary: the limit for layoff benefits has gone from 36 down to 12 months’ pay.
Portugal: more flexible layoff for inadaptation to the job

Added to these reforms affecting layoff rights and collective bargaining, some reforms have made appeal to precarious work more flexible and, at the same time, employment policies have taken an additional turn towards extremely demanding activation mechanisms. It is a general process of lowering wages and working conditions, which could deprive some people/categories of workers of a decent job – an international concept which is incidentally growing.
Xavier Broseta: anticipation, a promising concept and a lever for action

The issue of businesses’ ability to anticipate the changes affecting their employment and skills needs and help employees get ready came up a long time ago. However, in recent years, there have been new developments. Indeed, more businesses took hold of this issue. The current paper aims to attempt a temporary report on these schemes in terms of benefits and problems and also to try, by spreading the word, to approach the macro social consequences of these actions while proposing a few possible pats for the public powers.

First, let’s define the vocabulary. Here, “anticipation” means all initiatives and practices businesses introduce to create a worldly dimension in their HR policies and decisions. Therefore, it covers all practices and decisions made not because they refer to needs or problems perceived as immediate but because these needs or problems could arise in the future. In addition to statutory obligations, there can be several reasons why a company focuses on these changes: businesses feel like they need to adapt, which requires time (to acquire or perfect a skill in a certain field for instance). Or, with time, the changes will be much less demanding in human, social and financial terms. Or, the company doesn’t want to remain motionless in the face of predictable problems, with workers no longer having the skills for future needs, in which case the social partners could drive it to take action.

Anticipation measures in large businesses have similar characteristics, which can be considered as methodological gains.
Anticipating rather than trying to plan

Obviously, adding a temporal dimension to HR policies implies the ability to look ahead. Yet, as the comedian said, forecasts are tricky... especially when they are about the future. This was bitterly observed by the predecessors of today’s HRDs, when they tried to do detailed quantity forecasts for employment and skills. Indeed, they almost all came up against figures that turned out to be utterly wrong and, in some cases, dangerous (as they mirrored wrong convictions.)

Learning from this experience, businesses got out of the trap and amended the very subject of their search. Rather than trying to plan the future, they now try to identify trends in the evolution of employment and skills needs which, as they are present today, can have an impact on their needs tomorrow. It is also important to build on employees’ hunger for work with their own skills, through a proactive approach:

Businesses remembered that issues on employment, skills and anticipation do not affect things but people – men and women. Therefore, talking about anticipation means talking about careers, individual wishes, interest in work and motivation. It would be useless to try and anticipate without looking to know how individuals receive the messages on the company’s future needs and what they are going to do with it. Therefore, the anticipation system needs to contain a method favouring the possibility for each individual to make up their own plan or project and giving them the means to implement them.
The idea that the social partners’ involvement is necessary is a direct consequence of the previous point. Indeed, if we agree that employees need to be involved for anticipation to be successful, this approach will be even more fit if a good debate takes place with the social partners.

The consequence, as has already been pointed out, would be that the social partners to bargain for employment, which was barely ever the case until now.

From then on, one can wonder if anticipation practices can lead to more in-depth cultural changes among French managers, who were allegedly not very open-minded to a social dialogue culture.

**Cultural changes in management?**

Indeed, one of the reasons why anticipation measures are effective is that the company’s managers accept to reveal, earlier than they used to, some of the changes they are planning – or to some extent decide – whereas the French managerial culture remains characterized by a taste for secrecy and mystery over these issues. In this respect, anticipation methods can cause, if they settle in, the French managerial culture to change. This is even more true as this new way of addressing employment and skills issues often facilitate dialogue with union organizations and employee representatives, or even the employees themselves. Thus, it can positively influence the general atmosphere of social relations.

**Is a European extension possible?**
The word itself – anticipation – does not cross borders very well. The Anglo-Saxons, notably, don’t use it easily. However, experience shows that, even though Europe still has very different social traditions, it is possible to merge towards a joint platform of practices (involving the social partners). This can be a way of adding more HR practices at global level.

Of course, this method isn’t easy. It can require a lot of energy from management and HR teams. There are many things to do: drawing up documents listing ongoing trends in the company, debating with the social partners, communicating with employees, helping with the creation of individual development plans, setting up teams in charge of providing special support... Besides, these tasks only partially replace day-to-day business. Therefore, it is clear that these measures are heavy for HR departments and imply the ability for them to mobilise the good will of managers surrounding them.

Many businesses have successfully compiled the knowledge they have about changes to their environment, organisation and strategy that may influence their employment and skills needs. Yet, bringing this knowledge to the final client – the employee, or rather clients – the employee and the manager – and making sure they get the data they need to use them is not easy at all. There are several reasons for that: presenting knowledge in an accessible manner isn’t easy; and, individual destinies are relatively incommensurable compared with the changes listed at global level. Therefore, local management teams truly need to make global thoughts their own and gradually refine them – making them more relevant for local stakeholders.
It works for some businesses (the heirs of Fordist companies). But what about the others?

It is clear that anticipation measures now mostly rely on the company’s ability to identify the trends that can affect its own needs.

Therefore, one of the first restrictions is that businesses of all sizes are a very hard time linking their own evolution and the changes at work in the outside world. From this point of view businesses trying to use labour market thoughts in a general manner have turned out to be rather disappointing.

As a result, it is very hard to introduce these measures in small businesses. And not just because of a lack of resources. Also, in a more fundamental way, because the company’s internal market is weak, i.e. the lesser autonomy of the labour market, specific to the company compared with the outside world.

Actually, one can also wonder if anticipation measures are adapted to a rather specific type of large businesses. Three types of companies are commonly taken into consideration: businesses with a Fordist heritage, with a developed internal market and a strong need for special human assets; professional groups; and businesses with few needs in terms of special human capital. When considering these categories in view of the implementation of anticipation measures, it appears that the heart of these measures is probably in the first category of companies.

What can the public power do?
In France, the State has already taken action in favour of anticipation: it imposed agreements on the subject. And yet, it could go even further, if it gave anticipation measures a true legal status – an alternative to Labour Code provisions on restructurings and economic layoffs. The States and the EU should also summarize and supervise the trends identified by businesses and sectors, ensuring consistency with available macroeconomic and macrosocial forecasts.
Hervé Dufoix: employment, a central stake

In his speech, Fernando Vasquez said that the social model was created for flourishing time. We could add that The Six, and then the Nine, were based on the Rhineland and French systems, which protect employees and their rights. Now, some believe that, because of its “rigidity” and “generosity” (meaning costs), this model is no longer adapted and that it is one of the reasons why some European countries are loosing in competitiveness. Without denying the fact that it can sometimes be the case, we believe that the seriousness of the employment crisis (and its political consequences) should on the contrary be an opportunity to improve social dialogue and anticipation. About this, instead of placing ourselves in a negative, defying logic, we should try to find solutions allowing men to redeploy and answering businesses’ competitiveness challenges.

The crisis is so serious that it raises awareness and mobilisation, which helps change things. Some recommend a general laisser-faire policy. We tell them that, in our companies, searching for shared anticipation strategies on employment issues is the most effective, responsible way to come to consensus bearing meaning and actions, together with the employees and their representatives/unions. This is because they are basically answering what citizens/employees are today and are expecting, involving them as informed, responsible stakeholders ready for their future.

The seriousness of the crisis also generates a feeling of urgency. Indeed, when the crisis is here, each institution – company, sector, region, country or the EU – has the obligation to work on the future and future jobs. However, also, the EU 27 and corporate stakeholders
share a same objective in terms of anticipation and employment, as economic success is one of the prerequisites for democratic success.

Inventing solutions through dialogue is achieving several goals: how can the company reach maximum efficiency for market(s)? How can it manage changes in the workload and increasing staff at best and, more importantly lately, decreasing staff? How can it anticipate? How can it involve employees and their representatives in these issues? What solutions for those whose job may disappear?

A framework for dialogue needs to be defined: how much freedom can the company have? At what level should the lawmaker step in? What hierarchy to give the agreements? How much support will the public powers give? What joint measures, solidarity, joint interests between different businesses? In Europe, there are several answers to these questions.

It seems that in businesses, all types of businesses, there are conditions in favour of anticipation rather than long-term management. With the available resources, the point is to introduce “spontaneous” personnel management, without delay. This way, solutions are found and implemented, which isn’t always possible with “crisis” management, at least not without social drama. Why these differences? Because time allows the stakeholders to understand and compare ideas, share analyses, come up with solutions, and then implementing them, taking action.

The first step is the analysis. It must be thorough – as factual as possible–, detailed – explaining how the company’s strategy translates into recruiting someone –, and transparent – vis-à-vis the
partners and the employees alike. This step comes before bargaining – you don’t negotiate economic and social reality. It is then appraised, criticized and amended by the social partners. While it is necessarily composed of strategy and competitiveness, it can have different entry points: trades, employment pools, ...

Then, bargaining helps adjust existing prevention measures or introducing new ones (mobility, training, amending the organisation of labour, cross-company agreements, etc.). At the same time, the company involves, prepares and implicates management.

The effectiveness of the measures will be directly linked to the consensus achieved within the working community. Some employees will have to change the way they work or their professional plan. It is also true for the company’s future. It is important to trust those who are directly affected: the employer, the employees and their representatives. They will find the most appropriate solutions (which doesn’t mean that they cannot get outside assistance and expertise).

Understanding the company one works for, its challenges, its markets, its techniques, assessing competitiveness risks and their impact on teams and people in order to think, talk, propose, reject solutions... who better than the employees themselves and their representatives, along with local and general management?

Therefore, the leader is the company. The principle of subsidiarity applies: the different parties involved in European social democracy are equally essential. Thus, the lawmaker cannot provide a perfect answer to the company’s situation, products, or markets. The interprofessional cannot convince employees in a company of the consequences of their own economic hazard (and not necessarily the
same as for the company next-door). The sector, even if it is closer, cannot implement concrete action, simply because it cannot create a form of “team legitimacy” by which, at a given time, the negotiator will say, That we can sign, because we trust each other to enforce it. Each step in the construction of social Europe is a part of this employment approach, which increases responsibilities.

National and European laws define immaterial competition regulations or labour law. They can promote transparency regarding the employees on employment issues, defend a social platform for all. They can foster long-term thoughts or negotiations at the appropriate level, involving the parties concerned (businesses, schools, researchers, etc...), come up with governance rules promoting virtuous commitments on employment. They promote the mobility of people and, in doing so, increase the number of jobs open to an employee, ensuring the portability of rights and protection within the EU or within a State. This way, mobility is not downgraded compared with seniority (Germany, Austria, or Sweden are often given as examples in this respect.)

Cross-industry or sectoral bargaining can search for an open paths to implement new solution which might derogate from earlier texts but which are negotiated and adapted for their content, their application is monitored, and their impact is assessed. They can lead to solutions developed in collective contracts in the company or at the level of the appropriate economic reality, with the participation of the union organizations and/or elected employee representatives. Once again, Germany, Denmark or Sweden have strong bargaining practices in cases of downsizing (yet, it doesn’t seem that anticipating
employment and skills management is given the same amount of attention).

To conclude, even though the European Commission recommended, in 2007, listing flexsecurity as a priority, we can see today that only a few countries (notably Denmark and the Netherlands) have made progress in this area. About employment anticipation, which is apparently an easier subject as it is handled in the field, in the company, progress is considerably uneven. Yet, with its concrete, long-term, responsible and secure approach, it is starting to change things in businesses, after three or four months. This happens because it helps employees understand the company’s stakes and prepare their future. For Europe, as the crisis is raging, the point is also to reassert their trust in people’s intelligence, in social dialogue between the partners, and in the different institutions. They are choosing the spirit of “Enlightenment” as their method and their goal.
Conclusion: more Europe

The European social model does exist.

But we need to look for it in the right place, not in Brussels, not in macroeconomic indicators, but in real life, in businesses. This model, born from a shared history, is getting stronger every day in European businesses, particularly medium-sized and large companies, simply because they are faced with the same challenges – slow growth and demographic change. Besides, in order to face up to these challenges, they are now drawing from the same concepts: sustainable development, the human capital, social responsibility and, of course, social dialogue.

Indeed, European companies are building social Europe by relying on the golden triangle of social dialogue: simultaneous information/consultation procedures, European Works Councils and European agreements. And it is easier for them as their management is European and global and their recruitment process gives a good deal to Erasmus’ children.

Does this mean that European employees are happier than the others? Or that our system is more effective than the others? Or that democracy is more efficient than an authoritarian regime in ensuring development?

Let us not be overconfident and answer too quickly. We don’t really have a choice anyway. We will not become North Americans, with
their culture based on conqueror optimism. We will not become Chinese, with their will to catch up at any cost.

Our history has shaped our shared culture and the way we live together. We need this inheritance to approach the future. But we need to overcome ancient nationalist instincts to find European solution, learning from one another, bringing our likeliness to fruition. We mustn’t be drowned in a globalization process we can only bear if we bring our individual identities forward.

Globalisation starts with wider exchanges within the European area. Opening up to others starts within the EU. The place our values will have tomorrow depends on our ability to speak with one voice.

The dynamic of European convergence is in motion, slowly but surely – much more than macroeconomic convergence as imposed by the Lisbon Treaty.

And this is the main inconsistency. How can we keep bringing social issues closer, the way we handle conflicts and achieve consensus, develop similar social practices, when the European economies are so different? Some are getting more competitive while others are loosing. Deindustrialisation in large European areas is only the product of a specialisation phenomenon within Europe itself.

There is no such thing as social aspects based on economic issues. And nowadays, contrary to popular opinion, what is slowing down social convergence is the divergence between the economies.
Thus, the economic and financial crisis is keeping businesses from building a social model rooted in our history and adjusted to modern challenges.

Should we wait for the economic recovery to start building the social sphere again? Or, on the contrary, should we attempt Community social will?

Actually, we are proposing a whole other path, one where each party plays their own part. Like today, the European Commission should define the framework for social dialogue and promote pollination mechanisms, without giving preference to liberal deregulation a it sometimes tends to do. The social partners, at all levels, should find concrete solutions to businesses’ problems via bargaining.

This way, the social sphere could actually come to the rescue of the economic sphere. Indeed, more than ever, our countries need a social pact to collectively define and carry the necessary efforts and changes.

To that end, Europe can rely on the quality of its human capital, in the end the only safety net for competitiveness. For that purpose, its top priority in its social agenda must be an ambitious training program for young people and grownups, giving precedence to ‘door-opener’ training or retraining programs, in order to absorb technological change.

Europe has the potential to find answers to new social challenges and thus fuel a new development model.
It has diversity, quality human capital, the right size, and the humanist culture to meet these challenges. Convergence mechanisms are in motion even if the citizens can hardly see them.

However, this all means securing the place and independence of the social partners, of the negotiations they conduct and of the agreements they sign.

The social sphere cannot be dissolved in the political sphere!

Far from being an increasingly unbearable burden, this system can actually be considered as a special tool against the crisis, a competitive advantage in globalisation.
Proposals
17 Proposals from the European HRD Circle 2nd Forum – Lisbon, May 24th & 25th

• Promote European social dialogue within companies and integrate it along the supply chain or value creation organization
• Convince HRDs to fully embrace the Social responsibility concept and conduct annual corporate reviews on social responsibility
• Transform the European Works Council body into a change agent in the best interest of both the Corporation and the European employees
• Train and educate managers, HR managers, works councils and union members on the European social model
• Negotiate innovative bargaining agreements for management transition to find solutions to develop competitiveness
• Define, promote and sponsor the “European apprenticeship model in all the countries as a European tradition and a key response to the crisis
• Make it a European priority to encourage business to welcome youngsters better by providing them their first long term contract and stop asking them for 3 years of work experience
• Develop job prospective and anticipate better future needs; promote a European information and orientation job agency
• Develop an agenda and collect good practices for job creation
• Reshape our HR policies for the youngsters and reassess the question of mobility
• Build specific and innovative policies for the employees in their 60s to organize retirement transition including part time and definition of jobs based on expertise
• Develop Human Capital strategic planning within businesses to assess specific situation and anticipate future needs
• Develop mentoring and coaching programmes to create a stronger link between generations
• Further define human capital and test measurement by building a business case on human capital to foster a better integration of HR and economic issues within companies
• Get involved in the European Union Commission’s green papers
• Pay attention to the current debate and potential reforms of the labour market to ensure social dialogue will remain the foundation of the European social model
• Elaborate a realistic but appealing statement to promote a shared vision of the European social model through a collective book and a communication-oriented position paper
Manifesto by the European HRD Circle

Giving the human its rightful place

• Developing or restoring the human its place in businesses
• Acknowledging that the company draws its identity and attractiveness from its working community
• Knowing that good HR management is the key to competitiveness

Valuing European social models

• Valuing European social models: pollinating good practices helps come up with social standard in Europe and better international governance

Anticipating

• Dealing with human and social issues, particularly for education and training, implies shared and transparent anticipation

Promoting social dialogue

• Promoting social dialogue as a way to innovate and solve problems
• Respecting unions’ input in the company

Encouraging the integration of the youth

• Committing to encourage the integration of young people in the labour market

Partaking in the development of social policies
• Helping develop social and regulatory policies so that the financial dimension does not take precedence

Promoting corporate social responsibility

• Promoting social responsibility by acknowledging the company’s societal role as a place for learning and for living together
Authors

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Stephen has carried out research and policy work for the No 10 Policy Unit, HM Treasury, the Cabinet Office, the Department of Health, the Department for Work and Pensions and the European Commission. He has also advised many blue-chip companies on aspects of HR strategy and practice. Stephen has conducted research on high-performance work practices, employee reward strategy, staff engagement and retention and Good Work. Stephen is a member of the expert group supporting the government’s review of sickness absence, a member of the McLeod Review’s "guru" group and was an expert advisor to the Hutton Review of Fair Pay in the public sector.

Stephen is Founding President of the Fit for Work Europe Coalition, which promotes active policies to improve labour market participation among people with long-term health conditions. In 2010
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Yves is a graduate from Ecole Polytechnique (France), and owns a Ph.D. in Economics. He started his career at the French Ministry of Finance (1970-1984).

In 1984, he joined Rhone-Poulenc where he held various senior management positions.

In 1998 (until 2000), Yves was appointed Deputy Cabinet Director to the French Minister of Employment and Solidarity, with responsibility for employment and training.

In 2000, he joined Thales as Senior Vice-President, Human Resources and Social Affairs. In this capacity, he negotiated two important European agreements generating European standards for professional development and the introduction of a new assessment concept.

He is now Social Responsibility advisor in FSI (The French Sovereign Found) and Chairman of AFPA.

Yves is an Affiliate Professor at HEC Paris, and has written and contributed to many books, on both social matters and the labour market.

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Xavier graduated from ENA (Ecole nationale d’administration). After different positions in the Ministry of Social Affairs on employment and healthcare, issues, he joined Thales in 2002. After being in charge for HR of a business group, he became VP HR International (Middle-East, Southern Europe, Germany, Latin
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Agnes gained her former experience in various companies such as Vivendi Universal, italcentimi of Valeo, where she held senior positions in Human Resources Management and Communications. As such, she was involved in domestic and cross-border operations. Prior to joining Elior, she served as Group HR SVP for Arjowiggins, the world's leading manufacturer of technical and creation papers. Agnes joined Elior Executive Committee as Group HR SVP early 2009.

**Good to know:** strongly believes one should always be true to oneself

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François was born in France. He holds a masters degree in law. François started his career in 1986 as HR manager at Philips. He then moved to Alcan where he held various HR positions at plant, regional, business group and corporate levels based in France, Switzerland and
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Hervé Dufoix was born in Paris. He graduated from The Institut Etudes Politique in Paris, and in History.  
He joined Rhône Poulenc in 1983 where he held various positions in Human Resources in France and in the United States.  
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Born in 1968, Hugues studied in a Human Resources post-graduate program at Paris I Panthéon-Sorbonne University.
He is also a graduate of IFG Paris Business School.
Hugues joined ArcelorMittal in 2007 and is currently in charge of Employee Relations management throughout Europe. Before taking over this position, he successfully conducted and managed key ArcelorMittal industrial restructuring projects.
Hugues has developed a significant expertise in Human Resources, as well as in Industrial and Labour relations spending, before even joining ArcelorMittal. He worked 6 years in automotive industry
(VALEO & FAURECIA) and held senior management positions in Human Resources across a European perimeter as a Business Division HR Director.

Previous to this experience in industry, Hugues had also worked for 8 years as key Accounts Director and Senior Consultant in the financial B to B companies, ABN AMRO and SOCIETE GENERALE Banks, to launch, develop and promote their car fleet management subsidiaries.

MARCEL GRIGNARD
CFDT

At the moment, Marcel GRIGNARD is National Secretary and General Treasurer of CFDT (Confédération Française Démocratique du Travail). He is in charge of the social dialogue, the workers’ representative body, and the international and European policy.

Electronics engineer in a big industrial group of the metal industry from 1973 till 1993, Marcel Grignard fulfilled mandates of workers’ representative as well as local and national union responsibilities. Elected as a national Secretary of the general Federation of Mining and Metal industry (FGMM-CFDT) in 1993, he became General Secretary in 2000, at that time he joined the CFDT’s Confederal National Bureau.

Since 1993 he held down various high-level positions in European institutions (ESCS’ consultative Committee, European Federation of the Metal industry, European Trade-Union Confederation). He became a national Secretary of CFDT’s Confederation in 2005 and the Deputy General Secretary since 2009 to April 2012.

In 2009, he coordinated the writing editorial staff of the entitled report "Trade unionism at the turning point… dare the change ".

RAINER GRÖBEL
Department head Organisation and HR at the Executive Committee of IG Metall
Rainer Grobel has a degree in political economy from the Johann Wolfgang Goethe-Universität, Frankfurt/M. He started his professional path in 1981 as a Trade union secretary of IG Metall. From 1985 till 1989 he acted as Project leader “Organising companies and setting up communication structures” at the Executive Committee of IG Metall. Then he took the post of Regional Secretary of the Regional Council Frankfurt/M. of IG Metall Hesse, Rhineland-Palatinate, Saar- land and Thuringia until 1997 and then became HR manager at the Executive Committee of IG Metall. Currently acting as Department head Organisation and HR at the Executive Committee of IG Metall and as a Project leader “Project 2009 – Change yourself to remain successful”, a project about modernising the work and structures of IG Metall.

TANJA HAAK
Executive Secretary of the Vergote Group
Tanja Haak has studied law at the Rijksuniversiteit of Utrecht, Netherlands and at the College of Europe, Belgium. She joined J.M. Didier & Associates S.A. as a legal advisor in 1990. Between October 2000 and 2005 she was a senior partner at Haak-O’Riordan Consulting, a company she founded. Since 2005, Ms Haak is the Executive Secretary of the Vergote Group, a (benchmarking) forum of senior Human Resources professionals with European responsibilities. She developed a specialisation on European Works Councils (Directive 94/45/EC + 2009/38) and is also involved in regularly responding to queries on the interaction between EU and Member State law, in particular, as regards EU social issues (e.g. Working Time, Health & Safety, etc.).

CORNELIA HULLA
Human Resources Director at GEA Group AG, Co Chair of the European HRD Circle
Cornelia Hulla graduated from Westfälische-Wilhelms University and holds a Masters degree in Industrial Psychology. Until 2011 she was a member of the board of directors at Coca-Cola Erfrischungsgetränke AG since 2006 in Berlin, responsible among others for Human Resources. Prior, she held various executive positions in national as well as international HR Management with Coca-Cola as well as Deutsche Bank. She has a long track record in transformation projects such as Post-Merger-Integration and Business Transformations as well as substantial experience in restructuring and collective bargaining. She was a founding member of the German Federal Association of HR Managers (BPM) and is a member of the supervisory board of the HPV Hamburger Pensionsverwaltung e.G.

**STEVE JEFFERYS**

Steve has been Professor of European Employment Relations and Director of the Working Lives Research Institute at London Metropolitan University for the past ten years


**MARTINE LE BOULAIRE**

Entreprise & Personnel
Head of Business Development at Entreprise&Personnel, Member of the management committee since 2000. She began her career at ENSS (French social security executives school) as responsible for continuous learning department. She then moved to Algoe management (a French consulting group) as head of the HR department. She joined E&P as a senior consultant in 1990.

MARIE-NOËLLE LOPEZ
Managing director of Planet Labor
Lawyer specialised in Labour law during her first years of working life, Marie-Noëlle quitted the Barr (Paris) to join the French Minister of Employment relations for a position of policy officer in charge of European affairs.
She then got to be responsible for the follow-up of the negotiation of EU directives on labour law (European company, information/consultation at national level, discrimination) during the French presidency of the EU in 2000.
After this step, Marie-Noëlle became a journalist, and then deputy editor at Liaisons sociales Europe, a French semi-monthly publication on social policies in the European Union.
She founded in 2006 the news agency Planet Labor, a European and International social monitoring agency.

JEAN-CLAUDE LUCIANI
Safran

MARK MANSELL
Employment Partner, Allen & Overy LLP
Mark Mansell started his career as an employment lawyer working for the CBI, the UK Employer's Association. He joined Allen & Overy in 1987 and became a partner in 1991.
Mark advises on all aspects of contentious and non contentious employment law. He has particular experience in dealing with multi-jurisdictional employment issues, including mergers and acquisitions, outsourcing and collective dismissals. Mark established the employment law practice at Allen & Overy. He recently stood down as the UK Board Member on the European Employment Lawyers Association and he is currently a member of the City of London Law Society Employment Law Sub-Committee. Mark is recognised as a "Star Individual" in the 2011 edition of Chambers UK.

PAUL MAYER
Cluster Leader Human Resources South Europe, Tetra Pak
After graduating from Political Sciences in 1979 and CIFFOP in 1980, Paul Mayer began his career at SNECMA (aeronautics) holding various Human Resources positions in the Paris and Alsace Regions. He joined Steelcase Strafor (Office Furniture) in 1992 as Human Resources Director for France and then as Factory Director for the Wood Division in Chartres. He then joined Tetra Pak (Packaging Industry) in 1998, holding successively positions of Human Resources Director in France and Vice President Human Resources for the Business Unit Aseptic of Tetra Pak in Lund (Sweden). In 2005, he was appointed Executive Vice President Human Resources for the Sidel Group in Paris. He was back to Tetra Pak in 2008, running Human Resources responsibilities for the Supply Chain worldwide, and was appointed Cluster Leader Human Resources South Europe in 2009. Paul Mayer is a tutor of the International Track of CIFFOP since 2007. Born in 1958, he is married and has three children.

SEAN MCILVEEN
Director Global Employee Relations, Rolls Royce
Sean McIlveen joined Ford in 1988 as a Commercial trainee after graduating in Economics from Liverpool University. He held a number
of positions in his 18 years with the Company, covering the UK, Europe, North America and Asia Pacific. He spent over 3 years working in the US, during which he had responsibility for the coordination of HR in Ford Credit’s international operations and the lead functional competence in the Global HR function. On returning to the UK, Sean ran Ford Europe’s Learning organisation, which covered Apprentice Training through to Strategic Leadership Programmes, including Ford’s European Transformation Programme. In December 2002, Sean was appointed to the Board as Executive Director, HR, Ford Britain, responsible for Ford’s UK operations. Sean joined Rolls-Royce in December 2006 as HR Director, Civil Aerospace, based in Derby. Reporting to the President, Civil Aerospace, Sean had responsibility for HR for the large engine commercial, corporate and regional jet market in the UK, Germany, US and the new facility in Singapore.

In June 2011, Sean assumed responsibility for Global Employee Relations in Rolls-Royce. Sean has served on the Employee Policy Committee of the CBI since 2003. He is a School Governor and enjoys walking and gardening.

BERTRAND MOINGEON

HEC - Institute for Europe

Professor of Strategic Management, Bertrand Moingeon is the Deputy Dean of HEC Paris, one of the world’s leading business schools (ranked number 1 in Europe by the Financial Times since 2006 and in the top 3 worldwide for Executive Education since 2010). He is a board member of companies in Europe and in China. A former Visiting Professor at Harvard Business School, author of over sixty articles and chapters principally on the subjects of change management, organizational learning and strategic innovation, he has also published several books, including Organizational Learning and Competitive Advantage (with Amy Edmondson, Professor at
Harvard Business School). He is the co-author with Muhammad Yunus (Founder of the Grameen Bank and winner of the Nobel Peace Prize) and Laurence Lehmann-Ortega of a recent article on the Social Business Model, bridging strategic innovation and corporate social responsibility.

In synergy with his research activities, he has taught in numerous Executive Education programs and supported a large variety of corporations on these themes in various countries.

CHRISTIAN MONJOU
Guest Speaker - Art Specialist
Agrégé de l'Université, DEA, a former Besse Scholar of Worcester Coll. and an M. Phil (Oxford), Christian Monjou is a specialist of British and American civilizations.

He lectures in the Khâgne B/K of the Lycée Henri IV in Paris and at the Ecole Normale Supérieure of the rue d’Ulm.

He is also regularly invited by various research teams, managerial clubs and executive committees to discuss subjects such as: power, authority and legitimacy; innovation; the relationship to the other; decision-making processes in periods of crises etc... He always uses art, history, theatre or opera as indirect and alternative methods of approach to those problems.

Christian Monjou is an "expert référencé" by the APM

GIAN PAOLO NAEF
Heads HR for South Europe, Middle East and Africa in CEVA Logistics.

Gian Paolo, graduated in Genoa with a degree in Political Sciences and a Specialization in HR and Organization at SDA Bocconi, Milan.

Gian Paolo started his career as HR assistant in SOIMI (construction company for industrial plants in Oil and Gas) from 1990 to 1992. From 1993 to 2000 with ABB (Asea Brown Boveri) Group, he held various roles in HR ABB SAE Sadelmi (General Contractor for EPC
projects in Power Generation and T&D), first as Specialist in Organization, Recruitment and Training then managing HR overseas and finally as Development Manager and Deputy HR. Gian Paolo has spent 8 years with Alstom Group, from 2000 to 2003 as unit HRD for Power Division then Country HR Director (Italy) and lastly in France as VP HR Europe Regions for Alstom Transport, leading company in railway and infrastructures. Since September 2008 heads HR for South Europe, Middle East and Africa in CEVA Logistics.

Good to know: born in Liguria, Italy, he likes tennis and skiing but recently is devoted to long distance running that he practices with limited success but a lot of passion.

JÉRÔME NANTY

HR Director at Groupe Caisse des dépôts,

Jérôme graduated from Institut des Etudes Politiques (Paris, France), and holds a master degree in French Law. Jérôme started at Société Générale before joining, in 1989 Crédit Lyonnais’ Financial Markets department. In 1998, he joined the Human Resources department and was responsible for employment policies (1998-1999), and became responsible for labour relations (2000-2001). From 2001 to 2002, Jérôme was director of social relations and management at Crédit Lyonnais. At Crédit Agricole Group Jérôme held the same responsibilities from 2003 to 2005, where he takes the lead on social matters brought by the merger of Crédit Lyonnais and Crédit Agricole. In 2005 Jérôme became Human Resources Director of LCL. In July 2007 he joined Caisse des Dépôts. He is a member of the Executive Committee.

REINHARD NAUMANN
Member of the research centre DINAMIA-CET at the Lisbon University Institute (ISCTE-IUL)

Reinhard Naumann is also deputy-director of the European Industrial Relations Observatory’s National Centre in Portugal (EIRO), head of the Portuguese representation of the Friedrich Ebert Foundation and Portuguese correspondent at the European Employment Observatory (EEO). Before beginning his research activities in Portugal he served as a full-time official at the headquarters of the German Anti-Apartheid Movement (1989-1991). He holds a Diploma in Political Science from the Philipps University, Marburg. His research interests include structures and strategies of organized interests in labour relations and relations between social movements and political processes. His work at the Friedrich Ebert Foundation involves the organization of interdisciplinary debates between representatives of academia, politics and social movements.

JÓZEF NIEMIEC

ETUC

Elected Deputy General Secretary of the European Trade Union Confederation at the Athens Congress. Re-elected in 2007 in Seville. Responsible for: social protection, disabled people, regional policy and economic and social cohesion, internal market, services of general interest. Elected Confederal Secretary of the European Trade Union Confederation at the Prague Congress in May 2003. Vice-President of the National Commission. Secretary of the National Commission of NSZZ “Solidarność”, Gdansk. Coordinator of the European Integration Commission, Gdansk. Member of the National Commission of NSZZ “Solidarność”, Gdansk. Secretary of the Regional Council of NSZZ “Solidarność”, Rzeszów. Civil servant with the National Education Ministry (dormitory supervisor and language teacher) in different schools (technical secondary school, arts secondary school, primary school), Rzeszów.

Other professional activities
Member of the Consultative Committee reporting to the Minister Plenipotentiary in charge of integration into the European Union Member of the Policy Programming Council for CONSENSUS (PHARE programme on social protection).

**ALAIN OUMEDDOUR**

**Director at Thales University**

Alain graduated from the business school HEC. Alain has an extended experience in training and education. He was a consultant at Cap Gemini in leadership and change management.

He joined Thales in 2007 as Director of Thales University.

Based in Jouy-en-Josas (Paris) he has worldwide responsibilities overseeing 8 branches (Crawley, Stuttgart, Roma, Hengelo, Washington DC, Abu Dhabi, Sydney, Jouy-en-Josas)

**Good to know:** *Very creative, Alain is able to anticipate the unexpected*

**UDO REHFELDT**

**Researcher at Institut de recherches économiques et sociales (IRES)**

Udo Rehfeldt has studied political science, history, law and sociology and is a graduate of Institut d’études politiques de Paris and Freie Universität Berlin. He has worked as a researcher at the latter institution, as well as at Universität Konstanz in Germany, Centre de Recherche sur les Mutations des Sociétés Industrielles (CRMSI) and GIP Mutations Industrielles in Paris, and has taught at Université de Grenoble, Université de Toulouse and Université de Paris X-Nanterre.

He is a member of the industrial-relations group at IRES, and heads
the international seminar on trade unionism and industrial relations (Séminaire international sur le syndicalisme et les relations professionnelles), which is responsible for maintaining a watch on scientific work in the area of industrial relations, and notably in respect of international debate. His research focuses on comparative industrial relations (France, Germany, Italy, the United Kingdom and Spain); on industrial relations and regional integration (EU and ALENA); on European works councils; and on public services. He has also participated in research projects for the European Commission and for the European Foundation in Dublin.

JOSÉ ANTONIO RODRIGUEZ PÉREZ
Vice President Human Resources at Alstom Spain
José Antonio has a 15 years experience in the international Human Resources function with global leading companies. From 1997 to 2006 he has held different managerial positions in DuPont de Nemours including Industrial Relations Manager in DuPont Iberica, S.A. In July 2001 he was appointed European HR Service Centre Manager at DuPont de Nemours. In January 2003, he was in charge of Six Sigma Black Belt for the HR at DuPont de Nemours. In January 2005 he was appointed HR and Site Director at DuPont Performance Coatings France. From October 2006 he held the position of HR Director at SOLAE EUROPA. He joined Alstom as Country Human Resources Director for Spain in 2009.

GONZALO ROMEU
HR Director of Thales Spain
Gonzalo Romeu is a HR generalist executive with 16 years of HR progressive and combined experience and expertise in HR consultancy, leading and managing the HR function as HR Director in an IT International Company and global professional services firm. He first worked as an HR Consultant and subsequently took the position
of HR Director of Randstad. In 2001 he became HR Director of Deloitte in Spain. He is since 2006 the HR Director of Thales Spain.

bio à changer

VÉRONIQUE ROUZAUD
Chief Human Resources Officer - Veolia Environnement
Véronique was born in Markala, Mali. With a Masters Degree in Law - Université Paris II (Assas) and specialized in human resources - IAE Paris, she has spent her professional career in human resources, mainly dedicated to developing employment.
Commencing with BSN/Danone where she occupied key positions in sales and human resources for 11 years. In 1995 she moved to the Coca-Cola Company then to Coca-Cola Enterprises Europe Group. Based in London she served as European Vice-President of Human Resources. During that period she was also President of the European Works Council for the Europe Group.
Since February 2007, Véronique is Chief Human Resources Officer of Veolia Environnement, and a member of the Executive Committee. Véronique is also a member of the “High Committee for the Assessment of Military Conditions” (Haut Comité d’Evaluation de la Condition Militaire - HCECM)

BART SAMYN
Deputy General Secretary of the European Metalworkers’ Federation (EMF) in Brussels
Bart Samyn is a Deputy General Secretary of the European Metalworkers’ Federation (EMF) in Brussels since June 1999. Before this he held various positions among which First C.M.B. negotiator for the metal industry and responsible for international relations concerning collective bargaining, Member of the EMF Collective Bargaining Committee, President of the Select Working Party of the
EMF Collective Bargaining Committee and spokesperson for the EMF Collective Bargaining Committee.

JOACHIM SAUER
CEO of BPM

CEO of BPM, Germany's main Human Resources organisation, Joachim Sauer has been since 2008 Vice-President of Human Resources for Airbus Germany.
From 2002 to 2008 he was Director General of Northern Europe for Faurecia.
Previously he occupied managerial posts in several companies such as Deutsche Bahn AG and in the real estate and telecommunications sectors.
With Yves Barou he chaired the European Human Resource Directors' Circle in 2010 and 2011.

DIRK SCHNEEMANN
HR Senior Consultant and Cooperation-Partner at Kienbaum Management GmbH

Dirk started his career as a sales representative for the GDR in Paris, France. Between 1990 and 1995 he worked for Bull both in France in Germany. In October 1995 he joined Elf Oil Deutschland GmbH and from there moved to Total Deutschland GmbH in January 2000 holding various executive positions within the HR department and as member of the executive board. Since April 2012 he is an HR Senior Consultant and Cooperation-Partner at Kienbaum Management GmbH) with a focus on the oil and gas industry as well as French companies in Germany.

FERNANDO VASQUEZ
Deputy head of unit, EMPL/C/2 - New Skills for New Jobs, Adaptation to Change, CSR and EGF, European Commission

PHILIPPE VIVIEN
Senior Executive Vice President, Human Resources at AREVA
Philippe Vivien has a degree in economics and management and has a post-graduate diploma in Human Resources Management. In 1985, he began his career as assistant for labour issues at FRAMATOME's Chalon Saint Marcel plant. In 1992, he was appointed Human Resources Manager for the industrial equipment department. In 1996, he became head of FRAMATOME's Human Resources Department, before becoming Vice President, Human Resources at FCI and a member of the Executive Committee in 1999. In 2002, he was appointed Vice President for Human Resources and Communication at FCI. As of January 2004, Philippe Vivien is Senior Executive Vice President, Human Resources for the group. In October 2005, he is appointed member of the group's Executive Committee.

CAROLINE YOUNG
Exper'connect
40 years old, has a diploma in political economy from the University of Lausanne, a master in Economic demography from the Institute of Political Studies of Paris and an MBA from IESE Business School in Barcelona. She began her career as an analyst in M&A at Schroders,
then as manager in M&A at Crédit Agricole Indosuez. In 2002, she joined IP France, sales house of RTL Group, as General Secretary, where she was in charge of strategy and development. She founded Exper’connect in 2005 and is now president of the company.

ROBERT T. ZELEWSKI
Managing Director HR at Animex, Chairman of Advisory Board to Polish HR Management Association
Robert is a graduate of University of Lodz with masters in psychology, completed postgraduate studies in HR Management at Warsaw School of Economics, he has also completed several management courses at INSEAD, France; MCE Brussels and others. His current company Animex (part of Smithfieldfoods) is the biggest food company (meat producer) in Poland, prior to his current role Robert has worked 10 years for Starwood hotels as Area HR Director for Eastern Europe and for 5 years was President of Polish HR Management Association with 2000 members. Robert has started his career as psychologist then moved to HR management and have worked in this field for 16 years being responsible for HR operation in 6 countries.