

## **Towards a European Pillar of Social Rights**

### **Hearing 1: The Future of Work (Brussels 30/5/2016)**

#### **Input by:**

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1. Digitalisation is certainly the trend most research and discussion on the future of work currently focuses on, also discussed under the heading of “industry 4.0”. There still is considerable variation in the level of digitalisation, with further advancements in telecommunications and publishing/media and IT, financial and insurance service-providers, as well as manufacturing of computer, electronic and optical goods and vehicles. However, digitalisation is expected to increasingly touch upon other sectors such as the job-rich service sector (BMW 2014)<sup>1</sup>. Estimations about the effects of the “digital revolution” on labour markets and in particular labour demand (or the loss of jobs) vary. Studies like Frey/Osborne (2013)<sup>2</sup>, for Europe Bowles (2014)<sup>3</sup>, estimating that more than half of the jobs in Europe are endangered due to computerisation, are broadly quoted but have also been criticized for not adequately taking into account new job chances arising from digitalisation.
2. It is clear, however, that digitalisation is not just about the number of jobs, but also about the kind and quality of jobs, and about changing needs for social protection. Many new jobs like clickworking, crowdworking and platform-work are realised as self-employment. Outsourcing and subcontracting have become widespread. Often these new jobs generate

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<sup>1</sup> Federal Ministry for Economic Affairs and Energy (BMW) (2014): Monitoring Report Digital Economy 2014, Berlin.

<sup>2</sup> Frey, Carl Benedikt/Osborne, Michael A. (2013): The future of employment: How susceptible are jobs to computerisation? Working Paper, Oxford Martin Programme on Technology and Employment.

<sup>3</sup> Bowles, Jeremy (2014): The computerisation of European jobs - who will win and who will lose from the impact of new technology onto old areas of employment?

<http://www.bruegel.org/nc/blog/detail/article/1394-the-computerisation-of-european-jobs/>

only low income. Existing working time regulations, regulations concerning safety and health at the workplace etc. often do not cover these jobs anymore, or at least it can hardly be controlled. Coverage by trade unions and collective agreements are low(er) in these jobs than in standard jobs in the “old” economy. Old age security can be a severe problem, in particular in countries where self-employed people (or similar jobs) are not covered by public pension systems. Work-life-balance might be eased at first sight, but low wages and “self-exploitation”, as well as insecurity about future job chances, can lead to stress and additional burdens for workers.

3. The hype about digitalisation and possible job losses following the digital revolution hides the fact that at the same time there is a shortage of qualified workforce due to new demands, but also due to demographic change, at least in some countries like Germany. This shortage is twofold: it hits the so-called “STEM”-branches, where experts in engineering and natural sciences are needed and cannot easily be replaced. But at the same time – and this is often overseen - there is an increasing need for workers in the social services, in particular in the fields of eldercare and childcare, recently also in social services dealing with refugees etc. Needs have increased and will increase further due to the aging of the population throughout Europe. They have also increased due to new gender roles, not least the “adult worker model” that has been pushed by the European Union’s labour market policy, focusing on labour-market integration of all able-bodied adults, at the same time setting targets for public childcare (Barcelona targets). Part of the need in the care sector is organized by – legally or illegally – attracting workers from lesser developed (Eastern) countries through the “global care chain”. This has led to black and grey labour markets which are not yet adequately addressed and regulated in many EU-member states. A European Pillar of Social Rights should therefore also address these issues. In addition we need a societal re-evaluation of low-paid jobs in the service sector, in particular in social care. These jobs and tasks are crucial for (European) societies and the aim should be to upgrade wages and status in this field.
4. There is a broad consensus that the future world of work requires an investment in education and skills because the share of qualified jobs is expected to rise and the share of jobs for people with low qualifications will decrease (even more). When conceptualising such a “social investment strategy” within a European Pillar of Social Rights - in line with the “Social Investment Package for Growth and Social Cohesion” launched by the European Commission in 2013 -, one should also take into account that already existing skills are often not used. Two examples: 1) highly qualified migrants cannot make use of their qualifications because there is a lack of options (and financial support) to upgrade or adjust their skills in the receiving countries. This does not only severely restrict their labour market options, but also implies a considerable waste of human capital. 2) Many well-educated women still end up in traditional family and gender arrangements, not making (adequate) use of their education and skills. While insufficient availability of care services and high taxes on the second income in the family still act as push and pull factors concerning low labour supply of women, more recent workfare policies contain work obligations for persons in need of social assistance benefits, irrespective of their earlier

status in the workforce. These contradicting signals have been identified as a reason for ongoing gender inequality and a driver of poverty risks over the life-course, in particular for women (see e.g. First German Report on Gender Equality, 2011)<sup>4</sup>. A European pillar of Social rights should address these issues both as part of a skill strategy and as a requirement for gender equality.

5. A European pillar of social rights cannot be restricted to the public social security system but has to address companies as well. When it comes to Work-life-balance (WLB), practices at the company level are crucial. Research has shown that a range of working time options is a necessary, but not a sufficient condition for workers' WLB (Weßler-Poßberg 2013)<sup>5</sup>. Workers do not have identical needs concerning WLB – flexibility and time sovereignty can be important for one person, reliable, stable working times for another person. In addition, younger generations seem to place even greater value on a good balance between paid work and private life. A life-course oriented HRM-strategy can help employees to reconcile work with their private life at different stages of their life and can help companies to prevent fluctuation costs.
6. Changes in the content and the organization of work have also gone along with new forms of management. New technical options within the process of computerisation and digitalisation have led to a culture of “round-the-clock availability” in particular for highly-qualified employees. “Management by objectives” gives employees more freedom to organize their work, but at the same time leads to higher risks of psychical stress and self-exploitation (see e.g. Ahlers 2016)<sup>6</sup>. Sickness due to psychical stress at the workplace has meanwhile by far outnumbered occupational accidents. Boundary management and stress reduction are important challenges to the organization of the future working world and should be picked up as topics within a European Pillar of social rights.
7. As case studies have revealed, however, companies use different strategies vis à vis different sub-groups of their employees (see Klammer 2008, Klammer/Muffels/Wilthagen 2008)<sup>7</sup>. While demographic change and the need to keep well-qualified “key players” in

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<sup>4</sup> Klammer, Ute et al. (2011): Gutachten der Sachverständigenkommission, in: BMFSFJ (Ed.): Neue Wege – Gleiche Chancen. Gleichstellung von Frauen und Männern im Lebensverlauf. Erster Gleichstellungsbericht. BT-Drucksache 17/6240 vom 16.06.2011, Berlin, p. 13 – 247.

<sup>5</sup> Weßler-Poßberg, Dagmar (2013): Betriebliche Angebote zur Vereinbarkeit von Familie und Beruf im Spannungsverhältnis von Geschlecht und Qualifikation. Fallstudien zur Umsetzung, Nutzung und Wirkung der Instrumente betrieblicher Familienpolitik in Organisationen der privaten Wirtschaft und des öffentlichen Sektors, Essen. [https://duepublico.uni-duisburg-essen.de/servlets/.../Dissertation\\_Wessler-Possberg.pdf](https://duepublico.uni-duisburg-essen.de/servlets/.../Dissertation_Wessler-Possberg.pdf).

<sup>6</sup> Ahlers, Elke (2016): Leistung(sdruck), Arbeitssystem und Gesundheit. Eine quantitativ empirische Auswertung der WSI-Betriebsrätebefragungen zu ergebnisorientierten Arbeitssystemen. Berlin.

<sup>7</sup> Klammer, Ute (2008): Business cycle and life cycle – conflicting or complementary? Towards a life course policy integrating different interests and actors, in: Brandl, Sebastian/Hildebrandt, Eckart/Wotschak, Philip (Eds.): Arbeitszeitpolitik im Lebensverlauf, Düsseldorf, p. 43 – 68; Klammer, Ute/Muffels, Ruud/Wilthagen, Ton (2008): Flexibility and security over the life course. Key findings and policy messages, European Foundation for the Improvement of Living and Working Conditions, Dublin.

the company have led to a strengthening of the position of highly qualified employees, including high salaries, tailor-made contracts and long term development programs, workers at the “flexible rim” do not get the same options and companies often do not develop long-term development options for more “replaceable” employees. This reveals that companies’ short term and long term needs and strategies and those of their employees do not necessarily go along. Examples of “good practice” do not always help here – we have to learn from examples of “bad practice” to understand where different logics of the company and the employee might be conflicting. In this case legal regulations have to be discussed. Minimum wages, leave schemes (the right, NOT to work under certain circumstances) or options to adjust one’s working time according to life-course needs, can be important instruments within a “European pillar of social rights”. Last but not least, legal rights can also contribute to a fair competition between companies.

8. The polarisation of jobs and the growing inequality of labour market income is not only a problem for today, but in particular for today’s workers’ later retirement phase. With growing life expectancy, a retirement phase of 20 years or more is rather the rule than the exception today, in particular for women. This means that a much higher part of today’s income – up to 1/3 - should be devoted to (put aside for) old age security. This is challenging for several reasons: people with low income, such as many of the “new” self-employed, neither have the means nor the intention to pay sufficient contributions into an old age protection scheme – in particular if it is not compulsory. This provokes free riding and disguises the fact that many of the new jobs are not socially sustainable, because they shift the financial burden to future generations. Real costs have to be made visible and systems for “income packaging” for low income earners including contributions for the public pension systems by public institutions or third party actors have to be developed.
9. Rising the (legal and in particular the actual) retirement age is the common strategy in many countries. As research shows (e.g. from our institute, IAQ)<sup>8</sup>, working longer is a necessity in order to safeguard the financial sustainability of pension systems and at the same time it enables the knowledge transfer in the company. But it is not an option for everybody, and not under all circumstances. Extending working life requires adaptations on the societal level and on the company level. It requires a new consensus about legitimate reasons (referring to branches, individual working history or health) to leave working life and to retire before reaching the legal retirement age.
10. The crisis has made it obvious that capital funded-systems are not per se better than PAYG-systems. In addition, the so called three-pillar-system has revealed weaknesses where *compulsory* public first pillar schemes have been reduced in order to be substituted by *voluntary* second and third pillar systems (occupational pensions and private savings). The architecture of old age security systems therefore remains an ongoing challenge within a

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<sup>8</sup> See e.g. Brüssig, Martin/Knuth, Matthias/Mümken, Sarah (2016): Von der Frühverrentung bis zur Rente mit 67. Der Wandel des Altersübergangs von 1990 bis 2012. Bielefeld: Transkript. ISBN 978-3-8376-3429-7.

“European pillar of social rights”, in particular with respect to the weaker and more vulnerable parts of the working population.

11. The crisis has also taught us that the social-democratic model of state and associational intervention in markets, as realised in the Nordic countries and some other countries such as Germany, have performed much better than the neo-liberal model. “Nearly all the economies that do feature social-democratic labour policies as well as coordinated collective bargaining and strong trade unions have emerged well from the crisis, maintaining high levels of employment and strong innovations performances” (Crouch 2015, p. 259).<sup>9</sup> Growing recourse to market forms of governance in social and labour market policy is inversely related to the strength and influence of organised labour and to the degree of security provided for workers and their families. Drawing consequences, a European pillar of social rights should underline the importance of strong social partners and support collective bargaining – just opposite to the Troika’s current impact on the situation in Greece, for example (see e.g. Koukiadaki/Kokkinou 2016).<sup>10</sup> Social partners are crucial for the determination of the primary income distribution on the labour market – if this becomes more unequal and poverty grows, social security systems are overburdened with the task to “correct” and buffer this development. But strong social partners are also needed to negotiate on skill development, working time flexibility and many more issues.
12. The “First preliminary outline of a European Pillar of Social Rights” as from 8/3/2016 (Com (2016) 217 final) raises many important issues and describes fields of action that are crucial for European societies and in particular their social protection systems. However, its legal nature remains quite vague. Since the pillar 1) touches upon many areas where the EU has no legislative competence and 2) “does not re-state or modify existing rights, which remain valid”, it remains unclear how this instrument will be able to influence the strategies and behaviour of member states and other actors addressed, like companies. One of the challenges will therefore be to clarify the transmission principles of this “soft” instrument – how can it become effective?

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<sup>9</sup> Crouch, Colin (2015): *Governing Social Risks in Post-Crisis Europe*, Edward Elgar: Cheltenham/Northampton. The only exception to the findings quoted is Belgium.

<sup>10</sup> Koukiadaki, Aristeia/ Kokkinou, Chara (2016): *Deconstructing the Greek system of industrial relations*, in: *European Journal of Industrial Relations*, May 2016 (forthcoming).