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Bernard Gazier, Günther Schmid

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## Social Democracy in Europe 4.0

Bernard Gazier\* & Günther Schmid\*\*

In 1983, after a coalition of centre-rights (Kohl) and liberals (Genscher) pushed the social democrats (Brandt, Schmidt) out of government, German-British sociologist Lord Ralf Dahrendorf concluded: “We are witnessing the end of the social-democratic century in the OECD world.”<sup>1</sup> He argued – as many others believed at that time – that the social democratic project had solved with bravery the great “social question” of reducing the poverty and social inequality imposed by the industrial area. “In a way,” he even announced, “we (almost) all became Social Democrats” by taking for granted its basic institutions, such as the rule of law and (more or less) universal social security against the risk of health, old age and unemployment. Yet, he maintained, all the underlying assumptions or promises of social democracy – growth, labour, equality, rationality, state, and internationalism – no longer hold. Social democracy had no answers to the questions of the 21st century: growth and work had come to an end, more equality was not financeable, religious and other a-rational beliefs had risen up again, the state systematically failed, and nationalism was rising up again. Liberalism would be the proper response, i.e. the promise of self-determination, individual responsibility, freedom of movement, and so on. In hindsight, we know that neoliberal pundits, particularly mainstream economists, transformed these vague assumptions and visions into the hard-core ideology of unfettered markets, in particular deregulated labour and capital markets.

These days, we are witnessing renewed hints and proclamations of the end of social democracy. Social democratic parties have suffered in national elections in almost all European member states, especially in Britain, Poland, Spain, Germany and Greece. Centre-left parties are struggling even in Scandinavian countries, and a recent analysis in *The Economist* showed that across Western Europe, support for social democratic parties is at its lowest point in 70 years.<sup>2</sup> Most dramatic is the French case which led American journalist James Angelos to ask in *The New York Times* on 24 January 2017: “Will France sound the death knell for Social Democracy?” His gloomy forecast can only be emphasized: “France is a founding member of the EU and is far more economically and

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\*) Professor Émérite (sciences économiques) at University 1, Paris-Sorbonne.

\*\*) Emeritus Director at WZB Berlin Social Science Centre; Professor of Political Economy at Free University of Berlin (1990–2007).

<sup>1</sup> R. Dahrendorf (1983), *Die Chancen der Krise : Über die Zukunft des Liberalismus*, DVA: p. 17.

<sup>2</sup> *The Economist*: European Social Democracy: Rose Thou Art Sick, 2 April 2016.

politically entwined with the bloc than Britain, which was never a fully committed member. While Brexit was a blow to the EU, France's departure could signify its end."

We believe that Lord Dahrendorf was fundamentally right and yet at the same time wrong: He was right in his vision of putting greater emphasis on individual, local and regional self-determination in the next century<sup>3</sup> but wrong in his assumption that the "social question" had already reached a final solution. On the contrary, the misery of the old social democratic project is not yet having found the proper answer to the "new social question" imposed by the new machine age labelled "industry 4.0". As in the 'old' social democratic project, the answer has to stand on its own two feet: on solid democratic institutions and on reliable social justice. It is democratic institutions that have to be further developed, particularly on the level of the EU, and it is fair risk-sharing and reliable social security that create the basis of (inter-) national cooperation in the globalised and increasingly interdependent knowledge and service economy of the new century.

Let us start with the institutional problem. The EU is suffering from a triple deficit in democracy.

- First, the EU has been mainly built on the rules of markets and open competition, reflected in the four freedoms: free movement of goods, workers, services, and capital. The dominant form of control is not a political one but a legal one, mainly ensured by the European Court of Justice (ECJ). The ECJ, which in a kind of coup d'état in the 1960s postulated the supremacy of European law, fostered the neoliberal agenda of doing away with any market barriers, including national collective agreements ('negative integration'). With a few exceptions, especially related to gender equality, the Court and the European Commission paid little attention to the social consequences of these freedoms in the form of inequalities in wages, income, and – in particular – in capital assets. 'Positive integration', i.e. the development of common social standards, minimum social security and fair income or asset distribution was largely neglected, basically due to the European Parliament's lack of legislative capacities.<sup>4</sup>
- Second, the EU does not possess a true budget, neither in size (1 percent of EU GDP) nor in policy direction. Member states contribute proportionally and the EU spends mainly by subsidising agriculture (37 percent of the 2017 budget) and by trying to mitigate regional imbalances (cohesion) or stimulate 'smart' and 'inclusive' growth. The liberalisation of capital flows and financial markets, however, substantially increased the

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<sup>3</sup> He even took over the classic social democratic ideal of reducing further working time in favour of individual time sovereignty (ibidem: 98/9).

<sup>4</sup> F. W. Scharpf (2015), After the Crash: A Perspective on Multilevel European Democracy, in: European Law Journal 21 (3), 384-405.

mobility of capital, leading to regulatory arbitrage (exploiting tax and regulatory differences) and thereby to fiscal competition between the EU member states. This process induced a race to the bottom and austerity programmes instead of accumulating redistributive capacities for public infrastructure, social investments and decent minimum income guarantees.

- Third, the Euro as a common currency lacks the attributes of sovereignty which would enable it to foster a common economic and social space. Despite the efforts of the ECB (with dubious democratic legitimacy and having no mandate regarding unemployment), the Euro has led to diverging trajectories between member states (the South compared to the North) instead of economic convergence. Whereas, for instance, the German real GDP per head increased by 13.3 percent from 2005 to 2014, it dropped by 18.6 percent in Greece. Furthermore, the lack of political control (especially of the banking sector) fostered rent-seeking investments (e.g. in housing and equity bubbles) instead of collectively chosen priorities of EU-wide real investments. Even the most recent silver line on the horizon – a 1.6 percent growth in the Eurozone in 2016 (stronger than in the US) – cannot cover up these cleavages.

The “social Europe” remained weak and optional, leaving each EU member state free to develop its own system, albeit under the steady threat of downward instead of upward social competition. Despite the promise of social convergence, the stylised gloomy facts are:

- First, economic growth – meagre as it was, anyhow – did not translate into a booming job dynamics. Europe is still far away from its own benchmark of 75 percent employment rate set for 2020: From 2005 to 2015, the EU28 employment rate only increased from 67.9 percent to 70.1 percent; in Greece it even declined from 64.4 percent to 54.9 percent. Moreover, this gap also has an unfortunate gender bias: Women remain underrepresented in the labour market as a whole, with an employment rate of 75.9 percent for men compared to 64.3 percent for women. Furthermore, many of the new jobs belong to the category of ‘non-standard’ employment (temporary or part-time jobs, own account work) with little or no social protection or social security perspectives and a stark overrepresentation of women.<sup>5</sup>
- Second, for a while, in some EU member states youth unemployment rates surmounted the incredible level of 50 percent and are still at over 40 percent in Greece, Italy and

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<sup>5</sup> See, for instance, G. Schmid (2016), Flexible and Secure Labour Market Transitions: Towards Institutional Capacity Building in the Digital Economy, Bonn 2016, IZA Policy Paper No. 116, <http://ftp.iza.org/pp116.pdf>

Spain. Even the so-called NEET rates (youth neither in employment nor in education) rocketed, for instance, in Greece to almost 25 percent.

- Third, the rate of people at risk of poverty and social exclusion, after reaching a height of 24.7 percent in 2012, still stands at the level of 2010 (23.7 percent) in 2015. In other words, almost a quarter of people live in a household with a disposable income below 60 percent of the median, or in a household that is materially deprived or with low work intensity. The promise of the EU2020 strategy to reduce poverty in the EU by at least 20 million people (20 percent of about 100 million at risk of poverty or exclusion) has so far been counteracted by the sad fact that this number intermediately increased by about 5 million. Also, income distribution worsened: Whereas in 2005 the upper 20 percent (quintile) of people in the EU28 had a five times higher income than the lower quintile, the relationship increased slightly to 5.2. A special flavour to this measure of social justice provides the fact that this increase of inequalities was particularly pronounced in the richer member states, especially in Germany. Overall – and this might also be seen as a silver lining on the European horizon – inequality between the EU member states tend to decline whereas, so far, inequalities within most of the member states increased.

In this bleak context, does Social Democracy (SD) still stand a chance? We believe it does and, what is more, it is our obligation to withstand Cassandra calls in general (as mentioned at the beginning) and unite against the rising populist and nationalist movements in particular. The ideals of SD have always been to stand up to social exclusion by fighting for citizens' participation, by establishing reliable institutions of fair risk-sharing and solidarity towards the disadvantaged, and by taking over an active stance before globalisation with an emphasis on international cooperation instead of protectionist nationalism. We will and should not give up the project of a European Social Model.

We thereby have also to emphasize that these SD ideals may take different forms of political representation. They can be represented in a political party tradition (e.g. the SPD in Germany), in a socio-political regime (e.g. the Nordic countries), or in a wider philosophy of social justice (e.g. by John Rawls or Amartya Sen). Recalling this tradition, we suggest that SD should put further emphasis on a generalised conception of democracy, extending it beyond citizens and voters to workers, firms and municipalities. The social dialogue should play a central role in the domains of work, pay and social protection through four main channels: information on working conditions and career prospects; negotiation at all levels in the domains of wages, working hours and working conditions; decentral management of social protection institutions especially related to the inclusion of disadvantaged groups; and, last but not least, co-determination within (especially big) enterprises, enabling workers' representatives to control key decisions of the owners, if appropriate even in the form of co-ownership.

As already indicated, new challenges stem in particular from new forms of work, the erosion of traditional types of workers (blue collar in big factories), the rising importance of new types of workers (mainly in services, many of them precarious), and also from new demands: quality of life, gender equality, environmental concerns, protected mobility, fight against discrimination, free choice of careers and family arrangements. Related to this new world of work, traditional social democracy needs a modernisation push, even with regard to the many innovative but still incoherent or too timid initiatives that have been taken up or tried in EU member states in order to give individuals more power regarding their work and career, e.g. personal training accounts, social drawing rights, integration devices for people with disabilities, or employers' pools.

Furthermore, we are at the eve of a new industrial revolution, often termed as 'industry 4.0'.<sup>6</sup> After steam and electricity, the automation revolution has been prominent since the 1980s and we are now observing a disruptive evolution towards connected intelligent machines. Beyond the simple existence of robots, the computerisation of factories happens through networks controlling physical objects, installing a continuous communication between the different tools and integrating work in a new manner. Remote control goes hand in hand with a dialogue between consumers and producers, between logistic and productive settings.

While the consequences of these transformations remain hotly debated, there is no doubt that they represent both a major challenge and a major opportunity for SD in the EU. It is a challenge because this evolution further threatens EU cohesion, with some countries lagging behind while others are eager and able to adapt to the new perspectives; it is an opportunity because there is ample room for initiatives beyond the national member states in favour of social and political innovation and new productive developments.

We are convinced that SD can only survive as a European SD by taking up the following strategies: (1) First, by supporting plans or proposals to establish genuine European fiscal capacities for innovation, fair redistribution and a new environment-friendly production regime; (2) second, by assisting with the plans of the EU Commission and EU Parliament to enshrine a solid European Pillar of Social Rights into the EU Treaties with an emphasis on minimum income and skill guarantees; (3) third, by promoting a stronger democracy inside firms, and at local and regional levels; and (4) fourth, by enhancing the cosmopolitan world view of Europe as an actor of global social policy.

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<sup>6</sup> The term originated in 2011 in the German context but migrated elsewhere e.g. France and the USA. According to the EU Commission (Employment and Social Development Report 2016, p. 148), "ICT development and digitalisation may be generating an economic transformation that will affect all industries on a scale comparable to the impact of the steam engine during the first industrial revolution. For this reason, it has been called the Fourth Industrial Revolution."

(1) Related to establishing *genuine EU fiscal capacities*, one of the most promising proposals has been developed by Michel Aglietta and Nicolas Leron.<sup>7</sup> At the centre of their proposal is the idea to delegate national competencies regarding energy and environment policies to the EU and to transform the disparate “Juncker plan” into a consistent long-term investment programme aimed at reaching the fiscal capacity of up to 3.5 percent of EU-GDP, whose size and direction would underlie the approval of the European Parliament.

The key argument they develop starts from a pragmatic appraisal of the present situation of the EU. Unsatisfactory and blocked, the EU functioning of today cannot stay as it is. The integration through the unified market and the competition rules proved to exacerbate the inequalities between and within member states in a context of slow growth, strong influence of transnational finance, and budget austerity. But the two most often discussed radical “solutions” are either unrealistic or destructive. On one hand, the big leap forward: a federal Union with a full-fledged European state. Such an outcome, while probably desirable and logical, is unfeasible given the current objectives of most of the member states and the power balance among the political forces governing the EU. On the other hand, the big leap backward: after “Brexit”, other departures and the disintegration of the Union. This would be a complete failure in a world where only major players may have an influence over their own affairs.

But inaction cannot be an option. Preserving and developing the European social and economic model should remain the aim, by implementing a “double democracy”. The first democracy would be the practice of revitalised nation state, benefitting again from real fiscal and budgetary rooms for manoeuvre if the constraints stemming from EU austerity are lessened. The second would be the genuine European one, through an enlarged European budget controlled by the European Parliament whose members are directly elected by the citizens of EU member states. This intermediate way between the big forward leap and the big backward leap would indeed be a political leap, but a pragmatic one.

It may prove to be feasible because it would stem from the existing European competencies and implement them on a larger and more systematic scale. The exclusive competencies of the EU would remain a limited – yet revitalised – core.<sup>8</sup> The shared

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<sup>7</sup> M. Aglietta and N. Leron (2017), *La double démocratie – Une Europe politique pour la croissance*, Editions du Seuil.

<sup>8</sup> Customs union, competition rules for the internal market, conservation of biological resources in the seas, common international trade policy.

competencies are much more extended<sup>9</sup> and include clearly identified and strategic European public goods. Among them, one may select environment, energy, trans-European networks, research & technology, and regional cohesion.

In each of these domains, separate and weakly coordinated, sometimes incompatible national policies have proven to be inadequate and even perverse in the long term, as can be seen in the energy choices of Germany and France. The main characteristic of public goods is to produce positive externalities through interdependencies which do not appear nor transit by the prices and the market mechanisms. For example, a coherent energy policy may ensure a secure and affordable supply of electricity and a progressive transition towards a carbon-free society. This process may foster a long-term investment process, connected with other green priorities and, through collective infrastructure, with policies of innovation.

Recalling the three main classical functions of the national state budget (Musgrave), this proposal would be restricted to developing the allocation function and leaving untouched the transfer and stabilisation functions. However, beyond the direct positive outcomes, some indirect transfer and stabilisation effects may be expected. And because these new EU investment expenditures would stem from additional fiscal resources, the (national) EU member states may recover more freedom in their fiscal choices.

Concretely, Aglietta and Leron have proposed two new European taxes: a 0.05 percent tax on financial transactions, which may yield 150–200 billion Euros each year, and is double the size of the European budget, reaching 2 percent of the EU-GDP. EU policymakers have been considering this since 2011, but have to date remained inactive. The second possible tax would be a carbon tax, which seems to be fully justified but has encountered fierce resistance from some EU member states and remains blocked. With both taxes, the EU budget may reach 500 billion Euros, i.e. 3.5 percent of the EU-GDP.

This process would reinstall the EU as a last resort investor, lessening the influence of international financial markets and, through public investment banks, preserving a long-term policy aiming at fostering a sustainable growth. Because the collective decisions would be controlled by the EU parliament, this process would achieve an enlarged conception of democracy. While it is indispensable for the simple survival of the Union, it converges with the traditional priorities of SD, and renews them.

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<sup>9</sup> Internal market, social policy, regional policy, agriculture and fishery, environment, consumer protection, transport and trans-European networks, energy, a common space of freedom, security and justice, public health (partly), research and technological development, space, development of international cooperation and humanitarian aid.



Another key element of this newly created fiscal capacity would be to support the institutionalising elements of a European System of Employment Insurance. The basic idea behind this proposal is that many of the new labour market risks related to the digital revolution go beyond the unemployment for which unemployment insurance (UI) was once established.<sup>10</sup> These new risks stem from increasing uncertainties both on the production side and on the supply side. The old social democratic century was characterised by mass production on the one hand and by the paternalistic one-earner family on the other. The peculiarity of the new social democratic century is individualised quality production or service delivery on the one hand, and the dual-earner family based on partnership between men and women. Extended unemployment insurance should therefore also cover risks related to critical transitions over the life course: transitions between full-time and part-time work, transitions between one occupation and another, transitions between care work and gainful employment, transitions between full work-capacities and partial work-capacities. Many of these transitions can or could be organised within stable employment relationships thereby avoiding the exclusionary tendencies of non-standard employment. However, if it comes to break-downs of this relationship either through external shocks, mismanagement or simply through individual misfortune or changing preferences, a set of income security that is broader than full-time unemployment benefits has to be provided.

This paradigmatic shift requires, first of all, a shift from stocks to flows. In other words, what is needed is a *career orientation* in labour market and employment policy which strives for *making the most critical transitions pay* during the life course through securing the related income risks. One promising example is the public support of lifelong learning, especially (but not exclusively) for the low-skilled. The benefit to society would be enhanced mobility, especially in the form of mobility chains that open up new ports of entry for outsiders. Other examples are related to so-called flexible jobs like part-time, own-account work and temporary jobs. Modern insurance theory not only hints at the possible distorting effects of insurance through '*moral hazard*' but also at risk-taking promoting effects through '*innovative hazard*' that can be a wellspring of economic dynamic and prosperity.

A further reason for the required paradigmatic shift from unemployment to a system of employment insurance is to overcome inequalities and risk aversion through *capacity building*, for instance, through institutionalised stepping stones (e.g. subsidised employment targeted to individual productivity gaps, or transferable unemployment benefit entitlements over time in case of taking up a more risky self-employment); through

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<sup>10</sup> For the development of this argument see G. Schmid (2015), Sharing Risks of Labour Market Transitions: Towards a System of Employment Insurance, in: British Journal of Industrial Relations, 53 (1), 2015, 70–93, [http://www.guentherschmid.eu/pdf/Sharing\\_Risks\\_BJIR-2015.pdf](http://www.guentherschmid.eu/pdf/Sharing_Risks_BJIR-2015.pdf)

enhancing general knowledge, competences and skills over the life course; or through reasonable adjustment of workplaces, in other words: *through making the market fit for workers*. From this perspective, not only any benefits maintaining or enhancing employability, but also generous unemployment benefits have to be considered as ‘active’ and not as ‘passive’ security. In other words, as an *investment* into the job search capacity of individuals; into the matching capacity of the labour market; into the employability of the ‘labour force’; into the quality and productivity of work; and lastly, as an investment into the sovereignty of individuals over their life course.

Following these principles would also imply abandoning the idea of centralised European unemployment insurance, which – anyhow – by its current proponent is basically considered as a mechanism of macroeconomic stabilisation instead of a solid institution of social investment and solidarity. A genuine European fiscal capacity, as mentioned above, could be used to support member states in establishing national employment insurances according to commonly agreed minimum standards and social rights (see next paragraph) but leaving the determination of the specifics (e.g. levels of generosity and ways of effective implementation) to national discretion. This fiscal capacity could also be used, in analogy to the current US unemployment system, to help member states with credits targeted to extended benefits in recessions or large-scale restructuring periods due to globalisation.<sup>11</sup>

(2) In March 2016, the European Commission induced a European-wide social dialogue regarding the European Pillar of Social Rights (EPSR). In the meantime, this process led to a resolution adopted by the European Parliament (19 January 2017) urging the European Commission to come up in spring 2017 with a proposal “that is not limited to a declaration of principles or good intentions but reinforces social rights through concrete and specific tools.”<sup>12</sup> This document contains already many well-formulated demands or even imperatives for a true social and democratic stance in a digital Europe and emphasizes the need for a paradigmatic shift towards social risk management of life-course transitions: “European welfare states need to be updated and strengthened to support upward transitions into and within the labour market and to maintain economic security throughout people’s lives; whereas, with the labour market becoming more complex, it is natural that the welfare state also needs to adapt its mechanisms and instruments in order to manage correctly the various social risks arising.” Hinting at

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<sup>11</sup> A model for European system of employment insurance has been developed in G. Schmid (2014), *Inclusive Growth: What Future for the European Social Model?*, Bonn 2014, IZA Policy Paper No. 82, <http://ftp.iza.org/pp82.pdf>

<sup>12</sup> European Parliament (2017), *A European Pillar of Social Rights*, Text adopted 19 January 2017 [P8\_TA(2017)0010]; <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2017-0010+0+DOC+XML+V0//EN>; download 03/03/2017.

increasing income uncertainties, the document also underlines the importance of the ILO Recommendation No 202 to provide social protection floors, particularly equal access to a nationally defined set of goods and services, such as health and maternity care, basic income security for children, for persons in active age who are unable to earn sufficient income, and for older persons. Related to the spread of new forms of work and employment, a new definition of the ‘employment relationship’ is needed to clearly define individuals’ or employers’ or even consumers’ responsibilities for taking care of future social security, e.g. the obligation of the self-employed to contribute in one way or another to social insurance funds, or the inclusion of a social contribution in contract working or in the platform economy. Recognising that more and more workers in non-standard forms of employment have difficulties in exercising their rights at work or gaining access to social security benefits and that women and migrants are disproportionately affected by this problem, the EU Parliament also calls on the Commission and member states to organise social security schemes in such a way as to enable all people in all employment forms, employment relationships, and self-employment to accumulate entitlements providing income security in situations such as unemployment, involuntary part-time work, health problems, older age or career breaks for child-raising, other care or training reasons.

Moreover, the European Parliament resolution on the EPSR accentuates the social right to equal opportunities and equal access to the labour market. One element is to make the market fit for the inclusion of persons with disabilities, for instance, through the right to decent and barrier-free work in a fully inclusive, open and accessible work environment; reasonable workplace adjustment; or to make the market fit for parents with various care obligations through accessible care infrastructure, paid care leaves, and variability in daily and weekly working time.

Another element is the increasing importance of ‘industry 4.0’. Point 21 in this document underlines that “low-qualified people not only have diminished employment opportunities, but are also more vulnerable to long-term unemployment and experience greater difficulties in gaining access to services and participating fully in society, a situation which is not only detrimental to the individual but is also highly costly to the economy and society as a whole.” The resolution “supports therefore a Skills Guarantee as a new right for everyone, at every stage of life, to acquire fundamental skills for the 21st century, including literacy, numeracy, digital and media literacy, critical thinking, social skills and relevant skills needed for the green and circular economy [...]” In legal terms, such a guarantee should take the form of an enforceable right to continuous vocational training and education. Evidence, provided for instance by the OECD Survey of Adult Skills, shows that there is a strong correlation of ICT literacy scores with participation rates in

adult learning, suggesting that policies which foster adult learning will also foster the spread of ICT literacy skills.<sup>13</sup>

The document even adopted a central proposal of Transitional Labour Market theory<sup>14</sup> to endow individuals with *personal activity accounts* as an asset to overcome the increasing income and career uncertainties over the life course through individual efforts. “Starting from their first entry into the labour market, all people in all employment forms, employment relationships and self-employment should have a personal activity account, easily accessible through personal contact and electronic means, duly taking into account the needs of persons with disabilities, where they could consult their accumulated social entitlements and other social rights, including to lifelong learning, and where they could learn about their portability across countries if applicable; such personal activity accounts should be made available in a cost-effective way and adequate data protection should be ensured.”

Such personal activity accounts would be a valuable and realistic *alternative to the unconditional basic income* which is currently the last cry of the day, curiously advocated by employers of high-tech industries and modern financial or distributive services in particular. These neoliberal pundits suggest in the name of freedom, liberty and flexibility a form of social security without any institutional complexity. Their hidden agenda in the remaining empty institutional black box, however, is the dream of freedom from any bureaucracy and painstaking negotiations between competing interests or even getting rid of any collective or public responsibility to the new risks related to the digital revolution. We argue here, instead, that not only is their productivity leap promise (or better threat) of industry 4.0 far from empirical evidence, but the proper answer to the new world of work are active securities, fair risk-sharing between employees, employers and the state and ‘negotiated flexicurity’ calling for a higher complexity of institutions corresponding to the increasing variability of employment relationships. The next point makes this need for an extended democracy clearer.

(3) The new SD would exploit the opportunities of deepening democracy at the workplace and close to it. Let us begin with the increasing importance of diverse “territorial social dialogues”: processes as well as institutions.<sup>15</sup> Two main arguments make clear that the

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<sup>13</sup> J. Martin (2017), Policies to Expand Digital Skills for the Machine Age, Bonn, IZA Policy Paper 123.

<sup>14</sup> For an early formulation of TLM theory see G. Schmid and B. Gazier (eds.)(2002), The Dynamics of Full Employment – Social Integration through Transitional Labour Markets, Cheltenham, UK and Northampton, MA, USA, Edward Elgar; for a recent overview G. Schmid (2017), Transitional Labour Markets: Theoretical Foundations and Policy Strategies, in: The New Palgrave Economic Dictionary.

<sup>15</sup> B. Gazier and F. Bruggeman (2016), Tripartisme et dialogue social, Geneva, Report for the ILO [http://www.ilo.org/paris/actualites/entretiens-france-bit/WCMS\\_455714/lang--fr/index.htm](http://www.ilo.org/paris/actualites/entretiens-france-bit/WCMS_455714/lang--fr/index.htm); T. Korver and G. Schmid (2012), Enhancing Transition Capacities and Sustainable Transitions, in: J. de Munck, C. Didry,

“local” dimension of social dialogue, often pushed aside by the traditional conceptions of industrial relations, has proven to be more and more important and even strategic in a 4.0 world. The first is the necessarily transversal character of most public policies. Facing the problem of unemployment, inequality, or urban congestion, needs coordinated interventions in many different fields, such as transport and housing policies, training and re-training, plant location, internet equipment, etc. In most EU countries these policies are typically implemented by specialised agencies or institutions, most often organised in a vertical manner, and each with its own space of action. The 4.0 evolutions make the challenges even more difficult, with precarious jobs, network functioning and strong mobility and flexibility requirements. It is only at the local level that such policies can be coordinated and implemented in a smooth and reactive manner. The second is an increased need for collective bottom-up initiatives. The spatial polarisation of activities and living areas is a highly visible phenomenon everywhere in Europe and also in other parts of the world. This shakes the traditional solidarity and transfers arrangements and disrupts the existing collective bodies. New productive orientations, new solidarities and new ways of living together may only appear in groups and spaces whose members elaborate projects and create their own policies. Such dialogue should be different from the classical bargaining processes for wages and working time, and should mainly complement it by elaborating and implementing local projects.

However, the role and place of the “territorial social dialogue” may vary considerably among and even within countries. It mainly depends on two elements. The first is the way the national industrial relations system in a given country is organised. In some countries, the closest to the traditional SD orientation, the social dialogue is intense, well-structured, and diversified. It starts from frequent meetings between social partners, more or less centralised negotiations for wages, working hours and working conditions, but also includes the participation of social partners in the management of social security institutions and various degrees of workers involvement in the management of big firms (i.e. “co –determination”). In other countries, the closest to a less regulated and highly decentralised tradition, social dialogue is reduced to less frequent information meetings between social partners and negotiations mainly at the firm or even the plant level. Many countries are in an intermediate position and develop more or less several fields of dialogue. Given this strong diversity of institutions and practices, the “territorial social dialogue” may exist in different versions: it may simply be a local application of the national or branch social dialogue, constituting a complement to it; it may simply be

absent, or may sometimes function as a substitute to other missing interactions or even policies.

But a second element is present here: the existence and intensity of different versions of “territorial dialogue”, such as local ties and partnerships between employers’ unions and training institutions, agreements between a municipality and a union or a non-profit association. The “territorial dialogue” is the breeding ground on which more ambitious “territorial social dialogue” initiatives, involving employees and employers’ representatives as well as other local institutions, may develop.

We argue that the new challenges of the Europe 4.0 should foster new answers structuring social partners and actors at a local level. At least five functions may be performed by the “territorial social dialogue”. The first is “organising the un-organised”. This is the case, on the workers’ side, of employees with short-term contracts and temp agency workers, and on the employers’ side, of small firms. Such actors badly need collective agreements and collective arrangement regarding working conditions and training opportunities. A second function is to foster development and redevelopment, through anticipation regarding productive mutations, policies attracting new firms, training and workers’ mobility policies. Third, working times and spatial mobility, especially in cities, need to be organised. Fourth, there needs to be an allocation of some resources, such as in-kind benefits. And the last is an overarching function, ensuring that the local governance is legitimate and well-accepted by the citizens.

Among the most meaningful initiatives, one may find the long-lasting Swedish experiences about negotiated restructuring: processes including workers with short-term contracts, and opening social dialogue to new productive perspectives; the Italian practices of “second level bargaining”, for example in the shoemaking district of Riviera della Brenta, where small firms and unions set agreements on wages, working time and training opportunities; or experiments on securing temp workers in Franche-Comté, creating a longer-term contract which ultimately became the “open-ended temp contract” (“CDI intérimaire”) at the national level. Last, in Germany the 2011 Brandenburg tripartite initiative aiming at discussing wages, working conditions and training opportunities, involving employers who do not implement the branch agreements.

The role of the EU in promoting territorial social dialogue should be recalibrated. First of all it should not be confused with the frequent pressures exerted by the Commission towards decentralising the bargaining system and promoting firm-level bargaining in a deregulating orientation. Numerous experiences with territorial social dialogue show that territorial arrangements should not be equated with uncoordinated and atomistic agreements. Second, the EU has a long tradition of territorial intervention, through

structural funds like the European Regional Development Fund (ERDF) and the European Social Fund (ESF), both strongly focussing on specific territories. Third, the EU promoted “territorial social pacts” during the first decade of this century, aimed at grouping both social and local actors in development projects. What seems to be lacking here is a more pro-active and wider stance. The “structural funds” provide some help for severely depressed areas, which includes basic infrastructures. They should be connected to the investment choices and expenditures previously mentioned in part one, and should provide visible and negotiated help for innovation projects, new skills and new qualifications.

In all the fields where territorial social dialogue is relevant, it should be brought to bear on projects borne by local actors, who should be competent, organised and motivated. A key example here is the implementation of social drawing rights, such as a training personal account which directly depends on the way real opportunities exist or not at a local level. Overall, the priority here again is social and economic integration. Left to themselves, the market interactions, even combined with formal social and economic rights, are likely to produce inequalities and exclusion, and will serve to reinforce the success of already advantaged groups while ignoring or even rejecting the less advantaged ones. It is at the local level that a really integrative policy, based upon projects and initiatives from the local citizens, may be elaborated and implemented. We have already observed that such “territorial social dialogue” may take different forms, involving different actors. But two elements are of central importance and are typical of a renewed democracy: the bottom-up dimension, and the intensive use of the ICT and of decentralised networks.

Let us now consider the democratic challenges and opportunities at the firm or at the plant level. One may first think that the German or Nordic style “codetermination” should be extended. It would indeed be a direct major achievement, but not easy to promote in a context of union erosion and of volatile transnational networking practices by big firms. The recent French attempt (2014) limited itself to the homeopathic introduction of a few union representatives to the management boards of major firms. Abundant empirical evidence, however, shows that a good quality social dialogue inside firms correlates to the good economic performances of these firms, suggesting the key role of the active participation of a motivated, protected and adaptable workforce.<sup>16</sup> While difficult, codetermination will remain the best way forward.

However, democracy at the workplace and around it may be promoted more indirectly, for example, by organising SMEs in local networks which may conclude agreements on

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<sup>16</sup> See, for example, a 2016 report to the EU Parliamentary assembly: Jonasson Ögmundur, “Reinforcing social dialogue as an instrument for stability and decreasing social and economic inequalities” 13.12.2016, Doc 14216.

fringe benefits and additional social protection. Such practices can be a prominent component of an improving job quality process. In this field, the Laeken indicators, set up by the EU in 2000, remain a useful reference point and should be taken seriously.<sup>17</sup> Many empirical works have shown that, according to such indicators, high quality jobs go hand in hand with good economic and social performances. We argue that the new SD should exploit these opportunities, notably with firms that are able and willing to develop a “corporate social responsibility”. Of course, here again some neoliberal actors would prefer to stay inactive or deregulate even more labour markets and labour relations. The outcome may be short-term flexibility, but it would be accompanied by increases in inequality and exclusion and long-term inefficiency. The new SD should promote long-term capacities for adaptation and innovation, and this can only be done by developing a renewed social dialogue, grounded on well-accepted indicators, especially at the territorial and local levels.

4) Extending and deepening democracy is also necessarily related to the problem of refugees and migration to counteract the potential threat of downward social competition. Lack of imagination and visible good practices have so far led to many EU member states even refusing to integrate any refugees under the argument that immigrants, or those seeking asylum, would undermine the social peace in their own country. This is a shame for the SD idea which was once proud of its cosmopolitan attitudes and international solidarity. A revitalisation of this original idea (if not a habitual reflex of social democratic thinking) would have to start on two fronts: the front of social inclusion and that of fighting against the causes of economic migration and political escape.

This is not the place to dig deep into this crucial but complex issue. Here, we only emphasize two points which would be a natural path for social democracy in a Europe 4.0: First, the utilisation of digital technology to develop easily accessible platforms and networks of matching decentral demands for skilled as well as unskilled workers with a foreign or refugee background, possibly in the framework of EURES.<sup>18</sup> European cities and municipalities could thereby play a central role. Cities or municipalities as extended neighbourhoods and guardians of an effective public infrastructure (child care, schools, social assistance, transport systems, etc.) are central for social integration; and most of these local communities also have excellent knowledge of the new potentials for growth

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<sup>17</sup> Let us recall that the Laeken indicators are around 20, and are organised in four groups: the quality of the job itself (earnings and security), the quality of the career (training and promotion opportunities), the quality of the connection with family life (compatibility of times, parental leaves), and the quality of work itself (control over work intensity, individual and collective expression opportunities).

<sup>18</sup> EURES = EURopean Employment Service; the European Job Mobility Portal already exists but needs to improve essentially its individual accessibility; <https://ec.europa.eu/eures/eures-searchengine/page/main#/simpleSearch>.



and job creation. All they need is a European mandate to fulfil this function and the necessary resources for an inclusive policy for refugees. They should have the right to apply for such resources at the European level, provided they regard the respective national regulations. A corresponding proposal has recently been formulated in an initiative by the prominent German and Portuguese social democrats, Gesine Schwan and Maria João Rodrigues. In the same vein “*Solidarity Cities*” have to be mentioned, as an initiative on the management of the refugee crisis launched by the city of Athens under the framework of the EURO CITIES network.<sup>19</sup>

On the front of fighting the causes of economically and politically induced migration, Europe has to drastically reform its official aid policy towards Africa. According to the World Bank, \$835 billion have been spent in official foreign aid in the period of 1960 to 2014, with no, little or even disastrous effects for the development of Africa. It is not enough to call for a ‘Marshall plan’ for Africa, as the German government recently announced. This plan (1948–1952) was only effective because the human (skills), infrastructural (transport) and the institutional capacities (rule of law) for economic development already existed. Many of these requirements are missing or are still underdeveloped in Africa. Moreover, employers who invested under the original Marshall plan, could be sure of fair trade conditions, whereas African employers often have to fight against subsidised foreign products or services, in particular against subsidised European agricultural products. As long as such capacities and fair trade conditions are not guaranteed, the chances of preventing economically-induced migration look bleak. Furthermore, a social and democratic Europe has to come up with a joint migration policy to ensure such conditions and to provide a transparent and regulated way for legitimate migration flows in both directions (return migration).<sup>20</sup>

A final note is necessary regarding the possible realisation of such a scenario for a European SD. We only partially concur with Fritz W. Scharpf whom we previously quoted and who is extremely critical related to the possibility of such reforms without changing beforehand the constitution of the EU. We agree that in the long run such a change is necessary but unlikely and probably needs even more pressure stemming from an even deeper economic or political crisis in Europe.

However, under the current constitutional conditions, we still see room for manoeuvre to get ahead with the reforms mentioned above. Even if it is true that the European social dimension is not yet deeply anchored in the European treaties, it is more existent there

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<sup>19</sup> See <http://solidaritycities.eu/>.

<sup>20</sup> For an extended overview of the current situation and EU’s current role in refugee policy and politics see chapter 3 of the EU Commission report on Employment and Social Development 2016 (pp. 109–147).

than is often maintained. Article 9 of the Treaty on the Functioning of the European (TFEU), in particular, deserves to be mentioned because it contains a ‘horizontal social clause’ imposing the EU to take into account “*requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health*” when defining or implementing its policies. Furthermore, the establishment of a European Pillar of Social Rights, currently foreseen only for the EURO member states, could be based on the possibility of using the enhanced cooperation mechanism under Article 20 of the TEU. Finally, Article 153 (1)(c) in combination with (2)(b) TFEU allows – related to social security and the social protection of workers – for the adoption of directives, in particular related to working conditions. Because, for instance, paid educational leave or personal activity accounts could be considered as a ‘working condition’, it would be possible for developing – for instance – European directives related to the above-mentioned skills guarantee or personal activity accounts.