

NEED OF A NEW SOCIAL AND ECONOMIC PACT – HORIZON EUROPE 2020

Cornelia DUMITRU

Institute of National Economy, Romanian Academy

cornelia.dumitru@gmail.com

Abstract

The current period is characterized by three concurring phenomena and which influence mutually one another: globalization, digitalization and computerization at of all sectors of economic and social life. The balance between economy and society, mediated by institutions and institutional settings needs to be reconfigured based on the new realities. The paradigm change on the labour market is, in fact, one of the expressions of the structural changes of the economy. A new social and economic pact is necessary in view of achieving the employment objectives of the Europe 2020 Agenda.

Keywords: employment, occupations, job polarisation, technological progress, social policy, economic growth

JEL Classification: J24, J64, O15, O35, P46, Z13

1. Introduction

The current period is characterized by three concurring phenomena which mutually influence one another: globalization, digitalization and computerization at global level and on a wide scale of all sectors of economic and social life, as well as by the economic and social change as implicit outcome of the first two phenomena. On this background, the outbreak of the financial and economic crisis and its globally propagated effects are, in fact, the outcome of three successive crises: financial, economic and the one of “sovereign debts”, which lead to the austerity measures taken predominantly in the “old” cohesion and convergence member-states (Greece, Spain, Portugal, Ireland, etc.), but especially in the Central and East-European countries, respectively the new cohesion and convergence member-states.

In the present paper we intend to analyse the need and opportunity of a new social pact, correlated more firmly with the policies on the labour

market. This necessity results from the changes occurred on the labour market during the crisis, and one of the major effects of these changes is the structural unemployment which continues to have two digit percentages at European level. In this context, the new cohorts of youths are increasingly severely affected on entering/or failing to enter the labour market, including the unequal and uncertain risks related to increased competitiveness between the potential employees for the existing jobs. Thus, there are major contradictions between several categories of youths at European level, but also at the national one: first, the competition between the “over-skilled” ones (sometimes refused precisely for this reason by some the employers) and those with skills that no longer match the demand on the labour market; the competition between youths benefitting of family support for undergoing successful career path and those from economically disadvantaged families and who, often, end by being included into the categories polarised around occupations and trades with low level incomes; the competition between youths belonging to the autochthonous population and those with an immigrant background; the competition between youths opting to extend their period of studies (often due to lacking of better and tempting offers on the labour market) and those who benefit to a certain extent from on the job training and, implicitly, of other opportunities in building up a career, etc.

To these is added also the worrying increase in the numbers of youths regarded as NEET who are, briefly defined, on one hand the outcome of the perceived lack of perspective and, on the other hand the expression of a new form of economy which, in the absence of solutions in the real world took refuge in the ‘virtual’ world. Many of these youths, even if according to the current statistical indicators cannot be found either in the educational systems, or in the vocational training ones, nor in the labour market, can be found active in income generating activities (sometimes perhaps even undeclared incomes!) in the virtual world facilitated by the increase in the possibilities of making use of computers and of putting to good use the opportunities of ensuring some incomes (very often minimal ones) by using the internet capabilities.

Obviously, there is here an entire debate about the grey economy, about possible fiscal evasion, but also an entire potential of alternative economic development in the future, yet this is not the topic of the present paper.

Next to the youths, the entire labour force as a whole is in a permanent competition for the available jobs which impose, more and more frequently, permanent efforts from the labour force of training, improvement, knowledge-and skill-updating, including even reskilling. In this context, a decisive factor is the attitude of the states and of the

employers with respect to improvement, training and knowledge updating policies, and even with respect to the ones regarding lifelong learning. The way in which these policies are financed, encouraged and supported either by employment agencies (public or private), and also by the employers can be decisive for the future of the labour force, considering the technological progress and the swift qualitative leap in the field of industries, services, agriculture, etc. triggered by the intensive computerisation of more and more sectors and activities.

The digitalised and computerised economy and society is already a fact, and the period of the crisis and the one of post-crisis both do nothing but reaffirm Keynes's statement from 1933 according to which the rate of technological development and the natural tendency of the industries to economise and increase cost-efficiency by diminishing labour intensive activities is the one which at a given moment shall be in advance against the opportunities of creating new jobs¹.

2. Romania Labour market in the European Union and implications at institutional level for Romania

In Europe, the period of crisis occurred during a period of intense changes triggered on one hand by the expansion towards Central and Eastern Europe, and on the other hand by the new competitiveness condition created by the globalisation process.

The first phenomenon, respectively globalisation brought along essential paradigmatic changes that are determinant for the way in which they shall be approached and solved both for the economy and for the society. These changes represented, first of all, a change in the perspective about the main institutions: the institutions with direct impact on the labour market. Moreover, they have shown that from macro- and microeconomic perspective institutions play an important role in the positive or negative development of the economies and societies, due to the following components of change: diminishing or increasing the "transaction costs" which are directly or indirectly related to the efficiency and effectiveness of institutions, their stability being the one ensuring the predictability of the business environment, the developments at national level on short-, medium- and long-term, and their capacity to adjust to changes in other fields is the one ensuring the sustainability of the models proposed in view of reaching the general economic and social development objectives at European, national and regional level.

¹ J.M. Keynes, (1933). *Economic possibilities for our grandchildren* (1930). *Essays in persuasion*, pp. 358–73.

During the crisis period, it could be easily seen that the most affected institutions were the ones impacting directly the labour market. These institutions are a true “value chain” with effects on the main policies pursued at European level, respectively the policies aimed at cohesion and convergence.

The issue regarding the importance of institutions in general, and of labour market institutions is increasingly more often approached in the literature dedicated to social sciences in the last decades, starting from an apparently simple fact: the years eighty and the exit from the economic crisis of the respective years were the trigger of an essential change of the perspective already outlined during the nineties and which became a fact in the years 2000: the shift from the concept of “job security” to “employment security”.

The implementation, on an extended scale of this paradigmatic change, without taking into account the capacity of the systems to adjust “on the go” to this change is among the reasons for which nowadays the unemployment and social exclusion risk is particularly high, as compared to other economic development period, considered from a historical viewpoint.

Even though often used one instead of the other, the two phrases are not synonymous, the first referring, in our opinion, more to the capacity of the individual to develop the same productive activity, that would provide for decent living conditions, for the same employer for longer periods of time, thus benefitting from health and pension insurances required at the end of the active life, while the second represents the possibility/ability of the individual to develop various productive activities according to the professional or vocational training based on the gained competences and skills, so as to be able to value and enhance them during the entire active life, and not necessarily for the same employer and/or in the same activity, in a competitive market environment.

This is the context in which also the ‘interface’ between the economic and social model preceding the years 2000 and the economic and social model after the years 2000 can be found, including here the quality of these models as perceived both by the economic and social environment. Thus, the period preceding the years 2000 was defined by concepts of socio-economic security, empowerment, inclusion and cohesion, while the period after the defined objectives of the Lisbon Agenda 2000 were rendered concrete under the concepts and policies related to wages, social insurance benefits, the educational and skills’ vocational training and improvement, employment and competitiveness.

According to the social policies, three factors are subsumed to social quality and they remained unchanged proving once again the

technologically determined difference between the labour market and the social requirements.

Table 1 Three Factors and the 12 Dimensions of Social Quality

CONDITIONAL FACTORS	CONSTITUTIONAL FACTORS	NORMATIVE FACTORS
socio-economic security social cohesion social inclusion social empowerment	personal security social recognition social responsiveness personal capacity	social justice (equity) solidarity democratic based citizenship human dignity

Source: Peter Herrmann, *A Positive Approach Towards Social Policy – The Re-Foundation of Social Policy*, 2007, p.5

The analysis of the period of crisis showed that even though the conditional factors were relatively more often approached and dealt with in the specialised studies and literature, yet the ‘balance’ between them has not been found in the much changed context due to the intense automation and digitalisation/computerisation degree, to the permanently increasing competitiveness not only at global level, but also between the EU-28 member-states as result of the progress and as requirement for retaking economic growth after the period of the crisis.

Thus, a first finding would be that also the requirement of ensuring “employability” must be reconsidered in view of the rapid automation due to which many of the jobs created before the crisis vanished, without chances of being re-created, or of new ones to be created instead. Eloquent in this regard is the fact that from the enterprises that after 2008 made personnel layoffs, many took this decision of rendering their activity more efficient based on the implementation of automated processes.¹

Thus, an obvious imbalance emerges between the demands of the industrial, goods, and services’ markets that pursue to render efficient their processes, which translate more and more frequently in automation and using robots that can reproduce repetitive activities, the labour market, and the “market for social services and quality social protection delivery”.

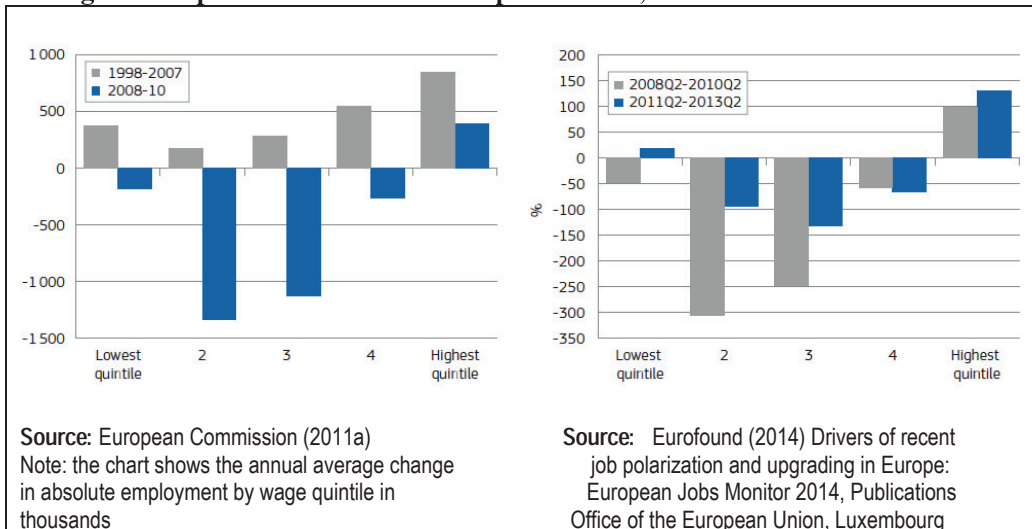
One of the visible and direct outcomes is the polarisation of the jobs, an articulate signal about the importance of ensuring an institutional framework that would provide not only for increased flexibility (by avoiding useless segmentation) of the labour market, but also for some new opportunities for the human capital, for its endowment with the required

¹ McKinsey Global Institute (MGI):44% from the companies that cut-back on their personnel from the beginning of the crisis in 2008 have done so due to the implementation of automation in their activities.(MGI, 2011)

opportunities to face the new challenges triggered by the gradual strengthening of the new knowledge-economy and society. Secondly, the current stage is indicative as well for the evolutions in the immediate future that will determine the success or failure in reaching the employment target from the perspective of the Europe 2020 Agenda, that is a 75% participation rate to labour market for both men and women aged between 20 and 64 years of age.

In setting this overall target, we can already detect a ‘weakness’ as the principle of “one size fits all” has already been contradicted by the outcomes of the previous programming period, according to the Lisbon Agenda 2000. Moreover, it would be necessary to lay increased emphasis on the national and regional policies of the member-states in the field of employment, education and social protection so as to encourage each member-state to take the steps deemed as necessary and possible according to their financial and economic situation in order on one hand to encourage employment, development of SMEs and the attraction of direct foreign investments and, on the other hand to proceed on the way of institutional reforms, but much rather institutional changes that would create a better environment (including based on formal and informal institutional cooperation) for developing a more collaborative and actively mutually supporting environment between education – enterprises – research-development and innovation as the ‘backbone’ of sustainable economic and social development.

Fig. 1 Jobs polarisation in the European Union, 1998-2010 and 2008-2012



Source: Employment and social situation in Europe – Report 2014, p. 32

The explanations with respect to this relevance is found in the following developments: technological progress triggered the emergence of an increasingly higher difference and which left behind (already) a more marked median segment which is not covered with respect to the activities in the economy. Practically, this means that increasingly important turn to be the activities and occupations of cognitive nature that also provide for higher earnings and incomes, while the number of routine occupations which ensure average earnings and incomes is shrinking, while low-income occupations tend to multiply at the other end. Moreover, a certain trend was noticed for former average income occupations to regroup more often currently around the low-income occupations' segment.

Among the factors that contributed decisively to changing the image and future of occupations both before and, in particular, after the crisis are counted:

- the change in the content tasks of the occupations;
- re-evaluation and repositioning of occupations depending on their probability of being externalised;
- the increased role of services for enterprises and of personal services that proved to be most dynamic even during the crisis period, as they are at the same time indicative for and closely linked to the structural change of the economy.

These factors mentioned above are those that draw attention to the necessity of a new social pact at European level that would represent, at the same time, for the new cohesion and convergence member-states of EU-28 an opportunity of defining their own institutions that have impact at the same time on the labour market but also on the social component by considering past (success/failure) experiences, so as to ensure already from this development stage a coherent platform for the future sustainable economic growth and sustainable development.

At the same time, the quality of the institutional changes and the main topics for Romania in the new context are defining for the following state and the performances of the country in reaching the objectives of the Agenda Europe 2020.

The quality of institutional changes can be appreciated from the viewpoint of the main indicators of the developments on labour market, in particular from the perspective of the active labour market policies.

The main institutional changes required from the perspective of the labour market and employment are: ensuring increased interaction between the economic policies aimed at the labour force and the social policies; ensuring better flexibility of the institutional framework for the labour market so as to meet swifter the demands generated by the business environment; strengthening the interactive institutional framework for the

main systems and sectors with impact on the labour market: education, research-development and innovation, health, etc.; assuring a coherent institutional framework for the interaction between the national and regional levels for better coordinating national, regional and local initiatives aimed to combat unemployment and to increase the employment rate for the active population. At European level there are already well-established practices in this respect, as well as a certain “interface” between formal and informal institutional aspects. Making use of good practices and successful examples adjusted to the Romanian setting could contribute, by involving all relevant and interested stakeholders, in outlining a country concept for improvement both conditions on the labour market and in the social field.

Unfortunately, in Romania the issues of the institutional framework are generated by the centralised and planned past which created a significant rigidity on the labour market, but also with respect to the institutions in the field of education, health and social services, etc. Thus, in Romania’s case, as in comparable instances of the old cohesion and convergence member states are noticed some features that determine the ‘quality’ of the interaction between formal and informal institutions, and that had as outcome both positive and negative effects on the labour market.

For instance, an example that implies also a wider debate about reform and institutional change, as the first is frequently associated also with a political regime change, while the second could be regarded rather as a possibility of harmonious, historical evolution of adjusting to changes perceived and received from the external environment and which, as any other integrated system impacts on the other systems, is the situation of the educational and vocational training system from Romania.

Immediately after the fall of the communist regime the problem was posed about a consistent reform of the educational system, yet the institutional reforms in the field of education continued to remain but reforms without finality and which did not succeed in transiting towards a superior state of adjustments and fine-tuning, respectively institutional changes that would meet the demands on labour market and not only. This fact generated on one hand confusion and instability in the system, that gave distress signals to the external environment, and on the other hand decreased in this way the interest of the other stakeholders from outside the system to cooperate with the educational and vocational training system. Moreover, the performances in the field of education and of professional/vocational training began to decrease, so that many teenagers and students opted to migrate for studying and finishing their studies abroad, registering – as they often made the decision to remain in the host-country – also considerable losses for the future human resource. In addition, this ‘turmoil’ did not allow for properly monitoring the requirements on the labour market on short-,

medium- and long-term, nor for evaluating the perspective for occupations, that is whether they have a future or not, and the successes, such as those in the ITC field and in the occupations in this field, remain just punctual and not consistent examples.

3. Conclusions

The present paper intended to be a brief enumeration of why the structural change of the economy does not provide for a sound basis with respect to retaking economic growth if not accompanied by a new type of social pact that includes in a more integrated and measurable fashion both economic and social considerations with respect to the policies developed in the respective fields. While old member-states have solid institutions and institutional settings that need adjustments according to the shifting paradigms in the field of labour market and in the one of social policies, the former and current cohesion and convergence member-states are faced with the double challenge of meeting on one hand the demands of the changing economy and society, and of creating/generating/reforming and changing institutions in accordance with this new economic and social stage of development which includes unprecedented challenges given the widespread automation and digitalisation/computerisation of all sectors of economic and social life. The finding that technological progresses and leaps impact heavily on the human capital and the development of the human resource, must be the tenor for developing new social policies attuned to the new economic realities, while at the same time the economic policies should consider not only the short- and medium-term efficiency and efficacy, but also the possible means for encouraging sustainable development by providing new means and instruments for creating more, better, 'green' and innovative jobs for the still active and future active population.

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