

A Socio-ecological Contract for a Post-pandemic Europe

An interview with Philippe Pochet

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The Covid-19 pandemic and ensuing economic crisis have seen millions pushed into insecurity. At the same time, the European Union and its member states have taken unprecedented action to protect jobs and mitigate the most severe economic impacts. We spoke to Philippe Pochet, general director of the European Trade Union Institute, about what the pandemic has meant for workers across Europe. The crisis has opened a window of opportunity to push for a more just and green future, but positive change cannot be taken for granted. Europe needs a new socio-ecological contract that brings together questions of inequality, climate and the digital economy to ensure social justice and sustainability.

Green European Journal: As well as a health shock, the pandemic has been a major social and economic shock. How have employment and wages in Europe been affected?

Philippe Pochet: The main difference between the current crisis and the previous crisis of 2008-2013 are the sectoral effects this time. The cultural and hospitality sectors have almost completely ground to a halt while others, for example the financial industry, have not been so affected. This disparity also means that certain countries, such as those that depend on tourism, have been far more exposed. Overall, employment has fallen less than might have been expected because of the short-time work and furlough schemes adopted across Europe with governments pouring money into the system. In the last crisis, short-time work schemes were only seen in a few countries such as Germany. So, the rate of employment has fallen but not as much as it could have done. Since the pandemic began, roughly 5 million people have left the labour market in Europe. The question is what will happen when the support ends, which could be in summer 2021 when the pandemic may have subsided somewhat.

However, the most important future impact may be the increase in inequality. Many employees are now working from home and their consumption has fallen, allowing them to build up savings. Other workers, many of whom were already in a precarious position, have seen their incomes cut. Short-term work and furlough schemes are better than unemployment benefits – they might compensate earnings up to 50, 60, or maximum 80 per cent – but it's still not a full salary and many people do not have reserves to fall back on. When we emerge from this crisis, some will have built up savings and others will be left with nothing. For both employment and inequality, the effects are not yet clear but will become more visible in the coming months.

To what extent have trade unions managed to get their voices across to government during the health crisis?

It might not have happened everywhere – for example, in Hungary and Poland the unions were side-lined – but overall, the return of the trade unions as a social actor is clear. The discourse that once argued that trade unions make society less free or that they are somehow conservative has gone. You might remember that the European Commission's Directorate-General for Finance used to argue that a healthy labour market was a flexible one with low minimum wages and weak trade unions. That stance had begun to shift even before the Covid-19 crisis with

international organisations like the OECD saying that the trade unions, with their traditional goals of equality and social justice, make a positive impact on the economy.

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It is now recognised that to solve a crisis, you must speak to the trade unions. Social movements such as the *gilets jaunes* in France also showed the importance of intermediary organisations like unions to democracy. Without intermediaries, governments struggle to create a dialogue and reach compromises.

What are the concerns of the trade union movement as we look towards the next phase in the pandemic?

The greatest fear is the return of austerity. In 2008-2010, Keynesianism and green Keynesianism were the words of the day. And then, in 2010-2011, we saw radical austerity and return of neoliberalism. If getting out of the current crisis means a return to the old world, then all the public debt taken on during the pandemic could be used to justify further belt-tightening and public sector cuts. It may not happen in 2021, but already some voices from neoliberal political parties are beginning to talk about the sustainability of the debt.

The second concern is the uncertainty about changes at the EU level. Borrowing at the European level, the recovery fund, and the expanded EU budget are huge improvements (for Germany, they represent a new and unexpected preference) but none of these programmes is safe in time. They have been accepted for one, two, maybe three years but they are not in the treaties. A change of heart in Germany (bearing in mind that there are elections in autumn 2021), and it's finished. To avoid a return to business-as-usual, changes to monetary union governance and the European semester since the pandemic began must be made secure.

The third fear is the big question of what the world will look like after Covid-19. What will the green transition look like in reality? How “just” will this transition be? Just transition is not only about miners in Poland; it is about the millions of people working in the automotive industry across Europe. The green transition will have massive sectoral impacts in the coming years, with growth in some sectors and rust in others. We need a frank conversation because it is too easy to be optimistic and say, “the transition will be just and the EU will have a recovery fund worth 2 or 3 per cent of GDP, so all will be fine”. It is going to be more complicated than that.

We've seen major shifts at the European level: 100-billion-euro loans to member states to support short-time work schemes, then the 750-billion-euro recovery fund to support investment, all funded through EU-level borrowing. How can this apparent turn towards a more social Europe be secured?

Change happens when ideas are transformed into institutions because these bring stability to the balance of power at a given moment. Now the simplest way would be to change the European treaties, but we all know how difficult that would be. One way or another, these changes need to be secured so that they do not depend on the next election or political crisis. The Conference on the Future of Europe – whenever the health situation finally permits for it to go ahead – will be an important chance to discuss what we want from the new phase of EU integration. It is a debate on Europe's future that needs to happen because all economists agree that without consolidating the monetary union, it will eventually explode.

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The other part of the social dimension concerns inequality. The European Commission is currently only dealing with inequality indirectly, while it should be central to the European social compromise. Originally, the European social pact was as follows: there will be no European welfare state, but all workers will be treated equally in a given territory. However, look what happened with posted workers from the mid-1990s onwards: an originally technical question of some companies sending employees abroad became a means to allow competition over wages and rights within a given territory. Today, there are some signs of returning to the original idea of no competition within the national space. The Posted Workers Directive has been reformed, reducing competition between posted and national workers, and the EU is trying to build rules on minimum wages and wage structure at the European level. Other aspects of social rights also need addressing, such as collective bargaining for the self-employed and rebalancing the power of platform giants like Uber respective to the worker. The European Commission should use equality to frame all these challenges. Rebuilding trust in Europe will go nowhere without tackling the question of inequality, let alone the next challenge of greening society.

What are the most significant pieces of EU social legislation right now?

The most important is the Minimum Wage Directive. Whereas once minimum wages were considered impediments to growth, now the idea of converging minimum wages is on the table. The Commission's proposal would set a minimum level for decent minimum wages relative to the wage level in a particular country. This will also force a conversation about the differences in living standards between East and West. For instance, a minimum wage set to 60 per cent of the median in Bulgaria would be 300 euros, which is relatively nothing. The proposal also looks to increase the coverage of collective bargaining to reach up to 70 per cent of the workforce. In Austria, Belgium and France, collective bargaining agreements cover almost all workers, but few other countries have such extensive coverage. This reform would therefore build institutions and governance that strengthen the balance of power between businesses and unions.

The logic of this direction would be to shift competition away from wages and working conditions and towards innovation. Higher wages encourage firms to innovate in the product market and focus on quality. These kinds of labour reforms are part of a different vision of society, one not based upon making cheap, disposable goods but products built to last, that can be reused and recycled. This legislation is about more than minimum wages; it would set new conditions for how goods and services are produced. It's a taste of a new social compromise for the future.

So it's clear that expanding social rights and green industrial strategy go hand in hand. This February, the European Trade Union Institute and Confederation have hosted a conference on a new "social-ecological contract". What would a new social-ecological contract mean more broadly?

The idea of a contract is something strong, an institution, that is binding, enduring, and that people enter freely. After World War II, there was a lasting social contract in Western Europe. Today, the frame of any social contract will need to be extended. Questions of climate change and biodiversity loss can no longer be considered marginal. Nor will a narrow definition of climate change that focusses on solar plants and windmills suffice either. That framing is also reductive with respect to the wider ecological crisis. "Social-ecological contract" broadens it out to allow for a discussion on the essential question of what kind of society we want. To put it more abstractly, what should we speed up and what should we slow down? The trade unions want to have this conversation. We're not just going to say, "this Commission is a bit more social and everybody seems to want a just transition, so it's

solved”. We want a conversation about the future and key questions such as inequality, climate and digitalisation. A conversation that recognises where there is consensus and where there are tensions, that can be technical where issues are complex, and that brings together actors to make sure the debate moves beyond ideas to really get things moving.

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Is the trade union movement harkening back to some of its historical demands with this greater attention to issues beyond wages and employment?

If you look to the history of the trade union movement, increasing wages was always a key struggle but there were also questions such as industrial democracy, the reflections of Marx and others on alienation, production and cooperativism, or the quality of work. This is not to say that the trade unions are a green movement – they are not – but that there is a long trade union tradition of asking what is the value of work, why are we working, what is the value of autonomy, and so on. This spirit, which was not necessarily dominant in the postwar years, can be reactivated. This trade union heritage, a heritage shared by all the countries that are part of the trade union movement, emerges more strongly today and can be linked with non-trade union interests as the starting point for a conversation. Trade unions will always defend workers but there have been different narratives about how best to do that. Thinking only about wages was one simplified narrative; now there is more complexity. Participation, autonomy, and dignity are needed too.

You’ve called for greater cooperation between trade unions and green movements in the past in the *Green European Journal*. Are we getting there?

There is still a long way to go because the traditions and composition of the two groups are not the same, but there is clear progress. Greens recognise that the social side has to be taken more seriously, and the trade unions that the environmental side has to be taken more seriously. Now we must move from what we agree on, such as ideas like just transition, to action. That is the more difficult step and where the conversation will become interesting. For 20 years, we’ve known that retrofitting through the construction sector is good for both the climate and jobs, but little progress has been made. Every government promises half a million green construction jobs, but in reality it’s always more like 50 000. There is a broad consensus every 10 years, but what comes of it? What is most important now is getting things done.

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To return to the question of a new social-ecological contract, how does the reality of deepening inequality and the potential return of austerity fit with the widespread hope for an alternative, greener, and more just direction after Covid-19?

The pandemic has opened a window of opportunity for new, more radical ideas that could become the “new

normal”. This window will stay open for the next two or three years. Look at the Biden administration in the US. It is run by a true centrist from a Democratic party that has never been that left-wing anyway, but his first decisions have proved fast and strong on social and environmental issues. However, we shouldn’t be naïve. The crisis has deepened inequality and any window of opportunity is constrained by vested interests. We need to be cautious about a discourse of everyone going in the right direction while social exclusion is increasing and the investments of the 1 per cent in the stock exchanges are booming. Zero interest rates have allowed the stock market to keep on rising and gaining power despite a year of bad economic news. We should pay attention to this. Some attitudes may have changed, but the real question is how much have power relations really altered.

Tech firms have also grown in power and value throughout the pandemic. Is the digital aspect missing from the European debate on recovery and the European Green Deal?

Having a conversation on digitalisation and artificial intelligence takes you to a completely different place than a conversation on a new social-ecological contract, but we need to reconcile the two. The European Commission has two priorities for Europe, green and digital, but the two don’t speak to one another. What impact will the digital future have on the climate? This just isn’t discussed.

Pierre Charbonnier has recently argued that we are a bit naïve in Europe because we think that the environment and the social will go hand in hand. The hope is for a nice synthesis with the best of the social and the best of the environment. But there are other models – there is Biden’s green capitalism or China’s green surveillance society; some are more state-centric and some more market-led. It is by no means certain which of the competing visions of the transition will win. That is why Europe needs to bring all these questions together into a conversation spanning the social, the ecological, and the economic.



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