Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1573 (2007)[1]

Realising both economic growth and social protection in Europe in an era of globalisation

Parliamentary Assembly

1. Globalisation may be described as the ever closer economic integration of all the countries of the world resulting from the liberalisation and consequent increase in both the volume and the variety of international trade in goods and services, the falling cost of transport, the growing intensity of the international penetration of capital, the immense growth in the global labour force, and the accelerated worldwide diffusion of technology, particularly communications.

2. Globalisation is seen by some as an inevitable and powerful force obeying market principles that is playing the part of Adam Smith's "invisible hand" that will bring about a flat, seamless, integrated world economy characterised by complete freedom in the movement of goods, services, labour, capital and technology to produce growth and prosperity for all.

3. Others see globalisation as a threat that will impoverish Europe in a "race to the bottom" with emerging economies such as China and India, undermining its labour force, undercutting wages, exposing it to competition for investment and eroding the high standards of social welfare protection that have become the hallmark of the European social model.

4. For Europe, whose undoubted wealth is already based on the benefits of historic standards of education and training and a successful economic union, the potential of globalisation to stimulate growth and prosperity has been and continues to be realised through greater opportunities for expanding exports and cheaper imports, cutting production costs and attracting foreign investment as well as benefiting from investment opportunities abroad. The Parliamentary Assembly sees the positive side of globalisation as an opportunity to outsource lower-added-value activities to the rest of the world, especially to the low-wage emerging economies, while allowing Europe to specialise in higher-added-value products and services. In other words, Europe has a vast opportunity to upgrade its economies in a new international division of labour. In this context, the Assembly recalls and reaffirms its Resolution 1484 (2006) on relocation of economic activities abroad and European economic development.

5. The Assembly believes that the member states of the Council of Europe should seize every possible opportunity offered by globalisation to further stimulate growth, without which job creation to compensate for job loss and maintenance of a high level of social protection are not possible, all the more so since providing health care and pensions for Europe's ageing population will make ever greater demands on resources along with other urgent needs such as environmental protection.

6. However, the Assembly cannot accept that free rein be given to a globalisation process that also threatens to undermine the social, cultural and community values that European societies cherish. There is thus a need for governments to guide and regulate this process to ensure not only that European economies successfully adjust to the changes brought about by globalisation, but also that its benefits are widely and equitably shared, not only within Europe but between the developed and the developing countries as well.

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1. Assembly debate on 3 October 2007 (32nd Sitting) (see Doc. Doc. 11366, report of the Committee on Economic Affairs and Development, rapporteur: Mr Lloyd; and Doc. Doc. 11397, opinion of the Social, Health and Family Affairs Committee, rapporteur: Mr Preda). Text adopted by the Assembly on 3 October 2007 (32nd Sitting).

7. In particular, the Assembly is concerned by recent findings of the International Monetary Fund (IMF) which show that, although the increase in the global labour force resulting from integration of the emerging countries into the world economy has generally benefited the advanced economies, raising income accruing to labour in all advanced countries since 1980, labour globalisation and technological change together have reduced the proportion of income going to labour, with technological advances having the greater effect. Thus the labour share of gross domestic product (GDP) in the advanced countries declined from 68% in 1980 to 61% in 2005, with unskilled sectors of the economy experiencing the largest declines. Although labour market policies have affected this outcome in different ways, the IMF findings show that countries which have lowered the cost of labour to business, improved labour market flexibility and in particular ensured that unemployment benefits do not deter workers from seeking employment, have generally experienced a smaller decline in labour share.

8. The Assembly is also concerned by the estimate made by the Organisation for Economic Co-operation and Development (OECD) that around 35% of Europeans of working age are economically inactive, compared with some 27% of Americans. Europeans must therefore get more people back to work. Yet the perception exists that Europe's sometimes generous social protection benefits appear to trap some people in inactivity by removing the incentive to seek work. This concerns not only the unemployed but also the much larger numbers of those receiving non-employment benefits such as sickness or disability, those in early retirement or single parents. Secondly, perceived labour market rigidities act to discourage the necessary labour adjustment to the impact of globalisation.

9. The Assembly accordingly believes, along with the OECD, that social protection measures should be appropriately designed to support adjustment and minimise the fear of short-term unemployment. Thus, relatively generous unemployment benefits can be paid as long as there are strong and well-conceived incentives to seek work along with practical efforts to retrain and upskill. There should be close monitoring and timely support for the unemployed and their search efforts by employment services. Those receiving benefits not related to employment should also be quickly helped to get back into the labour market. In particular, family-friendly policies should target single parents, for example with appropriate tax incentives, optimum parental leave and improved child-care facilities.

10. As for labour market rigidities, the OECD believes that employers will accept regulations as long as their impact is predictable in terms, for example, of the cost of hiring and firing staff. The example of the Netherlands is cited as good practice with regard to dismissal regulations, or that of Austria's individual savings accounts into which employers have to pay a contribution and which employees can carry with them when changing employment.

11. The Assembly notes the creation of a European Globalisation Adjustment Fund by the European Union in December 2006 which will provide up to €500 million a year to help workers laid off as a result of globalisation to find new jobs. The fund will be used to help individuals in relation to their job search, personalised retraining, entrepreneurship or self-employment initiatives. The Assembly hopes that such initiatives will help reconcile European citizens with the ongoing process of European construction and commends this model to the wider Europe.

12. The Assembly firmly believes that the governments of the member states must control the nature and pace of the adjustments required to cope successfully with the impact of globalisation, grasping its opportunities and limiting its risks. Besides labour market flexibility, the policy agenda should include investment in innovation, research and development to ensure that Europe stays ahead in the production of high-value-added goods and services and deals successfully with such challenges as environmental protection, climate change and heath care. To promote positive adjustment, investment in social and educational policies should include lifelong education and training, support for upward mobility in case of restructuring and gender equity. The social partners must be fully involved; there is an essential role here for collective bargaining. Investment must be the result of a partnership between the public and private sectors so as to ensure adequate and timely provision of resources. More progressive taxation may be required, even on global transactions, not only to raise the necessary funds but also to ensure that the benefits of globalisation are fairly distributed. The gains from outsourcing and offshoring could be taxed to help finance adjustment programmes.

13. Globalisation will increase international competition for investment, notably between developed countries and emerging economies like Brazil, the Russian Federation, India, and China. Therefore, the European countries must ensure that their strategy to attract foreign investment is effective, not least through appropriate fiscal policies and by providing a highly qualified and motivated labour force.

14. Globalisation also offers opportunities to criminals, including terrorists, to mask their illegal gains and transactions through money laundering and tax havens. The Council of Europe, through its Group of States against Corruption (GRECO) and its work to combat money laundering (Moneyval), is at the forefront of international efforts to fight this scourge in close co-operation with the OECD, among other organisations. The Assembly calls for this work to be stepped up. The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ("Anti-Corruption Convention") of 1997 was a major achievement, only marred by a lack of implementation by certain countries.

15. Dealing with the problems brought about by globalisation requires the building of a political and social consensus based on shared values. There is an urgent need for Europe's leaders to offer a vision that combines prosperity and social protection in the new economic world – it can certainly be done, and the debate should not be left to those who say otherwise. Globalisation offers opportunities to everyone and it can be harnessed to help the next generation of Europeans build on the values that the Council of Europe holds dear. This can only happen through change and adaptation and Europe's diversity offers many examples of how this can be done successfully, with a view to generating the optimism and vitality that today's world economy requires.