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THE SOCIAL AND ECONOMIC EFFECTS OF THE PRESENT ECONOMIC CRISIS

This paper explains and analyses the emergence of the apparent social issues in Southern Europe, connecting them to the overall upcoming recession in the member states and proceeding to evaluations for the Mediterranean countries. Is there a need for a sustainable and balanced social model across Europe? The working hypothesis is whether this model is generic and has the same effect in each country or the model is differential in character. The annual report (2009) on social protection and social inclusion considers that, in today's context of crisis and in order to organize an economic recovery, it is crucial to build on solidarity and to enable social protection systems to play to the full their role of providing stability.

INTRODUCTION

This paper explains and analyses the emergence of the apparent social issues in Southern Europe, connecting them to the overall upcoming recession in the member states and proceeding to evaluations for the Mediterranean countries.

The European Trade Union Confederation (ETUC) gives the following definition to the question what is the European Social Model. "The European Social Model is a vision of society that combines sustainable economic growth with ever-improving living and working conditions. This implies full employment, good quality jobs, equal opportunities, social protection for all, social inclusion, and involving citizens in the decisions that affect them. In the ETUC's view, social dialogue, collective bargaining and workers' protection are crucial factors in promoting innovation, productivity and competitiveness. This is what distinguishes Europe, where post-war social progress has matched economic growth, from the US model, where small numbers of individuals have benefited at the expense of the majority. Europe must continue to sustain this social model as an example for other countries around the world."*

Before the economic crisis it was taken for granted that a single European social model exists, rather than 27 different national social models. The main characteristics of this include: state responsibility for full employment, for providing services of general interest, and for economic and social cohesion; fundamental social rights, including freedom of association, the right to strike, protection against unjustified dismissal, fair working conditions, equality and non-discrimination; social protection, delivered through highly developed universal systems, and wealth redistribution measures such as minimum income or progressive taxation; social dialogue,

* <http://www.etuc.org/a/111>

with the right to conclude collective agreements, to workers' representation and consultation and national and European Works Councils.

The plans for reaching a comparative status with the labour market of the US however do not seem achievable. This can be understood from the rates of unemployment per country and region in the 27 EU Member States. We stand in the beginning of the employment crash and far from the Lisbon targets of an overall employment rate of 70% in 2010. The correlation between the unemployment rate and the creation of new jobs is based on more complicated grounds than the social partner's dialogue. In some countries with very slow growth (e.g. Italy and the UK) the figures reflect the decline of the total population rather than the creation of new jobs

The evolution of the European idea is related to the construction of the information society, the enhancement of social capital and a more balanced state policy and free market regulation.

THE NEED FOR A EUROPEAN SOCIAL MODEL

Is there a need for a sustainable and balanced social model across Europe? The working hypothesis is whether this model is generic and has the same effect in each country or the model is differential in character.

The European Commission published on 5 March 2009 an annual report on social protection and social inclusion. The European Trade Union Confederation for instance, considers that in today's context of crisis and in order to organize an economic recovery, it is crucial to build on solidarity and to enable social protection systems to play to their full role of providing stability. The ETUC notes that none of the over-arching objectives of the Lisbon Strategy have been met to date [ETUC 2009].

The uniqueness of the European Labour and Social System and the internal weaknesses of the member states to adopt and initiate vital employment changes forced the Commission to report on social inclusion every year. Most of the decisions of the Commission, which are included in this report, reflect a more realistic attitude through the rights of workers and unions in the past years and have led to new processes within the Union. Reformation of existing legislation is becoming more critical in order to protect employment partnered with an investment in research programs, should bring balance in the labour market and thereby industrial peace. Contrary to this concept are the arguments that the European system of law and labour relations is the product of the interplay of a complex range of historical, economic, political and social factors. Inevitably, what follows is a mix of highly interesting processes, which create substantive rules for the member states and, of course, a great divergence between legal theory and industrial practice. It is expected that the 16% of the European people who live in poverty will increase and as the trade unions stated "the rate of poor workers (8%) proves that not all jobs offer protection against poverty, a risk that is even greater for certain less favoured groups like children (19% exposed to the risk of poverty) or older people (notably women) (19% compared with 16% in 2006)" [ETUC 2009]. The magic word is recession. M.

Vlieghe and P. Vreyman [2006] in their article *Europe's Ailing Social Model: Facts & Fairy-Tales* found out that "Europe's present social model is unable to tackle the modern challenges of globalization, and has left Europe with gigantic problems: an insurmountable public debt, a rapidly ageing population, 19 million unemployed, and an overall youth unemployment rate of 18%. The unemployment figures may easily be doubled to account for hidden unemployment. The untold reality is that Europe's real unemployment stands at the level of the 1932 depression." The magic word is recession.

In the end of the 90's a report for the World Bank suggested that the following topics should be taken into consideration,

1. The standard of living is multidimensional. When analysing poverty and inequality, variables as health and education, vulnerability and risk, crime and violence, integration into the mainstream of society, and other factors highlighted by the poor themselves as being important should be examined and inserted.
2. Poverty exists although economic growth is strong.
3. The evolution of technology creates first choice changes for reduction of poverty and exclusion.

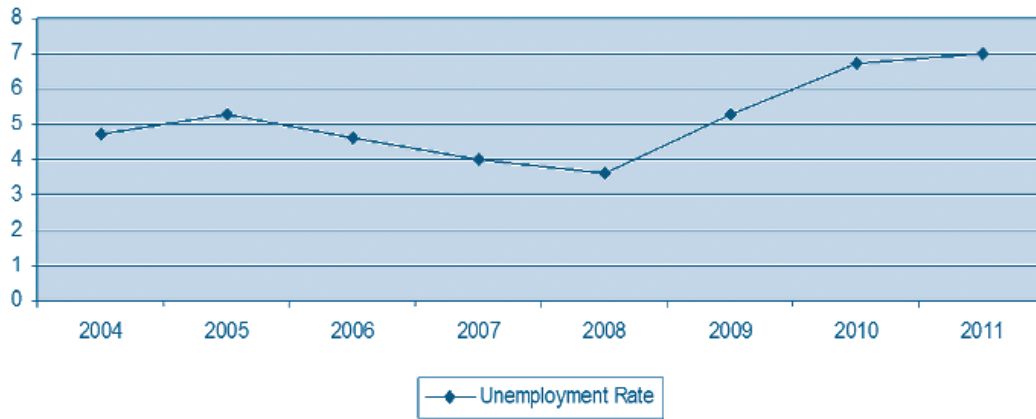
SUSTAINABLE SOCIAL MODEL IN EUROPE

The European Social Model is an example for the rest of the world of a society based on social justice and solidarity, where economic and social advancement take equal priority, and where decent work and social protection combat poverty and social exclusion. That is why the success of Social Europe is so important not only for European citizens, but also for developing just and fair political systems in other countries. One basic question is what are the actual powers which are driving the social process? The collapse of growth has a direct impact on social exclusion, which is becoming a central figure in the combat for social inclusion. A special plan should develop in order to give power to local authorities, tackling down the policy measures. Measures, which stop poverty, relight of neighbourhood and in general means, community regeneration are improvements. The Community Strategy is also driving this agenda and has identified "narrowing the inequalities gap" and "building community confidence" as two of the strategy's four key aims to promote inclusive communities.

THE CASE OF CYPRUS

The unemployment rate in Cyprus was over 4.0% in 2008 and in 2010 reached 6.6% and is expected to reach 7.0% by the end of the year (*see figure 1*). Inflation will remain low, about 2.2% and in general terms speaking, GDP growth will be less than 1%, which is mainly affected by the international economic crisis and diminished from 2007, when growth was 4.4% and the economy was booming. The Cyprus's economy is characterised by macroeconomic stability. This was accomplished in an

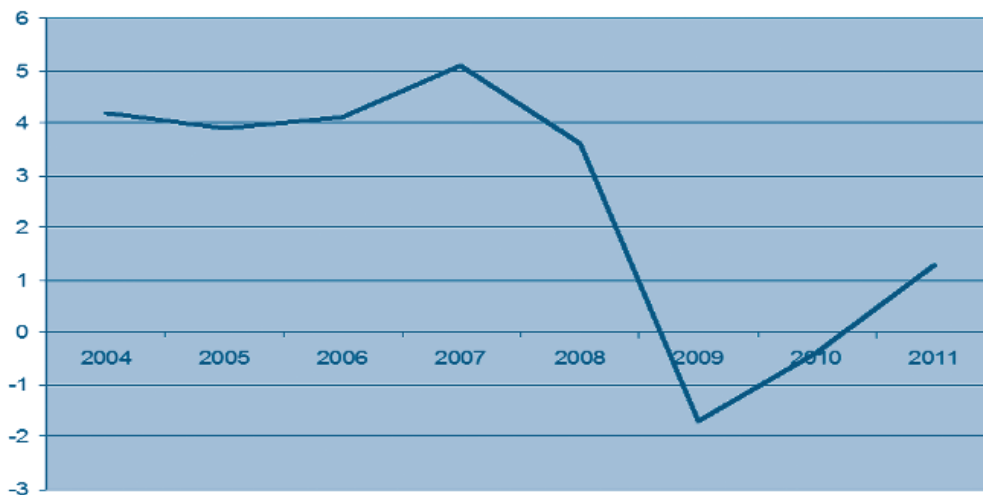
environment of full employment conditions, low inflation and a stable and strong currency. In 2006, Cyprus's per capita GDP reached about 93.7% of the EU-27 average. Foreign workers are estimated to be 80 000 (approximately 10% of the population). This number refers to the persons living legally in Cyprus.



Source: Eurostat

Figure 1. Unemployment rate in Cyprus

Since the early 1990s, the labour market has been confronted with labour shortages and bottlenecks. The low fertility rate is expected to gradually aggravate the problem. This has led to the need for employment of foreign workers. In 2006 foreign workers, including EU-25 nationals, represented around 13.7% of total employment.



Source: Eurostat

Figure 2. Growth rate in Cyprus

In addition, it should be pointed out that important structural reforms within the context of the Lisbon Strategy are in progress in order to further modernise and liberalise its market-oriented economy, with a view to enhancing its international com-

petitiveness and EU compatibility. These structural reforms, together with macro-economic stability, provide a strong Cyprus joined the euro area on 1 January 2008 and as a result the setting of interest rates is now the responsibility of the European Central Bank (ECB). The primary objective of the ECB is to ensure price stability, which means keeping inflation rates below, but close to, 2% [Central Bank of Cyprus 2009].

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