



THE CENTRAL EUROPEAN SOCIAL MODEL

STEPPING ON THE LADDER OF SOLIDARITY IN
THE CEFTA REGION

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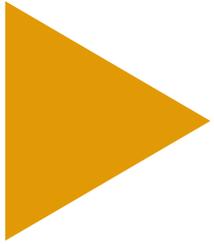


TABLE OF CONTENTS

Executive Summary	3
Reasons for establishing and the concept of Central European Social Model	4
Part I: Understanding the development and goals of CEFTA as a necessary prerequisite for its new developments	6
The intertwining relation between CEFTA and EU basis for recognizing and looking up to the European Social Model	8
Part II: European social model as a guideline for establishing Central European Model	9
Part III: The Central European Social Model as part of CEFTA - policy recommendation for a more socially just region	10
The particularities that need to be taken into account when creating the Central European Social Model	11
Concluding remarks: no step towards a better world is easy but the first step is the least easy	12



EXECUTIVE SUMMARY



The policy paper deals with the issue of creating a Central European Social Model as a next step in the CEFTA development. In this regard, given the strong bonds existing between CEFTA and the EU, the author puts forward the hypothesis that the European Social Model should serve as a guideline for creating the Central European Social Model. What is more, one should recognize the challenges that the European Social Model is faced with and therefore the suggestions in terms of creating the Central European Social Model should predict and (try to) overcome such challenges in regards to CEFTA signatories. As in order to provide a comprehensive policy proposal, it is necessary to understand the de-

velopment and goals of CEFTA, as well as its relation to EC/EU, the first part of the policy paper deals with the mentioned, while the second part deals with the way the European Social Model is constructed and finally the third part includes concrete suggestions in terms of what should the Central European Social Model include.

REASON(S) FOR ESTABLISHING AND THE CONCEPT OF CENTRAL EUROPEAN SOCIAL MODEL

The Central European Free Trade Agreement (CEFTA) has created a zone of free trade in regards to the Central European area, while representing the efforts of the signatories to develop trade and eventually become the member states of the European Communities (EC), i.e., European Union (EU).¹

Even though the development of trade is of utmost importance both in economic sense and in terms of building good neighboring relations as well as political stability, it is proposed by this policy paper (in further text: the Policy paper) that the Central European Social Model should also be established as a logical and necessary upgrade to the existence of a free trade zone.

More precisely, CEFTA 2006 should be amended by including provisions that recognize the necessity of guaranteeing fundamental labour and social security rights and guarantees. In other words, as CEFTA represents regional trade area and beyond, the further development of CEFTA in terms of achieving the “beyond” should refer to including solidarity as a value manifested through CEFTA 2006.

In this sense, given the existence of a strong bond between CEFTA and the EU, it seems only natural to build the Central European Social Model on the experience of EC/EU. In this regard, it is necessary to thoroughly analyze the history and developments of the European Social Model and its achievements. When analyzing the Model, one should take into consideration that the model includes the issues of equality, paid leave, unemployment benefits, pensions and other. In this sense, it should be pointed out in the very beginning that establishing such a model in the EC/EU has had and continues to have many positive consequences which vary from reducing inequality in distribution of wealth as well as reducing the risk from poverty, to prolonging the average lifespan. Broadly speaking, the existence of a developed social policy, i.e., employment and social protection has a general positive effect on the well-being of population. In this regard, **given that the issues of unemployability (high rates of employability in CEFTA economies) as well as unequal distribution of income widely present in there** (as can be seen from the graphs in the PART II), it is necessary to tackle such issues and the way to do it is creating a social model.

On the other hand, one should not disregard the challenges that this model is faced with in the 21st century globalized world, and especially during the global pandemic that has shaken to core employment and social issues all over the globe. However, such challenges should not destroy the motivation to make efforts in order to create a more just society in the EU, but also in CEFTA parties. Namely, given the fact that CEFTA so far has not tackled the issue of employment and social justice in any manner, including such provisions would certainly be a step forward in terms of CEFTA development. That is by no means an easy task, but with sufficient devotion and readiness to tackle the issue at hand, it is, to a certain extent, achievable. In this regard, CEFTA should on one hand recognize the critical areas in terms of employment and social protection in CEFTA signatories and establish minimum standards that reflect solidarity as a value. Also, one more aspect to take into consideration when discussing the amending CEFTA with a social model is the fact that all of the current signatories to CEFTA have, to some extent, common background in terms of communist regimes. What is important and distinctive in that sense is the fact that communist regimes have (it least in theory) guaranteed a relatively high level of protection of labour and social rights. Such a fact makes it even more natural to establish at least minimum standards in regards to labour in social rights in the current CEFTA signatories.

Taking into account the mentioned, it can be said that establishing a Central European Social Model is the next step in amending CEFTA, but also the recognition of solidarity and social justice in the CEFTA region.

¹ Taking into account that previous parties to the CEFTA agreement have become the EC/EU member states, current parties to the CEFTA 2006 are Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and United Nations Interim Administration Mission in Kosovo* (UNMIK).

PART I

UNDERSTANDING THE DEVELOPMENT AND GOALS OF CEFTA AS A NECESSARY PEREQUISITE FOR ITS NEW DEVELOPMENTS

The original CEFTA dates from 1990s. More precisely, it was signed in 1992 by the so-called Visegrád Group that included Poland, Hungary and Czechoslovakia and it came into force two years later, in July 1994. By signing (the original) CEFTA, they hoped to put an additional emphasis on the importance of the existence of democracy and free-market economy. Given the historical perspective in the light of previous regimes in the mentioned economies, it could be said that a signing CEFTA was a great milestone in terms of free market and economic development.

“ IN TIMES WHEN MOST WESTERN BALKANS ECONOMIES FACE CHALLENGES AND PROBLEMS SUCH AS UNEMPLOYMENT, EMIGRATION OF YOUNG PEOPLE, LOW LEVELS OF FDI, ETC. FURTHER REGIONAL ECONOMIC INTEGRATIONS WOULD HELP EASE AND SPEED UP THE TRANSITION FROM THE CURRENT TO A MORE SUSTAINABLE ECONOMIC GROWTH MODEL

As the time passed, CEFTA signatories one by one became EC/EU member states which automatically meant they are “leaving” CEFTA. After a couple of amendments during the years, a very important moment occurred in 2006 when at the South East Europe Prime Ministers Summit in Bucharest, a joint declaration on expansion of CEFTA was adopted. A couple of months later, Serbia, Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, Serbia and UNMIK in accordance with UNSC Resolution 1244 signed an Agreement to amend and enlarge CEFTA, i.e., became signatories of CEFTA 2006. Only a year later, in 2007, it came into force.²

CEFTA 2006 has, as its goals, set the development of free trade and therefore eliminating barriers between the parties (creating a free trade zone by the end of 2010), as well as dealing with investments, intellectual property, competition, state aid and other. CEFTA aims to add the “more attractive” description for the Foreign direct investment (FDI), as it is of crucial importance to attract more foreign investors.³ “The result is a simplified single system of rules that will make it easier to trade within the region. Increased trade plays a key role in promoting economic growth, job creation and reduced unemployment”.⁴ Namely, “in times when most Western Balkans (WB) economies face challenges and problems such as unemployment, emigration of young people, low levels of FDI, etc. further regional economic integrations would help ease and speed up the transition from the current to a more sustainable economic growth model”.⁵

It is especially interesting to mention that CEFTA facilitates the gradual establishment of the EU-Western Balkan zone of diagonal cumulation of origin, as it was envisaged in the European Commission’s Communication of 27 January 2006. In this regard, CEFTA 2006 completely conforms both to the WTO rules and procedures, but also (which is crucial for understanding the relation between CEFTA and EU) EU regulations. In this sense, it should not be disregarded that European Union’s Economic and Investment Plan for the Western Balkans that was adopted in October 2020 creates the grounds for stronger economic integration with the EU.

2 Parties that have become signatories of CEFTA had previously finished a series of bilateral FTAs within the structure of the Stability Pact for South Eastern Europe region. It is important to take into account FTAs “liberalise more than 90% of trade and almost all trade in industrial goods”. EU welcomes signing of new Central European Free Trade Agreement, https://ec.europa.eu/commission/presscorner/detail/en/IP_06_1837 Brussels, 19 December 2006.

3 European Commission, EU welcomes signing of new Central European Free Trade Agreement, 19 December 2006, available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_06_1837

4 EU welcomes signing of new Central European Free Trade Agreement, IP/06/1837 Brussels, 19 December 2006.

5 Alban Hashan et al., *Effects of Stabilization and Association Agreements and CEFTA2006 on WB European Integration and Regional Cooperation: Achievements and Ways Forward*, European Movement in Serbia, Belgrade, 2018, 240.

More precisely, CEFTA “provides an excellent framework for the Parties to prepare for EU accession, thus continuing the tradition of the original CEFTA, whose founding members are now in the EU”⁶ As it is stated “by creating a free trade area, Western Balkan have opted for economic development, showing that they are capable of leading a common economic policy and assuming liability and responsibility for the future of the entire region, which further underlines the European perspective of the entire region and desires to join the European Union”⁷

Finally, it should not be forgotten that CEFTA has, besides the economic importance and paving the way towards EU accession, a great significance in contributing to political stability in the region.

Besides the existence of a (strong) bond between CEFTA and EU, it is also important to mention that CEFTA cooperates with OECD since 2007 and that, the common objective, among other, include “growth and employment through deeper regional, European and global economic integration”⁸

When it comes to social policy, even though not explicitly stipulating labour and social rights and being primarily oriented towards creating a free market and easier trade, one should not overlook the following goals set out in the Consolidated Multi-annual Action Plan for a Regional Economic Area in the WB:

- “Regional training and employability enhancement programme **aiming to mobilize and upskill un/underemployed population (women) to seek revenue generation opportunities through online work platforms; with particular emphasis on youth, women, and people with disabilities**”⁹
- “Implementation of a comprehensive agenda put forward by MAP will require a strong partnership between the WB authorities, the private sector, the international organizations and donors active in providing support in the policy areas outlined above, and the EU”. WB economies are committed to partner with the private sector in the region [...] to ensure that half a million companies operating in the Western Balkans have a better environment in which they can grow, invest, **employ** and use the Regional Economic Area as a launch pad to external markets”¹⁰

6 CEFTA, CEFTA Parties, available at: <https://cefta.int/cefta-parties>.

7 Ministry of European Integration of Government of the Republic of Serbia, The agreement on free trade in the Balkans (CEFTA), available at: <https://www.mei.gov.rs/eng/documents/agreements-with-eu/the-agreement-on-free-trade-in-the-balkans-cefta/>.

8 CEFTA, OECD, CEFTA Issues Paper 4 – Elimination of Non-Tariff Barriers in CEFTA, 2012.

9 IV.3.1. Develop and strengthen supply of digital skill of the Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six.

10 Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six-

Finally, one should have in mind that the Common Regional Market (CRM) Action Plan 2021-2024 stipulates the following (as a goal): “Closely aligning rules and regulations with the core principles governing the EU Internal Market based on the four freedoms approach through mutual recognition arrangements, removing obstacles, and cutting costs and time needed for goods, services, capital and people to move freely across the region. *Growth and employment opportunities will be improved*, as trade liberalisation, capital flows and mobility lead to market expansion, technology sharing, and more investments between WB economies”¹¹

▶ THE INTERTWINING RELATION BETWEEN CEFTA AND EU BASIS FOR RECOGNIZING AND LOOKING UP TO THE EUROPEAN SOCIAL MODEL

In regards to the bonds existing between CEFTA and EC/EU, in the first place, it could be said the CEFTA can be considered to be a part of integration process(es) in Europe that have started in the middle of the XX century.

In this regard, it is important to have in mind that the Cracow Declaration, signed by the leaders of the Czechoslovakia, Hungary and the Poland (the mentioned Visegrád Group) was one of the first and most important documents leading to drafting and adopting (the original) CEFTA. The initial members, i.e., the above mentioned Visegrád Group have set out in Article 2 paragraph 5 the goal to be “the achievement of their full membership in the Communities in the future”.

The goal and the strong relation with the EC/EU remain to this day. Namely, it is the goal to “to improve the readiness of Parties for membership in the European Union [...] Convinced of the necessity to amend CEFTA, in order to contribute to the process of integration in Europe through the opening of CEFTA to all Parties ready to observe the provisions of this Agreement”¹²

11 The Common Regional Market (CRM) Action Plan 2021-2024 available at: <https://cefta.int/wp-content/uploads/2020/11/Common-Regional-Market-2021-2024-Action-Plan.pdf>

12 Agreement on Amendment of and accession to the Central European Free Trade Agreement.

In this context, let's take a look at how the EU welcomed the CEFTA 2006:

*"Prime Ministers of South Eastern European territories have today signed a new Central European Free Trade Agreement (CEFTA). This marks the conclusion of ambitious negotiations launched on 6 April this year. The new CEFTA consolidates 32 bilateral free trade agreements in the Southern European Region into a single Regional Trade Agreement. Although the EU is not a party to this new Agreement, the European Commission has provided continuous political, technical and financial support, at every stage of the trade liberalisation process in South Eastern Europe. The EU warmly welcomes the conclusion of the agreement."*¹³

Furthermore, the (former) EU Enlargement Commissioner Olli Rehn said:

*"The CEFTA complements the EU's Stabilisation and Association Agreements for the Western Balkans. It makes an important contribution to economic development and regional co-operation. For the candidates and potential candidates CEFTA is a stepping stone towards the closer economic co-operation that is an inevitable part of membership of the European Union"*¹⁴

One more aspect that is important to take into account when it comes to the relation of CEFTA and the EC/EU is the fact that once becoming an EU member, the party loses its status in CEFTA. This speaks of the existence of interrelating relation of CEFTA and EU and the fact that CEFTA sort of "prepares" its signatories for joining the EU. In this regard, Poland, the Czech Republic, Hungary, Slovakia, and Slovenia became a part of the European Union in 2004, Bulgaria and Romania joined EU couple of years later. In 2007. Croatia became a member state of the EU in 2013. In the last couple of years, Serbia, Montenegro, Albania and North Macedonia as recognized to be EU candidates and have started started accession negotiations.



PART II EUROPEAN SOCIAL MODEL AS A GUIDELINE FOR ESTABLISHING CENTRAL EUROPEAN SOCIAL MODEL

*"During the Cold War (1945-1991) and New World Order (post-1991) periods, counter-hegemonic social forces devised a number of European-level alternatives to the liberal/neo-liberal EEC/EC/EU. These included plans to construct a Europe-wide social model [...]"*¹⁵

The concept upon which the European integration processes are built is the so-called functionalist approach. More precisely, such approach is clearly summarized in Schuman declaration (which led to establishing the European Coal and Steel Community as the European Economic Community's (EEC) predecessor) i.e., in the following sentence of the Declaration: "Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a *de facto* solidarity". Therefore, the integration processes refer to and include, on one hand the "objective element", i.e., concrete achievements, but on the other also the *de facto* solidarity as a goal.¹⁶ In other words, it is engraved in the sole fundamentals of the EU that economic cooperation and growth are to serve the social well-being. However, as for the EEC, it can be said that it has, for the most part, left the "social policy issues" to the member states. Even though the last couple of decades have shown great progress in terms of social policy, the many events that showed its weaknesses have posed the question of further developments and future in general of the European Social Model. In time, it became clear that "social integration was to occur in a functionalist manner in order to balance economic integration".

Namely, the European Social Model, has the goal of every individual living in dignity. In order for such a goal to be achieved, it is crucial to guarantee labour and social rights and to fight against poverty and discrimination, i.e., to recognize the importance and employment and labour sphere when it comes to achieving dignity.

15 Philip B. Whyman, Mark Baimbridge, Andrew Mullen, Revisiting the European Social Model(s) Debate: Challenges and Prospects, 2014, 8–32.

16 In this sense, taking one more step back shows us that Aristide Briand's Memorandum on the Organisation of a System of Federal European Union that was presented in 1929 also recognized the importance of social integration. In the Memorandum, "Solidarity was understood in terms of creating a moral community whereby Europeans recognise the innate inter-connectedness of their situation and are able to trust that one state will act in the interests of all states, to be able to speak with one voice in times of crisis, and to reap the benefits of co-operation".

13 European Commission, "EU welcomes signing of new Central European Free Trade Agreement", 19 December 2006, available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_06_1837.

14 *Ibidem*.

In this regard, the European Trade Union Confederation (ETUC) considers the following elements to be of utmost importance:

- *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*, with the right to conclude collective agreements, to workers' representation and consultation, and national and European Works Councils;
- social and employment regulation, covering, for example, health and safety, limits on working time, holidays, job protection and equal opportunities;
- state responsibility for *full employment*, for providing *services of general interest*, and for economic and social cohesion.¹⁷

The numbers that testify to the existence of the European Social Model are the following numbers from 2018:

"EU constitutes 7% of the world's population and 20% of global GDP but accounts for at least 40% of global public spending on social protection". Furthermore, "while over 80% of Europeans – if needed – would be covered by unemployment benefit; worldwide this figure is only 25%".¹⁸

In the continuation, we shall in more detail discuss the (crucial) documents in regards to establishing and developing the European Social Model.

As for the founding treaties, firstly, in the Treaty establishing the European Economic Community (TEC) of March 25, 1957, the Common Social Policy was envisaged as one of the common policies, which includes "promoting close co-operation between Member States in the social field, particularly in matters relating to:

- employment
- labor law and working conditions;
- basic and advanced vocational training;
- social security;
- prevention of occupational accident, and diseases; occupational hygiene; the right of association, and collective bargaining between employers and workers".

Further on, the Treaty of the functioning of the European union (TFEU) is considered to be a crucial pillar of the "social Europe".

In regards to social policy, TFEU (which is considered to be the main pillar of the European social model) in

¹⁷ European Trade Union, "The European Social Model", July 2006, <https://www.etuc.org/en/european-social-model>.

¹⁸ European Economic and Social Committee Employers' Group, The European Social Model – Can we still afford it in this globalised world?, 2018.

various provisions refers to importance of social policy. In Article 8 referring to gender equality is stipulated that the TFEU: "shall aim to eliminate inequalities, and to promote equality, between men and women". In the next article, the necessity 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" is emphasized. Besides that, when it comes to employment and social security rights, one must have in mind **the importance of social dialogue**. In this regard, the TFEU in Article 152 stipulates the following: "The Union recognizes and promotes the role of the social partners at its level, taking into account the diversity of national systems. It shall facilitate dialogue between the social partners, respecting their autonomy" and provides for an even more concrete guidelines in achieving such dialogue through strategies".

Besides the mentioned, the European Charter of the Fundamental Rights dating from 1989 also includes provisions relating to equality and solidarity, fair and just working conditions, social security and social assistance, as well as trade union rights such as collective bargaining and strike action. Over time, this common policy was developed and upgraded and the so-called European Social Model. In short, the Charter "enshrines the fundamental rights of association, information and consultation, and collective bargaining and action, anchors the role of the social partners in EU social policy, and ascribes legitimacy to collective bargaining and collective action, and to information and consultation at the level of the enterprise".

Also, one should not neglect the significance of the White Paper on social policy (COM (94) 333) dating from 1994 which referred to European Social Model as a model that has as its crucial values democracy, individual rights, social protection and solidarity free collective bargaining, the market economy, equal opportunities for all. The crucial idea, as stated in the Paper, is the following: 'Competitiveness and solidarity have both been taken into account in building a successful Europe for the future.' In this regard, the Paper emphasizes the importance of social protection.

In terms of secondary EU law, one should mention Council Directive 2002/14, Directives 94/45 and 2009/38.

Finally, as for the EU 2030 Agenda, it states the following: "The world faces many increasingly pressing challenges.¹⁹ The EU's main sustainability challenge for the coming decade is to decouple its economic development from environmental degradation and *overcome the remaining social inequalities*". In this regard, it emphasizes that "social investment has to remain a top priority including in:

- education;
- training and life-long learning;
- working conditions;
- healthcare and long-term care;
- social inclusion and minority rights;
- gender equality;
- rural development".

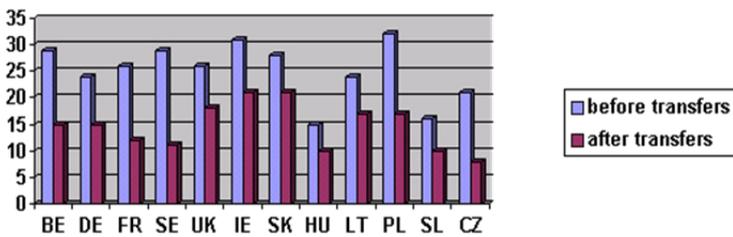
¹⁹ The Agenda can be accessed at: https://ec.europa.eu/info/sites/default/files/factsheet-eu-delivering-2030-agenda-sustainable-development_en.pdf.



Based on the said, it can be concluded that one of the key directions in the development of the European integration process embodied in the EC and EU was the constant expansion of competencies, which led to the creation of “an ever-closer union” among the peoples of the member states. A significant conceptual mechanism through which this expansion of competencies was realized, and thus the deepening of integration, is the so-called functionalist spill-over effect. Extending CEFTA’s engagement to the social sphere would be a perfect example of the functioning of the “spillover” effect.

Given the proposed solution as referring to the European Social Model, it should be analyzed which results has introducing the European Social Model in the EC/ EU has had. In this regard, the ETUC provides us with the following chart of collected data before and after the social transfers that are a part of the European Social Model (the data dates from 2006):

Poverty risk before and after social transfers



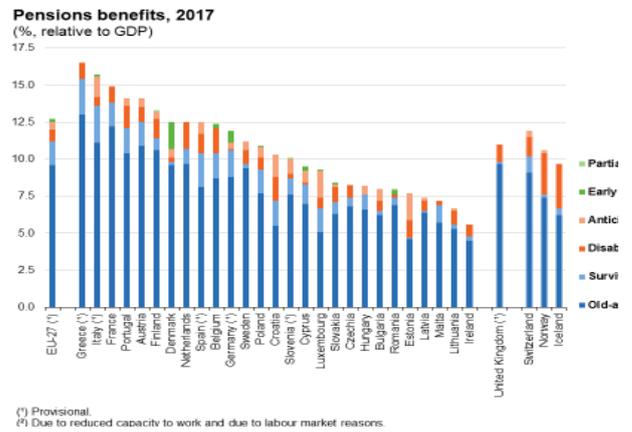
The chart shows **great reduction of poverty risks after the social transfers**, which is an aim that CEFTA parties should also aspire to achieve.

Reducing of poverty is a part of a (more) fair distribution of wealth. In this, the more recent data (from 2017) also speaks of a fairer distribution of wealth in the EU:

In this regard, one must have in mind that the issue of the existence and development of the (European) social model and the issue of inequality of distribution are, without a doubt connected. Namely, the more the social is developed, the less shall be the inequality of income distribution.

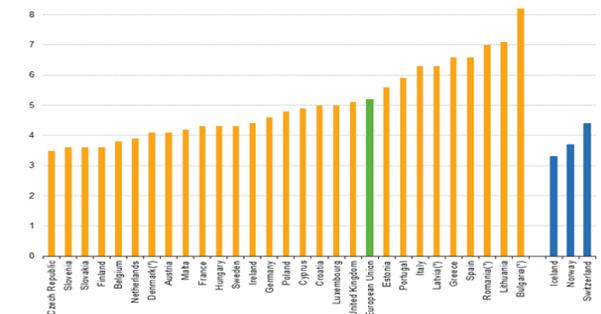
The average income quintile share ration in the EU in 2017 was 5.1, while as for current CEFTA signatories we can see that inequality in Serbia and Albania is over 7 based on income quintile share ration, while there is no data available for Montenegro. In this regard, the CEFTA should not “only” aim to achieve the average 5.1. percent, but aim catch up with the EU members that have the lowest index of inequality of income distribution and the path towards such a goal includes building a Central European Social Model.

The difference in the inequality of income distribution within the EU states can be seen more precisely from the Eurostat data shown in the following graph:



Further on, the (positive) effects of the European Social Model are also visible when it comes to pensions, which can be seen from the next graph, which is provided by the Eurostat. When it comes to pensions in the EU, it is important to have in mind that “the Pensions strand of the Open Method of Coordination is governed by three main objectives - adequate pensions, sustainable pensions and modernized pensions - and its indicator portfolio is structured along these objectives”.²⁰ In this regard, the graph shows the pension benefits in % relative to the GDP which further shows the efforts of the EU to provide pensions to EU citizens, which should (also) be a guideline for the Central European Social Model.

Income inequality - quintile share ratio, 2016



(*) 2017 data

ec.europa.eu/eurostat

Data show²¹ that the unemployment rate is generally speaking quite high in the CEFTA region, while, opposed to it, it is (even though there are some exceptions) quite low in the EU. Overcoming the issues of unemployment (as well as working “under the radar” as these persons are also considered to be unemployed) should certainly be tackled within the Central European Social Model. The CEFTA economies should aspire to fall within the “blue colour” in the context of the presented map and the way to achieve it is the existence of a social model.

20 Eurostat, Pensions, available at: <https://ec.europa.eu/eurostat/web/employment-and-social-inclusion-indicators/social-protection-and-inclusion/pension>

21 Eurostat, File:Map - Unemployment rate 2019, available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Map_-_Unemployment_rate_2019.jpg.

However, one should not disregard that there are many challenges in implementing any social model, including the European Social Model. Namely, contrary to the constant efforts to create a “social Europe” one must have in mind that, to this day, *“the underpinning asymmetry between economic and social integration remains untouched”*.²² In this regard, it seems that efforts to achieve social rights and generally well-being are now, in the globalized 21st century world, more than ever being put to a test. In that sense, “the breakdown of national welfare state systems since the 2008 financial and economic crises, the rise of populism in a number of Member States, Brexit, and now the Covid-19 pandemic engender a sense of urgency into the debates on the future shape and form of the European Social Model”.²³

One cannot turn a blind eye to the fact that “an economy that works for the people should ensure social fairness. But believe it or not, in 2020, around 110 million people in the EU, one of the most prosperous regions in the world, are at risk of poverty or social exclusion. While the numbers in poverty have been falling, the depth of poverty is increasing – meaning those still in poverty are falling further behind”.²⁴ Namely, “it is a well-argued stance that such challenges are considered to be a consequence of relatively modest growth, which is rooted in untapped potential in terms of participation in employment and productivity”.²⁵

However, such number **should not discourage, but in fact show that even though the European Social model has not perhaps achieved all of the goals that were intended, it still has great value and importance.** The problems that occur do not mean that such a model should be given up on, but in fact that it is necessary to put in more efforts and try even harder in order to create a “social Europe”.

One should always keep in mind that social and economic progress are always intertwined, and the path towards sustainable built upon dignity, i.e., European Pillar of Social Rights.²⁶ In this regard, it is stated that “the future of the European Social Model will ultimately be determined in social struggles. What is needed is a “collectivist counter-movement”.²⁷

22 Rebecca Zahn, “What Future for the European Social Model? Revisiting early intellectual concepts of social integration”, 9 June 2020, available at: <https://www.europeanfutures.ed.ac.uk/what-future-for-the-european-social-model-revisiting-early-intellectual-concepts-of-social-integration>

23 Rebecca Zahn, “What Future for the European Social Model? Revisiting early intellectual concepts of social integration”, 9 June 2020, available at: <https://www.europeanfutures.ed.ac.uk/what-future-for-the-european-social-model-revisiting-early-intellectual-concepts-of-social-integration/>

24 Caritas Evropa, “The European social model and challenges ahead”, 20 March 2020, available at: <https://www.caritas.eu/the-european-social-model-and-challenges-ahead/>

25 European Commission, European Pillar of Social Rights.

26 *Ibidem*.

27 Christoph Hermann, Birgit Mahnkopf, The Past and Future of the European Social Model, Working Paper, No. 05/2010, Institute for International Political Economy Berlin, Berlin.

What is more, a way to overcome the mentioned is “a well-educated workforce will contribute to the future sustainability of the European social model”.²⁸

As President of the European Commission Ursula von der Leyen said in January 2021:

“As we overcome the pandemic, as we prepare necessary reforms and as we speed up the twin green and digital transitions, I believe it is time to also adapt the social rulebook. A rulebook which ensures solidarity between generations. A rulebook that rewards entrepreneurs who take care of their employees. Which focuses on jobs and opens up opportunities. Which puts skills, innovation and social protection on an equal footing”.²⁹



PART III THE CENTRAL EUROPEAN SOCIAL MODEL AS PART OF CEFTA – POLICY RECOMMENDATION FOR A MORE SOCIAALLY JUST REGION

“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”.³⁰

In regards to CEFTA, it is important to mention that CEFTA refers to free movement of goods and services, as well as rules regarding competition and foreign investment as a form of capital movement. Further on, it includes intellectual property protection and public procurement rules. These objective elements of economic integration within CEFTA necessarily lead to the creation of a relationship of solidarity among the

28 European Economic and Social Committee Employers’ Group, The European Social Model – Can we still afford it in this globalised world?, 2018.

29 European Commission, “Speech by President von der Leyen at the European Parliament Plenary on the presentation of the programme of activities of the Portuguese Presidency of the Council of the EU”, 20 January 2021, available at: https://ec.europa.eu/commission/press-corner/detail/it/speech_21_168.

30 ETUC, “The European Social Model”, July 2006, <https://www.etuc.org/en/european-social-model>.

populations of the signatories, “through the realization of common interests, improvement of living conditions through joint efforts and direct contacts in the free movement of goods and services”.³¹

Even though the term employment is not explicitly mentioned or dealt with in CEFTA, one must have in mind that “*generating employment opportunities through investment is a priority throughout the region*”.³² Besides that, given the fact that CEFTA extensively deals with the issue of trade of goods and services, it immediately poses the issue of moving of persons who perform the services as well. In this regard, creating a common market, due to the practical reason of persons performing the services, requires at least unification in terms of basic labour (and social) rights for these persons.

It is crucial to, when discussing trade and more generally economic issues, have in mind that there would be no trade if there would not be many persons involved. In this regard, a person has to create or manufacture goods, in certain cases a person needs to transport the goods and when it comes to services, a person needs to provide certain service. In that sense, the people in the process should not be put to side as trade governed by CEFTA could not happen without the people involved. Therefore, these people should be protected not only by national legislation, but also by CEFTA and in this regard creating the Central European Social Model that would be incorporated in CEFTA is a potential way to achieve that. In relation to CEFTA region, it is important to have in mind that “in some economies, the effectiveness of policies aimed to increase competitiveness by only cutting labour costs should be questioned. The challenge of competitiveness in southern Europe is closely related to closing technological gaps.”³³

In order for the aspects of the Central European Social Model that would be introduced to be presented in the most comprehensive and clear manner, they shall be briefly explained in the following, one after another:

- **TACKLING THE ISSUE OF WORK EXPLOATATION** – Clear guarantees of freedom to work and prohibitions of, not only forced labour, but also work exploitation. In this regard, it would be necessary to introduce provisions that speak of the clear stance of the CEFTA signatories to *fight against work exploitation* and guarantee dignity in employment as well as in terms of social security. In this sense, it is crucial also to recognize the many persons working “under the radar” i.e., in the so-called grey economy in order to survive and to provide to these persons on one hand, minimum rights even if they are in such a position, while the other hand mechanisms to quickly and as simply as possible find a legal job where labour and social rights are secured. In that sense, giv-

31 ETUC, “The European Social Model”, July 2006, <https://www.etuc.org/en/european-social-model>.

32 CEFTA, Investment, available at: <https://cefta.int/priorities/investment>.

33 International Labour Organization, “Why the European Social Model is still relevant”, available at: https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_238253/lang--en/index.htm.

en the widely present work exploitation and the abuse of legislation are red flags showing that it is also necessary to recognize the workers that work without any rights.

- **MATERNITY AND PATERNAL LEAVE** – Even though the national employment legislations as a rule recognize the need to provide maternity and parental leave, it would be a step forward if CEFTA would also recognize the issue. Namely, all workers or even broader all of the employees but also all persons engaged to provide a certain service, whether employed based on an employment contract or working based on some other form of contract at some point have the need to take care of a child or a certain family member. The issue of the family responsibilities and the (im)possibility to achieve balance between professional and family life is an issue of great interest in the EU. Namely, the fact that the Work-life Balance Directive was adopted in 2019 speaks of the constant efforts to help workers reconcile their professional and family obligations. Even though it would perhaps be too much for CEFTA to include explicit provisions in terms of duration of maternity or parental leave, it would be a great step forward for CEFTA to recognize that the issue of reconciliation of family and professional obligations is indisputably related to economic issues as well. In this regard, taking a stance on issue in CEFTA would be a clear sign that the signatories of CEFTA are willing to put in (more) efforts to improve the status of the ones having family obligations.
- **RECOGNIZING THE LABOUR RELATION** – Given the fact that is in detail deals with the issue of trade of goods and services, CEFTA should also recognize the issue of concluding other types of contracts such as service contract or other contract which employers offer as the only option to the worker even though there is *de facto* an employment relationship in question, while employers insist on a different type of contract precisely in order to avoid paying taxes and contributions, i.e., to make the workforce “less expensive”. Such a risk especially exists in terms of the area covered by CEFTA, i.e., in producing and transporting goods and providing services. Namely, it is an issue that depends on each individual case at hand and even though there are certainly cases where it is only natural to have a service contract, there are also cases where there is in fact an employment relation. In this regard, CEFTA should introduce parameters such as the time frame, the duties and responsibilities that a person has and other in order to make a distinction between service (and other types of contracts on one hand) and *de facto* employment.
- **EQUALITY** – the issue of equality in terms of employment and social law is of crucial value and the necessary step in order to achieve social justice. Namely, guaranteeing equality means guaranteeing prohibition of any type of discrimination in the fields of employment and social benefits. Regardless of the constant

efforts in both international and national law, inequality remains a very common issue. That is especially true for gender inequality which continues to be widely present in the CEFTA region and one of the most important manifestations of the existence of gender inequality is the gender pay gap. Besides that, it is also necessary to combat discrimination based on any other ground and to help each person find a decent job. That is also true for migrants, who are still in CEFTA economies often working without any documentation and labour and social rights. Based on the said, CEFTA should address the issue of equality and especially set as one of its goals eliminating (or at least reducing) the gender pay gap existing in the CEFTA parties.

- **SOCIAL BENEFITS (SOCIAL TRANSFERS)** – In this regard, it would be necessary for CEFTA to recognize the necessity of social benefits to each person. What is more, in relation to the previous issue of recognizing the labour relation, it would be especially commendable if CEFTA would recognize the need to provide social benefits (at least in terms of protection from health risks) to each person performing a certain work even if engaged based on service or other contract which is not the employment contract. In that sense, it is understandable that it is not within the scope of CEFTA to in more detail decide on the pensions, unemployment benefits, family and other benefits. However, CEFTA should at least recognize the need for the social benefits to be in more detail regulated in national legislation as they are a clear manifestation of solidarity and the basis for helping people deal with the challenges they are facing.
- **COLLECTIVE RIGHTS** – Besides the individual rights, it would also be a great move if the CEFTA would recognize (at least through one provision) the importance of the right to form trade unions and for such unions to have rights to collective bargaining and action. Besides providing support to trade unions operating at the national level, CEFTA could introduce a possibility of creating a supranational trade union that would safeguard, at least fundamental, labour and social rights in the CEFTA region. Also, another benefit of such a trade union would be that it would the chance the recognize the common problems of the current CEFTA signatories, but also trends for overcoming problems possibly existing in some of the CEFTA economies that could serve as a guideline for others facing the same issue. Learning from each other's experiences would be especially beneficial taking into account, to certain extent present, common history and problems current CEFTA signatories are facing.
- **PROHIBITION OF CHILD LABOUR** – One more issue that would be beneficial for CEFTA to address would be the prohibition of the child labour. Namely, even though such is generally regulated by the ILO Convention 138 and ILO Convention 182 which are obligatory for all the parties that have ratified these fundamental ILO conventions, it would nevertheless be of great importance that

CEFTA, as a very important document for the Central European Union, mentions the issue.

- **VOCATIONAL TRAININGS** – When it comes to vocational trainings (or, as sometimes called technical and career education), they are in the first place important as such. Namely, they are aimed at helping people develop their skills and find job. What is more, the special benefit of including the vocational trainings not only at the national level but for the whole CEFTA region is twofold. On one hand, the fact that CEFTA itself in detail deals with trade of goods and services and those vocational trainings would help workers develop their skills precisely in this field, it would be beneficial in terms of providing higher level of quality of goods and services. On the other hand, the wider territory included several economies, i.e., CEFTA region also creates a wider range of possibilities for engaging someone. In this regard, the ones taking up the vocational training would have an input on the necessary skills in the wider region which would also benefit them in choosing which skills to develop and finding a way to find work. The reflection in the mirror shows the employers or the ones engaging a person to provide goods or perform a service would also have a better possibility of finding the person who has all the necessary skills to perform the required work.
- **SOCIAL DIALOGUE** – Finally, it would be very important for CEFTA to include provision(s) relating to social dialogue as a crucial tool for providing social justice. Namely, the dialogue between those who have (to some extent) common, but also (to some extent) opposed interests. Namely, the participants in the social dialogue would be representatives of governments, but also of organizations of employers and workers that would be constituted at the level of CEFTA parties. Social dialogue would allow for sharing the issues and discussing ways to overcome them and find a solution that suits each side. Even though it is much easier said than done, recognizing the importance of social dialogue is the path to be taken in order to find the best solution and understanding everyone's point of view when it comes to labour and social issues.

▶ THE PARTICULARITIES THAT NEED TO BE TAKEN INTO ACCOUNT WHEN CREATING THE CENTRAL EUROPEAN SOCIAL MODEL

Generally speaking, even though they have common core values such as solidarity and democracy, it is a widely adopted stance that there are different models of a welfare state in different EU members, which is a consequence, among other, of different history and tradition in terms of providing labour and social rights.

Contrary to EU, which has member states with different history and tradition (which also puts an emphasis on the need to create a common social policy), all of the current CEFTA signatories have, to a certain extent, similar past. Namely, such similarities are primarily manifested in the fact that of the CEFTA parties have had, for a greater or smaller time frame, a communist regime. Of course, the characteristics of the communist regime as opposed to the capitalist economies were present in the political sphere. However, one also must remember that precisely the communist regimes have affected the way economic and social rights were regulated in the legal framework, but also exercised in practice.

Namely, these economies have had quite developed economic and social rights, i.e., the so-called second generation of Human Rights guaranteed (among other international legal documents) by the International Covenant on Economic, Social and Cultural Rights. That is especially intersecting in comparison to the so-called first generation of human rights, i.e., civil and political human rights which are guaranteed (among other international legal documents) by the International Covenant on Civil and Political Rights, which were in such a regime sometimes “in the shadow” of economic and social rights. Namely, such regimes have (at least in legislation) put a great emphasis on the situation of a worker and guaranteeing that each person who works should have his/her needs met. Of course, there were many violations of such an idea in practice, and the poverty in some of the economies has made *de facto* exercise of any social and economic right impossible.

That being said, precisely such common history and common traits of the past make it even more so logical to have, at least fundamental, labour and social provisions in the CEFTA region and amending CEFTA in order to do so is a road to be taken.

Even though the times have changed and the communist regimes are no longer present in any of the CEFTA parties, they are still economically developing and poverty is a great issue. Therefore, even though having market-oriented econ-

omy and capitalist regimes, work exploitation, seems to be an issue widely present in the region. Namely, the violations of labour and social rights are many and they vary from “less serious” forms such as not paying overtime work to work exploitation which is border line with forced labour. Also, there is a common practice of concluding various types of contracts in order to avoid concluding an employment agreement and paying taxes and contributions, guaranteeing the right to work time and salary and rights.

Precisely such violations and many problems in enforcing the legal framework in terms of labour and social rights speak of the need for such rights to be, besides the universal standards provided by the ILO, also dealt with regionally, i.e., in the CEFTA region.

The particular benefits (besides the general benefits that the existence of a social model has *per se*) for the region at hand are twofold:

1. Fundamental labour and social rights would be guaranteed by an international agreement which is directed specifically towards a region that shares, to some extent, common history, but also common problems in terms of labour and social rights. Recognizing the similar problems would help create or propose solutions tailored to the specific problems in exercising labour and social rights;
2. It would have a great symbolic meaning as it would on one hand be a recognition of the fact that the CEFTA parties are struggling in achieving dignity in the spheres of employment and social security, but also that they are ready to, with joint forces, put an end to work exploitation and in general violations of labour and social security rights.

“ CONTRARY TO EU, WHICH HAS MEMBER STATES WITH DIFFERENT HISTORY AND TRADITION, ALL OF THE CURRENT CEFTA SIGNATORIES HAVE, TO A CERTAIN EXTENT, SIMILAR PAST. NAMELY, SUCH SIMILARITIES ARE PRIMARILY MANIFESTED IN THE FACT THAT OF THE CEFTA PARTIES HAVE HAD, FOR A GREATER OR SMALLER TIME FRAME, A COMMUNIST REGIME.

▶ CONCLUDING REMARKS

NO STEP TOWARDS A BETTER WORLD IS EASY BUT THE FIRST STEP IS THE LEAST EASY

CEFTA has had and continues to have great importance in developing trade and economy in general in signatory states. Besides the sole development of trade, it also has great importance on their path towards accessing EU.

Even though CEFTA has had and continues to have great (economical) effects, it is important to have in mind that there are always ways to take a step further in its development. In this regard, the author has put forward in this policy paper the idea to develop a social model that would guarantee some basic labour and social rights to people in the CEFTA signatory states. Recognizing solidarity as a value and creating a social model as manifestation of such solidarity especially makes sense in regards to CEFTA taking into account that CEFTA deals with the trade of goods and services.

In this regard, giving the strong bonds that exist between the EU and CEFTA, the European social model could be a guideline for developing a social model as part of CEFTA. Namely, so far, the European social model has had and continues to have many positive effects. However, when analyzing and discussing implementing the European Social model one must have in mind also the challenges that this model is facing in order to try preventing such challenge in the Central European Social Model.

The Central European Social Model would include, but not necessarily limit to issues such as fighting against work exploitation, social benefits, equality, collective rights, prohibition of child labour, vocational trainings and other. Including at least fundamentals of the social model in CEFTA would have many benefits in terms of the situation in the labour market. Namely, it is a stance of the author that providing better situation for workers (and not only the ones that have an employment contract, but to anyone performing any sort of work regardless of the contract it is based upon) would also benefit the development of economy. Even though providing a social model is at the first glance the more "expensive" solution, long-term perspective shows that well-being of the workers positively effects the quality of the work performed, i.e., the general development of CEFTA region.

Even though constructing a social model that would take into account the intentions on one hand and the realistic opportunities on the other. Therefore, constructing a social model that would take into account the many and opposed interests is by no means an easy task. What is more, implementing such a model is an even more difficult one. However, it is also a chance to achieve a higher level of cohesion between the CEFTA parties and to implement solidarity into CEFTA, which is a goal worth fighting for.



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