

Social Policy in Latin America and European Union
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Ladies and Gentlemen,

In my short contribution I would like to address a number of issues relating to social policy. I believe continuous dialogue between the EU and Latin American countries in this field is of an immense importance for both sides. There are big differences between our continents, however, I believe we can find many common points and European experience can perhaps serve as a model for Latin America.

Europe has relevant experience in this subject since it also faced a similar challenge during its own process of integration, in particular as regards the integration of regions with deep economic disparities. There are great differences between the countries of the European Union, especially now, after the enlargement. Not only within the European Union as a whole, but also within the Member States can we see considerable disparities. In my home country- **Slovakia**, it only takes 6 hours by train to get from the capital where the living standard is above the EU average, with 3% unemployment;

to the poorest part- eastern Slovakia with more than 20% unemployment, and in some areas with no access to drinking water. Slovakia joined the EU last year as one of the least developed countries in terms of social and economic situation; it had high unemployment (which is still the second highest in the EU). However, we have introduced many reforms in the social security and pension system, changed our labour laws and now my country is often regarded as "Eastern European Tiger".

Countries of Latin America are very heterogeneous which makes the situation even more complex. However, there is a direct connection between **inequality** and **poverty** and economic progress and **growth**. Social exclusion is both, a cause and a consequence of this inequality. In Latin American countries, it seems more and more visible that poverty is linked to **ethnic and racial origins**. Wide disparities between social conditions, living standards between regions within countries, between rich and poor, between men and women, between indigenous and non-indigenous population slow down the process of economic development. Socially excluded population in the region, by gender, age, race, ethnicity, disability, AIDS/HIV etc. encounter common disadvantages.

Distribution of **education** is one of the most important channels which affect the growth. Although the rates vary from country to country, the statistics show that the average length of schooling for the poorest part of the population is only 4 years whereas for the richest part it's 10 years. Primary school enrolments rates are lower for children from indigenous families.

Improving low productivity of poor and excluded workers, which in many countries comprise of more than half of the labour force, should be fundamental to enhance the region's growth. There is significant labour

market segmentation. Rural workers earn nearly 30% less than urban workers and women earn 25% less than men.

Another challenge which the Latin American countries face is the **access to infrastructure services.** In poor communities this access is often insufficient. This closely relates to the distribution of **health.** Healthcare systems play a key role, not only in combating diseases and the risk of poverty but also in generating social cohesion, a productive workforce, employment and hence economic growth. It has been proved that it is mostly people with low wages who continue to suffer from a greater incidence of diseases. Occupational and wage discrimination, along with stigma mostly affects indigenous women and afro descends. Indigenous women, even though they observe the highest fertility, have the highest **mortality rates** and indigenous children have the highest infant mortality rates. Also, inequality and exclusion are increasingly linked to **increased violence and crime.**

Countries with high social inequalities are proved to be less resistant to **economic crises.** Often their vulnerability to various economic recessions results in an increased poverty, through unemployment, wage reductions or changes in relative prices.

Moreover, there is inadequate information about the excluded. This **“invisibility”** also contributes to their exclusion. It is not surprising that the region is more familiar about the diversity of its industrial policy than about the diversity of its citizens. Data collection efforts related to identification of indigenous population need to be improved in order to monitor the progress. As socially excluded are not represented, they lack voice and influence in decision making process. As a result, they have no influence over the shape of structural reforms.

Although the countries of Latin America have made a significant progress in stabilizing their economies, the issues of social exclusion and inequality still haven't been fully addressed. Indigenous population has to have better access to social services and health care. Bilingual and bicultural educational programmes have to be introduced. Governments and relevant authorities have to take steps to establish a dialogue with representatives of excluded groups, naming representatives of excluded groups into key government positions.

The problems facing today's Europe and its economies are significant. We are confronted with strong economic competition in an increasingly globalized world. Next to the challenge from the US and Japan, emerging economies, for example China, progress rapidly. In the meantime, ageing populations, inflexible regulations and increasing costs accompanied by low levels of growth, productivity and employment creation are emerging in Europe.

Lisbon European Council in 2000 identified a set of challenges which must be met so that Europe can become "**the most competitive and dynamic knowledge based economy in the world of sustainable economic growth with more and better jobs and greater social cohesion**" with 2010 as a target date. Concretely, European governments committed themselves to work towards a new strategic goal. This requires modernization of European social model, investing in people and combating social exclusion. This is crucial to retain the European social values of solidarity and justice while improving our economic performance. This new

social policy does not seek to harmonize social policies. It seeks to work towards common European objectives and increase coordination of social policies in the context of internal market.

Since the Lisbon strategy agreed in 2000, the Union has **enlarged** and its the economy has weakened. The population has become more skeptical, and the situation of vulnerable groups has become more difficult. The EU population has increased by 20% while the addition to the European GDP is only 5%. Moreover, the new Member States are characterized by strong regional disparities with wealth concentrated in a small number of regions. For example, the EU 25 average employment rate has dropped as a consequence of enlargement by almost 1.5%. The long-term unemployment rate for the EU 25 is 4% compared with 3.3% for the EU 15. Therefore, if the European Union is to succeed in the face of these challenges, it urgently needs **strong social cohesion**.

The Lisbon strategy **does not require additional funding**. It requires **re-direction** of public expenditure to improve efficiency. Employment has to be put at the centre of the economic agenda.

Now we are **half way through** Lisbon and the results are rather unsatisfactory. The European Union and the Member States themselves have clearly themselves contributed to slow progress by failing to act with sufficient urgency. It seems that in 2000 we identified **too many priorities** which became too confusing and too complex for the Member States to follow. Lisbon was about everything and therefore in reality about nothing. The agenda was overloaded, the coordination was not good enough and the priorities were conflicting. Therefore, we have to **refocus** the Lisbon agenda on growth and jobs through **fewer and clearer priorities**. Member States have to take greater "ownership" and responsibility of the Lisbon agenda.

The European Commission must be prepared to '*name and shame*' those that fail and '*fame*' those who succeed.

The current **employment rate** across the European Union is still far from the targets set at Lisbon. There are signs of labour shortages and skills gaps which risk limiting our capacity for further growth. Too many barriers discourage people from entering the workforce or limit mobility once they are in it. While many new jobs have been created, still around 14 million people are currently out of work. The Lisbon strategy calls for increasing employment rate; 67% by 2005 and 70% by 2010. Progressive increase of about 5 years in the effective average age at which people stop working is required. In addition to this, employment is still relatively low in certain activities- like services. Participation among women as well as certain groups like elderly and disabled people is too low. It needs to be stressed that unemployment is the most important reason for poverty. This is why a job is the best safeguard against social exclusion.

However, employment alone does not solve all problems. We have to **invest in people**, provide them with real opportunities to prepare for rapidly changing working conditions. Europe still lags behind the United States in taking up new technologies, notably the internet.

Action is still needed for young people in order to reduce **youth unemployment** which is currently very high. We need better vocational training, development of apprenticeships, greater mobility of students, teachers and trainees. Moreover, many young people find it difficult to combine work with family life.

Another problematic area, which didn't seem apparent in 2000 is **ageing population**. Two forces, declining birth rates and rising life expectancies are interacting to produce a dramatic change in the size and age structure

Europe's population. By 2050, the working age population (15 to 64 years) is projected to be 18% smaller than the current one, and the numbers of those aged over 65 years will have increased by 60%. This will have crucial implications for the European economy and will put pressure on pension and welfare systems. Ageing will raise the demand for pensions and healthcare assistance at the same time as it reduces the number of people of working age, to produce the necessary wealth.

To foster innovation and the knowledge based economy and provide business with the workforce they need, our **educational and vocational systems** need to be modernized, life-long learning promoted and interaction between businesses, schools and universities has to increase. Science in general is undervalued and the conditions for scientists and researchers are not competitive.

The European Union has created **agencies** active in the social area. European Foundation for the Improvement of Living and Working Conditions in Dublin, the European Agency for Health and Safety at Work in Bilbao, Monitoring Centre of Racism and Xenophobia in Vienna, the European Centre for the Development of Vocational Training in Thessaloniki and the European Training Foundation in Turin can all make a valuable contribution in the field of social policy. Regrettably, all of them are located in the old Member States. However, European Gender Institute is currently being set up and it is planned that it will have its seat in one of the new Member States. This will also help to "bridge the gap" between EU 10 and EU 15.

The promotion of growth and employment in Europe is the **next big European project**. Not all the reforms are progressing the way we would like them to; but despite all the weaknesses, Europe has every reason to be

positive about its economic potential. We have created a unique social model and the enlarged Europe has every potential for the future prosperity and economic growth. That is why we have to share our ideas and experiences, and discuss the problems we have encountered in putting our reform through. Perhaps our experiences in the European Union could serve as a fresh impetus for the social reforms in the Latin American countries. Therefore, I believe that continuous dialogue and exchange of best practices would be very helpful in the area of social policy, social protection and social exclusion, for the European Union and the countries of Latin America.

Muchas Gracias.