



## **Global Europe, Social Europe**

### **Statement**

The EU needs a big debate on the future of Social Europe in the global age. For a brief period after the Constitutional Treaty referenda, the need for this debate won wide acceptance. As the British Prime Minister, Tony Blair, rhetorically asked in his speech to the European Parliament in June 2005, what kind of social model is it that leaves almost 20 million people in the EU unemployed? As the EU approaches its fiftieth anniversary and institutional issues once again look likely to dominate the political agenda, the more fundamental debate on Europe's economic and social future needs to recapture its post-referenda momentum.

While the need for reform is widely accepted, there are major differences about what reforms are called for. Yet an unhelpful polarisation of opinion in Europe hampers serious debate. Whereas many on the political right promote free markets, lower taxes and a smaller state above all else, many on the left defend the need for 'Social Europe' but resist change and innovation.

Our view is different. Europe does not need to adopt a neoliberal orthodoxy. It is wrong to think that only low-tax, deregulated economies can prosper in a world of intensifying competition. But left conservatism is not viable either, given the numerous challenges facing Europe's welfare states.

These challenges are not just the result of globalisation. The success of the post-war social model has increased life expectancy with its consequences for pensions and social care, and extended life choices for women, with their impact on the differing fortunes of one-earner and two-earner households. Technological change means fewer low skilled jobs. The age of affluence has fuelled the rise of the knowledge and service economy, led to the emergence of new health and social risks and a shift to post-materialist values. At the same time globalisation itself intensifies the decline in manufacturing jobs and frees mobile capital to tap the potential of a rapidly expanding pool of labour in the rest of the world. Finally, the problem of insecurity has hit the bottom of the labour market particularly severely – predominantly the service sector – aggravated by the declining rate of unionisation that has weakened protection for low-skilled workers.

Diversity characterises the welfare systems of Member States, but the challenges they face in the future have much in common.

While the defence of the welfare status quo may seem electorally attractive in the short term, it is a political dead end. Failure to advocate progressive reforms leads to blockages in our societies that

will result in eventual crises that pave the way either for radical neo-liberalism following the British Thatcherite example, or more likely today, protectionism and populism on both the far left and far right as our societies polarise and the losers from globalisation become alienated from the established political system. Recent national and regional elections in a number of European member states have only confirmed this trend.

In this context, *Policy Network* (PN) established a group of experts from across the Union to analyse the state of health of the social model and suggest reforms that might be made. Some twenty senior academics were involved in this project, who contributed papers and participated in seminars that were held in many countries across Europe, enabling the project to escape the confines of a purely 'Anglo-Saxon' approach.

A significant strand of analysis on the problems of social reform in Europe has focused on the so-called "service economy trilemma" – the supposed incompatibility of having simultaneously balanced budgets, low levels of economic inequality and high levels of employment. The consensus of the contributors to the PN project is that this focus has been excessive. The evidence shows that those countries that have been able to reform have done well in the global marketplace *and* have sustained high levels of social justice. There are many different European social models and some perform far better than others. Those that function best prove that social justice and economic efficiency *can* be mutually supportive. They show that certain versions of the European social model can confer competitive advantages, but a poorly functioning social model can, on the contrary, become an economic handicap. The future of Europe – and perhaps even the continuing existence of an effective European Union – depends upon reforms being generalised to make this complementarity possible.

To favour a Social Europe is not to assert that all social expenditures are efficient. Assessing the efficiency of public spending is crucial. Moreover, in the light of the new inequalities emerging in our societies we need to continually rethink what we mean by social justice. We must be prepared to face the paradox that defence of an existing social model may in crucial respects not serve the cause of social justice, while reform that superficially challenges traditional conceptions of social justice may actually fulfil the long-term demands of social justice more effectively.

Reform should not simply be argued for on the grounds that there is no alternative. It is not only about forcing adjustment to changes which inevitably occur: it is arguing for deep reforms in order to advance social justice in a world of change.

So far within the EU, the intensive discussion of the need for economic reform has not been matched by an equivalent analysis of social changes. The much-touted knowledge economy is not just an empty term, an invention of the Lisbon agenda that lost its relevance when the dot.com bubble collapsed. More accurately, the shift to a knowledge and service economy is clearly underway. Yet without a detailed social analysis, we cannot hope to identify the new social risks that challenge traditional conceptions of social justice and implement effective reform programmes.

The concept of social justice must be put at the core of the debate about Lisbon. Generalities about social inclusion are not enough. Reformers actively must make the case – with evidence – that reform promotes, not undermines, social justice.

As a consequence, we have to think adventurously. Policies based upon best practice that employ innovative instruments and concepts remain the cornerstone of any future reform programme. But we cannot take our present social model as an unalterable given and seek merely to invent new add-ons. Instead, we need a new, deeper understanding of reform, proposing policies that secure future competitiveness but also address issues of injustice and inequality in radically new ways.

A template for reform should include the following principles:

1. It is right to put employment first. Social justice also means caring about the unemployed, not just those in work. Increased competition, globalisation and a more rapid pace of innovation will increase the rate of job creation and job destruction in our economies. That is the inevitable consequence of a more dynamic and rapidly growing economy. Yet policy makers need to turn perceptions of economic change into an opportunity for people, not a threat. Workers who lose their jobs have the right to protection, but such protection has to take the form of sophisticated new approaches to flexicurity.

2. Labour market transitions periods must be supported and as far as possible, systematically anticipated. As the relationship between work and non-work grows more complex, the positive side of transitional labour markets must be strengthened by implementing an employment insurance system that is based on a preventative approach, in contrast to the current remedial unemployment insurance system.

3. We have to transform the very idea of welfare and with it some of our preconceptions about the welfare state too. Welfare is not just about the avoidance of risk. Instead, we need to move from 'passive' to 'active' welfare, putting an emphasis on incentives as well as benefits, obligations as well as rights. While a safety-net approach remains in place, policies should be primarily based on investment in human capital.

4. We need a politics of second chances – opportunities to start again after set-backs, whether in work, the family or other areas. In this respect, the provision of high standards of education, the facilitation of university expansion and the diffusion of ICT are crucial, while lifelong learning and training programmes deserve more attention and more serious implementation.

5. We need to integrate environmental sustainability into a concept of 'positive welfare', in which policies are oriented towards positive life objectives, such as health, education, personal autonomy and prosperity. All policies should be considered and evaluated in terms of their ecological impact. Ecological modernisation means seeking environmental innovations that are compatible with economic growth wherever possible.

6. The issue of cultural diversity has to be brought into the centre of welfare debates, taking the impact of immigration seriously. While overcoming divided labour markets remains central to these challenges, we also need to place an emphasis on the contributory principle and the creation of a solidaristic society through integrationist policies such as language learning.

7. Reducing child poverty and social disadvantages should be at the top of any policy agenda. We have to invest heavily in early-years education as this is vital to the acquisition of so many fundamental capabilities. Investment in education and child care is a key element in reducing levels

of child poverty. At the same time, we need to focus upon households. Providing help to lone parent families and offering childcare facilities and flexible working time are equally important.

8. Finally, the future of the European Social Model will also depend upon the mobilisation of the human and social capital of older people. Governments need to collaborate with employers to identify and promote job opportunities for the elderly. For instance, through detaching pensions from the concept of retirement, pension funds could be available at a diversity of ages and for diverse purposes. Older people should be far more integrated with transitional labour markets than at present.

These proposals point towards a convergent agenda of social and economic reform in the European Union, in response to the common internal and external challenges that all Europe faces. There is a compelling case for a stronger EU, and for a more positive social dialogue amongst all the relevant actors. While national welfare systems have developed their own dynamic, which in turn has led to their own distinctive problems and reform agendas, the main challenges for the future – demography, technological change, environment and globalisation – are largely common to all. Recent years have seen a growing convergence of approaches in meeting them. Europe's social models should be redesigned on common principles to meet these challenges, while recognising diversity and leaving scope for different national political preferences. The EU can and should act as a framework and catalyst for reform. It can also provide financial incentives through the budget. Last but not least, it can introduce innovative measures complementary to those being adopted at the national level. The decision to set up the European Globalisation Adjustment Fund is a case in point. Europe's common goal should be a developmental, empowering welfare state that tackles the inequalities globalization exacerbates, and equips our citizens for the knowledge-based economy. Global Europe can be a Social Europe.

ENDS

## Signatories

*The signatories to this statement share a common conviction: a belief in a Social Europe but also a recognition that the European Social Models are in need of change and reform.*

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