



Article by

Poul Nyrup Rasmussen
President of the Party of European Socialists

José Vieira da Silva
Minister of Employment, Portugal

Europe's quiet reform revolution

It is often said that Europe's generous welfare states are not compatible with increased global competition, an ageing population and falling birth rates.

At the same time, Europe's voters understandably reject radical neo-liberal reform. In a number of countries – such as UK and Sweden – conservatives appear increasingly keen to emphasise their love of public services. Practice may be another matter...

So where is Europe heading? In our opinion there is a quiet revolution going on. Reform is taking place and at least on the left there is an emerging consensus on the reforms that will modernize our welfare states – for Europe to be more competitive - while maintaining high levels of social protection.

What is the emerging consensus and how is it being implemented?

There is growing realization of the need to balance rights and duties. The unemployed, for example, should have a right to income protection but also a duty to genuinely seek work. Denmark, Sweden and the UK are models for employment and benefit services encouraging the jobless back into work. Now in Portugal there is improved unemployment benefit combined with new limits on the number of job offers that can be rejected and new subsidies to increase worker mobility.

There is a developing consensus on investing in people, with less emphasis on protecting obsolete jobs. Employment security is replacing job security. The modern welfare state can support people through change – equipping them through education and training to go into new jobs. Active labour market policies can enable everyone of working age to enter the workplace and to move from the old job to the new job in as short a time as possible. This has long been the Scandinavian way. Now Portugal has begun a programme of certification of skills. The EU funding programme for Portugal which once emphasized infrastructures like new motorways now puts far more emphasis on human resources and training.

One of the lessons of the much-studied Nordic model is the importance of social dialogue. Now Governments increasingly appreciate the need to support the efforts of trade unions and employers to work together to improve working life, reach fair wage settlements and collaborate with employment services and educational institutions. In Portugal social partners have been heavily involve din pension reform and have just been offered a major role in determining the minimum wage.

Pre-school childcare is a social provision growth area. Europe will move towards providing child care for all who want it. It gives children the best start to their education, it improves the integration of migrants, it boosts the life chances of children from poor backgrounds, it frees women to go to work and helps single-parent families break out of poverty. It's a sound investment. The UK has vastly increased pre-school provision. Portugal will double the number of nursery places in the next three years.





Pension reform is another area of steady, still not sufficient, progress to cope with an ageing society. In Portugal the multiplicity of pension schemes has been amalgamated into one national system. Maximum payments have been limited and the minimum increased. People are growing older and healthier than ever before, and the retirement age has risen to reflect this, as it has in many other countries. Reform must ensure the sustainability of pensions, including real value well into the future. .

There remain challenges ahead. One challenge is to match the rise in retirement age with more jobs for older workers. Another is to develop new thinking and new policies to achieve greater equality between men and women. This is a moral imperative for socialists, and an economic imperative for Europe, to get more women into the workplace. To do so they must get onto an equal footing with men in terms of pay and career prospects.

Finally, Europe needs higher economic growth if it is to embrace reform. Progressive reforms are absolutely essential, but they need to be accompanied by new jobs and growth. Compare almost-no growth France facing strong domestic resistance to reform with buoyant Spain pushing through rapid and progressive social reforms. By pushing through reforms and investing in the economy at the same time Portugal has created higher than expected growth and, for the first time in many years, created more jobs than it lost. The message is that European member states should do more to encourage higher growth - through coordinated investments and greater economic policy coordination, especially in the Eurozone.

Europe is finding its own way to reform but more growth and jobs would make the road much easier. It is a series of reforms where competitiveness and modern social protection are not contradictions but complementary.

