



SOCIAL EUROPE...

First contributions to the debate



Fore- word...



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This year has marked the start of a real public debate on Europe's Social Model. Not for the first time, Europe is suffering a major crisis of purpose and identity. The No votes in France and the Netherlands, our failure to reach agreement on Europe's financial perspectives, and continuing controversy on major pieces of draft legislation like the Services or Working Time Directives, reveal profound fault lines in consensus on Europe's future and our celebrated Social Model.

So what do we mean when we talk about the European Social Model and how do we propose to strengthen it in the face of globalisation and demographic change? These are important questions for European social democrats who seek to build social democracy, based on our common values of social justice, equality of opportunity, and prosperity for all.

Nevertheless, we recognise that - while we pursue social democratic policies at European level to complement our national efforts - there is no one European Social Model. We have several models, which reflect historical diversities and different stages of development.

We, the progressive forces of Europe, must now define precisely how and on what principles we pursue our social models together - at the national and European levels - based on mutually supporting efforts. Our point of departure is that economic competitiveness and renewed forms of social security are not contradictions, but pre-conditions to each other. This is the essence of our social democratic approach.

Our publication series on "Social Europe" - of which this is the first - will aim to explore the various perspectives of the European centre-left and foster a better common understanding of the efforts we must undertake in pursuit of our common ideal of social democracy ■



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Growth and Reform



Anna Diamantopoulou

The goal of “more and better jobs”, and I would add “for all”, can only be achieved through concrete and binding policies to promote growth and secure reform of product and labour markets.

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The debate within the PES should go beyond the agreed policies or the EU discourse. The European centre-left must leave behind the rationale of compromise, which is the usual outcome of European Council negotiations, and should put forward new ideas and suggestions.

Growth

Growth rates vary from one EU country to the next. The main driver of growth at national level is the overall business environment. But I want to focus on the European instruments: implementa-

tion of the single market directives; the application of the European acquis in general (employment, environment, consumer protection, public health); the operation of the stability and growth pact and the strengthening of the structural funds, especially in cohesion countries. I consider it essential to revisit two issues:

- We need to encourage financing of large-scale European infrastructure projects relevant to the functioning of European networks: road or rail networks, air and telecommunications links. Public or public/private funding of such projects is considered by many to be an outdated Keynesian approach but it is clear that it will boost employment

We need to encourage financing of large-scale European infrastructure projects.

and will contribute to the functioning of the economy;

- After the first cycle of implementation of the stability and growth pact, we need to re-examine the possibility of excluding from public expenditure rules investment in human capital, science and technology and information and communication technologies.

Reforms

There is a range of economic reforms agreed at European level where implementation is proving extremely difficult at national level. Divergent political cultures, ways of life, standards of living and finally, differences in the vision and momentum of political leadership create a different landscape in each country. The annual EU-level comparison of reforms and their impact constitutes an important instrument that makes political leaders face up to their responsibilities.

I would like, however, to focus on labour market reform. Without reform, we will be condemned to low growth rates and unacceptable levels of unemployment because:

- Europe has a combination of low employment rates and high unemployed rates, much of which is of a long-term nature and concentrated amongst ethnic minorities, the young, women and old

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people. The most striking example is the low employment rate of workers aged 50 to 64. Despite the fact that ■ ■ ■

statutory retirement ages in most Member States are set at 65, the effective retirement age is now on average around 61 and even lower in many Member States. The OECD estimates that while life expectancy increased by some 8 years between 1960 and 2000, the effective retirement age fell by some 3 years over that period. Europeans are living longer and working fewer years. This is not sustainable.

- Female labour participation has increased, but still the number of hours worked is low, appropriate childcare facilities are lacking in many Member States. Even in the Nordic countries female labour is concentrated in government jobs and career opportunities are lacking. This again is unsustainable but it is also unfair to women.

- In EU-25 the overall employment rate stands at around 63%, the female employment rate at 55% and the employment rate of older workers at 40%. A comparison with the US shows that Europe clearly lags behind, with the US employment rate standing at over 70%. This reflects both a lower

participation rate and higher unemployment in the EU. The US is not a model for us, but it is a useful benchmark. And we are not measuring up.

- There is a low degree of adjustment capacity in the labour market, both to the economic cycle and, especially, to changes in technology and market conditions. The lack of adjustment capacity is caused by the fact that, in a number of Member States, labour market rules protect incumbents ('insiders'), make new entry or re-entry onto the labour market difficult and life unfair for those who lose their job, and are based on the old male bread-winner paradigm.

Recruitment, mobility at national and European level, working conditions (quality of work) and dismissals require regulation, reforms and investments.

It has been proven that the more difficult the dismissals are, the more difficult is the recruitment. It has also been proven that the easier the dismissals are, the worse is the safety at work and the quality of work. We, therefore, need to address the issues of dismissals and mobility by offering workers security, access to the labour market and possibility to change without having them victimised. The famous combination of flexibility and security, which could be best expressed by the neologism "flexi-curity", presupposes the following:

- Employment services that link effectively enterprise needs and skills on offer; and also ensure that all those in work or in search for work have a complete picture of those skills in demand, that are of interest to them in their region, their country or even Europe.

- Strengthening of employment rather than unemployment. National Action Plans must be accompanied by regional and local ones, setting targets and drawing up training plans that meet the particularities and growth options of each region.

- National agreements, through which both the private and public sectors must make commitments, to invest in human capital so that it is always ready to respond to labour market needs.

- The social security system must allow for occupational and geographical mobility, from job to job and place to place, since otherwise it becomes itself an obstacle to the labour market.

The preconditions mentioned above are necessary for any discussion on the reform of the institutional framework of the labour markets, which currently have a protectionist but not always effective status, for both the workers and the economy ■

Modernising the social market economy



Franz Müntefering

Franz Müntefering is Chairman of the Social Democratic Party of Germany (SPD). He is a Member of the German Parliament and Chairman of the SPD Parliamentary Group in the Bundestag. Franz Müntefering has been a member of the SPD since 1966.

A modern social market economy is the right path to the future

Economic progress must be coupled with social progress. This fundamental principle of social democratic policy generates social justice and at the same time, it is the core of a society based on solidarity, in which the stronger take on the responsibility of helping the weaker. This is the very core of social market economy as defended only by the social democrats. Indeed, only when the welfare we will have created together is shared in a fair manner, and only if this welfare benefits everybody, then solidarity can grow in society and well-being can be guaranteed in the long run.

Economic progress must be coupled with social progress.

The social market economy has proved its worth – in Germany as well as in Europe. Preserving this social market economy, under the changing conditions of global economy and of an ageing society, requires that we have both the readiness and courage to implement changes.

With the Lisbon strategy, the European heads of states and governments launched an ambitious reform programme in 2000, which was to make of the social market economy in Europe one orientated towards the future while remaining competitive. The SPD and the federal government of Germany have forcefully and actively supported the Lisbon strategy from the very beginning. With the reforms of the Agenda 2010, we, in Germany, have reached comprehensive progress in implementing this strategy, which had been defined at the European

The core of the Agenda 2010 is merging the necessary structural reforms with innovative offensive policies within one harmonious comprehensive concept.

level, at national level, with a sense of courage and taking into account the social dimension. Thanks to the reforms implemented by the federal government in the hands of the SPD, we set the basis to make it possible to adapt the social market economy to the challenges of present times and of the future.

In the field of social security, our aim was to give more space to the principle of personal accountability. When and where possible, we have relied on the State, which sets its demands to the citizens but also when necessary, grants financial support and provides help in order to achieve self-help. At the same time, one thing has remained clear for the German social democracy: we count on the principle of solidarity to finance our social security system – the young helping the old, the strong helping the weak, those in good health helping the sick. In short: solidarity between the people, and solidarity between generations.

Implementing this approach in concrete political terms is certainly difficult. We knew that the way would be hard and that it could disorientate our citizens. However, we did decide to engage in this path out of a sense of responsibility for our country. Through our measures, the social security systems in Germany are made viable for the future and better ■ ■ ■

prepared to face the challenges of today and tomorrow. At the same time, these reforms have also an impact on the labour costs, in the sense that they have decreased. This in turn reduces the burden on labour, promotes employment and growth in Germany and contributes to a higher competitiveness of the German economy.

Social democrats want a strong economy. But the economy should also share part of the responsibility in reaching social justice in a social market economy.

Another fundamental pillar of the Agenda 2010 is that economic growth for the future and therefore job creation are closely related to basic economic measures and the promotion in the field of sciences, innovation and training. Therefore, we have significantly increased the budget for education and research by 37.5% in comparison to 1998. We have also gone forward with the further development of secondary schools, increased the means to promote training and made professional (permanent) training easier. The budget for the care of small children has also been increased. We hold this course of socially-orientated

modernisation steady: as of 2010, both at the state and the economic levels, we will invest 3% of the GDP per year in research and development and hence fulfil a fundamental objective of the Lisbon strategy. We will focus even more steadily on supporting innovations.

Germany has been set in motion thanks to these reforms. The SPD and the federal government have had the courage to act in spite of having to cope with the resistance of many, in order to renovate the social market economy in Germany and adapt it to the future. These reforms are yielding their first results. But there are still things to be done. If we go on implementing this policy and advance together and with courage in closer cooperation with our partners in Europe, then this will benefit not only social market economy in Germany but also in Europe. Responsibility in this matter is in the hands of politics. We are ready to take up this responsibility, both with passion and with a sense of measure, in shaping our society. A modern social market economy is the right path to the future – in Germany as well as in Europe ■

Some reflections on the European Social model



Vladimír Špidla

Europe today has to face up to major changes — demography, globalisation, technical innovation — which are in the process of transforming society and our economies

Vladimír Špidla is European Commissioner for Employment, Social Affairs and Equal Opportunities. He is also former Prime Minister of the Czech Republic. Vladimír Špidla is one of the founding members of the CSSD, the Czech Social Democratic Party.

The rejection of the proposed EU constitution in the recent referendums in France and the Netherlands raised difficult questions about the direction the EU should take. One of the interpretations of the outcomes of the referendums is that Europe's citizens are worried about jobs, quality of life and growth.

In this context, the reflection about the European social model is not only timely but of great importance.

The public debate around the social model often boils down to two opposing perceptions. Firstly, there are those who consider that the economic and social insecurity stemming from globalisation is a threat to the ■ ■ ■

“European social model”. Europe, in their view, would thus be powerless to satisfy its citizens’ need for security. Conversely, there are those who consider that it is the “European social model” itself which is threatening Europe’s capacity to adjust to globalisation and international competition. Lack of flexibility on the labour markets, combined with the excessive cost of social protection, is seen by them as an obstacle to economic efficiency and to essential reform.

But this does not give the full picture. Europe today has to face up to major changes — demography, globalisation, technical innovation — which are in the process of transforming society and our economies. Adapting and modernising the social model will therefore be a major challenge in the years ahead and this is the objective the Union must pursue. However, due account must be taken of the legitimate concerns of our fellow citizens in Europe and action is needed both at the Community and the national levels to allay these concerns and misgivings.

The European social model rests on common values

The European social model is based on a set of common values. These values are shared among all the Member States. They are reflected in the founding treaties of the European Union and in the national legislations of Member States. Among these fundamental values are the commitment to democracy, the rejection of all forms of discrimination, universal access to education, accessible and good quality health care, gender equality, solidarity and equity, the recognition of the role of the social partners and of social dialogue. These values are constitutive for Europe. In other words, Europe ends where these values are not shared.

The role of Europe

Europe is not a monolithic block, nor is the European social model. The levels of prosperity, the traditions, the policy choices vary between regions and Member States of the European Union. To some extent, Europe is defined by its diversity, which makes up much of its richness.

The same diversity can be found when we reflect on the European social model. Here as well, there are indeed several different concepts, different approaches and policy choices, in other words different ways to develop the common values.

There are also shared values and shared elements stemming from integration. But in the architecture of the founding treaties and in the division of competences between the national and the European level, employment and social policies are essentially of the domain and competence of Member States. In the area of social policy, the European Union cannot, and, from an

efficiency point of view, should not aim at playing the role of the Member States. According to the principle of subsidiarity, policies must be designed and implemented at the level which is the most effective.

Diversity in the policy responses

Member States are diverse when it comes to their social systems and their responses to change. When we look at the respective performances of the Member States in coping with the challenges of demography, globalisation, technical innovation, we can draw some interesting lessons.

First, in countries with good economic and employment growth results, like Sweden or Denmark, social policy is seen as a productive factor. These countries have not been afraid to carry out institutional reforms in order to maintain their social objectives. Their overall

approach combines economic performance and social cohesion. In my own country, the Czech Republic, we made the difficult transition from a planned economy to a free market and had to rebuild a social system from almost nothing. The Czech Republic’s growth rate was at 4% in 2004 and is expected to reach the same rate this year. It has managed to stay competitive and maintain social cohesion, combined with a level of poverty at 8%, one of the lowest levels in the EU.

Second, the Nordic countries have also shown how a more flexible labour market can cope with change. In the throes of recession in the 90s, Finland chose to innovate. The Finnish economy became more flexible and adaptable by investing in its human capital and taking up active inclusion policies. Combining flexibility with security and finding new ways of working was thus vital. Flexibility was not just introduced and encouraged in the interest of employers, but also for workers, for instance to help them to balance work and family life through part-time or flexi-time work.

Equally, as the Finns have demonstrated, employment security is no longer about keeping a job for life. Today, security means acquiring the tools to remain and progress in the labour market. To become adaptable, workers must constantly be able to learn, ensuring solid basic education. Lifelong learning pays off - an additional year of education can increase a worker’s salary by 10% over his or her working life. An additional

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year of education also increases productivity for companies in the long-term, by as much as 3%. Improving the quality of our human resources is also vital for the EU’s ability to innovate. We need to become a leader in this area and can no longer be happy to keep up with, or imitate the latest developments in technology- even if we do this quite well . ■ ■ ■

We need policies that will allow us to raise investment in research and innovation in order to reap the full benefits of the single market. Third, the quality of governance has proven to be of fundamental importance in the process of coping with change. Again, the Nordic countries, but also Ireland and Austria, have shown the importance of involving the social partners in drawing up employment and social policies and in the management of change. The social partners' specialised knowledge and experience of workplace realities give them a crucial role to play, particularly in areas such as work organisation, health and safety and attracting more workers to the labour market.

The added value of Europe

European economic integration has always had a strong social dimension. The Single Market is complemented by the free movement of persons and fundamental rights like equal treatment and gender equality. Common legislation for health and safety at work and cohesion policy are important elements of the Single Market.

The European Union disposes of a range of different policy instruments to complement, encourage and reinforce the Member States' social policy with the aim of enhancing the Single Market. There is the possibility to legislate at the European level in certain areas, in order to minimise distortion of trade and competition between Member States. There is the European Social Fund which financially supports employment and inclusion policies of the Member States. There is a long and successful record in fighting discrimination on the basis of nationality or gender, and of encouraging mobility of workers. In the framework of the European Employment Strategy the Union has worked with the Member States on the definition of common policy objectives and monitored their implementation, in order

to allow for the dissemination of best practices. Best practices are also exchanged through the open methods of coordination in the fields of social protection and social inclusion.

Furthermore, in order to meet the challenge of protracted weak growth and the erosion of competitiveness in some Member States, as well as to face and adapt to the rapid changes brought about by globalisation, it seems obvious that Europe must act in a coordinated way if it is to have a chance to succeed. The policy responses defined in the framework of the Lisbon strategy for growth and employment are of prime importance when it comes to sustaining the European social model and thus command all the attention of European and national policy makers.

Safeguard the values by modernising the instruments of the social model

When we try to draw lessons from those Member States and societies that seem to succeed in the rapidly changing environment of today's world, we see that their social model does not act as a brake but, on the contrary, as a tool, as a factor for success. In the uncertainty generated by rapid change, functioning social systems enhance flexibility by giving people the necessary security, the proverbial safety net that allows them to take risks, to change, to grasp new opportunities.

There is no single answer to today's challenges.

There is no single answer to today's challenges. But the countries who succeed and achieve good results in terms of employment and growth are those which have undertaken coherent and comprehensive reforms, tackling their social protection systems, their employment policies, their approaches to governance and the social dialogue. They have managed to safeguard the fundamental values and to foster a social model that is instrumental in enhancing competitiveness. These lessons should be guiding our work in the very welcome and timely discussion on the European social model ■

A secure Europe is a growing Europe



Hans Karlsson

Hans Karlsson is Minister for Employment of Sweden. His areas of responsibility within the Ministry of Industry, Employment and Communications are labour market policy and working life policy; he is also responsible for Health and work injury insurance and sick pay within the Ministry of Health and Social Affairs. Hans Karlsson is member of the Swedish Social Democratic Party.

Promotion of innovation, research and development is the core of modern industrial policy

Sweden and Swedish social democracy have a long tradition of free trade and openness to the rest of the world. As a relatively small country in Europe and the world, we have always been in great need of exchange with others. For this reason we have a strong belief in open markets and mutual exchange within Europe and with the rest of the world. For Sweden, working for open international trade is important. Globalisation creates new opportunities for cooperation and the transfer of knowledge between people, and is a process that we wish to support.

We Swedish Social Democrats are therefore also opposed to the use of protectionist measures that in the short term may save jobs but that have market distortive effects. In the long-term, these are costly measures that nevertheless do not help sustain employment levels.

Instead we see the promotion of innovation, research and development as the core of modern industrial policy. Measures must aim to improve opportunities for people and companies

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and the will to adapt to a changing market, and not to retard development through regulations that constitute a barrier to trade.

We are also used to ongoing structural changes in the labour market. Such a changing labour market and the ability to adapt to new conditions are necessary if we are to maintain a labour market where competition is based on skills and know-how and not on low pay and poor working conditions. But what is decisive for the successful management of structural changes is an active labour market policy and effective labour legislation.

We are convinced that in order to retain openness, deal with structural changes well and create growth, security and social solidarity are essential preconditions. We must therefore safeguard the European social model that means security for citizens and makes people more inclined to adapt and accept change. Security and growth go hand in hand and are interdependent.

We welcome a policy for free and open markets combined with support to enable individuals to cope in a changing labour market. We want to limit the market economy effects of increased globalisation

and increased mobility in terms of poorer working conditions and price dumping through worker and work environment protection legislation as well as the possibility of a labour market regulated by collective agreements.

Security created by a social dimension makes people more ready to meet competition and adapt to new conditions.



Our starting point is that security provided by a social safety net in the form of adequate sickness insurance and an active labour market policy, financial security in the event of unemployment and fair labour legislation create an environment that builds bridges that enable individuals to cope with structural changes and times of insecurity. Security created by a social dimension makes people more ready to meet competition and adapt to new conditions.

In the Swedish model, we have a labour market where the partners take joint responsibility for both wage formation and labour law issues through negotiations and collective agreements. Combined with labour market policy where effective matching of vacancies and jobseekers is in focus and well-developed financial security for those affected by unemployment, this has resulted in a high degree of adaptability.

The Swedish collective agreement system involving independent parties that can influence and take responsibility for how the labour market works has contributed to a high

degree of acceptance of structural change. Trade union organisations are involved in decisions to cease operations and share responsibility for this with employers and the surrounding community. This has meant that difficult decisions such as closures and relocations in Sweden are relatively less complicated than in many other EU countries.

Our flexible attitude to labour market changes, however, does not mean that we support the idea that flexibility is more important than labour law and work environment. Freedom of contract between the social partners must certainly be safeguarded but certain common standards for worker and work environment protection are necessary at EU level. This is a requirement for a reasonable level of competitive neutrality in the internal market but also an indication of common basic values.

In our view, security and growth are interdependent, or to put it another way,

fairness pays off. Social investments can themselves be regarded as a competitive tool. We do not believe, therefore, that from a competition point of view it would be desirable to harmonise the size of social investments within the EU. Measures that limit the burden for individuals and companies during times of change make a society stronger, more competitive and more attractive.

The size of the supply of labour is also a vital factor for a growing Europe. In our opinion the total amount of hours worked must increase if we are to successfully meet the demographic challenge. Thus we need a common

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EU policy that supports a longer working life for more people and that makes better use of everyone's skills. It is also important to a view of social solidarity that in turn creates growth and prosperity. If we make the most of everyone's resources, the conditions for favourable economic development will improve.

This means, for example, putting the skills of both women and men to best use. It must be possible to combine family life with working life. An important tool in this context is active gender-equality work, and well-developed parental insurance and childcare systems. Helping immigrants to integrate and find work is a challenge that we share with many other countries in Europe. Such a large group of people who do not participate in the labour force is a waste

of resources. We must use specific methods to support and match immigrants to the jobs that are available. Changing employer attitudes and values is a major and very important task. The same mechanisms apply to opportunities for older people in the labour market. We must change attitudes and show that employers should take advantage of the knowledge and experience these people possess. Sustainable pension

systems and reasonable marginal effects are other important tools for creating a large supply of labour.

We believe in – and would like to see – a combination of openness and common social values serving as the basis for the European Community. It would create at one and the same time a stronger, more competitive and, in many ways, a richer Europe. A secure Europe is a growing Europe ■

Building social Europe



John Monks

What is the European Social Model and where is it going?

John Monks is the General Secretary of the European Trade Union Confederation (ETUC). He is also former General Secretary of the Trades Union Congress (TUC) of Great Britain

In the run-up to the special EU summit meeting in October on the future direction of Europe, attention is firmly focused on the European Social Model. What is it, and where is it going?

Following the outcome of the French and Dutch referendums on the European Constitution, the British government has been instrumental in putting the whole definition of Social Europe on the agenda for discussion. What does it mean for Europeans? Is there a single model that is recognised throughout the 25 EU Member States, or just a series of different approaches that defy harmonisation? This debate represents a crucial challenge for the European trade union movement, an opportunity to raise awareness of what makes up Europe's unique social structure, and why it is so important to defend and strengthen it.

The existence of a single European Social Model is fundamental.

In the view of the European Trade Union Confederation (ETUC), the existence of a single European Social Model is fundamental. The concept of social Europe advancing alongside economic growth and development is the deal on which the European Union is based. Social rights, social protection and inclusion, social dialogue and the role of the social partners have been recognised as key elements and are among Europe's core values as defined in the constitutional treaty. They are fundamental to preserving trade union and worker support for the European Union. Each wave of enlargement has been, and must continue to be, an opportunity for harmonising up the social standards of incoming Member States, not enabling governments or cross-border companies to undermine the rights workers have already established.

In recent weeks, this model has come under pressure, on one side from European voters who look at recent proposals coming from Brussels – such as the draft directive on services in the internal market or plans to weaken EU working time legislation – and don't like what they see. This seems like a Europe geared to implement the wishes of business and industry rather than defend the rights of individuals. On the other side, calls for reform and deregulation have referred to Europe's disappointing economic growth as an argument for scrapping the social dimension of the EU, and reducing it to a free trade area in which different countries can compete to cut costs and social protection. Nationalist and populist movements have not failed to exploit this uncertainty to pursue the politics of national and ethnic exclusion.



The ETUC is convinced that Europe must avoid, at all costs, adopting extremist approaches that would undermine more than 50 years of progress. The EU is built on the principle of social partnership, a compromise between different interests in society that can still unite around common values.

The evidence that such values exist is clear from opinion surveys. European nations represent a diverse spectrum of experiences and ideas, and yet are bound by a clearly identifiable set of political and social ideas based on the continent's unique history and culture.

These values share a common core with many of the traditional principles of the trade union movement: solidarity, equality, social justice, internationalism and the belief that social and economic structures should be designed to benefit humanity. Nowhere in the world are these values enshrined more in governance than in Europe. The stark contrast between the European and American approaches was clearly illustrated by the impact of Hurricane Katrina in the USA, which revealed with horrifying brutality the often-hidden poverty and discrimination at the base of American society.

Maintaining and reinforcing the social model demands political courage and vision and a strong framework of social legislation.

Maintaining and reinforcing the social model demands two things. The first is a measure of political courage and vision on the part of EU leaders, not to abandon the objective of European unity, and above all not to yield to the temptation to blame 'Brussels' for their domestic problems. The second, linked requirement is support for a strong framework of social legislation that, far from being a drag on business, should be correctly viewed as a means of boosting Europe's competitiveness and productivity.

For example, enterprises that promote good working conditions, offering equal opportunities, flexible work organisation, and with a strong emphasis on social dialogue, have the best conditions for competitiveness, long-term success and maximising commitment and loyalty from employees. Investing in people, in their skills and ability to adapt, is crucial for the future of individuals, enterprises (public as well as private) and countries. Studies show that precarious work, low pay and long hours undermine productivity, reduce motivation and increase absenteeism.

As EU Employment and Social Affairs Commissioner Vladimír Špidla himself pointed out, in a speech on high performance workplaces, successful companies know that their success depends first and foremost on their staff, and they should be doing everything possible to ensure their well-being.

The ETUC, together with its trade union affiliates across Europe, is not seeking to resist changes that must be made in response to new challenges, including globalisation. Our role is not merely to support the status quo, but we are conscious of the need to act with people's consent, to identify issues for change, develop an agenda for action and then reach agreement.

What must be done to revitalise the European Social Model and make it relevant once more to working people?

Prosperity, equality and solidarity should be the three prime objectives of European leaders.

We believe that European leaders must set their sights on three prime objectives: prosperity, with more and better jobs, full employment, sustainable welfare states and a better quality of life for all; equality, through eliminating all forms of discrimination including gender, race, belief, sexual orientation, age or disability; and solidarity, building socially inclusive and cohesive societies, protecting those in need, and making crucial public services such as health care universally available.

One means of achieving these objectives must be through improving EU social legislation. The ETUC is looking for quick action to revise the Working Time Directive, to put an end to the individual opt-out and provide workers with adequate protection against long and irregular working hours. It is time to lift the block on the draft Directive on temporary agency workers, to provide this growing group of workers with minimum protection across Europe, and the draft Directive on services in the internal market should be drastically amended to offer a level playing field that does not lead to competition at the expense of workers' rights and working conditions.

Another issue of major concern to many people in Europe is that of delocalisation and restructuring. Here, the EU cannot afford to leave everything up to market forces. It has to shoulder the responsibility of helping workers to adapt to inevitable changes. In particular, this means making funds available for education and retraining, and for counselling and support for each worker forced to seek new employment. The social partners and the European Commission should be aiming to enforce strong rules on information and consultation, effective European Works Councils and a right to re-insertion for workers affected by retrenchment and restructuring, a right backed at European level by Structural Funds and social partner framework agreements modelled on the examples of Swedish and Finnish industry-wide collective bargaining agreements.

Together with restructuring, the second challenge the ETUC has been focusing on this summer is demographic change in Europe, and the steps needed to cater



for an ageing population with longer life expectancy and low birth rates. This poses huge problems for the sustainability of pensions and for the expectations of workers who expect to retire around the age of 60. It also means finding answers to a new set of problems. For example, measures are needed to make it easier for young people to raise families, and to care for older relatives, by providing good quality and affordable childcare and other facilities and services. Workplace organisation needs to be adapted to improve the quality of working life, including cutting long hours, so that older workers can stay healthy and be able to choose to work longer; and lifelong learning must be widely available to help older people acquire new skills and adaptability.

Active labour market policies and education opportunities are also vital for younger people, to enable them to gain skills and experience that can open the door to secure jobs.

Some EU nations have excellent records in this area. The Nordic countries have exemplary active labour market policies and recently the UK with its New Deal for the long-term unemployed and its support for an active trade union role in learning has pioneered impressive measures in the context of a growing economy and a legally enforced minimum wage. Europe also has a responsibility beyond its borders, not only in fighting poverty and extending prosperity to developing countries, but also because it is unique in offering a model of social organisation that links the objectives of economic growth and increased well-being for all. The destiny of the European labour force cannot be separated from the welfare of workers in other countries often employed by the same multinational companies. European firms have a responsibility to behave responsibly and apply the same employment and environmental standards outside the EU, and social values should play a central role in international deals on trade and other issues.

In building a social Europe, the role of collective bargaining is crucial, within a strong framework of minimum standards. Collective bargaining has been an important element in the construction of many European countries and it must remain so. Equally, to meet the challenge of cross-border business organisation, the structure of social dialogue must be strengthened at European level. The ETUC now represents 60 million trade unionists in 34 European countries, and is the only organisation qualified to speak on behalf of organised labour on an EU-wide basis.

With its democratic structure of decision-making by its members, the ETUC is well placed to understand the concerns of workers across the EU. Its aim is to play a strong and constructive role in the crucial task of setting social Europe in the right direction in the twenty-first century ■

Social inclusion and cohesion



Kinga Göncz

Social inclusion and cohesion:
we do feel that we need them but what do they mean?

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**The revival of “public”
and “social” – the new era
of solidarity**

Margaret Thatcher’s famous sentence “There is no such thing as society!” shocked Europe for almost two decades. Somehow it became evident that no useful, productive values could be tied to the “social” or “public”. People used to think that only private or individuals could produce values or generate added value, and the social or public was a humanitarian (or corrupted) form of wasting privately earned money collected from taxes and revenues. The social or public were regarded as a custom, as a toll, in connection with which the only real fact was that you had to pay it, especially as nobody has the chance to bargain on prices with the state.

In that era the classical left wing term of solidarity, or generally of any social value, became increasingly identified with charity or altruism. Social policy ■ ■ ■

basically meant mandatory charity, governed and implemented by the state. This approach completely devalued the recipients of social programmes: they were treated and regarded as human beings who had entirely lost their worth. They were given up by society, whose only duty was to give public tips, similar to private and voluntary help for beggars.

In contrast with that approach, a new attitude returned to the unionist traditions of redefining solidarity, according to which solidarity is not an altruistic value but rather a strategy of collective bargaining. If workers participate in a strike motivated by their solidarity for others, they do not abandon their wages for the duration of the strike (in contrast with strike-breakers) motivated by their altruism or charity. They do so, because this is their interest: as a share of collective gains they hope to earn more than the amount of individual loss, which is caused by participating in the strike.

New solidarity and thus a new public and social approach seem to be similar to traditional syndicalism: the individual share of maximised collective profits is probably higher than the amount of profit which can be made individually.

Social policy as a productive factor

One could ask what economic arguments might prove that social and public efforts are not simply public burdens on the private market economy.

If we look at the level of development of a country using a simple method, i.e. using per capita GDP, we may separate the given number as a result of multiplying two quotients. The first one is the ratio of GDP per labour force which shows the productivity of the working population. This number should be multiplied by the quotient of labour force per

total population, which tells us the ratio of working population within the total. In other words, the competitiveness and productivity of any nation depend on two equally important factors: the productivity of the actually employed labour force and the ratio of labour force compared to the total population.

For a long time several national and European programmes have aimed at raising the first factor by improving the quality of education and by a faster adaptation of new scientific results, high-tech facilities and innovations into the economy, etc.

As for the second factor, it is a somewhat new policy priority, and the driving ideology is the social inclusion process itself. The only chance to extend the labour force is to target people who are capable of working and are unemployed, particularly the long term unemployed. Actually, that stratum of the population is the recipient of social welfare. The labour force might grow if social policy gives support and incentives to those welfare recipients who can work.

Meanwhile, since our matured welfare schemes (mainly pensions and disability schemes) provide generous provisions for their consumers, the poorest stratum of our population involves the same group: those active age people who have no serious health problems or incapacities, but have no jobs or income either, and are not entitled to any social insurance provision. This has a real, dramatic consequence because the average family-size of that section of the population is larger than usual. This means that the proportion of children living in poverty is permanently growing.

Social inclusion is basically an economic strategy of extending the labour force and, in that way, increasing GDP. At the same time, an inclusion strategy is the only possible way of helping our poorest people in an adequate way.

Is social inclusion cynical?

Social inclusion strategies, especially European strategies are often accused of urging the support of exclusively working age people, which is claimed to be unfair as there are more vulnerable people who are unable to live independently and who need better quality and more generous help, as nobody can require them to do more for their well-being. This point is relevant, and we must argue for not being cynical.

We must be very proud of our welfare-statist forerunners: following Beveridge's intentions, they established efficient systems to guarantee social security for those at the highest risk in the after-war period. That needy population, i.e. the old, the disabled, survivor orphans and widows, etc., could be characterised by a principal incapacity to work. The new pay-as-you-go pension schemes including disability and survivors' pensions, child protection and care systems almost perfectly unwound the after-war social tensions. There are not too many achievements

of which we, as children of the twentieth century, can be proud; however, eradicating the mass-poverty of the elderly is one of them.

Today we may say that classical welfare institutions were too good and too efficient systems as they made us believe that systems are sufficient to manage those problems which they were not intended to solve at the time they had been designed. After the oil-crisis new high-risk groups, basically the long-term unemployed, were absorbed into the traditional, matured, working social systems. Unfortunately, by today this absorbing process has almost blown off our pension and disability schemes.

We may conclude that the social inclusion process is not cynical, even if the major target group does not involve the most needy and vulnerable people who are totally unable to get by individually. Even though, mostly for the sake of their interests, we must get rid of our matured, traditional welfare systems by finding new methods for helping those who can ■ ■ ■

work. Frankly speaking, we have no chance to give proper and generous financial provisions from our social funds to as many people as the rising number of recipients of our matured schemes would require. Also, we cannot calibrate the amounts of benefits properly. The same amount must be appropriate for the full coverage of living costs of those who are too old or too frail to work, and at the same time the same amount should be a fair compensation for those who have difficulties to get by.

We must undertake our social inclusion process priorities, which aim at a more inclusive labour market with special regard to easing the overuse and the overburden on our traditional core welfare systems and institutions. This is our only chance to rebalance our social security among taxpayers and welfare recipients.

Social inclusion is fine but how should it be exercised?

Time seems to be too short since the Lisbon Summit, and it seems to be especially short since EU enlargement to make well-based judgements about inclusion achievements, but we may share some subjective impressions and evaluations on where we are now.

The most important shifts happened when a new generation of labour policies was introduced. Traditional labour policy focused mostly on individuals supposing that unemployment is a somewhat individual damage that should be repaired by some education, training or therapy. We have no reason to be negative towards these interventions, but all our evidence has proved that these methods have limited results, especially in a depressed labour market situation and in case of the long-term unemployed. The new generation of labour policies opened up possible interventions into two ways, both of which were marked by the “making work pay!” slogan.

The first turnaround could be observed in the new labour-demand stimulation policies. Previously the major labour budgets were spent on the improvement of the conditions of the unemployed. The new regimes recognised that employing somebody who had had no job for a long time was a productivity risk for the employer, which they would not undertake alone. New policies try to share that risk between private employers and public policies, basically by making the employment of people returning to labour markets less expensive. (That share could be managed by direct subsidy techniques or, more efficiently, by reducing the revenue burden on low-paid jobs, which are practically accessible for the long-term unemployed, who usually have low skills and skills that have diminished during the long absence from work.)

The second basic turnaround could be seen in the timing of social supports for the unemployed. Earlier people could receive social support if and until they had no jobs. This method was fair as it helped people who had no income; however, it was not really helpful as it did not give appropriate support for getting back to employment. Mostly, the benefit was regarded as too high, and the high replacement rate was criticised for giving people low incentives to work. Then, after pushing down benefit

levels, income was regarded as too low as it only ensured poor living standards, as a consequence of which job seekers did not acquire basic standards that were required from employees, thus, no employers wanted to employ such people. The new consequence sounds primitive: if we want to support the return of people to labour markets, we need to support the return itself, at least for the initial period of work.

Recently we may be observing the above-mentioned changes but we are not in the position of describing the final implications precisely. Generally speaking, we might state that those countries which have been brave enough to manoeuvre such changes can produce better employment figures than those which have not been that brave. Meanwhile, it is also true that we have no principal answers concerning ratios and sizes: what amount seems to be proper, incentive and affordable enough to pay for non-typical welfare recipients such as employers employing people who are difficult to get employed or newcomers who return to work after a long absence. And chiefly, how much it will cost if we do not have enough revenue to provide proper benefits for our traditional welfare consumers?

The other important shifts reflect on full access strategies. The universal, after-war schemes represented a contractual relation between the central government and such centralised institutions as social insurance and the entitled individuals. These universal schemes achieved a very good coverage of the targeted people. Their coverage is the standard of full access. The past decades of social development meant an era of decentralisation and (for-profit and non-profit) privatisation of social welfare. The involvement of independent actors, such as local self-governments, NGOs and other private service providers, and the effects of public competition played an important role in improving the flexibility, quality, innovative readiness and the efficiency of services and service providers. At the same time, these autonomous players were interested in “creaming” consumers who could be provided on lower costs, and besides, who were ready to pay higher fees or contributions. We had to pay the prices of quality and

efficiency in the currency of equity and just distribution. It was a painful discovery, but social exclusion was often implemented by social policies themselves.

New, full access policies cannot be revisited, but neither do we need to do so. The involvement of new computer technology at social welfare administrations has opened new possibilities to control the just distribution of welfare, even in decentralised or plural welfare mix regimes.

Finally, the social inclusion process is partly identical with the evidence-based welfare policy-making process. For a long time social welfare was an attractive sphere for empty policy promises and populist statements. The intensive use of indicators and targets, including new methods of follow-up, monitoring and control, rationalised the social policy discourse not only at a national but also at a European level.

These new developments are fundamental and progressive shifts, which reform our social policies and regimes that could be tied to the social inclusion process. ■ ■ ■

Hot potatoes: problems that must be solved...

There is no room for being too optimistic about social inclusion and the cohesion process – even if some achievements are really attractive and promising. We should put an emphasis on some areas where problems should be overcome in order to avoid the obstacles to progress. At a European level one of the most risky problems is the question of tax competition among member states. The social inclusion process has made it clear that one of the most successful labour inclusion policies is to reduce taxes and revenues on low-paid jobs typically accessible for vulnerable people. In other words, making the employment of vulnerable people less expensive would create more jobs for them. Fine, but how could that evidence be applied to international relations? Actually, employers of poorer countries give lower salaries and poorer countries charge lower taxes and revenues.

Nowadays the risks are twofold. On the one hand, low tax-rates may poison international relations, because low tax-rates applied by poorer member states would be seen as unfair by richer states applying high taxes. On the other hand, too low taxes do not really fit into the European social model and they are not sufficient to ensure high level social protection, which is a core element of the European model. The short term advantages of applying low taxes would damage the opportunity of generating appropriate welfare funds and implementing European welfare models.

The other problematic area relates to the job opportunities of the poor and excluded people. Those strata of people could be characterised by different social disadvantages such as low skills, low education, poor health and communication difficulties. Especially, if they have had no jobs for a long time and professional skills are diminished. Moreover, the long term unemployed can mostly only gain low paid, part-time or other low quality jobs.

Why is that a problem? A bad job is much better than no job. It is better for individuals, who may earn money, to make new acquaintances and get a chance to find a better job; and it is much better for society as well, as they can contribute to public goods by paying taxes. The conclusion is clear: a bad job is bad, but is much better than no job.

Meanwhile, a bad job is much worse than a good job and if governments create a favourable climate for employing people in bad jobs, workers and unions will be worried about the worsening of their existing good labour conditions. We must cope with that difficulty: how should we implement policies that create bad job alternatives to unemployment, but do not create bad job alternatives to good jobs. The solution to this problem seems to be one of the most accurate themes of forthcoming partnerships and social dialogue, also with employers and unions.

Finally, new developments of social inclusion would create new conflicts concerning social rights. The European model of the welfare state is founded in constitutional order and welfare rights, especially in universal eligibilities and entitlements. The law-based approach became fundamental in international social policy discourse especially during the 90s, when the UN made a tremendous effort to extend the set of human rights and basic freedoms to social (economic, cultural, reproductive, equal opportunity, etc.) rights.

In contrast with such developments, getting a proper job cannot be subject to legal entitlement, and sufficient help to find an appropriate job cannot be a matter of universal social right. The social inclusion process has bracketed the core, fundamental legal toolkits of social policies, and replaced them by such tools as labour-incentive deals in benefit regimes; accessible and rich information; friendly, open and helpful advocacy and consultancy; honest, proper, symmetrical deals and cooperation between people in need and the representatives of public policies. Taking the quality of services into consideration, we may be proud of our achievements: tremendous developments can be observed in the skills of our service staff, in the technical environment, and the amount and quality of information we provide for our consumers.

The legal background of new inclusive regimes seems to be much weaker than classical universal social rights, such as the entitlement for social insurance. Mostly when we speak about mandatory cooperation in our legal language, we rather prescribe commitments for our clients, than empowering them by rights. Unfortunately, these relations are not real symmetrical co-operations. All consequences, especially the consequence of any failure puts a burden exclusively on the user. It does not really fit into our legal traditions of the welfare state. The improvement of our legal toolkits fits into the inclusion process – this seems to be one of the most urgent and important duties for the near future.

The other approach to social inclusion: let us communicate!

The social inclusion process is very simple. We must be ready to communicate and be in touch with others. To shake hands at meetings, laugh together at good jokes; invite the classmates of our kids for an ice-cream and their parents for a beer or a coffee while we can discuss what is going on at school.

In that sense, an inclusive society is fully identical with a civic society. A civic society, where humour may replace violence while managing conflicts, where people feel free and equal. An inclusive and cohesive society where it is good to live.

Having gone through all the problems of realising an inclusive society, we need to maintain our positive attitude to respect a colourful, dynamic human-faced society that can ensure equal opportunities for all ■

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