



**Office of the
Deputy Prime Minister**

Creating sustainable communities

Deputy Prime Minister of the United Kingdom:

“A New Social Europe”

PES, Brussels

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The UK Presidency regards the future of a Social Europe as a vital debate - which is why we are making it a key part (for the first time) of the Informal Heads of Government meeting - before which we will consult the social partners at a Tripartite Social Summit in London.

I was recently here in Brussels, speaking at the Summit commemorating the 20th anniversary of the Social Dialogue, which was begun at Val Duchesse by Jacques Delors.

In the 20 years since then, the iron curtain has been torn down - and the East and West have come together in an enlarged European Union of 25 nations, embracing 450 million citizens, with widely different economic, social, cultural and political traditions.

20 years ago, there were just 10 member states of the EU, and it was easier to pursue a Europe based on conformity and convergence. A single currency, a single market, a single set of social standards – all this was easier to plan and deliver, though of course there were still huge difficulties.

But today the issues facing Europe are far more complex and will not respond to a one-size-fits-all approach. Our policies must cope with uneven levels of growth, prosperity, social structures and social justice within member states and across the European Union.

The richest EU region by GDP per head – Inner London – is nearly 10 times richer than the poorest region which is in Poland. Average incomes in the Länder of Eastern Germany are still 40% below incomes in Western Germany – 16 years after reunification.

And in England, there's a gap in GDP of £29 billion between our Northern and Southern regions, the result of decades of industrial change.

John Monks has pointed out that "*Enlargement is further increasing the diversity within and among systems.*" We need to take that into account where we agree we need Europe-wide solutions to competitiveness and social justice challenges.

John has pointed out that a huge single European market "*will be characterised by the free movement of capital, of goods, of services, and after the transitional arrangements lapse, of workers too*".

And he asks some challenging questions - "*How will workers who use their right to free movement be treated outside their home country? Which labour laws affect workers moving countries, and under which agreements, do people operate? And how do companies behave when operating outside their home environment?*"

When a Latvian seaman works in Britain, can employers pay him Latvian wages with Latvian conditions? A dentist from Poland now earns £50,000 in England compared to £8,000 back home.

We've got a lot of difficult work in progress on the social agenda - the Working Time Directive, the Services Directive.

Recently the former Prime Minister of Poland - Marek Belka - said to me that the former Communist countries are in many ways more free enterprise than the former West - and they find arguments about social mobility more of an ideological debate than a matter of practicalities.

As well as the challenge and opportunity of enlargement Europeans also face rapid and unprecedented change in the global economy.

There has been tremendous growth in China, who are now members of the World Trade Organisation, and are applying to the EU for market economy status.

And there has been remarkable economic progress in India, which is producing 250,000 science and IT graduates alone every year.

China and India are competing in high value goods, demanding advanced skills and technology.

In the face of this remarkable change, we cannot be passive bystanders, waiting for the world to give us a break - because it won't.

And, with 450 million people, and nearly a fifth of the world economy, we should have the confidence to compete. We've got the scale, the expertise, the ability and the culture to succeed.

The European Union can play a major role in shaping the world and adjusting to its challenges. We can respond more effectively to world economic change through the strength of our common endeavour.

In doing so, we must reject the false idea that we have to choose between a free market Europe and a social Europe which is somehow intrinsically economically unsustainable.

For Socialists, the European vision must include the creation of full employment. That means we have to maximise economic prosperity and social justice. They are 2 sides of the same coin and together they lead us to full employment. That is the position of the British Labour Government.

Europe's economic and social progress in the last 150 years has been built on increasing value, inventing technology, and investing in skills so that we can afford to offer our people a better quality of life.

We cannot succeed in the future by driving wages, standards and security down to the lowest global levels. A sweatshop Europe is not the answer to a post-industrial world.

But neither can we sit down and let economic change wash over us, powerless to respond to global change because we can't face up to the reforms which are necessary.

For example, we should agree a European Union budget that gives a greater priority to investment which strengthens Europe's ability to meet global economic change.

It can't be right that 3 billion people live on less than \$2 a day - while each European cow gets \$2.50 a day in subsidy. I'd rather spend less money on cows and invest more in people.

And while the priority should be how to deal with the science, skills and infrastructure challenges of global change, instead 55 per cent of the total European budget in 2013 will be spent either on agriculture or on subsidies for the richest countries of the European Union.

As Tony Blair said to the European Parliament in June, Europe needs a modern financial framework to help our cities and regions compete in a rapidly changing global economy - this is especially true for the 10 new member states of the European Union.

The Lisbon agenda showed us what we need to do. We need to invest in full employment, in knowledge, research and development; in innovation; and in education and training.

But we all know that our collective response to the Lisbon agenda for jobs and growth is currently not expected to deliver what we have promised.

Instead of moving towards the extra 20 million jobs to be created by 2010 under the Lisbon agenda, Europe still has 20 million people unemployed. According to Wim Kok's report, for the Lisbon agenda to work, we need to deliver on the commitments we have agreed to – for example in the mid-term review of Lisbon last year.

That means action at the European level – complete the Single Market, reform product and capital markets. And actions by Member States – taking the difficult decisions on labour market and social policy reform, taking account of the national context.

The recent report by Andre Sapir for the ECOFIN Ministerial Meeting said many of the current problems of Europe stem from labour market and social policies which suited the social conditions of the 1950's and 1960's - but which governments have been unwilling, or unable, to reform.

Professor Sapir said that reforming these labour and social market policies at the national level will help turn globalisation from a threat to more of an opportunity - enabling our economies to be flexible enough to compete effectively, without losing the social standards which we all value.

But, in getting to grips with the Lisbon agenda, we have to avoid the trap of thinking that common values, and common standards, of social justice and economic progress mean the same policies and the same solutions right across Europe.

The Sapir report said that the idea of a single European social model was "misleading," reminding us that labour market and social reform policies are determined at the national level.

Professor Sapir notes 4 European social models – the Nordic, Anglo-Saxon, Mediterranean and the Continental – and concludes that in his view the Nordic and Anglo-Saxon models are sustainable.

We in Britain certainly resent the accusation from some quarters – even by some on the Left in Europe – that our Social Model is an unregulated, free market Thatcherite Model. That is absolute rubbish. It's not just inaccurate, it's insulting.

We remember the 1960's and 70's, when Labour Governments were unable to secure long term stability and full employment because of failed Government intervention, nationalisation of industries, protectionism, insufficient investment in public services, which ended up in a million unemployed, defeat at the ballot box and 18 years of Thatcherite Government.

And it was the Thatcher Model that rejected the very concept of society, created mass unemployment of over 3 million people in a boom bust economy, and massively reduced investment in our public services, with millions thrown into poverty. That Thatcherite Model failed Britain and was totally rejected by the electorate.

Labour was elected to rebuild the British Social Model. We have -

- created record levels of employment through the largest jobs programme in Europe
- virtually abolished long term youth unemployment
- increased investment in our public services by more than any other European country in the past 5 years
- introduced Britain's first minimum wage
- regenerated our cities
- lifted almost a million children out of poverty, and 2 million pensioners out of acute hardship

- and we have embarked on the most radical extension of childcare, maternity and paternity rights in our country's history.

Our approach has been endorsed by the British electorate in 3 massive General Election victories.

Yes, it has sometimes been controversial over here, for example in the case of the Working Time Directive – though I note that those economies that have intervened to control working hours have actually created fewer jobs than those with greater flexibilities.

Our model has done a lot since 1997 in Britain to create jobs, prosperity and social justice in the UK. It has worked for us, but our approach may not always work elsewhere.

Each country has to make choices on these issues.

We start from different places and there are various ways of achieving the objective of economic prosperity and social justice.

But with 20 million unemployed, nearly half of them more for than a year; productivity rates falling behind; underinvestment in skills, research and development; one thing is clear.

The people of Europe don't want an endless debate on which social model works best. They want a job. They want the skills to compete. They want equality, flexibility and choice in the workplace. And they want a society which offers them security and respect.

So today our challenge is ensuring that our common values of economic prosperity and social progress deliver full employment, social convergence, sustainable growth, decent public services, a better quality of life, in the face of remorseless, relentless global competition.

This is our common ambition - but we should be flexible and realistic about how we get there. We have different social models but common values of economic prosperity and social justice – protecting our citizens, tackling deprivation and disadvantage, and involving people in the decisions which affect their lives.

We know that, without sufficient growth in our economies, we can't achieve our social justice objectives.

And without convincing our people that we are committed to social justice, we won't get them to face the changes needed to deliver economic growth. Yes, we want a Social Europe, but we want a Social Europe that works.

So let's bring our Social Models into the 21st Century and help our people live successfully in a global economy.

The debate about the future of the European social model isn't about abandoning the principles we hold dear.

We can increase employment, improve productivity, invest in skills and deliver social justice for all our people.

We know how to do it – let's implement the Lisbon agenda to increase jobs and growth.

And let's get our economic framework right so that we promote stability, flexibility and enterprise.

As socialists, we are determined to deliver full employment, and making that commitment a reality must be at the heart of everything we do.

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