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The New Social Europe
By Poul Nyrup Rasmussen

Thank you, friends, for inviting me to be here with you today.

This is an important time for Europe. And it is an important time for trade unionism in Europe.

Because social dialogue *is* the key for ensuring we reform in the right way in future.

Today’s social situation is complex.

European leaders congratulated themselves at the European Council last week about the economy: 2.7% growth rate in 2007 and 7 million new jobs created in this year and next.

At the same time:

- Inequalities are rising consistently in Europe, particularly since 1999.
- Europe has 72 million in or at risk of poverty, with another 36 million on the verge of that risk.
- Average wages have been squeezed for a decade now, in Germany and in other EU countries. And political calls for wage moderation continue.
- Hedge Funds executives are seeing record bonuses in Europe and the US.
- Yes, unemployment is lowering and stands at 7.5% in the EU-27, but we all know that, over the past 10 years, there has been a huge growth in precarious employment.

Over the past twenty years, we have seen the effects of an ever greater opening of markets not only within Europe, but also globally.

People across Europe feel more economic insecurity.

And with reason. Financial capitalism is entering a new phase. More profits are being made than ever before. Hedge Funds executives are making more money in a year than any ordinary worker could earn in a whole lifetime.

These Funds are playing dangerous games with the hard-earned money of pensioners and the jobs of workers.

The short-term interests of certain private equity funds - the so-called leveraged buy outs - have in too many cases ruined the long-term strategies of strong and sustainable companies.

Good European companies are being left saddled with heavy debts and either split or merged for short-term gain. Workers are losing their jobs. And the Hedge Funds Executives do not give a second thought to it.

Charlie McCreevy, the conservative European Commissioner for the Internal Market, isn't worried.

But I am. And I'm not the only one.

Globalisation has seen winners and losers. But the stakes are getting higher and higher.

We have to act now. And we have to act together, in Europe.

The PES has presented a vision which we call the New Social Europe.

Our only chance is to create a New Social Europe in which the market is not the master of ordinary people, but our servant.

We desperately need a new direction, a New Social Europe, because there are risks ahead for people.

Europe's strength in a globalised world is its inclusive and cohesive society. It is its system of cooperative economic development. Social dialogue.

The New Social Europe is about building on Europe's strengths and combining advanced competitiveness with new forms of social and economic security in the best way to benefit all citizens in this globalised age.

It is a vision for the future of the European social model. For inclusive and dynamic labour markets and for a fairer society.

It is based on a report by myself and Jacques Delors. And has inspired **ten principles**, adopted unanimously by the PES Congress last December, which constitute a social democratic roadmap for Europe and the Member States.

For me and for the PES, it's not a question of reforms or not. But what type of reforms and realised in which context. It's about direction and common actions. It's about how to do it and how to act jointly.

The New Social Europe: Creating the Active Society

Labour flexibility is not Europe's panacea, as we are constantly told by Europe's right-wingers.

It's harder to dismiss employees in Sweden than in France. But Sweden is one of the most competitive countries in the world.

Flexibility alone will not address the fundamental issues of education and skills that are key to maintaining a high level of human capital, of the rising precariousness of employment (the 2-tier job market) that will kill our chances of social justice, and the diminishing role of social dialogue, which I fundamentally believe is a weakness in any labour market.

Economic reforms are not all inherently good. There are good reforms and there are bad reforms.

And the right macro-economic conditions have to be in place for the good reforms to work. Growth is fundamental.

This thinking on flexibility is blocking us from doing things simultaneously, which is economically well-documented: no sustainable growth without reforms, no reforms without sustainable growth. People will simply not accept a one-sided approach.

The social democratic conception of labour market flexibility comes with our belief that any measure of flexibility must be accompanied by an active welfare state.

Creating an Active society consists of:

- ✓ **Investing in active labour market policies in an intensive way**
- ✓ **Making the travel from the old to the new job as short and intensive as possible** in terms of re-skilling and support for job-seeking – chances of re-employment narrow every month
- ✓ **Minimising the risk of income loss**
- ✓ **Maximising the development of competences and qualifications.** Europe simply cannot afford to keep education and training opportunities in the hands of an elite. Today, the people who need education and training the most get it the least: the unemployed, the low-skilled, older workers.

- ✓ **Creating closer links between employment services, educational institutions, employers and the Social Partners to prevent bottlenecks in the labour market.**

By coupling mobility with security and active measures, we can lower unemployment and raise productivity simultaneously.

There need to be supportive policies to provide economic security and to facilitate the transition from one job to another, based on a clear framework of **rights and duties**.

Unemployment benefits to maintain living standards, on the condition of undertaking relevant re-skilling or accepting a job offer: it's a Sicilian offer, **"an offer you can't refuse"**. To do this **individual action plans** need to be defined for each unemployed person, taking into account the persons' qualifications, job opportunities in the local labour market and the need for re-training. You've got to start with what somebody can already do and build on that.

By investing heavily in human capital through education, training and lifelong learning policies, we're building a knowledge-based society where people's productivity rises along with their earning potential.

Investment in active labour market policies, particularly for education and training, and adult education generally have got to be prioritised in a radical way. The fact is that investment in active labour market policies is going down all over Europe. It's been steadily decreasing since 2002, with a drop of 14% in 2 years, despite growing needs. The drop in investment in training alone represents nearly 50% of the total disinvestment in active labour market policies in recent years. This has to be reversed. And adult education that's relevant to the labour market must be made available to all, in and out of work.

We've got to foster closer links between employment services, educational institutions, employers and the Social Partners to prevent bottlenecks in the labour market: making education and training relevant to labour market needs and matching people with jobs.

Social dialogue has a pre-eminent role to play in helping design and implement the right mix of policies to dynamise the labour market.

Modernising our labour market policy is about providing security in change, within a clear framework of rights and responsibilities for all actors:

- An active growth-promoting state;
- Income replacement linked with active labour market policies to re-skill and get into work as fast as possible in a new deal between the unemployed and the state;
- Adult education;
- The interplay between employers, educational institutions, the social partners and employment services.

In 1993 I introduced an offensive programme for intelligent public investments: in active labour market policies, particularly lifelong learning, in education, in child care, and in R & D. The real rate of growth in 1994 was 5.5% in the first year – thanks to this ambitious investment programme. Then did we begin to implement labour market reforms of introducing more job flexibility combined with new forms of security.

The net result was: lower unemployment, higher employment, higher sustainable growth, a more active, inclusive society, and much higher economic security. In fact, Denmark flattened the Philip's curve, demonstrating clearly that there was no trade-off between inflation and unemployment.

Acting together for higher growth

The pre-condition for achieving a New Social Europe will be higher smart, green growth.

We need this growth to carry through an ambitious new investment programme to fund the new functions of the welfare state and boost the sustainability and innovation of our economies.

We have to start shifting the investment curve – more in children, in education and training and green growth; and using the EU's tools better to achieve our goals.

Last year's reform of the Growth and Stability gave much needed flexibility for governments to conduct crucial public investments.

But the fact remains that **Europe is still financing US growth:**

- **In the EU 15, over the past fifteen years there's been a surplus in private net savings of 2-6% GDP per year;**
- **If you take account these private net savings, Germany has no deficit, in fact it has a 5% current account surplus, which could be used for consumption or investments.**

The American choice has for some time been higher economic growth, followed by an external deficit, financed by the rest of the world and, first and foremost, by Europe.

Europe's choice has been focussed on strong external competitiveness, leaving internal demand and growth too low.

Therefore, we do have the potential for new growth and we can use it if we change our strategy: structural reform alone will not bring new jobs and social justice.

This smart growth strategy would rely on the fact that almost 90% of trade takes place within the European Union and only 10% with the outside world.

We must leverage this economic interdependence for the purposes of stronger economic growth, job creation and social inclusion.

We need a coordinated investment plan, so that European governments boost investments in priority areas – including lifelong learning, R&D, child care – through a simultaneous, coordinated action to boost growth both in the short term and in the long term.

We simply need a new agreement for intelligent macro-economic coordination. This is not about taking competences away from national finance ministries – it's about using our economic interdependence to the benefit of our national economies by acting simultaneously:

This is the essence of our common Growth and Investment Strategy, adopted on 26th October 2005, which is part of our New Social Europe.

If Germany participated in a European coordinated investment strategy it would see significant increases in growth and job creation. Unemployment would go down and public finances would improve. But even if Germany did not participate, but other European countries did pursue the investment strategy, Germany would still benefit (albeit to a lesser extent) thanks to Germany's economic interdependence with its neighbours.

The potential from cooperating together is so great - we've got to start doing it!

A New Political Direction

We've got to give people another political choice. We've got to reconnect to people.

With a clear line. A roadmap. Relevant for all. **Our New Social Europe.**
Guiding our actions are ten principles. And with each principle, there are policies we must implement.

1. Rights and duties

For everyone. From the workers to the CEOs.

What binds us together. Our common responsibility. The condition to ensure coherence in a generous welfare society. Rights and responsibilities for all – not only for the workers, the lowest paid, the migrants. But also for the CEOs. For businesses.

2. Full employment

No full employment without a modern welfare state – and no sustainable welfare state without full employment.

It's not a dream. If we reform our way. If we invest together for higher growth. If we follow our roadmap for the New Social Europe.

3. Investing in people

Investing in their capacities to work, take initiative.

The time has passed when we can guarantee a same job for life.

Now the political choice is clear.

But what we commit ourselves to is this: employment security throughout working life, by enabling people, by investing in people to live during permanent change.

4. Inclusive societies

Because that's the way our society and economy work best.

We cannot afford to let anyone down. Everyone counts. We have to create the right conditions to fulfil the potential of every citizen. So they can achieve everything they want to achieve. So they can contribute to the progress of our societies.

5. Universal childcare

That's our PES campaign right now. Childcare for all who need it. Join us, sign the childcare book here today.

6. Equal rights for women and men

Because it's not only the right thing to do. It's the fastest way to achieve social justice and positive change in society.

7. Social dialogue

Anticipating and managing change in cooperation, improving working conditions, creating a dynamic European economy and an inclusive labour market. We cannot do without it.

8. Making diversity and integration our strength

9. Sustainable societies – tackling climate change

10. An active Europe for people

That's why we've documented how to create it.

If we act together, taking the measures set out in the New Social Europe report, we will create *10 million new jobs* in the coming years. On top of what we'll do if we just follow conventional policies.

But we have to relaunch European cooperation to achieve it.

At the moment, at EU level, Social Europe is in an institutional impasse. Right now we have a right-wing head of the European Commission, a right-wing head of the European Council and a right-wing head of the European Council.

Europe's social democrats and trade unions have to act together to kick-start Social Europe with our vision and our policies.

It is time for the third phase of political Europe. The first was the Single Market. The second was EMU. Now it is time for the 3rd: Social Europe.

The New Social Europe is our political battle. Our roadmap:

- **It is not about competing on lower wages – it is about competing on higher qualifications.**
- **It is not about accepting social dumping – it is about combining new social security and competitiveness. These are mutually supportive, not mutually exclusive.**

A Europe that is sustainable, economically and socially strong.

Defending our own values.

Projecting our own values in the globalised world.

Thank you.