

# Social Reality Stocktaking: Social Models - British, European, or not that different?

16 December 2008

## Conference Report

The conference was opened by **Professor Stephen Haseler** of the Global Policy Institute. Brendan Donnelly, Director of the Federal Trust, then took over as chairman and thanked the European Commission Representation in London for making this conference possible through their generous support.

The first speaker was **Mr Frédéric Lerais** from the Bureau of European Policy Advisers (BEPA<sup>1</sup>) of the European Commission. He began by presenting a report written by him and Roger Liddle for BEPA a couple of years ago on "Europe's Social Reality", and later discussed this in light of new initiatives by the European Commission, which launched a broad consultation on these issues in February 2007. The objective of this consultation was to "take comprehensive stock of the reality and launch a new social agenda on access and opportunities", and to use this as a starting point for developing a modern social agenda for Europe.

Mr Lerais then turned to describing the content of the report, which he said focussed not on the economic, but rather the social well-being of citizens, that is to say the underlying factors such as jobs, income, family, health etc. since 'GDP per head' is one important factor, but not a sufficient measure of reality for policy making. For this purpose Mr Lerais presented some figures, the first of which showed that 87% of Europeans are generally happy with their everyday life, but there are some disparities between the nations. The Netherlands and Denmark appear to be the happiest, followed by most of the western European states and then the eastern European states, in which happiness was still at an overall 70%.<sup>2</sup>

The second graph presented by Mr Lerais then showed the EU's citizen's perception of the future, which in contrast is quite pessimistic: only 17% of European citizens believe that their children will have an easier life than the one they live. Here again, there are differences in perceptions.. The newcomers in the EU are generally more optimistic about the future than the rest of the EU. Mr Lerais then moved on to setting out the trends that have shaped European societies in recent years and have led to this large gap in present and future perceptions. Some of these trends are driven by globalisation, which has an impact of the structure of skills (with less unskilled jobs); on migration and even on natural resources. However, he stressed that even though globalisation has a major impact, there are four major other trends that need to be taken into account when analysing social changes in Europe. These are internally driven by (i) a rapid transformation to a knowledge and service economy; (ii) the development of the welfare state with new opportunities and new dependencies; (iii) issues of gender equality, demographics, immigration; and (iv) mass affluence and the individualization of values.. Future policies should therefore aim at achieving: the highest possible education for all; a rapid entry into the labour market; the highest labour participation possible; well integrated migrants that add value to European societies; healthy citizens; and citizens fully participating in civil society. Mr. Lerais suggested that there is a need to focus more on modernising labour markets and on 'flexicurity', which he defined as an "Integrated strategy to enhance at the same time flexibility and security in the labour market". This



strategy consists of four components:

1. Flexible and secure contractual arrangements from both perspective of the employer and the employee.
2. Active labour market policies that promote "transition security".
3. Reliable and responsible lifelong learning systems that enhance employability and raise productivity.
4. Modern social security systems that combine adequate income support with the need to promote labour market mobility.

Moving on from these conclusions, Mr Lérais described a recent European Commission communication, the objective of which was to put forward some political options as answers to the new social challenges. At the core of this stood three words: Opportunity (i.e. means to promote life chances at an early stage), Access (i.e. giving access to services, to education, labour markets, health services), and Solidarity (i.e. promoting second chances and cohesion).

In his conclusion, Mr Lérais pointed out that even though the Member states hold the main responsibilities there were five ways for the European Commission to help catalyse these objectives. They were first setting and reaching common objectives, secondly raising awareness and building strong knowledge bases, third, sharing experiences and practices to inspire policy makers, fourthly supporting local, regional, national action (Structural funds, Globalisation funds) and finally setting a legal framework (for e.g. anti-discrimination, free movement etc.).

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As the second speaker **Will Hutton**, the Chief Executive of The Work Foundation, shared his views on the European social model. In his opinion the American model has reached the end of the road, and they will be forced to change their system. He sees Obama as a multilateralist abroad and a radical at home, who will attempt to reconstruct the American financial model over the next few years. With this in view, he claimed that Obama will "Americanise" aspects of the European social model in the United States.

In the United Kingdom and in the rest of the EU, Mr Hutton explained, we have a system of almost universal welfare, based on contingent benefits. He

described the three pillars of fairness, which he believes all European states, as well as the American Democrats and even some Republicans, adhere to, and on which this European social model is built on: First, proportionality is very important. This means that what a person gets out of an enterprise as a shareholder must be proportional to the risk value enterprise added that he brought to it. The second pillar is that the processes by which outcomes are arrived at are seen to be transparent. Thirdly, it is good to compensate people for things that are beyond their control, but people should not be compensated for outcomes of choices that turned out badly, but which they freely took. A fair welfare system he regarded as being that of Sweden where unemployment benefits are only given to those who are ready and available to work.

Mr. Hutton's general conclusion was that the United States will proceed to copying the best parts of the European model. This in turn will change the British debate and general view of the European model and also make the entry into the Euro easier. Therefore this is a unique opportunity for the proponents of the European social model to go into the offensive.

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The next speaker was **Dr Henning Meyer**, the Head of European Programme at the Global Policy Institute. In his introductory words he stressed that a discussion on the European Social model always depends on how narrow a definition of the model is used and that, even though there is not one single European social model, there are still some common features which permits talking about the European social model more generally.

He introduced his presentation by giving a definition of the European social model that was developed by Anthony Giddens, and entails "in its most basic sense (...) a Europe-wide shared political value and aspiration based on the notion of ecological and social sustainability. It acknowledges that the conservation of human livelihood and the protection from life risks – such as ill health, unemployment and old age – are indispensable requirements for a good society."<sup>3</sup> According to Mr Meyer some of the key elements of this model include:

- A developed and interventionist state representing the primacy of democratic politics over markets

- Free and compulsory education
- A fair distribution of life chances by equal access for everybody to continuing education, training and skills development throughout life
- A robust welfare system that provides effective social protection to a considerable degree for all citizens, but especially for those most vulnerable
- The limitation and repression of economic and other forms of inequality
- A key role in the institutional configuration of the ESM is played by the 'social partners', especially the unions and other agencies promoting social and environmental interests
- Active protection of the environment by setting an appropriate incentive structure paying special attention to the threats of climate change.

Thus, Mr Meyer's working definition of the European social model in essence represents a distinctive composition of strong democratic statehood, educational, environmental and social policies, and a responsive political economy.

He then moved on to identifying the shortcomings in the debate in the context of the European social model and globalisation, which according to him focuses too much on drawing comparisons between different national social models, but ignores analysing the context of economic globalisation, which is the underlying factor creating the pressure for reform. He referred to a study by the Bertelsmann Stiftung, which had found out that 73% of Germans saw globalisation as unfair, with figures having increased dramatically over the last few years. In addition, a Financial Times survey from July 2007 found that people in the most liberal economies (i.e. the UK and the US) seem to be feeling more negative about globalisation, but at the same time also more positive about their chances for the future, even though Mr Meyer pointed out that the present crisis might have changed this. He further noted that other social developments such as the rise of the political extremes to the left and right could also be attributed to this simple acceptance of globalisation.

In his final remarks Mr Meyer addressed the issues brought forward by Mr L  rais. He stressed that the 'flexicurity' argument that was raised by an earlier contribution should not be considered in a social vacuum. There was a danger otherwise of losing productive capacity, because with increasing mobility of the workforce might comes a loss in expertise.

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Next, **Jorma Karppinen**, the Director of the European Foundation for the Improvement of Living and Working Conditions, presented some facts and figures on the 'Social realities in Europe'. In his introduction he already laid out some of the main findings of these facts and figures, which showed that EU citizens:

- are largely optimistic about the future (54%)
- are satisfied or very satisfied with their jobs (mean rating 7.1 out of 10)
- report limited levels of exposure to bullying or violence (5%)
- are largely satisfied with their family lives (mean rating 7.9 out of 10)
- are satisfied with their housing situation (mean rating 7.6 out of 10)
- are satisfied with their education levels (mean rating 7.2 out of 10)
- do not rate quality of state pension system highly (4.8 out of 10)

In comparison, UK citizens:

- are generally satisfied with their lives (mean rating 7.3 out of 10)
- are satisfied or very satisfied with their jobs (mean rating 7.1 )
- report higher-than-average exposure to bullying or violence (9%)
- are happy with their family lives (mean rating of 8.2 out of 10)
- report above-average satisfaction with their standard of housing (7.8)
- are satisfied with their level of education (7.0)
- do not rate quality of state pension system highly (4.9 out of 10)
- have highest levels of access to flexible working arrangements

Mr. Karppinen then moved on to looking at specific indicators. For example in terms of health, just over a third of EU citizens report being in excellent or very good health (35%), whereas two thirds of UK citizens report good or very good health, whilst higher-than-average levels of 'poor health' are reported by UK citizens (8%). Also the levels of reported disability are very high in the UK, well over EU27 average, even though the UK satisfaction rates with health

service are at an EU average rate. Interestingly, Mr Karppinen pointed out that 35.4% of EU citizens say that their work affects their health, whereas only 20.8% of UK citizens agree with this proposition. More generally, more than 80% of Europeans are satisfied, or very satisfied with their working conditions, with UK citizens being marginally more satisfied than the EU average.

In terms of gender equality, Mr Karppinen noted that most senior managers are still men, even though the number of Europeans reporting directly to a female boss stood at 25% in 2005 and is growing. Still, more men have paying jobs (55% against 44% of women) and men work more hours in paid employment while women do more unpaid work in the home. Mr Karppinen also highlighted that the provision of childcare services, which is one element in facilitating women's access to the labour market is so far only offered in 3% of EU workplaces.

Further, he described the situation of young people in Europe, warning that the proportion of young people aged 15 to 24 years across Europe is set to decline by a quarter – from 12.6% to 9.7% – between 2005 and 2050. Today, he said, the rate of youth unemployment is 20% or higher in 12 of 26 European countries and in most countries the educational level, skills composition and work experience of the labour force do not meet the needs of a rapidly changing labour market. Partly due to this, young people are particularly at risk of poverty, with European average youth unemployment rate already being more than double the overall unemployment rate (17.9% for those aged under 25 years, 7.7% for those aged 25 and over). He reported that the UK had unemployment rate of 11.6% among 18–24 year-olds, 26.3% among 16-17 year olds, while Germany, Finland, Ireland and the UK report the lowest numbers for long-term unemployment of young people.

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The final speaker was **Neal Lawson**, the Chairman of Compass, who briefly shed light on the topic from the perspective of the British left. He explained that the term 'social model' is not used by the British centre-left and discussed why New Labour did not take up this theme and what the British relationship with the European social model is. New Labour, in his opinion, is in many respects a contradictory phenomenon. He said that the 'third way' can be seen as a step beyond

Thatcherism, as a "humanisation of Thatcherism". It had accepted globalisation but also used the state effectively to make the most out of it through the use of supply-side measures. What he sees as contradictory is that on the one hand this was a return to the state, but on the other hand it brought the market into areas that had been previously protected.

However, Mr Lawson pointed out that New Labour never saw the EU as something on which it would base its own social system. But, he pointed out that the question now is whether Britain can readapt itself in the present situation. In his opinion the credit crunch offers an opportunity to rethink. But, these contradictory elements remain because New Labour still works on further privatisations (e.g. Royal Mail) whilst the public confidence in the private sector is extremely low. Thus, he warned that this is a time of both huge opportunities, but also of many threats.

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<sup>1</sup> Mr Lerais described BEPA as the internal think tank of the European Commission that interacts with researchers across Europe and advises the Commission on its policy strategies, but its research does not reflect the European Commission's opinion.

<sup>2</sup> Mr Lerais pointed out that the current economic crisis may have changed the level of this indicator.

<sup>3</sup> Definition developed with Anthony Giddens and published in the Social Europe Journal, Volume 4, Issue 1