Opinion of the European Economic and Social Committee on Social cohesion: fleshing out a European social model

(2006/C 309/25)

On 19 January 2006, the European Economic and Social Committee, acting in accordance with Rule 29(2) of its Rules of Procedure, decided to draw up an opinion on: Social cohesion: fleshing out a European social model

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 June 2006. The rapporteur was Mr Ehnmark.

At its 428th plenary session, held on 5 and 6 July 2006 (meeting of 6 July 2006), the European Economic and Social Committee adopted the following opinion by 91 votes to one with five abstentions.

1. Conclusions and recommendations

1.1 The European Social Model is a reality, based on unity in overarching objectives, and on diversity in applications. The model has proved its value in providing inspiration to the European countries in building societies of cohesion, solidarity and competitiveness. In coming years, the model will be confronted with major new challenges. The task today is to flesh out the contents of the social model and prepare for the future.

1.2 The strength of the European Social Model has been determined by the way in which competitiveness, solidarity and mutual trust have interacted. In this way, the model is both a reality and a vision for the future. But it can never be regarded as 'final' in any sense. It must be dynamic and responsive to new challenges.

1.3 The European social model, in the present analysis, is not confined to the traditional meaning of the term social. As the linkages between various sectors have developed, the term social has to connect to both economic and environmental issues. Only by accepting this wide definition can the social model give the necessary inspiration in addressing future challenges. With this wide interpretation, the model could as well be labelled a European societal model, of which the social aspect constitutes one element. In this analysis, however, the term social is used.

1.4 All national systems of the EU are marked by the consistency between economic efficiency and social progress. Properly designed social and labour market policies have been a positive force both for social justice and for economic efficiency and productivity. Social policy is a productive factor.

1.5 The EESC identifies a set of core elements of the European Social Model, starting with the role of the state as guarantor and often also provider of action for promoting social cohesion and justice, by aiming for high levels of employment and providing high-quality public services. Other core elements relate, inter alia, to measures for productivity and competitiveness, for meeting environmental challenges, and for research and education.

1.6 The achievements of the European Social Model, which has evolved over long time, are substantial in economic, social and environment terms. The emergence of a European Welfare Area is the most tangible result. This cannot, however, conceal weaknesses of the model, such as continued social segregation, persistent poverty areas, and sustained high unemployment, particularly among the young.

1.7 For Europe, and for the European Social Model, the challenges ahead are substantial. They cover competitiveness and employment, social inclusion and combating poverty, and the effects of globalisation. Other challenges concern gender issues, migration and demographic development.

1.8 If the European Social Model is to be of value in the shaping of the European society of tomorrow, it has to be a dynamic model, open for challenge, change and reform.

1.9 The European Social Model will be relevant only as long as it is appreciated and supported by the citizens of Europe. The analysis and the key issues of the European Social Model should be used as a basis for debate and dialogue in Member States, and thus provide citizens with a new means for presenting their views on what kind of Europe and what kind of social model they want.

1.10 In a condensed phrase, the hypothesis of this opinion is that the European Social Model should provide an idea of a democratic, green, competitive, solidarity-based and socially inclusive welfare area for all citizens of Europe.

2. Analysis and comments

2.1 Background and definitions

2.1.1 Introduction

2.1.1.1 The European Social Model and its characteristics have become the subject of lively debate. This is not surprising, as a number of recent events have provided fuel for the discussion. The draft constitutional treaty has not won the support of the public and the visions it outlined have failed to materialise.
Other developments and events, too, have inspired a debate on the European Social Model: Europe's sluggish economic performance and failure to raise employment, the demographic development, the continuing globalisation and its consequences, and the intense debate on the draft services directive. The integration of new Member States is further inspiring debates on the future of the EU.

2.1.1.2 With this opinion, the EESC makes its contribution to the ongoing debate. The opinion will be used as a basis for further dialogue with the social partners and organised civil society.

2.1.1.3 The starting-point of the opinion is a recognition of the fact that there exists a set of values and visions, but also a social reality, that together can be called a European Social Model. The purpose is to examine the contents of this model and to outline ideas and challenges for its further development.

2.1.1.4 As a vision for Europe, the social model has to develop in a symbiosis with other visions for Europe, primarily that of sustainable development and the vision of Europe becoming the most competitive knowledge-based society on earth, providing more and better jobs and social cohesion.

2.1.2 Definition and scope of the European Social Model

2.1.2.1 The analysis of the European Social Model has to start with the value systems as developed in the European countries. The value systems provide the basis for any discussion on common features of a social model The European Union is founded on certain common values: freedom, democracy, respect for human rights and dignity, equality, solidarity, dialogue and social justice. The fact that the model is partly a rights-based model — as illustrated by the Social Charter — underlines that the model is value-based.

2.1.2.2 In this analysis, the European Social Model is seen in a broad sense. The social model cannot be confined to the traditional meaning of the term social. The interrelationship between economic, social and environmental issues necessitate a wide interpretation of the social model.

2.1.2.3 Moreover, in this analysis of the European Social Model a double approach has been chosen: a focus on values and visions, in combination with core policies for reaching the visions. The social model is not confined to formulating visions; it is also very much an exercise in transferring vision into political reality. The role of the model is to give inspiration and to provide a framework for addressing new issues.

2.1.2.4 A hypothesis for the following analysis is that the European Social Model of today is basically composed of three main blocks: economic, social and environmental objectives. It is in the interaction between these sectors — against the background of trends such as globalisation — that the concrete development of the social model takes place. The strength of the European Social Model has been determined by the way in which competitiveness, solidarity and mutual trust interacted. In this perspective, the European Social Model can never be regarded as 'final' in any sense. It must be dynamic and responding to the challenges from inside or outside.

2.1.2.5 This vision could be summarised in the following sentence: The European Social Model provides an idea of a democratic, green, competitive, solidarity-based and socially inclusive welfare area for all citizens of Europe.

2.1.2.6 It is relevant, in this context, to highlight the connection between economic efficiency and social justice and cohesion. The European Social Model is founded on both. Despite the diversity between national systems, there is a distinct European Social Model in that all national systems of the EU countries are marked by the consistency between economic efficiency and social progress. At the same time, the social dimension functions as a productive factor. For instance, good health and good labour law accounts for good economic results. Properly designed social and labour market policies, supported by the social partners, can be a positive force both for social justice and cohesion and for economic efficiency and productivity. Unemployment benefits coupled with active labour market policies stabilise economies and promote active adjustment to change through skill enhancement and efficient job search and retraining. Well-targeted government investment in physical infrastructure and human capital can serve economic and social aims. The two aspects can and should be mutually reinforcing. Active participation by social partners and civil society can improve cohesion while raising economic efficiency.

2.1.2.7 Another way of looking at this is to point out that not having a social Europe brings both economic and political costs with it. A study of the costs of non-social policy for the European Commission identified substantial economic benefits of social policy in terms of allocative efficiency, labour productivity and economic stabilisation. The study concluded that social policies based on investments in human and social capital are conducive to higher economic efficiency for they improve productivity and the quality of the labour force. Social policy is therefore a productive factor, even though its costs are generally visible in the short term while its benefits are often only apparent in the long term (1).

2.1.2.8 European countries and in some cases even regions have had their specific historical experiences, conflicts and forms of conflict resolution. The social consensus on the right ‘balance’ of values also differs somewhat, although not fundamentally. These have given rise to a myriad of institutional forms by means of which the ‘social constitution’ of countries is implemented — i.e. values which have been transformed into legal rights and entitlements — and in which the market economy and the legal and constitutional and governmental apparatus are embedded. The European treaties both emphasise the common values underpinning the social model and insist on the importance of respecting national diversity.

2.1.2.9 To this must be added the environment issues. Rapidly rising energy prices, continued contamination of the atmosphere, and ensuing effects on housing, transport and work-life will aggravate the balances between economic efficiency and productivity and social justice and cohesion. Nevertheless, here too there are examples in which policies that promote sustainability can go hand in hand with the pursuit of economic and social objectives. This is valid also for issues like public health and security. Environmental degradation is creating new health problems, both for young and adults. The example illustrates the need for a better integration of environmental issues in the European Social Model.

2.1.2.10 Some have concluded from this institutional variety that there is actually no such thing as a European Social Model. Either there are (at least) as many models as there are countries, or, at best, they can be grouped into ‘families’.

2.1.2.11 While by no means wishing to play down this diversity, the EESC notes the following reasons why it can make sense to speak of a single European Social Model:

1) in contrast to previous approaches, which explicitly sought to identify families within European capitalism, substantial differences in outcomes emerge, when taking a global view, between the European countries as a group and those of non-European advanced capitalist countries (and especially the US);

2) institutional diversity is much more significant than the diversity of social outcomes across Europe, because many institutions are functional equivalents;

3) European economies are increasingly closely integrated, far more so than is the case in other regions, creating the need for joint approaches in many policy areas;

4) uniquely, the countries of the European Union also have supra-national, namely a European, dimension to their social models in that the EU has an established ‘social acquis’ (1).

2.1.2.12 The EESC would like to propose that the following features — a social reality, not just a set of values, albeit differently institutionalised — be taken as constituting core elements of a European Social Model that are either already embodied in EU countries or should be done so as a matter of policy:

1) the state takes responsibility for promoting social cohesion and justice by aiming for high levels of employment, and providing or guaranteeing high-quality public services (services of general interest), and instituting redistributory budgetary policies;

2) governments and/or social partners or other agencies provide social protection systems that provide suitable insurance or social protection against major risks (such as unemployment, ill health, old age) at levels that prevent poverty and social exclusion;

3) fundamental legal (or quasi-legal) rights — as reflected in international agreements — such as the right of association and the right to strike;

4) the involvement of employees at all levels together with systems of industrial relations or autonomous social dialogue;

5) a strong and clear commitment to pursue gender issues in all parts of society, and particularly in education and working life;

6) necessary policies for addressing migration issues, particularly in the context of the demographic development in EU countries;

7) a set of social and employment legislation that ensures equal opportunities and protects vulnerable groups, including positive policies to address the specific needs of disadvantaged groups (the young, the elderly, the disabled);

8) a set of macroeconomic and structural policy measures that promotes sustainable, non-inflationary economic growth, promotes trade on a level playing field (single market) and provides support measures for industry and service providers and particularly for entrepreneurs and SMEs;

9) necessary policies programmes for promoting investments in areas that are essential for Europe’s future, particularly life-long learning, research and development, environmental technologies etc.;

10) a continued priority for promoting social mobility and providing equal opportunities for all;

11) a responsibility for launching necessary policies for addressing the environmental issues, particularly those related to health and the supply of energy;

(1) The European social acquis comprises directives on issues like information on individual employment conditions (91/533/EEC), pregnant workers (92/85/EEC), parental leave (96/34/EC), working time (2003/88/EC), young people at work (94/33/EC) and part time work (97/81/EC).
12) a broad agreement that public and private investments in Europe have to be sustained at a very high level in order to promote competitiveness and social and environmental progress;

13) a commitment to sustainable development, such that the economic and social achievements of the current generation are not achieved at the cost of restrictions on coming generations (inter-generational solidarity);

14) a clear commitment to solidarity with the developing countries and for providing assistance to their economic, social and environmental reform programmes.

2.2 Achievements of the European Social Model

2.2.1 The establishment of the European Union and its successful enlargement is an event of historic proportions. A continent torn by war and conflict has managed to turn over a new leaf and steer itself away from belligerent nationalism. The European Social Model must be seen in this context.

2.2.2 Europe can be justly proud of the social outcomes it has achieved by virtue of the institutions and policies it has put in place, in their myriad forms, at national and, to some extent, European level. On key welfare indicators, including poverty and inequality, life expectancy and health, European countries top the world rankings.

2.2.3 Many European countries lead international rankings of productivity and competitiveness, although there are considerable variations between the EU Member States. It is a significant achievement that a number of EU countries place themselves in the absolute global forefront as to competitiveness and investments in research. The vision of a knowledge-intensive society, with research and lifelong learning as key ingredients, has become a strongly supported part of the European model.

2.2.4 Europe has gone furthest in implementing the Kyoto protocol — even if the overall results remain disappointing. Europe has also become one of the leading global regions in investing in environment-friendly technologies and in developing new energy solutions to heating and transport.

2.2.5 Comparing indicators of social cohesion and security and employment/unemployment rates across OECD countries reveals that countries that offer high levels of security to their citizens and workers tend to have higher employment with the Nordic countries being prominent positive examples.

2.2.6 It is becoming increasingly apparent that political support for further European integration is contingent on a perception that this goes beyond mere market integration. As economic borders are broken down, Member State governments and the European institutions, together with the social partners at national and European level, are developing appropriate mechanisms that ensure social cohesion and justice in the new circumstances and, in particular, prevent regime competition from leading to a race to the bottom within Europe that would seriously lower social standards.

2.2.7 Enlargement of the EU has contributed in a very constructive way to the emerging identity of a European Social Model. Enlargement has enriched the Union with a large group of countries with a long history of cultural, social, economic and industrial achievements. It has firmly established the cultural dimension of the social model. The cultural dimension will be one of the key mechanisms for promoting EU cohesion.

2.2.8 Social dialogue, at all levels, has become a vital expression of the European Social Model. With the social dialogue, an emerging consensus has developed that the high ambitions of the Lisbon strategy and of the social model as such will be extremely difficult to realise without the participation of the social partners. The European way of addressing employee participation ensures that the continuous structural changes that businesses undergo is a success for all parties concerned.

2.2.9 The social partners have played a decisive role in implementing EU policies. This role is unique in the world. It has even been suggested that the social partners, at EU level, should take responsibility for all regulatory work concerning working life issues.

2.2.9.1 As regards the basic architecture of the European social model, too high a value cannot be placed on the fundamental role played by the social partners in the fields of economic and social policy. In this context, attention should be drawn to the particular importance of the regulatory role played by employers' and employees' associations in connection with collective agreements and wage agreements. The well-established right of participation enjoyed by representatives of employees in factories and enterprises is also one of the fundamental institutions of the European social model.

2.2.10 Participation of citizens and their organisations is a fundamental part of shaping the European Social Model. Civil society organisations give voice to the aspirations of their members and are often also important social service providers. The future of the European Social Model and its dynamism will depend on more involvement of the organised civil society by extending civil dialogue and thereby participatory democracy.

2.2.11 High quality public sector services is another issue of importance for the identification of the social model. The overall picture of the situation in the EU is that the public sector, as guarantor and/or provider of essential services equally distributed, has a wider support and role in the EU than elsewhere. In areas such as education and training, health care and care for the elderly, the public sector has a decisive role in all Member States. At the same time, a debate is growing concerning the alternate roles of the public sector, as guarantor of specific services, or as both guarantor and provider.
2.2.12 Closely related to the public sector is the build-up of social economy entities in a number of EU countries. The social economy fulfils a double role: it manages essential tasks, particularly in the care sector while at the same time providing jobs for citizens who do not easily fit into regular employment, such as the handicapped. The social economy is expanding in more or less all EU countries, partly because of the demographic development and the need for care for the elderly. The social economy plays a vital role in combating poverty. The social economy has many ‘faces’ and a rich variety of organisational forms and is not necessarily intended to become part of the competitive system.

2.3 Weaknesses and challenges

2.3.1 While it is right to emphasise the achievements of the European Social Model, it would be wrong not to recognize its weaknesses and also to the challenges it faces in a changing environment. Pride in the social model must not be confused with complacency.

2.3.2 It is often said that a model cannot be called ‘social’ if it condemns a tenth or a twelfth of the workforce to unemployment. In one sense this is correct: unemployment in much of the European Union is unacceptably high, creating social and economic hardship, threatening social cohesion and wasting productive resources. However, implicit in the challenge claim is often that Europe, by choosing to have a social model is at the same time choosing to have high unemployment, that unemployment is a price to be paid for social cohesion. The EESC rejects this view. Europe does not have to choose between social cohesion and high employment.

2.3.3 Unemployment remains the key threat to the European Social Model, raising costs, reducing financing opportunities, and creating inequalities and social tensions. Getting unemployment down remains the key priority. This is particularly the case with youth unemployment, which in many countries is substantially higher than the average unemployment rate and, with a high risk of long-term exclusion from the labour market and society more generally, is particularly damaging both socially and economically. To solve this problem a broad package of supply-side measures is required together with a demand-side policy towards achieving the maximum possible output.

2.3.4 Geographical inequality and poverty (calculated at 70 million citizens) remain pronounced across the European Union and has increased since enlargement. Even in wealthy European countries too many people suffer (relative) poverty. Child poverty is particularly scandalous, ruining life chances and entrenching inequalities across generations. Even with present high ambitions, policies for social cohesion in EU Member States have not succeeded in arresting poverty and unemployment. This is a major task ahead.

2.3.5 These and other weaknesses in European economy and society, in our social model, are often seen as being exacerbated by new challenges, in the form of economic globalisation, the rise of new technologies and demographic ageing. Longer life expectancy and falling birth rates raise serious issues about the financing of social security systems — pension systems being a prime example. The EESC cautions against drawing simplistic policy conclusions from a number of popular beliefs:

- While globalisation does mean that more and more goods and services are traded internationally, it is important to be aware that, taking the EU-25 as a single economic entity, only just over 10% of European output is exported (or imported). This makes the EU no more open an economy than the US (which is usually seen as much more independent of global forces). Member States must make social and political choices about their welfare systems and necessary reforms. A badly designed benefit system should be reformed for the higher productivity or employment it enables, by providing greater security for beneficiaries, not because of ‘globalisation’.

- Similarly, technological change is to be welcomed as raising the productivity of labour, and helping to create the wealth necessary to finance high living standards and levels of social protection. The correct response to technological change is to invest in workers and support adjustment processes through well designed social policies in order to move European companies and workers up the skill ladder.

- Demography certainly influences the European Social Model — but the reverse is also true. Sensible childcare policies allow women and men to work without having to choose between a career and a family; active ageing policies keep elderly workers in the labour force, enabling them and society as a whole to benefit from longer life expectancy. Life-long learning promotes adaptability and raises productivity and employment. Moreover, all societies are confronted with demographic problems.

- Finally, it is a well-acknowledged fact that Europe needs to develop and coordinate, rather than to limit, European economic policies, as instruments for countering market disturbances such as harmful tax competition. Such disturbances put pressure on social systems and their financial bases. On the other hand, European integration is a powerful force for trade and economic efficiency and, moreover, creates the possibility to regulate some aspects of
working and social life at the more relevant European level. Achieving this in the face of institutional diversity is a major challenge to policymakers and not least the social partners.

2.4 A dynamic model

2.4.1 If the European Social Model is to survive, and be able to influence policies ahead, it has to be dynamic and open to debate and reform. History gives us plenty of examples of challenges to the model that could not be foreseen: threatening environmental catastrophes, drastic demographic and family-structure changes, energy supply crises, the knowledge revolution, the new and powerful information and communication technologies, and changing patterns of production and work-life.

2.4.2 Looking forward, the key challenge facing the European Social Model is to identify aspects of the model that promote win-win or win-win-win solutions. In other words, the focus should be on identifying existing and new policies that promote social cohesion and economic performance as well as sustainable development.

2.4.3 At the same time, steady, measured reforms are needed of those institutions for which there is substantial evidence that they are having negative effects in economic, social or environmental terms. Policy impact assessments can be useful here, the aim being to produce better regulation, rather than simplistic deregulation.

2.4.4 Where are the new challenges to the European Social Model to be found? Primarily in three sectors: competitiveness and employment, social inclusion and combating poverty, and effects of globalisation. In a longer perspective, the environment challenges can result in far-reaching relocations of production and workplaces. To this should be added migration issues (internally and externally) and gender issues; both will strongly influence the future outlook of the European Social Model.

2.4.5 It will be essential to further develop the knowledge-intensive society, both in research and in lifelong learning. Knowledge will become, even more than today, a crucial factor for achieving competitiveness and thereby creating resources for social policies. In this context, it will be important to continue supporting entrepreneurship and the growth of small enterprises. The social effects of the knowledge revolution are potentially an item that could be usefully addressed by the Social Dialogue. To develop new and efficient systems for lifelong learning will be a specific challenge for governments and for the social partners.

2.4.6 There is an important need to investigate the establishment of a new balance between flexibility and security which promotes employment and innovation, as was also stressed by the social partners in their recent joint work programme (1). It is particularly important that the social partners can agree on measures to reduce youth unemployment. Unemployment as such is a tragedy; unemployment among the young generations is a threat to the very fabric of the democratic European society.

2.4.7 In the perspective of environment challenges, there will be needed more investments in transports and housing, and in community planning and reform. The rise of the energy prices will have profound effects on social cohesion and structural policies. This is a key area promising win-win-win-solutions.

2.4.8 The macroeconomic governance system must give better support to the Lisbon targets. In a longer perspective, post-Lisbon, it will be vitally important to establish a growth-oriented balance between a supply- and a demand-side economic policy.

2.4.9 Globalisation is a challenge not only in terms of trade and prices. Globalisation is also an opportunity, for instance in opening up new markets for environment-friendly technologies. Europe must invest far more in modern technologies, particularly in the environmental sphere, as other countries, such as the US, are rapidly recognising these opportunities. Globalisation is not only a matter of trying to cope; it is very much a matter of acting proactively and identifying the opportunities.

2.4.10 The most serious of possible challenges ahead would be a return in Europe to more nation-state policies with protectionism and closing markets. That would effectively be damaging both economically and socially.

2.4.11 No social model has reached its final stage, nor will any ever do so. The basic idea behind a social model is that it generates ideas and insights as it moves forward. A social model must be dynamic or it will petrify — and perish. The social model has to be tested and debated in a continuous democratic process. Assessments have to be made and the appropriate governance instruments developed and refined.

2.5 Is the European Social Model a global reference model?

2.5.1 It is possible to see the European Social Model as an attempt to draw up a blueprint for shaping a sustained welfare Union for the future, marked by highly competitive industry, very high social ambitions and a high level of responsibility for environmental challenges. Described in this way, and with emphasis on its democratic functions, the European Social Model can be a source of ideas and experiences for other countries or groups of countries.

2.5.2 Can the European Social Model become a global reference model? Every country and every group of countries have to develop their own social model, and develop their own applications. What have proved valuable in Europe is not necessarily valuable in another country and in another set of challenges. But even so, the European Social Model could have an inspiring role, not the least because it tries to integrate the economic, social and environmental issues in an ‘idea of a democratic, green, competitive, solidarity-based and socially inclusive welfare area for all citizens of Europe’. It will be judged by other countries in terms of its success in achieving these goals.

2.5.3 There is a growing interest among EU partners in the approach that is combining economic, employment, social and environmental objectives in a reinforcing way. The European economic and social model in regional integration can be used as a source of inspiration for our partner regions and countries. The three pillar approach has proved its value in the EU.

2.5.4 In its study on the social dimension of globalisation, the ILO explicitly referred to the European Social Model as a possible inspiration for newly industrialising countries (4). One example could be China which has achieved sustained rapid economic growth, but is increasingly becoming aware of social tensions and the environmental problematic.

2.6 Take the issues to the citizens of Europe

2.6.1 The European Social Model will persist, and survive, only as long as it is supported by the citizens of the Union. If the model is to remain valid, it must meet the citizens in debate and dialogue. This would, for the citizens, offer an essential opportunity for adding their voices to the overarching debate on the future of the European society.

2.6.2 In this opinion, the EESC has presented a basic analysis of the European Social Model. This analysis should be further developed. There is a particular need for clear linkages between ideas and reality. In this way, the model could be a basis for further discussions concerning what kind of European society citizens want. In the framework of the new EU information and communication strategy, it would be possible to use the social model as a basis for dialogue.

2.6.3 Ultimately, it is on the basis of debate, dialogue and growing awareness that citizens of Europe will commit themselves to the defence of the European Social Model and to support its further development.

2.7 The role of the EESC

2.7.1 The members of EESC are an important channel to the constituencies they represent. The EESC regularly organises stakeholder forums in a wide context, for exchange of opinions and views.

2.7.2 The EESC will consider using the European Social Model as a basis for a wider communication effort in the Union. In this way, the EESC can give a concrete contribution to the debate on what kind of Europe, and what kind of social model, the European peoples want in the future. Social partners, organised civil society, and the national economic and social councils will be invited to take part.

Brussels, 6 July 2006

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