

Social Models: Fostering Faster growth

- Put theme of this session in broader context: confidence of citizens in Europe and its institutions in the face of globalisation. This challenge is not new.
 - In the 1980s we saw Japan as main competitor
 - In the 1990s attention shifted to the US
 - Now also China, India, Brazil
- Each time sparked major analysis – some would say soul-searching. And strategies. The growth and jobs strategy agreed in Lisbon in 2000 was still optimistic. Now it has been renewed last year. The intention is a positive, dynamic agenda of reform and adjustment at home and seeking open markets abroad, focused on both growth and job creation.
- But reform means change, change always raises questions. And as long as these questions have not been answered by delivering positive results, confidence in the strategy may decline. This is perhaps one factor behind the negative outcome in two referenda on the constitutional treaty last year.
- As European policy makers we therefore have to call for a pause, at least institutionally speaking, and go back to the roots. These roots are the real concerns of citizens. And one of the key public policy questions for this decade is: what will globalisation mean for the European way of life? Can our social models survive? More broadly, can we preserve our European values at all?
- What do we understand by European social model - or models? Many differences (social protection 15-30%GDP, pensions 30-70% average earnings), many different national characteristics. But some points in common:
 - Desire to build our economies on foundations of certain key values: solidarity, access to key public services, all the choices inherent in social market economy;
 - Public policy which supports and finances common social services (pensions, health/care, social protection, education

labour market policies, redistribution through taxes); 27% GDP in EU versus 15-17% in US/JA

- Tradition of social dialogue.
- So when Lisbon strategy looks to encourage reforms, to drive competitiveness, improve regulation, and unleash the potential of our businesses and workforce, this is not change for its own sake. It has a purpose - using economic success to fuel - and fund - modern social systems. To help Europe's 19 million unemployed. To improve the chance of a better quality of life for all Europeans.
- But modern social systems and a better quality of life are not optional extras. They are an integral part of a formula to deliver a lasting political response to globalisation. Policies for growth and competitiveness on the one hand, and for the reform and modernisation of social systems on the other, are two sides of the same medal.
- For example, skills. At one level, skills bring adaptability and let people make the best use of their talents. At another, they offer Europe the innovation and expertise to ensure that Europe is a cutting edge knowledge centre where new ideas are stimulated and supported. Migration or free movement of labour can assist in filling jobs such as childcare that allow women to enter the labour market. Tax and benefit reforms can make the labour market more responsive to change.
- Now who should take on the responsibilities? Modernising the welfare state and reforming labour markets is the primary responsibility of Member States; but they can learn from experience of others. We face common challenges – most obviously, ageing populations, but also changing family patterns, migration/integration and pockets of poverty – and need common responses.
- No model gives all the answers. But all can learn from each other. Some of the Nordic models offer interesting insights. Hiring and firing, for example, is made relatively easy. But this against a background of measures which offer a real safety net and give people trust to feel secure on the labour market:
 - an accessible and generous social security system,
 - substantial investment in lifelong learning

- high spending on active labour market policies
 - all this can be combined with a strong role for collective bargaining.
- The result is a very fluid labour market, with very high job mobility (for instance 1/3 of DK employees change jobs each year), a high employment rate and a relatively low level of unemployment.
- Doubtless there is much about this model that cannot be copied elsewhere. But active labour market policies can help unemployed people back into work. New ways of working, skills and lifelong learning can help the individual earn more. By doing so, there are also positive consequences for the economy as a whole.
- There is also a role at European level. Long tradition since the cohesion funds were doubled at the time of the single market. Also these funds are modernised by increasing their focus on growth and jobs creation. Because we need a Europe with a social face. One that offers security. But also one that offers choice and opportunity.
- The Globalisation Adjustment Fund proposed by President Barroso is an example of what is possible – helping people affected by globalisation to find and create new jobs, not trying to prop up failing industries beyond their natural economic life. Its size may be relatively small, but its symbolic value can be much bigger, showing that Europe cares about people.
- On the side of research, education and innovation, the Commission's proposed European Research Council and the European Institute of Technology are pillars in providing the infrastructure to support a knowledge economy.
- So modernised social policies at national or European level, moving from passive protection to offering opportunity, can be helpful in stimulating growth and competitiveness, thereby contributing to the prosperity and social cohesion that are both equal European values. On its side, the European Commission announced last week that it will make a social reality check, a kind of social audit if you like, with the purpose of checking whether European policies need adjustment.
- But to succeed, we need to be able to convince citizens that change and modernisation offers the best hope for a prosperous

future. The only possible way is to act in partnership and show by concrete actions that we can deliver. This is what the Barroso Commission is advocating and which you can hopefully support through your contributions during this session.