

THINK-TANK TASK FORCE 2

EUROPEAN SOCIAL MODELS AND ECONOMIC REFORM

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

ANALYSIS

- ◆ European economic and social models are an important contribution to stable economic development. Social models or social security systems have a value beyond the management of poverty, illness and need. They contribute to general social peace, but they are not limited to this. They support economic stability and the competitiveness of economies, locations, businesses and employees.
- ◆ Every EU Member State follows an adapted policy of social equity (the leveling of income or social differences is a central difference between the socialist vision and the EPP concepts) in accordance with its own historical development: and hence no single, uniform European social model exists at present.
- ◆ A trade-off between economic growth and social policy measures is not compulsory. Economic performance is a precondition for a generous social policy. The questions of whether Europe's ability to compete and if Member States suffer under the European social model have no standard answer. If the respective social model operates, in the best sense, in a market-integrated and preventative manner, then it will sustain the competitiveness of the national economy. If, however, the social model leads to the exclusion of a significant portion of the population from the markets or it functions more like a reactive repairman of market events, then it decreases the competitive ability of that particular state.
- ◆ Looking at the different social models we can observe at least a limited convergence of policies. Expenditures in different social security systems have been, or will be, curbed as there is a shift away from financing social security systems via contributions from employers towards financing via taxes.

CONCLUSIONS

- ◆ A uniform European social model is neither possible nor desirable. The 'social laboratory' of Europe is an important element in ascertaining the advantages and disadvantages of national social arrangements and in carrying out benchmark comparisons. Competition helps nations to 'strive for excellence' and learn from each other. All European social models have a future, none are doomed *per se*.

- ◆ Common principles and characteristics of the European social model can be found in all Member States and form part of a kind of 'European Social Agenda'. Next to the philosophical foundations they include the concepts that free competition requires a well-regulated system and that state institutions provide a (differing) degree of social security. The social model must be prepared to make the required adjustments, protect citizens from insecurity and uncertainties, strengthen the readiness for change, and encourage self-confidence in the future. A corresponding social policy requires courage on the part of the respective societal actors, governments and political leaders.
- ◆ Common criteria for the success of a social model are: efficiency, effectiveness, equity (in the sense of social justice), and sustainability. These are the requirements which a European social agenda must satisfy. In doing so, some member states achieve better results than others. Successful countries and country groups (the north European and the Anglo-Saxon countries, and also the Netherlands and Austria) place emphasis on an 'investive/investing' social security. This requires an active labour market with high labour participation (particularly from labour market problem groups) and tends towards low labour market regulation - despite often having strongly divergent social levels. The need for adjustment is now greatest in the continental and southern EU Member States.
- ◆ The perpetual modernisation of member-state social models remains key to the economic success and the acceptance of the EU, so that all Member States can go on contributing to the EU's economic future, and also so that Europe can preserve its fundamental social values whilst remaining a credible contender for economic and social advancement throughout the world.
- ◆ Change is inevitable given the major shift in demography and ageing. Change and competition drive economic wealth. The European social model can contribute to a greater acceptance of change, but a debate is needed what type will best enable Europe to meet the economic challenges of the future.

RECOMMENDATIONS

- ◆ **Values and principles** - European Economic and Social Models are based on common philosophical values: the undeniable dignity of mankind through liberty, compassion, rights and responsibilities and subsidiarity.
- ◆ **Goals** - Employment is central to Europe's economic and social model. Twenty million jobless and over eighty million inactive people in the EU represent a major problem for economic reform and social stability. The Social Model is not an end in itself. It has to underline, not undermine the values of Europe, and contribute to economic strength, competitiveness and labour market participation.
- ◆ **Key Measures:**
 - Strengthen overall employment rates and the role of labour market participation;
 - Respect the different roles of the state and government;
 - Complete the Single Market;
 - Aim for sound money and sound finance.
- ◆ **Key Messages:** Social Protection is not a lifestyle; it is an opportunity for a second chance. Make work pay. Only work pays. There should be less protection, more enabling.