

ICSW Strategy paper

**The future of the
European Social Model**

Considerations and challenges

The International Council on Social Welfare (ICSW) is a global non-governmental organisation which represents a wide range of national and international member organisations that seek to advance social welfare, social development and social justice.

ICSW's basic mission is to promote forms of social and economic development which aim to reduce poverty, hardship and vulnerability throughout the world, especially amongst disadvantaged people. It strives for recognition and protection of fundamental rights to food, shelter, education, health care and security. It believes that these rights are an essential foundation for freedom, justice and peace. It seeks also to advance equality of opportunity, freedom of self-expression and access to human services.

In working to achieve its mission, ICSW advocates policies and programmes which strike an appropriate balance between social and economic goals and which respect cultural diversity. It seeks implementation of these proposals by governments, international organisations, non-governmental agencies and others. It does so in cooperation with its network of members and with a wide range of other organisations at local, national and international levels.

ICSW's main ways of pursuing its aims include gathering and disseminating information, undertaking research and analysis, convening seminars and conferences, drawing on grass-roots experiences, strengthening non-governmental organisations, developing policy proposals, engaging in public advocacy and working with policy-makers and administrators in government and elsewhere.

ICSW has the highest level of consultative status with the UN and associated agencies.

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ICSW Europe

ICSW is divided into ten regions which cover the world. One of these is ICSW-Europe which actively endeavours to reach out to civil society organisations and other social actors. ICSW has members in many European countries.

ICSW-Europe contributes to the European debate on social welfare, justice and equality and seeks to promote social welfare and active civil society participation. ICSW-Europe offers its members a network in the areas of social welfare and social justice. It provides a platform for debate and dialogue on social policy in theory and practice. It seeks to stimulate and initiate debates on social issues with a view to promoting social justice and enabling people to take their full place in society. ICSW-Europe supports its members in their work at national, regional and local level.

ICSW-Europe is a member of the European Platform of Social NGOs and the European Anti-Poverty Network and has observer status at the European Centre for Social Welfare Research and Policy in Vienna. It is a member of the Council of Europe Conference of International NGOs. ICSW-Europe is one of the founding members of ENSACT, European Network on Social Action, in which organisations in the field of social work aim to develop professional practice and ensure services needed by the people of Europe and to enhance the quality and contribution of social work to society.

ICSW-Europe forms part of the global ICSW organisation. It embraces and supports the principles of ICSW and aims to co-operate with ICSW members in other regions of the world.

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Foreword

I am pleased to present to you the ICSW paper *Considerations and Challenges on the Future of the European Social Model*. This paper contributes to the debate on the future of the European Social Model and provides the framework and direction for the policies and actions of ICSW Europe in the years to come.

For me, the most important impact of this paper is the full endorsement for the European Social Model by ICSW-Europe, as a strong representative - for more than 80 years - of non-governmental organisations in the social field. The European Social Model signifies a common understanding of the direction, the values, the (social) rights and objectives of an inclusive Europe. Our members are convinced of the necessity of promoting this European Social Model. ICSW-Europe will be active, creative and supportive in the implementation of this model in our countries and at the European level, together with other civil society networks and the public and private sectors. We like to emphasize that this model is not restricted to the European Union but refers to all European states and citizens. It does not promote one single structure or regime but expresses the basic values for the diverse political systems and structures in Europe.

Considerations and Challenges on the Future of the European Social Model is the final result of a process of reflection and consultation through expert meetings on social rights, immigration and integration, social cohesion and social responsibilities, followed by debate in a major ICSW regional conference in Lucerne in June 2005 and political and strategic decisions of the governing bodies of the European Region of ICSW. The authors of the document are Dirk Jarré (Deutscher Verein für öffentliche und private Fürsorge) and Walter Schmid (Schweizerische Konferenz für Sozialhilfe).

The *International Council on Social Welfare Europe* represents national councils, national institutes and international organisations, forming a wide range of non-governmental organisations with thousands of members. ICSW-Europe provides an international network for exchange of information, for in-depth discussion and for taking action in social welfare policies and practices at national and international level.

I hope this document will challenge you to rethink the future direction of Europe, to support the European Social Model and to take action for implementation and concretisation of the overall principles and ideas expressed in this document.

Hans van Ewijk

Regional President ICSW-Europe



International Council on Social Welfare (ICSW)

Introduction

This paper is a contribution of the International Council on Social Welfare to the current debate on the future of the European Social Model. It argues that this European Social Model constitutes an integral part of European historic, cultural and political heritage, expressing basic values and orientations of European society. As it is presently exposed to many external and internal challenges the European Social Model needs major reforms. The paper aims to provide policy makers, major societal actors and the public at large with a better understanding of the European Social Model. In addition it suggests elements for the orientation, the content and the process of the necessary reform discussion and ensuing measures.

- ICSW-Europe suggests a clear strategy to renew the European Social Model. This strategy should be designed as a broad political process aiming simultaneously at conceiving the necessary reforms and restoring trust of the people in social security and solidarity. Its key elements are:
- The reform of the Social Model has to respect economic and social aspects in an equal way and recognize that economic growth and social cohesion have to go hand in hand.
- Economic growth can be achieved by combining increased flexibility of the labour market with more reliable social security systems.
- Taxations and financing systems have to be developed in a more transparent and accountable way in order to increase social justice and insure sustainability.
- Demographic changes should lead to a new distribution of rights and obligations between generations.
- A realistic immigration policy should be developed taking into account the interests of receiving and sending countries as well as the interests of the migrants themselves.
- The consultation process on the European Social Model should engage a wide variety of actors in the economic and social field in the framework of an Assembly on the Future of European Society.

This contribution is particularly timely as the ratification process of the Constitutional Treaty of the European Union, with the negative plebiscites in France and in the Netherlands, has put the discussion on the future of the European Social Model into the limelight of European political debates.

The document contains two parts. The first part focuses on the background and context of the European Social Model, to enable a better understanding of the Model. In Part II the authors outline the major considerations and challenges that are facing the European Social Model and indicate directions for improvement.

I Understanding the European Social Model

In current debates about globalisation politicians from the European Union and its member states often refer to “The European Social Model” and argue about its competitiveness in relation to other models at global level. However, they do not offer a clear definition or an unambiguous understanding. All we normally hear is that it encompasses a certain combination of, among others, strong democratic institutions and processes, a highly productive economy, social dialogue, solidarity, equal chances for all, a high level of social protection, as well as education and health care for all. This may be rather unsatisfactory but it leads us to say that there must indeed be something like **a European Social Model which is embedded in European society** with its fundamental values, convictions, goals, structures and ways of acting.

To reach a better understanding of what this European Social Model is all about, it is only of very limited help to analyse social policies and social protection systems in the individual countries of Europe. This would only lead to a classification of welfare state systems and give more evidence of the differences than of what these countries have in common. Instead, we should look at what the European Union, the most ambitious European economic, political and social integration project, has to tell us on the subject. The best sources of **significant elements for understanding the European Social Model** are the Lisbon Strategy, the Project for a Constitutional Treaty for the Future of Europe and the Council of Europe’s strategy for Social Inclusion.

Taking up the challenge of globalisation, European leaders committed the European Union in March 2000 to become “*the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment*” by 2010. Even though at first glance this so-called **Lisbon Strategy** looks like an economic policy objective, it is in fact a rather balanced project for the future of European society – based on three interdependent pillars, namely improved economic growth with increased employment, social cohesion and environmental sustainability. Each element of this Lisbon strategy is needed for the success of the whole as they support each other mutually. The Lisbon strategy is meant to be the vision for European society to successfully compete at global level with other highly performing societies in order to ensure its long-term survival.

While members of the European Union try to develop common policies and to foster a common political agenda, a number of non-EU European countries are facing very different challenges. Former communist countries still have to struggle with the hardship of economic transformation. Countries in former Yugoslavia still have a long way to go towards reconciliation and reconstruction after a brutal civil war. Large scale poverty and emigration are part of their reality. The lack of operational systems and funds for social security make it difficult to provide social protection for all those in need. It remains to be seen to which extent the existing framework of the European social model can give an answer to these problems. The experience of the new member states that recently joined the Union may be useful. The dialogue with European countries outside the Union is important. A test for future application of the European social model will be whether it can provide answers not only for the countries of the Union but beyond. Only in this case will it be **a truly pan-European model**.

The European Union has grown to include 25 member states, among which are eight Central and Eastern European countries of the former East Block. This enlargement coincides with a joint effort of the EU institutions and of the member states to base the future of the European Union on a **Constitutional Treaty** to make the EU more democratic, more transparent and more effective. This single text which is to replace all the existing Treaties consists of three substantial parts: (I) the Constitution's fundamental provisions, including values and objectives, (II) The Charter of Fundamental Rights, and (III) The Union's policies.

The Constitutional Treaty establishes the European Union as a union of the peoples and States of Europe open to all European states which respect its values and undertake to promote them jointly. In its preamble it states: *"Convinced that, while remaining proud of their own national identities and history, the peoples of Europe are determined to transcend their ancient divisions, and, united ever more closely, to **forge a common destiny**".* The Treaty mentions the following values on which the Union is based: respect for human dignity, freedom, democracy, equality, the rule of law, and respect for human rights, including the rights of persons belonging to minorities – values common to the member states in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.

The **aim of the European Union** is to promote peace, values and the well-being of people. It offers its citizens an area of freedom, security and justice, and a single market in which competition is free and undistorted. It works for sustainable development of Europe based on balanced economic growth, a highly competitive social market economy, aiming at full employment and social progress and a high level of protection and improvement of the environment. It takes action to combat social exclusion and discrimination, to promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. The Union promotes economic, social and territorial cohesion, and solidarity among its member states.

By incorporating the **Charter of Fundamental rights**, proclaimed by the Union's political institutions in December 2000, the Constitution achieves a major breakthrough which allows the Union to have its own catalogue of rights for its citizens. These rights will have binding legal force and must be respected by institutions, bodies and agencies of the Union as well as by the member states when they implement the Union's legislation. The preamble of the Charter refers explicitly, among others, to the Social Charter of the Council of Europe while codifying additional social and economic rights in its section "Freedoms", "Equality" and "Solidarity".

In the Union's policies, the Constitution provides a horizontal '**social mainstreaming**' clause by stating *"in defining and implementing the policies and actions referred to in this part, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health"*. The principle of participatory democracy is mentioned as well: *"The institution shall, by appropriate means, give citizens and representative associations the opportunity to make known and publicly exchange their views in all areas of Union action"*.

On these grounds the European Social Model can be described more precisely. It includes important **social policy principles** of the individual European countries, pointing out their common denominators, and offers a vision to which all countries are committed to a higher or lesser degree. Thus we can speak of a belief in the necessity of active social policy and social protection which

provides the foundation for a great variety of systems and provisions. This is certainly true for the member states of the European Union but also provides a strong influence on European countries which are not or not yet members of the EU.

The European Social Model pursues essentially the following **main objectives**: to protect individuals and groups against the economic and social risks of life and changes in society; to secure adequate income and conditions to live a life in human dignity and with fullest possible participation in society; to combat discrimination and create equal opportunities for all; to avoid marginalisation and to integrate the socially excluded; to break the vicious circle transferring poverty from one generation to the next; and to diminish to a certain extent extreme gaps in the distribution of the wealth in society.

The European Social Model is based on **citizens' individual and collective rights** embedded in a legal system. It has been developed based on and inspired by international and intergovernmental agreements and compacts. Thus social justice is one of the basic principles. It tends more and more to be inclusive which means there are no longer privileged groups but all citizens potentially can benefit from it. Under the roof of social protection it combines monetary social security systems with personal social services – both indispensable and complementing each other. The financing of social protection systems is assured either through taxes or by contributions, often a combination of both. It is not based on charity but on societal solidarity and equality.

The European Social Model, operating in a national and thus territorial context, is based on trust and a broad consensus of the population, the political parties and the social partners of each country. It reflects the historical background, the specific culture and the traditions of the country and provides a particular legitimacy to the nation state which plays an important role in this. It also implies the basic conviction that a rights-based social policy is a major prerequisite for a functioning **participatory democracy** which, at the same time, is indispensable for a modern and effective social protection system. Without material security, good education, adequate health and equal opportunities there can hardly be ongoing and constructive involvement of the citizen in the governance of the community. However, the consensus around the European social model is weaker today than it used to be. For various reasons many people think it is out of date and does not answer the political and economic problems we are facing today.

The European Social Model combines the different roles of the main actors in European society: the state at its various levels, the market economy and civil society. Only the state has the capacity to guarantee fundamental rights of citizens, to determine the general interest, to create a socially cohesive environment and to set the rules for the necessary solidarity systems. The economy can be an efficient and effective provider of services to people on a free market. And civil society is called to voice people's needs, to be their advocate and to foster empowerment and volunteering. In this context **subsidiarity** is an important feature of the European Social Model.

The European Social Model connects economic and social affairs through the socially responsible market economy. It tries to marry competition with solidarity and social justice and aims at economic growth that strengthens social cohesion. Consequently economic, employment, educational, health and social policies are seen as interrelated and considered as mutually supportive. Expenditure in the areas of education, health and social protection are to be seen as **productive investments**. Social cohesion and security facilitate structural changes and people's readiness to accept risks and go for chances, and therefore increase the flexibility of the labour market. Solid labour legislation, state responsibility and an organised 'social dialogue' – the autonomous negotiations between employers and trade unions – form another pillar for this basic social agreement.

II Major considerations and challenges

It has to be acknowledged that despite considerable variations at national level, there are common elements in the social framework of European countries which can be referred to as a **European Social Model**. These elements include a specific value system, the recognised fundamental rights and the shared objectives of this society. It embraces as main features the principles and goals of life in human dignity, social justice and non-discrimination. Protection, social integration and social cohesion are important elements as are the possibility to enjoy a self determined individual life including options and choices as well as responsibilities. The model is based on participation for all in a democratic society, on solidarity, equal chances and the creation of comparable living conditions.

The European Social Model is strongly interdependent with the European political culture and its institutions, European economic concepts and behaviour, European understanding of society and its relation with the individual, European philosophy and European vision of the future. Thus it is part of a common European approach and determines specific rights and obligations of societal groups and of the citizens.

A number of important changes and developments present significant **challenges** to the European Social Model. Some of the key issues are: globalization of production, trade and consumption; new trends of economic rationale towards liberalisation of markets and employment conditions; short term planning and investment strategies in most areas; growing dominance of individual profit creation over values of universal well-being; growing individualization and questioning of state authority; demographic changes caused by low fertility rates and longevity; increasing migration movements without appropriate integration mechanisms.

The **consequences** are also multidimensional: economic, social, structural, and, above all, political and psychological, and not fully assessed cultural effects. Increasing threats are, for example: unemployment and poverty; the widening gap between rich and poor, functional illiteracy, school drop-outs and the difficult access of young people to the labour market. We can further name crime and drug abuse; xenophobia and racism; indifference, loneliness and isolation. On the other hand, important socio-cultural features are eroding, like: trust in state authorities, in political parties and politicians; public institutions' capacities to act in the general interest; the possibility for individuals to combine their professional careers and family life; solidarity in society and social security; public order and justice and trust in the reliability of social security systems.

The European Social Model has thus come under heavy pressure. The changes and challenges European society is presently facing have already led to significant uncertainties and a high degree of instability affecting both individuals and society at large, cause for serious worries. **Fear of change** prevents adjustment to changing circumstances, which in turn leads to protection of acquired privileges, further deterioration and strong resistance to change. This inertia has to be overcome.

The **need for modernisation** within the framework of the European Social Model is now widely recognized. Areas where responses and solutions are urgently needed are: reforms of the various social security systems including updated concepts of sustainability without losing solidarity; new orientation in employment policies including adaptation of work related regulations; new responses to demographic changes and enabling family and youth policies; courageous designs in immigration and integration policies; forward looking strategies for education, cultural identity and active citizenship.

However, the **actual approach** to address this precarious situation seems to be highly doubtful, unsatisfactory and does not inspire confidence in citizens as politicians focus mainly on reduction of cost and personnel and worry little about the goals and long-term effects. Thus they are hardly connected to the real needs of society and the basic philosophy.

General acceptance of the European Model must be based in the first instance on a clear **political commitment to address peoples' needs** and on trust in the reliability of social protection. This can only be achieved through a political process redressing imbalances and social injustice in an adequate manner. Progressive, effective and sustainable reforms have to take into account values and objectives commonly shared in respective societies. Thus, a vision of the common future, which interconnects visions and aspirations with ethical norms and with economic, social and cultural conditions, can be developed. Such reforms have to propose structural changes and processes to reach the desired goals and make clear what are the advantages and responsibilities for citizens and social groups in society, including necessary costs and commitments.

All reforms should be based on the values and principles which characterize European society: full **respect of human dignity**, recognition and implementation of fundamental rights, social justice, solidarity, non-discrimination, equal opportunities, social inclusion and participation. These values and principles should be accepted and safeguarded during reforms. European values and principles – as embodied in the European social model – should be reinforced and made reality for all European citizens.

All reform policies should aim at **re-establishing trust** in public political and administrative management, in the reliability of security and care systems, in social responsibility of economic actors, and at building citizens' confidence in the future of Europe. Such "social capital" has to be considered and nurtured as the main prerequisite and as the driving force of positive societal developments.

Reform debates should not only be transparent and participatory processes but also highly receptive to **successful experiences** in other countries. A recognition that others have fared better due to appropriate policies and that we can learn and benefit from their achievements may be of considerable help. Intelligent assessment of success stories, good practices and 'creative imitation' are most helpful strategies.

Reform considerations have to be based on the understanding that macro-economic policies include social policies and are actually part of one whole.. The "either-or-approach" is non-productive. In the long run there is no economic growth where there is no stability and social cohesion. A balance between **economic performance and social cohesion** is to the benefit of society at large. Social protection needs to be recognized as a productive factor. Labour market flexibility is perfectly compatible with social security – they can be complementary features serving the interests of the economy as well as the needs of the individual. Only people who feel safe are ready to take risks. Effective social security systems in the past have heavily supported structural economic chances.

All reform strategies should carefully consider the role and the **competencies of the state** at all levels and acknowledge that only state can guarantee and uphold basic and vital principles and conditions in a modern democratic European society – like guaranteeing fundamental rights, defining what is of general interest, enforcing rules for equal chances and fair competition, setting up of solidarity systems, rebalancing inequalities through redistribution .

Reform policies need to be built on the **principle of sustainability**. They must strengthen the balance between the economic, the social and the environment (Lisbon Strategy). Thus policies and strategies have to ensure that the resources, the potential and the options of Europe's society are not endangered but rather developed – in particular in terms of natural resources, human capacities, entrepreneurship, innovation, and welfare. Decisions should not be determined solely by the choices of today's generations but also by the needs and the opportunities of the generations to come.

Reforms of structures and processes will inevitably have financial effects but should not primarily be driven by **financial considerations**. The amount of taxes or investments are only of limited meaning as indicators. Reforms should take into consideration the positive effect of a socially cohesive society as a productive contribution. As various political levels (local, regional, national and European) have different responsibilities they need to have at their disposal adequate structural and financial means.

General and consequent reforms of taxation, financing and compensation systems need to be achieved. They should pursue the goal to make **taxation systems** transparent and understandable for all, more just and less subject to abuse, and, most importantly, justified in volume by the clear objectives of society. Public financing strategies need to be more focussed on investment in the areas of human capacities, in innovation processes, in enabling environment and in prevention of deficiencies..

There is also the need to reflect on new concepts of what should be considered as labour and which kind of activities (e.g. in the areas of caring, education, etc.) have to be recognized as productive contributions to society and thus should be directly remunerated. The **principle of flexibility** in working life should not only apply to the labour force but first of all to work places using the possibility of new technologies and management processes. This would allow people to better combine family life, raising children, professional work and leisure.

Moreover, people's responsible choices in balancing education, work orientation, income, material security, risks and chances as well as quality of life should be extended by making systems more reliable. Opportunities as well as dangers of options should become more transparent. The mainstreaming of **gender equality** must be one of the strongest features in this respect.

Demographic changes, such as low reproduction rates and ageing, do not need to be seen as a threat to society, to economic growth and stability of social security systems. This necessarily asks for forward looking reflection on the extent of working time, on retirement age, on productivity and quality of work, on the relationship between the use of the experience of the old and the drive for innovation and change of the young, as well as on the question what the added value of economic growth could be for society.

Europe urgently needs a concerted and responsible **immigration policy** which respects at the same time Europe's needs of foreign labour and the consequences for the countries of origin of

immigrants. Immigration policies need to clearly address the issue of integration taking into account the principles of mutual cultural respect, societal diversity and social cohesion. Immigrants as well as the host society have to know that integration is a mutual responsibility which includes rights and duties on both sides.

Another important area for substantial modernization is the sector of **personal social services**. In particular the principle of users' involvement needs to be fully recognized and implemented by service providers under the guidance of responsible authorities. This concerns all stages of conceiving and applying these services: the assessment of needs, the strategies of provision, the design of services, the monitoring of their actual provision and, last but not least their evaluation and possible readjustment.

The issue of **subsidiarity** needs to be carefully re-considered in the context of European integration – according to the slogan “Think global – act local”. As people's life realities are determined by local conditions their needs for help and care should likewise be conceived and organized locally. However, in order to guarantee the enjoyment of fundamental social rights and the principle of equal treatment the European level has to define common social policies and strategies, to be implemented at local level.

European policies and strategic concepts should not be limited to the point of view of the members of the European Union. Europe is a cultural space in which all European nations have their importance and where the needs, the thinking and the developments in one part affect all the other parts. Consequently a **strong dialogue** between all nations is indispensable and thus the only reasonable way to go.

Societal reforms and development programmes can only be successful in the political process if they are subject of a broad and necessarily controversial public debate in society. This requires time and substantial investment in **general consultation processes**. The cycle of political mandates is usually too short to allow societal projects of this dimension to find a general consensus. The limited capacity of national governments to achieve substantial and sustainable reforms necessitates alternative political and procedural strategies to prepare such changes, for example through the creation of an independent structure at European level where all societal actors can engage in an indepth debate on the future of European society. A European Assembly could be composed of representatives of national public authorities and parliaments, the financial and economic sector and civil society.

The work of such an **Assembly on the Future of European Society** commissioned by the European Council would not be subject to day-to-day political pressures. The Assembly could work in an independent way and could come up with a coherent manifest on reforms and on the future of European society which would become subject of broad public debate at European and national levels on “the society we want” before being decided upon by citizens through referenda..

It is evident that such an approach needs a sound **communication strategy** in order to inform citizens about challenges and opportunities, to guarantee transparency and accountability, to promote participative democracy and thus create for citizens a sense of ownership in shaping the future of their lives and of their children's lives. Citizens need messages that can re-establish trust and confidence in the political system and its representatives and leaders, its advocates and providers. This is likewise true for governments at all levels, for parliamentarians and for organized civil society.

All **societal actors** must feel concern for the common good of society and its future development – despite the different and specific interests they may pursue. After all, their individual opportunities and successes are dependent on the state of health of society. Continuous investing in society in terms of ethical convictions, education, innovation, material means but also personal commitment and time is a precondition. Only wanting to benefit and not actively contribute to the common good will erode the potential and destroy society.

Finally, it has to be clearly acknowledged that globalisation constitutes not only a threat but offers at the same time great opportunities. Europe needs not only to be competitive in the global economic market in order to survive. More importantly, Europe needs to demonstrate that its specific European Social Model is a highly successful one which can hold its own in **international competition**. Globalisation offers an outstanding opportunity to redesign structures, arrangements and procedures in European society. The process needs to start right now.

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