

# DOSSIERS solidarité et *santé*

## Emerging social issues in a changing Europe

Conference, Paris, November 12<sup>th</sup> 2008

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In the framework of the French Presidency of the Council of the European Union, a conference dealing with the new social issues in a changing Europe was organized on November 12<sup>th</sup> 2008 in Paris by the Directorate of Research, Studies, Evaluation and Statistics (DREES).

This conference which was attended by more than 200 experts and European policymakers in the domains of labour and social protection was in line with the perspectives of the renewal of the European Social Agenda, following notably the Forum on the Renewed Social Agenda that was organized by the European Commission in May 2008, the European Commission communication on the renewed Social Agenda in the beginning of July and the informal meeting of Labour Ministers held in Chantilly on July 10<sup>th</sup> and 11<sup>th</sup> 2008.

This conference, to which Jean-Pierre Jouyet, Secretary of State for European Affairs, Nadine Morano, Secretary of State for the Family, representing Xavier Bertrand, Minister of Labor, Social Affairs, Family and Solidarity and, for the European Commission, Jérôme Vignon and Xavier Prats Monne, who represented the European Commissioner for Employment, Social Affairs and Equal Opportunities participated, enabled to pursue within four round tables debates on issues raised by new social realities.

The first round table dealt with social Europe and globalization. It addressed the perspectives of social Europe within the context of globalization, concentrating on constraints linked to globalization as well as links with the Lisbon Strategy for growth and employment and between social Europe and fundamental social rights.

The second round table addressed the question of ageing and pursued reflections related to intergenerational solidarity, a theme that was the subject of exchanges between the Labour Ministers during their informal meeting in Chantilly on July 10<sup>th</sup> and 11<sup>th</sup> 2008.

The third round table addressed the theme of diversity and social cohesion, taking into account the expectations of citizens and the European Union's capacity to produce concrete actions to respond to them, notably through the perspectives exposed by of a representative of the European Parliament, a representative of the European Economic and Social Council, and a representative of the platform for European NGOs in the social sector.

Finally, the last round table enabled debates on social Europe's instruments, be they new instruments to create or existing instruments which need to evolve.

It seems useful to now publish the proceedings of this conference that contributed to a process still underway, aiming at defining priorities and methods to address social issues within the European framework.

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## Opening

Jean-Pierre JOUYET

Secretary of State for European Affairs

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Ladies and gentlemen, dear friends,

It is a great pleasure for me to introduce this important conference on “New Social Issues in a Changing Europe”.

This conference is a good opportunity to have in-depth discussions among representatives of Member States and European institutions, social partners, NGOs and people from the academic world regarding the new orientations Europe should give to its social policies.

I would like to salute the quality of the panellists who have come together here in Paris at the initiative of Xavier Bertrand and his services. A new reflection is starting and we need to think about this as partners since it deals with finding new long-term actions for Europe concerning all our citizens.

For this debate, we can rely on the central contribution of the Commission. The communication on the Social Agenda adopted when the French Presidency began last July is proposing major lines for this European reflection. I would like to salute the quality of the work carried out by Commissioner Vladimir Spidla’s teams (notably Jérôme Vignon), which followed a very broad consultation of all European stakeholders.

We can also count on the important report that Xavier Bertrand and myself asked Bernard Brunhes to draw up last year, and I would like to pay tribute to him. I believe that this report on “A social agenda for a competitive and interdependent Europe” raises the right questions about what Europe has to do and the major actions that are relevant.

The Ministers of Social Affairs had an initial opportunity to debate these contributions during their informal meeting in Chantilly in early July. This conference offers an opportunity for European institutions and the Member States to dialogue with experts, social partners and the civil society.

Xavier Bertrand and Commissioner Spidla will take the opportunity this evening to inform you of the upcoming steps in the European process launched last July. The French Presidency and its partners from the Czech Republic and Sweden, which will host the presidency in 2009, will take great interest in your work to translate it into policies. We need to be very operational and make proposals.

The four round tables that will follow this opening address will cover the wide range of issues the French Presidency has raised.

The first topic, on social Europe in globalisation, is key. We will consider whether the European approach to successful inclusion in economic globalisation is compatible with preserving our social traditions. As Bernard Brunhes has often said, we in Europe all too often tend to think that we have considerable differences with regard to social affairs. But seen from other parts of the world, from Beijing, Brasilia, Johannesburg or even Washington, there is no doubt that some sort of “European social model” indeed exists. How can we and should we adapt it in these times of globalisation?

I believe that Europe has begun to address this:

- by acknowledging the diversity of our populations and the need to create a common approach to immigration. From this point of view, the European Pact on Migration adopted by the European Council in October was a decisive step taken in a global, balanced approach ;

- by developing flexicurity strategies to strengthen our businesses' competitiveness while ensuring that our citizens have the security that is vital to them ;
- also by developing new tools such as the European Globalisation Adjustment Fund, which, as you know, France considers to be very important. In the current economic context, which is bound to last, there is a need for ambitious action and sizeable adjustment funds. It is not normal that these funds are so underused today, when they are still below the level needed for conversion and training.

Your debates will also deal with the ageing population and solidarity between generations. In times of crisis, we tend to underestimate the long-term challenges. We must realise that the issue of ageing is already a reality for most EU Member States.

This is an area for decisive action. The dialogue and the sharing of best practice among EU States are particularly fruitful.

We also need to think about possible actions that could be led by the EU itself, notably regarding the employment of older workers, which is becoming a major issue in all our societies.

A third major topic is social cohesion and diversity which, as I pointed out, is partially linked to globalisation. European dialogue can encourage awareness of our unquestionable need for new forms of immigration. As was pointed out by the Heads of State or Government in the European Pact on Migration, good integration of diverse populations must be a European priority. Beyond our diverse national traditions, together we can determine priorities and common tools. Overall, Europe lags behind the United States regarding the renewal of our elites, be they political, administrative or economic, and affirmative action programmes are probably necessary.

Social diversity in Europe is more generally a demand for equal opportunities. As Bernard Brunhes pointed out in his report, Europeans are seeking new measures to apply this principle, which should be central to the European approach to society.

The French Presidency has put all its weight behind the ongoing negotiations at the Council of Ministers on the draft Commission Directive concerning the different forms of discrimination. This discussion is difficult, but you can count on our determination to convince, with support from the European Parliament. This text will meet our citizens' expectations in creating a more concrete Europe with more solidarity and closer to the population's concerns.

Equal opportunity is needed to fight poverty. The French Presidency has been an opportunity to share with all Europeans our experience with the new "Active Solidarity Income" (Revenu de solidarité active, RSA), under the auspices of Martin Hirsch. This shows that Europe can make progress in solidarity with the underprivileged.

You will also discuss the instruments of social Europe. Above and beyond the debates on principles, we need to transform words into action. This is a major concern for Xavier Bertrand, who insisted that the French Presidency includes reflections on the new tools for action that Europe should adopt. What is the role of European social legislation? What resources are allocated in the budget of the European Union? How can we improve coordination? I know that the European social partners have varying points of view on these important questions. The purpose of this conference is to bring these viewpoints together and to reach points of consensus.

To conclude, I would like to share with you a strong personal conviction in the current difficult economic and financial circumstances.

As we all know, the financial crisis is seriously impacting our real economy and, in the next few quarters, we Europeans will have to deal with related consequences in terms of activity and employment.

The French Presidency is making all the necessary efforts to coordinate European actions in response to this crisis. We provided the necessary responses on the financial level. The French President is working hard so that, at the European Council in December, we will provide a European response to this economic slowdown that is as ambitious as possible.

I believe that Europe must also mobilise itself to provide a social response to this crisis. Today's discussions must take into account this new context as compared to the situation of last July. In the coming months, the European social agenda must take into account the economic slowdown and the return of unemployment.

Many of the instruments proposed by the Commission in the social package go in the right direction. I am thinking of European Works Councils, which are the natural place for dialogue to ensure a more balanced sharing of the fruits of growth. I am also thinking of the flexicurity policies that should enable companies and workers to deal better with the economic slowdown.

I believe, however, that we could go further in social dialogue at the highest level. More than ever, this dialogue is essential as we watch the collapse of a form of economic and financial development that is overly dominated by short-term profitability concerns. We need to set up a development model that is more attentive to the scarcity of resources, the link between humans and the environment, as well as long-term collective investments. We need to make sure diversity becomes wealth.

Thank you very much and enjoy the conference.

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# Introduction

**Bernard BRUNHES**

BPI

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When the French Presidency of the European Union included today's conference in its programme last spring, the economic situation in Europe and around the world was not in such a troubling state. The financial crisis had begun, but its consequences on the real economy were largely underestimated.

So we now have a new context for this conference on social Europe. I was in Chicago last week and I could feel the emotion and hope of the Americans regarding their new President. Like all observers, I felt a new stimulus for changing the development model – excessively closed off from human and social realities – that is characteristic of the American administration.

In the last few days, the social consequences of globalisation have been back at the forefront in the media and in citizens' discussions. The President-elect's first speech did not cover them up, as the serious difficulties of the American automobile industry came about at the time of the election. Diversity was one of the central themes in the election of Barack Obama. The question of poverty is also being emphasised, with the dramatic consequences of the American real estate crisis. Sustainable development will take on a new dimension with the incoming American administration. This new sustainable development model will have a direct impact on jobs, skills and social questions.

No one knows what the change under way at the head of the United States will bring. I could not help but compare this event with the feelings that I've been having since last spring, when the French Government asked me to meet with many administrative and policy leaders in the Member States to try and draw up a social agenda for Europe. With some melancholy, I have proposed a very modest agenda, no doubt far from the hopes and expectations of Europe's citizens. While aiming to preserve the principles of the market economy and of subsidiarity, most of political leaders I met had a rather negative opinion of developing a European social agenda. I was rather disappointed to observe that it is hard to build a European social agenda that is not reduced to the strict minimum or to lengthy negotiations leading to slim progress with no ambition.

Today, we could be worried or full of hope. Indeed, the scope of the crisis facing Europe and the world may lead to greater prudence and could give rise to a temptation to put off planned progress on topics as important as diversity and the fight against discrimination, flexicurity, improving and harmonising labour laws, the struggle against poverty, and notably child poverty, intergenerational solidarity, job equality, progressive harmonisation of social protection systems, etc. We could always reason the other way round. Everyone knows that this crisis is not just an unfortunate incident or a rough patch that we have to get through before going on with business as usual. It will result in new rules, a new organisation in international relations and new forms of intervention in the economy by public authorities.

The welfare state, which has been harshly criticised as being based on outdated concepts dating back more than sixty years, may come back in a different form. Given the economic and social consequences of excessive trust in the markets, we may now have to define new models giving the Nation States and Europe a role in protecting men and women suffering from poverty, age, difficulties in youth integration, unemployment, a lack of training, ill-adapted skills, racism, sexism and various forms of handicap. The social

protection system set up in the middle of the last century must be deeply reformed. But it must also be strengthened. Doesn't Europe have a role to play in defining a new model?

We are required to imagine a new economy and a new society, abandoning our defensive posture against emerging countries seeking to take their place in the sun and adopting a positive, constructive attitude, or even going on the offensive. In our democracies, this change in direction, this painful adaptation to a new world, will not take place without the full assent of the citizens. That is what social Europe is: an approach to our shared interests, cultures and history that does not give an excessive place to the economy and finance and gives the citizens their rightful place, so they understand where we are headed.

The European Union and the governments comprising it must stress a discourse and action that give Europeans the feeling that they are the focus of our work. Our economies need that trust, because the fear of tomorrow feeds the mistrust affecting consumption, investment and the stock exchange itself. Rather than postponing social projects, with the excuse that it is urgent to undertake the reforms that the economy and finance need, the Union must use the social agenda to give them their full place in the new order that will come out of this crisis.

The four themes we will approach today are complementary. I hope the speakers today will keep in mind our need to prepare for the future through new approaches and will not be overly careful. New approaches that are adapted to a new world that we cannot know yet. What we need is a new, collective European approach and not the sum of twenty-seven sometimes divergent desires. Because this crisis is the birth of a world in which new actors will play a huge role, Europe must build a united front rather than a jigsaw puzzle of autonomous nations.

The first round table will deal with globalisation, which is a real challenge for social Europe because it is leading to a new international division of labour which calls into question the economic model on which European countries have built their place in the world and their wealth. In this new context, how can we preserve that which has made up Europe's originality in the world for the past fifty years: a successful combination of economic competitiveness and social solidarity? We are the only region in the world that has implemented such a combination, but can we maintain it? How can our beloved social protection be preserved while finding ways of renewing it? How can the rights of workers, which are the basis of our model, be protected when they are so far removed from what is experienced in other competing regions? Does the Union need to develop protection mechanisms, such as the European Globalisation Adjustment Fund, whose ambitions are perhaps too modest and whose results so far have been a bit disappointing?

The second round table deals with the elderly and intergenerational solidarity. We must not allow the challenges of globalisation and the economic crisis we are experiencing to put the most serious challenge facing our societies on the back burner: demographic change. We will assess the scope of the challenge, discuss the social policies that might help us to address intergenerational cohesion and look into the possibility of increasing the activity rate in compliance with the Lisbon strategy, which is still very much relevant in this field, as in others.

The third topic of our work may be more controversial. I hope we will have a lively debate. Behind the consensual term "social cohesion", there are a variety of positions because, while we may agree on the principles, government practices may differ. I wonder if having an African American become President of the United States will change things in our countries as well.

The last topic of the day is a bit more concrete and perhaps more technical: the tools of social policy. Some Member States have adopted a hesitant, sceptical position regarding tools. When I went to several Member States to observe their priorities for the European



social agenda, I could feel some reluctance, indecision and scepticism towards many of these tools. Directives and legislation are necessary, of course. But in the name of subsidiarity, they are distrustful. In most Member States, my contacts expressed reluctance toward new legislation. I think they are wrong.

I think that the European Union would be better prepared if it had a comprehensive body of legislation. Maybe the current crisis will help to make progress on this point. The Open Method of Coordination has shown its effectiveness, but also its limits. It needs to be further developed, perhaps with further innovations. The European Funds are effective but may be overly bureaucratic, which takes away some of their effectiveness. This is no doubt the opportunity to discuss the future of the European Globalisation Adjustment Fund, which exists but has not had much impact.

Negotiations between social partners were lively and productive ten or twenty years ago, but have lost their dynamism and effectiveness. They need to be revived today.

Knowing the weight that a solemn declaration by the European Council carries, we hope that the Council meeting in December will provide an opportunity to reaffirm the importance of social Europe and the people's Europe. You are all responsible for social projects for Europe. We hope that all participants in this conference will contribute their thoughts and research. We also hope you will provide some answers to the new concerns of Europe, which has entered this deep crisis. If together we can provide social responses to this crisis, our fellow citizens will be grateful to us.

I just reread the conclusions of the "Informal Meeting of Ministers for Employment and Social Affairs" of July 11<sup>th</sup>, during which I presented my conclusions on the European social agenda. I took note of the conclusions of that meeting: to make social Europe more visible and concrete; to fight against the exclusion from jobs of part of the population; to help workers in adaptation to change and develop flexicurity; to facilitate cross-border mobility; to foresee the skills that the labour market will need; to help workers adapt to changes resulting from globalisation and climate change; to reinforce solidarity between generations; to better reconcile working and family life; to define the conditions for developing social services in the public interest; to struggle against poverty and to fight for equal opportunities and against discrimination.

If this programme is actually carried out, major progress will have been made. But beyond these statements, we need acts. I hope that we will go beyond these promises today. We need to ask the real questions in this time of crisis. What can we do, for example, so that the poverty that directly affects more than one in ten Europeans does not bring down millions of our fellow citizens as a consequence of the recession? How can we make sure that pensioners do not bear the brunt of financial and stock market failures? How can we keep downsizing from being the only response adopted by large corporations faced with economic difficulties? What can be done for the housing problems everywhere where the crisis is directly affecting new homeowners?

We cannot be satisfied with saying that social Europe will be built slowly but surely, after economic Europe. Maybe we should look at the question of Europe's future the other way round today.

## First Round Table

# Social Europe in the context of globalisation

Chair : Bernard BRUNHES

BPI

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### Europe in the context of globalisation

Jean PISANY-FERRY

Brussels European and Global Economic Laboratory (Bruegel)

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Bernard Brunhes echoed a number of deep disagreements in the EU27, with a mix of diplomacy and irritation. This has led to immobility on the question of social Europe and adaptation to globalisation. We can describe the social issue in Europe as a “frozen conflict”, given how deep our disagreements are on how to approach the question. There are many reasons for this. The great diversity of situations has been accentuated by EU expansion. There is also a diversity of models for the “European social model”, as André Sapir has pointed out. Some are effective, others are not. Some are fair and others are not.

I believe that there are also factors in France which create difficulties in the debate with other Member States on these questions. France focuses on two “showcase” concepts, economic government and social Europe. These notions are poorly understood by our partners in the best of cases. In economic government, they often see the desire to rein in the European Central Bank; in social Europe, the desire to eliminate competition. This leads to a lasting misunderstanding that is only equalled by the misunderstanding in French public opinion toward a Europe that refuses to recognise that economic government and social Europe are essential dimensions.

Nonetheless, it seems to me that progress has been made with the Open Method of Coordination initiated in Lisbon. For the labour market, emphasis has been placed on relevant objectives. Considering the rate of employment rather than the rate of unemployment is a break

from the Malthusian practices that many Member States had adopted in the 1980s. Focusing on the employment rate has changed the terms of the debate. Other significant contributions include the interest taken in the employment of older citizens and the emergence of European debates on flexicurity, often taking Denmark as a reference. Likewise, an element for improving the debate – and consequently national policies – lies in the attention concerning active labour market policies, with can take on many forms (such as the Revenu de solidarité active – RSA – in France).

We have managed to open up the debates on these questions, which had been excessively closed off ten or fifteen years ago, much more so than in the economic field. This is a major achievement in the social field which could bring about progress, even though it acts weakly and produces results slowly. Likewise, even if we are not sure of the links between instruments and results, an improvement in the employment rate (greater than anticipated a few years ago) occurred in a favourable economic context.

There is probably room for other aspects. Jean-Pierre Jouyet has brought up a concern for other subjects such as the ageing population and social diversity. One characteristic common to all European countries is the fact that they are currently behind in investment in human capital. They often think they are naturally “intensive” in human capital, but they are less so than they think, especially when we take into account the speed at which the emerging countries are investing in this area. Many European countries have fallen behind in human capital investment and there is no doubt a need to reactivate this. I was surprised to see that we have few instruments for evaluation and comparison in this area. In any case, we know that France is far behind in this area and

would do well to take inspiration from some of its European neighbours.

The question of migration is included in the social agenda, notably thanks to an initiative by the French Presidency. The European dimension of migration is now recognised. This common dimension is, of course, variable, notably being stronger for the migration of qualified workers and for illegal aliens. Here again, there is probably a platform for developing a policy with comparative elements from the different Member States and common objectives.

Mobility is another area worth of interest. Surprisingly, the European Union has been constructed based on the implicit hypothesis that the inhabitants of the Union would not move around despite the abolition of borders within the European space. Actually, the population is becoming mobile, which raises major social questions concerning the portability of rights.

I would like to also by to talk about the recession. It is here. The economic forecasts are constantly being revised downwards and we have no doubt not yet hit the bottom. The Commission's forecasts still seem to be on the optimistic side. The IMF forecasts are already announcing an outright recession and I think that this will be increasingly acknowledged.

We are thus going through a shock of a magnitude not seen in a long time. Even the recession of 1993, which hit some countries very hard (including France), was not this wide in scope. There is also uncertainty as to how long this shock will last, which is being debated by economists. They are notably discussing the impact of debt reduction and the speed of the adjustments at work. There are also questions as to the nature of the growth that will come about after the recession, given that the effects of the shock on the international system cannot yet be foreseen with precision.

The debates on social Europe will be found to be out of line with certain objectives which had been defined and for which results had been obtained. It is true that some of these objectives were relevant in view of a progressive return to full employment. This was the outlook over the past decade in many European countries where the main challenge consisted in getting the job market to work better and bringing people back

to work who had been far from the job market, notably seniors.

In light of the recession, priority is quite naturally given to the sturdiness of our "safety nets". The question of objectives will therefore come back up and the Council, which will meet in December, will have to examine these economic and social questions. Questions such as unemployment benefits, earned income supplements, the fight against poverty and restructuring are already being raised.

Beyond that, there are specific questions as to the European dimension of certain instruments. Jean-Pierre Jouyet and Bernard Brunhes mentioned the European Globalisation Adjustment Fund, for example. This fund is largely a political "gimmick". It was mainly set up to justify the Union's political response to the questions raised by the social consequences of globalisation.

Actually, the fund has not been used very much, luckily. It was designed to provide a political response, notably to situations widely reported in the media. The Union could thus say that it was part of the solution and not just a part of the problem. This is a bit of a caricature, but it is not that far from the truth. We need to ask whether the European Globalisation Adjustment Fund can be used as a real instrument.

This would presuppose selecting objectives and a path to reaching them. The scope of this instrument would, of course, be limited, since the budget that could be mobilised is not infinite. But it could be increased if necessary. The objectives that could be pursued with this instrument include, in my opinion, compensation (for a certain period of time) for lost income after a change of jobs due to restructuring. Could this tool also be used to finance support for mobility within the Member States or (with a supplement) within the Union? Of course, conditions for eligibility would have to be defined, reinforcing the automatic application of this instrument when the conditions are met rather than discretionary use arising from the political tensions observed from time to time.

Lastly, and in conclusion, it is obvious that the level of uncertainty that exists as to the scope and nature of the changes that will become necessary due to this financial crisis entails engaging in social dialogue in order to foresee the different aspects of the problems that may arise.

## The place of social protection in the Lisbon Strategy

Jérôme VIGNON

European Commission - Social Protection and Integration Directorate

Talking about the role of social protection in the context of the Lisbon strategy means addressing the highly controversial topic – especially in the past three or four years – of the contribution of the European social model to the success of the Lisbon strategy and the competitiveness of European businesses faced with the challenges of globalisation. Remember André Sapir's remarkable study, presented at the "EcoFin" Council in 2005, which directly addressed the question of the existence of a European social model and the relative adaptation of certain national social models faced with the fluidity required by globalisation.

The Open Method of Social Coordination (OMC) covers main systems of old-age pensions and healthcare, but also assistance income and guaranteed income, since European objectives cover the modernisation of social protection and the struggle against exclusion and poverty.

I would like to emphasise three points, firstly the history of this process and the stages we have gone through, then the lessons we have learnt and, lastly, what this contributes to the implementation of the Lisbon strategy.

### *The origins of the Open Method of Social Coordination*

Where do we come from? The first steps date back to the 1990s. At the time, a major social action programme was coming to an end. It was based on the parallel drawn between the internal market, monetary union and social cohesion, the three going hand-in-hand. Today, people talk a lot about the recommendation drawn up in 1992 on minimum allowances, as it is back in the news. What is no doubt even more important in relation to our subject this morning, is the recommendation of July, 27, 1992, which was broader and advocated convergence toward the highest levels and social protection policies. It covered all areas

of social protection, including family and unemployment benefits. It aimed at suppressing obstacles to mobility in Europe.

Therefore, what we are doing here not only relates to the Lisbon strategy, but from the origin to the concern that too much disparity amongst social protection systems might be an obstacle to the challenge of full economic and monetary integration.

At the beginning of 2000 decade, we became more optimistic than in the 1990s. Lisbon was dominated by the view that a solid, generous protection system that protects and encourages change is an advantage for productivity and therefore for competitiveness. Social protection is considered as a productive investment. Around 2005, notably after the Kok report, social protection's ability to encourage competitiveness began to be challenged, especially when faced with the competition of emerging countries which assimilate technical progress quickly.

The Lisbon strategy was thus reconfigured, focusing on growth and jobs through guidelines and annual reports and coordinated with the social Open Method of Coordination, which must also prove that it contributes to the general challenge of activating the potential of the working population. The social Europe objective is still there, but it is being looked at in the light of its compatibility with support for growth and job objectives, which is normal and healthy. Paradoxically, this separate follow-up of the social Open Method of Coordination has contributed to visibility which may be secondary, but is real and independent of the strategy for growth and jobs. I would like to point out several achievements.

### *Acquisition and reflection in the social field*

The Social Protection Committee set up by the Treaty of Nice, successively chaired by Raoul Briet, Theo Langejan and now Élise Willame, plays the role of a policy forum for European deliberations. It meets more than ten times a year and plays a policy role in selecting "angles of approach" for modernising social protection.

There is a European "standard" for the design of social protection. Convergences exist firstly on the notion of active inclusion. This was recently the subject of a European Commission recom-

mentation and is the result of several years of discussions and actions aimed at finding a way of reconciling the notion of “make work pay” for the person concerned and the notion of a right to unconditional support that the community must provide to those who cannot work. The notion of active inclusion sums up the entire philosophy behind the European strategy for modernising social protection: effectiveness, financial sustainability and the solidity of social cohesion.

There is also a joint approach on the part of the twenty-seven member states, some of which have very different systems in terms of reforming retirement systems, in considering that extending the duration of working life (and the reduction of related inequalities in health and life expectancy) are essential elements, whatever the system. These countries also consider that we must show great rigour in managing public finances. From this point of view, there is a direct link between the reform of the pension systems and one of the central Lisbon objectives. There is also a need to diversify savings methods and to develop supplementary pension systems, but with better control, to make them accessible to all. Lastly, there is a need for ongoing monitoring of these reforms, because it is uncertain whether the level of action we have taken is appropriate. In France, the COR (Conseil d'orientation des retraites – Pension orientation council) plays this monitoring role. There are equivalents in each Member State to measure the progress made and what remains to be done.

Lastly, it is recognised that a new approach to healthcare systems is needed for European States. This consists in fighting inequalities in healthcare, whose extensive role as an obstacle to employment is now recognised. We want to emphasise on quality rather than on promoting downsizing and it is an achievement to be able to pursue objectives such as these through strategic action plans. What happens upstream in the healthcare system should be stressed, by investing in quality rather than systematically reducing costs and by opening up and over-seeing the long-term healthcare offer.

These achievements are important: it is quite something to reach an agreement on such objectives and to pursue them together through national strategic plans. On a more cross-

cutting view, we have developed, through peer reviews and joint indicators, a community of thinking that goes far beyond the Social Protection Committee. It brings together social actors and civil society in the Member States. It is creating a state of mind focusing on social vigilance, which I can perceive in the answers given by the members of the Social Protection Committee to the questionnaire that we recently sent to them. The question dealt with how their countries reacted to the impact of the crisis from the social point of view. The answers are surprising in their agility and foresight: everywhere there is something happening, and this is not unrelated to this annual monitoring system.

#### *Growth and employment do not necessarily support social cohesion*

The reports that the Social Protection Committee issues every three years ask two “symmetrical” questions: does the modernisation of social protection support the Lisbon challenges? Do growth and jobs support the reduction of poverty and the quality of social protection?

On the first point, the most striking area is that of extended working life: the employment rate of older workers has risen from 38% to 45% in ten years. It should reach 60% by 2050. This is a major contribution to European agility. One question still needs to be looked into: how can the “social protection” aspect of flexicurity, a major element of the Lisbon strategy, fully play its role while avoiding having those in the most precarious jobs also finding themselves in the most vulnerable situations in terms of social protection? The Employment Committee is concerned with this question. The Social Protection Committee has formed a taskforce to deal with these questions.

Jobs and growth generally contribute to the cohesion objectives. This can notably be seen in the Member States farthest from high income levels. Bottlenecks do exist, however, as the Social Protection Committee pointed out in a report dedicated to the Lisbon strategy published in 2007. Despite growth and jobs, which generally have favourable effects, there are bottlenecks which block the diffusion of growth and jobs in sizeable corners of society, impairing the ability to react to globalisation.

We could mention some of these bottlenecks:

- Since 2001, the proportion of children living in a family with no adult working has remained stable at around 10%, whereas, at the same time, the employment rate has risen from 62% to 70%. The proportion of young adults with no basic training greater than the elementary level has not varied, either: it is between 15% and 17%. Questions can be raised as to the ability of these people to follow continued adult training, which only 10% of the least qualified workers have access to. Those who need continued adult training the most are therefore those who have the least access to it.
- Moreover, 25% of Europeans live in housing that is not up to World Health Organisation (WHO) standards. So how can they be fit to work, especially when their housing is far from places of work? Furthermore, between 5% and 10% of Europeans claim that they have no access to dental care.

#### *Time for a redistribution*

Social investments need to be made and these will facilitate greater EU adaptation to globalisation. The Commission considers the crisis to be an opportunity to provide a better suited response to these challenges. It said as much in its communication on the recovery plan of last October, 29<sup>th</sup>. It will say so even more forcefully by November, 26<sup>th</sup>.

We are sure that the Lisbon strategy process and the social Open Method of Coordination (OMC), which are designed to make us more agile and more flexible, can also provide us with these qualities in the crisis itself. This presupposes, however, that we adopt the new viewpoint that Bernard Brunhes has called for. This also presupposes that we consider investments in removing these bottlenecks as part of the emergency measures to be taken into account in the current crisis context.

These investments require financing, of course. This means raising a question that goes beyond the Commission's competencies: redistribution. Personally, I cannot see why we should not reconsider the tendency that has prevailed over the past ten years or so consisting in opting for redistribution that does not allow for these essential social investments. This would make it possible to redirect priorities without the wildly exceeding budgets.

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## Social Europe and Fundamental social rights

Francis KESSLER

Paris 1 University - Panthéon-Sorbonne

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While its economic and political aspects are important, the EU is a legal construction. The question of fundamental rights and their relationships is complex and has kept specialists busy for some twenty years. It is all the more complex in that we are faced with three fundamental legal orders: the European order the Human Rights order and various case laws. But these fundamental rights cannot be dissolved in the economic crisis.

The founding European texts do not contain any "catalogue" of fundamental social rights, although Court case law recognises these rights as components of Community law. There are two instruments whose legal value is hard to evaluate: the Community Charter of the Fundamental Social Rights of Workers (somewhat forgotten) and the EU Charter of Fundamental Rights. There are other basic texts in the European space, starting with the European Convention on Human Rights and the European Social Charter. There are nonetheless difficulties in combining the legal orders of Community law and Human Rights.

The fight against all forms of discrimination is a success to Europe's credit – the European Union as well as the Council of Europe. European texts prohibit discrimination, which is also condemned by longstanding case law made up of decisions by the Court of Justice of the European Communities and the European Court of Human Rights. This case law has led to methods of work and investigation which are now widely used for dealing with discrimination and its prohibition. Gender discrimination law has made considerable progress in the past twenty or thirty years – although problems persist, notably in the area of equal pay for men and women. For discrimination based on nationality, somewhat complex case law exists which in any case prohibits considering a person's nationality in the work sphere and in social protection or social assistance, although this is more complicated.

There may be strong potential for litigation beyond these areas, concerning returning to work and employability. Progress has been made through litigation, on a case-by-case basis, which is obviously not always very satisfactory. This is also the case of age discrimination. Implementation is therefore a major European “asset”.

Discussions that are no doubt inherent to the essence of the European Community within the European Union regularly take place concerning the distinction between fundamental economic rights and the collective fundamental rights of employees. In “unfortunate” rulings by the Court of Justice of the European Communities (Viking and Laval decisions), the Court of Justice adopted a highly complex method of reconciling these two rights by using a principle of proportionality which is very hard to use. I think things could have been done differently.

Furthermore, if we compare case law from the Court of Justice of the European Communities with case law from the European Court of Human Rights, we can see that the latter is light years away from the former. For example the Human Rights Court does not hesitate on the possibility of going on strike. While preparing this speech, I went over the arguments from the early 20<sup>th</sup> century and it is interesting to observe that those arguments are still current, for example concerning the conflict between competition law and the setting of collective working conditions. In fact, I believe this debate goes back to before the First World War.

It would have been easy for the Court of Justice of the European Communities, using developed case law, to refer to the fundamental social rights contained in the European Social Charter or, to a lesser degree, in the European

Convention on Human Rights. This alternative approach preserved national collective bargaining while preventing the risk of social dumping. The idea of a common code of fundamental values, to use the terms of the Advocate General himself, should be possible. At the end of the day, the question is to think over how to coordinate sources and systems of Human Rights protection in Europe. The Member States have barely reacted to what appears to be a fundamental attack on the right of collective bargaining. The Commission has adopted a somewhat contradictory position. The European Parliament has taken up the question and has provided a sort of “guide for action” in this area through a resolution that notably disagrees with using a principle of proportionality.

Today we could ask the European Commission to promote fundamental rights more vigorously, particularly for those rights that are not mentioned in the Treaty. If we accept that Human Rights, according to the Council of Europe, are an integral part of the rights recognised by the European Union, why shouldn't the Commission refer to them in its communications? In my opinion, there is a considerable discrepancy, notably between the “Internal Market” Directorate General and the “Employment and Social Affairs” Directorate General, which cries out for a harmonisation of the Commission's work. This absence of fundamental social rights in EU debates is also the case on the national level. It is basically a question of recognising that Human Rights standards, and notably the European Social Charter, are superior not only to the Member States, which have all ratified the European Convention on Human Rights and the European Social Charter, but also for the Union. This is a real legal tool for action.

## Discussion

### Walter CERFEDA

European Trade Union Confederation (ETUC)

I have heard many points of view that I share. There is some continuity with regard to the economic situation. Recession will increase all the social problems we face, so we need to consider that. Europe was in a state of crisis before this financial crisis. If you look at European growth

in the last five years in the context of globalisation, we need to recognise that the European increase of Gross Domestic Product (GDP) is the lowest in the world. Average growth in Europe over the past five years is 1.8%. This compares to 2.7% in Japan, 3.1% in the United States, 8.4% in India and 10.2% in China. This means that there is a serious issue with regard to the European growth rate. We were too much

preoccupied with the internal market and not with globalisation. 85% of the European growth and GDP remains for the internal market. This was at the centre of the economic recession.

Now how can we re-launch this economic growth? We are very aware that the social and competitive models are two facets of the same coin. We are ready to launch a new social model if we have a good competitive model. Otherwise we will have a defensive battle in which everyone will strive for their own position. I would never accept that the employees only would pay the price for the crisis, with more unemployment and lower salaries, as it was the case in 1929. We need to change our attitude and the labour market. We have a joint analysis launched with Business Europe regarding the challenges of the labour market and the need for change.

Europe does not have the industrial power of the United States, or the capital power of China. The only global role that Europe can play relates to quality and innovation. This was demonstrated in the highest performing countries, such as northern Europe which based their growth on quality and innovations. They want to be at the right level to deal with the challenges. In times of recession, you have to increase this. We need to rethink this European Globalisation Adjustment Fund, but we also need to take more action.

The European Trade Unions Confederation (ETUC) wants to have a greater stability pact with regards to expenses for innovation and technology. Secondly, we want to launch a compulsory loan by the European Bank to support European resources, which would cater for the sectors most exposed to the recession. The European Globalisation Adjustment Fund would be part of the budget; up to now it has been an extra budget fund. This should now be part of the EU budget. We need to increase our resources considerably and review our procedures. The sectors that are more exposed where 80% of European companies are small and medium sized and are excluded from the European Globalisation Adjustment Fund. We need to act quickly if we want to support growth and provide references to the market.

We are prepared to take action concerning first flexibility. Internal flexibility means allowing the companies the space to deal with the economic situation, to adapt to demands in the labour market and reduce working hours if the context worsens. This means ability to renegotiate working hours within the company. There is also external

flexibility, with flexicurity. The key point is not our availability for training and protection of mobility; it is resources at the national level that can manage flexibility within security. Otherwise, this will be a virtual slogan that cannot be applied to the twenty-seven countries of the EU.

Finally, we need to carry out an open fight against social dumping. We must help the companies to experience growth based on labour cost, but at the same time put the quality of work at the centre. We have to prioritise the indicators in our research. They have now become appendices. At national level, no government is applying policies that encourage tele-working. There are service policies, such as ways of balancing professional and private life and supporting employees with fixed and short-term contracts. We need a platform of equal rights at European level on the basis of this charter.

What is an autonomous and independent worker? We want to improve the protection of workers and in the same framework strive towards a platform with greater conventions regarding international law. Otherwise there is a risk of reduction towards the rights within the International Labour Organisation (OLI) discussions. Lastly, we must introduce a salary policy that increases purchasing power. This provides a solution in relation to internal economic growth. The Court has underlined the risk of social dumping and salary reductions. Equal salary for equal work is essential. We want to achieve solidarity and the fight against dumping.

### Thérèse de LIEDEKERKE

Business Europe

Between the time when the organization of this conference was decided and now, the world has changed. And there is a major error which we must avoid in the current context of crisis: to oppose economic and social issues.

We have to underline that there is a consensus in Europe, including employers association that the social context is not necessarily incompatible with globalisation. The experience of some European Member States provides evidence of this. Most of the more open economies in Europe have extremely developed social models, like for instance Denmark, Netherlands, Ireland or Germany. These countries were able to adapt their social models to globalisation, by making them more flexible. What is incompatible with globali-



sation is not social protection but rigidity and opposition to change.

The combined action of the European States, the European Commission and central banks in combating the financial crisis has shown that there is strength and leadership in Europe, which we can build on to fight the crisis. For Business Europe, what we now need is to:

- Ensure that the European action plan is implemented in a coordinated way among member states so that internal market should be respected.
- Ensure access to loans for firms and mobilise disposable instruments to help SMEs threatened by credit contraction (notably with the help of the European Bank of Investment).
- Improve the supervision of financial markets. This also highlights the need for more coordination both at European and global level.
- Lastly, smoothen within the European budget framework, the ceiling on new resources to help the Member States that have exceptional funding problems. Some governments (like in Belgian, in the Netherlands or in France) were able to take vigorous action to sustain the banking system. If some newer Member States were in the same situation, they would not necessarily be able to take this type of action. So Europe should provide responses in these cases as well.

Concerning the labour market, the impact of the current crisis is still difficult to estimate. We should not forget that there are two main challenges that were already present before the crisis: we have had to face the challenges of employment and the ageing population for a long time:

- The first one is employment. We can share a common analysis with ETUC, when dealing with labour market challenges, regarding flexibility, which allows reconciling our European social model with the demands of competitiveness in a global world.
- Another challenge we have been facing for a number of years, regardless of the crisis, is the necessity to adapt our social models to the ageing of the population. We will need to pursue the reforms we have begun, ensure financial sustainability and the encourage people to remain professionally active as long as possible.

Social dialogue plays an integral role and the actions taken by our social partners are developed

at several levels. We need to be active in promoting it at all levels, national, branch, but also the European level. We have reached a consensus regarding flexicurity and several recent initiatives from the social partners should be underlined: the action framework for the development of competencies and qualifications in lifelong learning negotiated in 2002, ongoing negotiations on inclusive labour markets and opinion regarding the Directive of the European Works Council. This is very important for the development of social dialogue in Europe. These actions all show that social dialogue promotes solutions.

Finally, concerning the directive on detachment of workers and some judgements passed in the European Court of Justice that have been mentioned, I would like to underline that during a recent European Commission forum regarding this theme, Business Europe indicated that we were available to discuss this with ETUC. We believe that solutions can be found within the existing text, and recent case law from the European Court of Justice and that a revision of the directive is not necessary.

#### ■ Jérôme VIGNON

One fundamental element of European law has hardly been mentioned: freedom of movement. In the Laval and Rüffert affairs (the Viking case being separate), there is no subordination of the fundamental right to collective bargaining to competition. It is a conflict between two fundamental rights: national law on applying collective bargaining agreements and the right to freedom of movement, which is guaranteed by regulation 1408/71 of the European Communities. This ensures equality of treatment for mobile workers in terms of social protection. The Commission has indicated that the instrument for reconciling these two fundamental rights (i.e. the “working time” directive) has not been properly applied. The purpose of this directive is precisely to protect posted workers, while combating social dumping.

Once the directive was not applied properly in the countries in question, the plaintiff could not be given satisfaction. This is in no way due to multiple interpretations within the Commission. The “Employment” Directorate General defends worker mobility. The “Internal Market” Directorate General defends freedom of movement. On this point, they are in complete agreement.

## Second Round Table

# The challenge of ageing and intergenerational solidarity

Chair : Anne-Marie BROCAS

Direction of Research, Studies, Evaluation and Statistics (DREES)

Our social models in the various Member States are characterised by a balance between the roles of the family, the market and public solidarity in dealing with the questions of the balance between working life and private life, men and women at work, and solidarity between generations.

We know that the balance between these three components vary from one Member State to another within the Union. Today, as has already been pointed out this morning, these balances are subject to two types of tension:

- a long-term constraint, through changes in the age structure of the European population, which affects all Member States but whose scope, timeframe and even nature differ from one country to another;
- a short-term constraint, through the economic and financial crisis, which raises the question of who will bear the weight of the necessary adjustments, notably to be viewed from the angle of solidarity between the generations.

The conclusions of the informal Council of Ministers held last July emphasised the need to reinforce solidarity between generations, in line with the initiatives taken by the previous trio and carried out for several years by the Commission. The Ministers stressed that the policies that need to be developed for solidarity between the generations should not just concern the elderly, but also children and young people, in a life cycle approach. Discussions on these topics are currently under way in the Social Protection Committee and the Employment Committee.

This topic also includes reconciling family life and work life since, alongside the questions of caring for children or dependents in a context of

falling birth rates and working populations, there is also the question of women in the workplace or in household activities. The informal Council of Ministers held last July strongly encouraged social partners to continue their negotiations on this subject. It stressed the value of parenthood. The Ministers also stressed the essential contribution of social services in the public interest and policies on social protection and inclusion.

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## The challenge of demographic development in Europe

Didier BLANCHET

Head of the Department of Economic Studies, INSEE, France

The economic context will serve as the background to my presentation, which will mainly take the longer-term view of demographic projections. In a way, this is easier than short-term projections because, even if uncertainties exist – I will come back to this several times – they are paradoxically smaller than in the shorter-term view.

I would first like to go back over the main trends in “ageing”, its scope and its causes. I would like to point out that there is no negative connotation in this term, nor any value judgment; it is simply being used to designate the growth phenomenon among the oldest members of the general population. I will then discuss the three main fields that are affected: pensions, health and invalidity among the very old, before concluding by looking into the challenges of intergenerational solidarity.

What is the scope of “ageing” and what are its causes? The latest demographic projections

from Eurostat, published last summer, are based on a central scenario called “convergence”, but this convergence is for the very long term, around 2150, which leaves major differences between countries with an effective timeframe for these projections which is 2060.

The “ageing” of the population is measured by the ratio of people aged 65 and over to the population aged 15 to 64. For all twenty-seven countries in the Union, this ratio should just about double by 2060.

What can this be ascribed to? This ageing is still sometimes associated with the outlook for an overall population decrease. But this is not what is foreseen for 2060, at least on average: the cumulative population growth by that date should be 15% for Europe on average compared with 2008. Some countries will certainly see a drop in their overall population, but the trend should generally be stable. Some small countries will even undergo relatively rapid population growth.

There is no paradox in this parallel between ageing and growth. It mainly means that the centre of gravity in demographic growth is now moving toward older age groups under the twofold effect of the baby boom generations’ retirement and the increase in life expectancy.

More can be said about this baby boom effect. For several decades, it has made up for the natural ageing trend resulting from the increase in life expectancy, whence the “transitory” character of its effect. We are now seeing a “return to normal”: the baby boomers are no longer making up for ageing at the top of the pyramid and the two phenomena (increased life expectancy and the arrival of this generation at old age) are now reinforcing each other.

In some countries, this phenomenon is amplified by a phenomenon of “bottom-up” ageing – a decline in the working age population, which varies depending on the combination of the levels of fertility and migration. In France, most ageing does not come from the bottom-up, but almost totally from the top.

This has two major consequences:

- The first is that, in countries where ageing “from the top” predominates, it is hard to

counterbalance the phenomenon by increasing fertility or immigration unless apparently unrealistic scenarios are adopted which seek to make up for increased life expectancy by somehow unacceptably “driving up” demographic growth. This ageing is a rather positive phenomenon in that it reflects longer life expectancy. We must accept the consequences of this longer life expectancy on the age structure. The baby boom hid these consequences for several decades, but we cannot count on its lasting forever to indefinitely delay dealing with the consequences of longer life expectancy.

- The second implication is that the weight of ageing from the top enables us to be quite certain as to the qualitative direction of the change. There are no plausible scenarios for eliminating ageing from the population. The precise magnitude of the phenomenon remains uncertain, of course, and we will have to take this uncertainty into account. But there is little doubt as to the overall trend.

What will the consequences of this be for social protection?

The expected overall doubling of the dependency should not lead to a doubling of the share of pensions in GDP. This presupposes an overall indexing of pensions on gross salaries which hardly appears desirable since this principle causes the standard of living for retirees to largely exceed that of working people. In the most common scenarios, the growth in the mass of pensions should be between 50% and 70%. This also reflects the reforms undertaken in many countries and the priority that they have given to the financial viability of their pension systems.

In fact, there is no mechanical link between the growth in the dependency ratio and overall pension spending in relation to GDP. It all depends on how the system reacts to this ageing. The real demographic effect is to change the conditions of the trade-off among the three main values which are the mass of pensions in relation to GDP, retirement age and the relative standard of living of pensioners.

We must admit that policies carried out to date have had moderate effects on the retirement age. Miracles do not happen. When ageing has had a moderating effect on overall pension

spending, it is due to a significant reduction in the average living standards of retirees.

Even if this relative decrease does not necessarily keep pensions from increasing in real value, these policies have “pre-programmed” fairly significant drops in the relative living standards of pensioners compared with working people. This has led to the emergence of a new concern: the social viability of policies implemented, the idea being that too strong a drop in the relative purchasing power of retirees can also be a problem. The work by the Economic Policy Committee’s Ageing Working Group, for example, have shown that, in most countries where the increase in the share of pensions in GDP has been contained, this has been done by 25% to 50% drops in the relative standard of living among pensioners. In some countries, this probably poses a problem of the adequacy of future pensions.

In this context, the new watchword is to reconcile the socioeconomic adequacy of policies and their financial viability. This speaks in favour of policies that stress retirement age as a priority lever. This is the principle behind the scenarios of equally sharing increases in life expectancy between work and retirement which have been used in the Swedish reform and, to a certain degree, in France.

This scenario, however, entails meeting several conditions. It only makes sense if all the factors governing the organisation of the life cycle are changed consistently with the extension of life expectancy, for example the rate of depreciation of human capital with age, which is far from being accepted.

Regarding healthcare and long-term care, studies regularly confirm that the link with demographics is less direct than for pensions, for various reasons. This is because the profile of healthcare spending by age is more progressive and evolves quite strongly from one generation to the next. The increase in life expectancy can also contribute in some cases to a reduction in spending insofar as some of the expense comes closer to the time of death.

The most plausible trend is nonetheless upward, but with much more ambiguity than for pensions. The work by the Commission’s Ageing Working Group for the six most populous countries in the Union, gave six scenarios

with an interesting range. From one country to another and from one scenario to another, the range of change is between 0.5% of GDP and 3% of GDP.

The same observation holds true for projected spending on dependency care for which five countries have been studied and four scenarios drawn up. The range is between 0.2% and 2.5% of GDP. The scenarios that give the largest variations are those that presume a very large shift from informal family assistance toward more formalised assistance from public services.

There is therefore a high level of uncertainty. But this cannot be used as an excuse for not making decisions. All politicians make decisions without total certainty, whether on spontaneous trends or on the effects of planned policies. Flexible decision-making frameworks are needed to be able to change planned policies easily over time – and this also applies to economic growth scenarios, as we can see in the current situation.

With ageing, we at least have the result that there is no qualitative uncertainty and there is no doubt that the increase in spending (pensions, healthcare and long term care) will represent several GDP percentage points. These changes are coming about in a context where other non-demographic needs appear to be bound to grow (environmental ones, for example) and where we should not count on compensation from reductions in other spending. It has long been thought, for example that increasing spending for elderly dependents could be accompanied by a reduction in spending for young dependants (education, family assistance). This does not appear to be the case, except for countries with a strong “bottom-up” ageing effect. If such benefits were to be had, they would already have been reaped in France, since fertility has been lower than during the baby boom period for approximately 25 years.

What are the challenges of all this for solidarity and for intergenerational equity? In this area, there are two opposite views that both appear excessive. The first consists in claiming that any new increase in contributions would impoverish working people and would be a threat to the intergenerational contract. If

this is wrong, it is because, even in scenarios of slow economic growth, resources can be found without threatening the overall balance and the standard of living of the working population. The other extreme consists in using this result to claim “overconfidence” in the benefits of growth. Growth cannot do everything, especially if it is relatively slow. Everyday experience shows that individuals have a hard time living with very low growth rates. This increases conflicts in terms of the distribution of wealth and increases the risk for part of the population of being excluded from the benefits of growth.

In any case, the intra-generational dimension of the problem must be taken into account as much as the inter-generational dimension. The topic of adequacy, which little by little has arisen in the field of pensions, must be applied to other areas. The current discussions among economists as to what “really” determines well-being must also take this dimension into account. Perhaps convergence could be found between the economic approaches to the subject and the social approach to the question of ageing.

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## Social policies and inter-generational cohesion

Frédéric LERAIS

European Commission - Bureau of European Policy Advisors

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I am happy to have been invited to discuss the issues of social policies and intergenerational cohesion. I am a bit embarrassed to be speaking after Didier Blanchet, who is a real specialist on this subject. I understand that you are expecting me to speak about the report on the social realities in Europe. I will focus on youth but will also touch on pensions.

A map of Europe giving a summary of European opinions shows, for example, that a surprising 87% of Europeans say they are satisfied with their lives. When asked about the future, the picture was less rosy – when asked, “Do you think your children will have a better life or a worse life than you?”, only 17% of Europeans said better. This obviously raises many questions in terms of social progress and intergenerational solidarity. We can also

observe differences among situations in Europe. From the point of view of well-being, the “old” Member States tend to have high satisfactions, while a majority in the States that joined the Union more recently expresses low satisfaction. Concerning the future, their opinions are reversed. Of course, these results are opinion data and their quality depends on many factors.

Objective indicators reveal the progress already pointed out. The most significant aspect is longer life expectancy. Over a century, we have gained thirty years in life expectancy, notably thanks to our social protection systems. In education, university attendance has risen sharply. These are reasons for satisfaction in Europe. But there are nonetheless challenges to be dealt with. It should be pointed out that a lot of the “bad news” we are confronted with concerns young people. There are troubling questions concerning child poverty, education (given the high number of young people who leave school early), healthcare and the conditions for entering the labour market.

For example, while the child poverty rate is lower than in the United States, it is nearly 16% in the United Kingdom. What is even more worrying is that there was an increase in this indicator in the 1990s. We have an improvement in the level of education in Europe, but the rate of school-leavers without qualifications is high, at approximately 15%.

The unemployment rate is perhaps not the best indicator to reflect the situation among young people. However, it is interesting to note that the unemployment rate among young people is very high despite the clear improvement in the labour market over the past 10 years in Europe.

Lastly, I would like to draw your attention to a recent OECD publication showing the relative poverty of seniors and young people. Relative poverty trends over the last twenty years show different age categories. There has been an overall improvement in the situation of the older population. Of course, the situation among young people is highly contrasted when we look at gender issues.

These elements make me think that there is a problem of social cohesion between genera-

tions. In any case, we can observe an improvement in the situation among the elderly and a situation among young people that is not very optimistic.

When talking about the situation among seniors, it is tempting to talk about a generation gap or intergenerational problems. But it should be kept in mind that an intergenerational analysis is based on varied sources. For instance, we can justify a sharp decrease in debt to avoid having it affect our children too heavily. At the same time, we complain about insufficient social transfers. There are therefore ambiguities when talking about intergenerational equity in dealing with a certain number of policies.

One explanation for this phenomenon is that when we speak about generations, we tend to confuse two things: managing cohorts and managing ages. But these two elements pose different types of questions. Managing cohorts means looking into what we are going to leave to our children. This brings up issues of debt, environment and capital. Managing ages deals with the types of transfer we should have per age class.

One concept of equity often put forward, which is a product of intergenerational accounting, is the amount of benefits received by one generation compared with the amount of contributions they paid when they were part of the working population. The advantage of this indicator is that it leads to a very long-term reflection. It does raise a certain number of problems, however. First of all, when we talk about reforms today and their impact on future generations, we have to draw up hypotheses as to the discount rate and as to what will happen to today's young people. This is not an easy exercise. In any case, we have to be cautious in using this criterion. Secondly, intergenerational accounting usually deals with public aspects, sometimes with private aspects and even more rarely with transfers within the family. These last two highly complicate the notion of cohesion between generations in two ways. Firstly, informal gifts should be taken into account. The many different social models in Europe require us to take this phenomenon into account even more. Secondly, intergenerational accounting often

deals with liabilities and more rarely with assets.

It identifies spending and debt without indicating their use. It is important to take this investment into account, notably because it affects productivity. Obviously, investments in productive capital should be kept in mind. But social capital and human capital are also major when discussing these criteria and when seeking to judge the policies being applied. This notion of investment is often underestimated even though it is major. It concerns human capital and the highest qualifications, of course. But as we said in a BEPA report, the various aspects of this investment should be taken into account: education from the youngest ages, progressively evolving and bringing into play healthcare and labour market aspects. When discussing cohesion between generations, this investment factor should be stressed a bit more.

Investing in young people raises the question of financing. Didier Blanchet has already brought up this point. Ageing leads to extra spending, whether automatically or not. The question is how to share this extra cost between the elderly and the working population. On this subject, I would like to remind you of Musgrave's principle, mentioned in Esping-Andersen's work. According to this principle, the relative positions of the working population and seniors are set at a given point in time. Thus, with ageing or when there are other shocks (economic, for example), there is sharing between the older generations and the working generations. This element is monitored in the open method of coordination. It is a fairly conservative principle. We might wonder whether this is the right level for our analysis. It can at least be used to determine whether the cost for the working population is not too high.

I would like to draw your attention to a number of challenges posed by this rule. Didier Blanchet mentioned a first one. The attention paid to fairness and cohesion between generations must not make us forget about possible problems within generations. For example, if we use Musgrave's rule, we will see extending the period of contribution for retirement as a way of balancing expenses. This is obviously an overall solution that fits in well

with this principle. However, we know that inequalities in terms of life expectancy raise a serious problem of intergenerational fairness. The second challenge brings us back to my comment about intergenerational accounting. We cannot simply take the public aspects into account; we must consider private aspects and family transfers as well.

In conclusion, the aim of my talk was to point out that a discussion about seniors is certainly essential in this demographic context, but we mustn't overlook questions concerning young people, which will have long-term effects. I would like to insist on this point: investing in young people is not just a question of transfer or income. It also concerns other aspects that are not always taken into account, such as education and healthcare.

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## Increasing activity rates

Mariangels FORTUNY

ILO - Employment Analysis Research Unit

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I would like to thank the French Presidency for inviting the International Labour Organisation (ILO) to this meeting. It is good to share both the concerns that we have been discussing and the policy responses. I will step out a bit from the European Union (EU27), which is the nature of the International Labour Organisation, and look at the trends and challenges of demographic change from a global perspective, the key policy responses, the key role of the labour market and the importance of increasing activity rates, which will be my main focus. I will then look at the key intergenerational issues in terms of whether more jobs for the old will mean less for the young, and we have just seen that the young are already suffering very high unemployment rates.

We are facing a global demographic transition and the age and sex structures are changing in both developed and developing countries. This is already a reality in Europe, but developing countries are ageing very quickly. Between now and 2050 the number of people over 60 will almost triple globally, with more than 80% of them living in developing countries,

according to the UN. As women live much longer than men, the feminisation of poverty will be a key issue.

Demographic changes have important implications for the structure and spatial distribution of the labour force. There will be strong labour force growth globally in the world, but it will be very unevenly distributed. In the coming years, the labour force growth will be concentrated in Asia and according to the ILO labour force prospects, 20% of the global labour force will live in China by 2020 and it will also grow strongly in India and Pakistan. However, in Europe, including the Russian Federation, the labour force will be smaller in 2020 than it is today, due to a large extent to a decline in the Russian Federation.

A major characteristic of the European labour force is that a longer and healthier life has not translated into longer working careers and this poses important challenges to the sustainability of social protection systems. However, when we discuss this, the large number of older people who retire that cannot hold on to or find employment, the large number of unemployed young people and the low participation of women in the labour force are all things that are often obscured.

The promotion of productive employment and decent work for all population groups is therefore key and it is really important to tap into sources of labour supply. Much like the Commission, we recognise the importance of increasing the participation of the female labour force. In the European Union there is the Lisbon target of increasing female employment rates by 60% by 2010, where there has been good progress. We also need to think about the role of migration, where there are labour shortages in Europe in sectors such as healthcare, and migration has had and will continue to have an important role to play, although it is not the solution to population ageing.

Youth employment promotion is another key area. Youth unemployment has doubled overall, but it has actually tripled in some countries, and this is real challenge. Young people are an important source of labour supply. We also have the possibility of extending the working life and increasing employment rates

for the older workers. We have the Stockholm target and the Barcelona target of increasing employment rates and the average effective exit age from the labour market. Good progress has also been made on those two targets. Additionally, increasing employment rates for the older workers is part of the new Guidelines for Growth and Jobs for the period 2008-2010, where there is a focus on promoting employment throughout the working life and increasing the labour supply in all population groups within a lifecycle, intergenerational approach.

A potential intergenerational conflict could occur by increasing employment rates for the young and old. A common misconception that continues to come up in many policy forums is that the old should make room for the young, and there is a risk that increasing employment for the old will take jobs away from the young. I did a basic correlation of employment rates for young workers and older workers in eighty countries and this showed that countries that have high employment rates for the young also have employment rates for the old. Studies by the OECD have come to similar conclusions for OECD countries. Why this has been the subject of much debate? Basically exit and entry flows do not occur in the same sectors, companies or occupations. For example, with the early retirement schemes that were implemented in many countries in Europe in the 1980s the idea was that some of the jobs would be taken up by the young. However, there is evidence that that did not happen. Some schemes had conditions requiring the job to be filled by a young person, but evidence shows that jobs basically disappeared. The OECD refers to this as “the lump of labour fallacy” and that we should not assume that employment is a static cake where young people can take a piece and the old can take another piece. The old and the young are not interchangeable.

The ILO Older Workers Recommendation was adopted in 1980, so this is not new. This said that the employment problems of older workers should be dealt within a balanced strategy for full employment and that employment problems should not be shifted from one

population group to another. Similarly, groups should not be pitted against each other because of age, sex and so on.

In terms of policy approaches, we believe that a lifecycle approach is crucial. A lack of opportunity early in life might permanently impair a person’s future employability patterns and getting the right start in the labour market is a key issue. There should not be one single intervention, but an integrated and coherent approach and an entire package. Combating stereotypes and age discrimination is crucial and while the necessary legislation exists in many countries, the challenge is to make it effective. Education and lifelong learning is also crucial, since this helps to bring higher productivity and economic growth. There is empirical evidence on the importance of education and how it helps meet the challenge of aging. Therefore, education through the life-cycle is very important.

It is also important to reconcile professional, private and family life. This is crucial for the promotion of gender equality and increasing female participation. The Barcelona recommendation on increasing childcare facilities in the European Union is extremely relevant as this will help young women participate in the labour market. Additionally, we need a safe and healthy working environment throughout the life-cycle and this also has important repercussions for productivity.

An equally important issue is more flexible working time and work organisation. This was already included in the green paper on intergenerational solidarity of 2005, where a rethink was proposed on the division of life between education, work and retirement, where young people with children could take breaks and this could compensate for staying longer in the labour market.

Finally, the integrated approach needs to be decided through social dialogue.

To conclude, we will be having a general discussion next June in the International Labour Conference, which is a tripartite forum on employment and social protection in the new demographic context.



## Discussion

■ Stephan LEIBFRIED

University of Bremen - Germany

There's a lot of things that have been covered, but I thought that I could stress on one topic in particular, which is Europe's capacity to face emerging social issues. The question is to know whether Europe will be able to face all these issues and act on them or whether it will be only a area of talking cure and free trade.

My comments are based on the expectation that these social issues have been building up over the last thirty years or so and will get stronger, rather than go away. We are seeing a destabilisation of national social contracts formed in the 1950s, 1960s and early 1970s which were about four dimensions: generation, class, gender and region. We have heard today about a degeneration that is starting at the top and in many countries, at least in Germany, the pension system was the most important social security system. That is the one that is under attack and has been bent out of shape, so that expectations of old age poverty are growing realities and I can see no way out at the moment, from a national politics perspective.

Therefore the old social contract along these four dimensions is falling apart and a new social contract at the national level is having a hard time being built. I think that most of the things required for a new social contract cannot be built in a situation where you have an ever more open economy of the kind we see in our nation states and I expect it to be very difficult to do anything other than keep what we have and make a reform here and there without really confronting the problems.

The only way of doing this is through a kind of social Europe. The French tried this in 1957, but they failed because opposition from the Germans and the Dutch. Many of the solutions were therefore within reach in 1957, where you had six economies that were more or less on a par with each other, with generally Bismarckian welfare states and fairly similar labour markets. That could have been very easily done then, but with today's EU 27 there are all sorts of dimensions and differences that are much harder to overcome. Before we could have used an old

deal with old cards; now, we need a new deal with new cards. That is much more ambitious and I wonder if Europe can do it.

Where can we expect the breakthrough? If we look at the experiences of our national welfare states, we see two types of experience. Firstly, there are external shocks. Many welfare states have started from or been propelled by external shocks, such as wars, the Great Depression and other events. There are also incremental demographic and other types of shocks that come from within the countries and build up in the same way.

The best situation is probably when an external shock and the building of problems come at the same time, and we might currently be in that situation, if the financial crisis goes further and transforms in a deep economic crisis across Europe. The problems will then all fall into one area and we will have to either face them or ignore them, and ignore them at our peril.

We have discussed these issues before in Europe and while we have talked about a European unemployment insurance, we have never positively discussed a European pension insurance. For many decades pension insurance was something that each nation State wanted to hold onto, in a similar way as to their currencies. I think we are slowly realising that pension insurance is something that we need to face together or we will fail together, albeit individually.

We therefore might be at a turning point there too. Finally, I am getting the spirit of "Yes, we can't", and I wish it were the other type of spirit and that we would do something about it institutionally.

### ■ QUESTION FROM THE FLOOR

● I would like to discuss the problem of pensions. I am surprised to see that this question is always looked at as a burden, in terms of spending and contributions. Couldn't we look at it the other way round? An ageing population also brings economic opportunities. It also creates business, such as tourism. Pensioners are also consumers. I am not saying that there

is no problem with redistribution. But I think we could also look at the dynamic aspects of ageing. There are opportunities to be seized in this area. This makes up for the dark picture that we have been presented with. It could also reduce the conflicts between age classes and antagonism between generations.

- Listening to our speakers, we can see converging observations and a certain number of policy orientations for solving the current problems related to ageing. Why have a number of Member States failed to implement these orientations, such as taking into account life cycles, etc.? What is holding them back?

- I found there was little room for family policies in what we heard, except perhaps in what Mrs Fortuny said. And yet they are very important. We must not bury our heads in the sand like ostriches. In terms of healthcare, pensions and dependency, the European social model will have to mobilise a higher percentage of GDP in the long term than it currently does. Are there any prospects for convergence among policies for reconciling family life and work life? In my opinion, this would be an investment and there would be a return on this investment. Based on the possible increase in the working population, this could provide one additional percentage point to the GDP. I would like to know how Europe and Brussels plan to move forward on this point, given that the practical application of these policies will give rise to debate. Policies for parents of young children could include day-care centres or having one of the parents stay at home.

■ Mariangels FORTUNY

I would like to respond to the representative from the Trade Unions on looking at the extended lifecycle as an opportunity. This should be seen as an opportunity, and also a choice, both for the Member States and, ideally, the workers themselves, in terms of whether they want to end their working life, stay in the labour market or take early retirement. The answer is to create jobs for everybody. In a way, you need a magic wand. If you have employment, there will be no problem in funding social security. The problem is creating jobs.

As regards implementing all this, as usual, we know what the solutions are, but the problem is implementing them. Through the social dialogue at national level, we can do something, but countries need to invest. This investment has a return. Investing in social protection is a productive investment that will increase productivity and have an impact on economic growth. We should look at this positively.

As regards the European social model and reconciling family life, while I am not sure I fully understood the question, all these policies on education and healthcare also need to be looked at as investments as well. They are needed to take up the challenges we heard about this morning.

■ Frédéric LERAI

We have not insisted on the opportunities that an ageing population provides because our subject was mainly the analysis of public spending, although this could be made up for, at least partially, by creating new business opportunities. Having said that, these opportunities are largely outweighed by the amount of spending we are faced with.

Why aren't we making progress in terms of life cycles? I think we are making progress in terms of discussions and sharing ideas. Putting this into practice, however, appears to be more complicated for several reasons. The main reason is that the split between social, education and labour policies is a bit of a fiction. This is a major conceptual difficulty. There are also political and administrative difficulties. It is hard to imagine a life-cycle policy taking all these dimensions into account. We have made progress on lifelong training policy. On the other hand, we still have much to do on policies concerning children.

I am not sure that certain Member States would be in favour of convergence on family policies. However, this subject is being discussed more in Brussels. I spoke of intra-family transfers in my talk. This does not only mean monetary transfers. One of the challenges of ageing and of childhood is precisely how to share tasks so that there can be more working people, especially women.

## ■ Didier BLANCHET

On the first question, in no way, I intended to promote a negative view of ageing. I am well aware that retired people are also consumers. This is, in fact, in line with what I was calling for, implementing policies that maintain a high standard of living for pensioners. I have another argument – a better standard of living during retirement and perhaps a shorter period of retirement are an encouragement to reduce the need for saving and could increase support for economic activity. Having said that, I should point out that, from a macroeconomic point of view, giving more to retirees for them to consume more means taking more from working people, with a negative effect on their consumption. Thus, from a macroeconomic point of view, there is compensation. We should therefore not overestimate the argument that says the older population will be the driving force behind consumption and economic activity in the future.

My presentation did indeed omit the question of family policies. I may have given the impression that I was minimizing their importance by saying that ageing from the top predominates. To correct this impression, let me say that in the countries where ageing from the top predominates, it is often thanks to an active family policy or environments that encourage the reconciliation between family life and working life. It is therefore important to preserve these policies or to develop them in countries where they are less developed. Moreover, this question is not only the quantitative question of fertility rates. It is also a qualitative issue in terms of adapting to globalisation and changes in human capital. There are both “family policy” aspects and “education” aspects.

Lastly, I would like to come back to the difficulties involved in implementing the solutions identified. I am not in the best position to answer this question, as I am not part of the decision-making circles. Concerning the specific aspect of employment among older workers, I would like to contribute my personal experience. I think that one problem is that we often tend to oppose the policies of supply and demand. We are stuck in a sterile opposition between two policies. For employment to grow, there must be both supply and demand for

labour. We should call for policies based on both of these pillars.

## ■ Stephan LEIBFRIED

There are many dimensions to answer the question why are making no progress. First of all, we are missing a Jacques Delors II, people who know that Europe needs a soul and that it will die if it is only seen as a market, and who can communicate that in a relevant way. Instead, we have wheelerdealers – and I say this independent of any national prejudice.

We are also lacking a willingness to declare a social emergency at an early enough stage, as we are prepared to sit it out. We can see that we acted much earlier to deal with the financial crisis and I think that we have identified good reasons for that. Social surveys show that the more highly developed nations in Europe – let us call them the centre of Europe – usually do not want any more money to go to Brussels to be redistributed to other countries, whereas there are systematic expectations around the periphery of Europe that go in the opposite direction. There is a social Europe motive in the east, the south and the far west – and if we are to include Iceland soon, probably in the north too – but the middle is not yielding its terrain in any way. This is therefore a mental issue, as well as an economic one.

We have had a lot of conferences on this and since 1971 we might therefore have become used to a social Europe as a permanent dream that we will never agree on. We have also produced a Union that cannot get there. Its budget is too low and it has no taxes, since it lives on membership dues, and while it has quite a large legal competency it cannot act in most of the cases that we are interested in, except by unanimity, which basically means that it cannot act at all.

We might therefore need some new deal, as the US needed a new deal in the 1930s. We need a new supranational competency in these issues that can act when necessary and is not blocked even when it can act. Although we all know that most of these models which date, in a way, from the golden age of the welfare state and relate to generation, gender, class and region do not hold much water any more.

They still seem to hold enough for each nation state to stay away from the European solution and say, "Yes, we can". We are caught between a past that we know will not hold and a future where we need to do radical things to get a hold of.

■ Anne-Marie BROCAS

This morning we have shown that, while demographic developments are relatively predictable, there are still major questions as to how to maintain economic growth in Europe over the long term, beyond the current economic situation.

As Frédéric Lerais pointed out, the imbalance between age categories obviously fuels pessimism among Europeans about their future which is no doubt an obstacle to building a forward-looking system. I would also like to raise another. It is often observed that we have managed to protect the oldest populations from poverty and that we now need to deal with young people. I wonder, given the current situation, if we aren't asking yesterday's questions rather than those that will have to be dealt with tomorrow. The situation of the elderly is now in question, notably through pension-indexing policies as well as through questions concerning the institutional organisation and financing of pension systems or savings systems to ensure income for retirees. I wonder whether we should also raise questions in the near future, not only concerning the investment needed and the fair place we give to the

younger generations, but also on the situation of the elderly and retirees.

I have taken note that we have been asked to pursue on the road to European construction; in any case, in social areas, to define priorities or to lay down the terms for arbitration. This means that we must agree on objectives and perspectives that are not only expressed in terms of sharing or allocating public spending, but probably in terms of an economic and social development framework.

This afternoon we will come back to the question of the instruments we need to use more when faced with external shocks (economic crisis) and incremental shocks (ageing). Our debate on this subject will no doubt be very useful. Already this morning we have discussed the question of the future of European standards and the necessary development of the Globalisation Adjustment Fund. And the budget question was raised. Moreover, our debate on intergenerational implicitly raised the question of whether common principles could be developed in their area.

I would like to point out that agreements have been signed on the subject of reconciling family life and working life, notably concerning parental leave at the European level. The changes are striking between the content of discussions between the Member States ten years ago and what we can observe today, both in national family policies or in our ability to discuss subjects that were practically taboo before.

## Third Round Table

# Diversity and social cohesion, different points of view

Chair : **Élise WILLAME**  
Social Protection Committee

Our third round table deals with a difficult subject: diversity and social cohesion. The question of diversity can be approached in two ways. The first consists in approaching it from the angle of discrimination between groups within a given population, for example by considering issues of immigration, poverty, differences or relative inequalities concerning age or gender. The second consists in approaching diversity from the angle of social cohesion within the European Union. I am notably referring the diversity of social protection systems across the continent.

The Social Protection Committee is an advisory committee made up of representatives of the governments of the twenty-seven Member States and the Commission. It was notably asked to consider the renewed Social Agenda. It has been hard to discuss the renewed Social Agenda without referring to the economic and financial crisis that hit after the Social Agenda communication was released in July.

When talking about social cohesion, we should also ask which populations will be affected by the crisis. We need to foresee the social consequences of the crisis, which is particularly difficult. We should also raise the question of arbitration regarding the redistribution of wealth and budgets in the Member States.

Social cohesion also refers to the definition of our common values. I liked what Professor Kessler said, that fundamental social rights cannot be dissolved in the crisis. They are a strong basis that we need to refer to. It is a difficult question because we must avoid immobility, but we must also bring enough actors together on a societal project for the future.

There is a common topic in all the events organised by the French Presidency. The informal

Council of Chantilly, while analysing the Social Agenda, referred to the difficult situation and the coming socioeconomic context. Then, at the round table on the fight against poverty held in Marseille, Martin Hirsch stressed the fact that we have strong social welfare systems in Europe, which did not exist in the crisis of 1929, and that we had the duty to remain vigilant to the social situation. There was then the Conference on Social Services of general interest. These services are keys for supporting people who are forced into transitions in their lives or choose to make a transition.

The crisis may also be an opportunity. It is a bit shocking to say such a thing when people are suffering such great difficulties. But the crisis is an opportunity to create new forms of solidarity, to think of new economic and social models with the European citizens and with the different social and political actors. These are precisely the actors whom we have invited to this third round table today.

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## Europe and social cohesion

**Marie CASSIOTOU-PANAYOTOPOULOS**

European Parliament - Employment and Social Affairs Committee

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I would like to begin by emphasising the importance of the Parliament's Employment and Social Affairs Committee in the context of territorial and economic cohesion. I would also like to present our efforts in the fight against poverty. I will finish my presentation with a few proposals concerning family policies.

In its preamble, the Treaty of Rome refers to reducing disparities in development among

regions. It is important to have a legal basis in this area. Quite often, the lack of a legal basis can seriously block action. Social and economic cohesion is the expression of solidarity between the Member States and regions of the Union. It encourages the balanced development of Community territories, the reduction of structural disparities between regions of the Union and promoting effective equal opportunities for all people. It takes the form of various financial interventions, notably the structural funds and cohesion funds.

The Council's guidelines stress the importance of social and economic cohesion. More precisely, Guideline 17 calls for "applying employment policies to achieve full employment, the improvement of the quality and productivity of work and the reinforcement of social and territorial cohesion." It is important for these guidelines to be incorporated into the national plans. Policy decided or designed at the European level will not be comprehensible to citizens unless they are implemented at the national, regional and local levels. This is why, for us, structural funds and cohesion funds are working instruments for social cohesion. They are designed to finance regional policy for the new period (2007-2013). I should present the three objectives of this policy.

The first objective aims at reducing development problems in economic growth and employment, while continuing to provide support to regions which have not completed the full convergence process. It aims to accelerate convergence between the least developed Member States and regions in the Union by improving the conditions for growth and employment. It should be pointed out that financing for this objective accounts for 81.5% of all resources allocated.

The second objective is regional competitiveness and employment. This objective aims to foresee economic and social changes, promote innovation and the entrepreneurial spirit, protect the environment and develop the labour market to include regions not covered by the convergence objective. It accounts for 16% of all resources allocated.

The third objective is the European territorial cooperation, which aims to reinforce cooperation on the cross-border, national and interre-

gional levels in the areas of urban, rural and coastal development, expanding economic relations and networking among small and medium-sized companies. This objective is funded by the ERDF and accounts for 2.5% of all resources.

The European Parliament's position on economic and social cohesion can be summed up as follows. Social and economic cohesion is an essential solidarity principle to safeguard the consensus of citizens in regions and social groups for being part of the Union itself. Consequently, it must remain a fundamental element of European construction. Reinforcing social cohesion through the fight against poverty and social exclusion is an imperative today, facing the current economic crisis. This fight is not just beginning today. Already back in March of 2000, in the context of the Lisbon strategy, the Union invited the Member States and the Commission to adopt measures to make decisive strides toward eliminating poverty by the year 2010. In 2006, 16% of the population in the Union's 25 countries lived below the poverty line; in 2008, the joint report on social inclusion and social protection showed that 68 million of Europeans, including 19 million of children, are threatened with poverty.

National plans on social inclusion and protection have revealed that poverty does not affect the entire population in the same way. Women are more vulnerable, as are various social groups such as the unemployed, immigrants, ethnic minorities and young people. These high levels of poverty and social exclusion are obviously a scourge for our social model and European development.

We have a duty to act so that the EU meets its commitments to solidarity, social justice and greater cohesion. We have mechanisms for this. I would like to point out the new mechanism, the Progress Programme for the 2007-2013 period. This programme includes an important aspect aimed at supporting social inclusion and social protection. This should be used to combat child poverty, promote active inclusion of the most underprivileged members of society, ensure adequate, sustainable pensions and provide equal access to health-care and long-term care. We are confident in the desire of the national actors who are committed to implementing this programme. It is

up to these national actors to make proposals so that this programme has real effects on the national, regional and local levels.

Within the Parliament, we have had the opportunity to analyse the question of child poverty through the work carried out by experts and the Commission's report on child poverty. There are different factors behind the phenomenon of child poverty. It should be pointed out, however, that it is the lack of support and subsidies on the national level that truly causes poverty. This especially affects families suffering from unemployment, single-parent families and large families, but also parents with low incomes. Poverty also concerns regions with insufficient professional activity. Solutions do exist, however. These are based on:

- better access to jobs for parents and keeping them in work;
- reconciling work life and family life;
- reinforcing entrepreneurship among women and families;
- good governance for structural funds and social funds;
- improving the quality of jobs, opportunities for promotion and career development in the workplace;
- basic social services such as education, lifelong training, healthcare and housing;
- cultural training for migrant groups and ethnic minorities;
- special work for young people, especially for those from specialised institutions.

The year 2010 will be the European Year for Combating Poverty and Social Exclusion. The proposals that I have just listed could be implemented, starting in 2009 so that the year 2010 can be the opportunity to prevent poverty and to take stock of the actions taken and those to come.

Family policy guarantees social cohesion. We are currently faced with a phenomenon of reduced birth rates and an ageing population. There is therefore a threat of a breakdown in social systems. Reaffirming ethical and moral values and their diffusion in schools, the media and families are needed to effectively deal with the growing problems in our society and

to ensure social cohesion in Europe. To contribute to create policies for greater social cohesion, the European Union is constantly evaluating demographic and social developments, as well as the quality of life among European citizens. The Demographic Forum will be held next week and will be an opportunity to discuss these questions. Proposals have existed since the Green Paper opened up the discussion. The objective is to establish the conditions for a demographic renewal in Europe by providing greater support to families and potential parents and by encouraging greater equality between men and women through better reconciliation between working life and family life.

The European Alliance for Families is a proposal launched during the German Presidency. It must not be forgotten. It provides a platform for discussion, notably with NGOs and the network for the exchange of good practices among Member States in order to meet the challenges of demographic change. Longer life expectancy means that several generations can live together today. This intergenerational cooperation is the focus of our hope for better European social cohesion.

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## The NGO's point of view

Conny REUTER

Platform of European Social NGOs

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Thank you very much for that review on social cohesion. There is the question, about what we can actually do on social cohesion. On the journey to Paris, I was thinking of a song, a book and a TV program. The song was released by Bob Dylan in 1968 called "The Times They Are A-Changin'", the book "Nothing new in the West" and the French TV program "The moment of Truth". We are living among the results of a system which produces crises of varying degrees of seriousness. It is not the end of the world; these are not devastating but manageable crises. I do not agree that the world has totally changed. It is still the same world. Paris is still Paris, the air is just a bit more polluted than before and political relations are as polluted as they always were too.

Civil society, like NGOs are struggling for recognition.

Today, the big challenge is social inclusion, poverty and the initiatives being taken. I feel that we are drawing closer to the moment of truth, referring to this TV program. We are drawing closer to the social impact assessment or the social effect of a particular policy. That moment of truth has now come.

Today, we are in a charming country that has said no to a Treaty which highlights the difficulties involved in European policies. Treaties like this stir up all the potential problems attendant on such a broad and complicated structure. We remain critically, autonomous, and we meet difficulties to render the policies understandable to civilians.

To illustrate this, I was discussing my role in the conference with a Parisian taxi driver whose main concern was for the future security of his livelihood. He told me that his occupation was under siege by imminent new administrative decisions to increase the number of taxi licences in a city with 12,000 licences already. His question to me was "What can European policy do about that?" and unfortunately I was stumped. It made me aware of the great gap which exists between civilian priorities and European policy makers. Citizens are entitled to exert their rights and voice their opinions and learn what European policies have to offer them.

Following a Hegelian line of thinking, we can say that perhaps this crisis presents a timely opportunity to redress shortcomings and return to basic principles and a change of paradigms. Solutions can often emerge from crises. We are not here to question the Lisbon strategy as its worth has already proven. But, this moment of truth that I mentioned earlier is related to the question of being able or not to change the paradigm. If that relates to growth then it must be a growth that brings jobs which are sustainable and not precarious.

During the German and Portuguese presidency a few years ago we discussed growth and job creation in Europe. Some people said that there were plenty of jobs. However, we insisted at the time that those jobs were precarious; although nobody heeded us. Now the first people being laid off are those whose contracts

are temporary. It makes things more difficult for Trade Unions. The objective of ILO is to create stable, durable and decent jobs with dignified working conditions. A job alone is not enough; it must have all of these intrinsic features. There has been much debate in France about the 35 hours week and discussions like this are very healthy for a democracy.

The effects of the policy decisions made by knowledgeable Parliament members have a direct impact on the citizen in these matters. Therefore, we need to consult various institutions within the EU member States about the specific requirements of their citizens. This will ensure that solutions are found which are geared towards serving the interests of the citizens in order for Europe to have a positive impact on them. Like the taxi driver, citizens want something that offers a practical outcome to them.

The time has come for us to use the various tools and policy instruments at our disposal to tackle the strengths and weaknesses. The most important point above all is access to education. No matter what country you may live in, it is your specific area that determines the level of educational opportunity available to your child. Some people can afford to send their children to private schools but it is not a solution for all.

There is a good deal of effort being invested in educational initiatives but the social ladder through education does not work as well today as it did before. This is a social reality we need to tackle. We have to ask ourselves if we have devoted enough means to education. The crisis has put pressure on the EU for means to be ploughed into the banking system. Budget decisions will be made with this in mind and will affect other areas in need of funds. Education, vocational training, social benefits and social housing are all costly. It shocks me when I hear that a country like France is engaged in suppressing jobs for teachers working for associations devoted to social cohesion. Social cohesion is not only to do with benefits but is about working in the field of the suburbs at the educational level. We need to face these realities and wonder whether resources are sufficient.



It is fine to have good intentions at the European institutional level but what will the realistic result of flexicurity be? We had a technical seminar to explore how this could be applied to various member states. Although it was a useful exercise, it was not held in this period of crisis. As long as the crisis prevails and unemployment rates continue to rise, the moment of truth may be painful for the member States. Will they put flexicurity into effect in their countries? Also, is the renewed social agenda we are dealing with have a sufficient package of measures or should our approach be to upgrade it to a higher quality one? The social dimension should be taken into account in a cross cutting way in European policy apparatus such as budgets and ministerial departments.

Those of us at European level and NGOs have made several social proposals about labour, family life and working life. Now, however, we need to screen all of these policies to dis-

cern how they may be transformed into practical political actions. In terms of diversity, immigration is a reality that we must manage properly. Can we integrate migrants from different places into our civilizations without building walls or restricting them? People will always find a way over the walls you may create for them. Are we going to organise our societies in a way that facilitates harmony and the discovery of a middle way between all of the differing interests and benefits? What will be the repercussions of social cohesion in this crisis be for our democracies?

The matter of the legal basis that will apply for those providing social benefits is essential for our network of associations and NGOs. We are non-profit organisations and must work for the benefit of all regarding social cohesion. This is a major challenge for us to accomplish. There is a very important task ahead of us in the field of social affairs.

## Discussion

■ Jan OLSSON

European Economic and Social Committee

I would like to comment the former speakers and also underline the proposal of the social platform for the social pact. My starting point is the opinion from the Economic and Social Committee, which I am a Member of. It is a consultancy Committee inside the EU system, which is composed of Trade Unions, employers and a third group composed of different interests from the social economy area to which I belong.

The French Presidency asked for this opinion. In writing the opinion, we concentrated on the need to rebalance economic and social development in the European Union. As a priority, social development was lagging behind both economic development and the internal market. The programme was therefore written in response to the expectations of European citizens and to bolster social development in Europe.

We called it the European Social Action Programme in reference to Jacques Delors

when he introduced the internal market in the 1980s. That internal market idea was formulated in combination with a European social action programme. So it drew a parallel between the economic and social programme. Certainly it was based on a dynamic European social model which is all about the same values being implemented in different ways in the various countries.

It is also a programme that goes beyond the immediate social agenda but promises a long term perspective. We have to link the social and economic dimensions within the programme as there is interdependency between economic development and social progress. There is a discussion in the programme on key policy areas.

We call it a social action programme. The social platform has asked for a social pact. The European Union wants confirmation for a social protocol and the French Presidency seeks an enlarged social agenda. Despite the different names, it seems there is a desire for a long term social policy within the European Union.

There is a parallel between the internal market and the first European social action programme. Yet a parallel should also be made between the current financial crisis, the crisis in real economic terms and a new social contract, pact or programme. I believe there should be a social contract.

The social action programme should be based on a large partnership. This is linked to instruments, which will also be discussed in the next panel. The problem with trying to attain social cohesion is do how to manage it, within diversity. As Mrs Panayotopoulos underlined, the social and economic cohesion, but also territorial cohesion should be working together. Social, economic and territorial cohesion must all be linked together to ensure that none of these important topics is neglected.

What tools and instruments are needed to achieve social cohesion of all these diverse elements? How do we achieve social inclusion? It is through civil and social dialogue as this is a pillar of the European model that has to be re-enforced. I want to stress civil dialogue, as I believe it has not been accented enough. Civil society associations have the opportunity to engage in European policies and their implementation.

Because of the current crisis, this will play a greater part in the future. There will be plenty of reactions forthcoming from the civil society. Due to their nature, these civil associations will begin to manage their own affairs because they do not trust the State, governments or the European Union. Therefore they will have to manage actions to become an actor in the process at all. Civil society organisations will become very important in the future and active on the European stage. Therefore civil dialogue is essential.

The assessment of social realities made by the Commission last year was a very good exercise. I think that assessment of the social reality should be a permanent fixture within the European Union. It should be anchored in citizens' organisations at a local and regional level and not be as an ad hoc procedure as it is now.

The civil and social dialogue with civil society has to be based on a comprehensive social partnership. The OMC should be part of this partnership; new methods in use today such as

active inclusion, inter-generational solidarity and flexicurity, based on the common principles give considerable breathing room for negotiating those principles and how they are declined into practical policies.

Within this diversity, there is a need within the different member states for reinforced cooperation about social cohesion in social policies. There should be more coordination between the sources of available funds for these projects. There should be a globalisation fund and we are in favour of expanding that. There should also be coordination between the globalisation fund and the European social funds in order for it to work properly and more efficiently.

■ Martin POTUCEK

Charles University - Prague

I want to thank the French government for giving me the opportunity to speak to you today and discuss themes which in my opinion are urgent and significant ones.

We have heard many gloomy and sad things this morning. I am going to share some good news with you and it is that I am sure that the European Union will survive to the Czech Presidency next year. Conny Reuter mentioned the wonderful book "Nothing New in the West" by Erich Maria Remarque and this theme is still true to some degree but I would not agree that there is absolutely nothing new in the West. I want to look at the European Union through the eyes of the new member States who joined in 2004 and 2007. Most of you here have the privilege of being members since the 1950s or 1960s. However, we all share the same hopes and fears.

The Central and Eastern Europe has been through three major shocks or crises. The first was the shock of forty to seventy years of communism and this was not a shock that was easily understandable in the economic sphere. Communism also had an impact on people's psychology, philosophy and on social thought. I would term this type of shock a lack of confidence and when it comes to social cohesion this represents a deficit in the process which is very important to consider.

The second shock was the neo-liberal transformation of societies. If we look at all the

recently undertaken reforms like pensions systems, Eastern European and Central European States have nearly all introduced some private pension funds. Large international financial institutions concerned with making profit were quite successful in this area. There is a strong tendency to abandon the principle of universal access to health care system and social services and to re-commodify public services.

The third shock is one we are all sharing together now. The current financial crisis has many issues linked to it in the realm of economics and social problems.

We have not recovered yet of these three shocks and we are now in a situation where there is still a lot of poverty and despair. It is great to live in one of the beautiful cities of the western world. Yet as EU citizens it is incumbent on us to be aware of what is happening in the ghettos. It is not possible to compare the lifestyle between that which is enjoyed here with a ghetto lifestyle. The two are complete opposites. Yet even in those areas of despair and poor conditions there are changes in philosophy, it has become more populist driven.

We need to ask what new element does the EU bring to these citizens. Of course, there are indisputable benefits to them, but they do not have your luxury of reflection on these advantages during a time of prosperity and cultural renewal. Of course, the EU is providing new projects for these citizens and it is doing a lot. Yet relative to the conditions in which these people live that is not enough.

The political evolution of the past few years has demonstrated that the situation of people living in poverty is very difficult. Risks exist due to nationalistic tensions and this is happening now with those anti-social policies. I agree with Ralf Dahrendorf when he said that the welfare state is the most powerful instrument to legitimise European capitalism. Western European societies are always in a situation of good prosperity, wealth and stable political foundation thanks to the well functioning welfare states. If this is true for Member States then a similar equation can be true for the European Union as a whole.

This leads me to the challenges raised by speakers this afternoon. The European Union needs to be able to communicate directly with the

citizens of the European Member States. It needs to go through national political representatives and intermediary organisations and associations. All of this is insufficient as it does not provide enough legitimacy and respect. This is all due to life-style differences.

We can look at things pessimistically but let me turn the situation in a positive way. We are in a crisis which will continue for five to eight years according to some predictions. It will take this long for countries to overcome. We need to hope for a new system. If we do not experience the crisis well and therefore do not get through, we will not reach a common solution. However, if you are in the midst of a tangible financial crisis, solutions will always be found. We have said that this is the birth of the welfare state after the Second World War. Why do we postdate it from the Second World War? Because it was a period of major upheaval and economic and social change, which led to this socially robust State.

If this is true then how can the European Union communicate more directly with its citizens? How can the European Union become more legitimate to the taxi driver that Conny Reuter mentioned, for instance? We need to support this and there are some opportunities already. Of course, we are talking about the adjustment to globalisation now too.

A few years ago, I attended a similar conference in Finland and we were discussing the need for a minimum income for all EU citizens. I know that such projects can be viewed as unrealistic now and that public sources are ended but I believe that this project could be considered as a long term project. It must be well designed and the role of the European Union on one side and national representations on the other must be well defined. If that can be accomplished properly then I can only imagine what co-financing might represent. National political institutions do not like to be deprived of their powers to make decisions. They would not be deprived of their competency if you contributed 20% and the other 80% came from a specific fund. This arrangement would ensure more chance of success.

After all the experiences we have had in my own country, I believe that the Open Method of Coordination is a very good thing. Through

it we can all learn from each other and share our experiences about how States relate to European social institutions. But when we compare this tool to the social policy expected to deal with all social problems, we see that it is too weak to carry the entire burden and solve these problems.

#### ■ QUESTION FROM THE FLOOR

Élise WILLAME

Thank you. I will now turn the floor and the panellists who can react to your presentations.

Marie CASSIOTOU-PANAYOTOPOULOS

The last idea expressed by Professor Potucek deserves a comment. He said that a minimum guaranteed income would be a solution to a certain number of social problems.

In my opinion, social problems are not only about income, but also about the availability of decent living conditions. Education, the social ladder and living conditions are essential. But can we achieve results without a basic ideo-

logy? What should it be? What current of ideas do we belong to? What are our values?

Conny REUTER

I agree with the idea that we should provide all citizens with decent living conditions. The association that I represent, which is a member of the social platform, has been fighting for this for years. The social progress pact is a strong signal of the European institutions' commitment: its objective is to show that social progress is not just a collection of measures. So how can we make this concrete commitment known?

Jan OLSSON

I agree with the former speaker and assure everyone that we are very serious about the eradication of poverty in our programme. That should be a primary goal for the European Union. There should be a zero objective for child poverty in particular. My last point is that perhaps in the crisis we are facing there is need for European legislation for a minimum (wage) to obviate social dumping.

## Fourth Round Table

# Researching new tools to promote social cohesion and social dialogue

Chair : Anton HEMERIJCK

Netherlands Scientific Council for Government Policy (WRR)

First I would like to make two observations on the debate we had so far. First, the current financial crisis casts a huge shadow over today's debate. It has not been related to in any explicit way but I think it is right to refer to it in this way. Today, we talked about European integration, ageing, the Open Method of Coordination and all kinds of institutions and instruments from the perspective of whether these are good for European integration, globalisation and the welfare state. They are sources of innovation but with all innovations there are also sources of policy problems and I would like our panellists in this session to comment on these as well.

We have mentioned the flexicurity approach, the social protection and the social promotion functions of the welfare state. Looking back over the past fifteen years these are the real conceptual innovations that have had a sure impact on public policy today. In the late 1970s and 1980s, there was another crisis which hit us when the baby boom generation entered the labour market and this was the worst time to enter it. Many countries made the policy mistake of trying to help older workers out of the labour market in order to make room for youngsters. This was not a success and we have learned from it.

Today, from a demographic point of view, we are in a much better position to handle a similar recession. Also, many of our safety nets have been modernised too over the last twenty years. The welfare states are really slow movers but they do transform. Our labour markets are also working better although not much improvement was needed there, but there have been true innovations.

I would like to paraphrase an American president: is Europe part of the problem, or part of

the solution? We will discuss now tools and institutions as potential sources of innovations or maybe as barriers against social progress. This relates to the three themes of the conference:

- What is an adequate response or mitigation of the effects of globalisation?
- How do we foster inter-generational solidarity in homogenous and ageing societies?
- How do we combine diversity and social inclusion or how do we counteract social exclusion?

In the 1980s perhaps it was still possible to influence the rate of unemployment through macro-economic policy alone. Maybe it could have been possible to reach fiscal stability in the 1980s through mild forms of retrenchment. Maybe in the 1990s raising participation could be reached through the active labour market policy and mild forms of labour market deregulation.

Today, governments will have to work on the following five issues simultaneously: growth, employment, quality of public services, flexibility and income distribution. I hope the current crisis will not steer us back to the early 2000s when it was thought that the economic remedy had to be tackled in isolation before any social manoeuvres could be discussed at a later date.

If you are committed to raising employment levels you have to work on education, health care and all the other policy instruments. We cannot go back to simple solutions. It is very interesting that President Sarkozy has organised a commission headed by Joe Stiglitz to discuss issues of social well-being. This leads me to the question whether or not the EU should set a standard in relation to social inclusion.

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## Legislation, European funds, the "horizontal clause", the Open Method of Coordination, new indicators for measuring well-being

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■ André SAPIR  
Brussels Free University - Belgium

As was pointed out in the introduction, the current macroeconomic situation is very different from what it was when we drew up the agenda for this conference. It would be absurd to ignore the crisis and the action that will be required.

We have had to deal with difficult situations many times in the past. The 1980s were a period of declining growth rates in Europe and a significant increase in unemployment. Many management errors, both microeconomic and macroeconomic, were made at the time.

Given those mistakes and the adjustments that were made in the 1990s to remedy them, is Europe better able today to deal with this crisis? There have been many structural reforms and the budget situation has improved. On this basis, will Europe be able to respond better to the economic downturn that it was in the 1980s?

The current situation is much more serious than that of the 1980s. It is worse than anything seen in Europe since World War II. On the macroeconomic level, the crisis is in banking and finance. And it is already creating an economic crisis. The real danger is that it will spiral out of control, with one feeding the other. The financial crisis has already sharply weakened the banking world, which will also be affected by the economic crisis and the bankruptcies that are sure to ensue. Consequently, the downturn is not of the usual kind, in that the financial system has been greatly weakened. The current situation is therefore not comparable to that of the 1980s.

For the first time since the start of my career, I think we are now going through a situation that deserves a Keynesian solution. The interest rates in the US are at 1%. In Japan, they

have been under 1% for a long time. They are higher in the euro zone. In any case, these rates should quickly reach very low levels. We therefore need new weapons rather than monetary ones, implementing a fiscal policy.

The monetary policy of the European Central Bank (ECB) has often been criticised. Personally, I have always felt that it has been carried out quite adeptly. But was it right to increase its interest rates by a quarter of a point last spring, going against the tide of other central banks, including the FED? In my opinion, if a mistake was made, it was not by the ECB, but rather by the social partners and notably some in the trade unions. While food and oil prices had indeed increased sharply, the trade unions put forward demands to maintain their purchasing power. I think this came at the wrong time. The increase in food and oil prices should have brought about a decrease in purchasing power. And the ECB was afraid of going into an inflationary spiral.

Today, with the drop in worldwide demand, the prices of raw materials and oil have come down, leading the ECB to review its policy. Whatever the case, I do not think that monetary policy alone will be enough to stop the negative spiral between the financial crisis and economic policy.

For this, the world needs a coordinated tax stimulus. Coordination is difficult, whether on the worldwide level or on the European level. The different euro zone countries have entered into the crisis differently, due to their various respective situations on the budgetary and structural levels. Thus, the situations in France and Germany are not comparable. Germany is too timid today and is worried about France's desire for a stimulus through tax policy. It feels that this is a typical demand from France, aimed at getting out of the constraints of the stability pact. Consequently, a solution needs to be found for a tax stimulus.

The current crisis is dangerous and requires taking action quickly. After the recession, the effects of globalisation and demographic changes will come back to the forefront, perhaps even stronger than before.

I would like to point out the results of a Eurobarometer study carried out in the twenty-five EU Member States. It dealt with globali-

sation and was based on polling 1,000 citizens in each Member State. Overall, globalisation was viewed more with fear than as a positive point. Younger people and more educated people were more in favour of it than others.

There were significant differences from one country to another. 70% of the Danes polled considered globalisation to be good for their economic development. 20% of them saw it as a threat. Countries such as Sweden and England had comparable positions. On the other hand, 80% of the French considered globalisation to be a threat. Germany, Austria, Belgium and Luxembourg had the same tendency.

In fact, this study demonstrated a strong correlation between the type of social model and how globalisation is perceived.

In the article I wrote on the different social models, I said that the question of efficiency and the question of equity were often opposed in the debates within certain countries. This is not uniformly the case throughout Europe. The Anglo-Saxon countries have an efficient social model, but it does not work toward equity. The social model in continental European countries is equitable without being very efficient. In the Mediterranean region it is neither efficient nor equitable, whereas in the Netherlands and the Nordic countries it is both efficient and equitable.

In my opinion, the idea that it is possible and necessary to find solutions that combine efficiency and equity is essential. Education is key to this. After the war and during following the thirty years of growth the education systems gave high performances in terms of social cohesion and quality. They have seriously deteriorated in many of our countries since then. We need to “rebuild” them. We often think of social models in terms of labour markets or healthcare systems, but we also need to think of them in terms of the education system as a whole: primary schools, secondary schools, universities and vocational training.

■ Loukas TSOULAKIS  
ELIAMEP Foundation - Greece

With European social policy, the gap between rhetoric on one hand and concrete action has

always been very wide. Jacques Delors once said that you can not fall in love with the internal market. Yet, the very broad national and social policies and standards restrict the possibilities of coordination and harmonization in the EU. Of course, there is a real substance in the social “acquis” such as legislation on equal rights, health and safety, mobility of workers and also social security. But there is also an enormous list of declarations and this bureaucracy doesn’t facilitate pragmatism.

Anton Hemerijck spoke about coordination. The Open Method of Coordination sometimes delivers modest benefits. Nevertheless, let us not forget that it is mostly bureaucrats talking amongst themselves and that is no effects on national policies and national policy agendas. It’s essential to be aware of it. Indeed, there has always been an implicit division of labour between European and national institutions. National institutions concentrate on redistribution and welfare while European institutions concentrate on liberalisation measures.

I would suggest that this implicit division of labour is more and more on the policy agenda for various reasons. Community legislation and policies are affecting the everyday lives of citizens more and more.

We live in times of very rapid change. European integration which is not easy to distinguish from the globalisation process, is creating winners and losers inside countries more than between countries. As long as the European integration is perceived to have these effects, this implicit division of labour will be very hard to sustain politically. All this will be further accentuated by the current crisis which will increase unemployment.

In the policy area, the issue of subsidiarity will remain central for many years to come. In this domain, national governments will go on facing most of the effect of shocks. The European Union will remain a framework setting guidelines. The European Union will go on providing strategic thinking : in this area, the European Union should act as a catalyst of ideas and not as a bureaucracy.

However, the European Union has to develop instruments that act in a complementary fashion with national instruments. We need European instruments that are backed by real

financial resources in order to promote very socially sensitive adjustments. The European Globalisation Adjustment Fund is based on an initiative by President Barroso who got the idea from Pascal Lamy. It was negotiated in the second half of 2005, the regulation was adopted in 2006 and the Global Adjustment Fund has been in operation since January, 2007.

It was a product of an unusual alliance between the British and French governments against a large share of scepticism from a number of other Member States. This reluctance and scepticism is reflected both in the terms of reference adopted for the Fund and in the low resources that were made available.

The terms of reference concentrate on three things. The Fund must deal with the international trade issues which might cause unemployment. It concentrates on large-scale redundancies (more than 1,000 workers must be affected within four months at most). Finally, it concentrates on different forms of active labour market measures : encouragement of new job searches, mobility and re-qualification of laid off workers.

The Fund is not supposed to protect jobs or compensate for the lost of income. Its role is to encourage people to find other jobs. Furthermore, it was decided that a maximum of EUR 500 million would be provided per annum. This figure does not come from a separate budget but from the leftovers of other European budgets.

In my opinion, the European Globalisation Adjustment Fund risks being reduced to a purely symbolic act. Between January 2007 and July 2008, EUR 67 million were spent for 50 000 workers. If nothing changes in the future, it will certainly spend more money but there won't be no dramatic difference.

Nowadays, it is possible to choose between two different options. The first option is to change nothing. The second option is to rewrite the terms of reference of the Globalisation Adjustment Fund with the objective of expanding its scope. It could mean lowering the threshold of 1000 workers laid off, going beyond trade induced job losses or increase its annual budget.

Europe is entering a long recession which might affect every country. How can we bring the sceptic countries round to the European Globalisation Adjustment Fund? I think by strengthening the monitoring and the evaluation of impacts.

■ Antony ATKINSON

Oxford University - United Kingdom

I was asked to talk about measuring well-being but I would prefer the title of "Progress and Challenges". I will make three particular proposals within the body of my speech by way of possible conclusions we can draw.

Rapid progress has been made in the EU in monitoring well-being. I am a member of the Commission set up by President Sarkozy and chaired by Joseph Stiglitz which is intended to measure economic performance and social progress. When I first agreed to do this, I wondered what it might entail as the European Union has already done this.

It is a feature of the European Union that a new political body has to explicitly address what their objectives are. Nations do not tend to do this. This was seen in forms such as the Lisbon agenda. That made explicit what our goals were and it meant that we had instruments with which to monitor performance. With the European Household Panel we now have the statistical instruments to monitor what we are doing.

Although the EU has achieved some progress, there are substantive and methodological challenges still to be met. First, substantive because there is a question as to whether we are making progress, in the end of the Lisbon decade. We should not be too pessimistic about what has happened and employment rates raised, as was said earlier. Another significant piece of progress is in the convergence of incomes per head within the enlarged European Union. Of the 13 countries that were below the EU27 average income in 1997, only two of them failed to improve their relative position. In the EU we have managed to narrow the gap between countries in a way that has ensured that the poorest countries have not been left behind.

But in the social dimension, progress has not been satisfactory. The proportion of people at



risk of poverty was 16% ten years ago and remains 10% today. This reflects the fact that in some countries like the United Kingdom, there has been a reduction in the proportion of those at risk of poverty, whereas in others like France and Italy the figures have remained the same. In others like Germany we have seen a rise in the figure at risk, especially in the new Länder.

So, the overall record in this headline social indicator of this dimension is clearly unsatisfactory. It is particularly unsatisfactory that it all took place within a context of economic performance and a positive rate of growth. The growth record of the EU over the last ten years is that the per capita GDP has risen by 20% in that period. By historic standards that is not a bad record. To draw comparisons with India and China seems extremely misleading. One would not expect or hope for the European Union to grow as fast as those countries. The preference is for a narrow income differential and not for Europe to pull further ahead. The kind of rate of growth in India and China may not be sustainable.

Yet poverty remained stubbornly constant at a time when we hoped that the benefits of growth would trickle down. Now we are facing a very different situation with a forthcoming massive world recession. If a rising tide did not raise boats in the past then how could it be effective in the future?

It is interesting to see that this question has not been central in the public debate so far. This is not a concern that is high on the agenda of world leaders meeting in Washington on Saturday.

This brings me to the second issue which has been already discussed. It is the question of the separation of economic and social policies. We discussed it a lot today. Yet on looking at the list of participants I found many representatives of government Ministries of Employment or Social affairs but only one person from a Ministry of Economics, Finance or Treasury. There are separate discussions taking place.

I have heard this complaint before at EU conferences and there have been valiant attempts to connect the two. Discussing the role of social protection as a productive factor was one instance of this attempt. Why have we

not succeeded in bringing these two discussions together?

This brings me to my first concrete proposal. I think that the ways in which we assess overall economic performance tends to divert attention from the social issues. It could be linked much more closely. Specifically, if we were stopping to speak about GDP per head and replace it within the European Union and national governments by changes in the median income, that would alter the angle of the headline indicator from the average person to the person in the middle. This is not a revolutionary proposal and could be attractive to democratic societies where the median voter is supposed to decide things. Of course, it should be also accepted to some degree in constructing price indices in which we often leave out the rich.

This proposal, though not very radical, would have the effect of highlighting the effect on individual households rather than the remote concept of national income per head. It would also mean that the distributional concerns would have to become alongside the national accounts part of the macro-economic policy. By slightly refocusing the concerns our angle would alter in a recession. From this new perspective, we would be thinking in terms of whether or not the real incomes of the median household had failed to rise for two quarters instead of thinking whether the GDP would have fallen for two quarters, as is specified in the standard definition of a recession.

I now want to spend the rest of my time to speak about the link of indicators with policies. I was heartened to learn that the Social Protection Committee is asking about the impact of the recession on the vulnerability of different groups in society. In the same way as the Central Bank and the financial regulators carry out stress testing on whether or not their institutions will be able to withstand the shock of financial crises, in the same way, we should also be asking how far our welfare states can withstand these shocks.

So my second proposal would be to suggest that in a short period, the UE should have a report stress-testing the European welfare states asking what would happen if for example unemployment was to double and if

the financial crisis will present us with more repercussions. This report would also include for example a fall in interest rates which would affect many pensioners.

The report would be substantive and the Commission already has the tools for its application at its disposal. It has done research and sponsored a simulation model of taxes and benefits that can be used for this precise purpose. It could be used to examine the effects of changes in income and to examine the effects if the number of unemployed doubled. These results could provide certainly for the EU15 and maybe now the whole EU27 a picture of the exact quantitative impact.

It would be substantive in that sense but also methodological in highlighting some of the limitations in some of those analyses that focus on the risk of poverty for example. It would highlight the question of the loss of income but also the wider issues of precariousness or uncertainty to be measured too: this would include individuals who are not yet adversely affected but are threatened by an adverse shock in the future.

To work out what may be the repercussions of a recession we can also refer to the past. André Sapir mentioned the 1980s which saw unemployment rise by a factor of four in Europe. That experience was encouraging in some respect because the level of poverty rose at that time but not by as much as one might have expected. The various forms of social protection prevented from the possibility of mass poverty that one could have feared based on what had happened in the 1930s.

It is reassuring in this way but on the other hand, the recent OECD report "Growing inequalities" drew attention to the fact that there had been a reduction in the redistributive impact of the welfare state between that period of the 1980s, and the 1990s and 2000s. In the last decade the government redistribution was considerably less effective; this was because a number of the measures taken such as scaling back insurance for unemployment or the use of income based benefits made the system less able to resist the impact of large scale unemployment.

Of course, there are great differences across countries and this will be an influential factor

for people in the labour force and out of it. From the report and figures we heard from Didier Blanchet today, the changes in the pension policies are very different across EU member states. In the UK, we have deviated from the Anglo-Saxon model and unlike the US we have not maintained our earnings related pension system. We have substantially curtailed it and introduced personal pensions and forms of contributory pensions. These measures have had the effect of making people more exposed now and this shift in pension policy in the UK has been the reason why the crisis has hit us with such force. People sought houses to let to ensure their own future financial safeguards and the housing boom was driven by people concerned about their retirements. That drove the house prices up to an excessive degree compared to other countries. They also had to stockpile savings in the financial sector and so there was a large growth in that area too. These are direct consequences of the social policy that was pursued.

Now I will turn to the other end of the age spectrum and discuss the social impact on children. One of the lasting contributions of Mr Blair's government was the early recognition of child poverty. Substantial measures were implemented which reduced poverty amongst the households with children.

This brings me to my last concrete proposal which is encouraged by Martin Potucek's remarks, which is to suggest that a basic income in Europe could be taken in the domain of supporting children. A natural first step for basic income would be a basic income for children. It would be flexible as to how member States choose to implement it, but would provide a minimum guaranteed payment for each child in care and would be typically paid to the mother. This would substantially reduce the financial risks faced by families with children. It would also be a very rapid way of injecting purchasing power, if I pursue the Keynesian situation which André Sapir referred to.

To sum up and in answer to the question which Stephan Leibfried spoke of earlier and gave the answer "Yes we can't", I would give the answer, "No we can."

**Xavier PRATS-MONNE**

European Commission - Employment, Lisbon Strategy and International Affairs Directorate

I want to thank Professor Anton Hemerijck for liberating me from the chains of bureaucratic discipline... I will speak on my own behalf and cannot say if it will be better than the official voice of the Commission.

I do not think there is anything wrong with bureaucrats talking to each other. Indeed, one of the causes of the current crisis is probably that bureaucrats did not talk to each other enough. However, it has to be the right bureaucrats talking about the right things.

I should start by saying that I do not sit on the Social Protection Committee, which is the number one institutional instrument for social policy coordination. I do sit as Commission representative in the Employment Committee, and we have very close links to the Social Protection Committee. These links are so close that an innocent bystander could be forgiven for thinking that the twenty-seven Member States are talking about different things to each other at the same time through different Committees. We can improve on this in the future.

The one thing the Open Method of Coordination has achieved is a better focus on the right long-term issues and policy priorities. For example, we are talking about the employment situation rather than the unemployment problems, especially since the introduction of the very successful flexicurity policies. We have also been focussing on transitions in the labour market. Moreover, I think that some Member States would not have a comprehensive social inclusion policy, or a policy for their minorities if it weren't because of the European coordination framework. So let us not underestimate what has been achieved.

However from an institutional point of view, the Open Method of Coordination which was conceived as a soft and flexible alternative to the legislative method do not prove as soft as expected. The fact that the method is « open » does not make decision making at twenty-seven softer. One aspect seems strongly underestimated in most debates about the social model, and more generally about European integration: the impact and the consequences of the shift from fifteen members to twenty-seven members both

on the process and on policy substance. Let me suggest an analogy. Forget about the EU and social policy for a minute, and just think of an apartment building. It has fifteen owners who must meet as they have a common interest, a shared property and an administrator. They meet to discuss common interests about the building they share.

How does this work out among the fifteen owners? How do they operate together? This has nothing to do with social policy: it is all about game theory, social anthropology and human nature, but not policy. They sit down and express their points of view. It takes a long time even if they each get, say, three minutes each, but it is bearable. They have an administrator (or Commissioner) who after forty-five minutes probably has a very clear idea of where the middle ground or the line of consensus lies, or at least where the stubborn owner is and how to isolate him. How are decisions taken at fifteen? By consensus, and problems are solved by the fifteen members behaving as one single group.

Now imagine that group greeting twelve new owners, with the only procedural change of adding twelve seats at the table. What happens is that twenty-seven is too big a number, in human terms, to function as a group and as a single organisational unit. The administrator will not be able to define the consensus – especially if his mandate and authority are limited – as three minutes per person now extends to one hour and a half. It is unsustainable, and the common ground cannot be found nor can the minority member(s) be easily isolated.

The nature of the animal has changed profoundly, and this will have very deep consequences. Firstly, you will spend a very, very long time on process. Secondly, you will tend, as the organisation is based on consensus, to find consensus, by “zooming up” discussions, until you find an issue which is sufficiently general so that everybody agrees but which is then not very operational. This is, in my personal view, the greatest challenge for the future of the Open Method of Coordination at EU27: in the absence of any change in decision-making, procedural discussions become more cumbersome, and policy debates become less operational.

This was for processes. What about substance

now? As Bernard Brunhes said this morning, when you travel to the US and then return, you really think Europe is a united force. But let us not fool ourselves into thinking we are still a club of post-industrial societies with common problems such as obesity and excess of consumerism. Take any relevant indicator of social policy and see what is behind it. For example, the most successful indicator, where we are closest to reaching the Lisbon targets is the female employment rate. We are very close to 60% at the moment. Yet Sweden has a 73% rate, and Malta has 37%. Similar disparities exist in older workers employment, youth unemployment, educational attainment – or indeed social protection as a percentage of GDP, which ranges from less than 15% to more than 30%. Diversity enriches us all – but in these circumstances, it is difficult to define policies for the twenty-seven Member States of sufficient operational relevance.

Why are these issues seldom discussed? There are three reasons, I think. First, because the subject is taboo and that is very understandable. You cannot say during the accession how difficult it will be to manage the EU after enlargement: it would be deemed rather unwelcoming! Now a few years have passed, and it should be acceptable to admit that it is not the same as when we were a group of fifteen. Another reason is the axiom or mantra that the only way forward for the EU is through everybody holding hands and progressing together. This is always in the minds of those who believe in European integration, but perhaps we should consider whether it is still a valid and realistic proposition today, because the consequence of the axiom is that no progress is made. Lastly, we have been able to ignore the implications of enlargement on process and substance also because, with some exceptions, new member States are still remarkably silent in the discussions within the Open Method of Coordination.

These are the real reasons why we don't tackle the serious question of how to manage a Union that must sacrifice depth to accommodate breadth.

Now what is the way forward? In terms of process, I would venture that we need to stop looking back to the good old days of twelve or

fifteen members, and start thinking how good it is not to be the United Nations because we are just twenty-seven rather than 192. The UN assembly meets mainly to sanction and legitimise decisions that have been negotiated beforehand. Let us find a way in the future Open Method of Coordination to stop fooling ourselves by thinking we can make progress with twenty-seven members without proper preparation.

Let us also accept a more realistic way for a group of twenty-seven to work together. For example through the concept of “agreed language”, which means that anytime you discuss a subject and define a concept or policy position, you must stop talking about this concept and automatically adopt that language every time the subject is raised again. It sounds simple and we actually do it implicitly in the Open Method of Coordination, but oftentimes it takes two months to reach this language.

On substance now, I would like to mention briefly flexicurity. The adoption of the Common Principles of Flexicurity and their endorsement by the European Council is a major achievement. But there are very few policy guidelines we can produce on flexicurity that are not a generality and that are valid and meaningful for everybody. Yet we can still learn from each other. We can break down the common framework into pathways and/or groups of Member States who have enough similarities to discuss and benefit from each other. It is not the traditional way to make progress, but it is inevitable if we want to move forward. In any event, the common principles plus pathways plus bilateral dialogue within Lisbon seems to be a workable model.

I would have one last comment on the Commission's role. The main competencies, at least on employment and social policies, will remain in the possession of the Member States. The Commission should have the ability to drive the Member States towards the right long-term priorities. Yet, it has to earn that possibility not by forced legislation but by being credible in the policies it supports and the guidance it provides. In order to be relevant in the future, the Commission must have the courage to not only be the facilitator but also the arbiter. This includes “naming and shaming”, which should be at the core of the

Open Method of Coordination – yet we haven't been able to apply it until now.

The Commission must have the courage to tell the Member States when they are doing the right thing but also when they are not. I was struck and delighted by what Professor Atkinson said: I agree that social policy is a wonderful thing, and it can be implemented at European or national level mostly by people who don't deal with social policy. Social

policy is at the end of the day about money, about fiscal policy and redistribution. One of the first things President Barroso identified as a challenge and an opportunity for the Commission was the need to set the example by not being only "vertically minded". It is a challenge to become much more laterally minded by putting different policies together to achieve progress.

## Discussion

### ■ Anton HEMERIJCK

We have many great ideas for innovation on the table, but we must move beyond rhetoric. André Sapir talked about monetary and fiscal coordination and hinted at the not so positive role of the social partners. This role could be turned into positive if the expansion of the Globalisation Adjustment Fund was part of the package deal of fiscal and monetary coordination. This must be combined with the three mildly Keynesian proposals of Tony Atkinson. With respect to coordination difficulties as a result of having twenty-seven Member States, maybe the Commission would be well advised to mobilise a band-wagon effect: a few countries would take the lead on ideas, after which time others might join in, which actually happens with European Monetary Union.

### ■ QUESTION FROM THE FLOOR

- The current context is sure to lead to a certain "shift" on the social level. Thus, the number of people with jobs should drop, while the number of people out of work should grow. While this may sound like a caricature, I must say that social dialogue is mainly for people with jobs. Consequently, it does not sufficiently deal with issues related to unemployment compensation and access to training for job seekers. The structure of social dialogue itself must change.

Xavier Prats-Monne insisted on the need for cooperation between the Employment Committee and the Social Protection

Committee. It is true that these two policies overlap. They should open up to NGO's, in my opinion. Lastly, private businesses only account for part of the job world. What about the representation of public employers in those committees? In any case, it is essential to adapt the models of social dialogue to the realities of the labour market, people who are employed and those who are not.

- I belong to the French trade union CFDT. First, in reaction to André Sapir's presentation, it seems a bit too easy to me to blame the European Central Bank's increase in interest rates on the social partners. What's more, these rates are now going down even though salary demands remain.

My question is for Xavier Prats-Monne. I had the feeling that the Commission was happy just to hand out "points". Wouldn't it make sense, notably given the current circumstances, for it to be more forceful in social matters? Isn't that what has been missing most since the end of the Delors Commission?

- Anthony Atkinson framed the issue of the dynamics of indicators very well. For this, replacing the indicator based on GDP per inhabitant with an indicator based on median income brings up a highly relevant idea, because it would include a social policy dynamic. In the UK, the median income is between 23,000 and 24,000 euros. In France, it is 17,000 euros. Highlighting these discrepancies would make it possible to adopt a much more dynamic view of rising out of poverty by returning to work or social redistribution.

In any case, we need to think about implementing indicators that would produce a social and economic policy dynamic.

**Anton HEMERJCK**

I would invite the panel to comment on these three issues but also on each other's proposals.

**Loukas TSOULAKIS**

I largely share Xavier Prats-Monné's analysis about the effect of enlargement on the group dynamic. He is one of the few who dare mention it, as it is not politically correct. He seems to be saying that with twenty-seven the group dynamic is such that it's not possible to take decisions. The Council acts as a legitimization body. We therefore have to give a bit more thought to who should make decisions, whether constituencies of countries or a more powerful Commission.

**Xavier PRATS-MONNE**

Like most of us I am better at identifying the problem than finding the solution. In response to the first question, I think that it's good thing that the employment and social protection committees speak more to each other and work better together, particularly by a stronger coordination of each member State's position in both Committees. But above all, I think it would be very positive for members of both committees to talk less to each other and to the Commission – and more to other ministries within their respective Administrations. In this way, we can ensure that, when we move to some sort of Keynesian policy and examine how we measure growth and quality of life, we will have better consideration of social and employment issues.

Several north European countries would be surprised hearing the idea that the Commission should replace the member States in order to take difficult decisions. What is our legitimacy in doing so? The time is gone when, from the height of its ivory tower, the Commission could tell Member States what they should be doing. We have accepted it and act in consequence. It would be a significant contribution if the Commission succeeds in forging priorities.

In response to Loukas Tsoukalis' question, my point was simply that the mechanism for deci-

sion-making should take into account the implications of being a group of twenty-seven. It is no secret that it is very difficult to have an exchange of views on substance at the current Council of Ministers. Decisions at twenty-seven need proper preparation. We must therefore find a way to organise and legitimise that preparatory work, in order to make it more effective, visible and accountable. One of the main questions is the future role of the Commission. The Commission has to prove its added value and to enhance its role in the debate by being more credible.

**André SAPIR**

There are now also twenty-seven administrators or Commissioners; that is one by Member State. How many should they be? Initially, the idea that they should be fifteen was quite credible. But now this idea is remote due to the result of the Irish referendum. There is a feeling that Commissioners have a mandate from their country, while the Commission needs to be able to go beyond the issue of having twenty-seven Commissioners speaking in different ways. It is hard to conceive that in its legislative function there would not be one Commissioner per country, because of the different impact. The Commission is a legislative body, but, on the other hand, the Commission is also an executive body, and in that function twenty-seven is far too many.

**Xavier PRATS-MONNE**

I think the problem of the number of Commissioners is grossly overstated. It's true that the college might work better with fewer Commissioners. But I think that the real issue about its effectiveness is the quality and the commitment of each member.

**Anthony ATKINSON**

On the point on median income, there are two elements to what I was suggesting. One was using the median as opposed to the average, which means we do not weight according to people at the top of the scale. Second, looking at household incomes is not the same thing as looking at national income or GDP. The fruits of growth have not percolated to the whole population. For a number of reasons, profits are being retained by companies, and governments have been redressing their balances.

Household income does not necessarily follow GDP. So there can be a gap between public perceptions and good macroeconomic figures in recent years.

We clearly need to be able to see the impact of unemployment changes on individual households. For that purpose, we need to combine statistical sources with the policy

instruments which affect that and the labour-market status. The model constructed by the EUROMOD group shows what would happen to indicators inclusion and budgetary indicators if the proportion of unemployed households changed. It is a kind of microeconomic forecast along the lines of the macroeconomic one.

## Closing speech

■ Xavier PRATS-MONNE

European Commission - Employment, Lisbon Strategy and International Affairs Directorate

Vladimir Spidla, Commissioner For Employment, Social Affairs and Equal Opportunities, could not, unfortunately, be here with us due to health reasons. Thus, I have the responsibility of representing him.

France is interested in Europe and believes in the European Union and in a social Europe. We must salute her because she has contributed – and rare are the countries that can boast of this – to the construction of Europe and of a social Europe for fifty years. These are the reasons for which Commissioner Spidla wished to be present today. He asked me to read his speech to you.

Over the past few months, the French Presidency has shown exemplary dynamism in advancing our initiatives of improving the lives of our fellow citizens. By giving social policies in particular a great event like this one, the French Presidency has reminded us that social issues is one of the foundations of European policies.

Moreover, this social nature takes on a horizontal dimension and must cover all European policies. And in this domain, in particular, in this horizontal nature of social policies, we must also make more progress.

Social issues must remain at the heart of the European construction because we have decided, with the Lisbon strategy, that our actions would be based as much on social issues and the environment as on the economy, but also because a society that only concentrates on the creation of wealth would not take an interest in the well-being and fulfilment of its citizens.

The financial crisis reminds us even more so of the importance of balance between the creation of wealth and a fair distribution thereof that benefits the ensemble of the citizens. We have, in front of us, major challenges. These challenges regularly take on a new face and force us to adapt our responses and even to regularly invent new ones. That is the consequence of the repeated upheavals that have struck our society, especially these past few years.

Just like our planet, Europe has been remodelled by rapid transformations on a very large scale: globalization, technological changes, climatic changes, demographic changes, and now the financial crisis. Today, we cannot be satisfied with merely facing the consequences of these changes: it has become vital to anticipate the future to better manage the present. And this is true in every domain. It is all the more true as regards social issues, where the situation has rapidly changed these past few years. To such a point that we can, today, speak of new deals as regards challenges from barely ten years ago.

In dealing with this situation, we must observe that all citizens are not equal in numerous domains such as education, healthcare or even support that the public services could bring them. 16% of Europeans are currently living beneath the poverty threshold, and poverty remains a major social issue in Europe. The upheavals our world is experiencing has also brought a growing diversity to the very heart of our society. Our lifestyles do not resemble those of our parents. Our society is evolving. The structures at our fellow citizens' service must keep up the same pace so as to respond to these new expectations. We must take care to diminish peoples'



reactions of rejecting these differences and to keep our motivation intact to combat all types of discrimination.

How does Europe face these changes? I would say that, first of all, the Union has been concerned about great transformations for many years. The Lisbon Strategy has given us direction (to the European institutions as well as to the Member States) to respond to these new challenges, whether they be social, economic or environmental.

Our legislation, our financial tools, the European Social Fund and the European Global Adjustment Fund, the Open Method of Coordination for national policies and even European Social Dialogue have progressively been targeted to respond to these great changes and to accompany our fellow citizens within the context of this great change.

We pursue still today in this direction by taking into account the most recent changes. Thus, as you know, the Commission presented its Renewed Social Agenda last July. It is an ambitious social pact oriented towards the future that is designed to protect and reinforce our European social model in the face of these colossal changes. We have chosen to give ourselves the means to make social Europe take a qualitative leap. Our social partners and civil society were fully associated with the preparation of the Renewed Social Agenda. We advanced with full disclosure while also taking into account, among other issues, the realities relayed between civil society and our social partners.

You know the main points of the Social Agenda. You know the measures the Commission proposed to accompany it. We must now assure ourselves that these measures, these instruments, not only serve our fellow citizens, but also that they are adapted to the crisis and to the changes we have seen these past few months.

The European Commission gave an idea of what it means to do, of what the Union can do, to respond to this crisis last October 28th. On November 26 th, the Commission will present a plan of action that aims to give a European response, not only to the financial crisis but also to its economic consequences, its consequences on employment and its social consequences. This is the direction of the Commission's approach, which aims to maintain the original idea of the Lisbon Strategy, namely that economic growth need not be incompatible with social cohesion, but that they should instead complement each other.

These are the challenges we all face. The Commission will give more answers on November 26 th. I will stop here by reiterating, now that Minister Morano is here, that the European Commission is very grateful to the French Presidency, not only for this conference, but also for its enthusiasm, its efficiency and, quite simply because France believes in Europe and in a social Europe.

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■ **Nadine MORANO**

Secretary of State for Family Affairs

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In conclusion to this conference on “New Social Issues in a Changing Europe”, I would like to thank all the panellists who have given us food for thought with their presentations today.

To close our debates, I would also like to share three convictions with you.

The first conviction is that social Europe must remain a priority in European construction.

The discussions in Chantilly last July enabled the Ministers from the twenty-seven Member States to reaffirm a number of common values that unite us and define European ambitions in social matters.

These values, which Mr Bernard Brunhes notably laid out in the report he presented to us in Chantilly, include social dialogue, solidarity between generations, the fight against poverty and discrimination, equality between men and women, social protection, professional mobility, the importance of general-interest services and corporate social responsibility.

The informal council of Chantilly and the many other conferences that we have organised were opportunities to restate the fact that all these values have their place in the European economic development strategy, i.e. the Lisbon strategy.

We are convinced that the upcoming Presidencies, and notably the Czech and Swedish Presidencies, will continue to develop these common values and to translate them into action.

Economic progress in Europe must never mean giving up social progress, quite the opposite. I am strongly committed to this idea, as are Xavier Bertrand and Valérie Létard. Europe must move forward on both legs – both economic progress and social progress. Policies of the EU and Member States on labour, employment and social affairs should not simply be a balancing item in European construction.

Over the past fifty years, Europe has set up an internal market where goods, companies and employees can circulate freely. Europe has thus provided new opportunities to citizens, companies and employees. In the current crisis, this project is needed more than ever. We must not lose sight of the social cohesion imperative, which holds our societies together.

Without shared social progress, the European economy itself would lose out, because the economy is disadvantaged when certain categories of the population remain out of the labour market for a long time. Workers are less productive if they have bad working conditions and insufficient social protection. More generally, an economy based on knowledge and innovation cannot thrive unless each country promotes the development of human capital and lifelong training.

Social Europe is therefore a tool for responding to globalisation rather than a handicap, as some would see it. It is also an efficient instrument in addressing two other challenges identified in Chantilly, demographic ageing and the growing diversity in European societies.

I would especially like to point out that the initiatives taken by the Commission to promote reconciling working life and family life are powerful levers in promoting the birth rate and encouraging women's employment across the European Union.

Lastly, without social Europe, European construction itself and its positive contribution to our continent could be weakened. The three “no” results of the French, Dutch and Irish referenda showed that there is a chasm between our citizens and Europe. For Europe to get closer to its citizens, it must provide them with something that they would not have without it. This something is first of all their minimum social rights as expressed in the Charter of Fundamental Rights, to which the Lisbon Treaty will give legal force if adopted.

The second conviction is that social Europe is being relaunched in 2008.

Negotiations on the Temporary Agency Work Directive had been going on since 2001. On October, 22nd, by adopting the common position text issued by the Council of Ministers of September, 15th without amending it, the European Parliament guaranteed 3 million temporary agency workers in the EU equal treatment from day one.

Concerning the European Works Council Directive, the French presidency last July asked social partners to think about changes to be made to the Commission's proposal. We are now very close to reaching an agreement in the Council on the proposal for a directive and, if the Parliament's agenda allows it, it will be adopted in the first reading by the end of the year.

Another example of progress on social Europe is the proposal for a directive transposing the International Labour Organization (ILO) Maritime Labour Convention of 2007. This will be examined by the Council on December, 15th. If the directive is adopted, the working conditions of 300,000 maritime workers in the EU will be improved.

I would also like to mention the proposal for a directive on combating discrimination, which Jean-Pierre Jouyet discussed this morning. It corresponds to a strong expectation among European citizens and that is why the French Presidency has been conducting negotiations on this text since last July.

More generally, what really matters is the convergence observed among the Member States on a number of key topics. Just a few months ago, the term flexicurity was met with fear. Now, not only does it not inspire fear, it is the name of a European mission around which social and European partners are united.

This is proof that behaviour and mentalities are changing. The European Council next December will make use of the conclusions of this mission, which was launched a year ago.

The Forum on Social Services of General Interest (SSGIs) held on October, 28th, 2008, showed that SSGIs are a matter of concern for all Europeans. While a consensus has not yet been found on a specific directive, the idea of a roadmap for implementing a European framework for quality in SSGIs is moving forward. The Social Protection Committee has started work in this area, which will continue in 2009.

Lastly, my third conviction is that together we need to define new instruments to make social Europe more effective.

Inventing new instruments together was the topic of this conference's fourth roundtable. With the financial crisis, this has become even more necessary with, in my opinion, two priority lines of action.

Firstly, we need to modernise social dialogue. Social dialogue is the key to the success of social Europe. In Chantilly, the Ministers widely encouraged social partners to expand their negotiating agenda and to make proposals, notably in terms of reconciling working life and family life.

Secondly, we need to encourage setting quantitative targets. This is going to be done in the area of combating poverty. In Chantilly, the Ministers showed their willingness to build Europe with clear, tangible objectives for its citizens. Martin Hirsch notably outlined the need to define quantitative targets in reducing the number of poor children.

Ladies and gentlemen, European citizens have high expectations in the social arena which are sure to increase in the current economic context. In your discussions today, you have displayed a genuine social ambition that we all share. Now we must live up to our responsibilities by translating this ambition into tangible action.