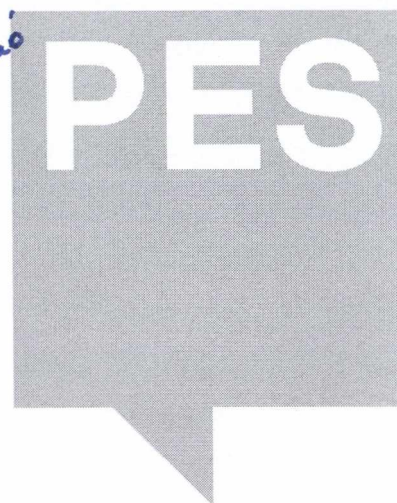


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The New Social Europe

# The New Social Europe

by Poul Nyrup Rasmussen  
and Jacques Delors

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# The way forward...



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*President*

*1985-1995*

One year ago, the PES decided to launch a new initiative: the New Social Europe.

The New Social Europe report is provided to the PES under our joint responsibility as co-authors and co-chairmen. It is based on a year long process of internal debate and reflections, involving all member parties of the PES, the socialist group in the European Parliament, the socialist group in the Committee of the Regions, PES Women and ECOSY.

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Our welfare states, our Social Europe, have been an unchallenged success story throughout the 20th century. In the past 50 years the European Union has contributed substantially to the wealth and job creation in our Member States. The Single Market and Economic and Monetary Union have been of enormous significance.

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In this new era of globalization and ageing societies, the conditions for the future survival of our welfare states have changed fundamentally. Citizens, parties and governments are faced with fundamental, political choices. Which way do we go in the face of globalization? What can we do about the consequences of demographic change? And, what can we do for the future cohesion of our societies?

We know that globalization offers new opportunities and chances. However, many of our citizens do not perceive the future in this way. There is an increasing risk of a permanent social divide in our societies - between those, who are well educated, employed, gaining new wealth through the opportunities generated by globalization - and those, who are low-skilled, unemployed, excluded and struggling to make ends meet.

The cohesion of our societies is at stake. Therefore, we need **a new common direction** for our welfare societies in the European Union as a whole. This is the very purpose of our New Social Europe: to create **a common direction for the future**. To offer a **roadmap** - a strategic framework for reviewing, rethinking and reforming the European Social Model in its many different versions. Our purpose is to ensure its survival with all its unique values of solidarity, inclusion and social justice for all in tact.

The New Social Europe is based on a review of the achievements of the past and on a perspective of what we can achieve in the next 10 to 20 years, **if we make the right choices** - in our Member States as well as in the European Union. We do not have to start a race to the bottom due to globalization and competitive pressures - or a devastating fiscal competition among states. This has never been the purpose of the European Union.

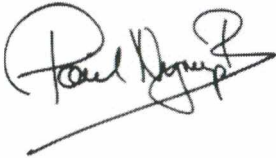
We can combine social justice and security with full employment, growth and competitiveness in this new age of globalization. A number of European success stories prove that we can. We will succeed in preserving our most cherished values, if we act and make the right choices.

**This is our ambition in this report:** to inspire progressive reforms; to inspire the process of reforming our welfare states within the European Social Model. To modernize without weakening it. To transform it so that it enables and empowers people, in more inclusive and cohesive societies. The incontrovertible ally in this process will be a renewed and stronger European Union. Our roadmap for the New Social Europe stands ready for political debate and decision-making.

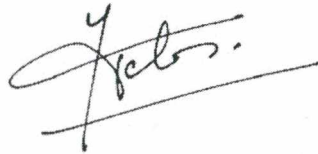
Our work has benefited greatly from the input given by member parties, representatives in the three PES discussion forums on an active society, an inclusive society and the EU dimension. The chairpersons and rapporteurs of the respective forums have made invaluable contributions to this initiative: Hans Karlsson, former Minister for Labour, Sweden, and Angelica Schwall-Düren MP, Germany; Ministers Stephen Timms and James Purnell, UK, and Marisol Pérez Domínguez MP, Spain; Anna Diamantopoulou MP, former European Commissioner for Employment and Social Affairs, Greece, and Anne Van Lancker MEP, Belgium.

Our work has further gained from the invaluable inspiration and advice of António Vitorino and Gösta Esping-Andersen. We would like to express our special thanks to Allan Larsson, special advisor on this project, and to Alexandra Pardal, project coordinator in the PES secretariat, Hugo de Sousa and the entire PES staff for contributing to making this report a reality.

*Poul Nyrup Rasmussen*

A stylized handwritten signature in black ink, featuring a large, looped 'P' and 'N' that are interconnected, with a long horizontal stroke extending to the right.

*Jacques Delors*

A handwritten signature in black ink, starting with a large 'J' and 'D' that are connected, followed by a long horizontal stroke that extends to the right.



# The New Social Europe

by Poul Nyrup Rasmussen  
and Jacques Delors

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# New Social Europe

## Ten principles for our common future

Resolution adopted at PES Congress in Porto, 8 December 2006

Europe's commitment to social justice is unparalleled in any other region or continent. We are the only continent to be pursuing social justice and competitiveness as mutually supportive goals rather than trade-offs. This unique alliance of social and economic progress must remain at the heart of Europe's development. There is so much to gain in the global economy if we modernize in the right way, making our welfare societies fit for the 21<sup>st</sup> century – and so much to lose if we don't.

A new Europe is emerging: an enlarged Europe, a Europe transformed by new technologies and new knowledge, a Europe where people are living longer and healthier lives. But it is also a Europe which has left millions unemployed, socially excluded, in poverty and deeply uncertain about the future.

The European Union brings together a unique group of welfare states built through the efforts of ordinary people and trade unions and championed politically by socialist, social democratic and labour parties. This is our Social Europe.

There are those who argue that Europe can no longer afford its welfare states due to the unrelenting pressure of globalization. That the welfare state will have to be "down-sized" in the future and the role of government limited to averting the worst forms of poverty. They also argue that societies should compete with each other to set the lowest rates of taxation.

That the primary purpose of the European Union should be to promote free trade and competitiveness.

But Europe's socialists and social democrats know there is another way – not only in theory but in practice. We set out our commitment: that the European Union shall not be reduced to a competition among states, or a marketplace for social dumping. Europe's socialists and social democrats firmly reject such a short-sighted view of the economy, society and democracy. We stake our claim for a New Social Europe.

Our task is to renew and strengthen Europe's welfare states. This does not mean preserving our welfare states as they are. We know that in today's world, this would be doomed to fail. At the heart of the renewal of our welfare systems is a new set of rights and duties. They form the basis for a new deal between people and government.

Our Europe and Member States need better social policies, not less social policy, to tackle today's challenges. For socialists and social democrats, the future is about pursuing the right kind of reforms: making economic competitiveness, environmental sustainability and social justice mutually supportive rather than mutually exclusive. Modern government must ensure equal access and equal opportunity for all, if our societies and people are to be properly equipped to cope with the challenges of today's world. Equal access to the highest quality public goods and services must constitute a fundamental right for all in our societies. Government and the Social Partners should work together for equal access and equal opportunity in the labour market, ensuring fair work practices and

fighting discrimination. In return for this right, citizens and all actors in society have a duty to participate and contribute. It is only by respecting rights and duties on all sides that tomorrow's welfare states will be strong and effective, able to provide new forms of social security.

The future presents new risks, but also new opportunities. Europe is still suffering from the shortcomings of the past. Europe has to manage change in a new way that makes our societies more inclusive, bringing everyone on board. Nobody should be left behind; everyone should share the new opportunities.

Certain reform choices must be made in the Nordic countries; others in the new Central and Eastern European Member States; others still in the northern and southern parts of the continent and in the Anglo-Saxon model.

The New Social Europe is a roadmap for the future of European social democracy. It represents a new, common direction for our welfare societies. While our welfare societies have different points of departure, given their varying levels of development, they have far more in common than they have differences. We insist on radical changes in our societies, but the right changes with a perspective for a better future for ordinary people. In all our countries, reforms must be made without losing our insistence on inclusiveness and cohesion. Our approach is not to deal with European questions separately from national questions. For far too long, we have been thinking and acting in separate boxes – as if we were isolated from each other. Our idea is to act together simultaneously

in all of our four democratic houses: local, regional, national and European. We are decided to follow the same progressive principles in one common direction. The fundamental idea is that the direction of reform choices and investment initiatives must be based on cooperation. A focused coordination so that Member States do not take decisions that contradict one another.

It's about building bridges to the New Social Europe, rather than building new walls between our Member States. For this we also need a sustainable treaty basis for a Europe that is coherent and politically effective. The PES is ready to support a relaunch of this process.

A New Social Europe has to be a joint concern for all socialist, social democrat, and labour parties. A joint concern that also goes beyond our own parties to include other progressive political forces, trade unions, socially responsible businesses, civil society, national governments and the European Union. In this drive for a more inclusive, active New Social Europe, we invite all actors to participate in fulfilling the New Social Europe report on the basis of the following ten principles:

### **1. Rights and duties for all – the essence of cohesion**

Some speak of leaving the future of our societies to the guiding hand of market forces.

We, the PES, have made our political choice: rights and duties for all, which represents

the glue ensuring cohesion in the modern welfare society.

The individual and government, as well as business, trade unions and other actors should have clearly understood rights and duties. The duty of government is to ensure that all citizens have access to public services - education and social protection - and to guarantee political, civic, social and labour rights, as well as to provide the conditions for full employment and inclusion in society. The right of government is to expect that individuals and all other actors in society contribute to the welfare society. Businesses have the right to expect stability, fairness and transparency in the conditions of competition; their duty is to contribute to public finances and support the achievement of full employment, helping raise the skills and competences of the workforce and playing a positive role in society through the tenets of corporate social responsibility. Individuals have the right to participate fully in society and in the workforce; their duty is to seize the opportunities of high quality education and training and all other means provided for enriching our human and social resources - in their own interest and in the general interest of society as a whole.

### **2. Full employment – the basis for the future**

Some say that full employment is impossible.

We, the PES, have made our political choice: full and high quality employment can



be realized. It is the best route to make societies more inclusive and more prosperous, using everyone's potential to contribute to the creation of new resources. It is clear to us: there can be no full employment without a modern welfare state – and no sustainable welfare state without full employment.

Labour markets must be made dynamic and inclusive through policies of support, security and activation throughout people's working lives. A new deal is needed to enable those excluded from the labour market to enter the workplace in a clear framework of rights and duties for all. Well-designed social, educational and active labour market policies will form the basis of this new deal. Young people must be given better chances of entering the workplace. In the years to come, age discrimination and passivity should be replaced with active, inclusive ageing, giving older people more opportunities to participate in working life. Concerted efforts must be made to fight precariousness in work.

The European dimension is clear: the EU and its Member States must provide the conditions for full employment through concerted, simultaneous efforts for smart, green growth, based on investments and the best use of new sustainable technologies. We must start by realizing the PES Growth and Investment Strategy. European Economic and Monetary Union must be rebalanced through a real coordination of economic policies for high growth and job creation. Fiscal competition policies – like flat taxes at minimum levels – can be contradictory with Social Europe.

### 3. Investing in people – we take the high road

Some say that we just need to focus on opportunities for the highly skilled, not minding the poor prospects for the low-skilled without higher education.

We, the PES, have made our choice: the inclusive choice of investing in the capabilities of all people. It is about constantly developing skills and competences: about working smarter not harder; about competing in the right way, not on lower wages, but on higher skills.

Investing in people – through education, training and social policies – will be an essential tool to fight social exclusion, reach full employment and achieve social justice. Europe has a long tradition of investing in people, but the fact that millions are unemployed, excluded and poor is a sign that we need to do more to cope with the challenges of the 21st century. There is a divide between those who are highly educated and those who have been given poor educational opportunities. Those who need high quality education most – the poor and disadvantaged – are still those who receive it least in many European countries. Education and training is the most secure route to progress, equipping people with the knowledge and capabilities to take up the jobs and opportunities of the new knowledge society. Those without higher education should have a right to second chance education. There also needs to be a strong bridge between a new concerted investment and growth policy

and education and training policies to match new jobs in the economy with new skills in the labour force.

In today's globalized competitive economy, there can be no guarantee of a job for life. But what we, as socialists and social democrats, are committed to is guaranteeing employment throughout the course of a working life. This includes providing the means for re-employment during periods of unemployment. Employment security – providing new forms of social and economic rights – represents the best way of fostering job mobility in secure conditions in the global economy.

The European Union must focus on putting education and training at the heart of the Lisbon Strategy. Public and private investment in the knowledge society remains insufficient. The EU Structural Funds and European funds for education and training should be fully used by Member States towards our New Social Europe. A central part of achieving the knowledge economy must be a higher commitment to investment in innovation, research and development.

#### 4. Inclusive societies – nobody left behind

Some claim that we cannot do anything about those at the bottom of society.

We, the PES, have made our choice: Europe's strength lies in its inclusive society in which everyone counts. But despite over a century of social policies, there are still too many inequalities in life chances and wealth.

Globalization and demographic changes will bring new opportunities to the many – but market forces will create marginalization of millions unless balanced by active social policies.

Those at greatest risk of exclusion – the elderly, the long-term unemployed, women, young people, ethnic minorities, the unskilled, those from deprived communities, and those suffering multiple disadvantages – demand renewed commitment from society and government to fight poverty and ensure new prospects for inclusion and participation. Public policies at national, regional and local levels must be targeted at individuals and communities. These should address all relevant issues, including health, social services, active labour market policies, as well as innovative measures for community cohesion, in partnership with local stakeholders and grassroots organizations. We must guide our reforms on the basis of rights and duties, making our social policies a springboard for entering the active, inclusive society.

Furthermore, the provision of care, health and social services for the elderly will become ever more important in an ageing society to avoid widespread isolation, and promoting activity, individual autonomy and inclusion, while helping families, and particularly parents, reconcile work with care responsibilities.

Europe's value-added must be based on our common approach in the Lisbon Strategy to realise a stronger economy and more socially cohesive society. The European Union must remain a

constructive ally in safeguarding the rights of citizens to high quality public services in all Member States and appropriate legal frameworks for Services of General Interest. Mandatory social impact assessments of proposed EU legislation and of the implementation of existing EU competition and internal market law should be carried out, examining the social consequences for people's living and working conditions that may result from legislation. These impact assessments must integrate the social, economic and environment impacts of legislation. Having a solely economic rationale in the planning of new legislation risks harming the development of the European Social Model and the European project itself, as was apparent in the first European Commission proposal for a services directive.

### 5. Universal child care

Some say that child care is a private matter and nothing more.

We, the PES, have made our choice: European countries should move towards child care for all who want it. High quality, affordable and accessible child care is an enormously positive investment both in the short and long term. It gives children the best possible start to their education, while giving them important social skills for life. Good local nurseries and crèches integrate parents and children alike into the community, and lay the foundations for stronger communities now and in the future. Parents often find that the contact with child care workers and other

parents provides invaluable support. Child care frees parents to enter paid employment, essential for ensuring equal rights for women and men, ending child poverty and tackling the economic challenge posed by demographic change. Child care creates local jobs - which further stimulates economic growth, particularly in deprived communities.

### 6. Equal rights for women and men

Some claim that enough progress has been made in equal rights between women and men and that we need no go any further.

We, the PES, have made our choice: in spite of progress, inequality between women and men is still strong and we must act on it. Women are the largest disadvantaged group from the labour market due to discrimination, insufficient access and unequal conditions. Wages are lower for women than for men and women still bear most domestic responsibilities in the family, often without child care support.

Equal rights for women and men are not just a moral imperative: they are also a key to solving the demographic challenge, to strengthening democracy and ensuring higher welfare for families.

New public policies for equal rights and opportunities – in working life, in family life and in public life – will bring economic progress and deliver social justice. These will be crucial for tackling gender inequalities in the labour



market, such as the pay gap, and the resulting inequalities in welfare and life chances, as well as pursuing better work-life balance policies, including the right to flexible working for parents. Social dialogue and collective bargaining will also play an important role in achieving these objectives.

The European value-added is clear: Europe must go further in the broad struggle for equal rights in all areas of work and life, not least in the field of equal pay for equal work as established in the Treaty of Rome.

### **7. Social dialogue – we cannot do without**

Some say that the time for organized labour is over.

We, the PES, have made our choice: as work is an invaluable part of life and society, the way we organize our work and our shared responsibilities through trade unions and employers' organizations is fundamental for modern society.

The organization and conditions of working life are of utmost importance for achieving economic growth, full employment and equal rights. Working people and employers require strong and responsible representatives; thus trade unions and employers' organizations must undergo their own processes of renewal, encouraged by the commitment of government to social dialogue. This means new responses from trade unions. This means new and broader responses from business and employers.

And it means supportive government policy for social dialogue. It is about anticipating and managing change; about creating a more dynamic European economy and a fairer, inclusive labour market.

The more Social Partners can do in cooperation, with clear and unambiguous backing from government, the better for the economy and the quality of working life. The Social Partners must particularly have greater responsibility in the implementation of education, training and active labour market policies to raise the human capital of Europe's labour force and prevent skills mismatches in an ageing workforce. Social dialogue has to be strengthened at all levels, in work places, in national, industry and sectoral collective bargaining and in European affairs to give working people a stronger voice in the shaping of a progressive new deal for full employment.

The European dimension of social dialogue has much unfulfilled potential. Europe must be more proactive in engaging in tripartite social dialogue and associating Social Partners more closely to the promotion of growth and jobs.

### **8. Making diversity and integration our strength**

Some try to take political advantage of xenophobia and hatred in relation to minorities and immigrants in Europe.

We, the PES, believe in Diversity and Tolerance as set out in the declaration of this Congress. European societies must

reject all forms of intolerance and hatred. Everyone has the right to live in dignity and be treated with respect regardless of their nationality, ethnic origin, race, gender, sexual orientation or religion.

Social democracy must fully address the opportunities and challenges of societies that will be increasingly diverse. Sustainable and effective migration policies will be needed to ensure cohesion in our societies and as a contribution to economic progress and employment. Without strong respect for diversity and a strong commitment to shared European values, it will be impossible to resolve the genuine challenges of integration. We must also understand ordinary people's fears and uncertainties in the actual context of high unemployment and social exclusion often concentrated in suburban "ghetto" areas.

Therefore, positive integration policies must go hand in hand with an active economic policy for more and better jobs. Integration policies must be created in some cases and fine-tuned in others, based on a framework of clear rights and duties for all, focusing on employment, anti-discrimination, public services, community dialogue and cohesion.

The European Union has a huge responsibility in managing migration, tackling illegal immigration and its root causes, including poverty and conflict in neighbouring developing countries. It must also support the fair and responsible management of economic migration, while helping to tackle the imperative of integration in our societies.

### **9. Sustainable societies – tackling climate change**

Few people doubt the need for better climate and energy policy; but many still regard it as an extra cost.

We, the PES, have made our choice: an active policy for tackling climate change and energy needs should be at the centre of a new smart green growth strategy.

Europe's energy and climate challenge deserves monumental political effort to assure social justice, environmental protection and economic progress. The next ten to twenty years will be decisive. Rising energy prices hit the poorest hardest. The impact of global warming will reinforce social inequalities both within Europe and in the developing world, affecting the poorer, elderly and most vulnerable people most.

The challenge extends beyond energy to the sustainable use of all natural resources. It encompasses the protection of the natural environment, and the creation of a clean and green environment for our children to grow up in. It is vital to underline the economic and social imperative of environmental sustainability. Without it our planet, our home, has no future.

The European Union played a leading role in the agreement of the Kyoto Treaty and should now take a leadership role in the definition of a post-Kyoto agreement to combat climate change. These actions at global level should be complemented by European, national, regional and local



efforts to create a post-fossil fuel society: raising energy efficiency, reducing our energy consumption, and investing in sustainable forms of energy. The PES action programme for energy and climate change represents a new way forward for the European Union.

### 10. An active Europe for people

Some argue for a passive Europe, limited to the Single Market with little or no regulation.

We, the PES, have made our choice: the EU is more than just a market place. The EU is an essential part of the New Social Europe, helping regions and countries achieve more together than they can alone. But we are far from having realized the potential of the European Union - there are far more benefits which European cooperation and solidarity can bring to people's lives. In the new global economy our New Social Europe can be realized step by step if we build further on the balanced basis of: competition that stimulates, cooperation that strengthens and solidarity that unites.

These three pillars are equally important and mutually reinforcing. These are our means to harness the enlarged Single Market towards sustainable, smart, green growth and ensure, through better cooperation among states, that stronger competition between companies transforms into greater shared prosperity for people, stronger social cohesion and social justice.

Competition yes, but it must not lead to competition between Member States through fiscal and social dumping. Competition among companies should be fair, transparent, bringing higher innovation, lower prices, and more and better jobs for people.

Cooperation yes, allowing Member States to regain part of the national sovereignty lost to globalization. We must ensure that competition is conducted on the right terms and does not act to the detriment of social protection, workers' rights and public services. We believe in a social market economy - not a market society. European cooperation will be vital in supporting Member States meet common challenges to their welfare societies.

Since it was launched, monetary union has achieved its goal of protecting Eurozone economies from external shocks and instituting a more stable economic environment. However, the Treaty's goal of dynamising the economy through effective economic cooperation must still be realized.

Solidarity yes, through social and employment policies and Europe's structural and cohesion funds. We must ensure cohesion, social and labour rights within our nation states, but also among Member States of the European Union.

The strength of Europe lies in its cohesion. Europe is the most cohesive region in the world. It will be a challenge to ensure that this cohesion is strengthened in an enlarged Union of 27 Member States, but this is crucial if we

are to remain faithful to our shared values and generate shared prosperity in the global economy. Furthermore, it is fundamental to the relevance of the European Union to the lives of ordinary people.

The New Social Europe will create more wealth and inclusiveness through better competition between enterprises under fair and transparent conditions, through political cooperation between Member States and through solidarity within and between our Member States.

The New Social Europe represents:

- A green Europe with more and better jobs;
- An inclusive Europe;
- A learning Europe;
- An innovative Europe;
- A cohesive Europe.

This is our Europe - people's Europe. It is not a dream - it is the political choice of Europe's socialist and social democratic family. European countries will together be stronger if they act together to improve living and working standards - to ensure decent work and decent lives for all people throughout the European Union.

The PES and its member parties are determined to make our New Social Europe a reality.

# Executive Summary

## A new vision – for our Social Europe

The purpose of the New Social Europe is to offer a strategic framework for reviewing, rethinking and reforming the European Social Model in its many different versions. It is based on the achievements of the past and on a perspective of what we can achieve in the next 10 to 20 years.

The New Social Europe is based on a new vision of smart growth for full employment, inclusive and sustainable societies, a growth concept aimed at serving the people of Europe to meet the needs of the present generation, without compromising the ability of future generations to meet their own needs.

New Social Europe is an invitation to socialists and social democrats, to trade unionists, to progressive business, members of civil society movements and all other interested actors across Europe to come together to shape new policies.

We need better economic and social policies, not fewer, to make Europe's welfare societies more inclusive, strong and sustainable.

The New Social Europe will serve as a roadmap for political choices and policy development at all political levels, from local to the European and global levels.

## There is another way

The European Social Model exists and does so thanks to the efforts of ordinary people, trade unions and socialist, social democratic and labour parties. We fought for it for the past 100 years within our countries and gradually, we – the people, socialist, social democratic and labour parties, and trade unions – succeeded in creating our welfare states. This is **our Social Europe**.

Indeed, the European Union is a unique grouping of welfare states, based on our conviction that social inclusion and economic performance can go hand in hand.

The European Social Model exists as a social reality and as a set of shared values. Europe's welfare states have much in common, distinguishing them from other world regions. We created it and it is our responsibility to renew it so that it survives and prospers in the 21<sup>st</sup> century for the benefit of Europe's people.

**There are those** who argue that globalization is eroding the welfare state. Conservative and neo-liberal politicians are repeating the same message: money has become mobile across the globe; capital gravitates to where tax rates and wage costs are lowest and levels of regulation less burdensome. They claim countries are forced to wage a competitive war of deregulation with each other – leaving people's lives and the future of our societies entirely in the hands of market forces.

**For the PES** the very essence of the European Union has never been a competition among states or a marketplace for social dumping. We believe in fair, free, and transparent competition in the Single Market among companies. This has been and still is an important source of new wealth and job creation. But it is not a sufficient condition to ensure inclusion, cohesion and sustainable development in the future.

The PES has decided to formulate our common direction as a coherent alternative to the neo-liberal perspective. There is another way, which implies no race to the bottom, no social dumping, no undermining of our welfare states. The neo-liberal way is not even necessary from an economic viewpoint. There is a better and even more competitive way. There is a modern and inclusive way.

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The ambition of the New Social Europe is to **build bridges** from a post-industrial society to a global society. Globalization does not make a race to the bottom inevitable. We know that it is possible to build these bridges, while retaining our values and identities, by renewing our welfare societies. Europe's success stories prove this.

Each version of the European Social Model has its own history, its own structures, its own point of departure. Exchanges of best practices will only be successful if due attention is paid to local, regional and national conditions.

What we can do together is set A New Agenda – to combine economic competitiveness, social justice and environmental sustainability. The right choices can be made to retain the best of the past and build on it in the future.

But we cannot do this without people's support. This demands an understanding of people's feelings of uncertainty about the future. Many people at work are increasingly faced with the difficulties and risks attached to an ever more intense competitive working environment. And those who are unemployed feel more and more marginalized, while their chances of finding a new job remain generally low in many Member States. When this is combined with a whole set of other perceived threats to their quality of life, encompassing painful labour market and pension reforms, and illegal migration, uncertainty is even greater. This calls for a new sense of co-responsibility, of rights and duties, in every citizen, in businesses, in governments, in trade unions, in every actor in society. The European Social Model can survive. **A renewed and strengthened European Union** will be a crucial ally in ensuring this.

## Our way

What we propose is a common direction to ensure that our member parties and governments make political choices in a coherent way, complementing not contradicting each other across the European Union. Reforming and cooperating in order to create a new social democratic win-win situation in Europe.

This is the choice – the political choice – that we have decided to make: a new vision for the renewal of strategies and policies, amongst socialist and social democratic parties and governments, **for the future of European social democracy**.

We must form this new vision, this new direction together, based on clear analysis and courageous new thinking. The New Social Europe is a direction – for reviewing, rethinking and reforming **our way**. Our New Social Europe is based on the achievements of the past and on the perspective of what we can achieve in the next 10-20 years.

The New Social Europe will serve as an agenda, not only for tomorrow but for the coming years. An agenda and a roadmap for policy development and decisions at all political levels: from the local, regional and national levels to the European and global levels. Our democratic levels do not compete against each other but supplement each other - with clear, common goals, but with different tools depending on whether we are working at the European level, the national level or the local or global level.



**The New Social Europe represents a new connection to ordinary people.** It is an ambition to provide relevant answers to people's worries. An ambition to inspire socialist and social democratic parties and governments in their work to renew our welfare states in order to reach our common goals.

**1. A lot to gain and a lot to lose in the next 10-20 years**

There is so much to gain in the next 10 to 20 years, so many great opportunities if we make the right choices - and so much to lose if we do not tackle new challenges according to our values, if we close our eyes, refuse to modernize **our way** and let the conservatives and neo-liberals do it **their way!** **This is the essence of the New Social Europe.**

**The potential** gains are there to be made: European cooperation and the enlargement of the European Union to 27 Member States represent the framework for potentially enormous new sustainable economic and social development. Europe is a global economic player - the Single Market is the largest economy in the world. Europe is both driving globalization and affected by globalization - we do not have to adapt passively, we can actively shape the future.

Europe's people are living longer and healthier thanks to rising living standards and better working conditions.

Europe can transform new knowledge, innovation and technologies into new welfare for the many.

**The risks**, at the same time, are of rising inequalities, between rich and poor, between the young and the old, of failing cohesion in an increasingly diverse population, and of spiralling environmental degradation. But we can still tackle these challenges if we make the right choices.

This can only be done with the participation and trust of ordinary people. It is about enabling society, people, businesses, trade unions - all actors - for change. It is about ensuring that people can feel confident and able in a context of continuous change.

Decisions are to be taken on how to make our societies inclusive, based on decent work, social dialogue, rights and opportunities for all. Decisions on finding a new balance between the active working population and a growing retired population.

Decisions on putting Europe firmly on the path of sustainable development. It is now a question of making coherent decisions in a comprehensive framework.

## 2. The European Social Model – in better shape than it is rumoured to be

The European Social Model is not the definition of one welfare system, but an expression of the common characteristics of the welfare states in Europe.

Within this European Social Model, our histories and structures are different. But, we have far more in common than differences. Whether it is the Nordic countries, the new Central and Eastern European Member States, the continental or Mediterranean countries or the UK: Europe's people belong together in our New Social Europe.

Europe's welfare states must renew together. But renewing is also recognizing the strengths of the European Social Model. It is in better shape than some right-wing politicians and commentators claim.

One of the most important features of the European Social Model is the high value placed on the welfare state, namely the public sector. But in political debate, the role of the public sector has been somewhat neglected. We believe this is a mistake because the public sector de facto plays a key role in defining Europe's performance in economic and social terms. The public sector provides public goods, universal protection against social risks, such as unemployment and poverty. The public sector is an undeniable factor in determining labour market conditions, including social dialogue. It is decisive for the practical realization of solidarity, social justice, inclusiveness and cohesion.

With government budgets and public sectors ranging from 33% to 55% GDP, the public sector in Europe obviously plays a major role in the economy, including the production of goods and services. The role of the public sector acts as the backbone of European societies and the framework for the market economy – it is the precondition for Europe's social market economy and a bulwark against the development of a market society. Many lessons can be drawn from studying the functioning of our welfare states and the role of the public sector.

Traditionally conservative and liberal thinking has considered the public sector a problem for an economy's competitiveness. In the more extreme cases of neo-liberal thinking, the public sector is viewed as an "enemy" to competitiveness. But this is not borne true by a comparison of today's public sectors in Europe. Many European countries have, by acting in an advanced partnership between the public and private sectors, transformed both social inclusion and the protection of the environment into engines of development, not as costs. This is the essence of **modern, proactive welfare state**. It is only by learning from each other's experiences that we will be able to renew Europe's welfare states, building on the best of the past for the future.

**The European Union** as such has also played an important role in developing our welfare states. The values and objectives set out in the European treaties, the Charter of Fundamental Social Rights, the creation of the Single Market, employment and social legislation, the Structural and Cohesion funds, European social dialogue, the creation of the Economic and Monetary Union. All these have played a vital role in the development and prosperity of our welfare states.

Europe's welfare states have resulted in lower rates of poverty and inequality, a better distribution of prosperity and a greater reconciliation of work and family life, in comparison to other world regions. Hence, European countries hold nine out of the ten top positions worldwide as far as quality of life is concerned. This is today's Social Europe.

These are the foundations for building a New Social Europe, tackling existing problems and new challenges to Europe's welfare societies in the 21<sup>st</sup> century. The new challenges of an ageing population, climate change and increasing pressure on the environment, technological revolution and the growing competitive pressures of China, India and other nations in a globalized economy. The unsolved problems of unemployment, poverty and inequality in most of Europe's Member States. European countries must perform better in terms of economic growth, employment, knowledge and innovation, education, inclusion and cohesion.

Our task is clear: to strengthen and renew Europe's welfare states. This does not mean preserving our welfare states as they are - we know that this would be doomed to failure. We know that defending what is there without providing answers to real problems and new challenges is not acceptable or sustainable. We cannot turn our backs on the need for reform, on the need for new solutions.

The losers of a failure to pursue the renewal of Europe's welfare states would be Europe's people. Investing in the New Social Europe is investing in their well-being and prosperity.

We, socialists and social democrats, are proud of the values and results we have achieved in our welfare states within the European Union - in our Social Europe - but we are not satisfied because there remains much to be done and new challenges to tackle.

### 3. Why we need a New Social Europe

Today Europe is facing new challenges due to globalization, new technology, demographic change, enlargement of the EU and climate change. Europe is falling behind in knowledge and innovation, in education. In most countries we have not found sustainable

answers to these new challenges. There is a risk that more people will be marginalized and excluded from mainstream society:

- Too many people are excluded from good job opportunities and from adult education and re-training;
- Too many children drop out of school;
- Too many young people suffer from poor education systems and difficulties in finding a job;
- Too many women are denied an equal position in work and in society;
- Too many disabled persons lack the support needed for a successful integration into working life;
- Too many people who have come to Europe as refugees or immigrants have great difficulties in being integrated into our societies;
- Too many people are still living on the margin of society, even in poverty;
- Too much pressure is being placed on natural resources due to old technologies and life styles.

These are the shortcomings of the past - shortcomings which must be remedied in light of new challenges.

The conditions for the future of our welfare states have changed. We will not achieve employment, social cohesion and sustainability, unless we take the lead in modernizing and reforming our conditions. We have decided to set out another way forward to the neo-liberal perspective. We know there is another way – not only in theory, but in practice. **We stake our claim for a New Social Europe.**

This new way forward is inspired by the compelling success stories that already exist in Europe. Some Member States have combined social inclusion, economic performance, sustainability, and a highly qualified workforce, against a backdrop of a healthy and sustainable public sector, a competitive private sector and a strong civil society. The result is the highest quality of life in the world.

We disagree with the conservative "trickle down" approach - that economic objectives should be given the highest priority, while social and environmental considerations should wait. That approach is outdated and doomed to fail.

We believe the welfare state should be more than just a protector of last resort. We want to transform the welfare state into a proactive springboard for Europe's people, investing in their capabilities and their futures.

There is a correlation between, on the one hand, a strong, modern public sector and, on the other hand, low rates of poverty and high employment. The public sector must,



in future, play a pivotal role in promoting the ability to innovate, restructure, and allocate the proper resources to generating growth and employment, sustainability and social inclusion in Europe. In short, there can be no high, stable, quality employment without a well-functioning welfare state – and no sustainable welfare state without high, stable, quality employment. Therefore, for socialists and social democrats, it is not a question of diminishing or cutting the public sector. It is a question of modernizing and better realizing our objectives.

We must create the framework for new security, a new awareness, a new capacity for society and people to live and work during the permanent change that is the consequence of the global economy and new technologies. We, socialists and social democrats, should be the front runners in these efforts.

Europe's welfare states can only develop – and ensure a better future for ordinary people – if today's socialists and social democrats embrace the interdependence of the countries in which we live and work. It is about being proactive – at all levels. Locally, regionally, nationally and at the European level.

We, socialists and social democrats, commit ourselves to making economic, social and environmental developments mutually supportive. We regard a modern public sector and well-designed social policies as a productive and inclusive factor. The public sector should be based on strong values and governed by clear objectives. We regard a new management of natural resources as a basic element of a new vision for economic policies, a smart, green growth vision.

The New Social Europe is based on the socialist and social democratic values of democracy, freedom, solidarity, human dignity, social justice, and equality. The main message, running through this programme, is that new public policies and new social dialogue for prosperity, inclusion and sustainability are needed to balance the strong market forces that could otherwise lead to social exclusion and environmental degradation.

Europe's socialists and social democrats are committed to defining a new way forward – a New Social Europe. Because our future should not be based on competition among states, social or fiscal dumping. Because we have not taken full advantage of all we have in common within the European Union and of our mutual interdependence. Because we will not accept increasing inequality and insecurity amongst Europe's people. The changes occurring in society and the economy demand new political responses. Every individual should be able to develop his or her potential in today's Europe; no-one should be left behind.



#### 4. Our roadmap for a New Social Europe

Our roadmap for a New Social Europe consists of a vision for the future of social democracy in Member States and across the European Union.

We want to transform the welfare state into a proactive one, investing in people, anticipating problems and unleashing potential; not just intervening when things go wrong. It is about turning passive support into new opportunities. Our welfare societies must:

- Be geared towards full employment and full social inclusion;
- Be based on environmental sustainability;
- Be activating, providing springboards for achievement at every stage of the life cycle in the new knowledge-based society;
- Be built on both rights and duties - collective rights for individual opportunities and responsibilities;
- Promote stronger social dialogue;
- Engage civil society in dialogue and partnership.

The European Union and its Member States can do this together based on clear strategies in a common roadmap.

In all parts of the European Union, governments and political parties are faced with choices of reforms. The fundamental idea of the New Social Europe is that the direction of reform choices must be the same. The direction is the modern social democracy we aspire to as today's socialists and social democrats.

The New Social Europe must be a collective endeavour. We must renew our welfare societies on the basis of rights and duties. The individual and government, as well as business, trade unions and other actors should have clearly understood rights and duties.

Thus, building a new proactive welfare state must be part of a dynamic process of participation for development. There is no better way to create a New Social Europe that is relevant for Europe's people.

The roadmap is **relevant** for reform choices in each of the five different versions of the European Social Model: relevant for continental countries, for Mediterranean countries, for the Nordics, for Central and Eastern European Member States and for the UK. By forming a common direction, we will ensure that we are supporting each other, not undermining each other; that we are inspiring each other, not contradicting each other. That we are taking full advantage of our interdependence.

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The roadmap represents a comprehensive strategy, in which each democratic level – local, regional, national, European – works in the same direction to achieve common goals. At each democratic level, socialists and social democrats must adopt a new approach and new instruments to face today's challenges.

In this report, **we propose to make the European Union a proactive partner for putting people first.** Investing in people. Ensuring that the European Union is based on the social market economy and does not develop a market society.

The welfare state can only develop in a positive direction – working for a better future for ordinary people – if we, today's socialists and social democrats, embrace the **interdependence** of the countries in which we live and work. It is about being proactive at all political levels. There is so much to be gained through better cooperation within the European Union.

The main message, running through this programme, is that **new public policies** and **social dialogue** are needed at all levels. Policies and dialogue for prosperity, inclusion and sustainability, to balance the strong market forces that lead to social exclusion and environmental degradation.

The European Union is of paramount importance for the future of our welfare states. We advocate a strategy built on all the three fundamental elements of the European Union:

- Competition between enterprises;
- Cooperation between countries;
- Solidarity between citizens.

In a European Union of 27 Member States, this three-pillar approach offers a means to harness the greater economic strength of an enlarged Single Market towards sustainable development.

As competition grows between firms across the European Union, there is a need for more cooperation between Member States and for placing this greater prosperity at the service of people.

The New Social Europe represents a new vision of smart growth for full employment, inclusive and sustainable societies.

There is a substantial value-added to be gained from the European Union. Europe must act:

- To strengthen **economic cooperation** within the European Union to promote higher growth and more and better jobs;

- To ensure fair and transparent competition between companies in the Single Market; avoiding a race to the bottom or social dumping;
- To pursue environmental sustainability and the fight against climate change;
- To improve working conditions for people;
- To promote education and skills in an inclusive knowledge society, research and development, innovation;
- To stimulate regional development;
- To support this region to become the most cohesive, competitive and sustainable knowledge-based society in the world;
- To ensure a social market economy, in which public services operate on the basis of universality, promoting social inclusion, cohesion and economic development.

Fundamentally, it is a choice of society. It is a choice of whether to take a high road or a low road to economic competitiveness. We must base our competitive strategy on excellence – in high quality infrastructure, public services, environmental protection, and the most advanced knowledge and skills. There is no future for Europe in trying to compete on low wages or poor standards – our secret is to compete on the basis of excellence.

### A progressive strategy for full employment

There can be no high, stable, quality employment without a well-functioning welfare state – and no sustainable welfare state without high, stable, quality employment. This is the central interplay in today's European Social Model.

Thus, a dual strategy is needed: reaching full employment while renewing the welfare state. We know that people will not accept reforms without more and better jobs – and long-term growth will not be sustainable without new reforms. In order to reach full employment and renew the welfare state, we must use all democratic levels with all our different tools: at the local, the regional, the national, and the European levels. This strategy must be a coordinated and simultaneous effort by the Member States of the European Union.

Full employment is the key objective that helps achieve many of our aims for the New Social Europe: combining economic development with social inclusion; equality; active ageing; eradicating poverty; and promoting solidarity, to name but a few.

The first step is to make employment the central goal of economic policy, not by giving up on stability, but by developing policies that are mutually supportive.

We must recognize that people will change jobs far more than their parents did in the past. Not because this is a goal in itself, but as a result of the faster pace of the global economy and technological change. Our modern way of life is placed in an environment

of permanent change. And it will not go away. We, socialists and social democrats, will be decisive in tackling this head-on by providing new forms of security, enabling people to face change with confidence. We must base the future on security in transition, supporting individuals to find and keep jobs, to move from one job to the next fast and effectively, improving peoples' capacities throughout their working lives. Labour markets must become inclusive. We must strengthen labour market institutions, making them more dynamic in the interplay between the public and private sectors. Social dialogue and co-responsibility of all actors must be guiding principles.

In the future, progressive policies must be centred around this message: that we can no longer guarantee jobs for life – but we can guarantee that there will be more and better jobs in the future, replacing the jobs of the past. It is about creating the circumstances for employment security – new and better jobs throughout working life – as a new road from job security. Employment security in the future is about unleashing people's potential to benefit from change. It is about investing in people.

To reach full employment, the following policies must be pursued in Europe's Member States:

- ◆ We must establish a new, active investment policy, focused on promoting growth through the central objectives of the Lisbon Strategy, raising sustainable growth as a condition for labour market reforms;
- ◆ A new, active labour market policy based on a new, fair deal with the unemployed. A framework of rights and duties for the state and the individual. Providing high unemployment benefits and active labour market policies, notably education and training, to support re-employment and re-skilling during employment;
- ◆ A new deal for employment security as a strong, enduring perspective. An active interplay between the public and private sectors for re-skilling; stronger security should be ensured during the course of working life;
- ◆ Decent work based on decent minimum wages, as defined in collective agreements or legislation in Member States. Contributing to the end of the working poor phenomenon, including the precarious informal economy;
- ◆ Strong enforcement of anti-discrimination policies and active integration of ethnic minorities and immigrants in the labour market;
- ◆ Actions to strengthen the role and participation of the Social Partners, including tripartite dialogue;
- ◆ Concrete development of corporate social responsibility (CSR) in a framework of new rights and duties for all actors in our societies, including the duty to contribute to public finances and eliminate unfair work practices;
- ◆ Clear rights and duties for public and private sector employees in cases of unavoidable mass redundancies. Advanced notification to allow the introduction of active investment policies in affected communities and regions;



- Targeted policies for eradicating long-term unemployment, raising employment amongst young people and older workers, including second chance education and training.

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**The European Union** can bring an enormous value-added by:

- Establishing effective economic coordination in the Economic and Monetary Union (EMU), including a simultaneous growth and investment strategy as proposed by the PES.<sup>2</sup> This is a pre-condition for obtaining higher economic growth and more jobs as a basis for progressive labour market reforms;
- Developing broad economic guidelines to comprise a more coherent balance between the stabilization goals for inflation and monetary performance and the real jobs and growth strategy. The broad economic policy guidelines should form the basis for ensuring a concerted growth-promoting economic policy at the European level, including a new set of proposals for a smart green growth strategy;
- Promoting work councils on a European level;
- Developing new EU labour laws to protect employees against precarious jobs;
- Relaunching tripartite social dialogue on priority issues including lifelong learning and ways of "working smarter, not harder";
- Improving the scrutiny, transparency and accountability of corporate social responsibility practices, introducing a core set of commonly agreed standards for corporate behaviour;
- Re-shaping the EU budget with the aim of promoting a financial basis for new investments in R&D, in innovation, in learning policies, and other Lisbon priorities.

Labour market policies and an offensive economic growth policy must be the basis for creating a faster moving European economy - and new confidence amongst the European workforce. A real confidence that change is not a threat but an opportunity. With modern work organization and active labour market policies. With strong social dialogue, so that the workforce is well equipped for change, so that industrial change can be managed on decent working and living conditions.

### Knowledge and innovation – the key to smart, green growth

New technologies can bridge the gap between the economy and the environment and between the economy and people. Europe is in the lead in the development of new technologies but we are only at the beginning of a new era. Europe's strategy for economic competitiveness should be based on excellence in the use of new knowledge and innovation, rather than on low wages and low standards.

Europe is underperforming as regards investment in new knowledge, both in R&D and in education and training. At the moment, R&D expenditures are just below 2% GDP. The EU target of 3% GDP investment requires a substantial increase in spending, both public and private. Thus, there is a strong need to make a decisive commitment to higher investments. Public spending must be restructured in most European countries. Incentives for business investment in knowledge must be improved. Universities and other public research organizations must establish new cooperation with industry and improve innovation systems. Because the return on R&D spending is high, the European economy could grow by an additional 10% by 2025.

Furthermore, investments in R&D and innovation must contribute to the development and rolling out of sustainable technologies in order to avert the threat of climate change and ensure environmental balance. In Europe, many catastrophic events since 1980 are attributable to weather and climate extremes: floods, storms, droughts and heat waves. Rises in energy prices hit the poorest hardest: across the EU, millions of people live in energy poverty. The effects of climate change will exacerbate this trend, exerting a profoundly negative pressure on economic and social development both in Europe and the world.

There is a huge growth potential in the transformation, on a broad scale, of our economies - away from the old tradition of mismanagement of natural resources and under-performance in knowledge investment, towards new, sustainable technologies and future-oriented investments. Every investment decision is a choice between old technologies or new, more sustainable technologies - between old growth and smart, green growth. New green technologies are the key to raising social and environmental standards, while promoting growth and jobs.

We must unlock the potential of the Single Market to generate knowledge and innovation. Better regulation – not less – will be needed in order to do this. The EU's Galileo project will also be a key means for bringing forward a real, innovation-oriented European industrial policy. In this way, the European dimension will help promote knowledge and innovation for smart, green growth and jobs.

With the rise of new technologies, society has become more demanding: citizens are asking for faster and better services, more transparency and more user-friendly administration. We, socialists and social democrats, should be at the forefront of meeting these new demands.

To promote knowledge and innovation as a key to smart, green growth, the European Union and Member States must focus on:

- Substantially raising public and private investments in research and development to reach the EU's target of 3% GDP in R&D by 2010;

- Investing in sustainable forms of energy and energy efficiency;
- Improving the attractiveness of European universities for researchers and students;
- Fostering closer links between universities, research institutions and the private sector, to translate research into innovation in the economy;
- Establishing closer coordination of investments and promoting trans-European projects;
- Introducing the systematic exchange of information between innovation agencies;
- Promotion of knowledge and innovation in the Single Market;
- Deploying the Galileo project in order to bring forward an innovation-oriented European industrial policy;
- Anchoring use of new technologies in public services.

### Learning from the beginning – and learning throughout life

Europe's welfare societies will not compete on lower wages or standards, but on excellence in knowledge and skills. Learning from the beginning and learning throughout life – from high quality child care, through schools and universities to further education and training – is at the centre of the New Social Europe.

It is clear that those countries consistently investing in children, education and skills, are those countries able to meet new challenges. Our education and care systems must make considerable headway in meeting the demands of modern society. Putting children first is investing in the improvement of their life chances.

Thus, **our first priority** is to make **universal high quality child care** as basic a public service as health care or education in our welfare states all over Europe. It is about shifting the investment curve towards children: providing early learning, fostering social and cognitive skills. This is particularly important for immigrant children, representing the first opportunities for language learning and integration.

Our **second** learning priority is to make our education systems all over Europe **inclusive and excellent**. We must ensure that children from all backgrounds have the best chances of educational success from primary to tertiary education.

We know that those who need education and training the most get it the least. It is time for change – it is time for new priorities in our educational investments.

We know that people without basic qualifications face a much higher risk of unemployment and poverty. This is not acceptable. **We want our society to prevent this:** we must invest more into secondary education and skills, more into vocational education, more into adult education and training for those in and out of work – a pre-emptive educational policy for all.

Too many young people are leaving primary school without any further education. This is a triple loss: for individual youngsters, for our societies today and for our societies in future. We know that there is another way - in some European Member States, more than two-thirds of those leaving school now enter higher education institutions. It is a question of adapting our school systems and opening up higher education. If we fail, these citizens and our societies risk greater long-term unemployment, persistent poverty, and lower chances of catching up through adult education in later life.

Our **third** priority is for adult education to become an integrated part of our education systems. It must form the basis for European economic performance, our high quality jobs strategy, and our very conception of personal development. It is up to every citizen to take an interest in learning as a part of their rights and duties, but up to collective institutions as part of their duties to ensure real access to learning throughout life.

Let us take a new jump in our educational investments. Europe must find ways to move up the value-chain. We know that people with high skills and the motivation to continue learning throughout their lives will be essential for this to happen. This should not only be for the few, but for the many. We want a knowledge-rich education system where teachers and pupils are partners, where there is a permanent updating of education.

Lifelong learning must become a reality in all European countries. Those who depend most on post-school education and training - the unemployed or those with low skills - get the fewest training opportunities. **It is time to change this, to invest in a real second chance education for all those who need it, whether in or out of work.**

The winners with access to adult education and training are to be found in large companies, the public sector, in business services, banking or finance - all in full-time employment. If we fail to act, the losers in today's economy will be those employed in small businesses, part-time jobs and traditional service jobs, particularly older workers, women and young people.

Our **fourth** priority is for European countries must democratize participation in the digital society. Disadvantaged persons often lack access and do not possess the necessary skills to participate actively in the knowledge-based society. Around 30-40% of the EU population still reaps few or no benefits from ICT.

The revolution in knowledge, technology and globalization requires a radically new approach to learning in society and in the labour market. Welfare policies must be **reformed** in order to:

- Institute universal provision of high quality educational child care for babies and children;



- Make the outcomes and benefits of education and training independent of socio-economic background and other forms of disadvantage;
- Eliminate early school leaving;
- Institute a right to adult education for those without basic qualifications;
- Upgrade vocational education systems for rapid, relevant responses to risks of delocalization and structural changes in the private sector;
- Encourage businesses to give early warnings of their skills needs to ensure dynamic and relevant reskilling for jobs through vocational training and skills programmes;
- Ensure the permanent updating of teaching materials and equipment;
- Ensure a smooth transition for young people into work;
- Raise investments in and reform of the tertiary education system;
- Democratize access to and participation in the digital society.

### **The European Union will be important in building our knowledge societies:**

- We must promote incentives through the EU structural and education funds for education and training;
- EU education funds could be used as a contribution towards fulfilling the new right to adult education for those without basic qualifications;
- Strengthening efforts towards an inclusive information society, including better defining and fulfilling new rights, setting out the role of public authorities and services in extending digital access, establishing European bench-marking in the attainment of targets;
- Education and training must be placed at the heart of the Lisbon Strategy.

Europe's best asset is people - our workforce. Europe must contribute to overcoming the barriers, which keep so many Europeans under-skilled and out of the workforce. Education and skills are part of a dynamic, active labour market policy to ensure that people have the skills to match new jobs.

### **Achieving real equal rights for women and men**

Achieving gender equality will require a sea change in the welfare state and the economy. It requires efforts from men and women, from businesses, trade unions and government. It demands not only changes in structures, but a revolution in attitudes. Political leadership and public action must lead the way.

Persistent gender inequalities must be tackled through social dialogue and reform of public policies to:

- Eliminate the gender pay gap and in-work discrimination;
- Better sharing of parental leave between men and women;

- Socialize the costs of parental leave;
- Institute a right to flexible working for parents and pregnant workers;
- Regulate working time to tackle the culture of long working hours;
- To manage organizational change resulting from parental leave and flexible working;
- Individualize social security, pension and taxation rights;
- Tackle gender inequalities in pension systems;
- Social protection coverage of women in precarious employment;
- Establish urban time policies for men and women to reconcile work, family and civic obligations.

Achieving equal rights and opportunities is a key goal for the European Union. This must be promoted in a far more dynamic approach through new policies and new tripartite dialogue. This must be given a stronger priority as a fundamental part of our high quality jobs strategy and as a means to achieve social inclusion. Making it a part of our shared responsibility in the labour market and a pillar of our common rights and duties in society.

### Making our ageing societies proactive

Europe is an ageing society, which represents a success story and a serious challenge. The over 65s, now a quarter of the EU population, will rise to over 50 per cent by 2050 – thanks to improved living and working conditions and remarkable progress in medical treatment.

At the same time, the ratio of the elderly compared to the total employed population will rise sharply for the EU-25 from 37% in 2003 to 48% in 2025 and to 70% in 2050. That means, there will be 1.5 workers per pensioner in 2050, while there are currently almost three workers per pensioner.

We are faced with a **double challenge**: the basic trend indicates that the pension systems will inevitably be put under heavy strain. At the same time it will create difficulties for ensuring an acceptable level of employment in social services, health services, education, amongst other public services.

This is the perspective if we do not do anything. But we will not be passive – we will be proactive. Tackling this challenge head-on in **our way**.

**The agenda for reform includes a three-tier strategy. First and foremost,** we must ensure that more people are in work. This is the best way of making pension systems sustainable and ensuring a sufficient number of hands in our public services. That is why we have to realise our progressive strategy for full employment. This means:

- Bringing down unemployment through massive investments and reforms of the labour market and educational systems;
- Increasing the employment rate of women and young people;
- Allowing older workers to stay in work longer through a more adapted and non-discriminatory labour market;
- Stronger inclusiveness and better integration in the labour market for immigrants and minorities;
- A new inclusive policy strategy for vulnerable people supporting those who can to work.

**Secondly**, our social protection systems for retirement and old age care have to be reformed in **our way**. If we do not do it in our way, based on social justice and solidarity, the losers will be people from disadvantaged groups falling into poverty in old age.

Thus it is vital to maintain and even improve, in some European countries, minimum pension guarantees in order to prevent pensioner poverty. Private saving can play a role in supplementing pensions, but should not replace the role of public provision.

First pillar state pensions should indeed be complemented by mandatory occupational pensions, although in-built employment inequalities – for example between men and women – should be factored into pension provision. Labour market pensions based on collective agreements should be promoted to play an even more important role in the future – as a part of a more coherent and fair pension strategy and our strategy for full employment.

**Thirdly**, we, socialists and social democrats, must take the lead in forming **a new proactive approach to ageing**. European countries must in future focus on quality of life, health and activity as a new way of life, based on rights and duties.

The link between activity and health holds good into advanced old age. Therefore, the contribution that can be made by older people to society should not be limited to paid employment in earlier old age. It should encompass voluntary work and many other activities into advanced old age. Older citizens have a wealth of knowledge and experience to contribute and share.

Public policies must be reformed to ensure our pensions and elderly care **our way**:

- Reform of the pension systems must be completed across Europe in order to ensure that elderly people can rely on adequate, equitable and financially sustainable pensions that do not reproduce social inequalities;
- Adopt a new, active and preventive approach to ageing;

- Care for the very old must be guaranteed;
- A new way of sharing our common responsibility for elderly care must be developed.

The European Union can add value to Member States efforts by focusing on:

- Promoting higher growth for more and better jobs to be obtained through the PES strategy for coordinated investment policies;
- Promoting pensions reforms on the basis of adequacy, equity and financial sustainability, ensuring non-discrimination between women and men in the pension systems;
- Ensuring pension rights for people on the move, including migrant workers.

### Social inclusion and cohesion

High numbers of Europeans living in poverty – 68 million are in or at risk of poverty – demand a substantial improvement of Europe's welfare approach. Losing a job must not mean poverty for the unemployed and their families. Disability or elderliness should never entail destitution. Children should not grow up deprived of proper nutrition, high quality education and the right to a good childhood.

We regard full employment as a core element of an inclusive society. We need better social policies – not fewer social policies – because there is a huge potential for prosperity and well-being if we pursue better policies for inclusion. These must be comprehensive in their approach. These cannot be limited to the provision of a minimum income safety net.

Our ambition for societies based on inclusion and cohesion must be founded on a broad reform agenda in all European welfare societies – an agenda encompassing child care, education and training, labour market reforms and social protection. To give those in need better chances of being integrated into working life and society.

It must also encompass public policies relating to participation in society: housing, transport, cultural resources, involvement in democracy and governance, civil society, and digital inclusion in the emerging information society. Therefore, social inclusion demands a mainstreamed strategy for social, economic, cultural and political participation.

In all these efforts the public sector is of fundamental importance. In modernizing our public services and policies for inclusion, we must also understand how to integrate our concept of rights and duties. Citizens threatened by exclusion have both rights and responsibilities to prevent their exclusion. This social policy approach conveys the



message: "You have a lot to contribute, you can make a difference", "you can develop your talents", "a better life is within your reach". In making our societies proactive to include all people, it is crucial to ensure the future of public services, through legislative frameworks for the safeguarding of public services across the European Union. There must be a clear line between the market economy and the provision of public services to all citizens in society.

The continuing presence of poverty and inequalities in Europe requires a new welfare approach in the New Social Europe:

- Commitment at the national and European levels to pursuing a comprehensive and mainstreamed strategy to fight against poverty, based on social, economic, cultural and political participation;
- Achieving full employment and raising human capital to tackle poverty amongst the unemployed, the inactive and low-wage earners;
- Enabling female employment through universal provision of child care and the provision of elderly care;
- Active ageing to tackle poverty and social exclusion;
- Fostering public services – as a key means for ensuring inclusion – and safeguarding universal access to these services across the European Union.

The role of the European Union must be focused on:

- Introducing a new framework directive for services of general economic interest;
- Establishing sectoral directives for health and social services, to ensure that these are not undermined by market competition;
- Carrying out binding social impact assessments of proposed EU legislation;
- Improving social cohesion across the European Union through the Structural and Cohesion Funds.

## Diversity and integration – we cannot do without it

Immigration to Europe has raised new challenges and dilemmas in recent years. There is a need for a balanced, coherent approach to tackling all its dimensions. As socialists and social democrats, we insist on respecting the fundamental rights of individuals.

The good story is that Europe, as a region of diversity, a region of peace and prosperity, is a place to which people want to move as immigrants or refugees. Immigration has been positive and important for Europe's welfare societies, bringing manpower, fresh skills and talent into Europe. Immigration has contributed positively to Europe's economy overall as more people have entered the labour market in key sectors as a response to new employment needs.

The other side of the story is that the increased immigration to Europe in recent years has created problems of integration and a new feeling of uncertainty amongst parts of our populations. This has given ground to populist political movements and encouraged the creation of new extreme right-wing parties and a climate of hostility in some countries against people on the move.

Although immigration is not a sustainable solution in itself, it is a part of the solution to the critical ageing of the European population in the coming years. Immigration cannot be a sustainable alternative to reaching full employment amongst Europeans or an alternative to achieving inclusive labour markets. Immigration cannot and should not be used as a means to put off the reforms needed in our welfare societies as a result of demographic ageing. Managed in the right way, immigration to Europe can still be a part of creating new progress and dynamism – not only with skilled immigrants, but also less skilled immigrants who can fill vacancies in key sectors of the economy.

However, there is a fundamental need to turn immigration and our current immigrant population into a positive, dynamic factor in our societies. In order to do that, European Member States must change their policy in relation to immigration and to immigrants in general. European countries are simply failing to integrate immigrants successfully. That is why in the New Social Europe immigration and integration have to go together. Immigration must be seen in the light of our common effort for more and better jobs – in our progressive strategy for full employment. Without much better employment in Europe's welfare societies, the integration of immigrants will fail and immigrants will be forced into the informal economy, the so called "black" labour market.

We have always insisted on respect for diversity, tolerance and fundamental rights for all. There is now an undeniable need for creating a new consensus on immigration. There is a need for a clear narrative around our diversity and common future. A need to open channels to legal immigration because the alternative is the "black economy", hidden unemployment and new social exclusion. A need to tackle illegal migration. A need to protect the fundamental rights of immigrants and asylum seekers. A need for much better integration of immigrants into society.

A common immigration and asylum policy must be developed in the European Union, together with strong, new efforts for positive integration in our Member States. This common policy must be based on European solidarity between Member States and with the countries of origin. Sharing the costs and responsibilities, building on rights and duties for all, are natural points of departure. Focus must be placed on direct cooperation with the countries of origin in order to promote co-development and legal migration and tackle illegal migration. There is a need for a coherent and comprehensive European approach based on progressive, mutual interest and cooperation in the long term. Migrant workers are not and should not be treated as an economic buffer for business cycles in the European economy.

Too many migrants are still working in the informal economy. Their working conditions do not respect labour rights and standards; these migrant workers are unprotected. In the New Social Europe there must be new public policies to combat exploitation. We must ensure that the principles of human dignity and decent work are respected by all, as enshrined in the European Charter of Fundamental Rights.

Channels for illegal immigration must be closed, based on effective cooperation between Member States within the European Union. There is an ongoing violation of human rights causing death and abuse. Forced labour, slavery and human trafficking must be fought head-on by using much better, integrated control of internal borders as well as greater solidarity and burden sharing in the reception of immigrants who have been exploited. Sanctions are needed for adequate protection of immigrants.

We, socialists and social democrats, have vital work to do in promoting the acceptance of immigrants in our societies. We want to lead efforts for an "alliance of civilizations", including respect for cultural and religious diversity, in accordance with the European Charter of Fundamental Rights. The fight against racism and xenophobia must be based on strategies for integration and full employment. A far more in-depth dialogue must be established with immigrant and ethnic minority communities, notably Muslim communities in Europe. A dialogue must also begin between Europe and Islamic countries particularly.

The integration of immigrants must also be based on rights and duties. Rights to equal treatment and non-discrimination in society and the labour market. Duties to learn the language of the country as a precondition for integration, to respect European values such as equality between women and men, duties to contribute to society. These are vital for the foundations of trust, respect and cohesion among all groups in society. In many Member States there are good examples of successful integration - based on equal rights and duties and new partnerships - and the public sector has been a progressive example of ensuring equal rights in the labour market.

Socialists and social democrats, Member States and the European Union must actively cooperate and assist countries of origin for new progress as a part of the fight against the real causes of migration: poverty and under-development.

This is also a part of a much broader process for removing the root causes of unrest, human rights violations, civil wars and even terrorism. We insist on a new immigration code of conduct at EU level, so that Member States of the European Union commit themselves to an immigration policy based on clear criteria and ethics. Migration policy should avoid brain drain from developing countries and instead encourage "brain circulation", through flexible entry, leave and return for economic migrants.

Immigration and integration policy must be reformed to:

- Promote the integration of immigrants, in a framework of rights and duties, equal treatment and non-discrimination;
- Link admissions and integration policies in a common strategy at national level;
- Build trust in the management of migration and tackle the challenges of integration, particularly at the level of local communities;
- Establish a right and duty for immigrants to learn the host country language;
- Ensure the integration of immigrant children through child care and education systems;
- Fight illegal employment, precarious conditions and exploitation through financial penalties for employers;
- Develop a coherent policy for the integration of immigrants into the labour market, including the public sector;
- Pursue a flexible leave and return component for skilled immigration, in partnership with countries of origin, based on the concept of “brain circulation”.

At the EU level, we must:

- Establish a common EU admissions procedure for economic migration, combined with coordination of nationally-determined admissions policies;
- Adhere fully to the EU's Common Basic Principles for integration;
- Take the lead in building the alliance of civilizations;
- Integrate the management of migratory flows in the EU's development policy, including a new partnership with countries of origin;
- Foster greater understanding of common European values;
- Strengthen cooperation and technical assistance between Member States border control services and FRONTEX (European Agency for the Management of Operational Cooperation at the External Borders) – as a part of protecting the basic rights of migrants and fighting human trafficking.

### Decent work – our global ambition

To build a strong Social Europe, we need a strong social dimension to globalization. The New Social Europe endorses the Decent Work Agenda, put forward by the ILO, giving priority to four strategic objectives: Employment and enterprise creation, Rights at work, Social protection and Social Dialogue. The New Social Europe will promote the integration of the Decent Work Agenda into relevant EU policies such as development and trade.

The Decent Work Agenda is also an integrated part of a long-term solution to people on the move – establishing conditions of stability and prosperity in developing countries – diminishing the pressure of illegal migration on Europe in the long term.



The development agenda will remain broader than decent work alone - socialists and social democrats must also engage in this agenda.

A new balance is indeed needed between developed and developing countries in the globalized world. A new debate should begin on how this balance should be struck. The achievement of the UN Millennium goals must remain a central element. The European Union and its Member States should strengthen dialogue with other industrialized and developing countries on the major questions that must play a role in this balance: a fairer trade regime; a new approach to intellectual property, including generic medicines against fatal diseases such as Aids and malaria; meeting the 0.7% GDP target for development assistance; how to integrate developing countries into the global fight against climate change and environmental protection; debt cancellation for developing countries; and reform of global institutions.

In addition to the policy level, progressives must build broad-based support with civil society, businesses and trade unions in favour of decent work as a global objective. In this respect, initiatives such as the Global Progressive Forum, could play an important role, launched and supported by the PES, its Parliamentary Group in the European Parliament and the Socialist International.

#### 5. A new deal for participation for all – rights and duties for all

**Cohesive societies** will promote participatory democracies and be the strongest competitive factor in the global economy of the 21st century. Because people, ideas, learning throughout life, personal development and an active interplay between all actors in our societies will allow European welfare states to be at the cutting edge of sustainable economic and social development.

Inclusiveness - leaving no one behind - is at the heart of our common efforts. We must reform to ensure that we are enabling all people to live, work and progress in the future. An inclusive policy to ensure that our societies empower people and do not breed passivity and aimlessness. People will never feel lost - in proactive societies, there will always be a new opportunity - no one will be left behind. That is our proactive New Social Europe. Rights and duties for all are the glue to ensure cohesion in the New Social Europe.

The duty of **government** is to ensure that all citizens have access to public services, such as education and social protection, and to guarantee political, civic, social and labour rights, as well as to provide the conditions for full employment and inclusion in society. The right of government is to expect that individuals and all other actors in society contribute to the welfare society. **Businesses** have the right to expect stability, fairness and

transparency in the conditions of competition; their duty is to contribute to public finances and support the achievement of full employment, helping raise the skills and competences of the workforce and playing a positive role in society through the tenets of corporate social responsibility. The right of **trade unions** is to organize, to bargain collectively, to fight for the interests of workers and to play a part in binding, tripartite social dialogue; their duty is to contribute to building an inclusive labour market. **Individuals** have the right to participate fully in society and in the workforce; their duty is to seize the opportunities of high quality education and training and all other means provided for enriching our human and social resources, in their own interest and in the general interest of society as a whole.

Rights and duties apply to everyone in society. Civil society organizations also have an important role to play. They are gaining ground because of their ability to fill a gap between the market and the state, between business and government. They represent a unique combination of private structures and public purpose.

The way civil society is organized and functions differs from one part of Europe to another, reflecting the different development paths of our welfare societies. However different Europe may be in these respects, there is much of common ground in relation to social responsibility and involvement, which is a unique basis for cooperation in the challenges which lie ahead and a strong force to be mobilized for the reform of the European Social Model.

The time has passed for top-down policy-making and governance. Now, it is time to engage all actors in society, using the capacities and experience of each towards our common goals. Without participation in the broadest sense, we will not manage to introduce this new agenda as a positive force for society at large.

New Social Europe is an invitation to all actors in society to participate and engage in this new project. It will be developed on the basis of debate and dialogue to serve as a model for the active involvement of people all over Europe in policy-making for the 21<sup>st</sup> century to revitalize both Europe's welfare societies and our democracies.

#### 6. Can we afford the New Social Europe?

In the New Social Europe, the welfare state will not become smaller, but will become more proactive!

The traditional argument from conservatives and neo-liberals has always been that Europe cannot afford our welfare societies - the European Social Model - because of the

pressures of globalization. But this argumentation has become a cliché, with no foundation in reality. There is indeed no evidence to show that countries with large public sectors are being undermined by competitive, global pressures.

Foreign direct investment decisions depend on far more than the tax environment of the host country in question. Good governance, transparency, stability, a highly qualified workforce, high rates of innovation, high quality infrastructure and public services all play a crucial role in attracting investments into a country. A modern and strong public sector and well-developed social policies are productive factors. Europe's societies have compelling success stories to tell on the pursuit of social justice, economic development and environmental sustainability as mutually supportive goals.

The right combination of new, progressive reforms and focused growth policy will not only make our societies more competitive and more inclusive, but will also improve public finances.

Unemployment is much more costly for individuals and societies than many are aware. Low growth, high unemployment, low qualifications, old fashioned structures all translate into low tax revenues and high public spending for our societies. Public policy intervention to stimulate new investments, to reach full employment and pursue sustainability through smart, green growth will be many times more cost-effective and beneficial for public finances in the medium to long term than the heavy real costs of non-intervention.

That is why the long-term prospects of financing a New Social Europe are there. The initiatives detailed in this report, to create a new and inclusive welfare society, will contribute to positive sustainable development in the long run. It is about making our societies proactive and dynamic - both in the private and the public sectors.

In this respect the modernization of the public sector is important - and it is important to understand that a strong public responsibility is the best way to fight poverty and to build an inclusive society. A comparison between Europe and the US confirms it clearly. The welfare costs of these two societies are broadly comparable - when public and private social expenditures are included - between 25% to 35% of the total GDP of the society. However, the big difference between the two societies is social outcomes: income distribution and poverty!

In a system in which private expenditure against social risks takes on an important role, an individual's ability to finance his or her own insurance becomes far more crucial. In the US, over 40 million citizens have no health insurance! Nevertheless, the US is spending more on health than the EU: 14.7% for the US and an average of 7.6% for EU countries. Still US citizens have a healthy life expectancy that is below that of Europeans.

Europe's socialists and social democrats are in no doubt. What we need in our New Social Europe are better social policies, not fewer – better learning for life, investments in child care, active and inclusive labour market policies, effective integration of immigrants – enabling everybody to participate in the long-term sustainability of the welfare state. The New Social Europe is not only affordable but vital for the sustainability of future public finances, as documented in the annex of our report.

There will broadly be six ways of financing the New Social Europe. These include:

- **Obtaining higher economic growth through a simultaneous investment strategy** across the European Union and better economic policy coordination.

It is fundamental that such a strategy is implemented in the coming years. It is about making investments in education, active labour market policies, R&D, child care and other Lisbon Strategy priorities. And it is about making these investments simultaneously across Europe. If all Member States participate in such a simultaneous European investment strategy, the synergies in the Single Market would result in an additional 0.7% and 0.9% GDP annually for the EU-15, and for the EU-10, there would be growth in the first year of an extra 0.7% and then further increases in growth in subsequent years. The effect over a 4-5 year period of implementing the strategy would be 4 million new jobs. The long-term effects would be greater, once investments are fully absorbed.

- **Improving productivity for greater prosperity**

Investment in knowledge – education, training and learning throughout life – for effective use of modern technology will raise productivity per hour, thereby generating more wealth.

- **Increasing employment and cutting unemployment**

Reaching the target of a 70% rate of employment by 2010 – up from 64% today – would generate an additional 7.7% GDP in 2025. The New Social Europe should aim for even higher employment, given that some Member States already exceed the 70% target rate of the Lisbon Strategy.

- **Sustainability**

Reaching the R&D target of 3% GDP by 2010, and maintaining 3% GDP per year, would generate an extra 10% GDP to the European economy in the best scenario and an extra 3% GDP in a conservative estimate by 2025. Energy efficiency would generate energy savings of 20% of energy consumption by 2020, with savings of up to €60 billion for the European economy. Investments in sustainable forms of energy would also generate sustainable growth and jobs.



### ● Changing the structure of public expenditure

A shift away from consumption, notably unproductive income transfers such as early retirement and away from unproductive subsidies and investments in old technologies, to productive investments – in child care, active labour market policies, education and training, lifelong learning, ICT and sustainable sources of energy. Most EU-15 countries will be able to do this within current levels of public expenditure. However, the majority of new Member States will need to gradually raise their levels of public expenditure as their economies grow.

### ● The EU budget

The European Union can also contribute to supporting the financing of the New Social Europe through its budget, thereby complementing national budgets. As a measure of what the EU budget represents, for the 2007-2013 period the EU budget is set at a maximum total figure for the enlarged EU of €862,363 million, representing 1.045% of EU GNI. While small in comparison to national budgets, the EU budget has an important role to play in generating synergies and achieving the EU's objectives.

In addition to these six ways of financing the New Social Europe, the European Union must act as an ally in protecting Europe's welfare states from fiscal dumping. Initiatives to avoid unfair tax competition must be seen as a central part of safeguarding the cohesion of the EU. The Single Market needs a coordinated approach to corporate taxation, starting with coordination of the corporate tax base.

In this New Social Europe report, additional macroeconomic calculations have been made, which document the positive, long-term effect of structural changes in the labour market and the rest of the economy, raising the numbers in work, reducing structural unemployment and increasing productivity.

The implementation of the PES growth and investment strategy in the next 4 to 5 years and the realization of our long-term strategy for the New Social Europe, gives us a future based on sustainable financing of proactive welfare states, excellence in economic performance, social inclusion and environmental sustainability.

By combining a shorter term investment strategy with a long-term roadmap, our welfare states in the 21<sup>st</sup> century are not only affordable, but productive and sustainable. As illustrated in macroeconomic calculations, the New Social Europe would create new jobs for almost 10 million people in the period until 2020, in addition to the number that would be created in the framework of current policies. Current accounts and public budgets would be in better shape; Europe's people would be better off. And future generations would benefit from smart, green growth, protecting our environment from degradation and climate change.<sup>3</sup>