

THE 2005 JEAN JACQUES ROUSSEAU LECTURE
Modernizing the European Social Model

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Ladies and Gentlemen,

It is a great pleasure to be here today to speak to you about the modernisation of the European Social Model.

I would like to thank the Lisbon Council for providing a platform for debate on this key issue and for the efforts they have made in organising today's meeting. We need citizens who will actively support the modernisation of the European social model, and your organisation is contributing significantly to this public debate.

As you well know, the social model was one of the key issues in France's referendum debate. Why was this? Many people in France and throughout Europe fear that the repercussions of globalisation will force us to cut or even dismantle the social model. A new aspect in the French referendum debate, however, was that European integration was, for the very first time, perceived not as actively supporting that social model but as endangering it.

I won't repeat all the arguments I put forward on my visits to France to dispel these fears and present a more realistic picture of Europe's successes in the social sphere. I must, however, stress that, to my mind, the proposed Treaty establishing a

Constitution for Europe contains more effective guarantees of social rights than any of the current European treaties.

I remain deeply convinced that the European Union does not threaten our social model but, quite the opposite, gives it a solid foundation. And I believe that this foundation is also solid enough to enable us to overcome the current problems besetting Europe.

The European social model is the product of our history and has helped overcome many European crises. It is reason's answer to power's folly. It is an expression of the principles of equal opportunity and solidarity. Though there are a number of national variants, the principle remains that all inhabitants are covered and nobody is abandoned.

I have always considered the European social model essential for any functioning modern democratic society. If Europe has prospered in the last six decades, it is not *despite* the social dimension of its economy but *thanks* to it.

It is a mistake to assume that abandoning this model could in itself give us a new vitality or comparative advantage on world markets. The principles of Europe's social model are part and

parcel of our competitiveness. If we tried to unravel it, we would weaken ourselves.

II.

Before I explain how I believe European social model needs to be modernised; let me first say what this social model *cannot* do. It can neither support nor tolerate an “I’m all right, Jack” attitude on the part of those who are rubbing along quite nicely. Its function is not to maintain the status quo in a sort of vacuum. And it cannot be allowed to become a museum in which we indulge in nostalgia for the good old days.

In truth, change is built into the European Social Model.

Indeed, the key objective of this model is the attempt to remedy fundamental inequalities between people — without abolishing the ethically acceptable difference in outcomes. *Its purpose is to provide people with support in existentially difficult situations.*

Such situations include disabling illnesses and accidents, natural disasters, changes hitting whole sectors of the economy and living conditions which prevent proper education and access to the labour market. These are the real obstacles that our social model has to tackle.

The European social model sustains human dignity and equal opportunities and provides effective help to people in difficulty.

On the other hand, those who prosper through their own efforts should not be prevented from enjoying the fruits of their success.

The objective of the European social model is a cohesive, cooperative society. The objective of reform is not to abandon the values that underpin the model but to change the way the institutions work.

III.

The fundamental challenge to Europe's future is **an ageing population**. As you know, the Commission adopted, in March, my proposal for a Green Paper on the demographic changes now facing Europe. These changes will have a significant impact on the whole of European society.

Not only is the birth rate falling, but life expectancy is increasing and people are reaching old age in good health. By 2030 there will be 24 million more older workers in the 55-64 age bracket as the baby boomers reach old age, and the EU as a whole will have 34.7 million inhabitants over the age of 80 (compared with only 18.8 million today).

It is clear that this demographic trend will have a significant impact on our social systems, and in particular provision of pensions and healthcare, and on the European labour market. This impact will not be purely adverse: an ageing population will create considerable opportunities for jobs and new products. It is, however, indisputably the case that such a trend inspires fears that the health and pension systems will be overwhelmed. There will be fewer people contributing to the system of social protection and more depending on it.

I am personally convinced that our productivity will be sufficient to keep systems of social protection going. This trend does, however, raise the perfectly legitimate question of how we spend the limited resources available to us.

I feel that this question can best be answered by returning to the most fundamental values underpinning our social model. In other words, we must focus our limited resources on overcoming unfair inequalities as effectively as possible.

In this rich and advanced Europe 15% of the population live in extreme poverty, which means that they have a monthly income of less than 60% of the national median. This poverty threatens

European children even more than adults. Do these children deserve the chance to escape poverty?

The European Union today has millions of Roma, and their numbers will increase significantly with the accession of Bulgaria and Romania. Though their living conditions differ considerably, it is safe to say that no other ethnic minority in Europe has such difficulty gaining access to “the system”. Many of them live in degrading conditions – families of ten living in a single room, in shacks without electricity, running water or sanitation.

Poverty, social exclusion, the development of ghettos and marginalisation are the real obstacles facing our society, and the European Social Model must tackle them. In my opinion, the real goal of Europe’s Social Model must be to give all Europeans a chance.

This is not, of course, the end of the story, since Europe is not an island in the middle of the sea. It is part of an increasingly integrated global economy, in which competition is growing tougher by the day and whole sectors of the economy are undergoing significant transformations.

IV.

Ladies and Gentlemen,

As they say in German, *Stillstand ist Rückschritt*: if you don't go forwards, you go backwards. We have no choice but to learn to live with almost constant change. The world is changing much faster than it used to.

Time is becoming the determining factor. The days in which people died in the world into which they were born are now long gone. Nowadays a generation lasts about 26 years from a child's birth to that of their own first-born. A knowledge generation lasts on average 10 years and our working lives about 40, yet computer programs are practically obsolete after only three or four years.

Our time is actually a bundle of independent time lines, and keeping them in phase is one of the tasks of our social model. Time is the sea which links Europe to the continent that is the future. Innovation is our ship. Modern societies expand in time, in contrast to the spatial expansion of ages when time stood still. A society which proves unable to provide equal opportunities and so to effectively tap all its creative potential will not hold its own. An equal opportunities policy is a humanist

concept, but it also enhances our ability to compete on a global scale.

Today the world stands quite clearly at a crossroads, and the choices to be made may well have unprecedented repercussions for the future of mankind. In recent history we have overcome monumental crises, and what lies ahead is unlikely to be as dramatic as the global economic crises, wars and revolutions of the last century. The consequences of the changes that lie before us may, however, be more decisive for the further development of society.

It is clear from developments in recent decades that whole sectors of employment are vanishing. Automation is affecting not only manual but also routine intellectual jobs. The shift of production and logistics to computers could significantly affect the service sector, where jobs may also begin to be lost. Not that we have not had similar experiences before; in the past, each further stage of mechanisation led to a redistribution of work. For instance, Jacquard's punch-card loom cost many weavers their jobs.

Some say that such restructuring should be prohibited because it leads to unemployment. My reply to them is that we cannot respond to change by trying to ban it. We must reconcile

ourselves to change and create new **good-quality** jobs. And this can be done.

If both sides of industry and governments work hand in hand, we can keep one step ahead of change and limit its impact. By taking account of possible technological developments and their influence on production and specific economic sectors, we can give ourselves a chance of reacting promptly. The impact of changes can be limited by sustained investment in developing workers' skills, thereby enabling them to cope with change: a well-trained worker is better able to find a new job in the wake of unavoidable restructuring.

Obviously, there is no denying that whole sectors of the economy are going to disappear, affecting entire regions. In such cases it will be necessary to take countermeasures of the sort proposed by the Commission in its recent communication on restructuring. Financial support for the regions and sectors concerned or for individual redundant workers is, however, the last resort.

I would like to stress that we should generally be striving for security of employment rather than to preserve every single job. Rather than individual jobs, we should be maintaining a worker's ability to find a job.

This is why it is absolutely vital that we constantly acquire new knowledge, additional qualifications and skills. As I said in my introduction, we cannot lose sight of the fact that our efforts have to be focused **on people**, not on maintaining systems or institutions.

Lifelong learning is our social model's driving force. Some take the view that lifelong learning is something to be offered to older workers to keep them in touch with their working environment. I can, however, tell you that everyone in this room needs lifelong learning in one form or another.

The skills of workers who have benefited from lifelong learning will be a valuable investment for their employers. Their experience, enthusiasm and capacity to pass on knowledge to others will do much to prevent early retirement. This will extend the overall duration of working life and so delay the moment at which people become dependent on the pension system.

It is not just a question of the impact of global changes on Europe, but of Europe's responsibility for global development. The first of the major global challenges facing us is, to my mind, **overcoming the global environmental crisis**. This is a life-and-death matter for humanity. We Europeans can be proud of

the progress we have made: the Kyoto Protocol is clear proof of this. A second, no less important challenge is the need to stabilise the social fabric of the world and push through social progress on a worldwide scale.

V.

Europe needs people who are ready to face up to change and not close their eyes to new developments in Europe or to their global responsibilities. In this connection I consider it my duty to warn against the all-embracing pessimism that is particularly prevalent in certain old Member States.

It would be dangerous to consider the current situation in certain Member States an immutable status quo. We cannot accept 17 million unemployed, average economic growth of 0.6% in the old Member States and youth unemployment of 18.6% in the 25-member EU. Change begins in our own minds.

I come from a country that has undergone a lot of reform in the last 15 years. I sometimes get the feeling that the post-Communist countries have already reached the point where people say that is enough change, now we want to reap the benefits, as though there had to be some sort of peace

sooner or later. Global changes and new obstacles, however, demand an active response.

Speaking in this very place a few months ago, Commission President Barroso said it was not the Commission's job to shield the 15 old Member States from the ten new ones. Similarly, governments and unions should not use unemployment as a pretext for erecting protectionist barriers. We must find an appropriate balance between social protection and the requisite economic flexibility.

We have to restore confidence in the European labour market. The fear of unemployment is the number-one concern among Europe's citizens. I am convinced that there is enough *work* but not enough *jobs*. Converting work into jobs is one of the key factors that will determine the future of our labour markets. It therefore makes sense to learn from the success stories. In this respect I would like to cite Denmark and Austria, which combine highly flexible labour markets with effective social protection.

The EU represents the biggest social market economy in the world, but it has yet to fulfil its whole potential. We need a strong EU. If we want to maintain our social model, we have to have a strong Europe. Individual countries can only go with the flow, whereas the EU as a whole can help shape its course.

VI.

I would like to close with the following remark. In our political discussions we all too easily use vague or empty terms and concepts. To my mind, the term SOCIAL must be used in its everyday sense. I am convinced that “social” is whatever creates and sustains employment and active social inclusion, whatever gives a chance to those who would otherwise have nothing to hope for.

Thank you for your attention.