

'The European Social Model – myth or reality?'

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Introduction

The European Social model: many claim that it is not really a 'model', it is not only 'social', and it is not particularly 'European'.

But that does not mean that it is a *myth*.

The bottom line is this: EU business is conducted amongst different cultures and in different languages, and semantics conspire to magnify and distort national differences of policy in the field of work, welfare, health and pensions. For some in the EU, the expression 'European Social Model' evokes warm feelings of social justice and solidarity. For others, it just raises the blood pressure.

My job today is to try to convince you that:

- national differences of policy do exist and are likely to continue to exist, given the Member States differing traditions and practices
- some differences matter, others matter less
- the EU adds value by setting minimum social standards at the workplace and beyond, and by providing political and technical 'back-up' for national efforts to reform work and welfare.

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Is the European Social Model really a 'model'?

A 'model' is a notion often developed in order to explain what one is *not*, rather than what one *is*. In the case of the European Social Model, many see the notion – now anchored in EU summit conclusions from Barcelona - as a way of saying that EU work and welfare policy is not the same as, for example, US policy in these fields.

Others see the notion of the European Social Model as a political counterweight to the EU fiscal rules limiting excessive government deficits, commonly known as the 'Stability Pact'. This interpretation is particularly pertinent in light of secular ageing of EU populations. This trend is beginning to increase economic dependency ratios (the number of non-workers to be supported by each worker) and thus put a strain on government spending, including on social spending.

However, when pushed to explain what the European Social Model *is*, the same people find it difficult to define it precisely.

The truth is that the notion of 'model' is a political term as much as a technical term. The way we design and deliver employment policies is very different in each Member State. Even if the EU issues guidelines for policy and sets targets (such as '70% of all 15-64 year-olds to have a job by 2010'), jobs are not created in Brussels.

The way we design and deliver welfare, health and pensions is also very different from country to country. Even if the Commission formally reports to Member States analysing their reforms (and all are reforming) in order to encourage use of best practice. Pensions are not provided by *fiat* from Brussels.

But, even if it escapes precise definition, the notion of 'model' is significant because it is 'anticipatory' or 'aspirational'. In other words, like the expressions 'European Union' or 'Common Foreign and Security Policy', the word 'model' hints at a progressive real convergence of views among Member States on the broad objectives which they seek to achieve in employment and social policy.

These objectives were spelt out in very specific terms in the conclusions to the Lisbon summit of March 2000 and include full employment, growth to rival that of the US and a system that allows no one to fall through the net by 2010. Since Lisbon, we have also seen much convergence on the means to achieve the stated objectives. For example, Member States are now acting to reform the way pension systems work, not least in order to put a stop to fiscal incentives for workers to leave the labour market early.

Given what I have said, perhaps we *can* speak of a 'model'...

Is the European Social Model only 'social'?

This is again, at least in part, a question of language. The term European Social Model, like the European Social Policy Agenda, is not limited to social policy in the narrow sense: welfare, healthcare, care of the elderly, pensions. It includes employment policy: labour market rules, equality rules and policies, benefit rules, how job centres work, training of workers, ...).

The truth is that employment policy is not simply a part of the European Social Model, it is the cornerstone of it. Member States have now agreed that reform of employment policy is not only the key to helping people avoid social exclusion. It is also the key, on the macro-budgetary level, to ensuring adequate long-term public funding of pensions, welfare, healthcare and care for the elderly. As these items can account for up to half of total government spending, the need for a co-ordinated reform effort is clear.

So 'social' also means reform of labour markets.

Is the European Social Model particularly 'European'?

As I hinted earlier, the European Social Model is 'European' in the same way as the 'Common Foreign and Security Policy' is 'common'. Grand titles which have no political cost (except perhaps in the UK, if I recall the allergy even to the expression 'social chapter'). But the significance of the word 'European' here is that it suggests a progressive convergence of view in the EU on a set of policy objectives and how to achieve them.

Of course, there is no 'single EU minimum wage' or 'harmonised EU health system'. The first would be absurd and the second would be...very useful, but is not even on the horizon.

However, the word 'European' in European Social Model does have another dimension: the institutional one. Values and principles alone are important but not sufficient for effective action (and Member States, as we have seen earlier, all agree that co-ordinated action on labour market and social reform is necessary). There is also a need for institutions and rules.

The Treaty of Amsterdam was a turning point for European co-operation in employment and social policy. All Member States agreed to pool their successes and failures in the reform process and to establish a role for the Commission in analysing and co-ordinating reform across the EU. All Member States also agreed to give the Commission the right to propose EU legislation to combat discrimination at the workplace and beyond.

In addition to the above, the Amsterdam Treaty institutionalised the consultation of management and labour (the social partners) before the Commission proposes legislation under the 'social chapter'.

As you will know, the above examples are simply the new powers that the Amsterdam Treaty brought with it in May 1999. There are other areas of employment and social policy, which have been pooled under previous treaties, such as the longstanding right for the EU to legislate on sex equality at the workplace.

It is true that the EU's legislative powers are limited to setting 'minimum standards' and do not extend to harmonisation of Member States rules. But these powers are nevertheless clearly 'European'. What is more 'European', for example, than a worker's right to keep his/her full pension entitlements when going to another Member State to work?

I have spoken of the importance of EU institutions and rules in the area of employment and social policy but I should stress that EU's 'soft powers'. It is true, the Commission, on behalf of the EU, has the right (the exclusive right) to propose, or not to propose, new EU labour law. Many of you will be familiar with the EU's health and safety directives or the information and consultation of workers directive. This situation is not likely to change radically with the new constitutional treaty.

However, as we have seen, the Commission has 'softer', policy co-ordinating powers in other parts of employment and social policy. No possibility for the Commission to propose a single formula for calculating the amount or duration of unemployment benefits or pension benefits. No possibility to propose the level of social security contributions or income tax levels. No EU-level individual right for workers to training (although France has just promised this nationally).

But even if we cannot legislate, does this mean that these 'soft' powers are any less 'European'? I do not think so. There is institutional apparatus in place, with the Member States unanimous agreement, in order to pursue common policy objectives, and even for the Commission to measure progress towards quantified goals in a competitive way over time (rather unkindly called 'name and shame' in the media). This institutional framework, like all such frameworks, keeps Member States on track and moving forward on the reforms which they all agree are needed, such as reform to get the long-term unemployed back to work, or to encourage more women into the labour market.

Finally, the European Social Policy is 'European' in its extension to the world stage, for example on core labour standards. As you know, the

Cancun WTO ministerial did not discuss this and it is effectively following a parallel track under the ILO. However, the EU itself has agreed the outline of a common policy in our relations with third countries on the question of core labour standards. We trust that this outline, agreed last July, will lead the EU to incorporate incentives to respect ILO norms into its trade and aid agreements with all third countries.

In complement to our progress at government level, the Commission has also called upon business to make a contribution to sustainable development, through Corporate Social Responsibility (CSR). We hope to gain the consensus of business, workers, investors and consumers on key areas of CSR and how to verify CSR performance objectively. One of these key areas will be core labour standards, or how EU-based companies treat their employees in third countries. Child labour and forced labour will be obvious priorities.

Conclusion

I hope I have convinced you that the European Social Model is no myth. It is very much alive and well. It is institutionalised at European level. Behind the rhetoric and the fear of 'competence-creep' in some quarters, it is a pragmatic, down-to-earth, joint attempt to establish sensible minimum standards and to make headway on reforms which are necessary if we are to adapt to a changing economic and social environment, both in Europe and beyond.

Thank you for your attention. I would be glad to take questions.