CHALLENGE EUROPE

Growth, well-being and social policy in Europe: trade-off or synergy?

May 2011

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Foreword by José Manuel Barroso

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Foreword

José Manuel Barroso

The European Union is going through very special times. It has taken decisive action to deal with the financial and economic crisis. In doing so, it has embraced a balanced vision of economic growth and social progress, as expressed in the Lisbon Treaty and the Europe 2020 Strategy. The Treaty on European Union sets "constant improvements of the living and working conditions" of the peoples of Europe as a key objective of the Union. Europe 2020 strategy for smart, sustainable and inclusive growth for the next nine years, aims to foster faster economic growth with sustainable social progress. Inclusive growth is high on the Commission's agenda: three of the five objectives agreed by the European Council last June and now being translated by Member States into national targets address social concerns, broadly defined, as do at least three of the seven flagship initiatives. The crisis has reminded us how social progress depends on economic stability and growth. At the same time, social policies were instrumental in dealing with the crisis: they cushioned the blow for its victims, limited the economic downturn and then helped secure the recovery.

But the crisis has also brought new challenges. First, we need to restore confidence in the economy and trust in our financial institutions so that companies are willing to invest and create jobs, consumers are willing and able to spend, and a healthy banking system can help finance future growth. Learning from the lessons of the crisis, the European Union and other members of the G20 have decided on a set of measures to build a safer, sounder and stronger financial sector. The European Commission has already made a number of specific proposals and will continue its efforts in this area.

A second challenge is fiscal consolidation. Our generation needs to restore public finances to health so that we can bequeath a successful social market economy to our children and continue to provide a decent retirement for the growing ranks of elderly Europeans. Given the severe constraints on public budgets, we must find new and more efficient ways of addressing social needs.

More broadly, economic growth and social progress need to proceed in tandem. This can happen in three ways. First, economic growth can feed social progress. While economic growth provides the basis for improvements in well-being, well-designed social policies are needed to ensure that everyone benefits from economic growth in a fair and sustainable way.

Second, social progress can feed economic growth. Improving education for all, facilitating life-long learning, active ageing and, in general, promoting social cohesion all make more prosperous and fairer societies and help them to face the challenges and capture the opportunities in a global economy. Our European social model is a competitive advantage for the future.

Third, economic growth and social progress are sometimes one and the same. Social innovation is a novel concept that harnesses the power of creativity and entrepreneurship for social goals and the European Commission is following and encouraging its development in Europe. It is about innovation and enterprises that can help meet social goals, and governments that can leverage private-sector innovation to deliver public services more effectively, blurring the old divide between a private sector only after profit and a public sector that meets social needs.

Challenge Europe 2011 will bring a fresh insight into how the European Union might enhance its social policies. I am convinced it will stimulate public debate and action on how we can better contribute to improving the living and working conditions of people in the European Union.

José Manuel Barroso is the President of the European Commission.

Introduction

Allan Larsson

Finding new directions for the future of the European social model has become imperative in the current post-crisis context. The elaboration of long-term strategies for economic growth requires a reassessment of the productive potential of social policy, and of the need for social investment. The focus has to be put on those policies which can add value to European citizens' lives, to their productive participation in the economy, as well as to their contribution to society, while maintaining social security for the individual citizens.

Since the end of the nineties, the political and economic debate over the need for social investment has enhanced the idea that social policy provisions can contribute to deliver economic growth. The economic rationale behind social investment is based not only on social protection but especially on social promotion, such as reducing inequality, investing in human capital, and improving education. This idea of synergies that may exist between competitive growth and welfare state provision received new emphasis in the political debate and the argument that social policy can potentially become a productive factor also started to develop at the European level. In this context, the Lisbon Strategy, adopted in 2000, tried to advance possible policy solutions in this direction by setting an integrated socio-economic agenda.

More recently, the need to elaborate new indicators to better measure a nation's prosperity and citizens' well-being has moved high onto the agenda of European policy-makers and national governments. Some major political initiatives have been undertaken to find measures that complement the current measure of economic performance – Gross Domestic Product (GDP) – and better reflect the more complex concept of Europeans' well-being. Economic wealth is indeed only one driver of an individual's well-being and many others, which are called the 'social determinants' and often depend on how social policy is implemented, need to be taken into consideration.

The recent economic crisis and its social and economic repercussions have made many policy-makers think that the potential synergies between growth, employment and social objectives and the need to take well-being into consideration in the measurement of progress are not pertinent anymore. Economic recovery is now seen as the ultimate imperative.

This is short sighted. There is no doubt that income and assets are significant determinants of well-being, but policy-makers need to look at the broader picture if Europe is serious about delivering sustainable well-being for its citizens in the long-run. It is in this context that 'Well-being 2030', a two-year research project co-financed by the European Commission and the European Policy Centre (EPC), is seeking to establish a strategic vision for the long-term development of social policy in Europe, also investigating what policy choices are most likely to deliver a higher level of well-being by 2030.

This publication of *Challenge Europe* is one of the major outputs of the project. It brings together contributions of a number of experts including high-level decision-makers, academics, policy-makers, NGOs, business representatives and EPC policy analysts. It advocates the need to put social investment at the heart of the political agenda, calls on European policy-makers to adopt a more holistic approach as regards the role that economic and social policies play in shaping citizens' well-being and investigates the conditions under which social policy can become a productive factor, capable of enhancing citizens' well-being and fostering economic growth.

Chapter I sets out the underlying argument of the publication and assesses the reasons why social policy and welfare state provisions should be considered to be a productive factor.

Chapter II analyses the possible positive outcomes of specific policies, focusing on those with more potential to deliver higher levels of well-being for European citizens. While the perception of the role of social policies still varies significantly across Europe, these specific policy actions have been identified as possible tools to both respond to Europe's challenges and also improve quality of life in the medium-to-long run.

Chapter III looks into the room for manoeuvre the European Union has at its disposal. From governance structure to policy content, the chapter formulates several policy recommendations for the way forward of the European economic and social model.

This publication reflects the debate the EPC has promoted over the last two years on how to best maximise Europeans' well-being and its long-standing commitment to making the European economic and social model more resilient to Europe's current challenges. The contributors to this multi-author volume have participated in fostering such debate, by sharing their own point of view and expertise on the present and future of social policy in Europe.

Some main policy conclusions seem to emerge from the debate, which takes into account a dramatically changed economic environment.

To enhance the effectiveness of social policy, policy-makers need a new strategic vision. The economic crisis has changed the context and the conditions for social policy delivery; new social and economic divides are emerging, and fiscal austerity urges Member States to redesign their actions. Faced with hard choices and trade-offs, national governments need to reconsider their priorities, as social policy competes with other public goods and public expenditures, which might also add value to citizens' life. Against this background, there is an urgent need for the European Union (EU) to look at the potential of each social policy for delivering well-being and economic growth and to investigate which policies have brought more tangible results than others. The exchange of best practices at EU level offers the opportunity for the EU, and in particular the European Commission, to take stock of which policies have brought the best results. The EU will have to play a greater role in the future in advising EU Member States on how to best deal with trade-offs and how to strike a balance on the basis of efficiency and added value.

Allan Larsson is former Director General of DG Employment at the European Commission. He is the Chair of the 'Well-being 2030' project.

I. SOCIAL POLICY IN EUROPE: A PRODUCTIVE FACTOR?

The social investment imperative beyond the financial crisis

Anton Hemerijck[1]

The welfare state has people worried in the aftermath of the deepest economic crisis since the Great Depression. For the Member States of the European Union, where social protection is most comprehensive compared to other geopolitical regions around the globe, the social and economic repercussions of the 2008-2011 financial crisis marks a 'stress test' for 21st century welfare provision. Already, the credit crunch has fundamentally redrawn the boundaries between states and markets. Will the Great Recession, like its Great Depression and Great Inflation predecessors, conjure up a new opportunity to reconfigure and re-legitimise social policy? Or, is the European welfare state in danger of becoming a *crisis casualty* in the cascade of violent economic, social, and political aftershocks unleashed by the first crisis of 21st century global capitalism?

Social policy as a productive factor

At this particular juncture it is especially pertinent to take stock of what is left of the notion of "social policy as a productive factor", with its explicit emphasis on 'social investment' and mutual synergies between growth, employment and social inclusion. The years ahead will surely differ markedly from the epoch when the social investment perspective was first launched by Anthony Giddens, Gosta Esping-Andersen *et al.*, Frank Vandenbroucke, and Jacques Delors, and diffused though the Lisbon Agenda of 2000. Will the determined fiscal response in 2008 and 2009, based on an emergency reconversion to the economic teachings of John Maynard Keynes, be followed by a more general reappraisal of active welfare states? Or, will the social investment paradigm revert to marginality when the calls for deficit and debt reduction grow louder? In terms of policy proficiency, it is my contention that the social investment imperative remains as relevant today as it was ten years ago. Long run social challenges, ranging from population ageing, the feminisation of the work force, immigration, skill atrophy, and sectoral shifts in labour supply and demand, have still to be resolved. But there is a real danger that social investment priorities will be sacrificed to short-term austerity measures in the aftermath of the financial crisis. Moreover, two decades of loss of faith in public action meanwhile seem to strengthen defensive sentiments of national welfare chauvinism across Europe with strong xenophobic overtones in the aftermath of the crisis. The current context of predicament, to be sure, does not conjure up a fertile policy platform for aligning welfare renewal with the teachings of social investment.

In this brief policy paper, I first wish to revisit the economic rationale of social investment. Next, the paper re-examines the critical role of the state in the social investment perspective by juxtaposing it with the dominant negative neoliberal theory of the state, including rules-based public finance. In conclusion, I assess the (limited) political space for rescuing a renewed social investment agenda from the conservative moment in Europe. The key challenge is to combine *long-term* social investment with *short-term* fiscal consolidation at both the EU level and in the Member States.

The economics of social investment

The social investment perspective emerged in the 1990s as a response to fundamental changes in economy and society, with the dual ambition to modernise the welfare state to better address the new social risks and needs structure of contemporary societies and ensure the financial and political sustainability of the welfare state, and to sustain a different economy – the knowledge-based economy. In policy terms, the emphasis was put on public policies that 'prepare' individuals, families and societies to adapt to various transformations, such as changing career patterns and working conditions, the development of new social risks, population ageing and climate change, instead of simply 'repairing' damage after passive social policies prove inadequate.

The Lisbon Strategy, as an integrated social and economic policy agenda, committing the Union to becoming the "most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion", was strongly influenced by the social investment paradigm in its ambition of "investing in people and developing an active and dynamic welfare state". The philosophy underpinning the social dimension of the Lisbon Strategy was given more substance by the publication of a book edited by Esping-Andersen *et al.* in 2002, *Why We Need a New Welfare State*.[2] Central to *Why We Need a New Welfare State* is the argument that the prevailing inertia in male breadwinner welfare provision fosters increasingly suboptimal life chances in labour market opportunities, income, educational attainment, and intra- and inter-generational fairness, for large shares of the population. Because the heaviest burden of new social risks falls on the younger cohorts, in terms of policy redirection, Esping-Andersen *et al.* explicitly advocate a reallocation of social expenditures away from pensions and social insurance towards family services, active labour market policy, early childhood education and vocational training, so as to ensure productivity improvement and high employment for both men and women in the knowledge based-economy.

There is, however, no contradiction between an explicit welfare effort towards privileging the active phases of life and sustainable pensions *per se*: "good pension policies – like good health policies – begin at birth". It is also important to add that Esping-Andersen *et al.* emphasised – *contra The Third Way* – that social investment is no substitute for social protection. Adequate minimum income protection is a critical precondition for an effective social investment strategy. In other words "social protection" and "social promotion" should be understood as the indispensible twin pillars of the new social investment welfare edifice.

The social investment paradigm

Unlike the Keynesian welfare state of the fifties and sixties and the neo-liberal retrenchment movement of the eighties and nineties, the social investment perspective is not founded on one unified body of economic thought. Nonetheless, over the decade leading up to the global financial crisis both policy-makers and expert academics have started to re-think the interaction between economic progress and social policy: from trade-offs to mutual reinforcements. The protagonists of social investment hold the relationship between substantive social policy and economic performance to be critically dependent on identifying institutional conditions, at the micro, meso and macro levels, under which it is possible to formulate and implement productive social policies. There are no 'quick fixes' comparable to the kind of straightforward micro or macro solutions dreamt up by the general theorists of neo-classical or post-Keynesian economics. The economic policy analysis of social investment relies heavily on empirical data and case-by-case comparisons. It is crucial to consider the 'fine' structures of the welfare state. Social policy is never a productive factor *per se*. One cannot turn a blind eye to the negative, unintended and perverse side effects of excessively generous social security benefits of long duration, undermining work incentives, raising the tax burden and contributing to high gross wage costs.

Beyond such institutional contingencies, the social investment perspective did bring social policy back into the equation as a potentially positive contributor to growth, competitiveness, social progress and political stability. In agreement with the Keynesian welfare state, the social investment paradigm makes a virtue of the argument that a strong economy requires a strong welfare state. Social protection expenditures remain powerful stabilisers of economic activity at the macro level as they consolidate effective demand during recessions. The experience of the early days of the 2008-2010 financial crisis brought to the fore that this kind of Keynesianism through the back door is in fact still operative. Basic minimum income protection serves to reduce poverty. Dire poverty is bad for any economy, especially when it is passed down the generations, permanently excluding disadvantaged groups from economic progress, wasting human capital and undermining social cohesion. In addition, institutions of social partnership permit macro-economically responsive wage setting and public regarding welfare reform, while encouraging employers and trade unions to jointly invest in vocational training programmes, thus contributing to competitiveness through human capital upgrading and maintenance at the meso-level. Back at the micro-level, social insurance, compensating workers and families who contribute to the common economic good by exposing themselves to periodic market contingencies, encourages private initiative and risk-taking. But the devil is in the detail. High unemployment benefits of short duration, coupled to strong activation incentives and training obligations, supported by active labour market policy services, are most successful in lowering unemployment and raising productivity.[3] Effective policy mixes of this kind, moreover, harbour a moderating effect on wage setting.

The logic of "social policy as a productive factor" contrasts with neo-classical economics in three crucial dimensions. In the first place, neo-classical economics, based on perfect information and market clearing, theoretically rules out the kind of social risks and market failures that the welfare state seeks to address. Secondly, because neo-classical economics focuses only on the (public) cost side of the welfare state, it is unable to appreciate its core macro- and micro-economic benefits.[4] Thirdly, even where markets function well, collective action problems may obstruct the creation of public goods if participation in the policy cannot be guaranteed and defection is likely. Markets are destined to undersupply education, the benefits of which cannot be internalised. Extensive comparative empirical research has since the turn of the century revealed that there is no trade-off between macro-economic performance and the size of the welfare state. The presence of a large public sector does not necessarily damage competitiveness. On the contrary, there is a positive relationship between fertility and high levels of female participation in most Scandinavian countries; and finally, high numeracy and literacy rates can be achieved with educational policies that abide by the principles of equal opportunities. By improving productivity the connection of individuals to the labour market, social investments ex negative reduce long-term reliance on social benefits, both individually and for society at large.

A strong focus on the supply side

Alongside this nuanced re-appreciation of the Keynesian welfare policy legacy, the economic policy analysis of social investment shares with neo-classical economics a strong focus on the supply-side. Social investments today generate private and public dividends in the mid- to long-term. Central to the notion of social investment is that the economic sustainability of the welfare state hinges on the number and productivity of future taxpayers. From this reading, social policy should contribute to actively mobilising the productive potential of citizens in order to mitigate new social risks, such as atypical employment, long-term unemployment, working poverty, family instability and lacking opportunities for labor market participation, resulting from care obligations or obsolete skills. There is also a deliberate orientation towards 'early identification' and 'early action' targeted on the more vulnerable new risks groups. The movement away from passive income compensation, through social insurance, to more active social policy support and servicing is critically informed by the mounting evidence, collected over the past decades, of the enormous social cost of early failure and (too) late policy intervention across the life course. Early school dropout and youth unemployment massively narrow life chances in later life.

With its central focus on the supply side, the social investment perspective can never be a substitute for macro-economic governance and sound financial regulation. To wit, considerable progress in employment rates in the EU, due to intelligent supply side social investment reforms, has immediately been destroyed by the consequences of a financial crisis, caused by financial deregulation, and economic mismanagement based on the teaching of neo-classical economics.

Rethinking public authority

With hindsight, perhaps the most fundamental and contentious unifying tenet of the economics of the social investment perspective bears on its theory of the state. Distancing themselves from neo-liberalism's 'negative' economic theory of the state that dominated throughout the eighties and part of the nineties, the policy advocates of social investment view public policy as a key provider for families and labour markets in times of rapid social and economic restructuring. Because citizens often lack the requisite information and capabilities to make enlightened choices, many post-industrial life-course needs remain unmet because of the market failures of service under-provision at too high a cost. In countering information asymmetries, the economics of social investment hark back to the original economic rationale for modern social policy as social security, offering collective insurance mechanism for redistribution over the life cycle.[5] The more fundamental reason why the welfare state today must be "active" and provide enabling social services is inherently bound up with the declining effectiveness of the logic of social insurance ever since the eighties.[6] When the risk of industrial unemployment was still largely cyclical, it made perfect sense to administer collective social insurance funds for consumption smoothing during spells of Keynesian demand deficient unemployment. However, when unemployment becomes structural, caused by radical shifts in labor demand and supply, intensified international competition, skill-biased technological change, the feminisation of the work force, family transformation, and social and economic preferences for more flexible employment relations, traditional unemployment insurance no longer functions as an effective reserve income buffer between jobs in the same industry. Basic minimum income guarantees, therefore, have to be complemented with capacitating public services, customised to particular social needs caused by life course contingencies.

Three main public policy targets

In terms of substance, three areas of public policy stand out in the social investment perspective, bearing on human capital improvement, the family's relation to the economy, and employment relations. In an ageing economy with widening inequalities, raising the quality and quantity of human capital is imperative to sustain generous and effective welfare states, beginning in early childhood. One period of education at the beginning of one's life is no longer a good enough basis for a successful career. In economics, the case for human capital enhancement goes back to endogenous growth theory of the eighties, suggesting that long-term growth is determined more by human capital investment decisions than by external shocks and demographic change.[7] The case of high-quality early childhood intervention is most powerfully argued by the economic Nobel laureate James Heckman. Since cognitive and non-cognitive abilities influence school success and, subsequently, adult chances in working life, the policy imperative is to ensure a "strong start", i.e. investment in the training of young children.[8]

As female participation is paramount to sustainable welfare states, and parenting is crucial to child development, and thus to the shape of future life chances, policy-makers have many reasons to want to support robust families, which under post-industrial economic conditions implies helping parents find a better balance between work and family life. The economic reasoning of the OECD in their *Babies and Bosses* studies is that when parents cannot realise their aspiration in work and family life, including the number of children they aspire to, not only is their well-being impaired, but also economic progress is curtailed through reduced labour supply and lower productivity, which ultimately undermine the long-term fiscal sustainability of universal welfare systems.[9] To the extent that low levels of education in less well-off groups depress productivity, underinvestment in education will engender stunted economic growth and decreased tax revenue. Overinvestment by work-rich families in their offspring offers little compensation for this fundamental market failure.

In the post-industrial context of new social risks and flexible careers, the goal of full employment has come to require far more differentiated employment patterns over the life course. In the aggregate, maximising employment, rather than fighting formal unemployment, should be the prime policy objective. A new model of employment relations is in the making whereby both men and women share working time, which enable them to keep enough time for catering to their families. Higher employment of women typically raises the demand for regular jobs in the areas of care for children and other dependants as well as for consumer-oriented services in general. If part-time work is recognised as a normal job, supported by access to basic social security and allows for normal career development and basic economic independence, part-time jobs can generate gender equality and active security of working families. Accommodating critical life course transitions thus reduces the probability of being trapped into inactivity and welfare dependency and thus harbors both individual and economic gains.[10] The issue is not maximum labour market flexibility or the neoliberal mantra of "making work pay". Instead, the policy imperative is for "making transitions pay" over the life cycle through the provision of 'active securities' or 'social bridges', ensuring that non-standardised employment relations become 'stepping stones' to sustainable careers.[11] In an environment where workers experience more frequent labour market transitions, not only between employment and unemployment, but also across a far wider set of opportunities and contingencies, including full and part-time work, self-employment, training, family care, parental leave, child rearing and gradual retirement, policy supports are needed for individuals to successfully manage these transitions, preferably in accordance with productivity enhancing flexibility and higher employment levels.

Striking the balance with budget constraints

The explicit re-appraisal of the role of the state as a key social investor and regulator of non-public social investments is in the context of European economic integration confronted with overriding public finance limitations, anchored in the Maastricht criteria and the Stability and Growth Pact (SGP). As long as the neo-liberal doctrine of balanced budgets and price stability continues to be viewed as sufficient conditions for overall macro-economic stability, the shift towards social investment remains heavily constrained. While all the available evidence suggests that investments in childcare and education will, in the long-run, pay for themselves, existing public finance practices consider any form of social policy spending only as pure consumption. This may be true for the modus operandi of the post-war welfare state, which was indeed income-transfer biased. Today, as the welfare state is in process of becoming more service based, there is a clear need to distinguish social investments from consumption spending. A new regime of public finance that would allow finance ministers to (a) identify real public investments with estimated real return, and (b) examine the joint expenditure trends in markets and governments alike, has become imperative. This would be akin to distinguishing between current and capital accounts in welfare state spending, just as private companies do.[12]

Towards an EU social investment pact

Centrist politicians wishing to defend and accelerate the social investment imperative will have to re-establish the terms on which more activist roles of the state and the EU can be said to be legitimate.[13] The Europe 2020 Strategy already gives the social dimension greater prominence. Unlike the refocused 2005 Lisbon Strategy on growth and jobs, it no longer assumes that more jobs will automatically end social exclusion and poverty.[14] But the crucial question is how long-term and short-term policy considerations can be brought in line with one another both politically and economically, at EU level and in the Member States.

The aftermath of the current crisis and the predicament of adverse demography will only strengthen both the need for human capital enhancement, raising employment, and the importance of poverty relief and social insurance. On the other hand, short-term budgetary pressures cannot be wished away. There is an obvious need for a balanced approach, with "budgetary discipline" and "social investment" as complementary pillars to a new, credible, politically astute and socially responsive, European long-term growth strategy.

I believe that the objectives formulated in the Europe 2020 Strategy can provide a framework for reconciling short-term fiscal and long-term social considerations, *if* an "EU social investment pact" is anchored in pro-growth budgetary policy and financial regulation, i.e. if EU economic governance serves the domestic public good of social investment!

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Endnotes

1. This policy paper has benefited greatly from a collaborative effort with Frank Vandenbroucke, and Bruno Palier to outline a new EU Social Investment Pact (forthcoming) which started at a conference organized by Policy Network (with the Wiarda Beckman Stichting (WBS) and FEPS) in London, 30 March - 1 April 2011. I would also like to thank Trineke Palm for the necessary research assistance.
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EUROPEAN POLICY CENTRE

Policies for Shared Societies: their contribution to well-being and economic performance[1]

Valdis Birkavs and Clem McCartney

Some years ago the Members of the Club de Madrid recognised that building shared societies is not only ethically correct but is central to the future well-being of individual nations and the world as a whole. From their own experience they had seen the costs of social divisions and economic and social exclusion. Europe is not above such problems, where Roma, migrant communities and other identity groups are sometimes left on the margins.

The Members knew that by including and respecting all sections of the community, a society will develop which is at peace with itself, in which everyone can feel at home and be able to contribute to the good of the whole society. We called it a 'Shared Society' because it is one where everyone has a stake and everyone has responsibilities – it is a society shared by everyone. We also knew that we cannot leave it to chance – it can be built, but it requires political will.

After four years, while we feel we have achieved a lot, it is still work in progress. Nonetheless there are a number of assertions we can make with confidence.

Shared Societies make an impact

Shared Societies work. They lead to a stronger sense of well-being, which is not possible where there is not inclusion. Shared Societies generate economic and other dividends for governments, businesses, communities, families, and individuals.

It is still difficult to measure the degree to which societies are shared, in order to relate performance on building Shared Societies to other dimensions of a nation's performance, and we want to develop a Shared Societies Index. Nevertheless there are indications that there is a statistical link with economic performance, and there are other studies that link some aspects of a Shared Society to performance in other areas. For example, Richard Wilkinson and Kate Pickett in *The Spirit Level*[2] say equal societies always do better. The Legatum Index[3] links material wealth with quality of life and the Institute for Economics and Peace uses its Global Peace Index[4] to link peace and resilience with a number of qualities including: good relations with neighbours; levels of education; acceptance of the rights of others; and free flow of information.

The economic dividends and other benefits of a Shared Society further enhance a society's capacity to be shared, which in turn generates more dividends, thus setting up a "virtuous cycle".

Shared Societies are part of a virtuous cycle

The nexus between Shared Societies and well-being that creates this virtuous cycle is evident at the personal level, showing clearly the nature of the interaction between them, and explaining why they are so closely entwined. Personal well-being necessitates not only income and services, but also recognition that comes from participation in the economic and social life of the community.

The aspirations of all people are very similar – to have a reasonable quality of life, a sense of control over one's destiny, to be accepted and respected by the wider society and, in parents, to give their children a good start in life. Gallup[5] compiles a well-being index and it has identified five essential elements which, when they are present, together make up an overall sense of well-being: career; social; financial; physical; and community.

There is now, especially following the global economic and financial crisis, a questioning of the importance of targeting and measuring economic growth and GDP per capita as key elements of development policy. People's non-material well-being is increasingly receiving its due recognition. It also appears that people put more value into relational goods – families, friends, broader society, etc. – as countries develop in a material sense, and as GDP per capita rises. If these aspirations are met, and even more if one's society helps to meet them, self respect grows and then the individual is ready to engage with and play a responsible part, economically and socially. He or she will be a productive member of society contributing his or her effort, skills and talents as he or she pursues personal aspirations. We know that in a fair and enabling society the well-being of all members improve.

The achievement of this virtuous cycle requires governments and the dominant sectors of society to recognise the desire of individuals to belong and fulfil their ambitions even if they seem different from other sectors of society. It requires government and society to make spaces for individuals to pursue their personal ambitions in their own way, and at the same time give them the support they need. When this happens there is a strong motivation and incentive to integrate into the rest of society so that those aspects of their identity, such as language, religion, clothes and other cultural practices which mark them out as different, do not disappear, but become private matters, which strengthen their personal sense of ease and well-being, as is the case with the rest of society.

These aspirations can however be easily blocked if there is no encouragement of a Shared Society and as a result a vicious cycle develops, instead of the virtuous cycle to which we aspire.

A vicious cycle results from the absence of a Shared Society

Sections of society, when they are defined as different from the dominant community, are often treated as second-class citizens, if they are recognised as citizens at all, with consequent economic and social disadvantages. They may have no right to own property or have only qualified rights. There may be limitations on their rights to establish small enterprises. They may be restricted in their ability to move to areas where they can pursue their aspirations more effectively. Even when their rights are not blocked in these ways, in order to realise their potential, they may need support and assistance, such as education and training, access to capital and the development of appropriate infrastructure. They may also face prejudice and discrimination in many areas of life including the job market. Amartya Sen[6] has pointed out that poverty can be understood as the lack of the capacities, tools or opportunities needed to function as a full citizen rather than the lack of money and possessions, or a shortage of talent or ambition.

When their aspirations are blocked it is not surprising that individuals and whole sectors of society will feel they do not belong, with negative consequences – social, economic and political – not just for the individual and his reference group, but for the whole population, and so a vicious cycle sets in.

Some will be apathetic with low morale and no sense of purpose. They are unable to support themselves or contribute to the wider society.

Others will withdraw into a community where they feel accepted and less uncomfortable, and therefore become more detached from the rest of society. They may try to hold on to their traditional values even as those values are changing in response to the modern word. In trying to find or hold on to something or some group where they can feel secure, they may even create a different more rigorous form of their traditional culture. The stereotypical attitude of the wider society may channel them into this alternative community. Immigrants are often accused of not integrating into the host community when in fact they are limited in their opportunities to play a full part in it.

Marginalised communities with no outlet can easily turn in on themselves and become beset by social problems with high social costs: breakdown of social control; overcrowding, poor health; alcohol and drug abuse; domestic violence, gang cultures and mafia control.

Frustration may also turn outwards leading to challenges to the wider society. People look for ideologies and belief systems which help them to explain their situation and may join militant groups, which in turn leads to more chauvinism and hostility from the wider society, and a loss of the sense of well-being for everyone.

Shared Societies need leadership

Neither the virtuous cycle, nor the virtuous cycle between well-being and Shared Societies are inevitable. They are the product of attitudes and actions by people and by governments. Political leaders have a key part to play in efforts to promote social cohesion and build Shared Societies. It is a central responsibility of government and policy-makers to ensure that policies have a positive effect on social cohesion; it cannot be left to natural processes or the expectation that civil society will solve problems, though they have an important contribution to make. Responsibility for social inclusion and cohesion must be clearly located within formal government structures.

Leaders can show, by their own actions and policies, their willingness to respect and interact with those with different backgrounds and their commitment to fair and equal treatment for all. They can also create conditions that encourage others to respect diversity and build Shared Societies. People have to feel that the groups that they belong too are recognised and that they and their community have the opportunity to be involved in their government's and society's decision-making, even if they do not take up the opportunities. Concerns and issues that cause division and hostility must be addressed directly.

The nature of the interaction between leaders and the community is crucial in managing issues of social diversity. Shared Societies are achieved when all parts of a community value and feel committed to their shared achievements. The most effective way is through a partnership between the state and political leaders, civil society, religious institutions and the private sector.

It is recognised that many leaders will be under pressure to support chauvinistic, sectional interests. Those leaders will need support in challenging divisive tendencies. We also recognise that some leaders are self-serving and corrupt, and that some states are authoritarian and oppressive. These leaders may wish to ignore concerns about building a Shared Society. Others make the excuse of lack of resources or the presence of conflict, but these are, in fact, reasons to make increased efforts to value all people in society and respect their diversity. In these situations, there is a responsibility on other leaders and civil society organisations to challenge such attitudes and practices and show that ultimately an inclusive approach will lead to benefits for all.

The Club de Madrid invites leaders and others to support a *Call to Action*[7] to build Shared Societies. However for leaders to lead they need a vision of the future and in recent times there has been uncertainty about how to deal with issues of social diversity.

Shared Societies need the right vision

For many years there has been a debate in Europe on the best way to handle social diversity with some countries opting for the goal of assimilation-making efforts to encourage those from different backgrounds to become more like the mainstream community. Others have argued for multiculturalism and have supported identity groups to maintain their own culture and way of life. However, in recent times the limits of both approaches have become apparent.

The German Chancellor in 2010[8] and the British Prime Minister in 2011[9] have questioned the policy of multiculturalism. The Chancellor asserted that attempts to build a multicultural society in Germany have "utterly failed", and said that immigrants must learn German. The British Prime Minister argued that the United Kingdom needed a stronger national identity to prevent people turning to all kinds of extremism. Also in 2010 the Italian[10] and French[11] governments have taken severe action against Roma people, including breaking up their camps and deporting them – actions that have been supported by many of their citizens.

These debates pose the issue as a choice between assimilation and multiculturalism, but if we compare the impact of these policies with the processes which lead to a virtuous cycle of sharing and well-being, and approaches which lead to divisions and conflict, we see that both assimilation and multiculturalism as presently practiced are inimical to a virtuous cycle and feed a vicious cycle. Neither option seems to answer the question of how to effectively manage the growing diversity within our societies.

This is because they do not respect the identity of all groups, and ensure that they have opportunities to fulfil their aspirations. Benign neglect and welfare provision in isolation do not help. They only create dependency by recipients and resentment by taxpayers who fund these services, which reinforces the vicious cycle.

The recent challenges in Europe remind us that we need to move beyond old rhetoric and encourage all sectors of society to engage in a new conversation on how we create societies where different groups live in harmony with each other, and a new vision for inter-community relations – a vision which, it is suggested, is based on creating Shared Societies for all, which makes demands of all sections of society, but at the same time is based on mutual respect for all..

The Club de Madrid has laid out Ten Commitments[12] that need to be made across all aspects of policy, and Ten Guiding Principles[13] that will ensure that economic policies contribute to the creation of Shared Societies. The Members of the Club of Madrid disseminate these documents in its work both in peer-to-peer consultation in specific countries, in its involvement with intergovernmental bodies, and in its participation in public debate and discussion generally.

As the Members of the Club de Madrid stated in Rotterdam in 2008 at the first Global Forum on Leadership for Shared Societies "…At a time when global crises will exacerbate the tendency to seek scapegoats among those different from us, the need to build Shared Societies is more important than ever."

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Endnotes

1. This paper is based on the work of the Shared Societies Project of the Club de Madrid. In the last year the Project has been particularly interested in examining the link between achieving a Shared Society and economic progress. While the Project is focused on relations between identity groups, the same patterns

discussed here are evident in divisions based on class and other forms of distinction. For more information on the Club and the Project see the website: www.clubmadrid.org

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The role of public services in enhancing growth and well-being

Hans Martens

Public sectors are large in Europe compared to other parts of the world, and public provision of welfare services is a fundamental principle in the European model. By and large it ensures equal access to welfare services, and the service provision is either fully tax financed or strongly subsidised. Although there is no direct relation between equal access to welfare services and well-being, there can be no doubt that equal and free access to basic services such as health and education, and the right provided by the welfare state to pensions, unemployment benefits, etc., contributes very strongly to the European's sense of well-being.

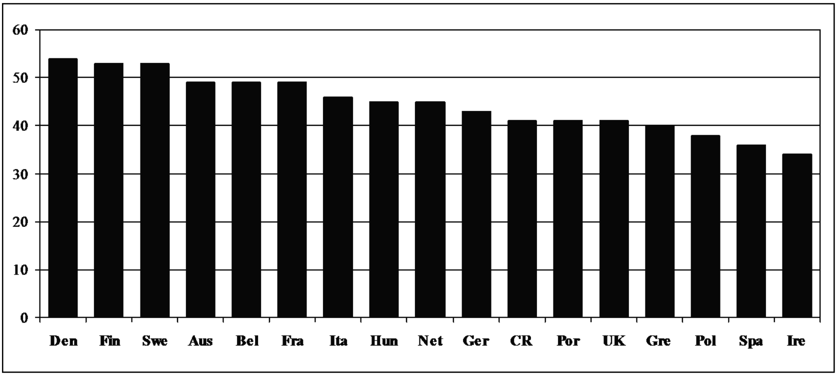
The concept of the European welfare state originated in Germany towards the end of the nineteenth century, when industrialism had changed Europe dramatically and had created a proletariat. The offer of public pension and health systems were introduced as a response to Marxism amongst the industrial workers, and matured into the fully developed system of services and rights that constitutes the modern welfare state. Over the last decades welfare services have increased, but the financial and economic crises and future demographic developments are now putting the future of the European welfare state at risk. Europe has already witnessed the first examples of roll-back of welfare services – often with public discontent as the result. The services provided by the welfare state have become "acquired rights" and citizens are very reluctant – to put it mildly – to give them up.

Differences in Europe

Although we can talk about a broad, European model, there are differences between different parts of Europe.[1]

Figure 1 below shows examples from different sub-models in Europe, and it shows that tax levels are high across the board, but also that there are differences. As would be expected the Nordic countries are at the top of the list, but continental European countries are more or less at the same level. East and Southern Europe has slightly smaller public sectors, and the countries in the Anglo-Saxon model – UK and Ireland – have a tendency to smaller public sectors. This partly reflects conscious political choices – for example, based on the high level of tax aversion in UK and Ireland – but also demonstrates different levels of societal development.

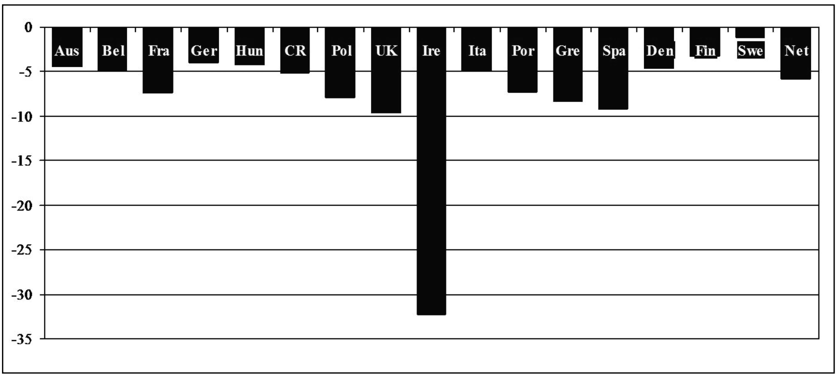
Figure 1. Central government tax and non tax receipts (% of GDP 2010)



Source: OECD Economic Outlook 88

In this context it is interesting to compare the general tax levels with the public sector deficits in the same year, namely 2010.

Figure 2. Government financial balances (% of GDP 2010)



Source: OECD Economic Outlook 88

It should perhaps be expected that countries with large public budgets also would have the largest deficits, but the situation is actually the opposite.

Nordic and continental European countries have been best in fiscal governance, while East and Southern Europe have larger difficulties, which is also the case for the UK and Ireland.

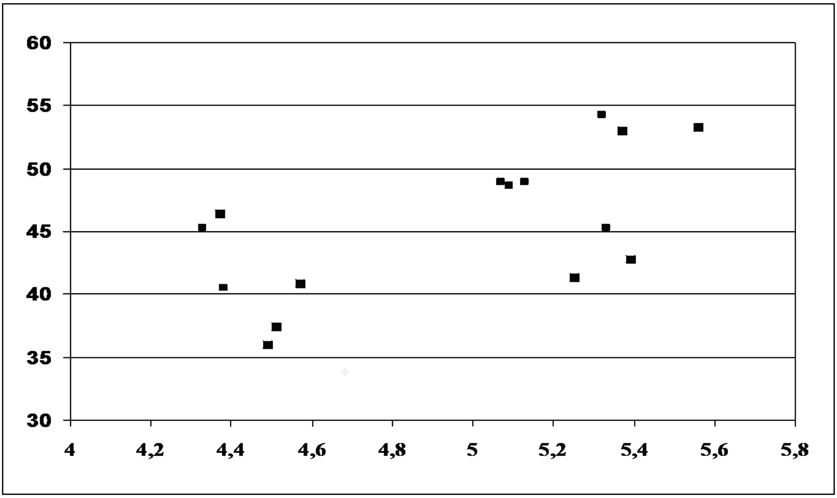
Apart from the extraordinarily large deficit in Ireland in 2010, the trend has been the same over many years as noted for 2010. This is not because of a better genetic disposition for fiscal governance in Northern and Continental Europe, but because Eastern and Southern Europe have very inefficient tax collecting systems, and because of the widespread tax aversion amongst the citizens of UK and Ireland. This tax aversion – which also expresses a strong preference for individual rather than collective consumption – has been a major cause for the "boom and bust" economic developments these countries have seen over decades. Continental, and in particular the Nordic countries, have had a much more stable economic and fiscal development, because citizens are well aware that publicly provided welfare services cost money, and they have rather efficient tax collection systems.

Governments spend their budgets differently in Europe, but the differences are not that big. The same overall issues are addressed everywhere. One particular issue is the cost of running the government itself. It is worrying that countries with large fiscal difficulties, such as Belgium, Hungary, Greece, Italy and Portugal also have high costs of general administration, indicating some level of inefficiency. It is also worrying, seen in the light of future competitiveness, that countries such as Italy and Greece are spending relatively little on education. But apart from these differences it is perhaps more striking how similar the spending pattern actually is, considering the differences between countries. Basically the tasks for the public sectors in Europe are the same, and the largest amounts are spent directly on welfare services such as education, health and social services.

Do public services promote or hamper growth?

Apart from the sheer number of public employees, which is not always a good measurement for efficiency and competitiveness, public, and therefore, inclusive education is widely seen as necessary, and a very useful contribution to future competitiveness in the knowledge society. The same argument can be used for universal health services in the sense that it keeps citizens healthy and available for the labour market. Well developed child care services have helped the Nordic countries to have a high female labour market participation rate, and well-established legal systems and reliable administrations help business and investors do their job.

Figure 3. Competitiveness and tax – EU countries 2010



Source: Score on World Economic Forum's Competitiveness Index 2010/11

As Figure 3 shows, there is no adverse link between competitiveness and tax levels. Competitiveness is measured here by the score in the World Economic Forum's *Competitiveness Index*. Actually the correlation seems to be the other way around, namely that high tax levels also mean high competitiveness. To claim that this correlation also indicates causality is probably taking conclusions too far. The reason is probably more likely to be that highly competitive countries can afford to finance well-developed public sector provision of services, but the figure clearly demonstrates that reducing the public sector is not in itself a guarantee for a more competitive economy. An important question in this respect is at which point the correlation between tax levels and competitiveness becomes negative. Experiments in the past with 100% state run economies have certainly not been convincing in respect of sustainability and competitiveness!

The question of whether government regulation is good or bad for businesses and for job creation has no simple answer, and there is wide disagreement on the issue. Many established and rigid corporations often see regulation as a threat, while more opportunistic and flexible companies see new business opportunities in regulation, for example in the fields of environment, eco- and resource efficiency. What many more can agree upon is that regulation in any case should not be excessive, unnecessary and create red tape. Better regulation is the answer.

Waste in the public sector is in any case bad for society, and this will only get more problematic as problems with financing the public services will grow bigger in the future. Thus corruption and inefficiency should be a prime target for reform. Corruption is unfortunately also very present in public sectors in Europe, and high levels of corruption can be seen as a proxy for waste and inefficiency.[2]

Can Europe afford its public welfare in the future?

The aftermath of the financial and economic crises has already demonstrated that the generosity of publicly provided welfare can be difficult to uphold. This will be worse in the years to come because of pressure from demographic developments.

Total age dependency means the relationship between those in the labour force and those below and over. This also implies the relationship between those that pay for the public services and those that enjoy the services, but this does not give a complete picture of the situation. Firstly, the labour force is defined by statisticians as those between 15 and 65. It is unlikely that citizens will start working and paying substantial amounts of taxes when they are 15 in the future. With more emphasis on education it is more likely that they start when they are around 25. It is less likely that pension age can be raised by 10 years to 75. This means that for some countries the dependency ratio will be close to 100. The figures could become even worse, if the European economies are unable to create jobs for all, even for a dwindling labour force. That would mean that people who are in the labour force defined by age, will not contribute, but will receive unemployment benefits.

Secondly, whether European countries will be able to create enough economic growth to ensure full employment we can only guess, but one thing is certain: financing the public sector at the same level as we do today will become very difficult, if not impossible, as it will require exorbitant tax levels.

There are different proposals for reforms to address, at least partly, this situation. But only one shall be discussed here, namely to increase efficiency of the public services to enable more output to be achieved for the same or less input. This can happen through making public services more innovative, both in terms of increased use of new technologies, such as ICT, and in terms of changing processes to make service delivery happen in a smarter way. This will require introduction of a more innovative spirit in the public sector, and changing wage systems to reflect innovative behaviour.

But there is a very big problem: we do not have measurements for the public sector's output. We measure the public sector's importance to the economy by its costs, in other words the input. This is a highly unsatisfactory situation, and it becomes even more unsatisfactory when we talk about reforming the public sector in order to become more efficient. How can that be judged by looking only at the input side – the cost side?

The problem is first of all that most public services can only be measured by qualitative measurements. It is, for example, not good enough to measure the number of operations per day in a hospital, we must also know about the survival rate. Similarly, we cannot measure the quality of education by the number of pupils in a class. So we need to agree on some of these qualitative measurements.

There are some attempts around in Europe to establish such output measurements, but it is essential that this is coordinated at the European level, to make it possible to compare across borders and identify best practices. That systems will enable public services to also compare their performance over years is an important side benefit, because it actually makes it possible to measure the effects of reforms in terms of innovation and efficiency.

Obviously measurement of public sector efficiency is not necessarily popular amongst public employees and their unions, but the main reason for focusing on this issue are the serious difficulties we will be facing in regard to financing the increased demand for welfare services because of demographic developments.

Lack of progress and debate on these problems will clearly take Europe's welfare states into a difficult situation, where services will be cut and where payment systems will be introduced for basic public welfare services. This will change the principles of the European welfare state and hurt the weakest first and most. If the universal service provision disappears, if free access to services is abolished, we will have changed some of the fundamental principles that Europeans see as a foundation for their well-being. It may be necessary to introduce such reforms, but it should not happen without a sober and comprehensive public debate about our future and the factors that will determine it.

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Endnotes

1. The size of the public sector can be measured in different ways. One is the share of taxes received by the central government, which is used here. The total tax burden can be slightly higher because of regional and local taxes. The size could also be measured by the total public expenditures, and they are for most European countries larger than the revenues for now, because of the relatively large budget deficits we are witnessing in the aftermath of the crises.
2. There is no exact metric for measuring corruption, but Transparency International has for several years published the Corruption Perception Index, www.transparency.org/policy_research/surveys_indices/cpi/2010/results

EUROPEAN POLICY CENTRE

II. EFFECTIVE SOCIAL POLICIES: WHERE IS THE MOST ADDED VALUE?

Investing in social innovation[1]

Agnès Hubert

A few weeks ago, at the launch of Social Innovation Europe[2], The President of the European Commission and two leading Commissioners on innovation and social policy strongly affirmed their support to social innovation. This declared public support has come about as a result of a maturing process, which formally started two years ago in the wake of the renewed Social agenda, during a meeting of President Barroso with a group of social innovators and stakeholders. This process has now taken the form of concrete proposals in two of the flagship initiatives of the Europe 2020 Strategy for smart, green and inclusive growth, the single market communication and into the research Framework program FP7. This confirms the role of the Commission as an agenda setter in this new field.

Social innovation is a new concept in the EU social policy narrative. As mentioned by the President, 'it is not yet fully accepted in the political debate', and social innovation as an effective approach to address the challenging social issues on a grand scale is still a 'work in progress'. There is, however, enough empirical evidence to show that social innovations have the potential to, first, respond to the needs of vulnerable groups in society, second, improve quality of life by addressing societal challenges, and third, introduce the systemic changes needed to reform society in the direction of a more engaging arena where empowerment and learning are sources and outcomes of well-being and growth[3]. There is also enough evidence to show that, while social innovators at every level are pushing the boundaries of often-obsolete conventional wisdom, creative initiatives meet multiple legal, practical, financial and mental barriers, which can be addressed at different levels of government.

The slow road to social innovation

If, as reported by the Centre for Social Innovation of the Stanford Graduate School of Business[4], the Great Depression was the most fruitful period of social innovation in the United States, one could be tempted to attach the revival of attention for social innovation of the Commission to the urge to respond to the social damage of the current crisis. Certainly some of the overarching challenges of the European Union, such as unemployment, an ageing population and climate change, have taken an increasingly social dimension with the crisis. Certainly also, public budget deficits and the increase in social needs following the financial crisis are an imperative call to develop innovative public service models to prevent social exclusion and provide more efficient essential services at an affordable cost. But social innovation was not born as an EU policy intervention on 15 September 2008 and it is not as simple an idea as replacing public spending by the voluntary work of charities,[5] or by business dynamism.[6]

The stakeholder workshop organised for the President of the Commission in 2009 is a landmark for the development of a more systematic and coordinated approach to social innovation in the Europe 2020 Strategy. His attention was drawn not only to the vitality of the sector, the problems and barriers encountered, but also to the transformative potential of social innovations and a call for more EU action. As documented in the report by the Bureau of European Policy Advisers (BEPA)[7] following this workshop, social innovation had been a widely spread practice in many EU policies. It began in the mid-nineties when high unemployment rates and the difficulties met by Member States to modernise their social model initiated the collaboration of different sectors and actors to develop solutions which would create employment, meet the new needs of families, and promote equal opportunities and social cohesion.

The European Social Fund initiatives NOW, ADAPT and HORIZON, the LEADER initiative in rural areas and the EQUAL initiative[8], acted as forerunners to create new models of stakeholders' involvement, breaking the boundaries between public, private and civil society. This approach spread to other sectors like education and health. It was stimulated by changes in European governance[9] and the spreading of new information and communication technologies. The unique wealth of experience that has been accumulated by the Commission since then created a solid knowledge base to engage now more forcefully in solutions that work best to address social issues by promoting actors' empowerment.

A comprehensive approach: work in progress

Stakeholders[10] meeting the President asked the Commission to play a more visible role in promoting social innovation, and act in a less fragmented way. The main issues addressed were: recognising the value of social innovation to increase the legitimacy of new ideas and processes; overcoming funding issues (procedures as well as adapted funding for different type and stages of development); building capacity to make a difference (by developing intermediaries, networking, training); and adapting governance structures to enable a more responsive society. Following the workshop, the President raised the attention of Commissioners to the importance of this issue and asked services to work together to create a more coordinated approach. The stock-taking of the Lisbon Strategy, and the proposal of the Europe 2020 Strategy, offered an appropriate framework by raising the stakes on social and environmental issues, and establishing ambitious and concrete targets in the areas of employment, research, energy and climate change, education, poverty reduction and social inclusion. This new focus, and the work of a social innovation group in Commission services, has created a space for social innovation in most of the Commission's key initiatives underpinning the Europe 2020 Strategy.

The conviction of Commissioner Geoghegan Quinn that "Social innovation can help us to meet new and unmet needs in society but do something much bigger by encouraging new ways of thinking that will make our society truly innovative, from top to bottom"[11] has now been translated into 'firm commitments to boost social innovation' in the key initiative Innovation Union.

The Social Innovation Europe initiative launched on 17 March will set up a network, an online resource centre for social entrepreneurs, civil society and the public sector and create euro events around issues of funding, and capacity building in the next two years. Important new research on measuring social innovation and on social innovation in the public sector will be launched, as well as a research platform on innovative social services, which will allow the relevant stakeholders to collaborate on drawing up a research agenda focussing on health, welfare and education services.

Moreover, by 2013, a large-scale mapping of social innovation in Europe will be done, with a view to developing indicators to measure the achievements of social innovation in different countries, regions and localities. This will help design and implement new policies and actions with a 'European community of social innovation'.

The pilot partnership on active and healthy ageing, which aims at adding two healthy and active years to the lives of people in Europe, also offers fertile ground to incorporate the ideas that social innovation can provide.

For Commissioner Andor, the European Union can help social innovators test and disseminate good practices, and facilitate networking to find alternative solutions to gaps in the market and public sector. It can also help to upscale and institutionalise successful initiatives. Already, he has ensured financial support for Social experimentation in the programme Progress[12], and in the European Social Fund (ESF) up to the end of the programming period (2010-12). ESF funding of social innovation will then be generalised from 2013.

Meanwhile, the key Europe 2020 initiative in the social field: *The European Platform against poverty and social exclusion*, entails a commitment to enhancing the potential of the social economy and the third sector, as well as actions to develop an evidence-based approach to social reform. It involves establishing networks and projects to strengthen the methodological capacity of actors, a high-level group for steering and guidance, the development of common principles for conducting small scale testing of social innovations, and awareness raising actions to boost support in Member States to modernise social policy.

Last but not least, Commissioners Barnier and Tajani within the single market initiative have committed to working to abolish legal and practical obstacles to the development of the social economy, including consideration of a legal status for European foundations, and more social clauses in public procurement.

"Investing" in social innovation

The welfare provisions of social policies for the male breadwinner industrial worker with one life job, which served their purpose in the post World War II industrial era, have known constant theoretical and practical adjustments to adapt to the changing conditions of a post-industrial economy. For the last 20 years in particular, under the success of economic liberalism, social policies have been criticised for their high cost and low efficiency at a time when unemployment had become structural, and living conditions were radically changing. In this context, the social investment school of analysts[13] brought fresh thinking for modernising the European welfare states by justifying early investment as savings on future costs, and using the economic concepts of human and social capital to transform social provisions into a productive investment in the economy.

Investing in social innovation is moving one step further in this 'anthropocentric' vision of a strong economy. Human capital and the need for a healthy and educated workforce are still seen as central to growth. Fulfilling these needs is, nevertheless, not a cost with possible future returns, but an integral part of a competitive economy with the ultimate objective of creating well-being. Health and education in an ageing society are growth sectors in increasing demand, and evidence that inequalities are costly[14] is likely to transform social inclusion policies into an indirect investment in growth.

Lastly, evidence that people who are in control of their life and empowered to be active participants in their community are less subject to modern disease (stress, mental illness...)[15] is another element to argue for social innovation as a win-win solution to address social demands by creating value for a stronger economy.

However, addressing social demands by the contribution of dynamic and imaginative charities and social entrepreneurs, with the occasional contributions of generous donators or the social commitment of large corporations, will not be sustainable unless the economic system adapts. This may be a long process where risk-taking for the creation of social value with the involvement of those concerned becomes a common respected activity. Existing barriers to the development of social innovation, including accessibility to funding, are of a practical and cultural nature. There are good reasons to believe that increased recognition of social innovations could abolish many of these barriers. Ultimately, recognising the creation of social value as an asset, which contributes to the national performance of the economy measured by the GDP, could be the innovation that tilts the balance.

The wide-ranging vision of social innovation seen as a response to social demand, an answer to societal challenges, and as creating systemic change, is therefore crucial in a long-term vision. The commitments to social innovation made by the Commission as part of the Europe 2020 Strategy developments provide all the elements of an agenda for change. They range from the support to networking and funding for grass-root social innovations and social entrepreneurs, to experiments of social policy instruments, and include research in methodologies and changes in governance modes. This is enhanced by the political recognition given by the President and members of the college, as the recent launch of Social Innovation Europe demonstrated.

Conclusion

This contribution is mainly descriptive, as social innovation is not yet a stabilised concept and the sharing of information about ongoing initiatives is part of its successful development. The commitment of the European Commission to social innovation is now firmly embedded in some of the most important policies of the next decade, and its contribution to the reform of social policies and to behavioural and systemic changes is promising. As social innovation will be developing, the call for redefining value creation, and the basis for growth and well-being will also become more pressing. The debate on indicators of growth beyond GDP which has been initiated by the Commission may come as a formidable opportunity to complement the systemic changes that social innovation could create to address the challenges faced by European societies.

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Endnotes

1. The views expressed in this article do not necessarily reflect those of the European Commission.
2. Social Innovation Europe is a two years pilot project that aims at creating Europe wide support instruments for social innovation.
3. Concrete examples of these three types of outcomes of social innovations are to be found in "Empowering people, driving change: Social Innovation in the European Union" a BEPA report.
4. In 'Rediscovering social innovation' James A.Phills Jr, K Deiglmeier and Dale T.Miller, *Stanford social innovation review*, 1 September 2008.
5. Is social innovation an ersatzt for the provision of welfare in times of disengagement of the State? This question is recurrently put forward by charities and civil society organisations that fear to have to bear too heavy a burden of increasing social needs.
6. See BEPA report pages 19 and 29.
7. http://ec.europa.eu/bepa/index_en.htm
8. Between 2000 and 2006, the Equal initiative of the European Social Fund invested 3 billion euro supporting innovative, transnational projects aimed at tackling discrimination and disadvantage in the labour market. These projects were created to generate and test new ideas with the aim of finding new ways of fighting all forms of discrimination and inequality within and beyond the labour market.
9. European Commission, *European Governance. A White Paper*, COM(2001) 428, 2001.
10. BEPA, *Empowering people, driving change: social innovation in the European Union*, 2010, annex 1, 104.
11. Speech 17 march 2011 for the launch of social innovation Europe.
12. Progress has spent 10.5 million Euros on social innovation projects in the period 2009-2011 with a strong emphasis on the evaluation design and arrangements to be able to scale up successful projects.
13. See contribution of Anton Hemerijck on the imperative of social investment beyond the financial crisis in this publication.
14. As documented by Richard Wilkinson and Kate Pickett, *The Spirit level. Why More Equal Societies Almost Always Do Better,* Allen Lane, 2009, or PISA results for very unequal countries.
15. See Duncan Gallie, *Inequalities at Work, Personal Well-Being and Economic Sustainability*, Paper for a conference on inequalities in the EU, November 2010, Brussels.

EUROPEAN POLICY CENTRE

Work-family balance across Europe: a too narrow focus in policy practices and discourses

Chiara Saraceno

The issue and the goal to achieve a work-family balance are not new. They date back at least to industrialisation. The gender division of paid and unpaid work within households and families, and the construction, through legal regulations and social policies, of the male-breadwinner/female-homemaker model has been the first institutional means to achieve that goal – at least for those who could afford it.

The re-emergence of the issue in the contemporary policy agenda, as well as its reframing, has multiple causes, which have a different weight in time and place: the call for greater gender equality at home and in the work place; the increasing offer of, and demand for, women's paid work, the increasing insecurity both of marriage and of work, with the ensuing risks of poverty that render the adult worker model a necessity to better protect oneself as well as children; the awareness that there is both a possible care deficit and a work and wages penalty for those who care for a family member.

A common thread across these heterogeneous "causes" is the dissatisfaction with the male-breadwinner/female-homemaker model as an adequate solution to work-family conflicts, not only from the point of view of gender equity but also from that of efficacy. But the alternatives that have been developed by the market and supported by policies differ across countries, as do individual and family strategies.

A broader focus is needed

Work-family balance policy discourses and practices tend to be very limited in focus. They mainly address demands and tensions arising from the presence of caring needs, and they further restrict their attentions to the caring needs of very young children. Although school age children also need care and supervision, school schedules are rarely included in family policy analyses and in work-family reconciliation debates and programmes. A care focus restricted to pre-school children also overlooks both the caring demand of individuals who are not self sufficient, and the fact that these demands are mainly addressed within households and families, by women. Furthermore, the non-caring dimensions of unpaid family work, which make up a great part of this work itself and are necessary for the functioning and well-being of individuals, are rarely taken account of.

Another limitation of work-family balance discourses is that they tend to underplay the issue of quality of services and of work as well as that of the overall organisation of both paid work and the family. Women are expected to enter the labour market, with or without the support of their male partners and of social policies. The world of paid work is, however, much less expected, if at all, to accommodate to the fact that a large part of the labour force has to deal with the demands of unpaid family work.

Although large changes have occurred in the labour market and in patterns of work organisation, very rarely have these changes been driven by the need to accommodate to the characteristic of a work force who may no longer expected to be "freed" from unpaid family work and time demands. On the contrary, some of the changes (e.g. increasing work pressures, job insecurity, unpredictable working time) have exacerbated work-family tensions, as indicated by many recent studies. In turn, this may slow down the process of rebalancing the gender division of paid and unpaid labour, settling instead for a modernised version of the traditional gender division of labour, based on the "one-and-a-half breadwinner/one-and-a-half carer" model, with differentiated costs and benefits for men and women, but also across social classes.

Work-family balance: do public policies count?

Common trends notwithstanding, within the EU, there are still large cross-country differences in women's labour force participation, in the degree of social class/education differences in this same participation, in the incidence of part-time and its diffusion across social classes, and in the so-called "mother's penalty".

The reasons for these differences are multiple and may not be restricted only to the role of policies. Varieties of capitalism and working time regimes are very important, as are cultural attitudes. But policies also count, in so far as they contribute to defining the context specific resources and constraints in which individuals and families develop their strategies with regard to work-family arrangements. Together with labour market characteristics, they also affect the impact of social inequalities in achieving a satisfactory work-life balance.

Policies may reduce the inequalities in the imbalance between wages and conditions of work, on the one hand, and family demands for time and unpaid work on the other hand. If well paid parental leave and affordable services of good quality are important for all women who bear the main bulk of unpaid family work, they are more important for low skilled women, who can command lower wages, and often are partnered with similarly low skilled/low paid men, as well as for single parents, mostly mothers.

While the low skilled/low paid do not have the option to outsource part of the unpaid family work to the market in absence of adequate publicly supported alternatives, lone mothers often do not have the option not to work for pay. Decently paid leave and good quality affordable services, therefore, are particularly important for both these groups of women.

Looking in all countries both at policies addressing child care (leave and services) and at those addressing care for the frail old, one finds a mixture of supported familialism through leave and payments for care, and de-familisation, through services.[1] Countries differ, both in the incidence of one or the other approach, and in the amount of need covered by the two kinds of policies, thus the amount of need left only to individual and family resources (familialism by default).

Denmark, Norway, Sweden and Finland, although with important internal differences, explicitly support a dual earner model in the case of parents of young children, through a mixture of supported familisation (well paid leave) with some rebalancing of the gender division of care (incentives for fathers to take the leave), and de-familisation through good service coverage. In the case of the frail old, a high level of service coverage reduces demands on the family.

Germany seems to be moving towards this model after the parental leave reform of 2007, but its service coverage for very young children is still low. In the case of the frail old, there are implicitly and explicitly strong expectations that the family steps in, even if with the support of some payment or some service. Belgium and France have much less generous parental leave time and compensation, but offer extensive service coverage for children, and are clearly moving towards an increasing de-familisation of elderly care.

In many Eastern European countries, where long working hours are the norm, work-family tensions when there is a small child are addressed with the instrument of long, relatively well-compensated leave, with no incentive for fathers, thus strengthening the gender division of unpaid family work.

Childcare coverage through services, however, is far from universal even for children above three, although there are important cross-country differences. The responsibility for caring for the frail old is almost totally left to families.

Austria, Ireland, Italy, Spain, Portugal, the Netherlands and the UK, have relatively little generous parental leave, with or without an incentive for fathers, combined with a very reduced coverage of child care services for children under three. The Netherlands, however, has strongly de-familised elderly care. To a lesser degree, this is true also of Austria, Ireland and the UK. Spain and Portugal are also moving in the same direction. This is not the case in Italy and Greece, where elderly care remains mostly the responsibility of the family, which may or not recourse to the market depending on own resources. Poland presents very low levels of both supported familisation (leave, payments for care) and of de-familisation in both sectors: child care and elderly care, thus leaving most of the care needs to the responsibility of the family.

This synthetic overview shows that the resources offered by public policies for work-family conciliation differ greatly across EU countries, impacting not only on gender differences but also on social class differences among women and among households.

The well-being puzzle

Gallie and Russell[2] found that different patterns of labour market regulation, and gender and policy arrangements, across countries result in interesting cross-country differences in men and women's vulnerability to stress and conflict. In the seven Western European countries included in their analysis, male employees in the northern countries seem the best protected from work-family conflict, due to their comparatively short working hours. Scandinavian female employees, on the contrary, are the most vulnerable to conflict among women workers. Given the prevalent social expectations, they tend, in fact, to remain in full-time work also when they have children. Although they are supported by services, they cannot avoid experiencing time pressures in dealing with the double burden of work and caring responsibilities.

In Britain and the Netherlands, family pressures are reduced by the fact that many mothers work part time. The one-and-a-half breadwinner/one-carer model seems to offer the most harmonious solution from the point of view of individual well-being, at the cost, however, of reduced financial autonomy for women/mothers and of their vulnerability to partnership break-up.

If other countries, particularly Eastern European, had been included in Gallie and Russell's analysis, the picture would look somewhat different. In these countries, women's employment rates are high and, mostly long and full time, while service coverage is substantial lower than in the Scandinavian countries.

Steiber[3], using a sample of dual-earner couples in all 23 countries in the ESS survey, found that work demands such as long, unsocial and unpredictable working hours, as well as work pressure, increase the work-life conflict for both men and women. However, caring responsibilities increase time-based conflict for women only, while job insecurity increases strain-based conflict for men only. These gender differences seem to be the outcome both of the gender division of responsibilities in the family and of country-specific contexts.

These findings suggest that relationship between work-family (in)balance and well-being is different for men and women and also for different kinds of women. These differences partly depend from policies, but partly depend also from the fit between expectations, social and individual values, and conditions of work.

A broader framework for work-family policies

Given the relevance of paid work conditions, work-family policies should be conceived as dealing not only with family demands otherwise met through unpaid work, mostly female, or through the market, but also with the quality and organisation of paid work itself. Working time accounts, leave policies which are not limited to narrowly pre-defined circumscribed demands and life course stages, flexible forms of social protection that protect, but also allow reductions or interruptions in paid work in order to deal with intensive family demands – all these instruments exist and are implemented already in various countries. They are, however, often limited to large enterprises and to stable work contracts (e.g. the various forms of working time accounts). They are also threatened by the growing labour market insecurity.

Furthermore, one of the main instruments intended to maintain and strengthen "employability" in a dynamic labour market – life long learning – is often reserved to those who need it less: the better skilled. Low skilled women with family responsibilities are the first to be excluded, because employers do not invest in low skilled workers and because these women face more difficulties in dealing with work and family demands. They have little time, and often little cultural and family legitimacy, to invest in self-improvement – even more so if they are lone parents.

Both work-family conciliating discourses and policies and employability versus social protection discourses should take the perspective of this, large, group of women: of the costs they and their families, in particular their children, may have to bear in trying to conciliate caring and income demands.

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Endnotes

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2. Gallie D. and Russell H., 'Work-family conflict and working conditions in Western Europe', *Social Indicators Research*, 93, 3, 2009, 445-467.
3. Steiber N., 'Reported Levels of Time-based and Strain-based Conflict Between Work and Family Roles in Europe: A Multilevel Approach', *Social Indicators Research*, 93, 3, 2009, 469-488.

EUROPEAN POLICY CENTRE

How to reduce socio-economic inequality in Europe?

Claire Dhéret

Socio-economic inequality has been rising in most EU countries over the past two decades despite variations in timing and magnitude. This might be a sign that tackling inequality has not featured prominently enough on the policy agenda and/or that social policies have not been efficient enough to redress the persistent tendency towards a worsening of inequality.

Europe needs to focus more on combating inequality and play a greater role in rethinking the way to tackle this issue. Europe, as part of the Europe 2020 Strategy, has committed itself to lifting 20 million Europeans out of poverty and inequality is inextricably interconnected with poverty and social exclusion: the more unequal a society is, the more widespread poverty and social exclusion tend to be. EU policies could also significantly contribute to achieving lower inequality at the national level which should, in turn, have a positive impact on EU-wide inequality.

Inequality: a multi-faceted phenomenon

The level of inequality may vary according to how it is measured and whether it is measured at the national or European level. Pan-European inequality is becoming increasingly important: it is likely to play a greater role in citizens' well-being, due to increasing mobility of EU citizens and, therefore, their capacity to compare their standard of living with one of the other Member States. While the EU has a clear role, and competences, in reducing EU-wide inequality, this article focuses on inequality within EU countries, given that it still looms larger in people's minds and because reducing inequality at national level is a precondition for reducing pan-European inequality.

Socio-economic inequality refers to disparities in a range of economic and social resources that have an impact on individuals' well-being, such as income, education and health. Inequality can be defined and measured in a number of ways, highlighting how a specific resource is distributed across the whole society. While economic inequality means primarily differences in earnings and incomes, social inequality relates to differences in access to social commodities including education and health care, but also social and institutional networks.

Earnings inequality

Earning from employment is the largest source of income for individuals and households in Europe and it plays a key role in shaping changes in income inequality. Looking at the changes in earnings inequality is also a good means of assessing what is happening on the labour market.

In the last decades, earnings inequality has been rising in the majority of the Member States and has been particularly notable in English speaking countries as well as in Northern Europe, where a disproportionate increase in the share of income has gone to more affluent households. The main cause underlying this increase in inequality is the growing discrepancy between pay increases and productivity increases, which has resulted in a decline of labour's share of added value. INEQ, a research project financed by the European Commission, which investigated the processes generating disparities in market earnings, has shown that 61% of the workforce in the EU saw their earnings rise more slowly than their productivity between 2003 and 2006.

Income inequality

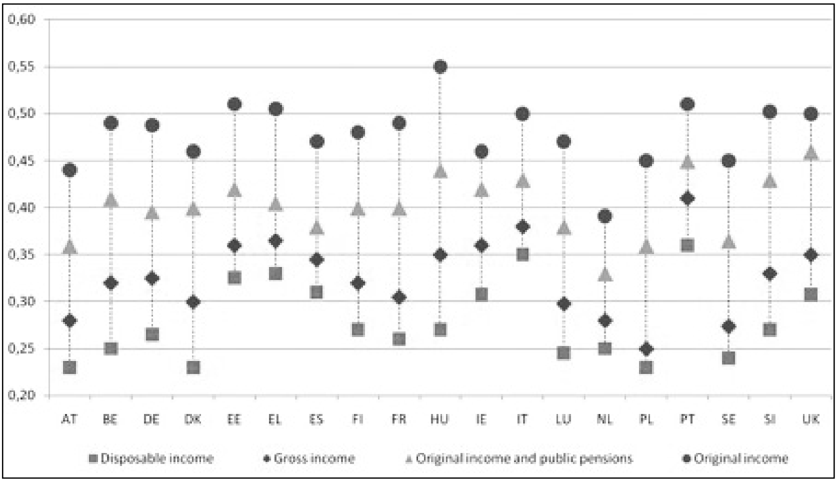
Earnings inequality is moderated by social transfers, taxes and benefits but these redistributive mechanisms have not prevented income inequality from rising over the past decades. One of the reasons for such an increase may also be that moving from household earnings to market income requires broadening the analysis to include self-employment and capital income, where the concentration among individuals is generally much higher than that of household earnings.

The gap between rich and poor, which is usually measured as the ratio of the top 20% of the population to the bottom 20% on the income scale, has been steadily growing: from a ratio of 4.5 in 2000 to 4.8 in 2008 across the EU as a whole. As with earnings inequality, there are significant differences in the degree of income inequality across Member States but also in the capacity of their welfare systems to redistribute resources.

As Figure 1 shows, some countries with strong redistributive policies such as Hungary have high inequitable original income (that arises primarily from earnings) but a level of disposable income inequality similar to countries like Sweden and Denmark with low earnings inequalities.

Figure 1: Income inequality before and after social transfers (Gini coefficient)

(NB: the data for the different countries varies between 2001, 2003 and 2005 depending on availability.)



Source: Paulus A., Figari F. and Sutherland H., 2008, 'The effect of taxes and benefits on income distribution in the EU', chapter 7 in Social Situation Observatory Report 2008.

Inequality of opportunity

The research work done on inequality tends to generally focus on how economic assets, such as earning and income, are distributed across societies. While economic inequality is very important, it does, however, only represent one aspect of a more complex phenomenon called inequality of opportunity.

According to the 'capability approach' developed by Amartya Sen, inequality of opportunity reflects the different degree of capacity that individuals may have to translate a given amount of any 'commodity' (such as income) into 'achievements' in other aspects of their life. This capacity depends on a combination of circumstances, including social conditions and access to other 'commodities' that are often produced by policy. For instance, access to high-quality education plays a key role in an individual's capability to adapt to changing market conditions and therefore to be more resilient to transitions. But income inequality may also have an impact on inequality of opportunity, as research on well-being has shown that good health and a high level of education are generally positively correlated to good economic conditions. The nature of the association between economic inequality and inequality of opportunity remains blurred as it is unclear which one causes the other. However, if equal opportunity by itself is not sufficient to reduce income inequality, it is clear that it is a precondition for reducing economic inequality.

Equality of opportunity is all the more important, as it is one of the main reasons why people care about inequality. While people do understand that those who work harder, take risks or are more innovative than others get more income, they consider inequality of opportunity as being clearly unfair.

The rise in inequality in Europe: what factors come into play?

Europe is undergoing an ongoing process of changes that have significantly altered the socio-economic structure of our societies. While some of these changes have significantly improved the quality of life of some groups in society, they have also prompted transition costs resulting in an increase in inequality.

The transformation of our economies and a changing labour market

The move towards a more globalised service and knowledge-based economy, where new technologies are continuously emerging, has required some major economic restructuring. Our European economies have been undergoing a shift from manufacturing, which offered relatively well paid and regular employment to people with medium levels of skills, to services, characterised by a strong employment polarisation between managerial jobs and more manual service work. This phenomenon has been accompanied by wage polarisation, primarily due to the increase in earnings at the top of the distribution spectrum. On the other hand, those at the bottom end of the income distribution unable to cope with the changes have been trapped in low-paid jobs, and have not captured an appropriate share of productivity gains. The decline in relative earnings among low-paid workers has resulted in the growing emergence of a new category of workers: the working poor. In 2007, the working poor represented one third of working age adults at risk of poverty.

In addition to this phenomenon, the importance of non-standard jobs, including part-time jobs and temporary work, has increased in recent years as a result of the weakening of labour market institutions. Because part-time and temporary employees usually work fewer hours each week or fewer weeks each year, the increase in the number of non-standard contracts have significantly widened earnings inequality.

Changes in the structure of the population

Gender inequality is a key component of income inequality and women's earnings remain substantially lower than those of men. Women are indeed over-represented in flexible and non standard jobs as it enables them to balance paid work with caring responsibility. But at the same time, these types of job are more likely to be found in low paid sectors. Another factor of earning inequality is that a woman's career is often characterised by motherhood related breaks, which most of the time result in substantial wage penalties.

Sociological changes in European societies, and, in particular, changes in population structure and living arrangements, have often contributed to the worsening of earnings inequality between men and women. The rise in the number of single-adult households combined with the fact that women are more likely than men to have both the sole responsibility for children and elderly, and to have lower earnings, is one of the underlying factors of women's poverty that is more likely to have negative repercussions at a later stage, in particular as regards eligibility for pensions and social security.

How to redress inequality?

The weakening effect of our redistributive systems

The OECD has shown that governments in developed countries have been generally taxing and spending more to offset the trend towards increased inequality over the past decades, and that they are now spending more on social policies than ever before. Gross public social expenditure on average across OECD increased from 15.6 % of GDP in 1980 to 19.3 % in 2007 according to OECD data. Of course, demographic ageing with its financial impact on health care and pensions is one of the main reasons for increased social expenditures.

Nevertheless, this increase has not stopped growing inequality. While redistributive systems in Europe from the mid-1980s to the mid-1990s have limited the rise in poverty, they are no longer sufficient. It means that the way public money is currently being spent is no longer efficient at coping with the current socio-economic changes in our societies and redressing the level of inequality. The rise in inequality would have been even more significant if governments had not used the redistributive effect of government expenditure, but relying solely on taxing more and spending more can only be a temporary measure, which is not a solution to redress inequality in the long run.

The need for the EU to develop a more holistic approach

If the European Union and its Member States are serious about reducing inequality, which is crucial for maximising the well-being of the more vulnerable, the EU urgently needs to develop a more holistic approach. Much attention is currently being paid to the consequences of inequality, such as poverty and lack of social cohesion, and policy interventions generally tend to focus on how to redress these outcomes through tax instruments instead of addressing the underlying causes. Redistribution mechanisms are necessary, but they can only be one part of an integrated strategy. Unfortunately a proper debate on the mechanisms generating inequality is still missing at the national level, and many policies implemented at the national level tend to reinforce rather than limit inequality. For instance, life long learning generally benefits already better educated groups of society rather than the ones who need it most.

Social policy needs to intervene much earlier if governments want to reduce socio-economic inequalities in the long run, especially since the earlier it intervenes, the more likely it is that an individual will not suffer from the cumulative effects of social disadvantage. As mentioned earlier, equality of opportunity matters to people much more than equality of outcomes. Indeed, they very much value living in a society where the chances to succeed are equally distributed. Early interventions in social policy are necessary to increase equality of opportunity and without any shift from late to early interventions, governments will not be able to redress inequality and to reconcile economic growth with well-being.

The EU has a role to play in developing a holistic approach, encouraging early interventions in social policy and evaluating governments' policies with regard to their effects on inequality. Not only because it would reflect its commitment to enhance social cohesion and citizens' well-being, but also because governments' actions are often too short-sighted and do not aim at reducing inequality in the long run. Taking this into consideration, the EU, and in particular the European Commission, should act as an independent body able to advise EU Member States and to assess which social policies are more likely to bring the best results.

Towards a harmonisation of minimum social standards?

The potential of the Open Method of Coordination (OMC), which is the soft-law mechanism currently applied at EU level to encourage a better coordination of national social policies, has shown its limits. Not only because the current crisis has demonstrated that Member States do not implement structural reform until it is urgently needed, but also because the discrepancy of social standards in Europe has prompted fierce protests inhibiting further European integration, as shown by the debate triggered with the Services Directive on the 'Polish plumber'.

Soft-law mechanisms in social policy are not sufficient, be it with regard to future progress in the European integration process, or with regard to the need to reduce inequality. The necessity for the EU to move towards a Europeanisation of social policy and a harmonisation of minimum social standards is becoming more and more obvious. By doing so, the EU could achieve a twofold objective: help protect the more vulnerable against the negative effects of the current socio-economic trends described earlier, by universalising equal access to quality public services such as education and health care, increasing labour's share of value added, and removing the association between non-standard hours and low pay jobs as well as reduce EU-wide inequality. It is now time for the EU to become more ambitious as regards its role on social policy and reduction of inequality if it is to achieve greater EU-wide social and territorial cohesion and to avoid spill-over effects in these objectives of the Europe 2020 Strategy.

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The role of older people in Europe's ageing societies

Anne-Sophie Parent

In the context of our ageing population, a major challenge that policy-makers face today is to find the most efficient ways to reconcile their objective of public budget consolidation with the need to invest in policies that will support the active participation and contribution of older people in the labour market, in the economy and in the overall well-being of the communities they live in.

Older people already contribute a lot to the general well-being in various ways: through paid employment, as volunteers, informal carers and consumers but a quick look at some of the indicators used for benchmarking at EU level show huge discrepancies between Member States in terms of employment rates of older workers and of older women in particular, older volunteering and the contribution of the so-called silver economy to the general economy.

Fostering integration of older people into the economy and the labour market and valuing the contributions they make to society can greatly improve their feeling of well-being.

Obviously some policies and social environments seem to be more supportive of an active role for older people in society than others.

How can social policies support older workers' contribution to the labour market?

Today all countries in the EU wish to extend working lives to limit public deficits. However, only few understand that postponing the official retirement age and increasing the number of years of contribution needed to acquire the right to a full pension will not be enough to increase the employment rate of older workers. It is also not enough to align women's pension age to that of men to witness a rise in the employment rate of women.

Policies that help older workers and women to remain active in the labour market by adapting their working conditions to today's reality faced by these groups have proved to be very efficient tools to improve active ageing and facilitate female employment. For example, in the EU, countries which do best in terms of employment rates of both older workers and women are those with the largest offer of child and eldercare facilities. Yet most EU countries are now trying to re-individualise the risk of old age dependency, and reforms are introduced to limit access to subsidised eldercare. The impact of such measures will be very detrimental to older workers, in particular older women on whom the responsibility will fall to provide informal care to the increasing number of elderly dependent people, as they will be forced to move to part time or even withdraw prematurely from the labour market due to a lack of adequate alternative solutions.

Policies that help workers with caring duties reconcile work and family life should be seen as urgent and worth the investment and should not be limited to parents with young children, but also cater for the needs of informal carers looking after elderly relatives. The debate that the European Commission is launching with the social partners on possible further legislative measures to improve work-life balance, including filial leave is welcome. Given that the vast majority of informal carers who provide care to elderly dependent relatives are workers aged 50+, and in particular older women, a carer's leave directive would help Member States both improve gender equality and increase female and older workers' employment rates, a key objective of the Europe 2020 Strategy.

It is among older workers and older women in particular that there is the greatest potential for increase of the employment rate. It is therefore important to remove all barriers that prevent many from remaining or re-entering the labour market and to create an age and gender friendly labour market across the EU.

This is particularly important in view of the chronic shortages of skilled workers that employers face today despite high unemployment rates. Specialised forecasts expect that in the coming decade most of the millions of unmet vacancies will require high skills and experience. Policy-makers should therefore develop innovative solutions to help employers to retain the knowledge of their ageing workforce and transfer their skills to younger generations through tutorship, job sharing and other forms of team work. Integrating a culture of inter-generational knowledge transfer in their human resource policies – inspired by the example of some pioneer companies – would help employers keep access to Europe's best asset, i.e. its human capital.

Another avenue that is worth exploring and could help extend working lives is the validation of non-formal and informal learning and experience. Such programmes can help older workers and long-term unemployed to find a new career in a different sector than they were initially trained for. The working life cycle has to be revisited, and workers supported to move more easily to a second career that fits better their changing needs and aspirations, rather than opt for early retirement.

How can social policies support older volunteering and older informal carers?

Older volunteers already contribute a lot to the improvement of the quality of various services of general interest in the health, education, personal assistance, cultural and sport fields. Through their action they help to prevent social exclusion and to strengthen solidarity between generations. However, in the current context of public budget constraints it seems taken for granted that retired people can be further relied upon to fill the gaps of our shrinking social protection systems.

Mobilising the baby-boomers to remain active in their community should not be approached as a cheap way to meet our demographic challenge but rather as a way to keep them healthier and happier through engaging them in purposeful activities that benefit all. If the objective becomes the promotion of older volunteers' well-being rather than patching gaps in our social protection systems with cheap labour, then this will require specific measures to remove the barriers that prevent older people from getting involved and programmes to support older volunteering in complementarity with services of general interest. Older people can and wish to contribute a lot to the general well-being but their needs, status and complementary role have to be acknowledged and supported.

Employers and public authorities can help a lot by supporting a smoother transition between paid and non paid work. A few employers have discovered the added value for their ageing work force of preparing them for an active retirement while they are still at work. Such programmes usually help older workers remain in employment for longer because they feel valued and have a longer perspective in life.

With the trend to re-individualise the risk of old age dependency, older people will be increasingly forced to provide informal care for their ageing parents or partner. The huge difference between informal care and volunteering is that getting involved in volunteering is a decision that one takes freely and can be resigned at any time while providing informal care to a relative is something that usually falls on one's shoulder quite unexpectedly and for an undetermined period which can last more than a decade. While support to working-age carers, mainly parents with young children, is quite developed, support to older informal carers is scarce across the EU. Measures are badly needed to provide them with guidance, respite care and opportunities for their own personal development to address the high risk of health problems, burn-out, depression and social exclusion that prevail among older informal carers. Providing informal care to a relative should become a positive choice rather than a forced duty and should be conceived in complementarity to and not as a cheap substitute to professional eldercare.

How can social policies support independent living in old age?

In the context of an ageing population, public authorities should invest in measures supporting the creation of an age-friendly environment. For the moment, the way our society operates is creating dependency, which is costly to society. The goods and services are developed for a young and active profile despite the fact that the 50 plussers constitute already one third of our population and by 2050 will represent about half of the EU population.

The concept of design-for-all should become mandatory at all levels for goods and services developed under public procurement. This is the only way that older people can be supported to live independently for much longer. Those countries which have already adopted the concept of design-for-all and accessibility are again those countries which do best in terms of employment of older workers, volunteering and independent living.

What can be done at EU level to support active ageing?

The proposed objective for the European Innovation Partnership on Active and Healthy Ageing[1] to increase by two years the Healthy Life Years Indicator will encourage public authorities to activate the wide range of policies that are needed to support active and healthy ageing. It will, indeed, be necessary to remove all barriers preventing older people from contributing actively to their communities and this can only be achieved by creating an age and gender friendly environment. This means adapting all services of general interest such as the public space, public transport, housing facilities, health and educational services, but also other services such as financial services, communication, etc. to the needs of our ageing population.

Older people can play a key role in redesigning our society to meet the needs of all age groups. Through participation in local consultations, older volunteers and senior's councils can help public authorities adapt to the needs of their ageing populations. Programmes such as the World Health

Organization Age Friendly Cities Programme[2] can be easily implemented at all levels, local, regional and national, to come up with lasting solutions.

Let's hope that the 2012 European Year on Active Ageing and Intergenerational Solidarity[3] will be used to mobilise public authorities at all levels and all relevant stakeholders, including the industry and business sector, to commit to promote active ageing in a positive and inclusive way.

Anne-Sophie Parent is the Secretary-General of AGE Platform Europe.

Endnotes

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EUROPEAN POLICY CENTRE

Reasserting the value of work in Europe

Wilson Wong

The title brings to mind the (in)famous slogan *"Arbeit macht frei"* (trans. 'Work liberates' or 'Work brings freedom'). Hanging over Auschwitz I, the slogan continues to broadcast the belief that menial work builds resilience. Acknowledging that the interactions between social policy, well-being and work/economic growth are inextricably complex, how does this slogan reflect 21st Century employment?

There is already much evidence that (re)employment is associated with better (mental) health[1] and that the transition from unemployment into work tends to improve mental health.[2] Improved psychological well-being is achieved, first, through the reassurance of being financially independent (e.g. paying for essentials like food, housing and utilities, access to social support and networks requiring financial resources). Second, through drawing on the benefits of being a member of the institution of paid work; like the purposeful division of time that comes with a required, regular activity, the sense of participation in a collective purpose and effort, and the assignment of status and identity by virtue of employment *per se*.[3] Jahoda[4] links the loss of these categories of experience to impaired psychological well-being.

It would appear from the literature that *Arbeit macht frei*, is beyond dispute. Based on evidence that employment is positively correlated with better (mental) health, policy interventions should tackle unemployment by numbers: focus on creating jobs and shift people from welfare to work.

However, it is also clear that jobs with poor psychosocial attributes – low levels of autonomy, isolation/ low social support, insistently high performance demands, acute unfairness in the effort-reward ratio and job insecurity – increase the risk of poor health.[5] These poor work conditions do not, for the majority of employees, meet the psychological needs deemed pre-requisites for sustaining good mental health, as identified by Jahoda and others above.

Butterworth *et al.*[6] compared the psychological effects of unemployment to that of being in jobs with poor psychosocial attributes. Examining 7,155 respondents from seven waves of data in the Australian household panel survey, they found that moving from unemployment into a job may not necessarily lead to improved mental health and well-being. Drawing on the correlates between the Mental Health Inventory scores and the self-reported attributes of respondents' work experience (job demands and complexity; job control; perceived job security and the fairness of effort-reward), the researchers found that the mental health of those unemployed was comparable or superior to that in jobs with poor psychosocial quality. Re-deployment in a poor quality job was more detrimental to mental health than remaining unemployed. These results were most recently echoed in a Gallup survey of 1,266 American workers.[7] Notably, there appears not to be any similar analysis in Europe.

For the bulk of the working population, work is a major determinant of their quality of life, whether it be those in an endless revolving door of low-paid jobs that lock them into poverty and debt, the many who experience work as a tolerable compromise between routine and autonomy or the few on whom are lavished large rewards in the form of pay, pensions, bonuses and status. As *Understanding The Deal*[8] suggests, in addition to social policy, responsibility for the quality of work lies heavily on employers and their leadership.

Placing individual welfare to the fore, Economics Nobel Laureate Amartyr Sen in his article, 'Equality of What?',[9] argued that governments should be measured against the concrete capabilities of their citizens. Sen's capability approach advocates that in making evaluations of well-being or policies, the focus is on what people can do and be, which in turn is dependent on the enabling factors or "functionings" (e.g. good education, good public transport from home to the workplace); this instead of focusing exclusively on an individual's utility or on the resources that they have at their disposal. In essence, his is a measure of how well policy translates into an environment that encourages 'human flourishing'.[10] The relevance of individual rights, justice and equity, access to information and the centrality of basic welfare as the foundation for building individual capabilities serve to remind us that employment policy, welfare and social injustice are intimately connected.[11] Sen[12], in my view, would see intervention that merely creates jobs or one that shifts bodies on welfare to work as hollow.

Making *Arbeit macht frei* meaningful after Sen requires that employment policy address the experience of work in three fundamental ways. It must:

a. Enforce the established employment rights and obligations as a baseline;
b. Place the employability of its citizen-worker at its heart, e.g. flexicurity;

c. Ensure that Sen's 'functionings' are in place for the creation and take up of good jobs.

Employment rights and obligations

Employment legislation sets the baseline for what is acceptable at the workplace in a civilised society. These are increasingly initiated at the European level (e.g. Working Time Directive 2003) and sometimes from the nation state (Equality Act 2010 in the UK). As a relatively blunt instrument, legislation is, not surprisingly, sometimes observed in the breach; the UK and Malta have an individual opt-out for working above 48 hours per week. It is sobering to note that in the EU-27, 6.7 million or 3.2% of 15-64 year olds had an accident at work in 2007.[13] A further 8.6% or approximately 23 million suffered work-related health problems and occupational diseases.[14] Translated, a EU-27 worker dies of a work-related condition every three-and-a-half minutes. Of those aged 15-64, 41% or 81 million reported being exposed to some risk factor at work that affected their physical health.[15]

There is increased pressure by business and government to relax employment rights using the pension crisis, persistent youth unemployment, the abolition/extension of the retirement age, sluggish economic growth, globalisation and competitiveness of Chinese labour as handy excuses. If you disagree that protecting these rights and obligations is a crucial baseline for ensuring the health and well-being of our workforce, then stop reading here. Thankfully most EU-27 governments have an appreciation of the relationship between work and health; albeit with exceptional breaches. The UK, instituted an influential review of the health of the working age population.[16] The EU Council of Ministers in Lisbon 2000 adopted the objectives of investing in people through *inter alia* 'More and better jobs'.[17] The International Labour Organization promotes 'decent work', while the World Health Organization argued[18] that health inequalities can be ameliorated by intelligent, coherent policy intervention, including recommendations on decent employment. The alternative might be a Darwinian future where work is defined by insecurity and decent work restricted to a small elite; a future described in the 'Tribalism' scenario in *The Deal in 2020*.[19]

New risk sharing arrangements – Flexicurity

In a recent Delphi study on the employment deal, the panel of experts concurred that workers over the next decade will feel the relentless pursuit of cost efficiencies, and the increased standardisation and intensification of work acutely.[20] There will be a fault-line between the full worker-citizen and the rest. The panel also predicted that:

> With greater structural unemployment, there will be greater emphasis on individuals taking ownership of their skills with the State maintaining policies that encourage lifelong learning… even if knowledge workers accepted that they had to invest in keeping their skills current, lifelong education may be prohibitive for many.[21]

The challenge is finding a division of risk and return that encourages individuals to maintain lifelong investment in skills relevant to the marketplace while recognising that it is a societal responsibility to invest in worker-citizens. Faced with the multiple challenges of a rapidly-evolving global economy, and an ageing workforce, the EU has responded with Flexicurity.

Flexicurity is an integrated strategy for enhancing, simultaneously, flexibility and security in the labour market. The Danish approach to Flexicurity, an atypical but well-regarded model, is a combination of easy hiring and firing, generous unemployment benefits and an active labour market policy. It attempts to reconcile employers' need for a flexible workforce with workers' need for security (that is, minimal intervals of unemployment). The Danish experience challenges the cultural conflation of lack of job security with poor quality jobs. Paugam and Zhou[22] demonstrated that despite low job security, the Danes have the highest percentage of high quality employment compared with Sweden, UK, France, Germany and Spain.

In addition to the Danish model, there are several possible configurations for sharing the risk and return of maintaining a work-ready skilled workforce; necessary given the difference within EU-27.[23] The EU hopes that the four Flexicurity principles of flexible and reliable contractual arrangements; comprehensive lifelong learning strategies; effective active labour market policies and modern social security systems will play a key role in modernising labour markets and contributing to employment growth.[24] Although conceived in the economic growth period between 2005-2008, when 7 million jobs were created, flexicurity remains a potent policy initiative for building and sustaining human capital throughout the extended 50-60 year working lives of employees in the future.

'Functionings' and the Employment Deal

Thus far, policy interventions in employment rights and obligations, and Flexicurity, have valued people as part of an economic exchange. This section returns to Sen's[25] challenge that the success of (employment) policy is measured against a citizen's ability to choose a life that they value; not make choices that are restricted by the terms of their contract of employment. As a citizen-worker, that means being able to articulate and voice the truth despite the clear power inequality with an employer. It means being able to resist when a HR director tells employees that they should feel fortunate that they are in employment (during this jobless 'recovery'). In this section, the focus is on the practice of management and the basic 'functionings' required for an experience of decent work.

'Functionings' relate to concrete things like access to education, clean water and a functioning economy that delivers jobs. At an organisational level, employers play a vital role in ensuring employees are engaged, and developing their potential to the fullest. Fundamental to that is understanding and appreciating the needs and motivations of the individual employee, and respecting the employee as a full citizen. In *Understanding the Deal*,[26] the processes employees in six organisations employ in valuing their relationship with their employer is distilled. The resulting Deal Framework foregrounds the employee, and maps the journey of forging, sustaining and rebalancing the deal with their employer over the course of their relationship. Usefully, the implications and actions for engagement, talent retention, employee involvement and job design are explored and contributes to the shaping of the 'functionings' responsibility of employers. Consequently, these six organisations had the benefit of honing the employment deal on offer to better match that which employees valued, improving the quality of their work experience.

Arbeit macht frei only rings true if the worker is free to choose.[27] Far too often strategic decisions and policy choices suffer from 'perceptual narrowing' – where in a crisis, only the most essential facts are considered. Valuing employees as a cost, as human resources, reflect that myopia. It is a failure to understand that work is integral to the employees' individual and social identities, a disruption of which has health and well-being consequences. I often wonder, whether Ministers, politicians, policy makers and Board executives would be more sensitive to the outcomes of their decisions if they had a direct relationship with those that they impact. Organisations, public and private, need to make difficult, but necessary choices to be sustainable; however, pursuing profit, or cuts, without being held accountable for those decisions to wider stakeholders is problematic. As we have discussed, there are intelligent policy options available to reclaim the value of work, but only when these decision makers are held accountable for the human cost of their choices, and not just the financial.

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Legal migration and integration policies: what solutions?

Yves Pascouau and Sheena McLoughlin

Today's Europe is witnessing a rise in support for anti-immigration political parties in many Member States. Responding to these electoral shifts and fears that migrants endanger social cohesion, politicians across Europe are publicly emphasising the need to limit migration flows. In this highly political and sensitive context, it is crucial to underline the importance of migration and integration policies for EU and its Member States' economy, stability and social cohesion.

Background: the need for migrants and a European response

Increased labour immigration is part of the solution to current labour shortages and the impending decline of the number of workers in Europe. In spite of recent economic crises, labour shortages already exist in many sectors such as science, health, agriculture, engineering and tourism. According to the European Commission, for example, the EU economy will need between 384,000 and 700,000 IT workers by 2015 and between one and two million health-care workers by 2020. As regards the demographic reality, the number of economically active people in Europe's labour force will begin to shrink from 2015. Today there are 36 senior citizens (65+) for every 100 Europeans in the labour force. If labour force participation rates remain constant, this ratio will increase to 72 senior citizens per 100 workers by 2050. As a consequence, policy-makers need to think about solutions to sustain pensions, welfare benefits and other public services.

In this context, immigration should be considered as an opportunity rather than a burden and should be tackled at EU level. While the Lisbon Treaty clearly confirms the objective to develop a common European immigration policy and gives the legal competence to do so, the European Commission recognises this opportunity in the Europe 2020 Strategy and commits the Union to promoting a forward-looking and comprehensive labour migration policy to respond in a flexible way to the priorities and needs of labour markets.

Despite these messages, actions undertaken before the adoption of the Lisbon Treaty in the field of migration and integration show little willingness and coherence. This calls for further actions in order to take up current and forthcoming challenges.

State of play: little willingness and coherence

Since the entry into force of the Treaty of Amsterdam in 1999, priority has been given to policies relating to border control, short-term visas and irregular migration rather than legal migration. This latter field has for a long period suffered from the reluctance of Member States to act in common. As a consequence, little has been done. Texts adopted have a low binding effect and suffer from a lack of coherence. In short, two domains have so far been covered: integration of legally residing third country nationals and admission for work purposes.

The integration of legally residing migrants is addressed by the Family Reunification Directive (2003/86/EC) and the Long-term Residents Directive (2003/109/EC). The former recognises the right of third country nationals to reunite with their family members. The latter grants a reinforced status after five years of legal residence. These directives have been criticised because of their limited scope and because they leave Member States wide margins of manoeuvre while implementing them. Consequently, they are considered to have a low harmonising effect. Notwithstanding the validity of such a statement, it must be underlined that they may have greater effects than initially thought by EU Member States. Indeed, they are subject to the interpretation of the European Court of Justice (ECJ), which can interpret the provisions in such a way that it limits Member States leeway. This has been the case for the Family Reunification Directive where the ECJ has recognised the right to family reunification and framed Member States' margins of manoeuvre when implementing the directive. If such a scenario may occur in the future and grant substantive rights to migrants, it must be kept in mind that, as long as the ECJ is not asked to interpret provisions of the directive, Member States retain large implementing power.

Admission of third country nationals for work purposes is the poor child of the policy. Member States have opted for a sectoral and limited approach, rejecting the proposal presented in 2001 by the European Commission to adopt a general directive harmonising national rules on the admission of third country nationals for the purpose of work or self-employment. Before the adoption of the Lisbon Treaty, Member States agreed on two directives establishing rules on admission for students (2004/114/EC) and researchers (2005/71/EC). Since the entry into force of the treaty and the development of the co-decision procedure, the Council and the European Parliament have adopted a directive on highly skilled workers (2009/50/EC). They are currently negotiating two more directives that deal with the admission: one on intracorporate transferees and another on seasonal workers. A proposal dealing with remunerated trainees is planned to be issued.

Several lessons can be drawn from this situation. Firstly, Member States are reluctant to adopt a general directive setting up rules for admission of third country nationals' workers. While they have agreed to negotiate a common directive on rights of legally residing foreigners (the Single Permit Directive), rules on admission remain subject to their appraisal and willingness. Secondly, by acting on a "case-by-case" basis, Member States keep a strong control over the issue. But, by doing so, they also highlight their priorities on specific types of migrants and migration. Member States demonstrate a common will to attract highly skilled migrants – such as researchers, highly skilled workers and intra-corporate transferees – whose characteristics constitute a relatively small number of persons with a potentially high capacity to integrate into EU societies due to their level of education. With regard low skilled migrants, EU action is more limited. It concerns one specific category of workers, seasonal workers, which would be entitled to a temporary or circular form of migration. Here, workers are entitled to take up a job in the EU but it is limited in time and does not open for any integration perspectives in the EU.

EU action in the field of admission of workers triggers some main remarks. Common action is selective and follows a general scheme aiming at granting inclusive and extensive rights to highly skilled workers while low skilled migrants are granted fewer possibilities. It is dubious whether such schemes will reach objectives expected. On the one hand, rules regarding admission of highly skilled workers are not attractive to this category of migrant. On the other hand, limiting rights and further extensive legal status for seasonal workers is questionable in terms of social cohesion and effectiveness. Finally, the selective approach does not allow for achieving the common European policy called for in the treaty and requires further actions.

Perspectives: challenges regarding legal migration, free movement, rights and integration

Next steps of EU action in the field of legal migration and integration should tackle several challenges in order, on the one hand, to achieve a genuine common European policy and, on the other hand, enhance well-being of

EU and foreign citizens residing in the EU Member States. To attain these objectives, several measures should be adopted in the following fields: legal migration, free movement, social rights and integration.

As regards legal migration and more particularly migration for work purposes, EU action should aim at opening channels of legal migration on the basis of comprehensive rules. According to the challenges the EU is facing, policies developed since the 1970s and aiming at limiting migration for work purposes should be changed in order to facilitate movement of people towards the EU. In this regard, the EU and its Member States should be encouraged to adopt general and comprehensive rules on admission, including the difficult question of recognition of diplomas. This will allow having a harmonised set of rules among EU Member States and therefore make the EU more attractive to foreign workers. Indeed, and as it stands now, third country nationals wishing to work in the EU are confronted with 27 different national rules, whereas one legislation is applicable in the US, Canada or Australia. The Commission's plan, stated within the Action Plan to implement the Stockholm Programme, to establish by 2013 a Code on immigration that would consolidate existing rules and perhaps extend them, could constitute a ground for further thinking and action in this field.

The question of freedom of movement within the EU should also be addressed. Currently, third country nationals legally residing and working within the EU have limited prospects to be entitled to free movement. The long-term residence directive offers such opportunity after five years of legal residence but its scope and binding effect remain limited. Provisions in this regard are also to be found in the highly skilled workers directive. In order to make the EU more attractive to foreign workers, true freedom of movement between Member States should be granted after a shorter period of legal residence. A worker should be entitled to leave their job in Madrid to take another one in Berlin, just as a worker is currently able to move from New York to Seattle.

The question of social rights constitutes a third and crucial one. EU directives adopted in the field of immigration and asylum address issues relating to rights awarded to legally residing foreigners such as access to work, education and health care. But, the way those rights are opened to foreigners differ between legal statuses – workers, asylum seekers or refugees. It shows incoherencies among directives and establishes differences between migrants. The Single Permit Directive, which was at the time of writing in the final stage before formal adoption, should limit these differences as it should grant a common set of rights to third country workers legally residing in a Member State. However, the proposed directive preserves differences of treatment between nationals and foreigners. If from a political point of view, one can question whether such differentiation is justified, doubts may occur from a legal perspective. Indeed, such differentiated treatment with regard to social rights raises the question of its compatibility with the principle of non-discrimination on the basis of nationality. The question of access to and granting of social rights remains highly sensitive due to its cost and its impact on social cohesion.

Last but not least, the EU will have to continue developing actions and tools with regard to the integration of third country nationals. Coordination of national policies remains a high priority in order to enhance social cohesion and well being. But, developing measures and tools in this field might be problematic when it comes to condition allowance of rights to the fulfilment of integration duties. Here, the EU and Member States must avoid the pitfall of using integration for controlling migration.

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III. WHAT CAN THE EU DO: ANY ROOM FOR MANOEUVRE?

The long-term growth crisis: what implications for economic governance and Social Europe?

Fabian Zuleeg

Europe is slowly emerging from the deepest economic crisis in the post-war period. But the world has changed permanently: not only has the crisis accelerated the long-term challenges Europe faces, it has also altered Europe's growth trajectory and its public finance situation. As a consequence, Europe now faces two long-term trends that will pose significant challenges for Europe's decision-makers: an overall growth crisis, with the growth rate falling behind that of its main competitors, and divergence within the EU and especially the Euro-zone. The short-term challenges arising from the disastrous public debt position and the Euro-crisis, as well as the long-term impact of challenges such as population ageing, will alter the debate on economic governance at EU level and bring to the focus social questions as a central concern for Europe's future.

Europe's growth crises

European growth has suffered in the economic crisis. Not only has there been a reduction in the level of GDP but also most economists believe that the long-term growth trajectory is also likely to be lower, due to factors including a lowered contribution of certain sectors (such as construction and financial services) to growth and the growth reduction associated with a high public debt burden and fiscal consolidation. The impact of the crisis has added to the pre-crisis challenges such as global competition and resource constraints as well as population ageing. As a consequence, without policy action aimed at increasing growth sustainably, Europe will suffer from comparatively low growth in the coming years. This creates problems in the labour market and challenges the sustainability of Europe's economic and social model.

In addition to the general growth crisis, Europe is facing increasing economic divergence. The recovery from the crisis has been uneven, with some countries such as Germany growing strongly, while the weakest economies are continuing to be in recession. Without policy intervention, this divergence is likely to persist in the medium to long term. Falling wages alone are unlikely to restore the competitiveness of the weakest economies in the absence of a solid export industry foundation. In addition, the weakest economies also face the consequences of a high debt and debt financing burden as well as being among the countries most affected by population ageing. These factors point towards a continuing divergence, which will assert continuous pressure on the Euro-zone.

The impact on economic governance

The challenges the EU faces in combination with the impact of the financial and economic crisis and its subsequent effect on public finances and the Euro-zone, is already changing the face of the economic governance debate in the EU, with a specific focus on the Euro-zone. Structural reforms, especially those associated with fiscal consolidation, have moved centre-stage. Euro-zone countries that had to access support have to implement ambitious fiscal consolidation programmes that include significant reforms of their social systems. But these reforms are not limited to these countries alone: market pressure is ensuring austerity programmes in the weaker economies and most other countries are also pursuing fiscal consolidation.

The drive for reform of social systems is also central in the latest developments at EU level. While structural reforms of public services, labour markets, pensions and taxes featured relatively little in the Europe 2020 Strategy, they are central now to the European semester, the Annual Growth Survey and the just agreed 'Euro Plus Pact'. Issues such as wage levels in relation to productivity, corporate tax levels and indexation of pension age have suddenly become central topics at the European level, which is especially remarkable given the strong resistance from many Member States to discuss these topics at EU level in the past, noting that they form the core of national competences. It is too early to say how these new mechanisms for economic coordination will translate into practice and, so far, the plans fall short of achieving an Economic Union with an Economic Government. But it seems clear already that these topics will feature prominently in EU discussions and in the assessment of individual countries in years to come.

How social is Europe?

The way these topics have entered the European discussions and the mechanisms which will be in place to enforce them will alter the nature of

'Social Europe', i.e. policy-making in fields such as education, health, labour markets and social protection systems. In the past, beyond some sharing of good practice or voluntary cooperation on specific policy areas, the limited competences of the EU have usually restricted action on 'Social Europe' to two areas: issues associated with free movement provisions and the protection of rights related to, for example, gender equality and health and safety at work. Even here, despite clear treaty-based legal competences of the EU and a requirement on the Commission to uphold the treaties, EU intervention has been controversial. Not only have Member States, and some of the regions with legal competences in these policy fields, often resisted EU action, the EU's role of defending the Single Market free movement provisions have often caused the complaint that the EU was undermining social standards in the more advanced Member States.

The EU's move into more controversial social policy fields did not start with the crisis. In the last decade, especially associated with the Lisbon Agenda, the EU has become more active in broader social policies. This was especially noticeable in the field of employment policy, which is clearly linked to the Lisbon Agenda strapline of 'growth and jobs'. A good example of the activity of the EU in this field is the Commission's promotion of the concept of 'flexicurity' which had become a guiding theme for labour market reform before the crisis hit. The EU also used its (limited) funds, especially in the regional funding area, to promote certain labour market reforms.

The Europe 2020 agenda, designed in the middle of the crisis, included further social policy areas: in addition to labour markets, it contains explicit targets for education and for poverty reduction. However, implementation is left largely to each Member State and there is little ownership here, nor is there likely to be pressure from populations, given that Europe 2020 is virtually unknown in Europe's populations. While there are some mechanisms at EU level to review performance and 'name and shame' the countries which do not reach their targets, the mechanisms to deliver change remain weak. There are also few details on how targets are to be reached and the nature of structural reforms required to achieve 'smart, sustainable and inclusive growth'.

A new 'Social Europe'?

While some of the details of the new economic governance architecture are still being worked out, and still need to be implemented in practice, it is clear that the nature of the debate has changed fundamentally. The discussion now is not so much about sharing good practice and reviewing performance, but rather about minimum standards and specific structural reforms which should become more-or-less binding for all Euro-zone countries. Predictably, the initial proposals were watered down somewhat – after all, it is not surprising that countries which would have to change policy direction resist change. But there is also momentum now: for example, those with higher standards are likely to start questioning whether a minimum standard is enough to safeguard their system or whether a harmonised, higher standard might not be more desirable.

What is also unclear is implementation – and some weaknesses remain. But the process is not over yet: economic pressures will also drive the introduction of stronger implementation mechanisms. This can be seen most directly in those countries which receive support, where reform programmes now are a requirement. The new economic governance architecture thus binds countries more strongly to their commitments. Countries will have to defend their performance in these policy areas at EU level, especially those countries which are requiring ongoing support. While a fully fledged 'Social Europe' with common social provisions is still a long way off, nevertheless, the tendency seems clear: a shift from the national to the EU level – a Europeanisation – of many controversial areas of social policy, driven by the Euro-crisis.

Dangers of the road ahead

While it is clear that the debate on 'Social Europe' will change in the aftermath of the crisis, what is considered far less at this stage are the associated dangers. First-and-foremost among these must be the question of legitimacy, especially for those countries that have to radically alter their policies, be it as part of austerity measures or in relation to the new economic governance architecture. Governments of certain countries find themselves in the position of agreeing to radical changes of their social system with little reference to national parliaments or citizens. At EU level, the situation is not much better, with the European Parliament only marginally involved in the discussions. In the medium- to long-term, the EU runs the danger of being seen as an 'imperialist' force, implementing its policy priorities on unwilling citizens.

But these dangers do not only exist for the economically weaker countries. Stronger economic governance also implies that the economically stronger countries have to adjust, even if this adjustment is limited to providing funding for support. In an era of unprecedented public finance tightness, citizens in these countries are already questioning why money should be transferred to countries with perceived 'laxer' standards. The ongoing implementation of Single Market free movement provisions only aggravates the misconception that there are virtuous 'net payers' whose social system is under threat by EU 'liberal' rules while the benefits of the EU go to those countries which do not follow their prudent social practices.

There are many more dangers ahead, including the question of how country specificity can be taken into account and ongoing uncertainty over the best way ahead. This is well illustrated by the debate on the optimal speed of fiscal adjustment, where a variety of different approaches exist and where different countries face a very different set of circumstances, for example in relation to the stock of public debt they hold, or in relation to the stage they have reached in terms of economic recovery. While rules and policy recommendations can be adjusted to individual countries, the question remains open of who will make this adjustment and what will be implemented in case there is significant disagreement. A good example here is the ongoing debate on the level of the corporation tax in Ireland.

This also points to a significant challenge to the way policy is made at EU level. The new economic requirements mean that 'social policy' can no longer be limited to the implementation of a fixed set of rules – i.e. the legal approach which so far has dominated European social policy-making. Instead, we are moving into the much murkier area of uncertainty, ambiguity and trade-offs, where decisions are not so much driven by unchangeable principles, but by what the evidence suggests might work in a particular set of circumstances. Instruments will have to be used where little experience exists at EU level, including, for example, taxation, including corporation tax, and social transfers.

Often, improvement in one area involve a trade-off with other objectives, requiring finely balanced judgment calls. Trade-offs imply political choices where the response will depend on the political values of the government in power. These are very difficult to make at EU level, given political heterogeneity and the absence of a European 'government'. And in most areas, there will be significant conflicts, especially since it is far from clear whether populations or political elites are ready and supportive of these developments. This way of working does not come naturally to the EU and it seems unlikely that the current legislative-based, cumbersome EU political system is fit to deal with these new 'competences' at EU level.

A brave new world

The coming years are likely to see a significant change in the nature of 'Social Europe', driven by the consequences of the crisis. In effect, we are slowly and in fits and starts moving closer to a true Economic and Monetary Union, maybe even a political union, despite the resistance that exists in many populations and political elites. But the EU is not yet equipped to deal with the policy question this kind of development implies. It is likely that we will see significant conflict at EU level – between different ideologies, countries at different levels of economic development, different economic interests such as employers and employees, and different visions of the European integration process. But to safeguard the level of integration already achieved, these debates are needed to deepen 'Social Europe' so it can cope with the challenges of increasing economic governance. We will be living in interesting times indeed.

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Delivering on social policy: a question of democratic legitimacy

Pervenche Berès

With 23 million people unemployed in Europe, and modest growth perspectives, European citizens find it difficult to project themselves into 2030, and even more difficult to associate this perspective with increased well-being. As legislators, we are faced with increasing expectations, but also scepticism towards the social dimension of the European project. Against this background, delivering on social Europe has become an issue of democratic legitimacy for the Union, and for politics at large.

This publication has made the case for social policy as an investment into the future, as an asset in the global competition. I share this approach and truly believe that our strength relies in our human capital and the quality of our training and social dialogue systems that enable us to adapt to evolutions and create a framework for innovation.

But to make the case for this approach, we need strong assessment tools and indicators. I regret that the European Commission missed a unique opportunity to implement for the first time the 'beyond GDP' alternative indicators that several academic and stakeholder committees have been elaborating at the request of the Commission or some governments. We have seen in the past that growth alone does not automatically translate into job creation and social inclusion; it has to be qualified and oriented.

Considering social policy as an asset means that one identifies inequalities, social exclusion, poverty and health problems as a cost for societies. They reduce the involvement of people in the labour market, result in lower productivity and may have long-term negative consequences on the economies of Member States. All efforts have to be invested, therefore, in tackling growing inequalities and poverty facing people in Europe as this can make an important contribution to the EU's objectives of creating economic growth and social cohesion, especially in the wider context of demographic change. Despite criticism on the indicators, Europe 2020 could be the all-encompassing strategy needed to take up these challenges, provided it is not undermined by other priority objectives, such as fiscal consolidation.

Unfortunately, the political agenda seems to be dominated by financial markets' demands for a drastic reduction of public deficits instead of citizens' concerns regarding our response to tomorrow's challenges. Amongst these challenges I'll mention only climate change, and the demographic evolution that requires us to anticipate change by adapting our living conditions and working patterns to ensure that change doesn't translate into a threat for our future well-being. The pressure of financial markets on political decision-making has flawed, not only the content of policies, but also their orientation, by introducing a short-term bias that is incompatible with the anticipatory policies that are needed. This explains why politics need to regulate financial markets to ensure they serve long-term investment. This concern might seem far away from the world of social policy, but in reality it is vital to the achievement of our goals.

Social policy needs an effective governance structure

This difficult context raises serious governance issues that were inherent to the economic and monetary Union (EMU), and to the EU's approach to social policy. While efforts are under way to address the first aspect – even though I believe that they don't go in the right direction – the second aspect remains largely untouched. Improvements in the area of EU governance are limited to the economic sphere and thereby aggravate the Union's remoteness from citizens who only perceive it as a market and an economic construct.

The economic governance package has to be welcomed as a response to the sovereign debt crisis that has shed light on the EMU's original weakness: the absence of economic coordination to complement monetary integration and the resulting divergence of Member State economies. However, one might doubt that the perspective of sanctions will be more efficient this time than over the last 10 years in creating convergence and a team-playing spirit. Moreover, the current discussions between the Commission and the Ecofin Council, on the nature of the indicators composing the new scoreboard aimed at detecting imbalances, are alarming. They focus exclusively on economic indicators, leaving aside the monitoring of unemployment, poverty and wage levels, as if social divergences could not constitute imbalances that need to be addressed. This approach reflects, in the best case a naive belief in the virtues of the market, and in the worse case a worrying lack of interest for the social reality of European citizens.

As co-legislator on the economic governance package, the European Parliament is engaged in the battle on the indicators, and the employment and social affairs committee has already adopted its opinion calling for social indicators to be included.

It has also made the case for involvement of employment and social affairs ministers on an equal footing to their finance counterparts. After all, it is not up to the treasuries to impose policy choices in the fields of pension, education and labour legislation from a mere accounting perspective. This current trend violates all principles of stakeholder involvement, undermines the tradition of social dialogue, and prevents the emergence of long-term policy-making and innovation.

The orientation taken by the economic governance package, completed by the treaty revision for the European stability mechanism, the European semester and the 'Euro Plus Pact' all aim at the reinforcement of binding provisions. This makes even more flagrant the discrepancy with the social policy tools, the soft open method of coordination, and exchange of best practices. Why is the infringement of deficit and debt targets sanctioned and the non-compliance with the former Lisbon and now Europe 2020 objectives such as the employment rate and poverty reduction not?

During the last decade, when the Lisbon Strategy was supposed to make Europe a knowledge economy, half of the Member States reduced their spending on education. They were not sanctioned, or even questioned, about this decision that clearly contradicted commitments taken at EU level. Sometimes the decision was motivated by the need to comply with other EU commitments, the breach of which would have been more painful, i.e. the growth and stability pact. This is a concrete example of bad governance, where multiple strategies and tools don't serve the same objective, and sometimes even contradict each other. It also illustrates why a much more thorough assessment of the Lisbon Strategy, both in terms of results and governance, should have been done before engaging in a new one.

The way forward: a more united and efficient Europe

The Belgian Presidency's strong commitment towards social Europe by arming the EPSCO Council with indicators, trying to make the horizontal social clause operational, and launching discussions on strengthening of the social OMC has given a welcome impetus. It reflected the idea that what Europe needs to overcome the crisis and prepare a future of well-being for its citizens, is a more united and efficient Union. A Union where the Commission, whose task it is to define and defend the general European interest, must commit to action in those fields where it has shared competences or competence to coordinate Member States' actions. It should implement and enforce common policies and set boundaries for action by market or state players instead of continuously acting as a coordinator. A concrete example of such an action is the minimum wage, where Article 153-2b TFEU should enable the Commission to take an initiative. However, the Commission's reticence and the current atmosphere in Council don't favour bold initiatives, especially given the recent creation of an informal 'subsidiarity group' at the initiative of the newly elected British government. Its aim is to circumvent further attempts of integration in the social field and to marginalise the European Parliament to this effect. This explains that the Belgian Presidency couldn't break through as regards minimum wages and already gives an idea of the spirit in which the negotiations on the next multiannual financial framework will be lead, with an important number of Member States refusing to see an added value in the EU budget and considering that it should be cut the same way their national budget is.

To deliver on social policy in the wake of the crisis we have to make full use of the levers offered by the Europe 2020 Strategy and ensure that it takes priority over other strategies that should serve it instead of undermining it. The European Parliament and especially its employment and social affairs committee are fully engaged in this political battle for democratic accountability and ownership at the service of citizens' current and future well-being.

Pervenche Berès is the Chairwoman of the European Parliament's employment and social affairs committee and rapporteur of the special committee on the financial, economic and social crisis.

The future of the European Labour Markets

László Andor

The economic fortunes of most people are largely determined by their experience on the labour market. Finding, changing or losing a job are decisive events in life and have a huge impact on the individual's livelihood and well-being. Every year around 20% of jobs in Europe are created or disappear. Depending on the Member State, up to 30% of all workers may be hired or leave their employers every year.

But labour markets do not work on static patterns, with stocks of the employed, unemployed and inactive. They are more like a machine in perpetual motion. However, there is no "invisible hand" to shift workers automatically from one job to another, so unemployment and vacancies coexist. Therefore well designed active labour-market policies and effective employment protection legislation are needed.

The European Employment Strategy's focus on labour market transparency and anticipating skill needs is aimed precisely at removing skill mismatches and improving the connection between those outside employment and the vacancies available.

Overcoming the challenges

Today, the EU's Europe 2020 Strategy sets ambitious targets for employment – to achieve an average employment rate of 75% by 2020. In order to help Members States to meet this target in the employment area, I presented an *Agenda for new Skills and Jobs* and, together with Commissioner Vassiliou, the *Youth on the move* flagships initiatives. And new ideas and strategies to overcome the challenges in the European Labour Market are more needed than ever.

Increasing overall participation and employment implies both micro-economic and macro-economic policies, focusing in particular on young people, women and older workers. Meeting the 75% target is a considerable challenge given the current crisis, with unemployment standing at 23 million, which is 7 million higher than before the crisis. Youth unemployment has risen by 1.3 million, with many youngsters not being able to get a chance to acquire work experience.

Although unemployment did fall slightly at the beginning of 2011 after remaining stable for the previous 12 months, I remain extremely concerned at the labour markets' slow reaction to the recovery, especially for young people. There are key challenges facing us – both in the short-term, to boost the employability of workers after the crisis – and in the long-term, to match the change in skill requirements.

Three areas are paramount: first, matching and anticipation of skills; second, flexicurity in post-crisis labour markets; and third, the role of economic policies in fostering a job-rich recovery.

On developing policies for matching and anticipation of skills, we see that the EU unemployment rate has now been stable for a year at about 9.5%. This, in a way, is good news since it follows the increases in unemployment in 2009 and early 2010. But the longer unemployment persists at the current level, the bigger is the risk that it will become structural. Yet, we have also seen throughout the recession significant numbers of unfilled vacancies. Currently the number is about 4 million.

Whether this is the result of an exceptional process of sectoral reallocation or whether it results from rigidities in the matching of labour supply and demand can be debated. In any case, on the supply side, unfilled vacancies and ineffectively managed transitions mark the individuals permanently and weigh down unemployment insurance schemes.

On the demand side, the "skill intensity" of jobs is continuing to increase. By 2020, the European Centre for the Development of Vocational Training (CEDEFOP) expects some 81 million job opportunities. Jobs employing highly qualified people are projected to increase to over a third of the total. By contrast, those requiring low or no formal qualifications are projected to decrease to around 15%.

Reducing rigidities and frictions on the labour market is of key importance to each and every European currently looking for a job or struggling to find one that meets his or her aspirations, as well as being an issue from the point of view of labour market efficiency. People need the right mix of skills and competencies, but so far our training systems are insufficiently responsive. This lack of the right skills is an important obstacle to future growth.

Empowering people by investing in skills

That is why the Europe 2020 Strategy and the Flagship initiative on *An Agenda for New Skills and Jobs* calls on the Member States to empower people by investing in skills to meet the anticipated increase in high qualifications needed and the fall in low qualifications. Geography, demography and specific sector needs obviously need to be taken into account.

To match and anticipate skills we need to look at what can be done by employment services and other players. We also need to look at how employment services, business and education, and training institutions work better together. Geographical mobility has a role to play too, and we need to look at how it can be improved through labour market policies. Increasing older people's participation in the labour market with increasing skills requirements is also vital. Companies have an important part to play in anticipating skill needs better, and policy-makers must ensure that older people are involved.

The second key area is how to implement flexicurity especially in a post-crisis labour market. It was thought that flexicurity could improve the matching equation by widening the range of contractual arrangements available to the employer, and offering the employee sufficient guarantees and social safety nets.

But, even after the Member States adopted the common principles of flexicurity in December 2007, the impact of reforms has been more temporary work and fixed-term contracts, and more duality on the labour markets. The segmentation between the well-protected insiders and the vulnerable outsiders has increased. And the less-protected, temporary job-holders have often been those hit by the crisis.

There was a widespread consensus in the 1990s and early 2000s on the need for the Member States to reduce employment protection, which was blamed for introducing rigidities and adversely affecting job creation. That consensus has grown weaker in recent years.

Linking partners in the labour market

In my view, it is especially important for the right partners to link up on the labour market. Making a match on the labour market, and maintaining it, is something that is worth safeguarding – for example through employment protection. Job security also bolsters workers' confidence and may therefore boost consumption and productivity too. Even employment contracts between private agents often contain voluntary firing restrictions – such as severance payment compensation or extra-legal dismissal delays.

However, in the current recovery, the extra jobs that are being created often involve temporary agency work and fixed-term contracts, offering only slight protection. As I said on a number of occasions, flexicurity only makes sense when both components – flexibility and security – balance each other and thus set in motion a process that may lead to better jobs, upward mobility and optimal development of workers' talents.

We need to look into how employment protection legislation can be further reformed to ensure proper balance between employment growth and job quality and to reduce labour market segmentation. I think there are two issues to consider here:

First, even before the crisis, the number of temporary contracts and jobs arranged through private work agencies rose steeply, even in countries where employment protection has been reformed.

The labour markets did not really benefit from this, despite the short honeymoon when employment increased before falling sharply during the crisis. And job insecurity has increased.

The benefits of the pre-crisis growth have been unfairly distributed and inequality increased in the economy and on labour markets.

Second, the Commission has put forward the idea of a "single" open-ended contract, which would make open-ended contractual arrangements more widespread. The "single" contract would involve a sufficiently long probation period and a gradual increase in protection.

Finally, what is the role of economic policy in creating a job-rich recovery?

There is wide agreement that the European social model, with its relatively high social protection, has played a stabilising role during the recession.

But despite our robust labour market institutions, the quality of our social dialogue, and our efforts to anticipate labour market shifts, the recovery is, on the EU average, still virtually jobless.

It is a duty of economic policy-makers to avoid the scenarios from previous economic crises, which saw persistent long-term unemployment and high unemployment despite a return to growth in GDP. Jobless recovery is something we have already seen. Unemployment rises faster after an adverse shock than it falls following a positive shock. The reason is that adverse shocks bring an immediate increase in job separations, and thus a jump in unemployment, while positive shocks bring only a gradual fall in unemployment, because hiring is a time-consuming process. In practical terms, a jobless recovery means losses in human capital, reduced future employability and reduced future pension rights too.

Key priorities for creating jobs

That is why the Annual Growth Survey, adopted on 12 January, identifies four key priorities for mobilising labour markets and creating job opportunities: making work more attractive; reforming pension systems; getting the unemployed back to work; and balancing security and flexibility. However, it is clear that whether recovery will be jobless or job-rich does not depend only on labour market policies. Employment is also a function of broader economic developments and broader economic policy. That is why the Commission's Annual Growth Survey focuses also on fiscal reforms and growth-enhancing measures as well as structural reforms. It is also why economic imbalances between countries, putting pressure on workers and labour markets, are rightly at the centre of attention.

In fact, the Annual Growth Survey makes a difference between countries with a financial surplus and deficit countries. There is, however, concern that the current weaknesses of the deficit countries will not only mean the recession lasts longer and the rise of unemployment stops later, but also that the macro-economic disadvantages will turn out to be obstacles for job creation in the long-run. That is why I believe we need to highlight the structural importance of EU transfers in maintaining a growth potential and job creation capacity.

Academic research strengthens our evidence base and helps us in identifying the good policies and practices that the EU should support. However, there is also another question, namely what are the good policies and practices the EU should support with money? In designing the European Social Fund of the future, it is our key objective to support the best policies and achieve maximum effectiveness of funding. Evaluation of the performance of policies, including in the area of labour market and education, is therefore particularly important. Because behind the anonymous figures and abstract trends we quote are individual people who are suffering from the direct impact of the crisis and who need well-targeted support.

And finally, one has to remember that labour mobility between Member States will help to address the challenges and imbalances European labour markets are facing. On 1 May 2011, the seven-year transitional period preventing workers from eight central and eastern countries that joined the EU in 2004 taking up jobs in the EU-15 will come to an end. It happens at an important period of time when filling existing labour market shortages is key in the recovery from the crisis.

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Competitive Europe: a business perspective on well-being

Gerd Götz

"Well-being" is an increasingly popular term. However people do not always mean the same thing when using it. From an individual point of view the term may represent a coalition of emotions, attitudes and opinions that surrounds how one feels about life at any given point. But it can equally apply to a society, and a growing number of attempts to understand and measure this area of human existence.

Philips has built its strategy around the ambition to enhance people's lives with products and services that make a real difference to their quality of life. To help advance understanding in this complex sphere, the *Philips Index of Health and Well-being*[1] researches global attitudes to people's lives.[2]

The main non-health-related drivers of well-being are cost of living, employment and key personal relationships. Given the current economic climate, financial concerns are the most common stress factors around the globe.[3]

Enhancing economic well-being

Whichever study one refers to[4], economic well-being is, at the very least, central to preserving well-being and avoiding stress. As business is the engine of the economy, it is appropriate to ask: how does it contribute to well-being? And what can the EU do to enhance well-being for each and every European? The recent history of Europe has been one of prosperity and peace. The vision of Jean Monnet and others of a Europe of growth undiminished by the conflicts of the past has been largely realised. The last two or three generations have enjoyed consistent improvements across a wealth of life-enhancing measures, such as living standards, diet, health, clean air and social care.

But now we see that the economic conditions that propelled growth are changing. The European social model, seen by many as the expression of Europe's progress, is generally perceived as an equilateral triangle whose three sides may be labelled Economic Growth, High Living Standards and Good Working Conditions.

But is it really an equilateral triangle? Isn't economic growth in today's world the foundation of good working conditions and high living standards? Aren't the benefits wrought by social policies only becoming possible when the economy is functioning efficiently and businesses can deliver sustainable, predictable and genuine growth?

This is not to downplay the importance, in particular, of good working conditions. Only the more regressive organisations believe that to row back from progressive improvements in the workplace would be advantageous. But it is important to understand the hierarchy in which these various influences are organised so that we may truly understand the forces of cause-and-effect. Only in this way can policy-makers deliver the effective policies which business needs if it is to thrive.

For companies that trade across the globe, it is essential that we are able to compete. And in today's globalised world this is also true for regions and countries. As much as companies compete for customers, countries and regions compete for talent, for natural resources, for inward investment, for seats at the table when big decisions are taken on global trade. It means, in short, that Europe needs to be a competitive actor in the world economy if it is to secure the share of the global economy it needs to be able to meet the aspirations of its people.

Creating a globally competitive Europe

Only the European Union can engineer such a movement. In fact, many businesses would argue that it is the dominant duty of the Union to take every stride as quickly as possible towards a clear goal: the creation of a globally competitive Europe, with business incentivised to do what it does best – innovate and grow.

Some of the leaders of European business giants meet regularly at the European Round Table of Industrialists. Their collective thoughts on what Europe needs to do to build a sustainable competitive economy were gathered together in a Vision published a year ago.[5]

This is particularly relevant for two reasons. First, it provides real insight into the minds of some of Europe's major business leaders. Secondly, the organisation has established a barometer website which charts actual progress against the various benchmarks that these captains of industry have identified as being key to success.[6]

The core property that Europe's businesses seek is sustainability. This is not intended to be confined to its environmental perspective, vitally important though that is to the well-being of Europe's population. What commerce thrives on is consistency, and what it aspires to is certainty. And what it looks for from the European Union is a combination of policies that takes businesses as close as possible in uncertain times to predictability.

This quest for sustainability should be the golden thread that runs through all policies, be they economic or social. All too often, the short-term gain, be it political or commercial, has rebounded to detrimental, even catastrophic, effect. We need only think of the apparent benefits of financial deregulation to see the hazards attached to a lack of sustainability.

So, what should the European Union be doing? Like any strategic process, a clear objective must be identified. For European business, the goal is innovation. Only by constant innovation can Europe hope to compete in the global economy.

The EU should be doing everything within its power to foster innovation. This is not only a question of finance. The EU's Framework Programme provides significant funding for research and development but the real priority must be to focus on projects that will lead to meaningful innovations that enhance people's lives, and – of course – also provide a revenue stream.

This was recognised by the EU when it launched its flagship initiative the *Innovation Union*. The European Innovation Partnerships which it envisages aim to spur innovation, not by throwing more money at it, but by bringing together public and private actors at EU, national and regional level to jointly agree on innovative solutions to tackle societal challenges such as climate change, health and an ageing population. A pilot partnership on active and healthy ageing is just underway. Designed to offer opportunities for new business and to give the EU a first-mover advantage in innovative markets, the initiative looks attractive, at least on paper.

Completing the Single Market so that free and fair markets can thrive across the continent will further speed this process. And labour markets must be more flexible, making it easier for employers to recruit while allowing a rebalancing should times get tough.

Regulation of business is necessary, but it has to be smart. Regulators need to strike the right compromise between 'less is more' and 'more is less'.

Much regulation to redress real problems has evolved disproportionately and can inhibit the rate at which businesses can go to market with new products and service.

As well as investing in the imagination and entrepreneurial skills of Europe's business visionaries, it is critical that the workforce is sufficiently well educated and skilled to make the most of the opportunities that innovation creates.

The importance of this can hardly be overstated, and it is not sufficient to focus only on the basics of literacy and numeracy. Emphasis on the sciences, higher mathematics and technology is essential. Europe needs to compete in both the quality and quantity of its production line of scientists and engineers.

A fusion of education, training and career opportunities must work as a magnet, both keeping talent in Europe and attracting it from outside. Social well-being will more and more depend on our ability to transform our education systems to support life long learning.

All this must be set within the context of the changing demographic profile, not just in Europe but across the globe. The combination of aging populations and the expectation of Europe's citizens of a particular quality of life in retirement converge with social policy in one specific theatre of activity: the workplace.

As mentioned earlier, well-established employment policies can be a barrier to growth if they discourage recruitment through a fear of over-exposure in the event of a downturn. But the spectre of a mass generation of retired people is increasingly occupying policy-makers and analysts.[7]

This is a clear area where business, regulators and opinion-formers must be creative and progressive. It is inevitable that long-assumed retirement ages and pension standards are unsustainable. Most governments are actively planning for change but their job will be more difficult without job creation and workplace flexibility.

No policy can be social if it is anti-social. For business, it is a pre-condition that society itself is stable; to pretend that this will be easy given the transition to an older and more diverse population would be naive. But commerce evolved to create opportunities from threats. Necessity is the mother of invention – and now is the time for the creative powers which are the engine of industry to be let loose on this new and grave challenge to Europe's way of life.

Becoming the agent of change

The European Union is best placed to be the agent of change. The budgets it sets aside to fund either research and development or social and economic cohesion must be harnessed to a new willingness to take the lead in bringing about change. In times of great challenge – and it cannot be overstated that this is where we are – great leadership is called for. Business, while ever willing to strive hard to solve the problems we face, can do only so much. The entrepreneurial spirit that fuelled the vast mercantile empires of old needs to be re-energised to allow new landscapes of opportunity to be opened up.

So the business community looks to the European Union and its institutions to create a larger home market, to free it from unnecessary bureaucratic constraints, to make it easier to employ, and to ensure that the intellectual property which arises from the deployment of intellectual capital is properly protected. These necessary liberalisations will help place Europe's businesses on a more competitive footing.

But flexibility is key. We compete with many different economies, be they mature like the USA or emerging, such as Brazil. And that is without even considering China. A one-off process to unshackle business will deliver no long-term benefits if business is not enabled to respond speedily to developments in the global marketplace.

No-one is pretending that these obligations on the EU are easy to achieve. Many of the challenges ahead will need to be elevated from the realm of individual EU Member States to the EU level. As with any long-term project, it is important to accomplish clear milestones. In its continuing analysis, the European Round Table of Industrialists has identified some early achievements and set out clear priorities.[8]

These provide a strong indication of where the EU should be focusing its energies. They emphasise the critical importance of innovation by seeking the early adoption of the Innovation Union (slogan: *turning ideas into jobs, green growth and social progress*[9]) and calling for the Financial Perspectives 2014-2020 to concentrate on the need to put innovation in the market place at the forefront of thinking.

Other immediate imperatives include actions to enhance business certainty and striving for a coherent and integrated strategy across all policy areas. Or using state-of-the-art technologies in all areas touching the life of citizens, including health, education, and transport.

Business has never been more challenging: global markets, new and dynamic competitors, tough economic times and a systemic financial crisis that is yet to run its course. All of these (and much else besides) conspire to demand of business and government a concerted approach to changing the environment in which commerce and industry function.

It is a perfect opportunity for the European Union to stand up and act decisively. The business world has not been shy in coming forward and saying what needs to be done. While we each do what we can within our own market sectors, we look to the region's leaders to help us deliver the prosperity on which all social policy necessarily relies.

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Endnotes

1. www.philips-thecenter.org/Global/think-tank/Philips_global_index_a_global_perspective.pdf
2. Research conducted with 30,000 people in 23 countries revealed that nearly two thirds of those surveyed are satisfied with their current state of health and well-being, telling us that they feel 'well' or 'better' about their health, and 'good' about their well-being.
3. Having enough money to pay the bills is felt most strongly especially in the western world while, in developing economies for example, fear of job loss emerges as the core concern.
4. In addition to the Philips Index, see, for example, 'Human Development Index', 'Physical Quality of Life Index' and 'Happy Planet Index'.
5. See www.ert.be/doc/01719.pdf
6. See www.europeontrack.eu/default/en-us.aspx#
7. For example, see EPC's own study 'Growing old in Europe: a vision for active and healthy ageing', Feb 2011, summarised at www.epc.eu/events_rep_details.php?cat_id=6&pub_id=1242
8. For a full list, see: www.europeontrack.eu/default/en-us/goals/quickwins-2011.aspx
9. http://ec.europa.eu/research/innovation-union/index_en.cfm

Health promotion: an ambitious and essential policy pursuit

Albena Arnaudova

Investment in health promotion is often lacking due to the perception that "it does not pay back immediately". Budget-holders in a health ministry often argue that limited human and financial resources should be first used to meet the pressing needs of health care, and investing in health promotion could wait for "better times". Such a view is a comfortable blindness for the long-term, widely known and well proven economic, social and human gains of promoting good health, avoiding preventable illnesses, and detecting conditions at an early stage, when they are easily, more cheaply and better treated. Decisions to sustain investment in health promotion and disease prevention can be met with mixed reactions. Some may feel that health promotion competes for resources with more medical services, others would appreciate the investment in effective, efficient and pragmatic measures that cost little now compared to what it would cost not to take them in the long-term.

A European Union that struggles to take up the challenge

Against this background, health promotion remains a challenge, but also an opportunity for Europe, and addressing it needs courage and conviction. One could be easily overwhelmed by the sheer volume and staggering complexity of views, studies and voices on health promotion from academia, policy and decision-makers, organisations and individuals, administrators and practitioners, media and business. This adds to an ambitious collection of political statements on health promotion, made by States at global conferences[1]: Ottawa, Adelaide, Sundsvall, Jakarta, Mexico, Bangkok and Nairobi are just a few milestones; and Europe is no less rich in political statements by European stakeholders at the international, national and community levels.

One could also get discouraged, because key messages related to health promotion have had to be reiterated time and again. The chair of an EU Member State's Association for Health Promotion exclaimed years ago that investment in health promotion was miserably small[2], and now in spring 2011, the World Health Organization (WHO) Regional Director for Europe shares her concern that "in many countries now, investment in population-based health promotion and disease prevention is lamentably low".[3] For somebody who wants to see action, it is disheartening to track how pleas for giving health promotion its deserved place in policy action have had to be repeated in the course of years, as if nothing ever changes or can change, regardless of how clear the message is spelled out and by whom.

Volume, complexity and repetition aside, the most challenging of all may be the awesome diversity of approaches and solutions. Even a short list of the terms that constitute health promotion takes a full page.[4] A policy-maker may hope to receive from "specialists" a single, clear analysis to help answer bottom-line questions on health promotion; but answers very much depend on what aspects of health promotion are being addressed and by whom. Epidemiologists, social scientists, educators, policy-makers and policy scientists, economists, urban planners, biomedical, psychiatrists, public health workers… each discipline brings its own explanation, evaluation and solution scheme.[5]

These are all real and understandable reasons for policy-makers to keep wondering whether the health promotion glass is half empty or half full, resulting in a possible reluctance to invest in the area of health promotion. But such inaction is not justified. Albeit diverse and abundant, knowledge on health promotion is not an incomprehensible cacophony. On the core points there is a large and growing consensus underpinned by a body of research and practice: health promotion is about empowerment and participation, about enabling people to increase control over and improve their health;[6,7] it is a result of and about synergy of policy in all sectors of society; it is best done through simultaneous concerted action in a variety of societal settings beyond health care; and dealing with health inequities and their socio-economic determinants is decisive to doing it properly.[8,9]

But things are slowly moving

Our close-to-giving-up policy-makers might find consolation in the knowledge they are not alone – in good and bad. Many share their concerns. When summarising its archive from 1840 till now, a leading medical journal reports that ever since the start of the 20th century we are in an era of chronic disease; but why then, exclaims the editor, is chronic disease not at the top of the world's health and political agendas?[10] More importantly, the hesitant health promoter can find motivation from the knowledge that they have others by their side if they choose to be positive and act. Today, concerted supportive voices are joining WHO when it asks the core question: "Can we in Europe perform better today in promoting health?"[11] Things are moving globally as well – UN is calling Heads of State and Government to come together in September 2011 for a high-level meeting on non-communicable diseases (NCDs).[12] Hopes worldwide are that it will galvanise action at all levels to address the health and socio-economic impact of NCDs through multi-sectoral approaches.

Why does this matter in the prism of health promotion? The leading NCDs (cardiovascular disease, cancer, diabetes, and chronic respiratory diseases) account for 86% of deaths and 77% of the disease burden in the WHO European region. These diseases are largely preventable by tackling four common modifiable risk factors: tobacco use, unhealthy diet, physical inactivity and harmful use of alcohol. Disease prevention and health promotion are therefore central, a key to success. They are not synonymous but, rather, mutually complementary, combining with health protection to bring higher health gains. Health is both an outcome in itself and a driver for human and social advances. It is a fundamental enabler for meeting any political challenge, and its lack a barrier. Such thinking is in harmony with WHO's definition of health[13], and with the more recent vision enshrined in the Lisbon treaty that the well-being of the peoples becomes the overall aim of the EU.[14] That was also the vision behind the work done by high-level European governmental officials in March 2011, when they agreed that new and innovative policies are needed to deal with the pressing health issues of Europe in a comprehensive, coordinated and cost-effective way.[15]

This built on previous work at a high-level regional consultation[16] when European policy-makers agreed that health gains can be achieved much more readily by tackling the social and environmental determinants of NCDs than by changes in health policy alone.

But who should act on health promotion? And how?

The question is: whose responsibility is it to take action? In numerous policy documents, various organisations and actors embrace the health-in-all policies paradigm, as it is common knowledge that major influences on health lie outside the health sector. WHO advocates for a "whole-of-government" approach[17], whereby health takes leadership across sectors and promotes health through policies devised by non-health sectors, such as agriculture, trade, taxation, food, pharmaceuticals, industry, education, transport and urban development. WHO shared with the chief medical officers of the 27 EU Member States that the 'Health in All

Policies' approach is no longer nice talk, but increasingly becoming an imperative.[18] This resonates with the explicit commitments made by the EU in its Health Strategy.[19]

"Mainstreaming" health promotion would, therefore, mean doing it upstream (by means of legislation and fiscal policies, cash transfers and environmental interventions), at the mid-level (in communities, settings-based approaches), and also downstream (encouraging behavioural change, brief counseling interventions, self-care and adherence to therapy).[20] Mainstreaming it would also mean that all international actors work in close synchrony rather than in parallel and apart, thus avoiding overlaps and duplications in actions on identical challenges.

A breakthrough in making progress with health promotion comes when all actors involved admit and live with the spread of options for action – options that do not compete but supplement each other. For a health promoter, the key is to discover and draw on the available knowledge and solutions that best fit their purpose and apply it in a way that balances a comprehensive view with cost-effectiveness. Our policy-makers will also inevitably need to combine health promotion measures focused on different levels of settings, personal, community, environmental or political impact; i.e. going out of the clinics in order to enter the classrooms, the workplaces, the cabinets of politicians and administrators, news and editorial rooms, business boardrooms. Finally, they will have to be clear: do they see health promotion as an outcome in itself, or as a process for initiating, managing and implementing change, i.e. a process of personal, organisational and policy development?[21]

One thing is sure: there is no excuse for listening only to what some researchers call "unhelpful myths", e.g. that, in tackling NCDs, there are no cost-effective interventions and it takes decades for results to be seen. For too long, the assumption that there is no immediate obvious benefit from investing in health promotion has served to justify political complacency. This type of convenient excuse for inaction is countered by a growing body of empirical evidence that supports a new paradigm: substantial decline on mortality can happen rapidly after individual and population-wide changes, and policy interventions to achieve population-wide changes in diet or smoking can achieve substantial and surprisingly rapid (even within months) reductions in disease.[22]

Health promotion is also a mirror for Europe to look at itself and see whether it really stands for what it aspires. The values of solidarity, equity, fairness, the right to health and participation are universally shared in Europe by international actors, governments, communities, organisations and citizens. However, health inequalities in Europe are vast and widening, both between and within countries. They are especially hideous when observed through the health promotion lens. Socio-economic status is a determinant of health, and thus distribution of and access to health promotion differs gravely between the rich and the poor.

Beyond the income divide, however, opinion-makers draw attention to the health dimension of "two other modern divides: around ethnicity and around age".[23] So far, the European social model has maintained inter-generational solidarity and also solidarity with the vulnerable, delivering health care and social protection to all, regardless of their origin, age or income. This "longstanding social compact has recently come under unprecedented strain", especially in times of austerity and painful imminent cuts in public expenditures. In such times, health promotion budgets are usually the first to get slashed. This threatens to disproportionately affect those populations who are already fragile anyway, leaving them with even less chance to protect and preserve their health, while the well-off will never lack skills and capabilities to do so. The EU can do a lot to address this challenge: it has already done so and the coming Polish Presidency takes a brave step in choosing the health inequalities challenge as a key focus for discussion and action.

The challenge of health promotion spans the board. Successes as well as failures can be associated with practically each category of stakeholders, and everybody has a role to play. Traditional and new media could either be a challenger or an ally for governmental actions to increase awareness of Europeans about their own health. While health communication strategies have increasingly come centre-stage for most European health actors (region-wide, at the national level and also in the communities), media are equally, if not even more, influential in shaping health perceptions and lifestyle choices.

A final challenge is to do health promotion differently. Innovation is the word in town in the EU world, and rightly so. Can we, therefore, apply some innovative thinking when planning, funding, implementing and evaluating health promotion activities, rather than doing them the same old way? The existing evidence that health promotion does pay back in terms of population health, even in the short term, should be underpinned and enriched by creativity and innovative approaches, which could help policy-makers to promote health promotion. Europe's challenge is also to make sure that innovation in health promotion does not remain in the "couloirs getting peanuts", while the big investment for innovation in health is channeled to care and technologies. Also crucial is social innovation in the way we deliver health promotion to those who need it most.

Filling up the glass: firm political commitment and individual ownership

A lot is already happening; attitudes and behaviours do change as people come to grips with the value of health. However, at the policy level, there must be a consensus: risk reduction and health promotion are possible by providing and encouraging healthy choices and supportive environments for all, via structured and integrated measures to increase the possibility of healthy lifestyles and health promoting communities and societies. Researchers assert that NCDs share underlying lifestyle and societal causes that require political, fiscal and legal mechanisms more than interventions at the level of the individual.[24] Focusing solely on behavioral approaches (i.e. claiming that making healthier choices is the sole responsibility of each individual) is more and more often felt as ethically unsound and ineffective in the long run. The behavioral approach needs to proceed together with the creation of supportive policies and environments.[25] A case in point of such a multi-strategy approach is the MPOWER package[26] of cost-effective policy interventions contained in the WHO Framework Convention for Tobacco Control.[27] Such comprehensive health promotion actions, based on social and political processes, embrace the need for interventions at the individual level but also actions towards changing social, environmental and economic conditions which impact on health.

Health promotion is a policy choice that is delivering on promoting well-being for European citizens. Health promotion action is central to a comprehensive public health policy and is playing a key role in bringing about the health and social changes required for improved population health. To achieve its full potential, however, a multi-sectoral, integrated policy approach is needed that will ensure that health promotion is embedded firmly in policy across a range of sectors including education, employment, housing, environment, social inclusion and equality.

Unless this happens, health policies could miss the train in today's interconnected globalised world and the ambition of achieving improved population health could remain back in history as a nice old-fashioned wishful metaphor. But with firm political commitment combined with individual and social ownership of health, health promotion could spearhead change and turn into a key technology for countries to act to bring higher health gains – equitably for all their citizens, ensuring faster benefit for those who are left behind. This glass can and should be filled, if we collectively want to deliver a vibrant Europe as a global leader.

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Investing in education: can the EU make the difference?

Elisa Molino

Since early age, education plays an important role in fostering people's well-being.[1] Moreover, education is not only a dimension of well-being, but also one of the variables contributing to re-defining well-being in adult life. People with higher education attainment often tend to change their definition of well-being by supporting societal objectives over individual ones (e.g. level of income).[2]

Investing in education, therefore, not only adds value to citizens' lives, but can also positively impact on society as a whole. However, the benefits of education can be exploited to the full only if quality learning environments are delivered by public policies. In the Europe 2020 Strategy, education plays a central role. The potential of quality education is acknowledged across policy areas, from employment to innovation. From pre-school to tertiary education, the European Commission has underlined the need for further coordination and for an increase in quality standards.

However, if concrete reforms are needed in member countries, a key question remains: what is the added value of EU action in the field?

Education for smart, inclusive and sustainable growth

The contribution of education to economic growth

In general economic terms, spending on education ensures significant returns in the medium and long run, ultimately contributing to growth. Regarding higher education alone, statistics in OECD countries show that net public return is 'almost three times the cost of investing in tertiary education'.[3]

More specifically, benefits deriving from increased participation in education include enhanced social cohesion and employability. Firstly, well-educated people tend to take a more active role in society[4], giving people at risk of exclusion better chances to get involved (e.g. in the labour market). In addition, education levels are positively related to income levels, contributing to increasing the general level of income and reducing inequalities. Secondly, training and education entail the ongoing development and upgrading of skills, which are key to ensuring access to the job market.

Especially at primary and pre-school level, a high quality learning environment plays a key role in achieving such long term objectives, having a tangible effect on the life long learning abilities of each individual. Moreover, a conducive environment provides those values that can help children not only to develop their skills, but also to foster social consciousness.

The importance of education in Europe 2020

In the Europe 2020 Strategy, the European Union has underlined education as a key component to achieve smart, inclusive and sustainable growth. Education policy is an underlying thread in many flagship initiatives: *Youth on the Move, Agenda for New Skills and Jobs* and the *European Platform against Poverty and Social Exclusion* all feature education prominently as a focus for the investment of political emphasis and financial resources. Moreover, two of the Europe 2020 targets specifically address education: the European Union is committed to increase to at least 40% the percentage of citizens with a tertiary diploma and reduce to 10% the proportion of early school leavers by 2020.

A number of communications issued by the European Commission in recent months (e.g. Communication on Early Childhood Education and Care; Communication on Tackling early school leaving) demonstrate the commitment to achieving these targets by improving the quality of education. There is specific attention in these documents to the conditions that contribute to the creation of a positive learning environment, especially in early school years: 'children's earliest experiences form the basis for all subsequent learning. If solid foundations are laid in the early years, later learning is more effective and is more likely to continue life-long, lessening the risk of early school leaving, increasing the equity of educational outcomes and reducing the costs for society in terms of lost talent and of public spending on social, health and even justice systems.[5]

The need for an integrated approach

While there is wide spread agreement at EU level on the significant role played by good education in raising individual and community levels of well-being, how to achieve this in practice is still far from clear. Ensuring a quality learning environment is a complex mix of quality teaching, the child's family support, and own well-being, as well as society's approach to diversity and tolerance (given the multicultural context we live in). As a result, education policies necessitate a cross-cutting approach to be effective[6]: complementarity and consistency across policy areas is a prerequisite for success. Immigrant populations are a case in point, where family environment and family inclusion in society are fundamental for the child to maximise benefits from education. The highest return from education and life long learning in terms of economic growth will be achieved only by investment in social policies as a whole (immigration, inclusion, policies aimed at increasing female labour market participation etc). While the mutually reinforcing character of social policies is not new, clear evidence exists that those EU countries where large scale immigration is a recent phenomenon still struggle in dealing with integrating family and inclusion policies (e.g. Italy).

Affecting all social dimensions of education requires integrated policy actions, but also significant amounts of public investment.

Against this background and the ambitious goals of Europe 2020, what is the state of play of policy instruments and financial resources? Can the EU be effective in supporting Member State actions?

Good intentions but (justified) lack of means?

Europe 2020 education objectives and targets were endorsed by the European Council. Member States signed up to the commitment of gearing up their education system reforms to achieve the jointly agreed goals. However, despite wide acknowledgement of the implementation failures of the Lisbon Strategy, the governance structure has not moved forward much in Europe 2020.

Competences in the domain of education rest firmly with Member States, and the Open Method of Coordination remains the main frame for action: the stronger national and EU commitment is not mirrored in European level policy tools. Given poor results of this soft instrument in the past, it is reasonable to question how more effective delivery can be ensured this time.

In terms of financial resources, the European Commission so far has been rather vague: Structural Funds and the 7th Research Framework Programme are to be mobilised but there doesn't seem to be any dramatic innovation.

While a truly European competence in education is highly unlikely, more can and should be done. Policy recommendations below outline where the

EU can add value to national structural reforms in education, in order to achieve the goals of Europe 2020.

The EU role: beyond exchanging best practices

The European Union is not equipped to deal directly with education policies across 27 Member States, first and foremost because the questions at stake are highly diverse and require tailor made solutions: one size does not fit all. However, achieving Europe 2020 objectives requires the EU to create a conducive environment for national reforms. There are two main ways in which this can be done:

1. Assisting and incentivising Member States in the local and regional diffusion of best practices – e.g. in the elaboration of policies contributing to the reduction of early school leaving; by using EU funds to promote specific types of projects;

2. Allowing more flexible public deficit margins for education related spending – i.e. treating national investments in education differently from other spending chapters, for the calculation of 3% public deficit threshold (Stability and Growth Pact III).

Let us see in more detail what each of the two proposals would entail in practice.

1. Offering a platform for exchange of best practices (through the Open Method of Coordination) is extremely useful, but it must be accompanied by assistance in the elaboration of strategy for implementation, going from the local to the national level in the first instance.

   In several cases, best practices exist at local level, which struggle to be rolled out at national level (e.g. the Naples experience 'Scuole Aperte', in Italy[7]). More attention should be put on the administrative and political barriers that hamper the expansion of these examples of good practice.

   In some countries, for instance, there are missing links between the public sector, and the private and civil society (associations, voluntary sector), which need to be created and/or reinforced. If early education is to be given a central role, school has to become a social *locus* for learning, not only for the children, but for the family as well. This is clear in the case of immigrant populations, where the third sector provides services to adult population (e.g. literacy) often without direct connection to the school environment.

A lack of willingness to create virtuous circles among all social stakeholders is a missed opportunity for higher quality education.

As there is potential to expand successful experiences within and across countries, the EU can act directly and indirectly: by providing support to the development of projects (i.e. including local and regional authorities in the exchange of best practices, making funding conditional to the cooperation of public with private and voluntary sectors), but also by promoting general principles in the quality education debate. As in other sectors of social policies, public instruments and investments in education must be accompanied by a change in people's attitudes: valuing cultural difference in schools as a benefit for the society as a whole, understanding the value of education as a way to apprehend a fast changing world, etc.

To complement the above, there are several concrete policies that the European Union should favour and emphasise in the national development of education policies. For instance, general introduction of pre-school education and all day schooling are two tangible solutions, which would enhance attainment and social inclusion and potentially reduce early school leaving in the medium term.

2. Many national governments are currently trying to strike the right balance between the need for structural reforms and the imperative of fiscal consolidation. When it comes to education and research, the difficulty of matching reform ambitions to financial means is quite tangible (e.g. in Italy, where the implementation of a significant reform of the education system, voted in 2010, has been severely undermined given the budget austerity).

   To achieve Europe 2020 objectives, some countries have to put in place a significant restructuring of their education policies. Moreover, the proposed 'Euro Plus Pact' agreed by Euro-zone countries[8] seals once more the commitment to improve education systems, in order to enhance competitiveness and employability. However, member countries also have to respect the stricter requirements of the third Stability and Growth Pact, which confirms the 3% public deficit threshold, but also takes public debt into greater account.

   Against this background, the question can be raised as to the extent Member States, still recovering from the economic crisis, can honour all these (somewhat contradictory) European commitments. If the EU level (i.e. the European Commission) wishes education to become better performing and competitive across Europe, it should consider the idea of leaving education investments out of public deficit calculation, or at least applying some sort of modulation depending on the starting position of the countries (i.e. being more flexible with countries needing an overhaul of their education system or where the percentage of investment in education is currently far below the European average).

Moreover, EU funding can help alleviate the national financial burden of reform. In particular, EU funds can become a useful asset for those countries wishing to upgrade their schooling infrastructure but lacking resources. Structural Funds can help deliver higher quality standards of education, while new EU financial instruments should be used to renew the education infrastructure and provide schooling materials at local and regional level.

Reaching the Europe 2020 education targets is everyone's task

The EU has a role to play in reminding Member States of the importance of investing in education, especially when going through turbulent economic times. Investing in the potential of our citizens is the only way to ensure cohesiveness, participation and employability in the long run. Europe 2020 provides a useful road map but it needs to detail how it will be concretely applied in national and territorial strategies.

While the main responsibility to deliver high quality education remains in the hands of Member States, the European Union has a role to play in supporting the rolling-out of best practices, and also in incentivising countries to invest in higher quality education systems.

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