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Towards a new European Social Model

Report¹

Committee on Social Affairs, Health and Sustainable Development

Rapporteur: Ms Maria de Belém ROSEIRA, Portugal, Socialist group

Summary

The European Social Model, as a set of shared principles with various country-specific expressions across the continent, has characterised European socio-economic institutions and relations for many decades, thus generating a considerable impact on European economic performance and people's well-being. However, various developments, linked to globalisation, technological change and demographic trends, as well as to the current economic and financial crisis, are challenging European minimum standards in the socio-economic field and underlying values related to social solidarity.

The Parliamentary Assembly should express its concern about rising social and economic inequalities, corruption and large-scale phenomena of tax evasion and fraud which are threatening social cohesion and political stability in a number of countries. It should alert member States to the need to address the continuous downgrading of employment and working conditions, the difficulties faced by young people in accessing the labour market, the weakening of collective bargaining mechanisms and the reduction of the scope and quality of public services (including for the most vulnerable: ethnic minorities, migrants or people with disabilities). New socio-economic, educational and fiscal policies combined with a targeted budget allocation to social protection systems could carry over the benefits of the European Social Model to future generations.

¹ Reference to Committee: Doc.13074, Reference No. 3918 of 30.11.12

Draft resolution²

1. The European Social Model (ESM) as an evolving set of principles and policies responding to the aspirations and expressed democratic votes of the peoples of Europe, is inextricably interwoven with the process of closer European unity developed after the Second World War as embodied in the Council of Europe and the European Union. They share the same commitment to the values of human dignity, individual freedom, social solidarity, political liberty and the rule of law which form the basis of all genuine democracy.
2. While the characteristics of the ESM varied considerably from country to country, its contribution to economic and social progress came to be identified as an integral part of Europe's identity and became a reference for countries previously subjected to authoritarian regimes.
3. Developed in Western Europe in a period of rapid economic and demographic growth, the ESM started to be challenged in the 1970s as a result of accelerated globalisation, off-shoring of manufacturing, the impact of new information technologies in all economic and social spheres, the ageing of the population, the transformation of family structures and life-styles, increased migration flows and the break-up of a minimum of political consensus following the collapse of communist regimes in Central and Eastern Europe.
4. As noted by different international organisations such as the OECD and ILO, these challenges went hand in hand, particularly in recent years, with rising social and economic inequalities, corruption and large scale phenomena of tax evasion and fraud putting into question social cohesion and threatening political stability in a number of countries. The austerity measures implemented in many European countries following the 2008 financial crisis compounded some of the existing problems.
5. Facing such trends, the Assembly notably regrets the continuous downgrading of employment and working conditions, young people's difficulties in accessing the labour market, the weakening of collective bargaining procedures and agreements, and the reduction of the scope and quality of public services, including for the most vulnerable (children, ethnic minorities, migrants or people with disabilities).
6. In this respect, the Assembly recalls some of its previous resolutions on these matters, such as Resolution 1885 (2012) on The young generation sacrificed, Resolution 1993 (2014) on Decent work for all, Resolution 2032 (2015) on Equality and the crisis, and Resolution 2033 (2015) on the Protection of the right to bargain collectively, including the right to strike. The Assembly considers that high standards should notably be maintained regarding decent employment and working conditions for all, universal and sustainable social protection systems, inclusive labour markets, well-functioning social dialogue at various levels and quality public services. Social cohesion and solidarity should be promoted as transversal values underlying political action.
7. However, to be meaningful in the future, the ESM should not only counterbalance market dysfunctions and insufficiencies but also promote new approaches to education and training, social and economic participation, environmental sustainability, new forms of public services delivery using new technologies and taking into account changes in family structures and life-styles. A new ESM should not only be a safety net but also positively contribute to wealth creation through social investment.
8. In the light of these considerations, the Parliamentary Assembly calls upon member States of the Council of Europe to take the following action:
 - 8.1. As regards social rights in general:
 - 8.1.1. ensure the compatibility of new policy measures with individual and collective social rights in particular by consulting in advance national human rights institutions;

² Draft resolution adopted unanimously by the Committee on 19 May 2015.

8.1.2. strengthen the implementation of social rights by reinforcing supervisory mechanisms, including by ratifying the Amending Protocol ("Turin Protocol") to the European Social Charter and its Additional Protocol Providing for a System of Collective Complaints.

8.2. As regards national socio-economic policies, promote non-discriminatory access to the labour market and decent employment conditions for all, as well as:

- 8.2.1. develop and implement comprehensive strategies against child poverty;
- 8.2.2. develop and implement strategies in favour of youth employment, notably addressing current difficulties for young people entering the labour market;
- 8.2.3. continue to empower women and to integrate them into the labour market thanks to the provision of affordable, reliable and high-quality child-care services;
- 8.2.4. implement innovative ways for continuous employment of the elderly in an ageing society (e.g. through flexible part-time models, mentorship, etc.);
- 8.2.5. develop and implement specific employment strategies for the inclusion of groups which are regularly subject to discrimination (ethnic minorities, migrants, the disabled);
- 8.2.6. provide incentives or directly invest in new activities for increased job creation (in sectors such as energy renewables, digital technology infrastructures, innovative health and social services).

8.3. As regards national educational and training policies:

- 8.3.1. develop educational policies and systems aimed at creating equal opportunities from an early age onwards (to break "cycles of disadvantage" through early intervention), and including strategies of life-long learning;
- 8.3.2. ensure professional training and continuous professional education in line with the latest "state of the art" of technological progress (digital technologies, biotechnologies, etc.);
- 8.3.3. strengthen education systems having proved successful in certain national contexts (e.g. "dual systems" combining training "on the job" and academic teaching);
- 8.3.4. orient young people in their transition between educational systems and the labour market to overcome mismatches between available profiles and jobs and favour entrepreneurship.

8.4. As regards fiscal legislation and taxation policies:

- 8.4.1. strengthen the redistributive effects of taxation systems through relevant reforms (notably re-assessing taxes on property and wealth and taxes on financial transactions);
- 8.4.2. improve tax compliance by fighting tax evasion and the use of tax havens, and redirect the revenues to social and economic investments, thus creating quality employment opportunities.

8.5. As social protection systems and social benefits:

- 8.5.1. improve the sustainability of social protection systems, including by ensuring that social benefits are provided in a targeted manner;
- 8.5.2. guarantee good governance of social benefit systems and fight any form of corruption to maximise the redistributive effects of these systems.

8.6. As regards public services and investment

- 8.6.1. redirect savings resulting from other measures to "social investment" policies with an emphasis on new types of infrastructure and services (including renewable energies, digital technologies, innovative health care and prevention);
- 8.6.2. modernise the provision of public services using new digital technologies, developing citizens' capacities in this respect and decentralising policy-making while ensuring universal access to these services.

B. Explanatory memorandum d by Ms Roseira, rapporteur

“There are in fact many European social models, and some are far better than others. The evidence shows that countries that have been able to reform have done well in the global marketplace and have sustained high levels of social justice.”

Anthony Giddens in “Europe in the Global Age” (2008)

“It is precisely those European countries with the most effective social protection systems and with the most developed social partnership that are among the most successful and competitive economies in the world.”

José Manuel Durão Barroso, former President of European Commission

1. Introduction

1. Europe is at a crossroads. It is time to decide which path to follow. The financial, economic and social crisis has been dominating the news since its outbreak in 2008. Austerity measures continue to be implemented in many countries, poverty is increasing in several European countries and economic inequalities are widening. Austerity programmes have increasingly been questioned, such as, for example, in Greece after the most recent elections held in January 2015. In this context, one may ask what will happen to Europe’s “social model”? Is there even such thing as a European social model? And if yes, will it survive increasing economic and social tensions? Or was the President of the European Central Bank (ECB), Mario Draghi, right in saying in 2012: “The European social model has already gone”?³

2. It is evident that, in the crisis Europe has been confronted with for the last few years, certain social rights and achievements have suffered in many countries: working conditions have worsened, individual and collective social rights have been restricted, public and private salaries have been reduced and unemployment rates have significantly increased, notably amongst the younger generation. Experts from across the political spectrum are now discussing whether the European social model has been irreversibly affected, changing the socio-economic context and consolidating current inequalities in the long run. Or are the recent changes simply necessary adaptations of the European economy to the relatively young context of a globalised economy? Is a new European social model emerging which could also be an opportunity and way out of the crisis?

3. The mission of the Council of Europe, organised around the three pillars of rule of law, democracy and human rights, is closely linked to the foundations of the European Social Model. The latter implies the equal recognition of dignity in all human beings and the achievement of this objective through organised solidarity. Putting this model into practice has enabled remarkable progress in human development indicators, closely connected to an economic growth shared by many through the reduction of inequalities and the promotion of inclusive societies. Its results were also deeply reflected in measurable terms in various expressions of human activity and in lasting peace in countries where it had a major impact.

4. The question of how to better integrate the key issues of employment, social and other relevant public policies against a background of a common set of values and in the face of current economic challenges will be explored in this report. In my view, and even if modernisation is needed to a certain extent in many countries, solid social security systems concerning employment, pensions and health care should be maintained, equal access for all to decent jobs and education should be guaranteed, as well as access provided to basic services (housing, water, sanitation, heating etc.) - respectively including specific measures for the most disadvantaged groups of the population wherever appropriate. Europe should find a sustainable path for its social model, which is respected worldwide, proposing innovative approaches to face the challenges of today’s economic development in a globalised world and a vision of a cohesive European society placing human rights and dignity at its very centre.

³ Mario Draghi in an interview with the Wall Street Journal on 24 February 2012
<http://www.presseurop.eu/en/content/article/1555361-draghi-buries-european-social-model>.

2. Origins, basic concepts and components of the European Social Model (ESM)

2.1. Origins

5. The European Social Model (ESM hereafter) was developed in different countries of Western Europe in the aftermath of the Second World War where social protection systems and social dialogue were set up and/or strengthened to avoid the social conflicts that had characterised the previous inter-war period. During this period, the ESM found normative expressions in the Treaty of Rome of 1957 and the European Social Charter of 1961, which in its revised version of 1996 remains one of the main references until today, aimed at consolidating the ESM and at promoting the homogeneity of social protection systems in Greater Europe. Very often, the ESM also serves to distinguish European socio-economic approaches (public services more or less universally available) from the American approach (social objectives rather based on individual responsibility).

6. At the end of the 20th century, the ESM had found different expressions in various European regions in the 1990s described, by some analysts, as follows:⁴

- the Nordic social democratic model (Nordic, Finland and Sweden, plus the Netherlands) with the highest levels of social protection expenditures and universal welfare provision;
- the continental model (France, Germany, Austria, Belgium and Luxembourg) which assigned a strong place to labour law and collective bargaining;
- the Anglo-Saxon liberal model (Ireland and the UK) where strong emphasis was put on the role of markets, with a small role for the State and a low degree of regulation;
- the Mediterranean model (Spain, Portugal, Greece and Italy)⁵ in which old-age pensions were a focus of public spending in its non-contributive component;
- the model conceived in the post-communist countries (i.e. Eastern Europe) which have strived to achieve social protection systems similar to those of Western welfare states.⁶

7. Whilst this theoretical typology is certainly oversimplified and was meant to serve as a description of ideal types, it still reminds us of the different socio-economic traditions underlying the ESM. In reality, empirical evidence has shown that those welfare states which have adapted best to changing conditions have created “hybrid models” borrowed in some part from elsewhere. This shows that mutual learning has always been possible and useful.⁷

2.2. Definitions and concepts

8. There is no official definition of the ESM, however, European welfare states and economies have always known a certain convergence along joint principles. According to the latest research undertaken by the International Labour Organization (ILO), the ESM builds upon the following main pillars:⁸

- increased minimum rights on working conditions;
- universal and sustainable social protection systems;
- inclusive labour markets;
- strong and well-functioning social dialogue;
- public services and services of general interest;
- social inclusion and social cohesion.

9. Whilst the ILO concept is certainly very comprehensive and policy-oriented, given that it allows for the measuring of the development of specific indicators over longer time periods, it should not lead us to restricting the ESM to social protection systems or labour legislation. The ESM as a set of values shared across Europe is more than that. It is a mixture of values, accomplishments and aspirations,

⁴ Esping-Andersen, Gosta: *The Three Worlds of Welfare Capitalism*, Princeton University Press, 1990.

⁵ Ferrera, Maurizio: *The Southern Model of Welfare in Social Europe*, *Journal of European Social Policy*, *Journal of European Social Policy* February 1996.

⁶ Giddens, Anthony: *Europe in the Global Age*, Polity Press, Cambridge 2008.

⁷ Giddens, Anthony – see footnote 4.

⁸ Vaughan-Whitehead (editor): *The European Social Model in Times of Economic Crisis and Austerity Policies*, *Compilation of contributions to a conference organised by the International Labour Office (ILO) in cooperation with the European Commission*, Brussels, 27-28 February 2014.

varying in form and degree of realisation among European states. In this respect, I fully subscribe to Anthony Giddens broader definition of the ESM as including:

- a developed and interventionist State, funded by relatively high levels of taxation;
- a robust welfare system, which provides effective social protection, to some considerable degree to all citizens, with positive discrimination to those most in need;
- the limitation, or containment, of economic or other forms of inequality;
- a key role assigned to “social partners”, i.e. unions and other agents promoting workers’ rights;
- a general set of underlying values, including: the wide sharing of risks and opportunities across society, the cultivation of social solidarity or cohesion, the protection of the most vulnerable members of society through active social intervention, the encouragement of consultation (instead of confrontation) in industry, and the provision of a rich framework of social and economic citizenship rights for the population as a whole.⁹

10. Beyond this basic understanding, I would like to underline that the ESM is not a static concept or the description of a *status quo*. With regard to more general socio-economic challenges of the 21st century, the ESM itself certainly needs to be adapted. In doing so, the various stakeholders involved should not try to save traditional models and systems at any cost, but - as indicated by the title of the present report - turn “towards a new European Social Model” which is evidence based and values driven.

2.3. Protection of the ESM through European standards

11. From the foregoing definitions, we can see that individual and collective social rights, social protection and benefits, labour regulation and social dialogue are amongst the key components of the European Social Model. Some of these rights are enshrined in European or international, mostly legally binding texts. Europe therefore disposes of a number of instruments to be referred to with the intention of strengthening national legislation or developing targeted policies protecting a future-oriented ESM.

12. For the Council of Europe, the European Social Charter, including its original text of 1961, its amending and additional protocols as well as the revised text of 1996, clearly constitutes the main and most comprehensive standard. It comes along with a monitoring mechanism ensured through the European Committee of Social Rights (ECSR), including a system of collective complaints. The promotion of these standards has most recently been declared a priority for the Council of Europe, *inter alia* at the High-level Conference on the European Social Charter held in Turin on 17-18 October 2014.

13. At the level of the European Union, different treaties and standards are meant to guarantee the respect of social rights in European and national policies, building up to a pan-European mechanism. Worth being mentioned in this context are in particular: (1) the Charter of Fundamental Rights of the European Union of 2000 containing social rights provisions in various articles; next to the general right to education, notably in chapter IV (“solidarity”; art. 27 ff.), developing collective and individual rights of workers, the reconciliation of work and family life, as well as access to social security, social assistance and health care; and (2) the Treaty on the Functioning of the European Union of 2007 (TFEU) providing that EU policies shall aim to eliminate inequalities, promote high levels of employment, guarantee social protection, fight against social exclusion, ensure access to high levels of education and training, and combat any form of discrimination (art. 8-10), and referring to a European employment strategy and the role of social dialogue (art. 145 to 150, 154 and 155).¹⁰

3. Challenges and threats and to the European Social Model (ESM)

14. The current financial and economic crisis dominating the European and global headlines since 2008 has often been referred to as a serious threat to the ESM and its components, including by the Parliamentary Assembly itself. Already in its Resolution 1884 (2012) on “Austerity measures – a danger for democracy and social rights“, the Assembly called for “energetic measures in favour of economic recovery“ instead of persistent austerity, as well as for the protection of the European Social Model. Recent evaluations of the situation made by highly renowned experts have been evident: “The theory of

⁹ Giddens, Anthony – see footnote 4.

¹⁰ European Foundation for the Improvement of Living and Working Conditions (Eurofund): <http://eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/european-social-model>.

expansionary austerity has faced the test of experience and has failed. Wherever austerity policies have been applied, recovery from the crisis has been halted”¹¹ or “In effect, we have been transferring money from the poor to the rich, from people who would spend the money to people who do not need to spend the money, and the result of that is weaker aggregate demand”¹² – to quote just a few.

15. As rapporteur of the present report, I fully agree that the crisis has affected us all, and in my own country, Portugal, this was certainly felt by many in recent years. However, I do not believe that the present crisis is the only challenge for the ESM, which faces various more deeply rooted problems. These are related to global socio-economic evolutions having started well back in the 20th century, and which pose serious problems today because many of our countries have not adapted to them quickly or effectively enough, and European mechanisms to deal with issues related to the Eurozone and globalisation were neither completed nor effective. Furthermore, at the beginning of the 21st century, new challenges were added which may require even more transversal and innovative response by public policies than ever before and which may lead us to question the very basic values of our current life-styles.

3.1. *General socio-economic challenges to be addressed*

16. There is a broad consensus amongst analysts and decision-makers that the ESM has been under great strain over the past decade – for various reasons, which we could summarise as follows:

- external factors, such as the collapse of the bi-polar world marked by the post-war geopolitical divide, accelerated globalisation, the development of a global information society, shrinking manufacturing sectors (inter alia due to transfers to less developed countries);
- endogenous structural changes in Europe, including demographic trends towards an ageing population and low birth rates, the infiltration of communication and information technologies into all economic and social spheres, the de-industrialisation of Europe, the transformation of family structures and increased migration;
- at the level of societal values, the rise of new forms of individualism and consumerism.¹³

17. These trends have also been observed by economic stakeholders, such as the European employers,¹⁴ who regularly claim that high levels of unemployment in Europe are not mainly caused by the crisis but have been a long-standing feature and structural weakness of European labour markets. The employers are further more convinced that the main structural weaknesses within the European Union to be overcome (as a cause of the lack of global competitiveness) are non-wage labour costs, rigid industrial relations systems, and a general mismatch between people’s qualifications and labour market requirements.

18. Accordingly, the employers’ side in many countries across Europe regularly calls for more flexible measures for creating employment in times of low economic growth, and more investment in education and training systems. Although, against the background of my experience in Portugal where many young people today are confined to precarious, low-paid and part-time jobs, I do not agree that ever more job flexibility will help us address the challenge of long-term unemployment and equal opportunities for the young generation, I fully agree that education and training will be key in addressing current economic challenges.

19. An important contribution to this debate has been made by the Organisation for Economic Co-operation and Development (OECD) in recent years. Already in 2008, the organisation had shown that, in previous years, the gap between the rich and the poor had been increasing in most of its member countries (up to a relation of 1:9 between the income of the poorest and the richest), even in traditionally egalitarian countries such as Germany, Denmark or Sweden (relation of 1 to 6 in 2011).

¹¹ Caritas Europa: The European Crisis and its Human Cost (2014), Crisis Monitoring Report 2014, see: http://www.caritas.eu/sites/default/files/caritascrisisreport_2014_en.pdf.

¹² Stiglitz, Joseph: The global crisis, social protection and jobs, International Labour Review No. 148 (2009), see: http://zunia.org/sites/default/files/media/node-files/la/185071_labor1262060188.pdf.

¹³ Giddens, Anthony – see footnote 4.

¹⁴ Based on information provided by Mr Maxime Cerutti, Director of the Social Affairs Department, Business Europe (European employers’ federation: www.businessseurope.eu) at a hearing on “Social rights and social dialogue in times of crisis”, held in Paris on 2 December 2014.

20. Even though the crisis has certainly added some urgency to deal with inequalities, the root causes were seen elsewhere. One of the lines of “cause and effect” as perceived by the OECD starts with technological progress and information technologies. Whilst being motors of economic growth, they also led to the fact that better-educated, higher earning workers often benefited from higher incomes while lower-skilled workers were regularly left behind, even more so in flexibilised labour markets. This trend contributed to a greater strain on social protection systems (to support those in need), which were, at the same time, contained by tighter rules caused by austerity measures and thus had lower redistributive effects. The OECD therefore suggests two strands of action to overcome persistent inequalities: (1) upskilling the workforce through training and education (starting with early-childhood education) and (2) redistribution through the reform of tax and benefit policies (notably by improving tax compliance and re-assessing taxes on property and wealth, including the transfer of assets).¹⁵

21. As late as June 2014, the OECD in its regular income equality update noted that “well into the recovery from the global economic crisis, the distribution of pre-tax and transfer income remains significantly more unequal than it was before”. In its analysis, the organisation furthermore stated that the income of the poorest 10% of the population had continued to decline or to increase less than that of the richest 10%, whilst a long-term pattern already observed before intensified: youth had replaced the elderly as the group experiencing the greater risk of income poverty.¹⁶ This once again shows, in my view, that the issue of youth employment will be a crucial one in the upcoming years.

22. More recently, in December 2014, the OECD provided further evidence of the fact that inequality hurts economic growth.¹⁷ In its Yearbook 2014, OECD focuses on inclusive growth, jobs and trust, notably calling for support to the young generation, for continuous integration of the elderly into labour markets, and for measures aimed at renewing confidence in public finance systems (through fighting corruption and establishing just fiscal systems).¹⁸

23. With a view to developments expected to have a positive impact on economic growth, ILO has also recently shown that the elderly can be an asset, and encourages policies enticing the elderly to stay in their jobs for longer. Economies that have a labour force that is older than average are likely to have accelerations in growth due to older people’s greater experience and capacity of judgment. To address challenges linked to a shrinking working population (due to higher numbers of non-active elderly), however, employing more women is seen as a key solution.¹⁹

3.2. *The impact of the current crisis on the ESM*

24. The ILO, in co-operation with the European Commission, has undertaken comprehensive and in-depth research on what have been the effects of the crisis and related austerity policies on the six pillars of the ESM: (1) increased minimum rights on working conditions, (2) inclusive labour markets with quality jobs and decent wages, (3) universal and sustainable social protection systems, (4) strong social dialogue, (5) public services and (6) social cohesion and inclusion.²⁰

¹⁵ OECD: *Divided We Stand: Why Inequality Keeps Rising*, Paris, 2011, <http://www.oecd.org/els/soc/49170768.pdf>.

¹⁶ OECD (Directorate for Employment, Labour and Social Affairs): *Rising inequality: youth and poor fall further behind. Income Equality Update / Insights from the OECD Income Distribution Database*, June 2014.

¹⁷ OECD (Directorate for Employment, Labour and Social Affairs): *Inequality hurts economic growth, Focus on Inequality and Growth*, December 2014, <http://www.oecd.org/els/soc/Focus-Inequality-and-Growth-2014.pdf>.

¹⁸ Gurría, Angel, Secretary-General of the OECD: *Inclusive Growth, Jobs and Trust, Introduction of the Yearbook 2014*, <http://www.oecd.org/forum/oecdyearbook/inclusivegrowthjobsandtrust.htm>.

¹⁹ ILO: *World Employment and Social Outlook – Trends 2015*, ILO news item published on 7 April 2015: http://www.ilo.org/global/about-the-ilo/multimedia/audio/WCMS_358943/lang--en/index.htm?shared_from=media-mail.

²⁰ NB: Research was undertaken into 30 different countries with the support of research teams from 12 countries; for the results see: Vaughan-Whitehead, Daniel (ed.): *The European Social Model in times of economic crisis and austerity policies*, compilation of background papers and contributions to the Conference organised by the International Labour Office (ILO) in cooperation with the European Commission, Brussels, 27-28 February 2014; see the executive summary under: http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-brussels/documents/publication/wcms_236720.pdf.

25. In this framework, the ILO notably found that, in the early years of the crisis and in certain countries, the ESM had still worked thanks to certain “automatic stabilisers” in place, such as increased social expenditure to cushion the social effects of the economic shock, or social dialogue to limit layoffs and unemployment. Countries with less well performing social welfare or dialogue systems, such as some of the new European Union member States (including central and eastern European countries) had often encountered immediate and massive layoffs.

26. In the second phase of the crisis, however, austerity packages were made compulsory across Europe and budgetary considerations led to the revision of social policies in most countries. Whilst the pressure was strongest on countries where budgetary deficits were the highest, many countries had noted the effects of austerity programmes on all six pillars of the ESM.

27. Amongst the direct effects of the changes, ILO has notably observed trends towards poorer working conditions (insecure contracts and workplace degradation) and an increase in low wages, poverty and inequality (in particular for households which were poor already). Social deficiencies also increasingly affected the middle class, which saw itself impoverished in many countries and had reduced access to educational and/or health services; this was particularly worrying in the sense that the middle class had always been an important source of funding for social security systems.²¹ Poverty became an extended phenomenon (20% or more of the population) and severe deprivation clearly increased.

28. Further economic effects, also representing obstacles for recovery were: reduced household consumption, lower motivation and productivity, increased social conflicts and historic unemployment rates, once again especially amongst young people. Amongst the policy issues identified as topical with a view to preserving the ESM were: structural adjustments in the labour markets; the need for more balanced policies; the distinction of changes required for reasons of sustainability (pension-system reforms for example) and those imposed by budgetary conditions; the “social acquis” to be “regained”; and a reinforced role for national and European actors.²²

29. It has become evident that, under the pressure of the crisis, trade unions have lost influence and collective bargaining agreements have been undermined in several countries, as also shown in the report leading up to Resolution 2033 (2015) on “Protection of the right to bargain collectively, including the right to strike”, adopted by the Assembly only in January 2015. Part-time and temporary work were no longer exceptional measures applied to overcome difficult times, but increasingly applied as general, long-term measures. On several occasions in past years, the European Trade Union Confederation (ETUC) therefore called for a “social compact for Europe”, which would trigger social progress in the whole of the EU by balancing the effect of current austerity policies. A roadmap on the social dimension should effectively address ethically-charged issues such as inequalities, poverty, unemployment and precarious work, as essential pre-conditions to sustainable economic governance.²³ As the President of Ireland, Michael D. Higgins, reminded us on the occasion of the first part of the 2015 Ordinary Session of CEPA,²⁴ ethics are essential in deliberating on economic matters.

30. Other observers of the crisis even sounded the alarm that the current crisis could become one of democracy: current developments in Europe could undermine its democratic achievements in pursuit of a “perverse economic dogma”, based on continuous austerity programmes where economic stimulation was needed. Whilst, in the post-war period, a cross-party political consensus had led to the set-up of safety-net programmes in many countries, reducing poverty and inequality and enhancing living standards for many, political consensus and social contracts were now perceived as being shredded and leading to a deepening governance crisis in many states, amongst others characterised by the increase of protest votes for populist fringe movements.²⁵

²¹ NB: It may be of interest to point out that the recently started ILO research activities (in 2015) include a project on the impact of the crisis on the middle class; the cooperation and exchanges with ILO in this respect will be pursued.

²² Based on a summary of ILO findings provided by Mr Daniel Vaughan-Whitehead, Senior Economist of the International Labour Office (ILO), at a hearing on the European Social Model, held in Nicosia/Cyprus on 12 May 2014.

²³ European Trade Union Conference (ETUC): ETUC declaration on the proposed roadmap for a social dimension of the EMU, adopted by the ETUC Executive Committee at its meeting in Brussels on 5 March 2013, www.etuc.org.

²⁴ NB: The Canada-Europe Parliamentary Association (CEPA, for further information, please consult: <http://www.parl.gc.ca/jia/Association.aspx?Language=E&DCId=4&DTId=6&P=overview&ORGId=1385>).

²⁵ Unger, David C.: “Europe’s social contract, lying in pieces”, *The New York Times/Sunday Review*, 8 June 2013.

3.3. *The ESM: a way out of the economic crisis?*

31. According to the European Commission, the transmission of recent economic shocks to employment and income was smaller, thus resilience greater, in countries which had more open and less segmented labour markets, more efficient social-protection systems, greater availability and use of short-time working arrangements, stronger investment in lifelong learning, as well as widely available unemployment and other social benefits responsive to economic cycles.²⁶ This shows that the ESM, or at least some of its key components, can serve as factors of resilience and cornerstones on the way out of the crisis.

32. Looking at Europe's socio-economic history and development patterns, this may also be illustrated through the outstanding success of some EU states, both in economic and social terms: Around the turn of the century, the most impressive in terms of performance were Denmark, Finland and Sweden who generated higher growth rates than for example Germany, France or Italy. Amongst the main features of success were said to be their "patterns of social investment". These included, amongst others, major investments into innovative technologies, both through research and education, the introduction of elements of "flexicurity" into their labour markets, and the promotion of family-friendly policies, thus strong investment into children and empowering the female workforce.²⁷

33. Whilst, as rapporteur, I am not convinced that all measures applied in the Nordic countries can be "exported" as such to other countries, I am nevertheless of the opinion that politicians and other stakeholders should take these examples, and other more recent good practices, as sources of inspiration for future social policies. The European exchange of good practice in this field, including via parliamentary fora such as our Assembly, needs to be continued and fostered.

34. With regard to the social dimension of the EU in particular, researchers are also calling for new approaches, including the acknowledgement "that we are facing economic and public financing problems and not problems that are the result of 'overextended' welfare states in the European Union" and that "if welfare states and social cohesion within the Eurozone are not viable in bad times, we have a big problem with the legitimacy of European integration"; the main question perceived here is whether great solidarity within the European Union, [cutting] across nation states can be politically achieved.²⁸

35. Yet others underline that a new proposal for a Social Europe must be associated a rapid exit from the recession and a decrease in unemployment, promoting the idea of a European minimum wage (to vary from one country to the other) as a "bulkward" against deflation.²⁹ The most daring approach even suggests the introduction of a Europe-wide guaranteed minimum income, to be dealt with by a new "EU agency for full employment", proposed to be financed through pension funds or employment bonds issued by the European Central Bank (ECB), based on an extended statute for the latter.³⁰ Such specific and far-reaching approaches, and others, will have to be considered in more depth and negotiated between and within member States in the process towards a future European Social Model.

36. In its Europe 2020 strategy, the European Union defines the overall aim of delivering growth that is smart (through more effective investments in education, research and innovation), sustainable (thanks to a decisive move towards a low-carbon economy) and inclusive (with an emphasis on job creation and poverty reduction), by focusing on five main goals in the areas of employment, innovation, education, poverty reduction and climate/energy.³¹ Or as the European Union Commissioner László Andor affirmed in 2013: "by investing in our citizens – to develop their skills and capabilities and ensure

²⁶ European Commission: 4th Review of "Employment and Social Developments in Europe 2014, 15/01/2015, <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7736>.

²⁷ Giddens, Anthony – see footnote 4.

²⁸ Fitoussi and Timbeau: What does a Social Europe look like today?, in: Roadmap to a Social Europe, Social Europe Report, October 2013, <http://socialeurope.eu/wp-content/uploads/2013/10/eBook.pdf>.

²⁹ Seeleib-Kaiser: What is the Social Dimension of Europe? In: Roadmap to Social Europe, see footnote 26.

³⁰ Based on information provided by Mr Pasquale Tridico, Professor of Labour Economics at the University Roma Tre, at a hearing held in Paris on 24 March 2015.

³¹ More information on "Europe 2020" and related strategies on: http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index_en.htm.

their adequate livelihoods - we will be better equipped to emerge out of the crisis stronger, more cohesive, and more competitive in the long run".³²

37. The European Social Model is not a concept of the past, it is an overall set of social rights and values, some of which have helped us through the most recent crisis (whilst other rights have suffered), and which will also be a safeguard against future economic crises. However, it has become evident that, in the current, global socio-economic context, the ESM itself needs some "modernising", and that a new political and social consensus is needed. Only a renewed European Social Model will effectively address some of the major socio-economic challenges of the 21st century. Without wishing to "invent" an entirely new socio-economic model here, I wish to point to some of the crucial intervention and priority measures required to reduce inequalities in a new demographic and globalised context and to develop modern and sustainable welfare states following the principle of shared responsibilities.

4. "Towards a new European Social Model": a new vision and steps towards it

38. A new shared vision of the European Social Model (ESM) can only be a collective one and it will have to be the result of a negotiation process between different socio-economic stakeholders, including political parties, public authorities, social partners and civil society. Given that there has never been the one ESM, but many models across Europe, new visions will certainly have to be adapted to different countries, taking into consideration not only the society that people want to shape in a given country, but also what is feasible in a given economic context.

39. Nevertheless, I would like to share my own personal vision of a new ESM. It partly corresponds to the ILO definition provided upfront and would therefore include – in my own words – equal access for all to employment, to decent working conditions, to social protection systems and to public services, including education and health care with the objective of overcoming or at least minimising inequalities at various levels in the medium term. It also would include special support to those in need of special protection including children, the young people, the elderly, and those regularly discriminated against, including people with disabilities, ethnic minorities and migrants. A European societal model should uphold humanist values like social inclusion, cohesion and solidarity.

40. In an ideal world, services provided by modern welfare states would be organised in a fully sustainable manner ensuring that we do not live at the expense of future generations. In the long run, this also means that related challenges, such as environmental protection and climate change or migration policies, should be looked at more closely by all European societies at some point, but shall not be further developed here so as not to exceed the scope of the present report.

41. In the medium term, sustainable welfare systems require rebuilding public trust in public finances by fighting corruption or tax evasion and by revising modes of redistribution, for example by re-assessing taxes on property and wealth (often the main sources of revenue of high-income classes). In this respect, even the European Union has been calling for "tax reforms that reconcile efficiency and equity concerns" most recently, notably calling for a critical look on high labour taxation (as a possible obstacle for job creation) and for fighting tax evasion (as a positive contribution to employment and social policies).³³

42. Another crucial issue of sustainable welfare systems will be the area of health policies. Public (and individual) health is not only a guarantee of workers' productivity and well-being, but also a source of new jobs and income.³⁴ Furthermore, the sustainability of health systems themselves needs to be ensured, notably in times of scarce financial resources, to continue providing universal access to good

³² Andor, László (then European Commissioner responsible for Employment, Social Affairs and Inclusion): Looking Forward: "Social Investment as a way out of the crisis", speech to the Eurofound Forum Social and Employment Policies for a Fair and Competitive Europe, Dublin, 15 February 2013.

³³ European Commission: EU Employment and Social Situation, "Towards tax reforms that reconcile efficiency and equity concerns", Quarterly Review, Supplement December 2014.

³⁴ Friends of Europe: Adapting EU Health Policy to an Evolving Europe, Final Report of the Health Working Group, Brussels, Spring 2015.

quality healthcare to all. Active social inclusion strategies should therefore include broad access to affordable and high-level health services as also being asked for by the European Commission.³⁵

43. Employment, however, must be a key issue for policy-makers in the design and implementation of European and national policies in the face of the crisis. Employment is not only a source of personal income and satisfaction, but fosters social inclusion and cohesion across society as a whole. Or once again as Anthony Giddens puts it in his book "Europe in the Global Age": "Having a decent job is the best route out of poverty".³⁶

44. A special emphasis needs to be put on the issue of youth employment, given that in most countries struck by the current crisis, young people find it particularly hard to enter the labour market at all or to find decent employment. Both the issues of decent jobs and youth unemployment have already been addressed by the Parliamentary Assembly in recent texts which already point to some of the essential measures to be taken.³⁷ At EU level, the "Youth Guarantee" scheme, adopted in 2013 and implemented as of 2015, is a step in the right direction, but it needs to be ensured that national governments also deploy sufficient resources to make this new approach work.³⁸

45. In conclusion and without being more expansive in this version of my report: Europe should be in the first line of those marching ahead, not only in reforming and sharpening its socio-economic policies, but also when it comes to proposing alternative and more sustainable societal values. Efforts are being made by different international organisations and governments to develop new paradigms for defining and measuring economic and social well-being.³⁹ Once again, the Assembly itself has already worked on this issue extensively whilst preparing Resolution 2023 (2014) on "Measuring and fostering the well-being of European citizens". Further research on economic behaviour, happiness, well-being and sustainable growth gives insights into possible paths which do not contradict the ESM. Let us keep in mind that the legitimacy of politics comes from the people and let us continue to work towards the common good.

46. In terms of new visions for the ESM, I therefore believe that economic growth should not be the only and exclusive recipe towards more equality and well-being for all. In terms of a truly sustainable development, I am convinced that we do need to question our current growth ideology at some point, even where it appears in the "guise" of "smart, sustainable and inclusive growth".

5. Conclusions and recommendations

47. The topic of the present report is vast and it could almost result in an attempt to provide a path for the future evolution of European societies and their socio-economic functioning as such. As this is not a realistic objective, I suggest that the Parliamentary Assembly concentrates on key recommendations, aimed at renewing and strengthening the ESM with regard to the most urgent challenges.

48. Coming to the levels of intervention required, as resulting from some of the challenges outlined above, and to the most urgent measures to be taken to overcome current inequalities, I see, *inter alia*, the need for the following lines of action (to be recommended to Council of Europe member States):

49. Social rights at European and national levels:

- ensure the compatibility of new policy measures with individual and collective social rights in particular by consulting in advance national human rights institutions;
- strengthen the implementation of social rights by reinforcing supervisory mechanisms, including by ratifying the Amending Protocol (the so-called "Turin Protocol") to the European Social Charter and its Additional Protocol Providing for a System of Collective Complaints;

³⁵ European Commission: Communication from the Commission on effective, accessible and resilient health systems, Brussels 4.4.2014, COM(2014)215 final.

³⁶ Giddens, Anthony – see footnote 4.

³⁷ See notably: Assembly Resolutions 1828 (2011) on Reversing the sharp decline in youth employment, 1885 (2012) on The young generation sacrificed: social, economic and political implications of the financial crisis, and 1993 (2014) on Decent work for all.

³⁸ European Commission / Employment, Social Affairs & Inclusion: "Youth Guarantee", downloaded (on 05/03/15) via: <http://ec.europa.eu/social/main.jsp?catId=1079>.

³⁹ See for example: The OECD Better Life Index, <http://www.oecdbetterlifeindex.org/>, and Stiglitz et al: The Measurement of Economic Performance and Social Progress Revisited, December 2009.

50. Socio-economic policies:
- develop and implement comprehensive strategies to fight child poverty and to promote youth employment, notably addressing current difficulties for young people entering the labour market;
 - continue to empower women and to integrate them into the labour market thanks to the provision of affordable, reliable and high-quality child-care services;
 - implement innovative ways for continuous employment of the elderly in an ageing society (e.g. through flexible part-time models, mentorship, etc.);
 - develop and implement specific employment strategies for the inclusion of groups which are regularly subject to discrimination (ethnic minorities, migrants, the disabled);
 - provide incentives or directly invest in new activities for increased job creation (such as energy renewables, digital technology infrastructures, innovative health and social services);
51. Educational and training policies:
- develop educational policies and systems aimed at creating equal opportunities from an early age onwards (to break “cycles of disadvantage” through early intervention), and including strategies of life-long learning;
 - ensure professional training and continuous professional education in line with the latest “state of the art” of technological progress (digital technologies, biotechnologies, etc.);
 - strengthen education systems having proved successful in certain national contexts (e.g. “dual systems” combining training “on the job” and academic teaching);
 - orient young people in their transition between educational systems and the labour market to overcome mismatches between available profiles and jobs and favour entrepreneurship;
52. Fiscal legislation and taxation policies:
- strengthen the redistributive effects of taxation systems through relevant reforms (notably re-assessing taxes on property and wealth and taxes on financial transactions);
 - improve tax compliance by fighting tax evasion and the use of tax havens, and redirect the revenues to social and economic investments, thus creating quality employment opportunities;
53. Budget allocation for social protection systems and social benefits:
- improve the sustainability of social protection systems, including by ensuring that social benefits are provided in a targeted manner;
 - guarantee good governance of social benefit systems and fight any form of corruption to maximise the redistributive effects of these systems;
54. Public services and investment:
- redirect savings resulting from other measures to “social investment” policies with an emphasis on new types of infrastructure and services (including renewable energies, digital technologies, innovative health care and prevention);
 - modernise the provision of public services using new digital technologies, developing citizens’ capacities in this respect and decentralising policy-making while ensuring universal access to these services.

55. To conclude: it is certain and evident that the new European Social Model is not something to be achieved overnight. Achieving it is a process striving for a new European consensus on social rights and minimum standards to be guaranteed, on social dialogue and democratic processes to be ensured in every sphere of society, including in economic relations and decision-making, and on values of solidarity and cohesion to be preserved as the guiding principles of socio-economic policies; relevant decisions are to be taken via the usual democratic procedures and votes. There is a large consensus amongst Europeans today that the protection against poverty and reduced levels of income equality are important dimensions of democracy⁴⁰, thus core components of the Council of Europe’s ambition for Europe.

56. Any public and private action to be led in Europe today should always be guided by a common vision of shared responsibilities, equal opportunities for all from an early age onwards coupled with strong social security systems and fair levels of redistribution. However, such a model needs to be

⁴⁰ European Social Survey: Europeans’ Understandings and Evaluations of Democracy: Topline Results from Round d 6 of the European Social Survey, Issue 4, see: <http://www.europeansocialsurvey.org/>.

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sustainable as Anthony Giddens reminds us⁴¹, which is why Europe should move on from the traditional welfare State to the social investment State or positive welfare, promoting education and skills, prosperity, active life choice and social and economic participation. Whilst the classical welfare State was more of a risk management system, the social investment State should better anticipate developments and find a new balance between individual responsibilities and contribution and State interventions, without neglecting its function for social protection and stabilising the economy. As the European Social Protection Committee recently argued: “now is the time to build adequate, effective social protection systems that combine a strong social investment dimension with better protection”.⁴²

⁴¹ Giddens, Anthony: *Turbulent and Mighty Continent: What Future for Europe?*, Polity Press 2014; see book presentation on Youtube: <https://www.youtube.com/watch?v=NvYCZyTpdX8>.

⁴² Social Protection Committee (SPC) of the European Union: *Social policy reforms for growth and cohesion, Review of recent structural reforms 2013, Report by the SPC (09/10/2013)*; <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7674&type=2&furtherPubs=yes>.