

GLOBALISATION AND THE REFORM OF THE EUROPEAN SOCIAL MODEL (2005)

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Globalisation and the reform of the European social model

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(the European Commission)

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A. What should be Europe's social model?

[Inspired by the programme « Hebdo » (on Belgium's Canal Z, 3rd November 2005) devoted to the Safir Report]

Europe has a growth problem manifested in its **difficulties in adapting** to the great changes taking place as a consequence of globalisation, changing technology and an ageing population. In addition, its common agricultural policy is **archaic**. 45% of the European Union's budget is spent on it while it has become maladapted to the world situation.

In the face of globalisation, some European countries have been able to adapt better than others and the fact seems linked **to a specific type of social model**.

Seen from afar, from China, India or North-America, the concept of the « European social model » certainly exists; it means redistribution of wealth in the name of solidarity.

Viewed close up, the concept is less monolithic; it is composed of four different models:

1. The Nordic model (of Sweden, Finland, Denmark, the Netherlands and Austria) (1)
2. The British model (Great Britain)
3. The Continental model (Belgium, France, Germany)
4. The Mediterranean model (Italy)

Now economically and socially,
a social model rests on two main criteria:

Efficaciousness and equity

The efficaciousness of a social model can be measured **by the rate of employment** it generates.

The Nordic and British models are **efficacious** in this sense, while the Mediterranean and Continental models **are less so**.

The equity of a social model can be measured by the probability of citizens' falling into poverty. This risk is **high** in the British and Mediterranean countries and very low in the Nordic countries. The Continental model is comparatively **equitable but inefficacious**.

If, in the name of efficaciousness, the job market is **made flexible** to the point that people have ever to be changing jobs, the individual and the social **body are weakened**.

This is the case for the **British model**.

It is **much less** the case **for the Nordic model, which encourages a very flexible job market while respecting equity too**.

The Nordic model, in effect, demonstrates that it is possible to increase efficaciousness **while maintaining** equity, and that the cost of equity does not compromise in the least economic efficaciousness, if the model is flexible **enough to enable adaptation** to the changes of our new millennium.

The Nordic model (at the present point in history) is characterised by **a large social security net**. It embraces social market economies that are very flexible on the job market and on the distribution market for products, goods and services.

This flexibility is supported by **an acceptance of changes in the economy** that may destroy jobs but compensate by the creation of others.

This social model aims above all to protect people rather than particular jobs.

In this sense, the State plays a significant role.

One might object that this model has not had to face the challenges of immigration, the source of tensions between flexibility and integration. This may be true, but the Nordic model has invested enormously in education and research through very high taxes.

In comparison, we to the South **are not doing enough** to develop education and research in order **to reap the hybrid fruits of cultural diversity**.

The average levels of employment in Europe are unsatisfactory because, among other things, older people retire too soon, placing an extra burden on work.

By contrast, in Sweden the level of employment among older people is **higher** than in Belgium while the level of unemployment among young people is **lower**.

On analysis, we may therefore observe that a high employment rate results partly from the way in **which the social model functions**.

If the model is able to encourage the creation of jobs, more wealth will be created, spending power will increase and young people and older people **with both benefit**.

As for the quality of employment, education and research are its main determinants.

Conclusion

Europe, in search of the Common Good, should have the means to exercise an inciting role aiming at efficaciousness and equity, for the status quo is **in the process of becoming untenable**.

Unfortunately, the median European voter, that is to say the voter that determines election victory, is about 50 years old and has **a tendency towards conservatism**.

This voter focuses on preserving his/her status in society, threatened by socio-economic mutations, and in this respect populism is dangerous and non-adapted to our times.

Therefore, policy is of prime importance.

It should put in place **powerful means of communication** in order to make clear for the elector the viable options available and the roads to pursue if we want to turn globalisation into a positive force.

Europe's challenge for the coming years is to combine efficaciousness and equity.

B. The social model proposed by VIVANT

The key to the success of the Nordic model is the equilibrium achieved between efficaciousness and equity.

The problem in our own countries is the populist fight to maintain the status quo **of increasing equity to the detriment of efficaciousness.**

The Nordic model **does not focus on protecting jobs, but rather people**, thanks to a large security net and to the guidance provided to the unemployed in the process of returning to work. In addition, subsidies are granted to businesses for the creation of new jobs.

Belgian leaders went to see how the success was being achieved, and the Belgian government sought to do something similar by:

- providing heavy guidance to the unemployed;
- providing support to the employer in the form of employment subsidies.

For cultural reasons, **this did not work** because some categories of job-seekers in Belgium do not have an advantage in finding work in virtue of the high unemployment benefit rates in comparison with the minimum wage. And employers took advantage of the employment subsidies without concluding long-term contracts.

In Sweden, the business culture encourages **respect** for State aid and a culture of citizenship and stimulates job-seekers in their search for work.

This shows that a model cannot be applied everywhere in the same way in virtue of cultural diversity.

However, on analysis, VIVANT's social model has a greater chance of being adapted to diverse socio-economic and cultural situations.

In effect, while the Swedish model chooses to protect the person rather than the job, VIVANT's model is designed **to protect both** the person and the job, by the following measures:

- granting an unconditional basic income that subsidises structurally both jobs and persons;
- continuously guiding the unemployed by means of social economy companies (2).

While the Continental model favours equity to the detriment of efficaciousness, VIVANT's model establishes equity – through the basic income – while encouraging **flexibility/efficaciousness** of employer and employee (3) through the removal of tax on work.

While the British and Mediterranean models emphasise job creation, but with little social protection/equity, VIVANT's model opens up freedom of enterprise and encourages job-creation (4), while also protecting individuals.

Europe is multicultural, and its citizens, independently of all tradition, aspire to:

1. life-long financial security;
2. freedom of initiative allowing them to be the author of their own future.

Allying flexibility to equity (basic income) by freeing up work and the freedom of initiative (see the Irish example (5)) amounts to realising the universal desire of all people to realise themselves within a dynamic society.

In this way, a general « European social model », redistributing wealth in the name of solidarity, can be realised in a simple and effective way.

(1) Around 1990, Sweden and Finland had lost more than 20% of their jobs. They had no choice but to introduce the concept of flexibility in order to save employment and social security.

(2) Social Economy Companies and Insertion Offices

In order to stimulate pleasure at work and the possibility for everyone to take part in it, Vivant is proposing the creation of social economy companies to receive all those who wish to change job or to return to work.

Any person who has been “dismissed” by a company, or who wishes to work, may register with one of these offices, in the knowledge that Vivant wants to replace the concept of dismissal with the notion of “change”, which implies that to change job is “normal”.

These insertion offices could be a new field of activity for labour unions. They would work with training and temporary work for the municipalities, the State and private enterprises. In part, they would take over the activities of the ALE, of the Welfare Offices, of FOREM and of the private sector “temp” agencies, while providing real status to their participants and a salary to match.*

Financing for these companies should be found either in the dismissal compensation paid by the employee to obtain a decent guaranteed income during the training period, or through a system of insurance paid for by the employer and the employee. Some companies in Austria already apply this kind of system.

Those who wish to will easily be able to find additional employment. The cost of labour, reduced in certain sectors by the amount of the Basic Income and of social charges, within the context of progressive renewal of the tax system (consumption tax), will encourage job creation. For there are many sectors in which salary costs impede the hiring of personnel (small repairs, education, health care, cultural activities...).

In order to ensure better protection of the ex-salaried employees, it is best to entrust the tasks of the insertion offices to workers’ associations or to trade unions, though not necessarily those existing today. These insertion offices have to keep open, complete and official books (contrary to what is today the case for trade unions, which do not even have to make their financial situation clear to their members).

* FOREM is a public service organism for employment and professional training in the Walloon Region and the German-speaking Community of Belgium.

In this way, the insertion offices will be able to inspire trade unions with a new sense of direction, a new, more open and transparent work-model, and create the space for new union organisations.

This system could therefore engender organisations and structures, all the details and functions of which we cannot yet foresee. The system would however place responsibility on all the actors, in the context of a more visible economy, and would offer job-seekers more opportunities for finding a job that can give them a sense of fulfilment.

Everybody stands to gain from this. Mobility, especially within the company, can become a reality in tomorrow's social economy.

(3) Reciprocal flexibility

Employers need flexibility to enable them to respond to market changes and keep control over the development of their companies; likewise, employees should be able to choose the way they use their time to take account of their personal and family aspirations and the amount of money they need.

Freed from the unemployment trap and assured of an unconditional basic income (safety net), the employee can organise her or his time for work and for social life (service, leisure, &c.) and present her-/himself to the employer as a person with a responsible attitude, adapted to flexibility. In this way each partner gains, while freeing work from taxation renders possible that dynamism which promotes growth together with social cohesion.

*And flexibility is no longer a way of exploiting employees but becomes a **steering tool available to all.***

(4) Guy Verhofstadt at the Hampton Court Summit

“At the European Summit at Hampton Court (London, October 2005), the Belgian Prime Minister Guy Verhofstadt expressed his desire for “an appropriate method for modernising Europe in a globalised world”. He quoted a study made by the European Commission and published last June, which shows that “if the taxes that weigh on work were to seriously diminish, the EU's growth rate would increase, as well as the number of jobs”. [From the European daily newspaper « Agence Europe »]

(5) Reduction of direct taxation in Ireland

In 18 years, thanks in most part to lowering direct tax rates, Ireland has reduced its public debt by two thirds and tripled both employment levels and the amounts of family allowances.