

WORKSHOP The European Lisbon agenda and the national diversity  
29 April 2006, Calouste Gulbenkian Foundation

---

**REPLY PAPER**

---

Jos Berghman, K.U.Leuven

2006.04.18

**The Lisbon Agenda on Social Policy:  
Revitalising the European Social Model**

In a very seminal policy paper written at the occasion of a conference on “The European Identity in a Global Economy” that was organized in Sintra in February 2000 in preparation of the Lisbon Summit under the Portuguese Presidency, Manuel Castells argued that there is a need of ‘a common European identity on whose behalf citizens around Europe could be ready to share problems and build common solutions’ (Castells, 2002: 234). Yet, he wondered as to how such identity could either be found or built. As religion, a common language, the past history or a shared history do not present themselves as obvious candidates for a successful quest, he explored other possibilities. Only in the realm of values he could identify a cluster of elements that looked promising. This cluster refers to the welfare state and explicitly embraces social protection. It consists of ‘shared feelings concerning the need for universal social protection of living conditions, social solidarity, stable employment, workers rights, universal human rights, concern about poor people around the world, extension of democracy to regional and local levels, with a renewed emphasis in citizen participation, the defence of historically rooted cultures, often expressed in linguistic terms. If European institutions would be able to promote these values, and to accord life with these promises for all Europeans, probably the “project identity” would grow’ (Castells, 2002: 234-235). He was aware that some of these elements are in a full process of rethinking and that the welfare state is one of them. Yet, in identifying the latter as a common value carrier he pointed to a possibly crucial role of social protection for the EU itself.

At this moment the need for a common European identity might even be greater than 5 years ago. Moreover, in the awareness that social cohesion (including social policy and the fight against social exclusion) represented one of the angles of the Lisbon Agenda triangle, a critical assessment of the state of the art on this aspect is very important. And thirdly, M.J. Rodrigues rightly says in her Key Issues Paper that the central idea of the original Lisbon Strategy was “to recognize that, in order to sustain the European social model, we need to renew it as well as to renew its economic basis by focussing on knowledge and innovation” (Rodrigues, 2006: 2). Yet it remains unsolved as to what the European Social Model really is.

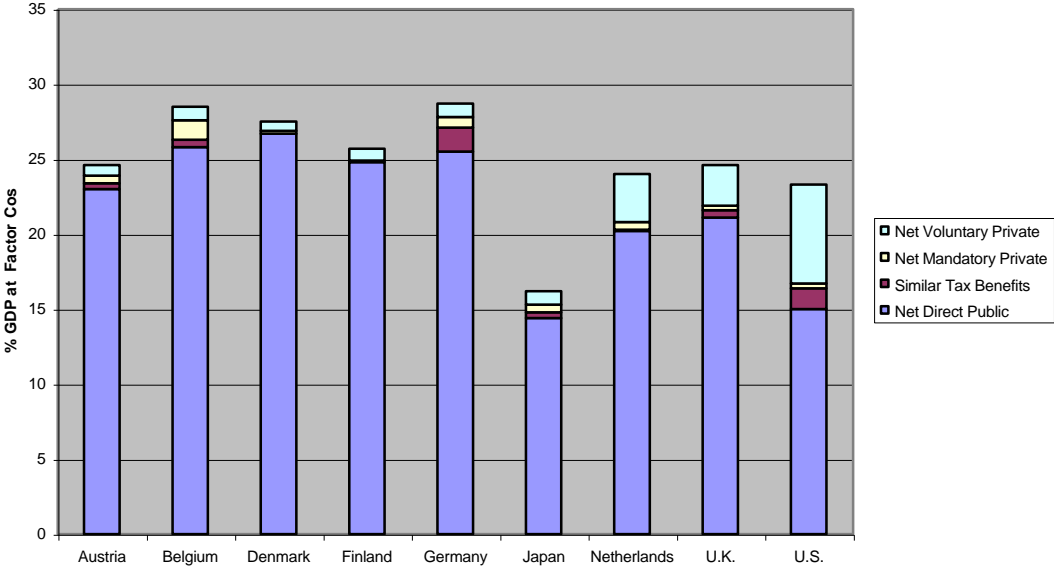
Therefore this reply paper will first of all deal with the European Social Model. On the basis of this three further points can be dealt with: the application of the Lisbon strategy by the Open Method of Coordination, the actual shift of the social policy framework and the meta-type of the European Welfare State in the Lisbon Agenda era.

**1. The European Social Model**

I prefer to argue that the European Social Model presents itself, not as a monolithic reality, but as a dynamic and possibly even dialectic process in which two things are combined: a diversity of national welfare regimes that nevertheless testifies of a common patrimony, on the one hand, and a shared EU social policy profile that is gradually getting shape, on the other (Berghman & Sakellaropoulos, 2004: 242). The question then arises as to whether the shared social policy profile can become part of the common patrimony. The shared EU social policy profile refers so far mainly to initiatives that deal with the “spill over” problems arising from European market integration. Yet, one cannot hold that the normative principles on promoting employment and social protection that figure in the Treaty, that the existing social regulations and directives, that the recent practice of the OMC and its NAP’s, and even that the relatively autonomous social policy network and the institutions through which it is getting shape, do not exist (Hemerijck & Berghman, 2004: 24-25). But this shared profile remains fragile and needs backing from beneath. So, let us have a look at the common patrimony of the European Social Model that could provide this backing.

Beneath the normative, cognitive and institutional commonality that might be found among European Welfare States, it is rather the collective decisions on the labour-income nexus which underpin the welfare systems that are of importance. Some simple indicators help to make the point, starting from a comparison between the European Union (EU-15) and the United States with respect to productivity.

**Figure 1. Extended Net Social Expenditure Indicators, 1997**



Gross domestic product per capita is 30 percentage points higher in the US than in the EU-15. Per employed person this difference is much smaller, however. The difference in numbers of hours worked per capita provides the explanation: not because the hours worked by individual workers is higher in the US, but because more Americans are allowed to work, yielding a higher aggregate number of hours worked per capita. GDP per hour worked, by contrast, is lower than in the EU, suggesting that the lower skilled workers that are still given access to the labour market are decreasing the average hourly productivity level. In fact, while average remuneration per hour is at a similar level, productivity per unit of remuneration is lower in the US than in the EU (Berghman, 1997). Implicitly, therefore, the EU has 'chosen' for a strategy of high productivity by giving only the most productive workers access to the labour market.

Yet, while implicitly and collectively deciding to be very productive, the Member States of the EU also opted for guaranteeing adequate living conditions to those not capable of being productively inserted in the labour market because they do not yet, or no longer, have the capacity to work. According to Adema (2001) EU countries typically spend between 20% and 26% of their GDP on gross social expenditures, whereas Japan and the US only spend about 15% in this way. (In net terms these figures are somewhat lower to the extent that part of these expenditures return through direct and indirect taxes and social contributions. The latter have a considerable impact on social expenditure levels in e.g. the Netherlands and in the Nordic countries.)

However, when tax expenditure and private expenditure on the same 'social' contingencies are added, the picture changes fundamentally. It then appears that all countries spend at least a quarter of their GDP on social expenditures. Hence, the member States of the EU and the US spend more or less the same share of GDP to provide various social services and benefits, the difference being that in the EU this is done more through obligatory and statutory schemes. By doing so the EU countries find it easier to counter adverse selection mechanisms and thus to be more effective than the US in reducing poverty. So, the common patrimony seems to reside in the combination of productivity with solidarity; the latter inspiring the broad, obligatory, solidaristic welfare institutions.

Yet, the institutions that are deployed by the EU-countries differ. This can be explained by referring to the basic social policy logic and to the way the different European welfare state sub-models locate themselves to it (Berghman, 1997). The social policy logic holds that we educate and train people to ensure that they are able to enter the (paid) labour market and thereby have the opportunity to gain a primary income. Social protection, then, basically operates as a by-pass mechanism in those cases where insertion in the labour force is no longer possible or desirable. In such cases their aim is to mend the situation by guaranteeing the availability of (replacement) income in order to safeguard social integration. Yet, social protection policies cannot confine themselves to the mere provision of income protection, be it at a minimum or at an earnings related level. Income schemes have to be complemented by reintegrative actions like retraining, work mediation and rehabilitation schemes. Thus, the location of social protection within its broader socio-political context makes us aware of the intrinsic connections that exist between social protection, labour demand and labour supply. For society, social protection is a productive factor to the extent that it upholds the basic logic and that it does so in an efficient way.

Social protection, and in a broader interpretation the European welfare state, may then be considered to bear three explicit objectives: to guarantee minimum protection (the Beveridge legacy of the anglo-saxon submodel) and to provide earnings related income protection (the Bismarck legacy of the continental sub-model), in ways that do not counteract reintegration (the Scandinavian legacy of the Nordic sub-model). In this context a fourth, Southern European sub-model is considered as a less elaborate continental model that is still more relying on family solidarity.

Yet, it is very important to be aware that these four sub-models also refer to four different policy-making settings: in the anglo-saxon tradition responsibility for policy making on the fundamental income-labour nexus resides with the democratic political majority; in the continental countries it is the prime responsibility of the social partners whose compromises should be confirmed by the polity; the Nordic model has its tradition of close cooperation between social partners and polity and the Southern sub-model, although less outspoken, also relies on the social partners. This difference in policy making traditions can to a large extent explain the degree of difficulties which Member States confront when trying to recalibrate their welfare state. Especially continental and Southern European Member States that heavily depend on the social contract between autonomous social partners need time to make fundamental policy shifts.

## **2. The OMC in social policy**

Yet, the Lisbon Summit was not only path breaking in conceptualising the ambition of the EU to modernise itself towards a social knowledge based society, it also conceptualised a new method of decision making, called the “Open Method of Coordination” (OMC). This points to the mid-way position that had to be taken by the EU in the social policy field: confronted with the new challenges of globalisation, ageing, technological change... a concerted action was thought to be necessary, but the formal competences would continue to reside with the national authorities. As an inter-governmental device the OMC tried to reconcile both elements. Its success, then, should be assessed, both in terms of it getting the national authorities deploy the needed policy initiatives and in terms of its contribution to getting the national initiatives coordinated into actions that are safeguarding/bolstering/recalibrating the common patrimony.

In retrospect one has to admit that the original enthusiasm that was yielded by the OMC in different social policy fields has gradually lost its momentum. This can partly be attributed to the heavy administrative and consultative process that had to be put in place in order to elaborate valid NAP's and a reliable and feasible monitoring system. The social policy actors are, however, more depressed by the overriding influence of Ecofin, by the diminishing commitment of the Council to social objectives and by the Commission's option to degrade the social angle of the Lisbon triangle.

Meanwhile it has been decided recently to renew the strategy for growth and jobs within a framework where economic, employment and social policy mutually reinforce each other, to bring the social OMC's on social inclusion, pensions and health and long term care together in a tri-annual process and to reinforce its mainstreaming at the EU level. Yet, among social policy actors heavy doubts remain on the awareness and commitment of the EU for social cohesion and for its European social model but, most of all, for the ability of the EU to define

an appealing vision on the renewed way in which productivity and solidarity can be combined in the future, and so on the new way in which the European social model can be revitalised.

One is well aware by now that the operationalisation of social policies should remain a national competence for which the subsidiarity principle is rightly applied. Building on this, the need of explicitly involving the national competence levels in the preparation of the national action programmes is felt. Thus, pleas are made to submit the NAP explicitly for approval by the national government and parliament before sending it to the EU. Yet at the same time one is aware that the overall vision on how to safeguard the common social patrimony of Europe should convincingly be voiced at the EU level. This would not only need a clear commitment by the Commission and its administrators, but also by the Council.

### **3. Towards an adequate social policy framework**

If there is any need to revitalize the European social model in terms of the Lisbon Strategy and taking into account the challenges by which the latter was triggered, and even to have the broader lines of this revitalisation defined and voiced at the EU level, what might then be the substance of such endeavour? In the annex to the Key Issues Paper, both table 1 on “Ideal types of capitalism” and table 2 on “The meta model of the Lisbon strategy”, distinguish different institutional/policy areas that have a bearing on them. From what precedes it will be obvious that it is not only the “social protection” area but also the “wage-labour nexus” area that are traditionally at stake when dealing with the European social model. From the actual discourse on social policy it becomes clear, however, that also the “education” and “competence and skills” areas have to be intrinsically taken into account (Allmendinger & Leibfried, 2003).

The transition from an industrial to a post-industrial, reflexive, information...society has yielded important shifts in the conceptual and policy framework on social protection and the welfare state. The traditional attention that was given to curative transfer systems has been put into question by the high unemployment rates in the late 70's and 80's. This has embroadened attention towards re-integrative policy initiatives. Yet, the success of such initiatives which focus labour supply, quickly reached its limits because of the lack of labour demand. So, the following policy phase has witnessed initiatives to enlarge labour demand. The latter may be welcome to appease labour market problems in the short and medium term but are no final solution. In the longer term, on the contrary, attention has to shift to capabilities, capacity building, transitional labour market-, human resources- and career management (Estevez-Abe e.a., 2001). So, there is a need for a convincing commitment of both the national and the EU level to operationalizes reliable formulas of flexicurity.

In doing so, the redistribution which the social protection and welfare state systems are meant to generate, witnesses an important embroadening of its scope. In fact, the horizontal redistribution that was aimed at by the original social insurances was later complemented by vertical redistributive objectives of the social protection systems. Yet, the pronounced levels of training and expertise that are needed in the highly developed knowledge based society make investments in training of the younger cohorts and in re-training schemes for those on active age an additional priority. In the first place, this asks for a much more pronounced attention and investment in children. Gösta Esping-Andersen commented that “current policy fashion advocates activation, retraining and life-long learning as a way to combat entrapment, but it is well documented that remedial programmes are very ineffective unless participants

come with strong and motivational abilities to begin with. Mobility is a realistic possibility only for those who already possess skills from youth” (G. Esping-Andersen, 2005: 147). So, not only education and training programmes, but also income protection during periods of retraining and parental leave and kindergarten become crucial for a European social strategy.

All this leads to a more pronounced intergenerational redistribution whereby the actual generation has to invest in the new cohorts, not only to make them fit for insertion in the production process and upholding economic growth in Europe, but also to guarantee that the coming generation of Europeans will be able to continue the horizontal and vertical redistribution devices of their respective welfare states tradition, or at least to operationalize once again the productivity-solidarity nexus that represents their common patrimony.

#### **4. The meta-type of the European social model in the Lisbon era**

So then, is there any meta-type of capitalism that is or should underlie the Lisbon agenda? From a social policy point of view two elements come to the front. The first relates to the European social model and the social policy framework this is asking for at this moment. They urge for a meta-type that liberates the welfare state from its traditional curative focus, but manages to incorporate re-integrating and activating policy initiatives. In this sense the Lisbon agenda still holds. The weaker point, however, is that the social angle of its triangle should be more reliable, should be trusted as being fully part of it and not just “the third son that has to wait somewhat for attention”. If the employment policies and welfare state are the second and third parts of the Lisbon triptych that allow the first part to flourish and enable the productivity-solidarity nexus of the European social model to be revitalised, then they should be given attention and materialised as such. A longer term but clear and reliable vision, embracing attention for intergenerational and flexicurity perspectives are most needed.

The second element that comes to the fore is the actual development of the national welfare states. The meta-type that is envisaged in the Lisbon strategy is most in line with the traditional Nordic welfare state sub-model and its emphasis on universal coverage, re-integrative drive, high labour market participation, also of women and its facilitating of the latter by child oriented facilities. This is not to say that all member-states should copy the Nordic sub-model; that sub-model is in further development itself. But, many elements of a Lisbon-proof meta-type are reminiscent of the Nordic tradition. Yet, the promising finding is that many member-states are aware of this challenge and in fact are in a full process of taking initiatives in this direction. For the continental, conservative sub-model where changes in this direction may be supposed to be hardest to come by, the recent PhD of Koen Vleminckx on the northern-tier conservative welfare states could convincingly corroborate this trend (Vleminckx, 2006). Added to this, Johansson and Hvinden, scrutinising social policy development in the Nordic, so-called socio-democratic welfare states, found some trends that converge with developments in other welfare state sub-models (Johansson & Hvinden).

\* \* \*

In an incremental way, convergence towards a common active welfare state regime seems underway. Yet, of course, differences continue to exist and provide further justification for subsidiarity; but at the same time the common vision, the common commitment, the European social model, that what unites the Member-states remains underdeveloped, under-voiced and under-backed. So, then, let the member-states deploy whatever they should, in view of the

challenges they are confronted with and in respect of their path dependencies, but let the European level take full responsibility for the overall story. Manuel Castells may be right: there is not so much that the Europeans can be proud of and that could figure as a natural, binding devise. The European social model might be a good idea and the Lisbon Agenda might be the obvious opportunity.

## References

- Adema, W. (2001), *Net Social Expenditure – Second Edition*, Labour Market and Social Policy – Occasional Papers No. 20. Paris: OECD.
- Allmendinger, J. & S. Leibfried (2003) ‘Education and the welfare state: the four worlds of competence production’, in: *Journal of European Social Policy*, 13 (1), 63-81.
- Begg, I. & J. Berghman (2002), ‘Introduction: EU social (exclusion) policy revisited?’, in: *Journal of European Social Policy*, 12 (3), 179-194.
- Berghman, J. (1997), ‘Social Protection and Social Quality in Europe’, pp. 221-235, in: Beck, W., van der Maesen, L. & A. Walker (eds.), *The Social Quality of Europe*. The Hague/London/Boston: Kluwer Law International.
- Berghman, J. & Th. Sakellariopoulos (2004), ‘By way of conclusion’, pp. 241-250, in: Sakellariopoulos, Th. & J. Berghman (eds.), *Connecting Welfare Diversity within the European Social Model*. Antwerpen/Oxford/New York: Intersentia.
- Castells, M. (2002), ‘The construction of European identity’, pp. 232-241, in: Rodrigues, M. J. (ed.), *The New Knowledge Economy in Europe. A Strategy for International Competitiveness and Social Cohesion*. Cheltenham/Northampton: Edward Elgar.
- Esping-Andersen, G. (2005), ‘Education and equal life-chances: Investing in Children’, pp. 147-163, in: Kangas, O. & J. Palme (eds.), *Social Policy and economic development in the Nordic countries*.
- Estevez-Abe, M., Iversen, T. & D. Soskice (2001), ‘Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State’, pp. 145-183, in: Hall, P. & D. Soskice (eds.), *Varieties of Capitalism*.
- Hemerijck, A & J. Berghman (2004), ‘The European Social Patrimony – Deepening social Europe through legitimate diversity’, pp. 9-54, in: Sakellariopoulos, Th. & J. Berghman (eds.), *Connecting Welfare Diversity within the European Social Model*. Antwerpen/Oxford/New York: Intersentia.
- Johansson, H. & B. Hvinden (2004), *New welfare states – new forms of citizenship? On the implications for social protection systems of the turn to active citizenship?*, Paper presented to COST A 15 conference, Nantes, May 2004.
- Rodrigues, M. J. (2006), *The Lisbon Agenda and the National Diversity*, Key Issues Paper, The Lisbon Agenda Group, draft paper, mimeo.
- Vleminckx, K. (2006), *Towards a New Certainty: A Study into the Recalibration of the Northern-Tier Conservative Welfare States from an Active Citizens Perspective*. Leuven: CESO: Centre for Sociological Research, New PhD series nr 99, 381 p. + annexes, mimeo.