



## **The Past, Present and Future of the European Social Model**

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According to Giddens, the European Social Model (ESM) is a disputed notion. Based on some perspectives, the model is not entirely social, nor European by tradition, nor - properly - a model. In speaking about the ESM, we are referring to the European welfare state model whose basic principles were set out in the Beveridge plan in 1942. Although the welfare systems of Member States have grown quite different from each other due to the relative diversity in their administrative, cultural and social traditions, they nonetheless have several similarities, especially when compared to the non-European world (the USA, Canada, Japan). The most important common features of the European Social Model are the high rate and high productivity of employment, the high tax rates and the high level of social security. The balance of these factors is sensitive since it can easily be thrown off by change in its basic elements. And indeed, the European welfare system has been in continuous crisis ever since it came into being, with the result that at least one of the above mentioned factors at any single moment in time is always somewhat unbalanced. But apart from a short period – the Thatcherism of the 80's – no one has successfully cast doubt upon the model of European welfare state. Political debates have not been about alternatives, but rather about how to maintain this delicate balance.

The European social model was at risk in the 90s due to the low level of employment. Cheap labor in the third world resulted in the relocation of traditional production sectors (agriculture, industry). The slowdown in economic growth attracted attention to the fact that the decline in employment was less and less offset by growth in productivity. If there are fewer

working people paying social contributions and taxes, without a change in the level of contributions, only a smaller redistributable social fund can be made available. Thus the system, as currently structured, is no longer able to provide the same level of social security. Raising the level of contributions would increase the cost of employment, which again could potentially lead to the relocation of some sectors to the third world. Thus increasing employment has become a key issue with respect to economic growth, balancing public finance and general welfare.

By the turn of the Millennium, it had become increasingly clear that these employment and social problems were threatening the European Social Model and the development of the region. The EU, however, lacked the appropriate tools to respond effectively to the challenges. The forthcoming enlargement also forced the EU to act, because the social gap between the old and new member states had to be reduced in order to create a viable single market. Among other things, this led to the Lisbon strategy, the aim of which was to make the EU "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion",<sup>1</sup> by 2010.

According to Mariana Iovitu,<sup>2</sup> we are now facing a temporary crisis of the European labour market. She argues that the major issues facing the EU today are:

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<sup>1</sup> Lisbon European Council 23 and 24 March Presidency Conclusion

<sup>2</sup> Iovitu, Mariana: European Social Model - Competitive Advantage or Economic Handicap.  
<http://anale.steconomicueoradea.ro/volume/2010/n1/009.pdf>

- \* A socially-responsible approach to the problems at European level which can lead to successful economic recovery;
- \* The application and generalization of a European Social Model confirms that economic competition can be reconciled with social and environmental responsibility, which means that economic profit can be adapted to social-human concerns;
- \* The education and training of leaders to build a better and stronger Europe, for the benefit of citizens.

Since responsibility and social cohesion are integral parts of competitiveness, Iovitu also focuses on the concept of “corporate social responsibility” (CSR) in order to define a European system suitable not only to the business world but also to human beings.

Hermann and Mahnkopf<sup>3</sup> highlight that the current crisis questions the dominant paradigm, even though the break with neo-liberalism has so far only taken place at a semantic level. If this break persists we should expect material adjustments. In their view, a revitalisation of the European Social Model should focus on three main issues: first on welfare states, employment and working conditions; second on the public sector, in particular on public services; and third on a far-reaching democratisation of European societies.

As Michael Krätke<sup>4</sup> argues, the European Social Model still has a future. He suggests the European left could use it as a trademark for a new political project. “In most European countries the concept of the welfare state, which is not just obliged to the owners of capital but to all citizens, still enjoys the widest support. The neoliberal idea of the minimal state, which goes back to pure relief of poverty, is a long way from having won, even if the market ideologies that are part of it dominate the minds of the so-called elite”. As a first step, the renewal of the European welfare states would have to reverse many of

the reforms that were introduced over the past three decades under neoliberal hegemony. At the same time, the structural weaknesses and insufficiencies of the post-war systems must also be tackled. In a number of countries it would already be a success if the national systems would become more like the Scandinavian welfare states.

To the question, “is the European Social Model an asset or a liability”, Erkki Liikanen,<sup>5</sup> a Finnish social democratic politician and the Governor of the Bank of Finland responds: “it depends”. In a rapidly changing environment, any static model is likely to become a liability. Indeed, economic systems are so complicated that no single policy prescription can ensure rapid and sustainable growth over the long run. Therefore, it would be helpful to shift the focus from copying particular “models” to analysing which structures are needed to support successful and adaptable approaches. By examining the experience of the Nordic countries, he proposes maintaining a social system that is in keeping with core European values. European values of solidarity and social cohesion will be tested by forces of globalization, rapid technological advances and an ageing population. Ensuring that these values are truly reflected in European social models will require many painful decisions. As Liikanen states, “this calls for a frank and honest political discourse that recognizes the benefits and downsides of globalization and other forces that shape the future. To survive and thrive in the global competition, Europe needs to regain its self-confidence and be an open society. Europe must not be focused on preserving structures; it needs to embrace change in order to preserve its core values.”

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<sup>3</sup> Hermann, Christoph and Mahnkopf, Birgit: The Past and Future of the European Social Model. [http://www.ipe-berlin.org/fileadmin/downloads/working\\_paper/ipe\\_working\\_paper\\_05.pdf](http://www.ipe-berlin.org/fileadmin/downloads/working_paper/ipe_working_paper_05.pdf)

<sup>4</sup> Krätke, Michael: Hat das Europäische Sozialmodell noch eine Zukunft? in: *Widerspruch* 48, 2005, p.85-94.

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<sup>5</sup> Liikanen, Erkki: A European Social Model: an Asset or a Liability? [http://www.bof.fi/en/suomen\\_pankki/ajankohtaista/puheet/2007/EL\\_puhe27112007.htm](http://www.bof.fi/en/suomen_pankki/ajankohtaista/puheet/2007/EL_puhe27112007.htm)