

REDESIGNING EUROPEAN WELFARE STATES: A TIME FOR ACTION



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In all the countries of the European Union, the welfare state has come under intense scrutiny as a result of budgetary pressures and wider societal developments. The **Vision Europe** initiative has chosen to focus this year on the future of the welfare state, and aims to develop innovative policy recommendations on how to ensure the long-term sustainability of national welfare systems in Europe. This declaration concludes the first **Vision Europe Summit**, which took place in Berlin on 17-18 November 2015, and the publication of four Policy papers on these subjects.

The values and norms that underpin Europe’s social model are at the heart of what it means to be European. This social model is now under threat, feeding growing political discontent and feelings of personal insecurity. There is an urgent need to reform welfare states and to recast them to meet the needs of the 21st century.

The challenges facing Europe’s welfare states are complex and cross-sectoral. They include pressures on public finances, the extensive societal transformations associated with population ageing, intensifying global economic competition, large-scale migration and disruptive technological change as well as the spillover effects of climate change. Welfare states also need to address new social risks and the growing aspirations for more personalised welfare and social security, as well as the evolving relationship between well-being and the environment. Appropriate responses must be multi-faceted and reflect the scale of the issues ahead.

Welfare states should not be viewed simply as a cost to be borne. Contrary to negative portrayals, they also have the power to invest in human and social capital. Well-designed welfare states can promote sustainable growth in Europe and be a competitive asset. This ‘social investment’ approach, combined with the principle of fairness, should guide reforms. To that end, we make the following recommendations:

- 1. From risk-sharing to risk-avoidance.** European welfare states need to shift from the principle of risk-sharing to risk-avoidance and emphasise more their capacitating role alongside their compensating function. This can be done by strengthening the social investment approach both at national and EU levels. Human capital is an essential asset, and education policies are therefore central. Life-long education, from affordable early childhood education to continuous training for workers, will enhance employment, therefore decreasing the pressure on pension systems as more people contribute, and leading to more individual and collective resilience in our societies. For future generations, it is not only equitable pension systems that are important, but also the quality and quantity of the stock of productive assets they inherit or create. Moreover, adequate social protection is still a necessity and should be designed in such a way so as to maintain incentives for work. Finally, innovative approaches to social services and benefits are necessary to overcome policy stalemates in certain areas, such as the social position of single parents.

2. **From welfare state to welfare societies.** Although the term ‘welfare state’ suggests a strong role of the state in welfare provision, it is not the sole actor contributing to the well-being of its citizens, nor is it always best placed to do so. In order to develop the best solutions as a whole, the welfare state increasingly requires mechanisms of collaborative governance that can support the co-evolution of multiple, mutually reinforcing activities in public, private and third sector organisations. To achieve this, the state needs to strengthen its role as an ‘orchestrator’ - enabling, facilitating, removing barriers to system-wide cooperation, and monitoring outcomes. Overall, instead of ‘welfare states’ we should begin to talk about ‘welfare societies’.
3. **Tackling inequality to create a virtuous cycle.** Europe must integrate two perspectives on social inequality in Europe: inequalities within Member States and inequalities between Member States. We have to tackle both. The European Union should aim to create a virtuous cycle whereby both pan-European cohesion and national cohesion are enhanced. Cohesion is about income and employment, but also about other dimensions of well-being such as equally distributed access to health services or participation in the political process and cultural activities.
4. **Reconcile intergenerational equity with sustainability.** The economic crisis has expanded the welfare gap between the young and old. While youth unemployment and youth poverty rates have increased, government spending has shifted away from education, families and children towards pensioners. To address issues of sustainability, some countries have implemented pension reforms, but these have often favoured current over future pensioners, increasing the intergenerational divide. Appropriate welfare state policies should reconcile these issues by strengthening intergenerational equity in pension schemes and at the same time fostering their financial sustainability. Efforts to consolidate public finances should not lead to disproportionately high cuts in investment, research, education or support to families and children.
5. **Tear down obstacles to labour market integration.** Europe needs a set of complementary strategies and instruments, improving both the social protection and the employment perspectives of households with a weak attachment to the labour market. In a framework that regards job quality and job quantity as equally important, European governments must address two-tier labour systems with ultra-secure permanent workers and vulnerable temporary workers. Common instruments of social policy, such as unemployment insurance, activation and minimum wages, need to be adapted towards new models of employment, both within Member States and at the level of the EU.
6. **Renew welfare state governance through greater policy integration.** European welfare states increasingly face challenges that cut across individual welfare policy sectors. Yet many sectors of welfare policy operate in their own policy silos. Many of the burning issues facing welfare states, such as demographic change or the integration of migrants, will not be solved without policy integration. Achieving this requires governance reform to be set as a priority area of equal importance to socio-economic policy reform.
7. **Clarify the role of the EU and make its actions complementary to national welfare policies.** The EU should integrate clear social objectives into its economic and budgetary governance rather than creating a separate ‘social pillar’, so that the economic and the social dimension are on a par. Although one size cannot fit all, it is clear that European integration has created a popular aspiration for minimum EU-wide standards that avoid a race to the bottom. However, it is important to distinguish what role the EU can play in welfare policy from the central responsibilities of member states to deliver welfare. The EU should play a catalytic role in reforms at the national level, including by reinforcing a more outcome-orientated approach.

This conference declaration was signed on 18 November 2015 at the occasion of the first Vision Europe Summit in Berlin.

The signatories are leaders from the seven think tanks and foundations convening the Vision Europe Summit:

- **Yves Bertoncini**, Director, Jacques Delors Institute, France
- **Piero Gastaldo**, Secretary General, Compagnia di San Paolo, Italy
- **Aart De Geus**, Chairman and Chief Executive Officer, Bertelsmann Stiftung, Germany
- **Mikko Kosonen**, President, Finnish Innovation Fund Sitra, Finland
- **Robin Niblett**, Director, Chatham House, United Kingdom
- **Artur Santos Silva**, President, Fundação Calouste Gulbenkian, Portugal
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and from one associated think tank:

- **Izabela Styczyńska**, Vice-President, CASE - Center for Social and Economic Research, Poland

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