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EMPLOYMENT, MOBILITY AND SOCIAL INVESTMENT: THREE KEY ISSUES FOR POST-CRISIS SOCIAL EUROPE

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SUMMARY

The economic and financial crisis has taken a heavy toll on social Europe. Today's social imbalances are unacceptable, not only because they call into question the ambition that the European Union has set itself to promote social progress, cohesion and justice, but also because they inevitably impact the member states' economic performance and political stability. Though social reality varies widely from one European country to the next, and though social and employment policies are national competences, the post-crisis EU needs to strengthen its "social face".

"THE COMMISSION MUST ESTABLISH PRIORITIES FOR ACTION CAPABLE OF ALLOWING IT TO IMPROVE CITIZENS' FUTURE PROSPECTS"

The social dimension of the European project must be mainstreamed into all EU policies: the goals of full employment and those of social justice and cohesion must be embraced by the Commission as a whole rather than solely by the commissioner responsible for employment and social affairs. Moreover, social issues cannot be reinstated at the heart of Europe's action unless and until dialogue and a relationship of trust between the EU and the social partners are restored. On the basis of the above premises, the Commission must establish priorities for action capable of allowing it to improve citizens' future prospects and to counter the image of Europe as an actor that allows unfair social competition to take place among workers.

In the present situation, with unacceptable unemployment rates in several EU countries, employment must become Europe's primary concern. The EU must put its levers into motion in support of a job-rich recovery: among other things, it must bolster investment, make it easier for small and medium businesses to access credit, and deepen the single market. To ensure that all of the EU member states are able to benefit from the creation of jobs in Europe, the national governments have a duty to improve the performance of their labour markets. If the EU's approach has been based on labour markets' flexibility since the early 2000s, the EU must now step up its action in favour of improving both the transition from the world of education to the world of work and its struggle against undeclared work.

A second key issue concerns worker mobility, which is one of the very foundation stones of the single market and which comprises not only individual benefits but also numerous collective advantages for Europe's economies. This, because worker mobility helps to fill shortages in labour and skills, and to balance out uneven unemployment rates in the various EU countries. Yet despite these benefits, worker mobility continues to be limited in the EU and it suffers from a negative image both in the countries of origin (given the risk of a brain drain or a youth drain) and in host countries (given the risk of social competition). Thus EU leaders must aspire to implement a fully-fledged single labour market offering better working conditions both to mobile workers and to workers in host countries.

Lastly, the EU needs to support member states' efforts to modernise their welfare states in order to ensure that they are effective in promoting social progress, justice and cohesion as well as to guarantee their long-term viability. To achieve this, the EU must promote the social investment paradigm by stressing the importance of education, which entails first and foremost reviewing the pace of the fiscal consolidation being demanded of member states. This, because social investment today has a positive impact on public finances and on economic competitiveness of European economies in the medium term.

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INTRODUCTION

Over the past four years, the crisis in the euro area has badly damaged EU's social face. The crisis and its management have had major social consequences, in particular with heavily rising unemployment, especially among young people, with growing inequality and with dropping household incomes. The divergences among member states have increased, in particular within the euro area where there is a 10 percentage points difference in the unemployment rate between those countries least affected by unemployment and those countries most heavily impacted by it, while that gap stands at a mere 1 percentage point for the countries outside the euro area. In those countries that have been subjected to a macro-economic adjustment programme, fiscal consolidation and internal devaluation policies have been perceived as undermining the countries' welfare states. Pensions and public-sector salaries have been either frozen, at the very least, or actually slashed; the role of the social partners has been called into question; and public spending has been cut in the fields of social protection, education and/or health.

This legacy of the crisis is incompatible with the image of a Europe whose aim is to establish a "highly competitive social market economy, aiming at full employment and social progress" which "shall combat social exclusion and discrimination, and shall promote social justice and protection" (Article 2 in the TFEU). Also, this social imbalance has an inevitable impact on countries' economic performance and it fuels growing mistrust of the EU on the part of citizens, who used to see it as a harbinger of prosperity whereas today they see it as a synonym for austerity.

In this context, it is absolutely imperative for post-crisis Europe to bolster the European project's social dimension. Yet there is an initial difficulty standing in the way of that ambition: employment and social affairs basically fall within national competences, a fact compounded by the knowledge that social models and social situations are very different from one country to the next. In view of this, it will be possible to strengthen the EU's social dimension only if two pitfalls are avoided. The first pitfall to avoid is the kind of scepticism that prompts people to argue that social Europe is not a priority for the EU. That position leads to inertia and it underestimates the importance for the future of the European project of coming up with answers to citizens' problems. The second pitfall to avoid is promoting an overly ambitious agenda for social Europe, because it can spawn frustration among citizens who expect the EU to do much more for them than it is in fact in a position to achieve in the social sphere.

> "THE SOCIAL DIMENSION MUST BE MAINSTREAMED INTO ALL EU'S INITIATIVES"

To bolster EU's social dimension, the new Commission must first and foremost acknowledge that the goals of full employment and of social progress, justice and cohesion must be embraced by the team and not just by the commissioner responsible for employment and social affairs. The social dimension must be mainstreamed into all EU's initiatives and policies, because social policies are inevitably affected by the policies pursued in other spheres (particularly by fiscal policy and by market deregulation policies).

Moreover, social issues cannot be reinstated at the heart of Europe's action unless and until dialogue and a relationship of trust are restored between the EU and the social partners. Even though social dialogue in Europe is enshrined in the treaties, it began to lose its momentum in the mid-2000s. The EU's enlargement to the countries of central and eastern Europe in 2004 and 2007 marked a turning point in the history of social dialogue in Europe, because the new member states did not have a solid tradition of social dialogue. European social dialogue will be celebrating its thirtieth anniversary in January 2015. EU leaders must seize this opportunity to renew social dialogue in the EU28. The assignation of the social dialogue portfolio to one of the

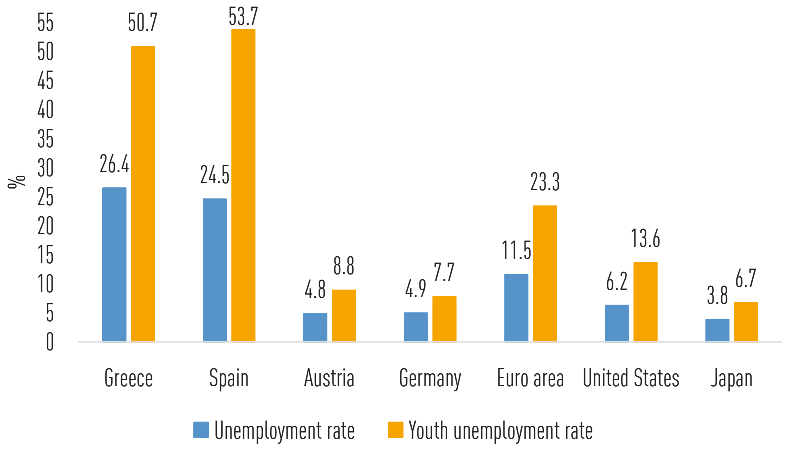
Commission's vice-presidents may be read as a sign that the new president of the Commission has decided to place the issue at the top of the European agenda.

On the basis of the above premises, the Commission must establish priorities for action capable of allowing it to improve citizens' future prospects (which includes defending the European "way of life" based on national welfare states, to which European ,citizens fell immensely attached) and to counter the image of Europe as an actor that allows an unfair social competition to take place among workers. In the current situation, and without intending to exclude other issues from EU's social agenda, we have identified three key issues for post-crisis social Europe: employment *(part 1)*, mobility *(part 2)* and social investment *(part 3)*.

1. Employment (particularly for young people): EU's number one concern

"We live in a Union with a 29th state of unemployed people. (...) This 29th state must be our number one concern". It was with that appeal that president Jean-Claude Juncker ended his engagement letter addressed to employment and social affairs commissioner Marianne Thyssen. Even though unemployment rates are up to five times higher in some EU member states than in others[1], and even though it is primarily the member states' responsibility to breathe new dynamism into their labour markets, the EU must put its levers into motion in support of a job-rich recovery.

FIGURE 1 ► Unemployment figures vs. youth unemployment figures for July 2014 (%)



Source: Eurostat figures

1.1. What role should the EU play in creating jobs in Europe?

The member states today desperately need to boost their prospects for growth if they wish to create new jobs. But to achieve that, it is necessary to strengthen investment in Europe in the knowledge that investment in Europe today is too weak: private investment accounted for 19% of GDP at the end of 2012 (as opposed to 25% in the United States) while public investment accounted for some 2% of GDP in 2012, which was almost two times lower than the figure for the United States (3.5% of GDP)[2]. In view of this situation, it is hardly surprising that the 300 billion euro three-year investment programme announced by Jean-Claude Juncker has been greeted with enthusiasm by numerous players. It is now necessary to move rapidly on from words to deeds, explaining this investment programme's sources (the proportion of the investment that is going to come from

1. In July 2014, Austria showed the lowest unemployment figure and Greece the highest (4.8% and 26.7% respectively).
2. See Natacha Valla, T. Brand and S. Doisy, "A new architecture for public investment in Europe", *CEPII Policy Brief*, n°4, July 2014, pp. 2 and 3.

the public and private sectors respectively), its modalities and its priorities, and to ensure that it is implemented both rapidly and effectively.

In addition to through investment, however, growth within the EU can also be bolstered by completing the single market, whose potential still is not being exploited to the full twenty years after its implementation. The single market is the best endogenous source of growth and of job creation in the EU[3] and it needs to be strengthened in two priority areas: the service industry, and the digital economy. According to the Commission, Europe could add a further 4% to its GDP between now and the year 2020 by stimulating the rapid development of a single digital market[4], a figure which alone would justify the new European Commission president including such a project on the list of his priorities.

While economic deregulation makes it possible to create jobs, it can also be the case that the opposite may occur and that jobs are lost. In those cases where that job loss is substantial, for instance when a major corporation shuts down or relocates, Europe still has a role to play. Thus in 2007 the EU set up the European Globalisation Adjustment Fund to help workers who had lost their jobs in the wake of major structural changes in international trade on account of the globalisation process or, after 2009, in the wake of the worldwide economic and financial crisis. Yet this fund, in which one would expect the trend to be towards higher sums being earmarked in Europe, has had its annual endowment slashed from 500 million euro (2007–2013) to 150 million euro over the next seven years. The EU should not underestimate the importance of this financial aid mechanism because, while the EU is unlikely to be thanked for creating jobs, it is highly likely to see numerous people pointing the finger of accusation at it if it fails to concern itself with the victims of economic deregulation.

Small and medium businesses also deserve special attention in this European job creation agenda. They account for approximately 67% of jobs in Europe, but since the crisis began, their potential for development has been restricted by lack of funding. For small and medium businesses to be able to create jobs, they need to have easier access to credit. Greek, Cypriot and Portuguese businesses today are having to borrow at interest rates that are two or three times higher than those demanded of French or German businesses – a fact that becomes even more worrying if we consider that 80% of small and medium businesses' funding comes from the banking industry[5]. The European institutions must continue to combat this fragmentation of the financial markets[6], but also to work on developing alternative solutions to funding via banks, such as venture capital options and specific small and medium enterprises' bonds, and to strengthen public funding mechanisms (in particular via loans from the European Investment Bank and from the European Investment Fund).

> "ROUGHLY FOUR MILLION JOBS REMAINED UNFILLED IN EUROPE IN 2012"

Naturally, the initiatives that the EU can adopt to stimulate the creation of jobs in Europe will not have the same impact in all of the member states, in particular because the creation of jobs depends largely on the performance of each country's education system and labour market, as shown by the major difference in the unemployment rate in the various member states. The EU cannot of course take the member states' place in terms of their responsibility for improving their labour markets' efficiency, but what it can and must do is to promote an exchange of best practices (especially with regard to the transition from the world of education to the world of work, or to the struggle against undeclared work) and to help to overcome certain difficulties shared by Europe's various labour markets, the most important of which is the mismatch between labour supply and demand (it should do this, in particular, by strengthening and promoting such tools as the European Vacancy Monitor and the EU Skills Panorama). In fact, despite the high unemployment rates of the past few years, roughly four million jobs remained unfilled in Europe in 2012.

3. According to the European Commission's figures, the single market led to the creation of 2.77 million jobs in the EU between 1992 and 2002.
4. European Commission, *Grand Coalition for Digital Jobs*, March 2013.
5. See Olivier Marty, "For the recovery of investment in Europe", *European Issue n°325*, Robert Schuman Foundation, September 2014.
6. The European Central Bank has adopted a number of measures designed to reduce the fragmentation of the financial markets, including a new refinancing programme designed to stimulate bank loans to the private sector (T-LTRO programme - targeted long-term refinancing operation). This programme, with a ceiling of 400 billion euro, allows banks to refinance themselves at 0.25% for a period of at least three years without conditionality.

1.2. Preventing a lost generation: targeted initiatives for young people

Last but not least, Europe must devote special attention to employment for young people (youth unemployment having hit the 23% figure in the EU in 2012, which was twice the figure for total unemployment) in order to prevent the risk of finding ourselves with a "lost generation".

A recent study has estimated that the cost of young people not in employment, education or training (NEET) in 2011 amounted to the equivalent of 1.21% of the EU's overall GDP, or an annual loss of some 153 billion euro[7]. But above and beyond the immediate cost of youth unemployment, there is also a "scarring" effect that impacts young people who find themselves unemployed at the very start of their professional careers: they stand a greater chance of having lower salaries, or of being unemployed again, later on in life.

> "YOUTH UNEMPLOYMENT IS NOT ONLY CYCLICAL BUT ALSO STRUCTURAL"

Taking all of this on board, Europe's leaders made the struggle against youth unemployment one of their priorities in 2013[8]. A 45 billion euro package was earmarked for the struggle against youth unemployment over the period 2013–2015[9], and the member states adopted the Youth Guarantee which is designed to facilitate the transition from the world of education to the world of work, guaranteeing that young people are not out of education, training or work for more than four months. While these initiatives are of course very welcome, their success is going to depend to a large extent on their correct implementation. This must be one of the new Commission's priorities, especially in view of the fact that certain European leaders have been voicing doubts regarding the rapid and effective assignation of the funds earmarked. Also, the initiatives for the future of young people launched in 2013 must mark only the beginning of the EU's commitment to this issue. Youth unemployment is not only cyclical but also structural in nature, which is why it must remain at the top of the European agenda over the next five years.

2. For a single European labour market offering better conditions to mobile workers and to those in the host countries

The free movement of people is one of the most visible expressions of the European integration project for its citizens. And indeed worker mobility is one of the fundamental pillars of the single market, bringing not only individual benefits (professional, linguistic, relational and cultural enrichment) but also numerous collective advantages for European economies. This, because worker mobility helps to fill shortages in labour and skills, and to balance out uneven unemployment figures in the various EU countries, thus ensuring a more effective allocation of human resources.

Yet despite these benefits, worker mobility faces three major obstacles today.

First of all, worker mobility within the EU is still limited. In the United States, mobility measured by the share of persons who lived a year ago in a different state, accounted for 2.7% of the population in 2011–2012, while mobility within the EU stands at approximately only one-tenth of the level seen in the United States (annual cross-border mobility rate estimated at around 0.2%)[10]. While the crisis may have fuelled the perception of a major increase in mobility within the EU, the truth of the matter is that mobility has risen only very slightly

7. Eurofound, *NEET's: Young people not in employment, education or training: Characteristics, costs and policy responses in Europe*, Publications Office of the European Union, Luxembourg, 2012, p.78.
8. The heads of state and government met in Berlin in July and in Paris in November 2013. A third summit was held in October 2014 under Italy's presidency of the European Council. The aim of these high-level meetings is to debate common actions to tackle unemployment among young people in the EU.
9. The figure of 45 billion euro consists in 21 billion for the European Social Fund, 6 billion for the Youth Employment Initiative and 18 billion in European Investment Bank loans.
10. See European Commission, "Labour Mobility within the EU", *Press release*, 25 September 2014.

in recent years. The number of workers from the EU's southern member states moving around within the EU has indeed risen strongly since 2012 (+38%), but that rise has been compensated by a major drop in the flow of workers from Poland and from Romania, the two main countries of origin before the crisis (less 41% and 33% respectively)[11].

Furthermore, the major increase in the departure of workers from the countries most heavily impacted by the crisis is associated with the risk of a brain drain and/or youth drain, which fuels a feeling of hostility towards worker mobility in those countries. In these circumstances, it is important to make it quite clear that if labour mobility can be a short-term response to the major increase in unemployment (mobility represents a better option for workers whose only prospect in their country of origin is unemployment), unemployment demands other solutions – including, first and foremost, initiatives designed to create jobs in workers' countries of origin – to ensure that in the medium term workers are offered job opportunities enabling them to return to their countries of origin if they so wish.

And lastly, worker mobility is increasingly seen by workers in host countries (particularly since the enlargement of the EU in the 2000s to central and eastern Europe) as fuelling what is considered to be unfair social and wage competition among workers.

"A DUAL CHALLENGE IN THE FIELD OF WORKER MOBILITY"

Thus the next European Commission is facing a dual challenge in the field of worker mobility: it needs on the one hand to strengthen worker mobility in order to create a fully-fledged European labour market, and on the other hand it needs to ensure that that mobility does not become a source of tension between mobile workers and their counterparts in their host country.

2.1. Removing obstacles to labour mobility

In order to achieve the first goal, the EU needs to remove those obstacles still standing in the way of the free movement of workers. In a recent report, the OECD lists several obstacles hampering worker mobility in Europe[12], the list being headed up by culture and language barriers. In this connection, the Erasmus + programme support for the mobility of young students, interns and apprentices is of the utmost importance. A recent study found that some 90% of young people who have enrolled in the Erasmus programme have done so to improve their language skills and to strengthen such competences as their flexibility and adaptability (in addition to simply wishing to experience life abroad). The study also concludes that mobile students are twice as likely as non-mobile students to change country at least once after graduating. Youth mobility support programmes do not have an impact only on the mobility of Europe's future workers but also on their future career, because the study in question shows that former mobile students are half as likely to experience long-term unemployment compared with those not going abroad[13]. Thus in view of this, we need to encourage the European institutions to continue to strengthen initiatives in support of youth mobility, as indeed was the case recently with a 40% increase in the Erasmus + programme's budget for 2014–2020.

In addition to the language and culture barrier, it is possible to identify three other kinds of major obstacle standing in the way of worker mobility.

First of all, worker mobility is hampered by differences in member states' taxation and social security systems. These different national systems present mobile workers with two kinds of difficulty: on the one hand they risk losing the rights that they have built up in their country of origin when they leave it, while on the other they are not sure that they will be able to benefit from all of their rights in their new host country. To remedy this situation, the EU has established a system for the coordination of social security benefits. Thus the legislation currently in force allows job-seekers, in particular, to claim up to six months' unemployment benefit while they

11. European Commission, *op. cit.*
12. OECD, *Economic surveys – European Union*, Paris, March 2012.
13. See European Commission, "Erasmus Impact Study: Key findings", *Press release*, 22 September 2014.

are looking for a job in another member state, and in 2014 the Commission submitted a proposal designed to simplify procedures for the assignation of unemployment benefits in cross-border situations. European legislation also guarantees the "portability" of pension rights, including supplementary pension rights since 2014. At the same time, in order to protect mobile workers in their host country, a new directive was adopted in 2014 for the purpose of establishing measures designed to make it easier for mobile workers to exercise their rights[14]. The main challenge in this sphere today is to ensure that member states correctly transpose these European directives into their national law and make full use of the legislation in force because, as the OECD stresses, they do not always do so.

Secondly, access to jobs in another member state can be hindered by procedures regulating the recognition of professional qualifications (and this, even though the EU has implemented a European system for the recognition of qualifications), or by the strong presence of regulated professions and of difficulty of access to public-sector employment. The Commission needs to pursue its work on simplifying administrative procedures for recognising qualifications, and it needs to bolster trust among the competent authorities in the member states, in particular by adopting a "European Professional Card"[15].

Lastly, hunting for a job in another member state continues to be a complex process; workers still have trouble accessing job offers outside their own country. It is therefore necessary to strengthen the sharing of information on job vacancies, and doing that rests essentially on improving cooperation among the national employment agencies and also on improving the EURES network[16]. This latter network has to become a fully-fledged pan-European support tool for recruitment and placement services.

2.2. Containing the risk of social competition in Europe

"EQUAL SALARY FOR THE SAME JOB IN THE SAME PLACE"

In order to prevent mobility from becoming a source of tension between workers, the Commission needs to guarantee that that mobility does not undermine the rights or the working conditions enjoyed by workers in the host country. It needs to ensure that the principle of an "equal salary for the same job in the same place" is honoured. In this domain, the primary focus should be on improving communication. The Commission must make it quite clear, and it must insist on the fact, that European legislation concerning worker mobility is not a source of wage undercutting or social competition among workers because tension, in an overwhelming majority of cases, is caused by situations of illegality or by failure to comply with existing legislation. This applies in particular to posted workers; it is not the principle of posting workers that is the main source of the problem today, but the fact that the directive regulating that principle is being circumvented[17]. Moreover, mobile workers are more vulnerable to undeclared work, which creates a de facto situation of unfair competition with other workers. Yet this competition is a product of their status as undeclared workers, not as mobile workers. Thus the chief problem is not European legislation but rather monitoring to ensure that the rules in force are applied. And in that connection it is necessary to make it clear that while the rules are defined at the European level, it is the national authorities that are responsible, as things stand right now, for implementing them and for ensuring that they are complied with.

While this clarification is necessary, however, it must not turn into a pretext for exonerating the Commission from its duty to guarantee the proper functioning of the European labour market and to ensure that it does not

14. Directive 2014/54/UE of the European Parliament and Council dated 16 April 2014 relating to measures facilitating the exercise of rights conferred on workers in the context of the free movement of workers, which includes in particular guaranteeing mobile workers that they will have access to advice, information and support in the host country and offering them the means to appeal in the event of discrimination.
15. The European Professional Card is a project designed to facilitate the free movement of professional people in the EU by introducing simpler and more transparent administrative procedures for the recognition of qualifications. In the spring of 2014, the Commission launched a consultation with a view to introducing the card for seven preselected professions (nurses, doctors of medicine, chemists, physiotherapists, engineers, alpine guides and estate agents).
16. The EURES network endeavours to facilitate the free movement of workers within the EU by providing information and advice to workers wishing to work in another European country and by assisting employers wishing to recruit workers in other EU countries.
17. Kristina Maslauskaite, "Posted workers in the EU: state of play and regulatory evolution", *Policy paper No. 107*, Notre Europe - Jacques Delors Institute, March 2014.

become a source of social or wage competition. It is in that connection that the Parliament and Council adopted a new enforcement directive in May 2014 to increase the protection of posted workers, in an effort to limit the number of situations of illegality and of fraud. The Commission will need to evaluate the results of this enforcement directive and, if necessary, to engage in a new revision – as indeed Jean-Claude Juncker proposed in his address to the European Parliament on 15 July[18]. For instance, the Commission could complete member states' action by drafting a "black list" of companies in breach of European rules.

Yet these measures may prove to be insufficient in preventing situations of illegality and of fraud. This, inasmuch as some countries suffer from the absence of supervision because they do not have a structured administration in terms of labour inspectorates, or because even when national inspectorates are well organised, they lack the resources necessary to perform their tasks due to current budget constraints. In view of this situation, the new Commission should study the feasibility of, and the modalities for establishing, a European agency of labour inspection in line with a proposal formulated, in particular, by former single market commissioner Michel Barnier[19]. Unless social and salary rights are respected, unregulated worker mobility will fuel increasingly strong protectionistic reactions of closure which will only undermine the single market.

3. Promoting a pan-European agenda for social investment focusing on education and training

Europe's stance has been forged around two key messages since the crisis first broke out in the euro area: member states must consolidate their public finances in order to reduce their excessive deficit and/or debt; and member states must implement structural reforms designed to reinforce their economies' competitiveness. Since 2012, however, there has been a growing focus on the need to strengthen investment in Europe in order to impart a fresh thrust to growth and to create jobs. Too little importance, however, has been devoted to the impact of the policy pursued in recent years on member states' national welfare states. No one can deny that, in numerous countries over the past few years, social expenditure and consolidated social rights have been treated as adjustment variables in the light of fiscal imperatives and of the demands of competitiveness.

3.1. Social investment to modernise the welfare states but also to consolidate budgets and to foster competitiveness

In view of this situation, many voices have been raised in favour of a "social investment pact"[20] in the EU designed both to provide a response to the impact of the crisis on national social policies and budgets and to promote the modernisation of member states' individual welfare states. In fact, the Commission already adopted a "social investment package" back in February 2013, arguing that the figures show that "member states with a firm commitment to social investment have lower rates of people at risk of poverty or social exclusion, higher educational attainment, higher employment, lower deficits and higher GDP per capita"[21].

The concept of social investment is based on social policies designed to "prepare" individuals, families and societies for adapting to change rather than simply to "repair" the damage done by market failures, by inappropriate policies or by personal adversity. It focuses in particular on educational and childcare services, on the prevention of early school-leaving, on lifelong learning, on access to health care and on support for the elderly in order to allow them to live an independent life for as long as possible. The notion is based on

18. See Jean-Claude Juncker, "A new start for Europe: my agenda for jobs, growth, fairness and democratic change", *Political guidelines for the next European Commission*, 15 July 2014.
19. Reuters, "Barnier propose une agence européenne d'inspection du travail", 3 December 2013.
20. See for example Frank Vandenbroucke, Anton Hemerijck and Bruno Palier, "The EU needs a social investment pact", *Opinion paper n°5*, European Social Observatory, May 2011.
21. European Commission, "Social investment: Commission urges member states to focus on growth and social cohesion", IP/13/125, February 2013.

appropriate complementarity between the "protection of human capital" by traditional means (in particular, unemployment, sickness and old-age benefits) and the "development of human capital" through education, training and activation[22].

Finland is one of the best examples of the success of this approach. Between 1997 and 2007, Finland is one of the countries that increased its expenditure on social investment the most. That expenditure accounted for roughly 12% of GDP in 2007, as opposed to a mere 6% ten years earlier[23]. Finland is also one of the EU member states with the highest social expenditure rate (30.5% of GDP). Yet despite that, Finland is one of the only EU member states never to have recorded an excessive public deficit since 1997 and its indebtment level stands at less than 60% of GDP, which is the ceiling laid down in the treaties. Furthermore, Finland has the most competitive economy in the EU, coming in at fourth place in the "Global Competitiveness Index".

TABLE 1 ► Competitiveness and social expenditure (in cash and in benefits in kind) in a selection of EU member states

	POSITION IN THE GLOBAL COMPETITIVENESS INDEX 2014	SOCIAL EXPENDITURE AS % OF GDP IN 2013	SOCIAL EXPENDITURE IN CASH BENEFITS AS % OF GDP (2013)	SOCIAL EXPENDITURE IN BENEFITS IN KIND AS % OF GDP (2013)
Finland	4	30.5	18.4	12.2
Germany	5	26.2	14.7	11.5
Netherlands	8	24.3	11.9	12.4
Sweden	10	28.6	13.5	15.2
Denmark	13	30.8	14.6	16.2
France	23	33	19.5	13.5
Spain	35	27.4	17.6	9.8
Portugal	36	26.4	18.3	8.1
Italy	49	28.4	19.3	9.1
Greece	81	22	15.5	6.5

Source: *Global competitiveness index 2014,* OECD SOCX Database.

Current circumstances are certainly not auspicious for the adoption of a common agenda in favour of social investment in Europe, because budget constraints are still in place and the EU has other projects on which to focus – projects in connection with which its action is perceived as more legitimate, completion of the single market being a case in point. Yet despite that, the fact that the EU's capacity for action in this sphere is limited must not become an excuse for exonerating it from its duty to guarantee social cohesion, justice and progress in Europe, as stipulated in the treaty. As German Chancellor Angela Merkel said: "If Europe today accounts for just over 7 per cent of the world's population, produces around 25 per cent of global GDP and has to finance 50 per cent of global social spending, then it's obvious that it will have to work very hard to maintain its prosperity and way of life "[24]. In view of this challenge, is it justifiable in the citizens' eyes that the EU be the guardian of its member states' budgetary discipline (when budget policy is, after all, a national policy) but that it wash its hand of the duty to ensure that its member states' individual welfare systems are effective and financially viable in the long term? Because a *sine qua non* condition for there being social progress, justice and cohesion in the EU is that each country have a welfare state at the national level that is effective in reducing inequality and in promoting social progress.

National welfare state systems perform very differently, which justifies a pan-European agenda designed to foster upward convergence in relation to effective social public expenditure in Europe. The Commission must

22. See Anton Hemerijck, *Changing Welfare States*, Oxford University Press, 2012.
23. Verena Dräbing, "Welfare transformation and work & family reconciliation: what role for social investment in European welfare states?", *NEUJOBS Policy Brief n°D5.6*, September 2013.
24. Angela Merkel, quoted in an article entitled "Merkel warns on cost of welfare ", *Financial Times*, 16 December 2012.

promote cooperation and an exchange of best practices among member states, while also offering technical support to governments to help them to introduce the reforms required to modernise their national welfare states. The adoption at the European level of the Youth Guarantee – inspired by a similar initiative which has produced good results in Finland – is an excellent example of the kind of initiative that the EU can promote in its pan-European social investment agenda.

3.2. The human capital challenge: priority to education and training

Priority in this social investment agenda must go to education and to lifelong learning. Anton Hemerijck's book entitled *Changing Welfare States* contains calculations showing that if a country invests strongly in its human capital on a lifelong basis, the work force's productivity increases, as does the rate of participation in the labour market; thus countries fund their welfare state by investing in future taxpayers.

The worrying thing in Europe today is that the countries that most need to invest in their education system are the self-same countries that have the smallest room for manoeuvre to do so. There are major inequalities within the EU in terms of successful schooling. As we can see from Table 2, almost one young person in four leaves education early in Spain, compared to approximately one in fourteen in Sweden. And one young person in two gets into higher education in Sweden, as against less than one in four in Italy. This inevitably has an impact on the work force's productivity and on its job prospects. As Franck Vandenbroucke has pointed out: "There is no simple causal relationship that explains employment in terms of educational attainment but it is notable that Greece, Italy and Spain all combine low employment rates with weak PISA scores for the educational achievement of their 15 year old students"[25].

"A MAJORITY OF EU MEMBER STATES CUT THEIR EXPENDITURE ON EDUCATION IN 2011/2012"

The EU has taken this challenge on board, establishing two goals in the sphere of education in its Europe 2020 Strategy: bringing the early school-leaver rate down to less than 10%, and raising the higher education level to at least 40% of the population between the ages of 30 and 34. Yet as Vandenbroucke adds: "Education still fails to receive the attention it deserves at the highest levels of European decision-making and in the setting of budget priorities"[26]. According to a recent European Commission study, a majority of EU member states cut their expenditure on education in 2011/2012. That majority includes the three countries which show the highest early school-leaver rate in Table 2: Portugal and Italy slashed their education budget by over 5% and Spain by between 1% and 5%. Sweden, on the other hand, is one of the eight EU member countries that actually increased their expenditure on education over that period[27].

25. Franck Vandenbroucke, "A European Social Union: ten tough nuts to crack", Friends of Europe, Spring 2014.
26. Franck Vandenbroucke, *op. cit.*
27. European Commission, "Funding of Education in Europe 2000-2012: The Impact of the Economic Crisis", *Eurydice Report*, Publications Office of the European Union, Luxembourg, 2013.

TABLE 2 ► Indicators relating to employment and education in a selection of EU member states

	UNEMPLOYMENT RATE FOR THE 20-64 AGE GROUP	YOUNG PEOPLE LEAVING EDUCATION AND TRAINING EARLY (% OF THE POPULATION BETWEEN THE AGES OF 18 AND 24)	HIGHER EDUCATION LEVEL, FOR THE 30-34 AGE GROUP
Finland	73.3	9.3	45.1
Germany	77.1	9.9	33.1
Netherlands	76.5	9.2	43.1
Sweden	79.8	7.1	48.3
Denmark	75.6	8.0	43.4
France	69.5	9.7	44.0
Spain	58.6	23.6	42.3
Portugal	65.6	19.2	29.2
Italy	59.8	17.0	22.4
Greece	53.2	10.1	34.6

Source: Eurostat figures

Without going as far as to call for the introduction of a "golden rule" for social investment, among other reasons because it would be technically difficult to implement, it seems inevitable that the EU will have to revise the budget consolidation pace in Europe, offering additional flexibility to those countries that need to invest in qualifying their work force. This is crucial to boost the growth prospects of the countries in question, and that, in turn, is crucial for them to pursue their budget consolidation, which is not a matter of a couple of years but of several decades, if we look at indebtment levels in Europe (almost 90% of the EU's GDP).

CONCLUSION

In the course of his address ahead of the European Parliament's confidence vote in the Juncker Commission, the Commission's new president said that he wants Europe to have a "social triple A", stressing that it is necessary to act in such a way that the "European social model emerges clearly in each of the actions" undertaken by the Commission.[28] This approach is consistent with the need for the EU's social dimension to be mainstreamed into all EU policies. The question now is to discover exactly how the Commission intends to translate its intentions into actions. Yet even then, for the EU's social face to be strengthened, the Commission's will and action, while necessary, are not sufficient on their own. This, because one of the chief obstacles hampering the strengthening of social Europe is its national leaders' lack of interest in fostering any real progress. As Jean Pisani-Ferry has explained, the member states "are united by their common will not to share"[29]. In order to make progress, therefore, it is going to be necessary for all of the players – the Commission, the member states, the social partners and the European Parliament in particular – to make a serious commitment in that direction.

We have suggested three priorities for post-crisis social Europe. These priorities, however, do not imply the exclusion of other key issues from EU's social agenda, such as the definition of common social standards or the implementation of an unemployment benefit scheme at the European level. The debate on the feasibility and the modalities of those initiatives, however, cannot help but be a longer-term affair in view of the lack of backing at the national level and of the technical difficulties involved in their implementation. Thus the post-crisis social agenda must include the three priorities that we have identified, but of course, it must not be confined to those three priorities alone.

"SOCIAL EUROPE CAN BE THE CEMENT OF THE EUROPEAN PROJECT"

The extent of the ambition put into strengthening the EU's social dimension is going to depend on the European leaders' ability to recognise that social Europe can be the cement turning the European project into a sufficiently attractive project for it to become something more than a mere group of countries united by purely economic interests. The construction of social Europe can become a theme for mobilisation by providing an answer to the European citizens' widespread indifference towards the common blueprint.

28. "Commission européenne: l'équipe Juncker adoubée par le Parlement", *Les Échos*, 22 October 2014.
29. Sofia Fernandes and Marie Billote, "Towards a more social Europe", *Synthesis*, Notre Europe – Jacques Delors Institute, July 2013.

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