

UNEQUAL EUROPE

RECOMMENDATIONS FOR A MORE CARING EU

Final report of the High-Level Group on 'Social Union'

Spring 2015



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Spring 2015
Brussels

This report has been drafted on the basis of a series of meetings, discussions and written contributions from the members of the High-Level Group, under the sole responsibility of Friends of Europe and the Chairman of the High-Level Group, Frank Vandembroucke. Members have agreed to co-sign this report as they have judged it to be a fair and balanced exercise. The views expressed in this report are opinions of the individuals in the High-Level Group, and not necessarily the views of the organisations they represent, nor of Friends of Europe's Board of Trustees, its members or partners.

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INTRODUCTION

The unwelcome truth that 'Social Europe' has been slipping down the EU's policy agenda last year impelled Friends of Europe to convene a high-level yet heterogeneous group of experts to analyse the facts and propose solutions.

This report sets out to assess the strengths as well as the weaknesses of the social policies that have been fundamental to the creation of the European Union itself. On the basis of these findings, it recommends to the new European Commission and the EU institutions as a whole actions both to reaffirm Europe's social principles and to address its competitiveness goals.

The members of the group span an unusually wide range of opinion, and at first there were fears that they might only agree on a limited number of issues. The first meeting of the Working Group in Spring 2014 quickly dispelled those doubts, for their shared concerns and a spirit of cooperation placed the emphasis firmly on consensus.

Three plenary meetings and a complex process of written contributions were chaired by the report's lead author, former Belgian deputy prime minister and social affairs minister Frank Vandebroucke. His earlier Friends of Europe social policy report 'Ten tough nuts to crack' supplied a valuable background to the group's discussions, and his own ministerial track record play a vital part in the recruitment of Working Group members with such disparate backgrounds.

The list of members can be found at the beginning of the 'Unequal Europe' report. Its wide-ranging nature can be judged, though, from the inclusion of trades union leaders like Reiner Hoffmann, head of Germany's DGB, Philippe de Buck, who for many years ran the BusinessEurope employers' confederation, Anna Diamantopoulou, former Greek minister of development and competitiveness, Pascal Lamy, former head of the WTO, and the then EU social affairs commissioner László Andor.

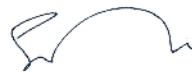
The Working Group's proposals should be read carefully, for they contain the precise wording and nuances needed to achieve members' agreement. But the thrust of the recommendations is simple and clear – policymakers at EU and national levels must act urgently to recover lost ground in areas stretching

from education to employment and job creation right across to the treatment of immigrant job-seekers, within the EU and from further afield.

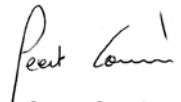
The group calls on Jean-Claude Juncker's new EU Commission to take a far broader approach to social investment. That is essential, the report argues, to avoiding long-term burdens on economic growth. It sees a need for greater investment in caring arrangements for the deprived and under-privileged, and in education and training to ensure equal opportunities for all.

In short, a return to the solidarity that was such a feature of European integration from the days of the Rome treaty to the EU's 'big bang' enlargement of 2004 and thereafter. Inter-generational solidarity and a renewed sense of social cohesion and cohesion between richer and poorer member states are twin concerns.

The message of the report, against the background of unacceptably high unemployment in so many EU countries, particularly of young people, is that human investment must be given equal priority with investment in infrastructure, innovation and all the other areas seen as crucial to Europe's global competitiveness.



Giles Merritt
Secretary General
Friends of Europe



Geert Cami
Co-Founder & Director
Friends of Europe

TACKLING INEQUALITIES AND REGAINING SELF-CONFIDENCE

- The EU is going through a great economic, political and social crisis, and it is confronted by pressures that threaten fundamental change.
- The break-up of the eurozone is still possible, and the EU's social fabric is under major stress. This results from growing inequalities and social imbalances, and is also caused by increased fears for the future of our social model, and not just among young people.
- The steady decline in public confidence in the EU's ability to reconcile openness and cross-border mobility with robust welfare states and their generous social protection has seen a rise in disenchantment with the concept of 'European solidarity', and in doubts about the European project itself. The risk is a vicious circle of political paralysis and inaction.
- Friends of Europe has gathered a High-Level Group to analyse and address this situation. Its members come from different backgrounds and hold different opinions on many questions, but they share a fundamental conviction that we can be confident about the future of our welfare states. This isn't based on a return to the pre-crisis status quo, but on the opportunities for change that are still available.
- Change must address Europe's widening inequalities and social imbalances, and open the way to greater cohesion between EU member states¹. This implies addressing tensions between generations and enhancing trust on issues like mobility and migration.
- Europe has become unequal and unbalanced, between people and between member states:

¹ These widening inequalities are documented in detail in the Bertelsmann Stiftung's 2014 publication 'Social Justice in the EU' [http://news.sgi-network.org/uploads/tx_amsgistudies/Social-Justice-in-the-EU-2014.pdf].

- ✓ In many EU countries, there is marked inequality between people with a good job and people without one. This is exacerbated by high unemployment, with youth joblessness in some countries now unacceptable;
 - ✓ In many EU member states, income inequality and poverty are still rising. Some countries see growth, but the economies of many others are sluggish;
 - ✓ Europe's inequalities often relate to skills. Some EU governments have invested in education and vocational training, but others have been forced to drastically cut spending on these.
- Europe must address its structural economic weaknesses along with its macro-economic, financial and monetary management shortcomings. There is a new consensus on an investment push to stimulate short-term economic growth, and also to address the long-term results of under-investment in infrastructure, energy networks and new technologies.
 - Europe's future is equally threatened by under-investment in people – in their work-oriented education and in their early family life, health, social development and schooling.
 - Investment in education and training must be part of a broad social investment strategy. An adequate supply of educated people is one side of the equation; there must also be demand for them. That's why we welcome the investment initiative announced by the new European Commission. Credible unemployment, and notably youth unemployment, measures need to be associated with this investment effort. Policies to promote economic growth and employment are not central to this Working Group on social policy, but we propose a reinforcement of existing initiatives on youth unemployment to help reboot the European social dialogue.
 - This report's main message is that investing in people is crucial to the new investment effort. The challenge isn't just to raise education levels but to bridge the widening skills and education divide between the 'haves' and 'have-nots'. This implies a broad social investment agenda that starts with

early childhood education and health care. The challenge is to invest more so as to increase effectiveness and efficiency.

- Our call for the revival of Europeans' self-confidence is based on facts and figures. Widespread and persistent political misrepresentation of social policies has too often presented them as an economic burden. This view is ill-founded, and we are convinced that social policies are fundamental to living standards and greater opportunities for all within modern competitive market economies. As well as their fundamental support of fairness and social cohesion, social policies are vital to competitiveness, and are a crucial investment for the future. A recent OECD study underlined redistributive social policies' positive impact on economic growth². There is still room for improvement and innovation, as there are significant weaknesses in the performance of social policies, education policies and labour market policies in a number of European welfare states.
- It is possible to reconcile in a positive and mutually-supporting way open labour markets and mobility between EU countries with social order and cohesion. Exactly how to do so is not self-evident, and requires specific initiatives at EU level. It also demands a greater sense of responsibility by member governments for what goes wrong at the national level – instead of blaming the EU.
- Social policy is primarily the responsibility of member states. But many of them lack confidence in the European social model while the EU lacks a sense of common purpose that inspires policymakers, social actors and citizens. There is controversy and confusion about who should do what – nation states or the EU as a whole. The result is a generalised failure to communicate to the European public ways to make joint EU and national economic and social policies more successful than purely national ones. The EU must tackle trans-frontier issues like mobility and migration, but national developments also have spill-over effects where EU initiatives can have important added value too.

² Cingano, F., Trends in Income Inequality and its Impact on Economic Growth, OECD Social, Employment and Migration Working Papers, No. 163. (9 Dec. 2014).

- Controversy and confusion on social policies isn't confined to the EU's role. Many now see 'social cohesion' and 'Europe' as enemies, so while we need EU policies that support cohesion and fairness, the EU must show through concrete initiatives that Europe genuinely cares.
- The EU's most relevant common purpose is the well-being of future generations of Europeans. Children should grow up in a world that offers them equal opportunities. There is no reason for pessimism if our European societies offer young people opportunities and fairness, but that requires clear priorities, tough choices and effective common action.

FROM WHERE DO WE START, AND WHAT ARE THE GREATEST CHALLENGES?

The EU is a union of welfare states, diverse in their history, architecture and achievements, but bound by shared values. In other words, we do not willingly tolerate inequalities in our societies and believe public policies should protect the vulnerable and support the development of people's skills and education. We also share the view that social dialogue and well-organised industrial relations are crucial, and that jobs should be associated with decent conditions in terms of pay and working and living conditions.

However different our national economies may be, we believe that social cohesion and fairness are shared values throughout the EU. That also means we are united in wishing to protect the body of European anti-discrimination legislation that exists, including the free movement of people, including workers.

Social policy priorities differ across the EU, yet despite their differences, European nations are on the top twenty international equality rankings. Social rights make European welfare states unique, yet we need to restore our self-confidence in our social model, so in the subsections 1.2 and 1.3, we rebut critics of the welfare state by stressing the insights of studies that show how social policies are not just valuable per se but are also competitiveness factors.

Criticisms of social policy

Critics of Europe's social policies say:

- That social spending is so much higher in the EU than in countries like the U.S., that it is undermining Europe's competitiveness.
- That largely public social systems in Europe are inefficient, and should be provided or managed by the private sector.
- That the EU would improve productivity by reducing social spending and instead investing more in physical plant, machinery and infrastructure.

- That increasing income inequalities are inevitable consequences of globalisation, so there is nothing much that policymakers in the EU can do about the widening wealth gap.
- That the ageing of Europe's population makes pension systems unsustainable unless we significantly lower the future level of pensions.
- That immigration from outside the EU, and the movement of workers from poorer to richer EU countries are reducing job opportunities for nationals and are the cause of major social problems.

The evidence in rebuttal

There are significant weaknesses in some welfare states in the EU, but the facts do not support across-the-board criticisms of the European social model:

Competitiveness and social spending levels in Europe

When private spending on health, education and social services is taken into account, there are no major differences between most European welfare states and the U.S. on the cost of welfare to citizens and the economy³. Among OECD countries, there is no correlation between low levels of social spending and a high competitiveness score. In Finland, Germany, the Netherlands and the UK (which also has an important share of private spending) social spending is high, at around 30% of GDP, but they are in Global Competitiveness Index's top ten. Swedish social spending is higher still, but that does not prevent Sweden from coming sixth in the ranking.

The efficiency of European social systems

Evidence suggests that Europe's social systems are more efficient in terms of health care and education than in countries like the U.S., but the evidence also shows major differences between EU member states in spending priorities, and in achieving results. This is an argument for a greater co-operation on the benchmarking of performances by EU countries⁴.

³ This is demonstrated by long-standing OECD analyses; see the reference in the Background Report to the Friends of Europe High-Level Group in Section 1.2.

⁴ This is briefly documented in Sections 1.3 and 1.4 of the Background Report; the European Commission's annual reports on Employment and Social Developments in Europe, notably the issues of 2013 and 2014, contain an impressive body of analysis on efficiency and effectiveness of European welfare states.

Social investment versus capital investment

EU member states that invest more in social policies like health, education and labour market support perform better overall than those that spend less. Social investments and other forms of capital expenditure are complementary, not just substitutes⁵.

Income distribution and globalisation

Globalisation is altering the overall balance of demand for high and low skilled workers in the EU as elsewhere in the world, but some member states have been more successful than others in reducing the impact⁶.

The EU's ageing population and the erosion of pension systems

The EU population is going to decline and age. This is partly because people are living longer, but also because young people have been discouraged from having children by the lack of social policy support and the growth of two-tier labour markets.

The demographic shift is notably a challenge for pension systems, and our response must be a combination of labour market and pension reforms. We must encourage people to postpone retirement, and in terms of quantity and quality provide jobs that allow elderly workers to stay active (whilst also taking into account that in some professions earlier retirement is legitimate due to the nature of the work involved). Increases in female participation rates in countries like Italy where these are still relatively low, are needed, and migration also has to play a role.

The huge challenge is multi-faceted, but it is wrong to say we cannot sustain a fair inter-generational contract based on a decent relation between average pension levels and average earnings of active people. We are not doomed to accept steadily eroding pension systems. Nor are Europe's labour markets 'frozen landscapes'; despite relative timidity of policy reforms in a number of member states, employment rates of women and older workers are steadily increasing in many EU countries.

⁵ This is, again, documented extensively in the Commission's annual reports on Employment and Social Developments in Europe.

⁶ This is extensively documented in two major volumes, published recently by Oxford University Press, on the basis of the GINI research project (Changing Inequalities in Rich Countries; Changing Inequalities & Societal Impacts in Rich Countries, OUP, 2014).

The costs and benefits of immigration

Studies show that immigrants make a positive contribution in their host countries, and this is highly relevant given the EU's need for additional workers in the future. EU member governments commonly fall down by failing to support local communities that experience greatly increased immigration, and fail to ensure that immigrants are integrated into mainstream national labour markets and social systems⁷. At the same time, the countries from which people have emigrated also face problems with their own changed demographic balance and the lost return on investment in young, educated people who have left.

The true challenges

The criticisms of social policy in section 1.2 fail to identify the true challenges we face. This subsection presents the real challenges, and seeks to distinguish between the efficiency and effectiveness shortcomings of social policies and thematic challenges related to demography and education.

EU member states must improve the effectiveness and efficiency of their social policies

Social policies are competitiveness factors, and there is a positive relationship between well-run social systems and competitiveness. There is nevertheless room for improvement as there are significant weaknesses in the performance of social policies, education policies and labour market policies in a number of European welfare states.

Rather than calling the essence of our welfare states into question, we need a wide-ranging review of the balance of demand and supply for different social programmes and social services, and their costs. This should be backed by an EU-wide effort to improve the performance of all member states' social systems. Although responsibilities lie essentially at national level, an over-arching EU policy framework agenda could make a valuable contribution.

⁷ This is briefly documented in the Background Report, Sections 1.5 and 2.2.

Demographic change demands a more ambitious education and skills agenda, with a strong emphasis on fairness.

- Europe is confronted by three long-term and inter-related challenges: ageing, its shrinking population and a growing shortage of skilled labour. These are already raising the thorny question of increased migration. Apart from the need for sustainable and adequate pension systems (and all the reforms this requires), an adequate answer to these challenges involves three broad policy domains: 1. child care, education and training; 2. open labour markets that promote mobility; 3. migration in support of the labour supply.
- There are undeniable tensions between the policies for meeting the demographic challenge, and European citizens' aspiration to live in a cohesive and inclusive society. We must see to it that:
 - ✓ a knowledge society does not imply a growing divide between those who are successful and less successful in education. A knowledge society must also provide opportunities for people with lower education levels;
 - ✓ open and flexible labour markets do not lead to disruptions of national social practices regarding minimum standards in pay and working conditions.
- Openness and cohesion can be reconciled, but this requires:
 - ✓ an ambitious and creative skills agenda aimed at building on adequate child care, quality education and training, and networks of life-long learning;
 - ✓ a well-balanced labour market agenda. We have to balance flexibility with security, to maintain minimum standards and to invest in working conditions and through occupational safety and health, the quality of jobs. Countries like Denmark have been successful in this respect. There is no reason why others should fail;
 - ✓ an adequate and modern social inclusion agenda implemented through a true participatory approach.

- Mismatches between supply and demand of skills are an important concern. A skills agenda must address the growing divide between the educational 'haves' and the 'have-nots' for reasons of social equality and also for economic efficiency.

- ✓ In terms of job opportunities and levels of earnings, there is a widening gap between high-skilled people and those with medium or low skills.

- ✓ Improving the general educational and skills levels is essential to economic growth and social progress. But raising the average level is not enough. Countries with fewer low-skilled adults and more highly skilled ones do better in economic terms than countries with similar average levels of skills but with larger differences in skills across the population. Greater access to education for people of all skill levels stimulates both economic growth and social inclusions⁸.

- ✓ Educational attainment has to translate into social mobility. The EU's welfare states have not greatly improved social mobility through education. In many countries, young people whose parents were university students are still five or six times more likely to go to university themselves than those whose parents are not graduates. The OECD warns that the biggest threat to inclusive growth is the risk that social mobility could grind to a halt⁹.

- The OECD's 'literacy score' shows a Europe that is unequal for individual citizens' skills and in terms of member states' performances:

- ✓ the huge gap in the U.S. between the mean literacy score of people with tertiary education and those with less than secondary education is absent in Europe, so in those terms, Europe is a more egalitarian knowledge society than the U.S.;

- ✓ in some European countries the mean literacy score is higher than in the U.S. But, in countries like Spain and Italy the mean literacy score is 10%, lower than in the Netherlands, Finland and Sweden. For a mean score, this is a considerable gap;

- ✓ the literacy scores of graduates vary widely, showing that formal educational qualifications can be misleading: educational policies do not lead to the same level of skills across Europe, so reform is clearly needed.

'Unequal Europe' is a problem and also an opportunity. If underperforming countries could catch up with the EU's best, the European economy and society would outperform the U.S. both with regard to mean literacy and to its distribution over the population.

Social policy can contribute to success in the inter-related agendas of effectiveness and efficiency, education, integration and openness. Well-conceived social policy is a productive asset, not a pure cost-factor. That is the purpose of 'social investment' in the long term. The pan-European convergence of our social policies would be a convergence towards successful social investment, and the Social Investment Package of the previous European Commission rightly pointed this out.

⁸ This is documented in the OECD's Education at a Glance 2014; this paragraph is based on the introduction to Education at a Glance 2014, which summarises the evidence.

⁹ Idem, pp. 14-15 and table A4.1b p. 93.

WHAT'S TO BE DONE: RECOMMENDATIONS FOR A CARING EUROPE

The debates within the Friends of Europe Working Group addressed the following issues:

- The meaning and role of social policy
- The balance of EU and national responsibilities
- The link between social, education, employment, budgetary and economic policies
- Social and civic dialogue
- Social investment, inter-generational solidarity and education
- Mobility and migration
- Social inclusion as a credible component of the European agenda
- Mutual learning to improve the effectiveness and efficiency of social policy

This second section of our report is based on these debates because they highlighted fundamental issues that all policymakers and stakeholders must address. We summarise these issues in the following subsections, without claiming to have been able to solve them all, as there remain some 'tough nuts to crack'. Our discussions nevertheless pointed to ways the EU can take concrete initiatives to show that it cares for its citizens, and that progress is possible. We illustrate this with recommendations which were put forward in the context of our debates.

The meaning and role of social policy

The Working Group's view of social policy's core ambitions and role can be summarised as follows:

- The over-riding aim of social policy is prosperity and cohesion, while providing collective insurance and protection for the most vulnerable. Social policy works through investing in people, helping them develop as citizens with the skills and abilities they require throughout their working lives. The goal is to improve the quality of their lives, and to raise their capacity to contribute to the material success of society and the economy. This investment in human resources is as vital as investments in buildings, equipment, technology, research, the environment and culture, and contributes to social well-being and economic competitiveness.
- To maximise the benefits of human investment we need the highest possible equality of access for people from all backgrounds. We also need to ensure that those who cannot meet minimum living standards through their own efforts – for whatever reasons – can rely on society to come to their aid. This includes minimising and containing the cost of failure.
- Given that our market economies fluctuate as confidence ebbs and flows, social policy spending must support household incomes in downturns. In the short run, it acts as an automatic stabiliser and helps restore economic confidence¹⁰.

One of the Working Group's conclusions is to raise public awareness of the economic benefits of social policy. Recent OECD research on the impact of social equality on economic growth is an important message on the role of social policy, although it still has to reach public opinion.

¹⁰ Should the European Monetary Union equip itself with a stabilisation mechanism such as an unemployment benefit scheme (see Background report, pp. 96-97)? The members of the High-Level Group consider this an important question, but did not have time to study it.

The balance of EU and national responsibilities

The social policies of different EU countries can benefit from working together for two important reasons. The EU's economic integration and openness exerts considerable influence on the development of national welfare states, and even closer, cooperation can have an added value per se. Cooperation should not, though, lead to fudging respective responsibilities; political and social actors need to make a clear distinction on what is 'EU' and what is 'member states', and define the role of 'Brussels' in trying to link the two.

- Welfare states are national, but the added value of the EU is the capacity to see the long term. By working together, governments can better identify common challenges. This justifies a broad conceptualisation of social policy that allows us to visualise the sort of Europe we want. Developing a shared vision is a common responsibility of the EU and its member states. The prime responsibility and capacity for implementing a shared vision of the kind of societies we Europeans want to live in remains with the member states.
- Reconciling openness and social cohesion within the EU requires transparent legal frameworks. The EU and its member states share crucial responsibilities, so scapegoating each other for real or perceived problems over mobility is unfair and inefficient.
- European ambitions for social policies without delivery are counterproductive. Their delivery requires political mobilisation and adequate resources. Social policy budgetary resources such as the European Structural and Investment Funds aim at accompanying mobility and enhancing social inclusion; they are limited but not absent and should be used most effectively by being aimed at measurable outcomes and relying on an enhanced citizens' participation. The Background Report to the Working Group discusses in detail the link between cohesion policy and social policy, so we do not repeat its rather elaborate technical details. We would nevertheless stress that regional and territorial policy and social policy should be seen as intrinsically linked.

The connections between social, education, employment, budgetary and economic policies

The EU's economic and budgetary policy coordination (as developed in the European Semester) undeniably exerts a strong impact on social policies. In the eurozone crisis, budgetary policies were in the driving seat. We now have to establish strong reciprocal links between social, education, employment, budgetary and economic policies. The Working Group makes the following recommendations:

- Employment is part of social policy and macroeconomic policy. Mainstreaming social policy means putting it on a par with macroeconomic objectives.
- There is a real risk that 'mainstreaming' will remain an empty concept, and will be discredited. The new Commission must clarify how it will make 'mainstreaming' a transparent practice and a reality. The Background Report for the Working Group lists a number of ways mainstreaming can be enhanced and underlines the need for clarification of instruments and methods. An important challenge is giving real bite to the 'Horizontal Social Clause' in Art. 9 TFEU, in all domains of EU policy, including competition law.
- The blatant contradictions between the EU's proclaimed ambitions and actual budgetary priorities are unacceptable, and need to be taken into account when deciding Country Specific Recommendations. Education is a telling case; when public education spending in 2012 is compared with average education spending over 2004-2008, in at least seven member states, real spending is now lower on average than in the five years before the crisis.
- Because employment cannot be separated from economic policy, Jumbo Councils for Employment and Economic Affairs were organised in the past with some success. This formula could still be useful to link the employment and economic policy and to create a stronger link between employment and education initiatives.

Social and civic dialogue

Co-operation at EU level between social partners has been crucial to different stages of development. However, notwithstanding ongoing positive developments in some areas of social dialogue, this machinery no longer produces the results it once did. To re-invigorate this partnership and build others, the Working Group makes the following observations and recommendations:

- The EU treaties define a social market economy, and confirm that social dialogue is a key component of the European social model. This is not just a matter of principle, for there is a social dialogue system within the institutional set-up of the European Union, even if sometimes forgotten. The joint Declaration by the European Social Partners at the Tripartite Social Summit of 23 October 2013 listed proposals for the involvement of the social partners in the new economic governance, and these should be taken seriously by the European Commission and the Council.
 - We should not deny that it is difficult to organise social dialogue effectively at the European level. In some countries, social dialogue is effective, efficient, and representative, but in others the social partners have lost representativeness and credibility, and even barely exist. The way in which the financial and economic crisis was managed, notably in the so-called programme countries, was at odds with the normal functioning of the social dialogue, and weakened the position of the social partners. The European Union should invest in the social partners' capacity to play a more meaningful role, for instance by revisiting the role of the tripartite summit, rather than persistently emphasising that collective bargaining needs to be decentralised.
 - The challenge is not just to reach collective agreements on topical issues, but on challenges ahead and on the ways Europe should be reformed. We propose a high-level employment and social policy conference at the EU level to have a thorough debate on future orientations; not a 'big conference' but a real exchange of views involving key people.
 - The success of actions to strengthen the European social partners will be measured by their capacity to put forward solutions to the main problems of EU labour markets, and their contributing to the implementation of these ideas. Social dialogue at European level can be successful if its aim is to promote change. A priority for bold action is youth employment.
- Initiatives adopted at EU level to tackle youth unemployment included the 'Youth Guarantee', and the European social partners also adopted a framework of actions on youth employment in June 2013 which is being followed up at national level until 2017. But to avoid a lost generation in Europe, these past initiatives should be only the beginning of a strengthened commitment towards youth's future. The European social partners should seize the opportunity of the 30th anniversary of the launch of the European social dialogue with the Val Duchesse agreement to concentrate and intensify EU actions for youth employment.
 - Member states and social partners together need first of all to guarantee at national level the implementation of the 'Youth Guarantee'. Then, on the basis of social dialogue, new proposals can be put forward to reinforce EU action on youth employment, whether through financial support initiatives like the better mobilisation of ESF funds or a new financial package to replace the €6 bn 'Youth Employment Initiative' that will not be in place until the end of 2015. Also through such initiatives as complementing the quality framework for traineeship with a quality framework for apprenticeships and/or vocational education. The Youth Guarantee must not lead to the 'parking' of young unemployed in inefficient training or occupational activities.
 - The EU must address the broader issue of citizens' participation. This requires a space of informed and open debate where people can assess, interact with and influence the decisions of EU institutions. This means a re-think of participations so citizens come to own the process, especially on policies with an impact on labour and welfare. The idea is that this new public arena should complement the decision-making process, not just legitimise it. The European Structural and Investment Funds are particularly suited to promoting measurable outcomes with the public's involvement. This implies that the Regulation on the 'European code of conduct on partnership' is put into effect by involving citizens on the base of their 'relevance', i.e. on them being affected by the policy under discussion. Open participation by citizens also means assessing the impact of social policy on specific groups, both people and places.

Social investment, inter-generational solidarity and education

Social policies are valuable products of modernisation, and they are factors of competitiveness, not obstacles. We must take a broader view – both long and wide – of the need for social investment. Although it is on the agenda of the European Commission and the European Parliament, are we really delivering on it?

The Working Group makes the following recommendations:

- A long view implies a life-cycle approach, recognising the need for major investments in care and education, especially in the earlier stages of people's lives, for compensating economic returns in the productive phase of working lives, and the drawing down from accumulated reserves and investments for older people.
- Improving inter-generational solidarity and embedding it in credible 'social contracts' is a key challenge throughout Europe, with the financial sustainability and adequacy of pension systems, and a life-cycle approach to social policies, intrinsically interwoven.
- A wide view should reflect the inter-dependence between social and other investments: the success of investments in technology and infrastructure depends to a large extent on the quality of the associated human resources.
- We must avoid a narrow view of social investment; it is not only about preventing but also about repairing the spill-over effects of social failure, whether in education, health or social integration. These can place debilitating and disruptive long-term burdens on economies and societies.
- As a starting point, the new Commission should ensure that the EU and the member states deliver on the Social Investment Package of February 2013, and must recognise that a far broader and ambitious approach to social investment is needed.

Education is key to social investment. The European Commission has a comprehensive agenda on education, training and skills, and has issued excellent recommendations on the modernisation of education systems. This agenda has not exerted sufficient pressure at the highest levels of political decision-making or in the setting of budgetary priorities. This is all the more alarming given the limited success in improving social mobility through education, so that we risk seeing social mobility through education grinding to a halt. We should put public investment in education higher on the agenda if we are to reverse the trend of diverging investment in education across Europe. To pursue reform, the Working Group makes the following recommendations:

- we should pursue real equality of opportunity at all levels of training and education;
- disparities in skill levels across Europe despite similar levels of formal educational attainment mean we must reform education systems with a view to:
 - ✓ helping those countries most under pressure to deliver basic education;
 - ✓ promoting the development of key and transversal skills;
 - ✓ promoting the development of entrepreneurial skills and financial literacy;
 - ✓ improving the transition from education to the labour market and providing a better match between skills and demands of labour markets.
- we should broaden our understanding of 'learning', beyond the traditional educational institutions;
- we should develop a European-wide alliance between the worlds of 'work' and 'education'. Education obviously is not the 'maiden' of economic necessities but is inspired by the right to personal development; but by working together both the performance of the world of work and the world of education can be improved. And we should reconsider the ways we finance and implement subsidised training programmes; some group members argue that rather than subsidising training, the attention should be on promoting start-ups.

Mobility and migration

There is a need to confirm and clarify the rules on intra-EU mobility and on reciprocal benefits for all EU citizens from education through to employment and retirement. There is also a need for a more coherent view on migration within the EU and from outside the EU. The Working Group has formulated the following recommendations:

- The debate on mobility and migration should make a clear distinction between intra-European mobility and permanent migration, which has both internal (intra-EU) and external dimensions.
- Mobility within the EU is an unquestionable right, but in the context of freedom of movement problematic issues should be identified and addressed.
- Myths about intra-EU labour mobility must be disproved. The European Court of Justice has confirmed that European citizens cannot simply move to another member state to claim benefits. Member states can prevent 'benefit tourism' within the existing European legal framework¹¹. Nevertheless, we should not be blind to some problems. Even if there is no large scale social dumping, there are still blatant cases of illegal work and exploitation linked with problems of inspection and enforcement of regulation and these should be addressed. But intra-EU mobility problems go beyond social dumping. For most people, moving to another country for work reasons represents a success, but for others it can be a failure; half of London's homeless population is repeatedly made up of migrants, with more than half of them EU citizens, so we have to address the failures of free movement.
- Mobility is not a 'silver bullet' for all social issues, but we make the following recommendations:
 - ✓ we must explicitly resist protectionism and give tangible support to member states confronted with the greatest need to house and integrate migrants. A new fund attached to the European Social Fund (ESF) to support the integration of EU migrants should be considered;

¹¹ ECJ judgment in the Dano case, published on 11 November 2014.

- ✓ we need an EU programme for fair mobility through finance for help desks, information and legal help for all mobile workers in Europe;
- ✓ where possible, we should define minimum standards of European labour conditions and social protection, taking into account all new forms of labour like part-time workers. We should carefully monitor the implementation of the enforcement directive on the posting of workers, and we should consider the gradual introduction of 'a guaranteed wage floor';
- ✓ we need tangible measures at EU and national levels, to improve the social context of mobility by:
 - improving the portability of supplementary pensions across countries and sectors;
 - strengthening the enforcement of social and employment rights of mobile and migrant workers.
- ✓ the European Commission should examine how it can take a new initiative to clarify the appropriate balance between economic freedoms and the right to industrial action, thus solving the problems raised by the Viking and Laval judgments¹². Decisions by the European Court of Justice suggest more work on the relation between social rights and free movement.
- Discussion of external migration into the EU must be placed in a longer-term demographic context. A shrinking European population means migration should be seen as a positive contribution (this does not preclude the adjustment of other policies, in order to allow men and women to have the number of children they wish, whilst developing their careers).
- A major source of resentment in some countries about immigration is not migrants' nationality but their labour market status. The potential for creating a second class workforce is dangerous, for although we need flexibility in the labour market a peripheral workforce adversely affects a country's core workforce and contributes to a downgrading of working conditions.

¹² See the Background Report to the Friends of Europe High-Level Group, p. 55.

- On immigration, the issue is not only how to manage immigration flows but also how to manage social and professional integration. We need to recognise the enormous waste of immigrants' skills when they are not adequately integrated into the labour market, or not allowed to develop their entrepreneurship potential.
- The intense non-EU migration pressures on Mediterranean member states means more needs to be done to revive and strengthen support for EU-backed social policy development programmes in countries of origin. Europe must help to achieve improvements in their own territories to reduce pressure on the EU, and contain brain drains from those countries.

Social inclusion

Social inclusion rhetoric by the European Union without delivery is counterproductive in terms of the EU's own legitimacy. We must be clearer on what social inclusion means in practice, and how member states can deliver it.

- Universal access to social services is a basic feature of the European social model, and should enjoy greater prominence in a social investment strategy, with access to quality child-care a prime example.
- We should consider a European policy on the overall quality of minimum income protection, with minimum wages playing a key role together with social benefits. Minimum income protection systems should be assessed with reference to the economic development of each EU country, with the current 'reference budget' methodology a promising tool for developing social benefits benchmarks. On that basis, 'open coordination' can be a way for national governments to learn from each other and improve the effectiveness and efficiency of minimum income protection.
- Making the economic case for migration must be complemented with a strong social case for minimum standards and against discrimination based on origin or ethnicity.
- We must give the Youth Guarantee real bite by embedding it in social dialogue, increasing its funding and scope, and ensuring its rapid implementation with transparent monitoring.

The European Union must be seen as caring for the most vulnerable people in our societies. Homelessness is a societal problem with cross-border features, so European cooperation based on shared values can make a real difference:

- Europeans mostly agree that we cannot accept homelessness in our cities, but it remains a sad reality. Yet it is an area where innovative easy wins are possible.
- Some of the mobility and social inclusion issues discussed previously are particularly relevant when homelessness is concerned:
 - ✓ The quality of social services and the disparate nature of hostels and shelters across the EU is not only a problem, but can trigger the cross-border mobility of homeless people. A European quality framework for homeless services, promised but not delivered by the European Platform Against Poverty is needed to help ensure proper use of European Structural and Investment Funds (especially the European Social Fund) against homelessness;
 - ✓ A caring Europe should establish a guaranteed right to shelter for all EU-citizens who become destitute, whatever their status¹³;
 - ✓ The European Youth Guarantee does not ensure that young people with complex needs like homelessness are included in member states' policies. One possibility is to develop a Care Guarantee for young people who leave state care, which can be the first step towards homelessness. Vulnerable young people often lose support when they turn 18, so a guarantee that every 18-year old gets a care plan that identifies problems and proposes appropriate solutions could be pursued at EU level to complement the Youth Guarantee.
- Member states can learn a lot from each other on homeless policies and practices. To that end, a European Action Plan against Homelessness is needed.

¹³ This would be in line with a recent decision of the European Committee of Social Rights of the Council of Europe related to the collective complaint FEANTSA against The Netherlands

Improving the effectiveness of social policy through mutual learning

Social innovation holds a key to the challenges of demographic change, show growth and growing demand for public services. We need social innovation as part of the general drive to improve the EU's social systems.

That in turn demands the strengthening of Europe-wide policy comparisons on efficiency in delivery and equity in outcomes. We don't have to start from scratch because for the EU to be a laboratory for learning we already have instruments like the Open Method of Co-ordination. Australia, Canada, the United States and other countries with federal and quasi-federal systems take a positive view of Open Co-ordination, yet within Europe it has often met with sceptical reactions, being perceived as too soft to deliver or a feeble excuse for the inconsistency of economic, budgetary and social policies.

However, stronger and more credible links between the economic, the budgetary and the social and employment policies of the EU hold out the promise that mutual learning could regain its credibility and be further developed as an important policy tool. The approach we propose would take us away from the 'behind closed doors' character of the Open Method of Co-ordination; our recommendation is that the European Commission and the European Parliament should confirm their joint commitment to the Union's basic social goals and support a comprehensive rolling review of the performance of national social policies and especially inequalities over the life cycle.

This review would aim to help national authorities to improve the operational performance of their own social schemes and ensure that resources are allocated in the most balanced way possible in relation to different goals by drawing on the experience of other member states which would include 'learning from failure'. A focus of attention should be our welfare states' capacity to tackle inequalities at each stage of the life cycle. Setting up such a broad-ranging and ambitious review would signal that the EU and its member states take rising inequalities very seriously.

The policy support work should draw on:

- The practical experiences of member states, building on and greatly enlarging the co-operative work undertaken through the Open Method of Co-ordination;
- Technical support by the European Commission on the effectiveness of alternative social policy interventions, including social experimentation.

The findings should be made public in an open format for ongoing comments by social partners and stakeholders, along with research institutes and international organisations like the OECD.

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