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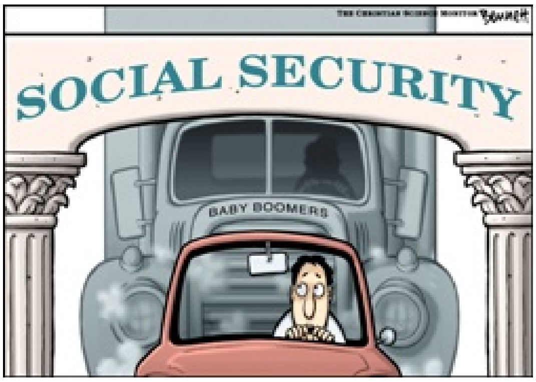

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Guest Editors:
Maria da Graça Carvalho (Tel: 81078)
Frédéric Lerais (Tel: 60443)

Editors:
Jean-Claude Burgelman (Tel: 80006)
Martin Larch (Tel: 69244)
Myriam Sochacki (Tel: 21429)

Assistant:
Catherine Isler (Tel: 50087)

Editorial *by Jérôme Vignon**

Réconcilier l'économique et le social : des racines et des ailes

De tout temps la construction européenne a poursuivi le projet de réconcilier l'économique et le social. Dès la déclaration Schuman du 9 mai 1950, en postulant que la suppression des barrières à la libre circulation du charbon et de l'acier devait s'accomplir "dans un progrès des conditions de vie de tous les travailleurs des pays concernés", il s'agissait de marier efficacité et justice, ouverture et protection, liberté et enracinement

Le souci de cette conciliation dominait alors la pensée des concepteurs de *l'économie sociale de marché* qui est et demeure une économie politique. Dans cette approche, l'Etat est conçu comme facilitateur et gardien de l'équilibre entre deux finalités, liberté et créativité individuelle, et cohésion sociale, qui sont aussi leur mutuelle condition de réalisation. Aujourd'hui cependant, l'Union européenne est perçue par beaucoup de citoyens comme ne respectant plus cet équilibre.

Roger Liddle propose une interprétation de cette rupture : les systèmes de protection sociale ne parviennent plus à assurer leur vocation à concilier l'économique et le social. Restés assez immuables face à l'évolution des nouveaux risques sociaux, les systèmes de redistribution ont perdu leur capacité de promouvoir ou d'insérer dans la vie active. **Anton Hemerijck** résume cela d'une formule: la protection sociale ne doit plus seulement affranchir de la nécessité, elle doit désormais libérer la capacité de vouloir et d'agir.

Pour **Bartelsmann, Perotti et Scarpetta** ce nécessaire changement résulte de la dynamique endogène de l'innovation et du progrès technique. Ils suggèrent que la flexibilité du travail - la diminution des rigidités et des coûts inhérents aux licenciements favorisent la mise en œuvre des innovations, par tant la productivité et la croissance, et vice-versa. Ils concluent que : "les pouvoirs publics doivent trouver de nouvelles voies pour protéger les travailleurs affectés par une exigence de mobilité et d'incertitude croissante des marchés du travail".

Comment dans ce contexte d'incertitude retrouver l'équilibre entre l'économique et le social ? La réponse, déjà explorée par la stratégie de Lisbonne, s'exprime dans les principes de la *flexicurité*. La lettre du BEPA nous propose trois pistes pour accompagner les transitions les plus risquées de ces nouveaux parcours professionnels.

La première, tirée d'Hemerijck, met l'accent sur les conditions de transitions réussies entre différentes formes d'emploi, et pas seulement entre inactivité et emploi. La diversification des formes du contrat de travail (intérim, indépendant, à durée déterminé) a constitué un instrument majeur de la flexibilisation des marchés du travail. Pour que les titulaires de tels emplois ne restent pas voués à la précarité, et puissent eux aussi bénéficier de progrès, et non seulement de chances, il faut éviter de cumuler marginalité de l'emploi et exclusion des protections sociales actives (accès à la formation professionnelle ou avantages familiaux).

Les protections sociales actives sont au cœur de l'article d'**Agnès Hubert et de Jane Jenson**. Elles touchent à une difficulté particulièrement ressentie dans les pays où les protections sociales se construisent autour du monde du travail. Comment faire pour assurer également la protection active, cette "adaptabilité préventive" dont parle Hemerijck, pour ceux qui ne relèvent pas ou plus d'une solidarité professionnelle ? Les auteures soulignent le rôle clef de l'accès universel à des services sociaux de qualité: crèches, services d'accueil de la petite enfance, aide complémentaire aux familles pour les soins de longue durée. A juste titre, elles posent la question des innovations sociales qui permettent de concilier accès universel et financement durable.

C'est justement une innovation sociale que proposent de développer à l'échelle de l'UE, **Julian Le Grand et Maria da Graça Carvalho** : une dotation patrimoniale pour chaque enfant né dans l'Union. Constitué depuis la naissance à partir d'un don public initial, abondé par l'épargne familiale, le patrimoine ainsi constitué serait libéré, à l'âge de 18 ans, alors que se prennent les décisions stratégiques: poursuite d'études supérieures ou entrée dans la vie active. La proposition procède à la fois de l'idée juste qu'une inégalité décisive de chances se concrétise dans ce moment de passage mais aussi d'un espoir incertain que, possesseur d'un patrimoine, le jeune sera renforcé dans sa responsabilité. Elle a le mérite de faire réfléchir au rôle du capital social. On serait tenté de la compléter par l'idée d'un parrainage social: une dotation majorée si elle était assortie d'une fonction de tutorat ouvrant ainsi la voie à une forme nouvelle de solidarité intergénérationnelle.

Je voudrais aussi esquisser une réflexion sur la nature de ces "changements" auxquels une protection sociale active doit mieux préparer les Européens. L'aventure humaine n'est pas faite que de changements et d'adaptations. Elle vise aussi à réussir un approfondissement, une continuité de relation et d'appartenance, indispensables à faire vivre une estime de soi, sans laquelle il n'est ni créativité, ni transmission de savoir, ni acceptation de la diversité, ni finalement maîtrise du changement: il faut des racines pour déployer les ailes. L'investissement dans le capital humain ne consiste pas simplement dans l'agrégation des capacités d'individus séparés les uns des autres, mais dans leurs interactions, une richesse que la *société de la connaissance* met spécialement en avant. Adaptation au long de la vie, innovation et créativité passent aussi par *le lien social.*

Il s'agit de fortifier ce lien, alors que la *protection* qui sauvegarde les personnes et leur cohésion ne se sépare pas de la *promotion* qui les rend aptes au changement. L'Etat national gardien de la protection sociale et l'Union qui régule l'intensité des changements, ne peuvent plus être simplement juxtaposés. Roger Liddle nous invite ainsi à donner plus de force et de visibilité à la dimension sociale dans la stratégie de Lisbonne en la constituant comme un pilier à part entière, dotée d'un nombre limité d'objectifs quantifiés contraignants, appuyée sur une Méthode ouverte de coordination revitalisée et ne renonçant pas à user de l'outil législatif ni à ouvrir au dialogue social européen de nouveaux champs de responsabilité.

* Jérôme Vignon is Director in DG EMPL, European Commission

1 A New Social Vision for 21st Century Europe

*By Roger Liddle**

Why does Europe need a "renewed Social Agenda"? What needs "renewing" and why now? What principles should guide this policy? And how can the EU "add value"?

To answer these questions, the starting point is that there is a need for the EU to conceive its Social Agenda through a wider lens than employment protection only. The social impact of globalisation is profound and more far reaching, affecting people not only as employees, but their relationship with society as citizens. The direction of reform in European welfare states is not yet matching the globalisation challenge. For example with the steady erosion of semi-skilled jobs in manufacturing, the overriding issue is how to equip individuals with new skills and unlock their talents. This raises huge questions about Europe's education systems. What educational foundation best equips young people for the modern world? How to raise the aspirations of children whose families have never succeeded at school and overcome the multiple disadvantages that many children face as they start out on life? How to improve the prospects for early school leavers? Life chances are blighted by the acute disadvantages experienced by *some* ethnic minorities and migrants; the pressures on good parenting as a result of unsatisfactory work-life balance; cultural issues arising from the exposure of children to the Internet, violence in video games and inappropriate advertising; health issues surrounding obesity and stress.

Europe's social models were built up for the post World War Two generation and tailored for mass manufacturing industrial economies and "male breadwinner" family models. Today's social realities however are shaped by trends such as technology, growing mobility, increased consumer demand for services, greater gender equality, individualisation, the demographic challenge posed by falling birth rates and longer life expectancy, and the growth of multi-culturalism due to migration.[1] Despite the strong influence of path dependency in national welfare state development, the reality of these common challenges and the necessary policy convergence needed to address them, means that they can no longer be seen as hermetically sealed zones of nationally based institutions, decision making and identity.

A renewed EU Social Agenda has to work in partnership with Member States and with the grain of Europe's market economy. The common conception of social policy as a "balance" to the free market is at best half true. Of course there are trade offs- for example, between minimum wage levels and employment, between taxation and incentives. Well designed policies can however be a positive productive factor as in the case of investment in education and training, help with economic adjustment, employment activation policies, the provision of public goods and the correction of market failures.[2] The EU has a potential role as a driver for necessary social innovation and reform.

New principles to guide policy

The post war builders of our welfare states had a clear social vision. In simplistic terms, social insurance was to cope with the life risks of the industrial society with entitlements mostly focused on the family model of the full time "male breadwinner" as; women were presumed to be housewives or play a secondary labour market role. Poverty in families where the head earned a low wage was addressed through universal child benefits as well as labour market institutions designed to ensure that pay rates satisfied a "decency" minimum. Alongside entitlements to passive benefits, public services such as health and education were increasingly made available on a universal basis. Universality was assumed to deliver equality of access.

The progress to gender equality – and the narrowing of the gender gap in employment rates across Europe – invalidates the family and labour market assumptions on which the old model was based. Generational inequities have grown.[3] Even in Member States with relatively flexible labour markets, there is significant labour market inactivity, because of supply issues among school drop outs and the low skilled; individual problems as a result of alcohol, drugs, or mental illness; early retirements as a result of

* Vice Chair at Policy Network

restructuring; long-term sickness or invalidity benefits. Whereas the primary risk of widespread poverty in the post war era was in old age, child poverty is now the much bigger problem. Universal public services have proved no guarantee of equality. In health, class differences in life expectancy are growing and in education, the promise of equal opportunity remains hollow: social mobility in some Member States is in decline. The insurance principle is challenged by conflicting views about the social entitlements of migrants. In many Member States, the old models are now riddled with inequity and unfairness.

Principles for reform

European citizens want to be free to live their own lives and fulfil their own ambitions. They increasingly see life as a biography they write for themselves, rather than be typecast by parental background, class, religion and the place they grew up. This is not to say Europeans have become out and out individualists. Citizens remain deeply conscious of the obligations that they owe each other and of wider societal concerns. Many by reason of faith or conviction believe that human beings can only be fulfilled through the quality of their relationships with others. There is plenty of evidence in our societies of a search for belonging as traditional identities have weakened. Nonetheless there is a distinct break with the collectivist values of the past.

Opportunity should therefore be the starting point as the key to the individual's ability to develop themselves to the full. First this means that no artificial barrier should hold people back, particularly important in a Europe of increasing diversity. This is not just a consequence of migration, enriching our societies with different cultures: many ethnic minorities face extensive discrimination in access to good schools, apprenticeships and jobs.[4] Diversity is also increasing as a result of the transformation of women's aspirations; increasing numbers with long term disabilities; and trends to individualisation that enable people to live lives as they want. Diversity makes the issue of non-discrimination both highly sensitive and central to debate.

Second, opportunity implies more equal life chances. Self-evidently achieving this goal is difficult as children start out in life from very different positions. If society is serious about equal opportunity, it cannot be a one-off chance. In our societies there will be many occasions where people are "knocked off course" by events beyond their personal control. The relationship between parents may break down, damaging at least temporarily the psychological well-being of children. Health problems may adversely affect chances at school. The first choice of a college, career or job may not work out. Jobs may be lost in mid-career. So a meaningful concept of opportunity in the modern world has to offer multiple points of access to fresh opportunity throughout the life course (without creating disincentives). Hence the importance of educational second chances and life long learning as part of a positive concept of freedom.

However, meritocracy on its own would be hard on those who do not succeed. Solidarity dictates an element of redistribution: between the better off and less well off, between the generations, within industry between the social partners, between regions, and between rich and poor Member States. As this is universally accepted in Europe, the political debate is about its extent.

Redistribution also matters because there is a direct relationship between inequality and poverty, and poverty and opportunity (or rather lack of it). This is particularly true of child poverty. Academic research has clearly demonstrated the links between relative monetary poverty and other forms of disadvantage.[5] Poverty damages people's (and especially children's) sense of self-worth. It reinforces poverty of aspiration.

The role of the EU

But what is the logic for renewed action at EU level and where can the EU "add value"?

The established policy consensus is that economic openness and integration across the EU drive innovation, growth and the creation of new jobs – and increase the resources available for social expenditure. Nevertheless the dynamic of structural reforms as a result of the deepening of the Single Market and financial market integration, spurred by enlargement, as well as globalisation, brings with it wrenching social impacts. Opinion surveys reveal considerable pessimism amongst Europeans about the future.[6] Prospects for the next generation are thought to be worsening, despite high levels of life satisfaction in the present.

Social pessimism reflects job insecurities due to new competition and delocalisation; a more general rejection of globalisation and the new global capitalism; hostility to immigration and the loss of traditional identities that multiculturalism is perceived to bring; as well as concern that our societies may simply be overwhelmed by environmental, health or security crises beyond our control. The European Union may easily become the scapegoat for this.

Beneath the surface, there remains an undertow of populist discontents which in worsening conditions could provoke tensions that seriously undermine the EU's legitimacy. If the EU is only perceived as an agent of market liberalisation, trade opening and unpopular structural reforms, how could it ever address this challenge of legitimacy?

How then can an EU social agenda be reconciled with "subsidiarity"? The EU is a complex world of multi-tier governance and mutual interdependence between the EC and its Member States. In future the EU's legitimacy can only be secured in a new partnership of Member States and EU institutions, building on the existing Lisbon Strategy, which already contains a strong social dimension. Lisbon amounts to a framework of objectives, targets, and mutual learning set at EU level, with much of the implementation being the responsibility of Member States. To become a driver of much needed social innovation and reform, the EU needs to build on Lisbon

This social vision, to be endorsed at EU level, encompasses:

- **The adoption of common social objectives,** in addition to those already agreed on jobs and social inclusion, in areas such as poverty, child care, educational standards, and social protection, as a new pillar of the Lisbon Strategy.

- **Flexible common principles of policy** on crucial issues: flexicurity, early school leaving, long term care and integration of ethnic minorities with independent expert panels to assess evidence and make policy recommendations on the basis of best practice.

- **A limited number of "binding targets",** like those agreed for renewable energy, for example on child poverty.

- **"Learning from each other"** through the revitalised Open Method of Coordination so that it enters the political bloodstream of the national and European debate.

- As part of a wider EU budget reform, the **Social Fund should be better prioritised** on stimulating an agreed EU-wide agenda of social innovation and reform. A **new social programme could be developed at EU level to tackle social disadvantage through the life cycle**. This could include initiatives to prioritise early intervention for disadvantaged children, tackle early school leaving, promote mobility opportunities for the less advantaged, overcome declining social mobility in access to higher education, and provide new entitlements to learning through life.

- **The EU budget should be used as a laboratory for experimental social policy initiatives in tackling the newly emerging social risks.** The offer of matched funding should be conditional on rigorous peer review of Member State initiatives to establish best practice. The EU budget should become a catalyst for Member State's own reforms.

- A **European Globalisation Fund should be developed** to stimulate innovation in assisting workers with economic adjustment and to help manage better, more frequent labour market transitions for the low skilled.

- In a highly diverse Union of 27 Member States, **EU-wide legislation** is a blunt and difficult tool, but it may well be needed to strengthen individual rights against discrimination, modernise existing provisions on working time to strengthen the rights of parents and carers, and to improve the ability of social partners to anticipate and act on the need for restructuring in a timely way.

- **Social dialogue** should be extended at EU level, not just to embrace social partners in the workplace, but to include EU wide dialogue on the future of public services and the more effective integration of minorities.

ENDNOTES

[1] The evidence on these trends is summarised in Roger Liddle and Frédéric Lerais (2007): «Europe's social reality». Bepa working paper http://ec.europa.eu/citizens_agenda/index_en.htm

[2] For a rebuttal of the argument that high welfare spending is incompatible with economic efficiency and growth and that globalization forces Europe's welfare states into a destructive race to the bottom, see Sotirios Zartaloudis, «Equality: a political choice», Policy Network Paper, December 2007, London.

[3] Louis Chauvel provides powerful evidence for this trend in France despite the fact that there has been on noticeable increase in inequality in France overall since the 1980s. See *Les classes moyennes à la derive*. Le Seuil, 2007, Paris

[4] Anthony Heath and Sin Yi Cheung «Unequal Chances: ethnic minorities in European labour markets.» *The British Academy* 2007.

[5] The evidence is summarised in a BEPA paper: « Investing in youth: an empowerment strategy », April, 2007. http://ec.europa.eu/dgs/policy_advisers/publications/docs/Investing_in_Youth_25_April_fin.pdf

[6] See Eurobarometer on "Europe's Social Reality" February 2007.

2 The Renewed European Social Agenda in a life course perspective

*By Anton Hemerijck**

Is the European welfare state fit for the future? This question has haunted European policy makers for over a decade. Slow economic growth in the early 2000s has given way to a fierce ideological battle between different socio-economic models. The 2005 French referendum campaign over the Constitutional Treaty, revealed two polarized positions. The 'French' social model was pitted against a false stereotype of the 'Anglo-Saxon' model of capitalism, allegedly a free market without safety net, producing high levels of poverty and inequality. Across the Channel, Tony Blair in his address to the European Parliament on 23 June 2005, in turn posed the question: "What type of social model is it that has 20 million unemployed?"

Rather than extrapolating policy recipes from past trends and trying to recast market economies along the lines of whatever social model is hip today, a more illuminating way to understand recent reforms is to contextualize existing social policy repertoires in the face of the changing economic and technological challenges and evolving social and demographic structures. Today four sets of challenges confront policy makers with the imperative to redirect the welfare effort (Hemerijck, 2002). First, *from outside*, international competition is challenging the redistributive scope of the national welfare state. Many observers believe that the increase in cross-border competition in the markets for goods and services has reduced the leeway of national welfare states. Increased openness exposes welfare states to trade competition and permits capital to move freely across borders. Second, *from within*, ageing populations, declining birth rates, changing gender roles due to the entry of women into the labor market, the shift from an industrial to a service economy, and new technologies in the organization of work present new challenges. Perhaps the most important reason why the existing systems of social care have become overstretched stems from the weakening of labor markets and of traditional family units as the default providers of welfare. Third, while policy makers must find new ways to manage the consequences of economic internationalization, their endeavor to recast the welfare state is constrained, *from the past*, by long-standing social policy commitments in the areas of unemployment and pensions. In a period of *relative austerity* and lower economic growth, welfare entitlements, i.e. policies addressing the social risks associated with the post-war industrial era, now seem to crowd out the space for new social policy initiatives. Finally, as an intervening variable in the process, issues of work and welfare have become ever more intertwined with processes of European integration since the 1980s. It is fair to say that in the EU we have entered an era of *semi-sovereign welfare states* (Ferrera, 2005).

In order to connect social policy more fully with a more dynamic economy and changing society, EU citizens have to be endowed with capabilities, through active policies that intervene early in the life cycle rather than later with more passive and reactive policies. The EU has in the past five years been able to conceptualize a fairly coherent new narrative about how vital a role social policy has to play in the new era of economic internationalization. At the heart of the new narrative lies a re-orientation in social citizenship, away from *freedom from want* towards *freedom to act*, prioritizing high levels of employment for both men and women as the key policy objective, while combining elements of flexibility and security, under the proviso of accommodating work and family life (Esping-Andersen et al., 2002) By adopting a life course perspective, distinguishing between children, young adults, people of working age, pensioners and people reliant on care, we are able to identify the policy agenda that follows naturally from the new active and preventive European welfare edifice. There are five policy priorities at stake.

Child-centered social investment strategy

An investment strategy with a strong emphasis on early childhood development is imperative. Access to affordable quality childcare is *sine qua non* for any future equilibrium. The provision of

* Director of the Scientific Council for Government Policy (WRR), The Hague, the Netherlands

public child care and pre-schooling shows marked differences across countries, with the Scandinavian countries, Belgium and France offering the best infrastructure, and most Continental, the Mediterranean and the Central European countries lagging behind (Table 1, OECD 2007). This is a major factor driving female employment. Moreover, public child care is increasingly perceived as the first pillar of life-long learning. As investments at early stages of the lifecycle provide the basis for further success in education, they are seen as an effective and efficient tool to ensure skills acquisition also at later stages of general education or vocational training. Inaccessible childcare will provoke low fertility, low quality care is harmful to children, and low female employment raises child poverty. More children, educated to perform in a knowledge economy, are needed to keep the economy going for a retiring baby-boom generation with high care needs.

Human capital investment push

If Europe wishes to be competitive in the new, knowledge-based society, there is an urgent need to invest in human capital throughout life. Considering the looming demographic imbalances, we surely cannot afford large skill deficits and high school dropout rates (above 30% in Spain, almost 25% in the Netherlands and less than 15% in Denmark or Sweden). While inequalities are widening in the knowledge economy, this also implies that parents' ability to invest in their children's success is becoming more unequal. The revival of both the Irish and the Finnish economy is in part based on increased investments in education, preventing early departure from formal education, and facilitating the transition from school to work, in particular school leavers with low qualifications. The differences in the allocation of public resources to either investment policies (such as education and training) or to compensating policies such as social benefits and passive and active labor market policies are most evident in Figure 1. While the over-all association between both areas of public spending is positive, some countries, in particular the Scandinavian ones, as well as Belgium and France, combine above-average spending on social policies with above-average spending on education. Germany and Italy, in contrast, spend a lot on social purposes but are relatively stingy on education. Many new EU Member States devote few resources to social policies, but some achieve the European average in terms of educational spending such as Poland, Hungary and the Baltic states.

Flexicure labour markets for all

Labour markets are likely to become more flexible. While the boundaries between being 'in' and 'out' of work have been blurred by atypical work, low-wages, subsidized jobs, and training programs, one job is no longer enough to keep low-income families out of poverty. However, increased flexibility, together with the rise in female employment, will encourage the growth of a sizeable amount of low-skill and semi-skilled jobs in the social sector and in personal services. Most countries still do not achieve basic formal skills for all. A varying, but still considerable part of the working-age population does not achieve at least upper secondary education (qualified schooling or vocational training) as Figure 2 shows. In general, participation in continuous education and training is more pronounced in the Scandinavian countries and the United Kingdom where on-the-job training is also a functional equivalent to more formal vocational training. However, despite some increases in most countries, the adjustment of skills over the lifecycle is still far from perfect. Particular deficits are found in the Continental and Southern European countries as well as in most new member states.

The policy challenge is how to mitigate the emergence of new forms of segmentation through what could be called 'preventive employability', combining increases in flexibility, e.g. by relaxing dismissal protection, while generating a higher level of security for employees in flexible jobs. Flexible working conditions are often part of family-friendly employment provisions. There is a clear relation between the ratio of part-time jobs and female employment growth. But the ability of part-time employment to harmonize careers with family depends very much on employment regulation, whether part-time work is recognized as a regular job with basic social insurance participation, and whether it offers possibilities for career mobility.

Later and flexible retirement

There is great variation across Europe in the employment rate of older workers. With respect to the 55-64 age cohort (see Figure 3), Belgium has the lowest employment rate of the EU-15 (32 %) while Sweden has the highest (almost 70%). In the EU-27 Poland and Malta still have particular problems regarding the labor market position of older cohorts. Two trends justify an adjustment in our thinking about retirement: (a) the health status of each elderly cohort is better than that of the last; at present a man aged 65 can look forward to a further 10 healthy years; (b) the gap between old age and education is rapidly narrowing, so that older people will be better positioned than now to adapt to new labour market conditions, with the aid of retraining and lifelong learning. Beyond the development of a multi-pillar system, including both pay-as-you-go and fully-funded schemes, in the area of *pension policy*, the challenge lies in how to allocate the additional expenditures that accompany population ageing. Sustainable pensions will be difficult to achieve unless we raise employment rates of older workers and raise the retirement age to at least 67 years. Delaying retirement is both effective and equitable. It is efficient because it operates simultaneously on the nominator and denominator: more revenue intake and less spending at the same time. It is also inter-generationally equitable because retirees and workers both sacrifice in equal proportions. We are all getting healthier and more educated with each age cohort. Flexible retirement and the introduction of incentives to postpone retirement could greatly alleviate the pension burden. Although there has been a slight increase of part-time work among the elderly, and it has been shown that part-time work and participation rates among older people are positively related, there is still little systematic and comprehensive policy activity to enhance the variable opportunity set for older workers. If older workers remain employed ten years longer than is now typically the norm, household incomes will increase substantially. This means less poverty and need for social assistance and greater tax revenues.

Migration and integration through participation

More than previously, priority should be given to problems of participation and integration of migrants and non-EU nationals, whose rates of unemployment are on average twice that of EU nationals. Integration and immigration policy should have a central place in our discussion about the future of the welfare state, something we failed to do in the past. In our ethnically and culturally diversified societies the welfare state faces a major challenge of ensuring that immigrants and their children do not fall behind. The outbreak of violence in the *banlieues* of metropolitan France reveals how economic exclusion and segregation reinforces educational underperformance and self-destructive spirals of marginalization. The overriding policy lesson is that in the face of demographic ageing and in the light of a declining work force, nobody can be left inactive.

Adequate safety nets

We cannot assume that early childhood development, human capital pushes, together with high quality training and activation measures, will remedy current and future welfare deficiencies. Hence, in the medium term it is impossible to avoid some form of social arrangements that provide support to those at the lowers end of the income distribution. Moving beyond earnings from work, a comparative analysis of distributional outcomes has to take into account the role of taxation and social benefits as well as the household composition. Available data show shows a high inequality in some new member states, but also in Portugal and Greece followed by the Anglo-Saxon family. Continental European countries have a more egalitarian distribution of incomes as do the Scandinavian countries, the Czech Republic and Slovenia. This is confirmed by the poverty rate which is the highest in the Mediterranean countries, in Latvia and Lithuania.

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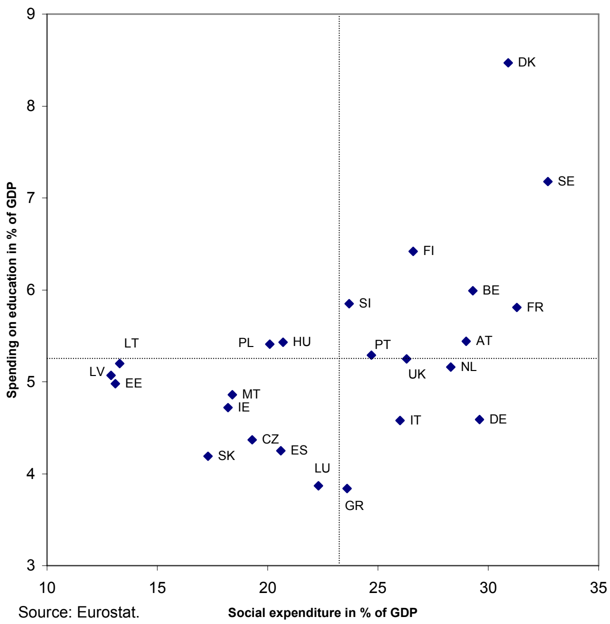
Table 1: Child care and pre-school enrolment, 2004

	Enrolment in daycare for the under 3s and pre-school from 3 to 6 years (%)				Expected years in education for 3 to 5 year olds
	Under 3 years	3 years	4 years	5 years	3 to 5 years
Denmark	61,7	81,8	93,4	93,9	2,7
Norway	43,7	79,4	86,9	89,0	2,6
Sweden	39,5	82,5	87,7	89,7	2,6
Belgium	38,5	99,3	99,9	99,7	3,1
Netherlands	29,5	32,3	74,0	98,4	1,7
United States	29,5	41,8	64,1	77,0	1,8
France	26,0	100,0	100,0	100,0	3,2
United Kingdom	25,8	50,2	92,0	98,2	2,4
Portugal	23,5	63,9	79,9	90,2	2,3
Finland	22,4	37,7	46,1	54,6	1,4
Spain	20,7	95,9	100,0	100,0	3,1
Slovak Republic	17,7	60,3	71,7	84,7	2,2
Ireland	15,0	48,0	46,6	100,0	1,5
Germany	9,0	69,5	84,3	86,7	2,4
Hungary	6,9	71,0	92,3	97,8	2,6
Greece	7,0	..	57,2	84,1	1,4
Italy	6,3	98,7	100,0	100,0	3,0
Austria	4,1	45,9	82,1	93,1	2,2
Poland	2,0	26,1	35,7	46,2	1,1
Czech Republic	3,0	68,0	91,2	96,7	2,6

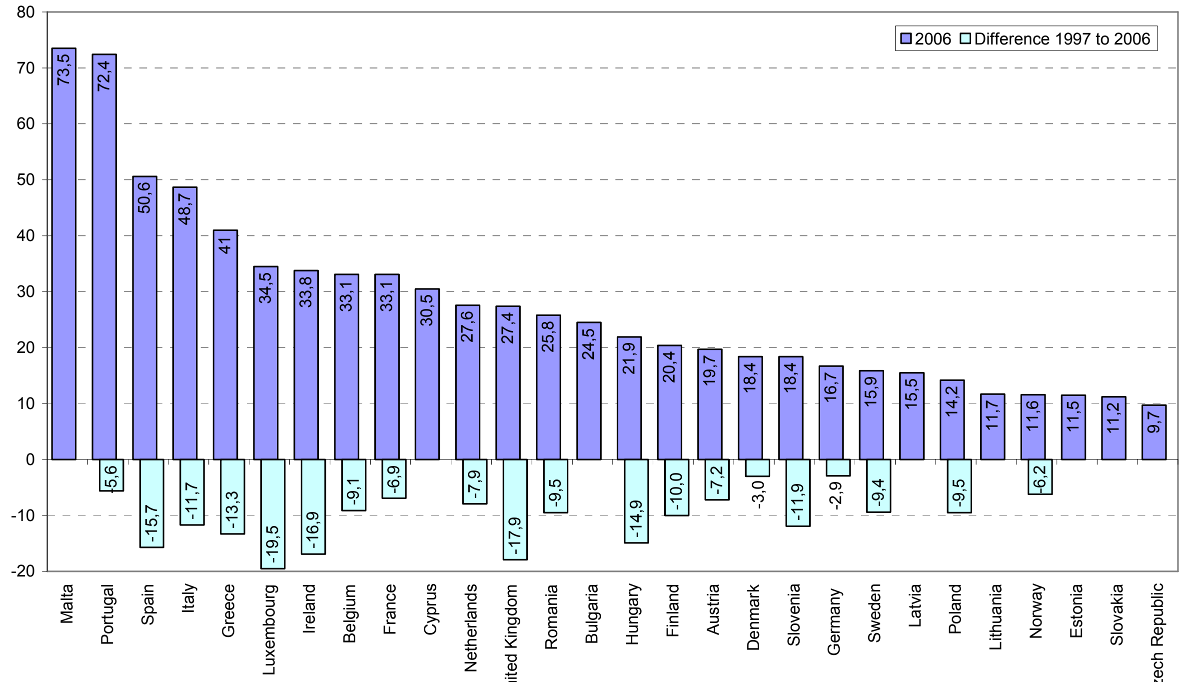
***Source*: OECD Family Database.**

Figure 1: Public social expenditure and spending on education in per cent of GDP, 2004



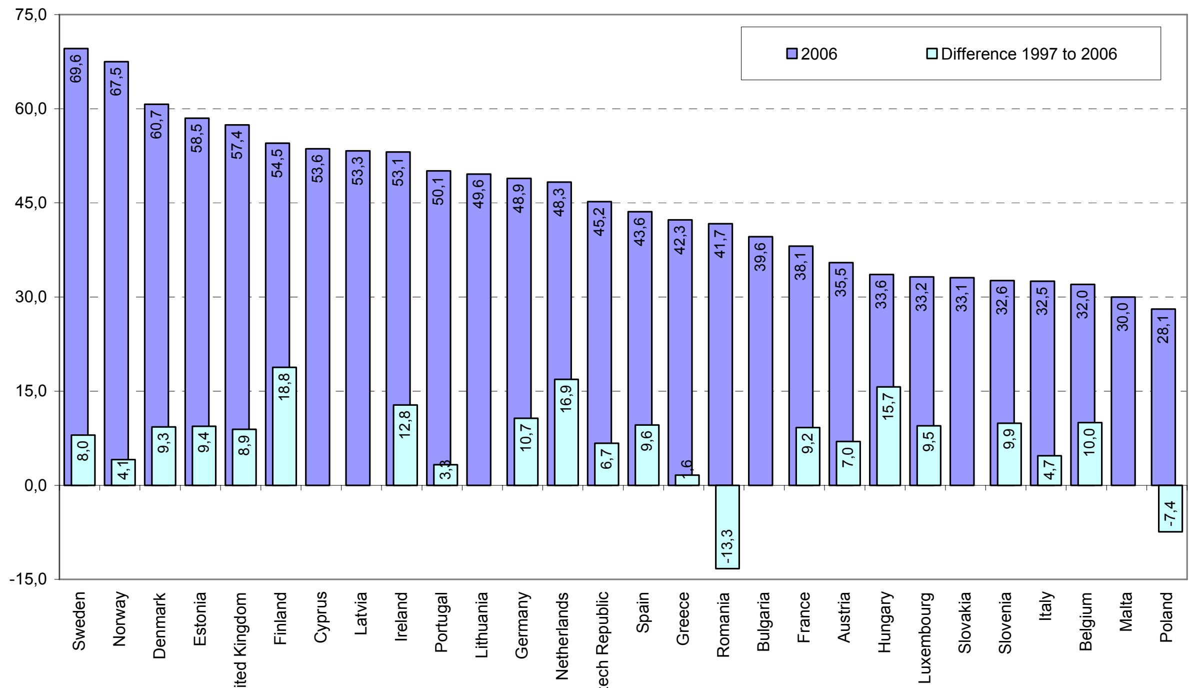
Source: Eurostat.

Figure 2: Share of the population 25-64 with less than upper secondary education



Source: Eurostat.

Figure 3: Employment rates of older workers (55-64), 1997 and 2006



Source: European Labour Force Survey.

3 Resource flexibility, innovation dynamics, and productivity growth

*By Eric Bartelsman, Enrico Perotti, and Stefano Scarpetta**

Over the past decade, all OECD countries have been exposed to challenges and opportunities arising from globalization and from rapid advances in Information and Communication Technology (ICT). Some countries have been better able than others in managing the challenges and in embracing the opportunities. While the U.S. and some other smaller economies have seen a sharp productivity acceleration as of the mid-1990s, many European countries have experienced poor and often declining growth rates. As a result, the gap in GDP per capita between the U.S. and the EU countries has widened considerably. According to early research, countries with large ICT producing sectors have seen the largest productivity acceleration.

More recent evidence shows, however, that the cross-country growth divergence continues well into the present century, and it is not limited to the effect of technology in ICT-producing sectors (Oliner and Sichel, 2000; Timmer, O'Mahony and van Ark, 2008). Productivity growth differentials now appear broadly across ICT-using sectors such as retail trade and financial services, and the gap in output per hour in the market sector continues to worsen (Figure 1). The disparity in productivity performance suggests different rates of innovative adoption of new technologies. In this context, many EU countries have to strike a balance between protecting 'insiders' affected by the winds of change and creating an environment that allows firms and individuals to gain by adopting new technologies.

Why have European countries lagged behind in ICT adoption? Traditional explanations such as differences in the cost of ICT investment are not borne out empirically (e.g. Gust and Marques 2004 or Conway et al. 2006). Our evidence shows that the Schumpeterian process of innovation required in fast growing sectors may help explain the lag. Creative destruction requires rapid reallocation of resources throughout the value chain. As potentially innovative applications of ICT technologies are explored by firms, production and market processes are rearranged to accommodate successful applications (creation) and to reduce the scale of old producers and failed applications of new technology (destruction).

The benefits of innovating by experimenting with new technologies in the market place may inherently vary across industries. Industries with more potential for innovation through experimentation are often those that allow digitization and codification of elements of sourcing, production, and sales. But in any event, whatever the industry characteristics, an experimenting firm with a successful application of new technology will profit most when it can scale up operations rapidly (Brynjolfsson et al., 2007).

The return to experimentation is very sensitive to adjustment costs, both because resources need to be reallocated following a failed experiment and because resources need to be added rapidly upon success. The performance of firms undertaking experimentation with new technologies thus exhibits a wider variation, both in terms of size and productivity, than firms choosing growth through incremental improvements. The effect of adjustment frictions is therefore felt most in industries that are more amenable to experimental adoption of technology. But more generally, with high adjustment costs firms will choose stable follower strategies; they will focus on mature segments, start on a larger scale, and show lower but more stable future growth. Exit of the least productive firms is much delayed. The effect is that resources remain trapped longer in less productive firms, and workers may not be trained in new processes.

Table 1 presents some evidence on experimentation. It compares the U.S. with an average for selected EU countries for both the ICT- producing industries - where experimentation is assumed to be larger given

* Vrije Universiteit, Tinbergen Institute, and IZA; University of Amsterdam and Tinbergen Institute; OECD and IZA. The views represented in this paper do not reflect those of the OECD or its staff.

the greater need to explore this new technology - and the non-ICT industries.[1] The first key indicator is the relative size of entrant firms compared with the average incumbent firm: in the U.S. new firms in the ICT sector are tiny compared with the incumbent; many of them will quickly fail but those who successfully experiment with the ICT technologies will expand rapidly. In the EU, there is relatively less difference between new and old firms even in the ICT sector. By contrast, relatively less productive firms tend to persist in the market in the EU; only when their productivity gap (second row) gets large they exit. The corollary is that exiting firms tend to retain many more resources (employment, third row) in EU than in the US, where shifting resources from less to more productive firms boosts aggregate productivity. Finally, the expansion of the top performing firms relative to the average in an industry is higher in ICT industries than in non-ICT industries, but also higher in the U.S. than in the E.U.

In our empirical work we link resource reallocation, innovation, and productivity. The main indicator we use to measure adjustment costs is the index of employment protection legislation (EPL). Figure 2 presents the synthetic OECD indicator of EPL that captures the stringency of labour legislation governing the hiring and especially the firing of workers. It shows that despite some recent reforms, the stringency of EPL varies significantly across countries; while it is relatively low in the U.S. and some of the Anglo-Saxon countries, it tends to be fairly high in many Continental European countries.[2]

To test our theory of the path from adjustment costs to resource reallocation, choice of innovation strategy and productivity, an empirical analysis is conducted using the recently released EU KLEMS database (Timmer, O'Mahony and van Ark, 2008), together with indicators of EPL (OECD, 2006) and a set of indicators of industry dynamics drawn from firm-level datasets (Bartelsman, Haltiwanger and Scarpetta, 2008). The differential effect of EPL on the industries depends on the degree of experimentation required to make progress in the industry. In our regressions, we interact EPL with an industry-specific indicator of the potential scope for experimentation. Unfortunately, any observable outcomes of firms' choices such as the variance of productivity of the amount of resource reallocation in an industry, that could measure the importance of experimentation are themselves affected by EPL. For this reason, the industry-specific indicators capturing the importance of experimentation are drawn from countries with low regulations – the U.S. or the U.K. In our paper, we try various indicators and describe why they may indeed measure the inherent potential benefits of experimentation in an industry. In the results presented in Table 2, EPL is interacted with the productivity gap between the best performing quartile of firms and the least productive firms in each industry in the market sectors in the U.K.

In Table 2, the first column shows the overall affect of EPL on total factor productivity (TFP), which is not significant. However, if we allow the effect of EPL to vary across industries depending on the potential scope for experimentation (by interacting EPL with the productivity gap between best and worst best performers in the U.K.), we find a significantly negative effect.[3] In those industries where experimentation is the required path for innovation, stringent employment protection reduces productivity. On the other hand, in sectors where innovation is more incremental, EPL does no harm.[4]

Further corroborative evidence can be found by combining other results from our paper with preliminary findings from a Eurostat-funded project on measuring ICT-impacts using firm-level data (Office of National Statistics, U.K., forthcoming). We find that in industries where experimentation matters, EPL has a negative impact on within-industry dynamics, for example, on a measure of the reallocation of employment across firms (the last column of Table 2). In the Eurostat study, it is shown that adoption of broadband by firms is significantly boosted in industries where this indicator of reallocation is high. Further, broadband adoption is seen to boost TFP in industries, above and beyond the direct output contribution of ICT capital.

All in all, our analysis suggests that, while EPL may contribute to job stability for workers and help building more long-term work relations, if overly stringent it may also curb the process of resource reallocation which is key for promoting experimentation when new technologies become available, as in the case of ICT. In turn curbing experimentation is likely to not only slow down productivity growth in sectors highly exposed to the new technology, but also through input-output effects, in other sectors that use the products and service of the ICT industries intensively.

In this note, we summarize new empirical evidence suggesting that overly strict regulations in the labour market in the large European countries slowed down the process of ICT innovation and adoption over the past decade. The main mechanism is by reducing the experimentation required to harness the benefits of ICT. Indeed, innovative use of ICT requires a continuous process of trial and errors to assess the feasibility of new modes of production and the responses of the market to new products and services. However, this experimentation generates frequent changes in the size and composition of the workforce and entails the entry of new firms as well as the exit of obsolete ones.

The challenge for governments in this context is **how to protect workers affected by greater labour mobility in a more dynamic but also more uncertain economic environment**, while also allowing for experimentation. Equipping new entrants into the labour market with better but also more versatile skills and investing in life-long learning for those already in the labour market can go a long way in improving the adaptability of the workforce to a rapidly evolving economy. But there is also an urgent need in many European countries to reconsider labour market regulations and policy. Strict employment protection tends to protect jobs – even if they may not be highly productive or with a bright future – but at the same time discourage experimentation. Shifting the protection from jobs to workers affected by labour mobility -- through income support but also training and job counseling – has the potential to maintain, or even reinforce the required protections to workers, while, at the same, time allowing for the reallocation of labour and for experimentation and job creation.

ENDNOTES

[1] The EU indicators are based on firm-level data from U.K., Germany, France, Italy, Sweden, and the Netherlands for the 1990s.

[2] The EPL indicator reported in the figure considers laws and regulations concerning regular and fixed-term contracts as well contracts through Temporary Work Agencies. The indicators refer to 1998 and 2003. Since then, some countries have undertaken further reforms that, however, have not changed substantially the country ranking presented in the figure. It should be stressed that EPL only covers some aspects of the labour market legislation.

[3] Several studies have estimated the effect of EPL on productivity by interacting the EPL indicator with a salient feature of each industry that is likely to affect the way the legislation affects firm performance. Burgess, Knetter and Michelacci (2000) suggest that countries with stricter EPL tend to have a slower pace of adjustment of productivity to long run levels. Bassanini and Venn (2007) also find evidence that EPL slows down productivity growth in industries with greater needs to frequently adjust the workforce. Other papers suggest that layoff regulations have significantly effects on job turnover and, particularly, job destruction (Boeri and Jimeno, 2005; Micco and Pages, 2006; Haltiwanger, Scarpetta and Schweiger, 2008).

[4] In our paper, we try many different specifications, with alternative indicators of adjustment costs, such as the World Bank indicator of firing costs; different country samples with and without non-EU OECD countries; focusing only on manufacturing instead of the whole business sector; and various sub-periods. In all specifications, the results show that EPL hinders productivity in sectors where experimentation is required for growth. Moreover, in all our specifications, we control for country, sector and time effects that capture other policy and regulatory effects on productivity.

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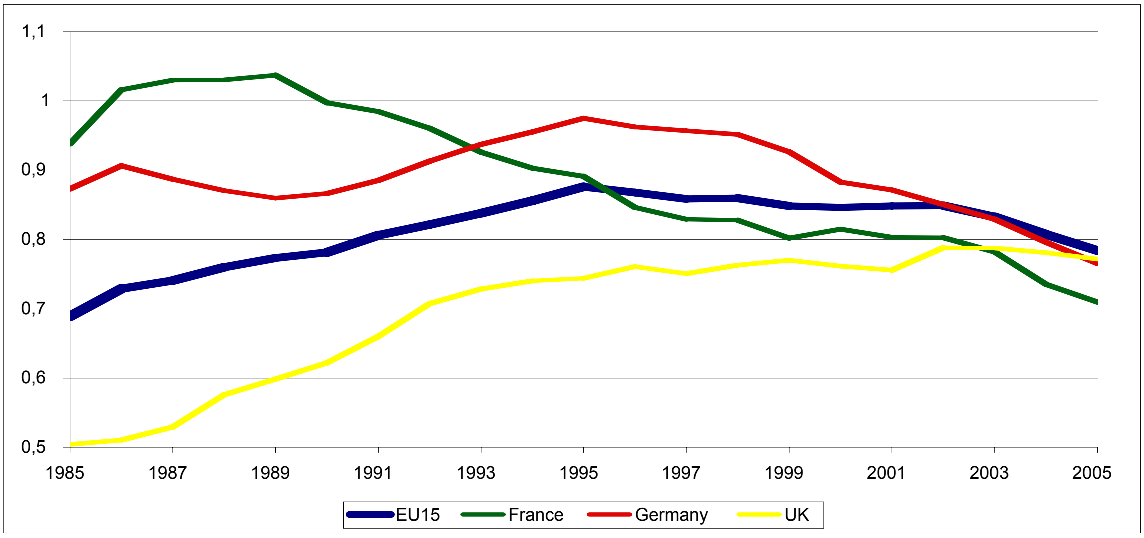
Office of National Statistics, U.K., Forthcoming, "ICT Impact Assessment by Linking data from different sources," Eurostat Agreement No. 49102.2005.017-2006.128

Figure 1: Relative output per hour worked, Market Sectors 1985-2005 (United States=1)



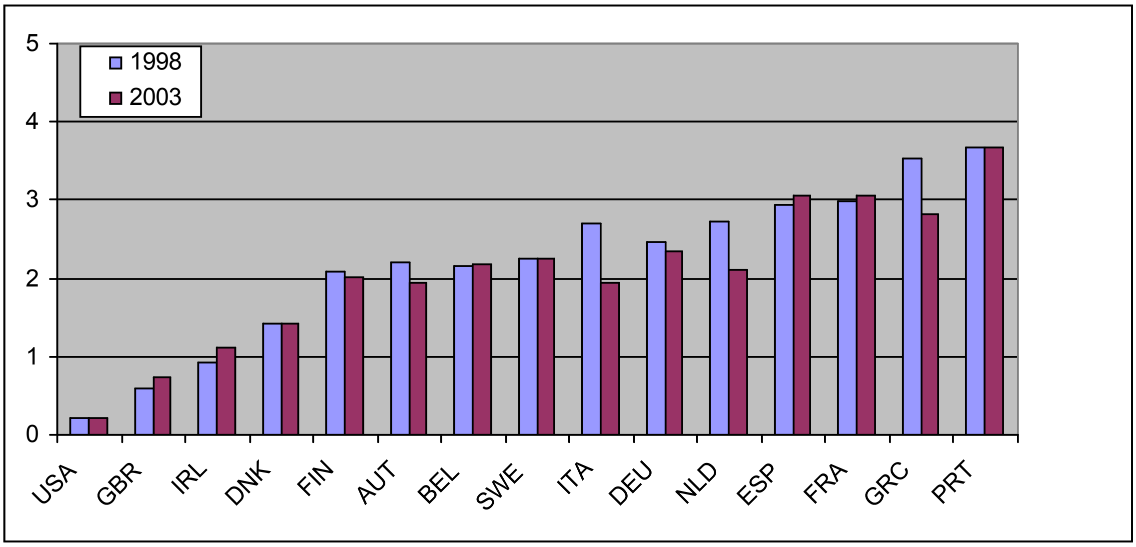
***Source*: EUKLEMS database**

Table 1: Firm-level indicators by ICT-Technology Group

	US	EU	US	EU
(percent)	ICT Producing		Non-ICT	
Entrant Size relative to incumbent	6.3	35.7	24.0	40.8
Productivity Gap of Exiters	1.2	9.1	7.9	17.7
Employment Share of Exiters[1]	20.2	31.8	19.8	22.3
Employment growth, top quartile of firm-level distribution	13.9	10.5	11.3	7.7

ICT-using industries are omitted from the table.
[1]The employment share of exiters is for 5-year window.
***Source*: Bartelsman, Perotti, and Scarpetta (2008)**

Figure 2: Stringency of Employment Protection Legislation, 1998-2003



***Source*: OECD, the indicator goes from 0 (least restrictive) to 6 (most restrictive).**

Table 2: Productivity and labour adjustment costs

	Productivity (TFP) (Value added production function, with hours worked, non-ICT capital services and ICT capital services; in logs)			Employment Reallocation (interquartile range of firm-level employment growth)
EPL indicator	0.02	-0.03	-0.09	-0.06
	(0.1)	(3.5)	(3.4)	(2.9)
Interacted with:	---	Best performer gap -- U.K.	Best performer gap -- U.K.	Best performer gap -- U.K.
Fixed effects	yes	yes	Yes	yes
Obs.	5034	4704	836	596
Sample	EU-KLEMS	EU-KLEMS	Eurostat/ICT	Eurostat/ICT
Period	1991-2004	1991-2004	2001-2004	2002-2004
t-statistics in parenthesis. Coefficients on capital and labor inputs, as well as other controls (country, sector and time effects) are not shown.				

***Source*: Bartelsman, Perotti and Scarpetta (2008)**

4 Investing in Youth: Bambini Bonds

*By Julian Le Grand and Maria da Graça Carvalho**

Introduction

Member States invest heavily in youth, but almost entirely through education and training. This is obviously very important, but neglects a key area of potential investment: capital or asset-holding. In fact, there is accumulating evidence that, just as with education, the ownership of even a relatively small amount of capital at beginning of adulthood can make a considerable difference to the young adult's subsequent life chances. A longitudinal survey in the U.K. has shown that capital or asset holding at 23 has strong links with time spent in full time employment between 22-33 for men and women, earnings at age 33 for men, and the health of men and women at 33, even when other conditioning factors such as income, family background and education are controlled for.[1] Preliminary findings from a more recent study using the same data source found a positive wage premium associated with asset-ownership, again after other relevant factors are controlled for.[2]

There is also evidence from the U.S. that individuals and families who own capital tend to have better health, lower mortality, higher marital stability, less domestic violence, more self-employment, better educational outcomes for children, and higher savings when those children become adults. Again this remains true even when family background, past income and education levels are taken into account.[3]

The precise mechanism of causality has not been fully researched, but there do seem to be several plausible underlying explanations for these relationships. The ownership of capital gives people psychological and economic independence; it encourages them to invest, to save and to think about the future more widely; it enables them better to weather the vicissitudes of life such as unemployment or the onset of acute illness that lead to unexpected income loss; and it puts them less at the mercy of others' decisions. More generally, as the US academic Michael Sherraden has put it: *Income only maintains consumption, but assets change the way people think and interact in the world. With assets, people begin to think in the long term and pursue long-term goals. In other words, while incomes feed people's stomachs, assets change their minds.*[4]

But in most Member States asset-ownership is very unequal. To give just two examples, in 2001 42% of private property in Germany was held by the wealthiest 10% of the population and only 4.5% by the bottom 50%.[5] In 2003 in the U.K., 50% of marketable wealth was held by the top 10% of the population and 7% by the bottom 50%.[6] And this inequality is particularly acute among the young.[7] This is not surprising, for in the absence of their own savings, the young have only two sources of capital: family gifts or inheritance which is are very unequal and the capital market which is not usually accessible to the young in general and to the children of less well off families in particular.

Partly in response to all this, many Member States and countries outside the EU are showing a growing interest in what is called 'asset-based welfare'.[8] Asset- based welfare describes a set of policies aimed at increasing the financial assets or wealth holdings of the population, especially those of the young. These are intended to complement other elements of government welfare policy such as income support, social security and public education. For, important as they are, none of these latter policies directly address the question of inequalities in assets - especially at the beginnings of adult life.

One example of asset-based welfare is a policy aimed specifically at investing in youth: a capital grant given by the state to every child either at birth or at the age of maturity, variously termed a 'baby bond', a 'demogrant' or a 'stakeholder grant'.[9] This paper describes some existing experiences of these policies in EU Member States and puts forward a proposal for adopting a version of it across the EU: a Bambini Bond.[10]

Review of Existing EU Schemes

Various schemes of this kind have been

* Richard Titmuss Professor of Social Policy, London School of Economics; BEPA

established in several countries worldwide (see Box).[11] They differ slightly in their rationale: although all have the aim of building up the assets of the young for the reasons spelt out above, at least one has also the aim of increasing the birth rate (Singapore). They also differ in form, with differences in the coverage of beneficiaries (universal or selective), in the age at which the grant is received (at birth, during childhood and/or on maturity) and in the uses to which the grant can be put (restricted or unrestricted).

In the U.K., a Child Trust Fund account has been set up in the name of each child born since 2002, with the Government putting in the equivalent of €350 for every child, and an additional €350 for the children of poor families. The Fund may be invested in saving accounts or in shares in packages offered by selected financial institutions. The parents can choose which type of account they want and which financial institution will provide it. The Government opens an account on behalf of children whose parents do not take it up. Parents and others can save into the Fund; and the income from the fund is tax–free. The Government will also add an extra sum to the Fund when the child is seven. The money stays in the Fund until the child is 18, when it can be used by the young adult at will.

The Child Trust Fund has proved to be both successful and popular. Over three quarters of all families have actively taken it up and over a quarter of all families are saving into it.[12] By April 2007, only five years after the scheme began, the equivalent of 2 billion euros was held in the accounts. On its introduction its unrestricted nature was criticised, with suggestions that instead its use should be restricted to spending on higher education, pensions, house purchase and setting up a small business. However, in the end the Treasury Department that introduced the scheme considered that it would be almost impossible to enforce such restrictions, especially those related to business start-up. It has also been criticised for its relatively small size, especially for poorer parents who may find it more difficult to save into it.[13]

In 2005, the **Hungarian government created the 'Baby Account'**, a system of allowances for children of Hungarian nationality and with a residence on the Hungarian territory. This allowance is automatically deposited on a bank account after birth and was the equivalent of €120 in 2006. Children entitled to child welfare can benefit from an additional allowance of €125 at 7 and 14. The amounts saved can be withdrawn at the age of 18 years old and can be freely used.

An EU-wide Bambini Bond

An EU-wide asset-building scheme would have several merits. The accumulation of capital will give young people throughout Europe, a springboard from which to launch themselves into adulthood. As we saw above, starting adult life with even a small stock of assets leads to the possibility of higher earnings, better employment and better health. Although there will undoubtedly be some shifting of other forms of savings into the Bond accounts, the net effect may be to promote savings rates and help to cope with risks. In particular it is likely to encourage the less well off to save. It will also assist a group of young people, those not in education or training, who otherwise get little help from the State.

It should be noted that, although the capacity to accumulate capital is linked to the capacity to plan the future, holding capital cannot always avoid all problems and bad behaviour in future. If the youngsters have risk behaviours or are subject to various forms of addictions (as to hard drugs), this kind of policy will not help. There will always be a margin of the population that even a policy like this one will not solve their problems.

It is also important to note that this kind of policy should not replace other existing policies, especially those directed at younger children. However, countries could consider the possibility of using it to replace grants given to underprivileged higher-education students. For, in the opinion of the authors, a policy like the Bambini Bond would be both more equitable and more efficient than policies such as grants given to higher-education students. For it would go all, nor just to those who were going on to higher education. Those who did want to use it for higher education could still do so. But this scheme would not only be directed at promoting educational studies, but could also be used as assistance for training, for starting a small business, or for helping young people to buy a house. Not all young people want to or are able to go to university; moreover, it is important for the labour market that people specialise in different domains and do not concentrate only on higher education. The Bond could thus promote labour market efficiency as well as equity.

It would be important to ensure that the Bambini Bond would be implemented on an EU-wide basis. One reason is that of equity: all EU citizens would benefit, not just those lucky enough to be in the few Member States with an existing scheme. Another is efficiency: it could increase saving rates throughout Europe and enable the EU to compete more effectively with its neighbours. It would contribute to the prevention of benefit tourism by reducing the incentive to move to Member States with the asset-building schemes. And it would be a positive act: an EU proposal aimed at children and youth that would enhance their security, increase their welfare and widen their opportunities.

With respect to the last point, it is worth noting that a Bambini Bond is likely to be a popular measure with all groups, but perhaps especially among the less well off as shown by the Child Trust Fund in the U.K. A recent study found that parents in poor families are enthusiastic about the policy, preferring it to the spending of extra money on education or income support. They also welcome its universality, and the fact that they could not touch it. The latter was particularly important since it removed the temptation to raid their children's savings and encouraged other members of the family (such as grandparents) to save for the children.[16]

Member States could be encouraged to introduce a version of the U.K.'s Child Trust Fund - possibly the most established of the existing schemes. This would be an EU-wide 'Bambini Bond'. An account in the name of each baby born within the EU would be opened and a small grant, say of €1000 would be deposited in the account. For poorer families, the amount could be larger: say €1500. The child would hold the account until he or she reached adulthood (18 or 21). Parents, grandparents, family, friends and the child themselves would be able to save into the account, but no one would be able to withdraw money from it. By the time the child had reached adulthood, the workings of compound interest would have ensured that the savings had reached a significant sum: a springboard to pay for higher education, to start a small business, to buy a house or to invest to accumulate further wealth.

If an EU-wide Bambini Bond similar to this were set up, the assets that families could accumulate might be quite considerable. The table in annex gives some illustrations. A family that received €1000, that was able to save €100 euros a month and that invested in shares with an annual return of 7% could accumulate over €40,000. If the family could only save €50 per month and the return was 5% the capital sum would be still nearly €20,000. Even a poor family that received the €1500 start, that could only save €25 a month and that invested simply in a savings account at 3.5% could accumulate €10,000.

Finally it is worth having a first estimation of the costs. A preliminary calculation based on the EU 25 in 2004 suggested a cost of around €4,800 million equivalent to 0.04% of EU 25 GDP or 4% of the EU budget. This calculation was based on €1000 per child and 4.8 million births in the EU25 in 2004. In addition there are likely to be savings to Member States on other budgets, especially higher education and social insurance.

In conclusion, there are many possible ways in which a European Bambini bond scheme could be set up. The amount, the age at which it should be received, the restrictions imposed on its use, if any, the contribution regime, the method of finance: all of these could vary. But there is a common core that it is worth re-emphasising. The proposal would be aimed at increasing the ability of a young European entering adult life to control his or her own destiny. Children in many ways are the weakest members in our society; and one of the tragedies of that society is that too many of them stay weak on becoming adults. Bambini bonds are one way of encouraging EU wide solidarity and putting the welfare of future generations at the centre of the political agenda.

ENDNOTES

[1] J. Bynner and S. Despotidou *Effects of Assets on Life Chances.* London: Institute of Education: Centre for Longitudinal Studies (2001). See also J. Bynner and W. Paxton *The Asset Effect* London: Institute of Public Policy Research (2001).

[2] A. McKnight and C. Z. Namarzi 'Evidence of an asset effect? Estimating the impact of financial savings and investment on future wages' London School of Economics: Centre for Analysis of Social Exclusion Discussion Paper (forthcoming).

[3] G. Kelly and R. Lissauer (2000) *Ownership for All* London: Institute of Public Policy Research (2000).

[4] M. Sherradan *Assets and the Poor* New York: M.E.Sharpe (1991).

[5] http://www.eurofound.europa.eu/eiro/2001/05/feature/de0105225f.htm

[6] http://www.statistics.gov.uk/cci/nugget.asp?id=2

[7] For data on this for the UK, see J Banks and S Tanner *Houshold Savings in the UK* London: Institute for Fiscal Studies (1999). Data for other EU member states is difficult to obtain; however there is little reason to suppose that the picture would be very different in most of them.

[8] For a fuller description and analysis of asset-based welfare, the ideas that motivate it and the policies to which it gives birth see J. Le Grand *Motivation, Agency and Public Policy* Oxford: Oxford University Press (2003, 2006), Ch.9

[9] D. Nissan and J. Le Grand *A Capital Idea* London: Fabian Society (2000); G. Kelly and R. Lissauer *Ownership for All* London: Institute of Public Policy Research (2000); J. Le Grand *Motivation, Agency and Public Policy* Oxford: Oxford University Press (2003); B.Ackerman and A. Alstott *The Stakeholding Society* New Haven: Yale University Press (1999).

[10] Strictly the term 'bond' is incorrect since the measure concerned is a grant and does not have to be paid back. However, the usage of bond to describe a capital grant of this kind is now established in the literature and we follow it here.

[11] More detailed descriptions can be found in V. Loke and M. Sherraden *Building Assets from Birth.* Washington University at St Louis: Center for Social Development Working Paper No.08-03 (2008).

[12] http://www.hmrc.gov.uk/ctf/statistical-report-2007.pdf.

[13] V. Loke and M. Sherraden *Building Assets from Birth.* Washington University at St Louis: Center for Social Development Working Paper No.08-03 (2008) p.7.

[14] R. Prabhakar 'Attitudes towards the child trust fund: what do parents think?' *British Journal of Politcs and International Relations* 9(4) 713-729., 2007

Table: Previsions of "Bambini Bond"

Amount at birth (€)	Interest Rate	Savings (€ per month)	Capital at 18 (€)
1000	7% (shares)	100	43,940
1000	5% (shares)	50	19,090
1500	3.5% (savings account)	25	10,000

Box: Baby Bond schemes in various countries

Baby bonus **Singapore** **2001**	• A two tiers system : 1. Under the first tier the government deposits the equivalent of €1500 for the first and second child and €3000 for the third and fourth child. 2. Under the second tier, families can save into an interest-bearing account for the second to fourth child and have their savings matched by the government on a one-to-one basis. • The funds may be used from birth to age six by the parents for child care, pre-school, special education or medical expenses. • The scheme has been criticised on equity grounds for the differential treatment of each child based on birth order*. But it has been justified to achieve the Singapore Government's aim of increasing the birth rate. • A more telling problem is its openness to use by parents, before it has had time to generate the amounts necessary to give young adults the start in life that a good capital sum can give.
Learning Bond **Canada** **2004**	• It provides the equivalent of € 350 for children born after 2003 and that are registered in the National Child Benefit Supplement, the income support scheme for poor families. • Each year until the age of 15 years, an amount of € 70 is deposited as long as the parents stay in the income support scheme. • The amounts are deposited in a Savings Plan account into which families can save, and for which there are various matching rates depending on family income. • The account can only be used to pay for post-secondary education. Hence its benefits go only to those who go on to higher education: the better-off section of the population, and one whom it might be argued would probably have gone there in any case.
South Korean **2007**	• Savings accounts for children • Initially limited to institutionalised children, it is intended to cover all children born into middle and low income households by 2010. It has no universal element. • The government deposits a fixed amount at birth and at age 7, and provides one-to-one-matching grants for family and other savings into the account up to a limit. • The account can be accessed at age 18 but can only be spent on education, housing or micro-enterprise start-up.
France **proposal**	• In a study, performed by the Centre d'Analyse Stratégique at the request of the French Government, three options are analyzed: ** 1. an annual grant from birth only for the children of poor families; 2. a universal grant from birth with a greater amount for the poor; 3. a universal allowance given at 18 years, perhaps coupled with a reform of financing universities. • The idea of the last was to gradually increase the registration fees in the University system and to compensate this increase in fees by a universal allowance. • The schemes would not allow for savings into the accounts by families on the grounds that this would promote inequity.
U.S. **Proposal**	• Several asset based policies have been introduced into the US Congress ,but none have yet been implemented. • The most ambitious was the ASPIRE Act: the America Saving for Personal Investment, Retirement and Education Act. • This would endow each child with $500, with a supplement for children from poor families coupled with matching funds for private contributions to the account. • The account could be accessed at 18 but only for higher education; after the age of 25, however, withdrawals for homeownership and retirement security would be permitted

* M. Sherraden 'Singapore announces 'Baby Bonus' and Children's Development Accounts'. http://gwbweb.wustl.edu/csd/News?singaporeCDA.pdf.

** P. Cusset, J. Damon, E. Grasse *Contribuer à l'égalité des chances par l'instauration de dotations en capital pour les jeunes majeurs*, Paris, Centre d'Analyse Stratégique, Département de Questions sociales. (2007)

5 Care and Social Innovation

*By Jane Jenson and Agnès Hubert**

Demography puts social care high on the political agenda. Numerous Europeans across the Union need efficient and affordable caring arrangements whether for themselves, their relatives or their employees. Furthermore, appropriate and innovative social care arrangements contribute to Europe's economic performance and improve citizens' well being. Care services for children, the elderly and persons with disabilities are growing fast, already constituting 5% of some Member States' GDP.[1] In Denmark for instance 2.3% of GDP goes to childcare and up to 2.5% to eldercare. Individuals too are devoting more resources to their own health; the share of personal consumption going to health care is estimated to jump from 4% among 45 to 59 year-olds to 8% of their total consumption for people over 60. Almost one fifth of all jobs created across the EU between 1995 and 2001 occurred in the health and social services sectors.[2] It is everywhere perceived to be a main driver for employment growth.[3] And, demand for services for social care already exceeds supply.[4]

Pressures in the care sector

As populations age, the need increases for a variety of supports and advanced technology to help with everyday tasks. As for children, research on early education demonstrates the benefits of services provided by qualified professionals[5] as well as for fostering parents' labour force participation. As the proportion of the working-age population contracts and demand for workers tightens, there is a potential mismatch between demand and supply in the care sector. **Demand is rising**: Ageing societies raise the numbers of "oldest of the old" (Figure 1). The proportion of the over-80s is expected to almost triple, from 4% in 2004 to 11% in 2050.[6] Demand for early childhood education will also rise as more mothers taking up paid employment seek high quality non-parental childcare. Meanwhile, expenditures for caring arrangements for children are unlikely to decrease as more parents taking up employment. **Supply is shrinking,** reduced both by rising female employment rates that limit the supply of informal care and because formal care work typically offers poor working conditions, little security and low pay. "Many countries in Europe are facing labour shortages in the care sector at present. These problems are set to rise in the near future. Stress, burnout and often low pay and poor training make it a challenge to attract workers to the care sector and to keep them there".[7] **Preferences are changing:** for the elderly, more than "adding years to life" the challenge is to "add life to years" (or to increase Healthy Life Expectancy), reducing dependency by increasing prevention. Seniors' expectations as well as Europe's goal of active ageing generate demand for supports that allow as much independence as possible. Often this means living at home and not being forced to rely on relatives for care. The OECD found home care accounts for around 30% of long-term care spending (Figure 2) and is rising fast.[8]

Why is social innovation in care important?

To answer this, we need to understand what works when it comes to adapting the social care sector to current and future needs? Firstly, significant economic costs exist where informal care dominates the policy mix. Leaving almost all social care to the family, for instance, undermines labour policies seeking to increase women's employment, to avoid too-early retirement, and to ensure citizens are healthy. Having children (under 12) has a large effect on women's paid work. There is a 13.6 points employment rate gap across EU 27 between women with (62.4%) and without children (76%), but the gap is even larger in countries where non-parental childcare is scarce, e.g. Hungary or Malta (Figure 3). Among mid-life European women, 37% reduced their working time when they were required to take up informal caring for vulnerable relatives.[9] In Canada, where social care is overwhelmingly informal and left to the family, data reveal high costs in the form of unnecessary early retirement, lost productivity, and poor health.[10]

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* Professor of Political Science and Canada Research Chair in Citizenship and Governance, Université de Montréal; BEPA

As informal carers provide more care, they down-shift their work responsibilities (Table 1). Individuals mortgage their own health – they report lost sleep, negative health outcomes, and reduced contact with the social networks important to their own wellbeing (Figure 4). Empirical evidence documents, however, that where childcare services are available, parents escape some stress of balancing work and family. Informal carers for the dependent elderly who receive respite services care for their own health as well as their relatives. Where employers offer flexibility allowing carers to balance family and work they see pay-offs in the form of general productivity.[11]

Secondly, leaving social care to the low-end of the labour market does not work economically or socially to provide an adequate supply of affordable and quality services. The care sector currently suffers from high turnover (undermining quality) and labour shortages. Wages are low, working conditions include long and irregular hours and the risk of undeclared working is very high. Where on the contrary states recognise the rightful place of social care, innovations have helped correct labour market weaknesses. Well-designed "payments for care"[12] create jobs, regularise the employment situation of carers, provide access to the social security system for informal as well as formal carers, and enhance the autonomy of the citizens in need of care. Modern communications is also an important tool in the mix, enabling persons to live on their own with confidence that a skilled carer is within reach.

Recent research on children's well-being and on integrated care models for the elderly has also underlined the correlation between care and the efficiency of education and health systems. An OECD study reviewing practices in 20 countries identified the contribution of well-designed early childhood education and care to fighting child poverty and realising a life-long learning society.[13] In March 2008 the Canadian Policy Research Networks released a literature review on integrated health and social care for the elderly that relied, among others, on the EU survey of integrated care models, PROCARE.[14] The study reveals a shared consensus among researchers and policymakers in the EU and North America about the advantages of integrated health and social care models. Such an approach includes in particular: building cross-sectoral, cross-professional linkages for collaborative care planning; using multidisciplinary case/care management; sharing assessment information, information technology and decision support; and developing appropriate financial and other incentives to encourage involvement of organisations and professionals in shared program goals. The research indicates that where policy and stakeholders coordination is carefully worked out there is evidence of improved outcomes, client satisfaction and costs savings or cost effectiveness.[15]

A role for the EU

According to a recent Eurobarometer poll, 91% of Europeans believe that caring services for the elderly and ill is a responsibility for society as a whole.[16] In contrast to many such cross-European statistical portraits, there is remarkably little variation among the Member States (Figure 5). Considering that they all face a similar challenge of matching an increasing demand and tight supply of quality services at an affordable cost, there is a case for the EU to step in with innovative institutional and technical mechanisms to improve the wellbeing of children and the healthy life years of European ageing citizens. Of course, many existing EU policy and programs already influence social care, ranging from employment and gender equality to health, the internal market, reforms of social protection systems, the Information society and so on. A number of instruments are in place in different policy fields,[17] and European funds[18] serve to improve the provision and delivery of social care. As a next step, the Union could reinforce the cooperative research and exchanges among Member States and stakeholders seeking successful policy mixes and innovatory models in the social care sector. Also, social innovation applied to care could become a showcase and laboratory for integrated models involving social policy as well as employment, health and education. Not only would the EU illustrate with concrete projects the crosscutting approach of a renewed social agenda, but Union's involvement would enhance the public image of the social care sector which is crucial if it is to develop better services and attract new entrants to the workforce.

ENDNOTES

[1] http://lysander.sourceoecd.org/vl=710578/cl=43/nw=1/rpsv/factbook/

[2] Eurofound, *Employment in social care in Europe – Summary*, p. 4. 2006

[3] "*What's really propping up the economy*" Business week 25 sept 2006

[4] Eurofound, *op-cit.*

[5] OECD "*Starting strong II early childhood education and care*" 2006 Paris and BEPA "*investing in youth: an empowerment strategy*" April 2007 Brussels

[6] Statistic for EU 25. European Commission, "*The social situation in the European union*" 2005-2006 p.58

[7] H. Litske, research manager EUROFOUND "*Securing labour for care of dependent people in Europe*" Työterveiset Journal: 2006-01

[8] *Long term care for older people* OECD study 2001-2004 (2005), Paris

[9] K. Speiss and U.Schneider, p. 52. data from the *European Community Household Panel 2002*

[10] Statistics Canada, *Perspectives on Labour and Income*,November 2006, catalogue no. 75-001-XIE.

[11] Eurofound "*working time and work life balance in European companies*"OPOCE, 2006

[12] cash payments made in lieu of social service provisions, to individuals who have been assessed as needing services

[13] OECD see 5

[14] PROCARE was co-financed by the EC Fifth framework programme, Contract No. QLK6-CT-2002-00227

[15] M. MacAdam CPRN Research Report, April 2008

[16] Eurobarometer Flash survey March 2008, Ipsos Mori Base: 25,103 European adults

[17] Barcelona targets for childcare, gender equality directives, Open Method of Coordination for Social inclusion; healthy ageing keystone for a sustainable Europe; the SHARE survey…

[18] European Social Fund, EQUAL

Figure 1: Ageing societies

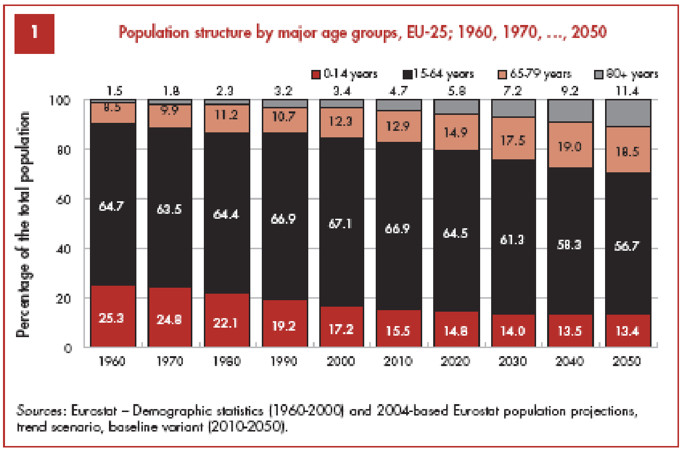
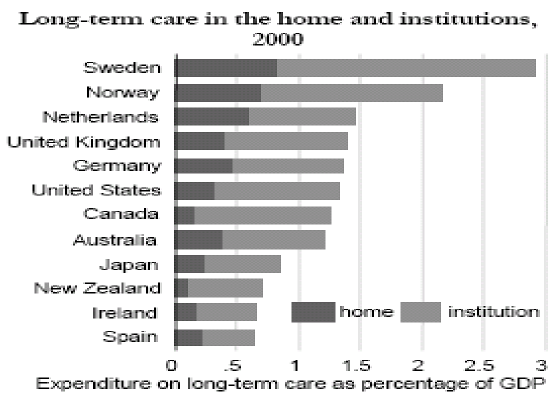
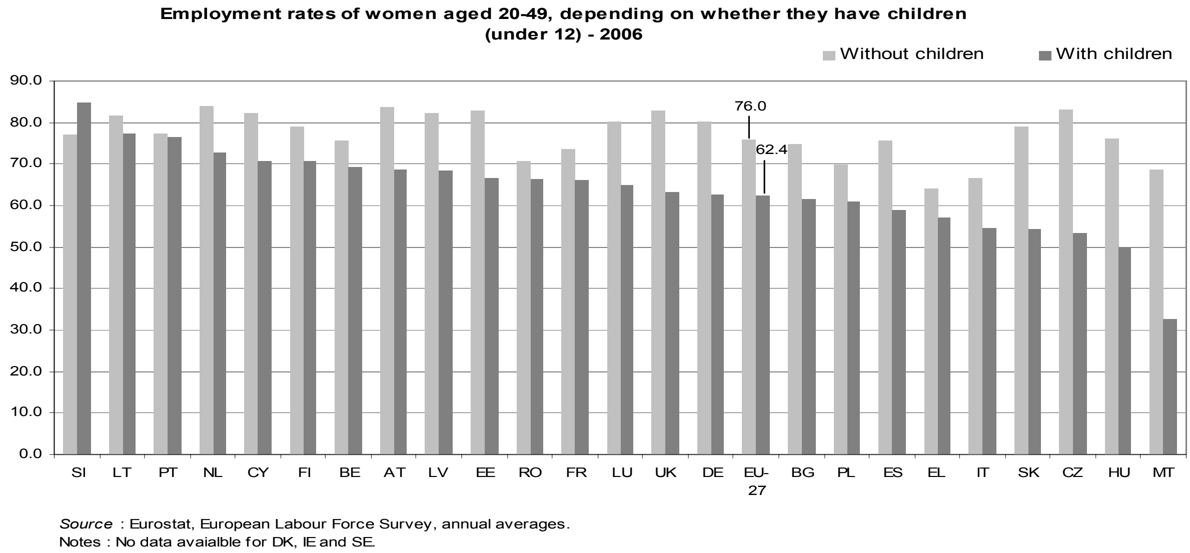


Figure 2: Long term care for older people



***Source*: OECD, 2005**

Figure 3: Employment rate



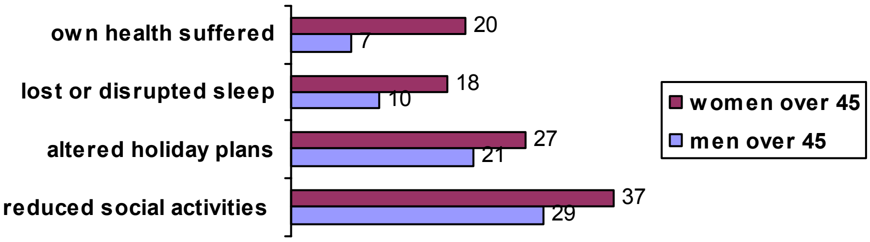
<u>Source</u>: Annual report on gender equality, 2008

Table 1: Impact of care-giving on employment

	Substantial effects on employment* exist, by care-giving and work intensity	
	Women 45-64	**Men 45-64**
Medium+ Care-giving intensity		
Not employed	14	-
40 hours or less	27	15
40 hours or more	37	24
High+ Care-giving intensity		
Not employed	25	17
40 hours or less	44	28
40 hours or more	65	47
* index including reduced working hours, changed work patterns, turned down job offer or promotion, postponed education or training, suffered reduction in income.		
+ "medium" is 2-3 hours per week of care; "high" is 4 or more hours per week.		

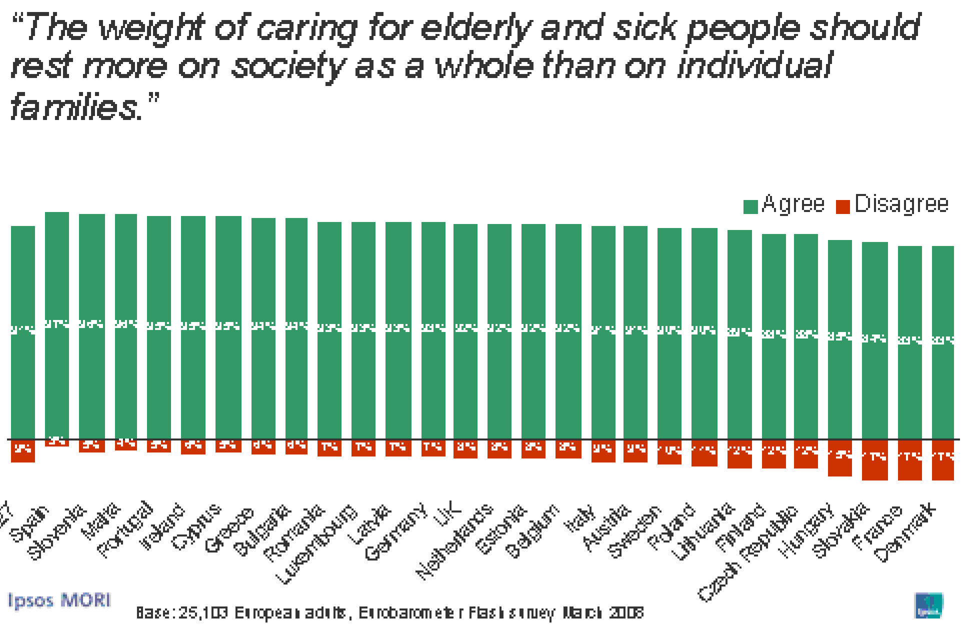
<u>Source</u>: Statistics Canada, Perspectives on Labour and Income, November 2006

Figure 4: Consequences of informal care-giving to persons over 65 with a long-term health problem



Source: Statistics Canada, 2002 General Social Survey, Cycle 16: Aging and Social Support (catalogue no. 89-583).

Figure 5



Source: Ipsos MORI

6 What citizens say

By Anna Melich

Les sondages auprès des Européens sur leurs sentiments en général à l'égard de leur vie quotidienne traduisent d'assez hauts niveaux de satisfaction et de bonheur. Il en va autrement pour leurs sentiments sur des facteurs particuliers de la vie - sociaux, économiques et politiques - qu'ils savent être des dangers à un bonheur, individuel et familial complet - et sur les perspectives d'avenir.

Ces craintes sont toutefois assez différentes d'un pays à l'autre suivant la situation économique et le background culturel et religieux.

Les Européens d'aujourd'hui se préoccupent surtout de **leur bonheur individuel** en se distançant de plus en plus de l'intérêt collectif. Selon l'Eurobaromètre spécial sur la "Réalité Sociale en Europe", effectué en hiver 2006, la santé, la famille, les amis, et les loisirs sont très importants pour la vie des Européens. Pour la première fois depuis les années 80, le travail passe, à une courte distance, après les loisirs. La religion et la politique, avec des nuances importantes selon les pays, occupent beaucoup moins les esprits (Tableau 1).

Le chômage, le coût de la vie, les pensions, la criminalité, le système de santé de leur pays, le terrorisme, le fossé entre les riches et les pauvres, l'immigration, l'environnement, l'éducation et la prise en charge des personnes âgées sont les **sujets qui préoccupaient le plus les Européens** en 2006 (Tableau 2). En plus, ils prévoyaient que le chômage, l'environnement, l'éducation et la croissance économique deviendraient des préoccupations encore **plus inquiétantes pour les générations futures**.

Un récent sondage (EB Flash 227, terrain : avril 2008) sur les "Attentes des Européens sur la réalité sociale dans 20 ans" confirme ces sentiments assez pessimistes quant à l'avenir. 39% voient leur vie dans 20 ans meilleure que l'actuelle, 49% la voient pire et 9% ni l'un ni l'autre (Graphique 1). Les différences par pays et entre anciens Etats membres (UE 15 : 32% "vie sera meilleure dans 20 ans" et 56% "elle sera pire") et nouveaux (UE 12 : 59% et 24% respectivement) sont considérables (Graphique 2). Les derniers étant bien plus optimistes.

Depuis 2006, un sujet d'inquiétude multiple est en train de passer encore plus visiblement devant tous les autres (mais toujours après le chômage) : **l'inflation, la hausse des prix, le coût de la vie.** L'augmentation de cette préoccupation est patente dans tous les Etats membres de l'UE.

La perception de l'inflation par l'opinion publique prend des proportions considérables qui s'écartent de plus en plus des taux d'inflation réels mesurés par les institutions économiques et financières. La Deutsche Bank a mesuré les écarts entre l'évolution de l'indice de perception de l'inflation et l'évolution de l'indice des prix à la consommation en Allemagne. Il est intéressant de constater (Graphique 3) l'ampleur de la perception "irrationnelle" du coût de la vie à certaines époques, depuis 1999.

L'inquiétude de l'opinion publique européenne sur l'augmentation des prix, et par conséquent du coût de la vie en général, risque de mettre fortement à mal la satisfaction sur l'emploi (niveau des salaires, retraites), sur la vie familiale (mariage, nombre d'enfants), sur l'éducation (dépenses pour l'éducation des enfants et formation tout au long de la vie), sur la santé (coût des soins) et sur les loisirs (coût des vacances et sorties avec les amis).

Tableau 1

Please say for each of the following how important it is in your life (the question had four answer categories: very important; quite important; not very important; not at all important, here merged in two)

	Important	Not important
Health	**99**	1
Your family	**97**	3
Friends and acquaintances	**95**	5
Leisure time	**90**	10
Work	**84**	14
Helping others or voluntary work	**79**	19
Religion	52	47
Politics	43	**57**

Source: *Special EB "European Social Reality" (EU averages, in %) Fieldwork 11-12/2006*

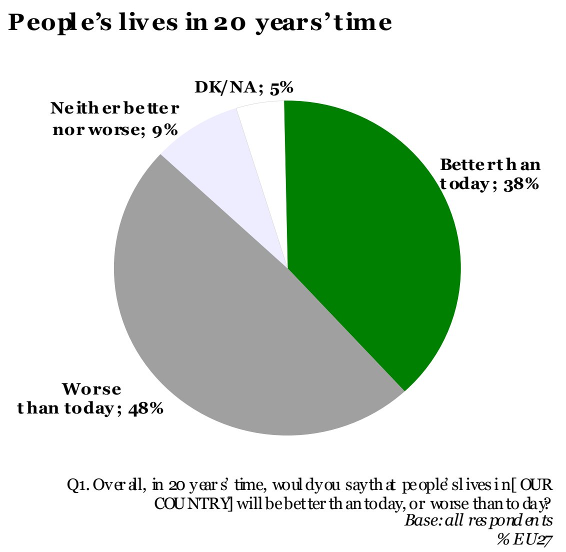
Tableau 2

"I am going to show you a card with a list of topics. Thinking of (OUR COUNTRY), please tell me which three topics from this list currently concern you the most and which three topics concern you the most for the next generation ? (EU-27 Averages, in %)

	Current concerns	Future concerns
Unemployment	35	**40**
The cost of living	**35**	26
Pensions	30	30
Crime	26	25
Health care	**26**	17
Terrorism	25	23
The gap between the rich and the poor	17	16
Immigration	**14**	10
The environment	13	**24**
Education	13	**18**
The care of the elderly	**13**	10
Integration of foreigners	8	7
Economic growth	7	**10**
The willingness of people to help others	7	7
Globalisation	4	6
The care of disabled people	4	2
Infrastructure and transport	2	1
Do not know	1	3

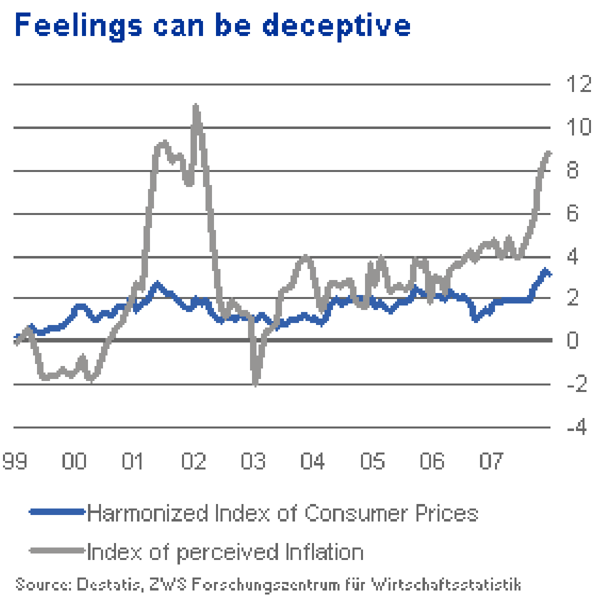
Source: Special EB "European Social Reality" (EU averages, in %) Fieldwork 11-12/2006

Graphique 1

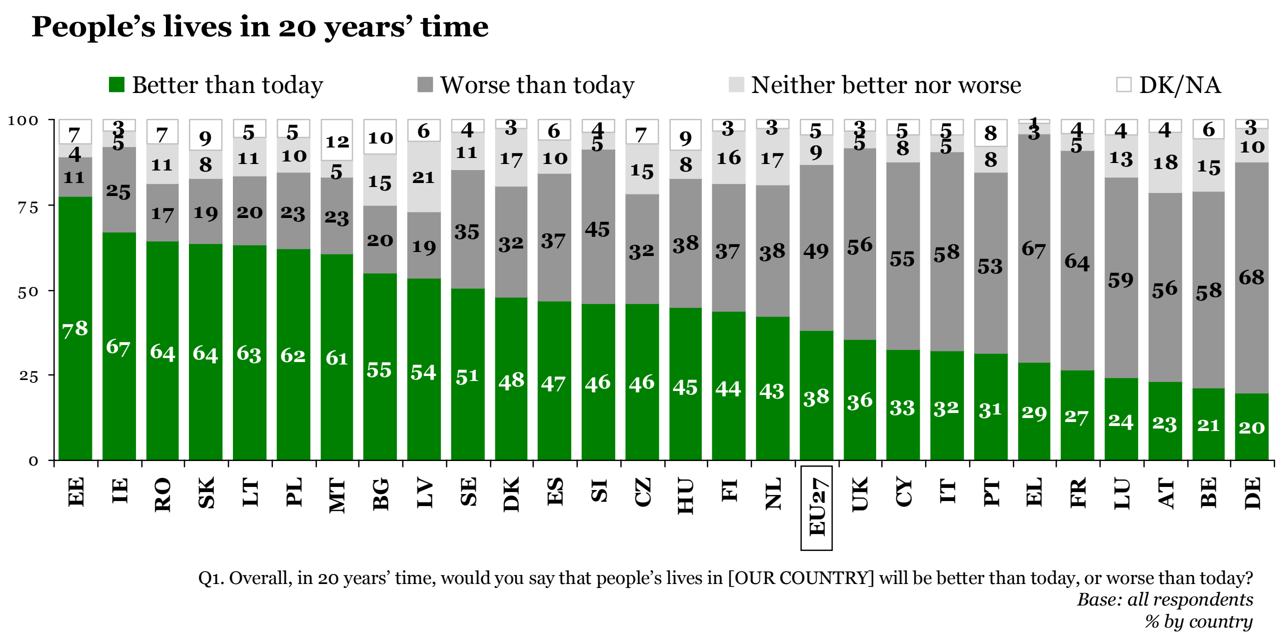


Source: Flash EB 227, terrain : avril 2008

Graphique 3



Graphique 2



Source: EB Flash 227, terrain : avril 2008

7 Facts and figures that matter

By Frédéric Lerais

La situation sociale en Europe

L'Eurobaromètre 273 montre que 16% des citoyens de l'UE25 sont préoccupés par l'écart entre les riches et les pauvres pour les générations futures.[1] Le dernier rapport sur la situation sociale en Europe[2] apporte des informations intéressantes et nouvelles à cet égard.

Ce rapport montre en particulier que les revenus se répartissent plus uniformément dans l'Union européenne qu'aux États-Unis. Si l'on considère la population de l'UE-25 dans son ensemble, le coefficient de Gini,[3] est de 32,7 pour l'UE-25 contre 35,7 pour les Etats-Unis (Graphique 1). Lorsque l'on se penche sur les Etats membres pris individuellement, il ressort que seul le Portugal affiche un niveau supérieur de l'indicateur à celui des États-Unis (41), tandis que la Pologne, la Lettonie et la Lituanie (36) enregistrent un niveau d'inégalité similaire à celui-ci. La répartition de revenus des pays du Nord est quant à elle plus égalitaire.

Le rapport s'interroge aussi sur le lien entre inégalités de revenus et performances économiques.[4] Si l'on compare les indicateurs d'égalité de revenus des États membres à leur PIB par habitant, on constate que les pays dont le PIB est élevé sont moins inégalitaires (Graphique 2). Le rapport interprète ce constat de la façon suivante: si les individus ont des chances mieux réparties et si leur potentiel peut être pleinement mobilisé, les inégalités s'en trouvent réduites et les performances économiques meilleures. En tirant parti du capital humain disponible que la discrimination et l'exclusion sociale empêchaient jusque-là de mobiliser, la promotion de l'égalité des chances est de nature à stimuler le revenu.

Concernant les personnes à bas revenu, l'étude constate qu'en 2004, environ 100 millions de personnes disposaient de moins de 22 € par jour[5] et 24 millions de moins de 10 € par jour. La proportion de personnes à bas revenus, par rapport à la médiane de l'UE, est, sans surprise, plus élevée parmi les nouveaux États membres. Toutefois, une grande proportion de la population à bas revenus réside dans les pays de l'UE-15. Ainsi presque 48% des personnes dont le revenu est inférieur à 60% de la médiane de l'UE vivent dans l'UE-15 (Graphique 3), avec un poids élevé de l'Espagne et de l'Italie.

À mesure que les nouveaux États membres rattrapent leur retard en termes de performances économiques, l'augmentation des revenus devrait entraîner une baisse du nombre de personnes à très bas revenus mesurés à l'aune du revenu médian de l'ensemble de l'UE. La vitesse à laquelle cela se produira dépend de la réussite du processus de convergence économique et sociale. Une diminution rapide du nombre de personnes à bas revenus n'est toutefois pas automatique.

Au-delà de l'analyse de la distribution des revenus, le rapport met l'accent sur la promotion de l'égalité des chances dans l'Union européenne. Plusieurs faits doivent être retenus qui portent sur la transmission intergénérationnelle des problèmes de pauvreté: les enfants dont les parents ont un bon niveau d'instruction sont quatre fois plus susceptibles d'atteindre eux-mêmes un niveau d'études élevé que les enfants dont les parents sont peu instruits (Graphique 4). Par ailleurs, les enfants dont les parents sont nés dans un pays extérieur à l'Union européenne sont deux fois plus susceptibles de grandir dans la précarité que ceux dont les parents sont nés dans un pays membre (Graphique 5).

ENDNOTES

[1] "Réalité sociale européenne" Eurobaromètre Spécial 273 - vague 66.3 • février 2007

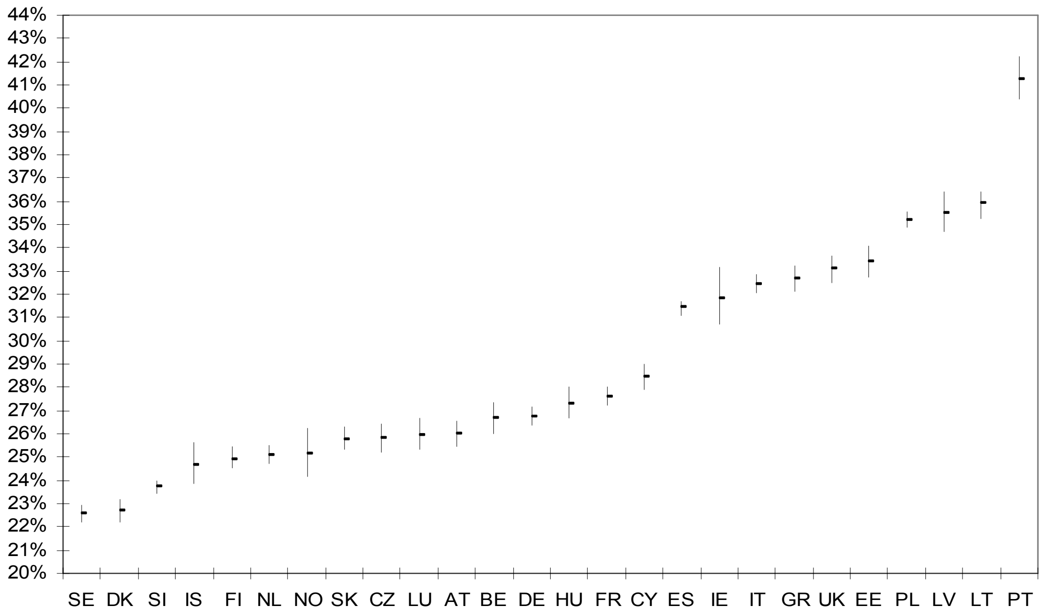
[2] http://ec.europa.eu/employment_social/spsi/reports_social_situation_en.htm

[3] Le coefficient de Gini mesure l'intensité de l'inégalité de la distribution. Sa valeur se situe entre 0 (distribution la plus égale) à 100 (inégalité la plus forte)

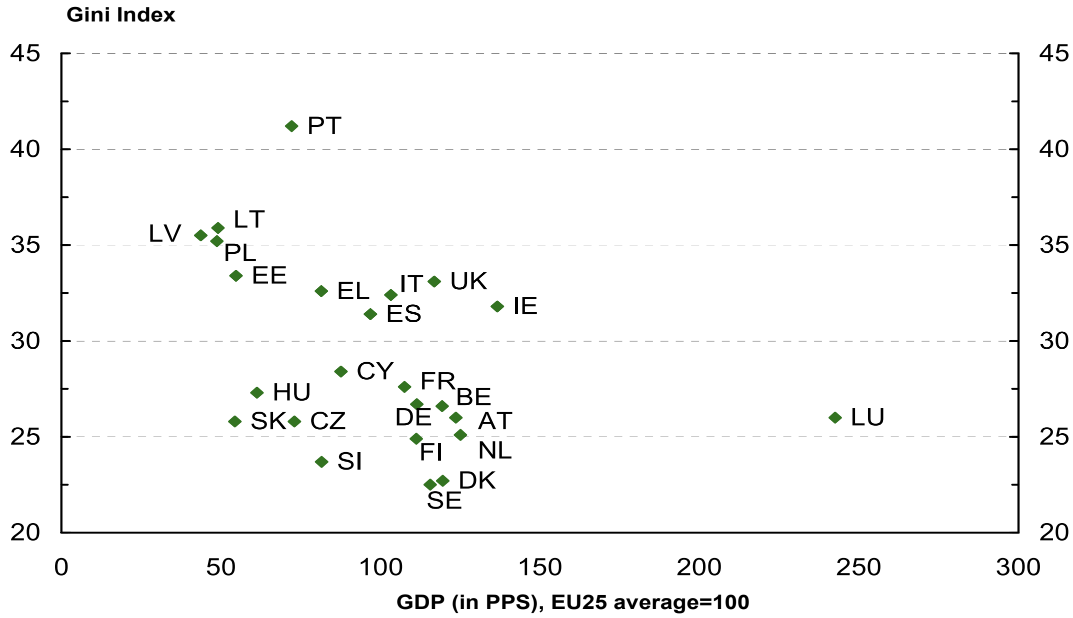
[4] Voir aussi *European Economy Research Letter*, vol1, issue 3, November 2007

[5] Cela correspond respectivement à 60% et 25% du revenu médian de l'UE correspondent à un revenu disponible annuel de 8 000, et 3 500 € pour une personne seule, ou à 22 €, et un peu moins de 10 € par jour. Ces montants sont pondérés en fonction du pouvoir d'achat et de la taille du ménage.

Graphique 1 : Coefficient de Gini (et intervalle de confiance), 2004

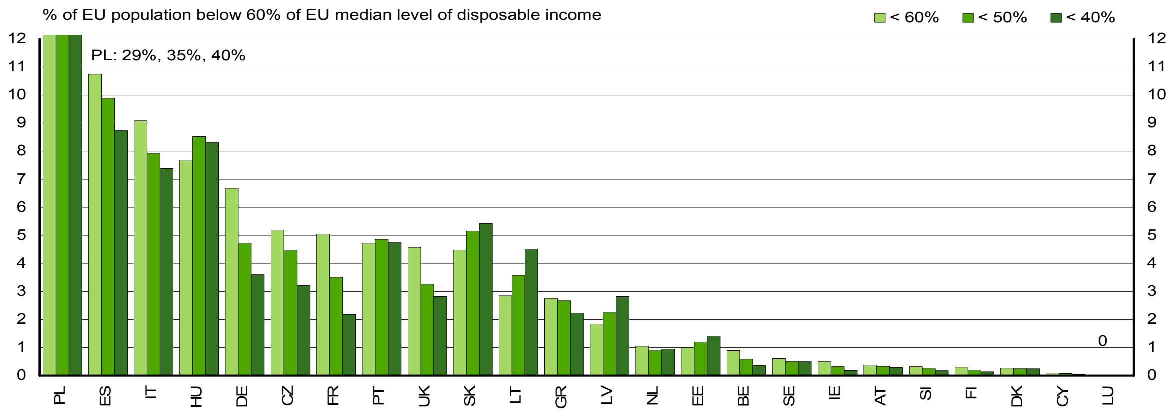


Graphique 2 : Distribution des États membres de l'UE selon le PIB par habitant (en SPA et indice de Gini, 2004)



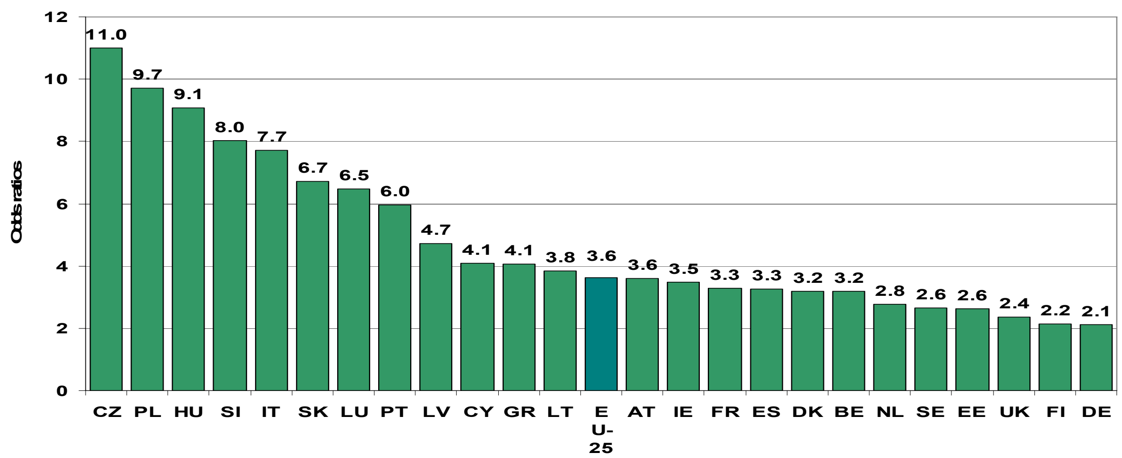
__Source__: Eurostat – Base de données des utilisateurs de l'EU-SILC, cité dans "The social situation in the EU 2007"

Graphique 3 : Personnes dont le revenu est inférieur à 60%, 50% et 40% du niveau médian du revenu disponible dans l'UE, 2004

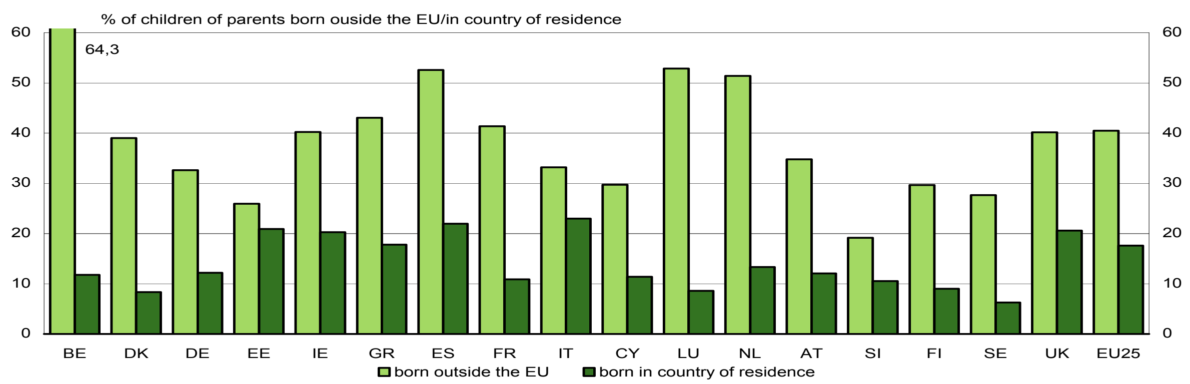


Graphique 4 : Probabilité que les enfants dont les parents ont un bon niveau d'instruction atteignent un niveau d'études élevé, par rapport aux enfants dont les parents sont peu instruits

Odd Ratio est une estimation du risque relatif



Graphique 5 : Proportion d'enfants pour qui le revenu se situe en dessous du seuil de risque de pauvreté, parents nés dans un pays extérieur à l'Union européenne et parents nés dans le pays de résidence, 2004



***Source*: Eurostat – Base de données des utilisateurs de l'EU-SILC, cité dans "The social situation in the EU 2007"**

8 What others say

By Myriam Sochacki

The evolving social reality in a nutshell. In Europe, globalisation raises strong fears notably with regard to employment and social conditions. In fact, these fears are exaggerated. Some recent studies offer a useful overview of the evolving social reality and the subsequent challenges. They show that globalisation is not leading to an inescapable *race to the bottom* in social policy or in the capacity to maintain the European commitment to fairness and solidarity. Globalisation is much more an opportunity for added growth than a social menace. There is no looming inexorability but the pressing need for more rapid adaptation to shifting economic and social trends. The key word is investment and the main driver, a shift from a passive to an active approach to social policies.

"Is Social Europe Fit for Globalisation",[1] a CEPS study prepared by Ian Begg, Juraj Draxler and Jørgen Mortensen for the European Commission, presents an analysis of the social impact of globalisation on EU economies and the policy challenges thereof. The report's key message is that the EU as a whole will benefit from globalisation. However, the gains of globalisation are not uniformly distributed across individuals, regions and countries, they will take long to materialise, while the costs are more likely to be concentrated in the short-run and they will not accrue automatically but will depend on successful adaptation and well-judged policy responses. Thus the challenge is to ensure that the effects of globalisation are on balance as positive as possible. A range of social policy responses, from education and immigration policies to labour market and social protection reforms, are required for the EU to effectively balance its efforts to boost competitiveness and to transform its economy by adopting and implementing policies that smooth the adjustment process.

"Flexicurity – Labour market Performance in Denmark",[2] a study by Torben M. Andersen and Michael Svarer, looks at the Danish case, which is often highlighted as the prime example of this reassuring mix of a flexible labour market with a generous social security system. The authors argue that the Danish model cannot be exported as such but useful lessons can be learned both from the failures in the 1970s and 1980s and the more successful changes in labour market performance in the 1990s. As long as the model was working only on two legs, flexibility and security, it performed badly. Flexible hiring and firing rules and generous social security systems do not automatically lead to low unemployment, on the contrary. In the 1990s a third leg was successfully introduced – incentives for job search and creation - with a series of reforms marked by a shift from a passive to an active focus. The *"right and duty"* principle – i.e. individual has a right to income support and a duty to actively search for jobs and society has a right to demand something from recipients of income transfers and a duty to help improving job prospects – was also extended from unemployment insurance to social assistance.

Trois Leçons sur l'Etat-Providence,[3] by Gøsta Esping-Andersen with Bruno Palier offers an analysis of the new welfare requirements stemming from on-going changes in demographic trends and family structure. The first lesson on the welfare state is dedicated to the revolution in women's role that remains incomplete and raises welfare problems that still need to be addressed. The second lesson deals with equal opportunities and early childhood investments. We need to invest as much as possible in the productive potential of contemporary youth in order to guarantee a sustainable welfare state. The last lesson concerns equal opportunity and inter-generational equity, in particular the issue of retirement policies. For each of these three lessons, Esping-Andersen calls for a paradigm shift from a static perspective on social policies to a dynamic one, from a welfare state being a supporter of social disadvantaged categories to a welfare state being an investor in human capital addressing today's inequalities (*"d'un Etat-providence essentiellement 'infirmier' à un Etat-providence 'investisseur'"*).

ENDNOTES

[1] http://shop.ceps.eu/BookDetail.php?item_id=1630

[2] http://cesifo.oxfordjournals.org/cgi/content/full/53/3/389

[3] Seuil, coll. "La République des idées", 2008