

# A SOCIAL CONTRACT FOR THE 21<sup>ST</sup> CENTURY

---

## Building a Society of Sustainability, Opportunity and Responsibility for All

### I. *Towards a Dynamic Europe*

A good social model is by definition not static. As societies progress and evolve, so must the social contract between citizens and governments. Social models that resist healthy change and fail to adapt to modernity are doomed to fail. Trapped in a forgotten logic from a distant era, the model will grow less and less relevant to the society around it and less and less just to the people within it.

We Europeans are strong, we are visionary, and we have a proud tradition of pushing the boundaries of social and economic development. There is no reason why we cannot meet the challenges – and reap the opportunities – of the 21<sup>st</sup> century. We must not fear change; we must accept and embrace it.

### II. *Are We Still 'Social'?*

The world has changed dramatically since the principles of our current Social Contract were first elaborated. In the 18<sup>th</sup> century, most people worked on farms and could expect to live around 50 years. Early in the 19<sup>th</sup> century, machines began to change the way we live and work, triggering a massive immigration to our cities and the beginnings of urban squalor and the industrial age. Against that backdrop, policy makers did a bold and visionary thing: they erected the modern welfare state, guaranteeing much-needed protection for those who fell by the wayside of such profound economic change. And the trade union movement itself made an invaluable, historic contribution when it established – with much pain and effort – the vital, life-giving principle that industry could only exist and thrive if it took proper care of the people inside it.

At the beginning of the 21<sup>st</sup> century, as we move from the industrial age to a networked, knowledge-based economy, our current Social Model is in desperate need of modernization. At a time when flexibility and speed are engines of economic growth and wealth creation, our current system breeds inertia and gridlock. Even worse, a social safety net that was once conceived as an “insurance of last resort” has become the

permanent life-support for an ever growing caste of outsiders – people who are themselves shut out of the labour market by the Model's rigid rules, high entry thresholds and distorted incentives. Our economy, too, has ground to a screeching halt – leaving us puzzled about Asia's and North America's ability to grow out of recession while we sputter along in endless debate, seemingly unable to return to the forefront of the global economy where we belong.

What's more, we face historically high levels of unemployment, with some 19 million people in the European Union unable to find work – a social tragedy, which deserves to be condemned as such. We Europeans must dare to look ourselves in the mirror and ask, "Does our society still deserve to call itself 'social'? What is 'social' about a society where long-term unemployment has become an inescapable trap for millions of people? Where is the 'social cohesion' in saddling our youngest citizens with more and more debt, funding current commitments at the expense of future taxpayers and setting in motion generational conflict? What is 'social' about pretending to build a knowledge-based economy, when in reality we spend 40% less on college-level education than the U.S. while we divert massive financial resources to well-organized interest groups like farmers and coal miners?"

### III. ***We are Leaving the People of Europe Behind***

We say we want to compete with the most developed, fast-moving economies of this world, but our labour markets are trapped in an historical straitjacket, mirroring long-gone industrial-age class wars of the 19<sup>th</sup> century. The principle of job security was originally designed for blue-collar male workers, employed full-time and supported domestically by a housewife. In today's fast-moving economy, where speed and flexibility are key and many people other than middle-aged men want to be included in wage-earning activities, our current system serves as a constant break for job creation and greater labour-market participation. In fact, our system takes the hardest toll on the weakest members of our society: the young, the old, women, low-skilled workers and immigrants. Nowhere in the developed world are so many groups of people so consistently discriminated against and prevented from participating in the labour market.

Sadly, the current system does not work for people at the upper scale of the job market either, including our all-important knowledge workers. Hundreds of thousands of our best and brightest engineers and scientists have emigrated to the United States and other modern economies, where they know their talents will be rewarded and their efforts better compensated. This is the worst sign of failure imaginable in a modern economy: we are losing our best and brightest college graduates and above-average intellectual elite. They are voting with their feet in a silent protest whose implications are serious and whose message should be felt and heard throughout our land.

For the sake of our common future, we need to create a 21<sup>st</sup> century social model based on opportunity, inclusion and sustainability – a model that will protect individuals, while helping them succeed and realise their personal potential. We must seize this vital agenda with the vision and foresight that our ancestors showed when they devised the Social Contract in the first place.

### IV. ***Special Interests Represent Special Interests – Not the Public At Large***

Europe is falling dangerously adrift amidst the systemic pressures exerted by a large number of special interest groups, many of which have an explicit mandate to preserve the status quo and prevent change. Over many decades, European governments and institutions have – with the best of intentions – built up forces in civil society that still view the world from a 19<sup>th</sup> century vantage point, where businesses recklessly exploit

workers and the environment. The truth is that at the onset of the 21<sup>st</sup> century, the well-being of employees, employers and the environment are inextricably linked to one another. No one can seriously believe that without a healthy economy and thriving job market a high degree of social and environmental protection can be sustained. It is simply impossible.

Given the importance that unions have traditionally enjoyed in Europe, their privileged role in public discourse and economic-policy making deserves to be re-examined. In many countries, unions are haemorrhaging, losing not only members but also public legitimacy at a record pace. Yet, political leaders and the media act as if trade unions are the only voice that can speak on behalf of the working population. In the current absence of other organised forms of labour, there must be at least a recognition that unions represent fewer and fewer people, and even then their members come largely from the industrial sectors that are the most challenged by globalisation and economic integration. At the same time, governments should ensure that other, more moderate and pragmatic voices be encouraged to organise and be included in the consultative process.

V. ***Everyone has a Stake in Creating a Healthy Economy***

Europeans must realise that we are not born with a God-given right to one of the world's highest standards of living. Our prosperity is entirely dependent on our long-term competitiveness in the global economy. Therefore, everybody has a vital stake in – and must make a significant contribution to – the economy and the well-being of our society.

Today, most people know that Europe's sclerotic, inflexible labour markets offer neither "protection" from unemployment nor "security" for the future. The working age population, meanwhile, is shrinking dramatically; people are living longer and retiring earlier. The result: there are fewer and fewer people in the workforce to support those who have already retired and the many others that are drawing government benefits. At the same time, public finances are deteriorating and could collapse entirely in years to come, putting an intolerable burden on future generations. Without reforms, social security contributions and taxes will have to climb to a level that will make Sweden seem like a tax haven. The only alternative is for governments to run unsustainable budget deficits. Either way, the adults of today are shirking responsibility and choosing the seemingly easy way out at the expense of their children and generations to come.

Against this backdrop, current reform efforts must be understood as an attempt to save the social system, not as an effort to destroy it. We need a broad consensus throughout society that wealth must first be earned before any discussion about entitlements and redistribution can take place. At the same time, we need to broaden our understanding of the rights and responsibilities of the government to the individual and the individual to the government to include this key point.

VI. ***A Social Contract for the 21<sup>st</sup> Century***

The times urgently demand a modernized social contract – one that will take account of the seismic shift that Europe is undergoing as it moves from the industrial age to a modern, knowledge-based economy. This new social contract should be built around four guiding principles:

1) **Full Employment and Job Creation.** Governments owe it to their citizens to produce a healthy economy and a flourishing job market. Policy makers must abandon their habit of protecting only the special interests capable of lobbying them for handouts and subsidies. They must learn to protect the real stakeholders: the millions of honest

people who want to work and expect a pension to be there when they retire; the youngsters who leave school ready to make a contribution to society; the parents whose greatest ambition is to pass a life on to their children as prosperous and safe as the one they inherited themselves. Put simply, a healthy economy – and a healthy job market – would be the best possible social policy for Europe. We must re-double our efforts to restore economic vigour to our countries and economies, and we must learn to see this economic vigour not as a drag on social justice and the environment, but as the engine which makes our societies powerful, tolerant and strong.

**2) Education and Life-Long Learning.** Given our high wages and high living standards, there is only one direction for the European economy to develop: towards higher value, high-wage jobs. These jobs will ultimately allow us to retain our prosperity, while giving us the necessary resources to protect the weakest members of society. Over time, many manufacturing jobs will disappear to countries where workers toil for lower wages, much as many farming jobs disappeared from Europe over the last 200 years. This is the way the global economy works and should be seen as a natural progression as less developed countries move towards an industrial economy. These countries deserve the opportunity to take part in the global economy and leverage their comparative advantage. However, we Europeans must take urgent steps to ensure that we remain at the forefront of modern economic developments, spending every euro-cent possible on the education, training and intellectual upkeep of our greatest resource: our citizens. It is not enough to tell people that they must work longer, though shifting demographics means that this is true. We must also tell them, “the state will help you work longer by providing you with opportunities to train, re-train and continue learning throughout your working life.” It is imperative that the €100 billion European Union budget be revised with this in mind. It is outrageous that – four years after EU leaders vowed to create “the most competitive and dynamic knowledge-based economy” in the world by 2010 – we still spend nearly half of the EU budget on pre-industrial farm subsidies, while we spend more than one-third less per student than the United States on tertiary education. We call on EU leaders to put an immediate stop to this travesty.

**3) Opportunity and Innovation.** It is hard to believe but companies like Siemens, Solvay and Philips were once fast-moving, entrepreneur-driven companies like Microsoft, Oracle and Amazon.com. Where are those fast-growing, entrepreneurial companies today? These days, an ambitious European scientist is more likely to emigrate to the United States than to start his or her own company in Europe. We must restore this spirit of entrepreneurship to Europe. We must create an environment in which our best and brightest citizens will want to make their careers right here at home. And we must learn to encourage entrepreneurship and risk-taking, giving all people the right to develop fully their personal and professional potential. Society only gains when its citizens embrace opportunities, live their dreams and pursue their ambitions.

**4) Sustainable Public Finances.** Few issues are less “social” than the hideous abuse of public finances we see underway today. We believe the current generation of leaders are guilty of something akin to serious child abuse – preferring to hide their lack of political courage behind an ever-growing pile of debt our children will spend their lifetime paying down. It is a moral imperative that European political leaders – and those of France, Germany and Italy in particular – restore order to public finances. They must elaborate and defend budgets based on economic reality and sound judgment – not because it is thrifty and frugal to do so, but because it is reprehensible and unjust not to do so. Nothing is more precious to us than our children and our children’s future. It is high time we learn to live within our means, treating the interests of future generations as seriously as we treat our own.

Paul Hofheinz	President	The Lisbon Council	Belgium
Ann Mettler	Executive Director	The Lisbon Council	Belgium
Tjark de Lange	President	Young Entrepreneurs for Europe (Yes for Europe)	Belgium
Peer Ederer	Co-Founder	Deutschland Denken!	Germany
Francesco Grillo	Co-Founder and President	Vision	Italy
Daniel Dettling	Founder and Executive Director	berlinpolis	Germany
Maciej Grabowski	Vice-President	Polish Lisbon Strategy Forum	Poland
Joeri van den Steenhoven	Co-Founder and Executive Director	Kennisland	The Netherlands
Waldemar Paclawski	Member of the Steering Committee	Polish Lisbon Strategy Forum	Poland
Jörg Tremmel	Managing Director	Foundation for the Rights of Future Generations	Germany
Eugen Jurzyka	Director	Institute for Economic and Social Reforms (INEKO)	Slovak Republic
Elisabeth Lulin	Founder and President	FuturBulences	France
Gerardo Greco	Deputy Director	Vision	Italy
Koert Debeuf	Strategy Adviser	Office of the Prime Minister	Belgium
Edouard Fillias	President	Liberté Chérie	France
Sabine Herold	Spokesperson	Liberté Chérie	France
Alja Brglez	Director	Institute for Civilisation and Culture	Slovenia
Tasso Enzweiler	Executive Director	Initiative Neue Soziale Marktwirtschaft	Germany
Bernard Spitz	Secretary General	En Temps Réel	France

