

# Investing in Human Capital: A Milestone Towards a Social Union

## STEPS Cluster Final Event

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Keynote by

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[stepseurope.eu](http://stepseurope.eu)



# Outline of the talk

1. The European context
  - An “Unhappy State”
2. EU’s Stance on Social Policy
  - A ‘Janus Face’
3. Why should we even bother ?
  - To talk about soft skills
4. Towards a ‘Social Union’ ?
  - Some tough nuts to crack
5. Conclusions - Q&A

# Questions/Clarifications?

(beware of the jargon 😊)



# 1. The European context: An “Unhappy State”

- Five years of economic crisis: a truly unsettling legacy.
- While a recovery in the European economy is clearly underway, its robustness and scope is far from guaranteed.

# 1. The European context: An “Unhappy State”

- Meanwhile, the legacy of the crisis is *deeply worrying*
  - Employment rates in the EU were *lower* in 2012 than they had been 8 years earlier, including in EU15 as a whole (excluding Germany).
  - There was a significant *fall* in real household income per head in 2008-2010 (in line with the fall in GDP per head) .

# 1. The European context: An “Unhappy State”

- *Material deprivation* - financial stress and lack of access to *basic goods and services* - declined markedly 2005-2008, it then *rose* from under 13% in 2008 to over 15.5% of the population in 2012.
- 24.2% of the European population is *at risk of poverty and social exclusion* !
- Why is this so?

# 1. The European context: An “Unhappy State”

- In a recession, welfare states commonly serve as ‘automatic economic stabilisers’ in support of aggregate demand and addressing poverty
- However, from 2010 onwards, the automatic stabilisers became increasingly *constrained* (sovereign debt crisis)
- The result was an overall reduction of public investment in the EU of 15% over the four years 2008-2012.

# 1. The European context: An “Unhappy State”

- The **same** occurred with investment in developing and maintaining *human capital*
  - spending on education, child care and health
- Government expenditure on *education* was largely cut back after 2010
  - Public expenditure on education lower in 2011 than in 2008 in 10 MS; expenditure on *tertiary education* cut more than education overall
- GR: austerity in *health* care is leading to a public-health disaster ( ‘austerity kills’ )



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## 2. The EU's stance on social policy

- To put it mildly: the EU is not exactly *'living up to expectations'*
- In view of the social problems people are facing (not 'Member States' )
- EU: a 'Janus' with two faces



## 2. The EU's stance on social policy

- The EU's legislative involvement in employment and social policy is a rather *short story* to tell.
- The consecutive Treaties only provided a strictly *limited transfer* of powers from the national to the EU level in these areas.

## 2. The EU' s stance on social policy

- Activist role for Brussels in social policy faces formidable obstacles
  - Institutionally: unanimity or a qualified majority needed for most initiatives in social policy. Member State governments protect ‘their’ social policy prerogatives (subsidiarity principle).
  - Politically: historical opposition of some large MS (notably UK) to new transfer of power to EU, while (notably Scandinavian) countries fear reduction of the level and the quality of their own social protection.

## 2. The EU's stance on social policy

- Unsurprisingly then, the EU discourse is still dominated by economic and financial crisis
  - Competitiveness pact, Pact for the Euro, Euro-Plus Pact, Six-pack, Two-pack... 'European Semester' (!)
  - Political crisis
    - Destabilisation of national governments
    - Euro-exit? Brexit?
    - Increase of extreme right
  - Social crisis: rough sleepers, Roma

## 2. The EU's stance on social policy

- Unsurprisingly then: confidence in EU is collapsing
- Between 2007 and 2012, euroscepticism has risen to a striking degree
  - ES: new high of 72%, and U.K., DE, FR, IT & PL echo the sentiment
- Recent EP elections: populism and euroscepticism

## 2. The EU's stance on social policy

- In spite of formidable hurdles, the EU has accumulated substantial regulatory mandates in employment, social and anti-discrimination policy
  - *EU legislation*: gender equality, coordination of social security rights, gender equality at work, health and safety in the workplace, cross-border health care
  - *EES, EU funding (!), Social Dialogue, Social Investment Package (SIP), OMC*





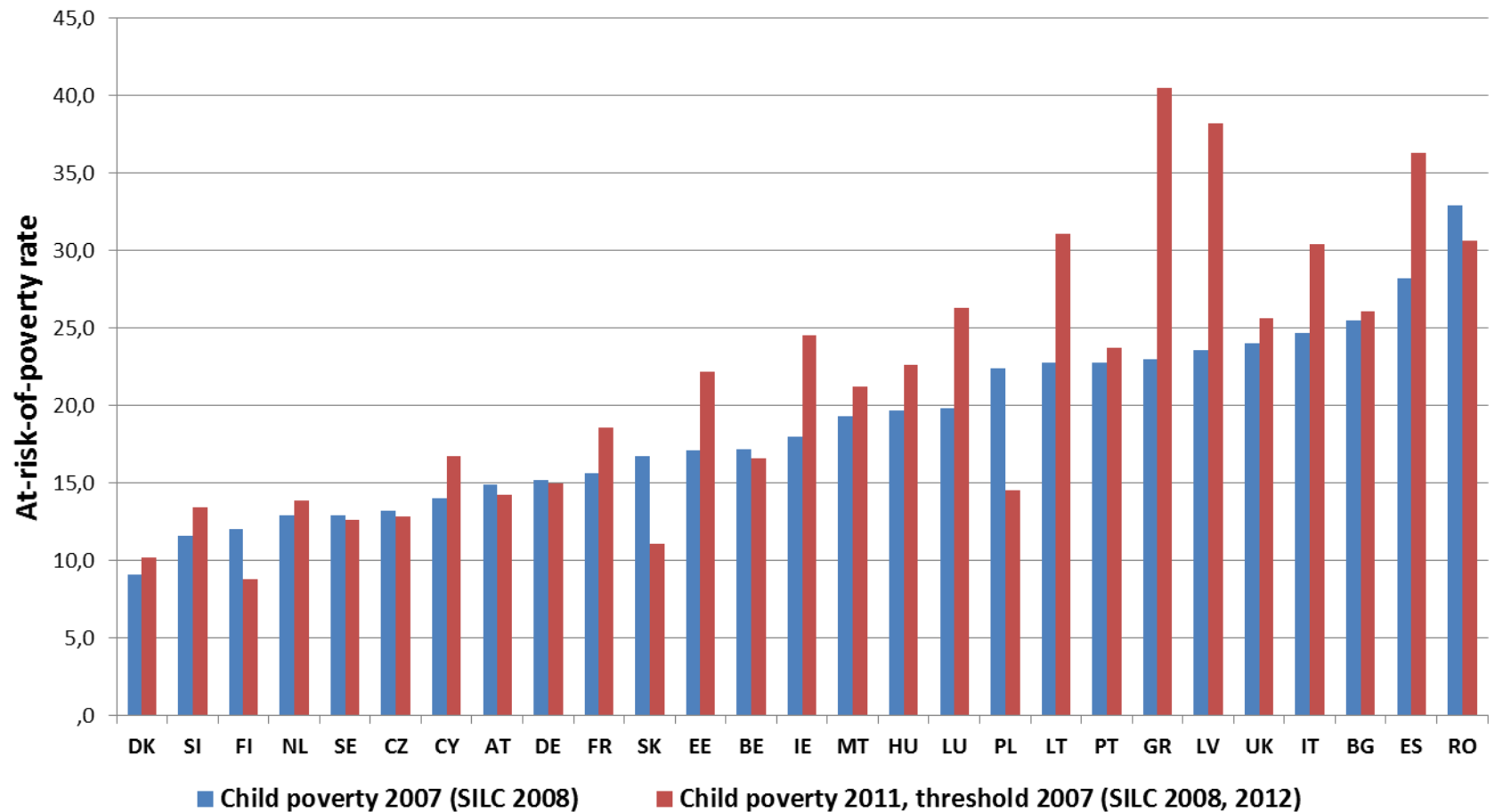
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  - To talk about ‘Social Europe’ and ‘soft skills’
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### 3. Why even bother ?

- Because social imbalances are now undermining the *EU project as a whole*
- Huge *disparities* in rates of child poverty across the Eurozone and non-convergence and even *divergence* during the crisis years
- These signal the extent of the social imbalances in the Eurozone, partly due to *divergences* in economic growth across
  - From 2009 to 2012, those countries with the highest levels of GDP per head recovered more quickly and disparities then widened again.

# Child poverty: an 'excessive social imbalance'



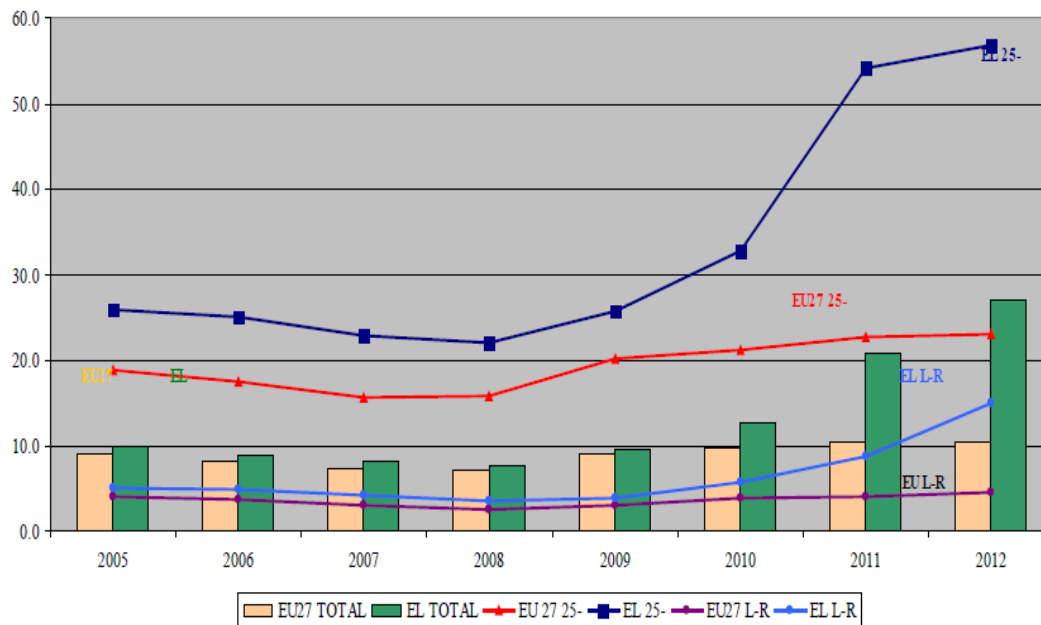
### 3. Why even bother ?

Read more:

[Vandenbroucke](#), F. with Vanhercke, B. (2014), *A European Social Union. 10 Tough Nuts to Crack*, Background report for the Friends of Europe High-Level Group on 'Social Union', Brussels: Friends of Europe, 158 p.

Figure 4: Unemployment rate, Greece, 2005-2012

UNEMPLOYMENT RATES



Source: Eurostat

### 3. Why should we even bother?

To talk about soft skills:

- Strong work ethics, positive attitude, communication skills, time management, problem solving
- Team player, self-confidence, ability to accept and learn from criticism, self-reflection, flexibility, optimism
- ...

# Why should we even bother?

- Because there is a strong **economic** case to be made for investment in soft skills
- See recent OSE Working [Paper](#)



Putting the fight against poverty and social exclusion at the heart of the EU agenda: A contribution to the Mid-Term Review of the Europe 2020 Strategy

Hugh Frazer, Anne-Catherine Guio, Eric Marlier, Bart Vanhercke and Terry Ward

OSE Paper Series, Research Paper No. 15, October 2014, 65p.

### 3. Why should we even bother?

- Substantial evidence that the application of soft skills results in tangible benefits with a *measurable return on investment*
  - Most important skills which directly link to productivity & profitability are consistently reported to be *communication and people management*
- Greatest return seen when soft skills are developed and applied *alongside hard skills*
  - *and/and, nor either/or*
- Only effective if all *levels* play their part: local, regional, national, EU (public & private); Partnerships



### 3. Why should we even bother?

- Soft skills do not simply enable an individual to *access the labour* market but rather to take *control of their life*
  - Empowers individuals with sophisticated practical, emotional and intuitive intelligences
  - “*Unlock the potential of our people, allowing them to play a positive and sustainable role in society*”  
(Deborah Waddell)

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## 4. Towards a ‘Social Union’ ? Some tough nuts to crack

*“Europe needs a ‘Social Union’ that supports national welfare states in key functions such as macroeconomic stabilization (unemployment benefit scheme), and guides the development of national welfare states on the basis of general social standards and objectives”.*

F. Vandenbroucke with B. Vanhercke (2014)

## 4. Towards a 'Social Union' ? Some tough nuts to crack

Education as the pan-European social investment priority

- The human capital challenge with which European welfare states are confronted: *disparity* with regard to educational achievement within the EU is huge.
  - Example: more than one in three Spaniards aged between 25 and 34 years have no more than lower secondary education against less than one in six in Germany.

## 4. Towards a 'Social Union' ?

### Some tough nuts to crack

- Why is this a problem?
- No simple causal relationship that explains employment in terms of educational attainment
  - but it is notable that Greece, Italy and Spain all combine low employment rates with weak PISA scores for the educational achievement of their 15 year old students.
- If there is one domain in which upward convergence should be our ambition and a matter of common concern, it is education

## 4. Towards a 'Social Union' ?

### Some tough nuts to crack

- **Tough nut 10:** Education as the pan-European social investment priority
  - *Do we believe that more success in quality education for all young Europeans should be a number one priority within a credible European social investment strategy? How far do we see tangible pan-European action being developed in this area? (Vandenbroucke with Vanhercke, 2014)*

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# Conclusion

- The EU puts up a “Janus face” as regards social policy (incl. Social Investment)
  - “stop” and “keep moving”
- In spite of formidable hurdles, there is a rather impressive *social acquis*



# Conclusion

- We (you) should bother, to talk about this social dimension, incl. soft skills
  - *Economic & Empowerment argument*
- Education as the pan-European social investment priority:
  - Key STEP towards a much needed ‘Social Union’
  - Learning from good practice (FR, NL, UK, BE): EU as a natural ‘laboratory’
- “Keep moving”: put soft skills on the EU agenda (please) !

Many thanks for your sustained effort !

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