



Poul Nyrup Rasmussens tale ved Policy Networks seminar "Rethinking Social Democracy"

Taler

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Social democracy has entered a critical phase in its history. In the late 1990s, many of us thought that European social democratic parties had finally broken through as the natural choice for the majority of voters. We believed that the social democrat marriage of social justice with economic growth responded to people's fundamental aspirations for a prosperous, fair society.

At the same time, new progressive political debate, for example on the Third Way, gave a modern expression and a new lease of life to our vision. We appeared to take politics beyond the age-old dichotomies between left and right and towards a radical new ground of political solutions adapted to the global age.

Since then it seems that, while we did break new ground, we did not always succeed in matching this ambitious vision with an equally ambitious programme. In most countries, we were good, but we could have been better. I'm referring specifically to managing and shaping the impacts of globalisation domestically, at EU level and globally.

We were somewhat "disconnected" from the political concerns and worries of ordinary citizens in their daily lives. As a result of this, in recent years, social democrats have lost power in most European countries. The "old connection" within the Nation State has now disappeared. Our voters feel disenchanted and disempowered, and have in many countries turned to simplistic and short sighted political responses coming from the right and far-right parties.

For this reason, it is high time we started talking with each other much more about how to renew social democracy. The greater the number of modern social democrat parties in power, the more successful we will be in promoting our policies at home and abroad. But for this to happen a common agenda must emerge. And a new connection between people and social democratic leadership must be created.

Our discussion on labour market policy is a good starting point. In this respect, the UK and Denmark have much in common, making mutual learning and projection all the easier and relevant.

I was Prime Minister for nine years from 1993 onwards. In this time, my government was in the avant-garde of social democrat parties who modernised the labour market in order to achieve lasting economic growth and competitiveness. The European Commission has recognised this on several occasions. The New Labour government joined the ranks of left-of-centre modernisers in 1997. Since 1997, I have been pleased to observe the progress and success of UK reforms.

Another similarity between the UK and Denmark countries is the fact that they have among the most eurosceptic electorates in the EU.

Europe is seen as a technocrat's paradise, far from ordinary people, churning out unnecessary, bureaucratic regulations that deprive us of national sovereignty. As pragmatic pro-European centre-left parties, our national contexts present us with a unique challenge: How do we sell Europe to the people?

I believe that focussing our policies and initiatives on ordinary people's worries and hopes can provide an answer to this question and I will elaborate on this point later. But let me first outline the main features of my government's modernisation agenda and its relevance to today's debate on renewing social democracy.

When we came to power, unemployment in Denmark was at a 25 year high at 13%, much of it structural. This was coupled with low economic growth, high public debt and general pessimism amongst the general public.

At the end of my third term in November 2001, we had ensured a turnaround in Denmark's fortunes. We reduced unemployment to below 5%, cut long-term unemployment to a third of what it had been, and eliminated youth unemployment. Our public finances had become sound and strong with surpluses and old-debt deductions.

Most importantly: we managed to achieve all of this while maintaining our high level of social protection and welfare standards in a modernised and more efficient form.

This is key to our vision of modern social democracy:

Strong competitiveness and social security as part of a coherent system, are not contradictions but pre-conditions for each other. Economic efficiency can be positively reconciled with a fair distribution and a strong, active welfare state. In reforming the welfare state and the labour market, our reforms strengthened rather than diminished the Danish system. People have gained more security and self-confidence in their ability to adapt to change, taking advantage of the opportunities and challenges of an open market and a globalised world. In short, we laid the foundations for a "Working rich" society.

First of all, we changed the rationale behind welfare provision from a passive to a modern, active policy. We can no longer be accused of being a nanny state. We have become an enabling state. One in which individuals have duties as well as rights as one of the fundamental values from the beginning of the history of our parties.

Above all, a right to a minimum level of security in an increasingly open, flexible labour market; and a duty to refuse welfare dependency in favour of

adapting to change and integrating the labour market.

We did not sacrifice the quality and rewards of employment on the altar of flexibility. Social democrats must reject flexible jobs offering lower pay and poorer working conditions. What social democrats must promote is a positive, rewarding flexibility that fits in better with changing competitive conditions and lifestyles.

Social democrat parties that modernised the benefits system were sometimes accused of taking away social rights. At there were certainly tough discussions underway in the process. How then did my reform packages "activate" the unemployed without compromising their traditional rights?

The answer is that we never took anything away without giving something else back. We focussed on the fundamental: Rights and duties.

The Danish social democrat formula to reducing unemployment, funding the welfare state, and boosting competitiveness can be boiled down to four elements:

One, mobility must be coupled with security in order to combine low unemployment and high productivity. In my reforms, hiring and firing became easier, but this was accompanied by supportive policies to facilitate the

transition from one job to another. Today, we don't have long notice periods for dismissal or high compensation payments from employers in the case of dismissals. We have high unemployment benefit also means that the loss of a job did not mean losing one's livelihood. This does not impair mobility. All the contrary. The Danish labour market enjoys the highest worker mobility in Europe, almost on a par with the US. It is our marriage of labour market flexibility with high welfare security that stops the growth of inequalities, keeps unemployment down and avoids labour market bottlenecks.

Two, the unemployed must be very actively encouraged to search for a new job. We tightened the period in which unemployment could be claimed from 9 to 4 years. And we almost halved unemployment benefit for youngsters below 25 years of age following the first six months of being unemployed.

But at the same time, we introduced the concept of "individual action plans", based on one-on-one interviews with the unemployed, which take into account the persons' qualifications, job opportunities in the local labour market and the need for re-training. It became a fundamental right for the unemployed. Education, training schemes and job opportunities are then offered to each individual unemployed person - "an offer you can't refuse".

In my first reform package in 1993 these interviews and action plans would happen within a year, the next package in 1996 lowered this to six months and goal of the final one in 2000 was to reduce this to three months. The quicker the action plan is done, the faster re-employment takes place. All in all the result is also lower public costs and higher efficiency. As an economist, I've carried out cost-benefit analyses that clearly show that all public investment into job training, education, training and other schemes for getting the unemployed back to work is more than recouped through lower spending on

unemployment benefits and social costs. Parallel to that, we reformed the basic social security payment system to focus on "activation", rights and duties.

All in all, these efforts and reforms were intended to make our entire social security system a "trampoline" for the individual into new job opportunities instead of dependency in a non-active system.

Three: increasing women's participation in the workforce through policies favouring a better work/ life balance. Our policies sought to boost women's chances of working through more, cheaper and better childcare provision, taking our active female working population to 73%, one of the highest in Europe. We now have childcare places for all children under school age. The coupling of gender with labour market policies is fundamental. Work/life balance is still an impossible dream for most women in Europe. One of our most successful measures in getting parents back to work is, paradoxically, offering them sixteen months worth of maternity or paternity leave with a high income replacement level.

Four: Investing heavily in human capital through education, training and lifelong learning policies. This was key to my economic agenda from 1993 onwards and must become central to the social democrat toolkit. Today, 85% of Danish youngsters go into some form of further education, whether it be university, training college, an apprenticeship scheme or skills training. My party now aims to reach a target of 95% when we're back in power. Furthermore, education, training and lifelong learning policies must also be adapted to allow the local and regional levels provide quick and efficient solutions to the appearance of bottlenecks in the labour market.

I am proud to say that our modernisation programmes have brought about lasting improvements in Denmark. I believe they achieved the following:

- Reconciled a strong, active welfare state with economic competitiveness;
- Gave citizens the means to benefit from change in a flexible, open market;
- Provided security for citizens in their efforts to adapt;
- Ensured equal opportunities for men and women;
- Helped women and men to balance work and parenting;
- Further strengthened the quality of life for the vast majority of my compatriots.

This draws me to the lessons I learnt. There are two key considerations for centre-left governments seeking to implement progressive labour market reforms:

How to ensure a successful labour market reform? How to ensure a popular labour market reform?

My experience as Prime Minister of a progressive government suggests the following principles:

- Communicating clear empathy-based messages to the individual: "We believe in you. Everybody counts. You can do something. We can change for a better life together".
- Rights and benefits should never be taken away without giving back new rights and opportunities simultaneously. Modernisation must constantly be perceived as in the interests of ordinary people. This is especially important to avoid the accusation that social democracy has become right-wing or neo-liberal. The public must feel that it has a positive stake in this drive for reform.
- For this reason, the word "necessity" must be avoided at all costs. People need to feel that reform is born out of a commitment to progress, not a reaction to

unfavourable circumstances.

- Modernisation policies should be introduced as a package of reforms rather than as a succession of single measures. People should be able to see the whole story.

- Reform must be built on consensus rather than confrontation as much as possible, particularly with key interest groups who may feel threatened by reform, such as trade unions. My experience has been that consultation is crucial. Having some allies amongst modern thinkers within the trade union movement is very important, also for example channelling the messages the messages and good stories through the media. In contrast to such an approach, a total "take it or leave it" attitude can potentially backfire.

- The potential benefits of labour market reform are most easily perceived in a context of high economic growth. This was the case in Denmark in the mid-1990s. It is essential to make reforms in economic progress periods.

- You must be able to document concrete results. Citizens should be able to perceive positive improvements in the economy and labour market within the first two years following the introduction of reforms.

I also learnt other harder lessons. Despite our achievements, my party was

defeated in the November 2001 elections after three consecutive terms in government. Why was this and what might left-of-centre governments learn?

The big issue that led to the defeat was immigration.

Our right-wing opponents were tough, even xenophobic. They successfully exploited ordinary people's fears of uncontrolled inflows of foreigners into our country. The international context, following the 9/11 terrorist attacks in the US, provided a favourable breeding ground to their discourse. We were not clear in time to develop a coherent answer, by which ordinary people could feel safe and secure.

The Danish social democrat party is not alone in having faced such a problem and I know that New Labour has given much thought on how to communicate its competent management of immigration to ordinary people. However, I believe that the public debate on immigration is symptomatic of the greater common challenges we now face as progressive parties. In other words, the social democrat response to immigration cannot just be limited to appearing tough. We must find a balance between responding to people's fears on immigration and stimulating changes in attitudes. It seems to me that there are two dimensions to achieving this: What we say and What we do.

The first is about connecting with people: Empathy. We must express understanding for people's fears without confirming them in all their beliefs.

- Yes, there are limits in any society for how many immigrants can be integrated

- Yes, we recognise that there are problems in integrating all groups of immigrants. But there are also good stories and experiences

- Yes, we know that economic refugees and trafficking are a growing problem for Europe

- Yes, we confirm that positive integration must be based on equal duties and rights for all

- And remember to conceptually separate immigrants and refugees.

Values and vision must follow empathy in the battle against xenophobia and the drive towards positive immigration policies. Our values must be grounded in cultural diversity, openness and exchange with other peoples. Our vision must basically express that every person must have the right to live his or her life in their country of birth with decent living conditions. And our vision be one of a society and economy that actively integrate immigrants who contribute their knowledge, skills and experience.

It must be clear that immigrants have duties as well as rights, like any other citizen. Duties must be clearly defined and must be enforceable. It must also be clear that immigrants are not taking jobs, but giving back wealth and generating employment. Only pro-active government strategy on immigration and employment can allay people's fears.

However, internal policies are not sufficient to tackle people's fundamental fears of immigration. The fear of the immigrant is also the fear of the outside world. We must actively respond to people's fundamental lack of trust in the ability of politics to manage the impacts of globalisation and protect the identity and sovereignty of the Nation State. In my PES work I have developed a ten-point action programme for a common immigration and refugee policy.

In a broader sense, for our parties to connect to people again in a robust and lasting manner, can be realised through telling a "new story" and giving a new direction. This can only be done by creating a new connection between ordinary people's lives and the globalised world. This is not easy, it is a rather complex task for us to undertake.

I believe multi-level governance can provide us with a solution to this. In that sense Europe is not part of the problem, but part of the answer.

In this era of ever-greater globalisation, Europe must be seen as the bringer of

more and better jobs, not fewer and worse. Full, high quality employment will act as concrete, undeniable proof for ordinary people that they are not losing out and that they need Europe and globalisation. This calls for our commitment to an ambitious European "Working rich" strategy for the future, for societies in which work is the key to welfare and wealth.

We must unlock the massive and as yet unexploited potential of the European Union to bring about full employment in each of our Nation States. Because of the ever stronger interdependency of our national economies, this is a strategy that must be common to all European countries, while taking due account of their national traditions and preferences.

We started equipping ourselves to meet this challenge with the employment chapter of the Amsterdam Treaty and then the Lisbon strategy. The basic elements of our "Working rich" strategy are therefore already in place. It is now time to relentlessly pursue the Lisbon goals through energetic, unflinching implementation.

If we act together simultaneously - in a sort of convoy - we will all be better off. From now until 2010, we must raise investment in education, boost employment amongst women and older workers, improve labour market structures by developing "flexibility in security" and create a dynamic European culture of innovation and entrepreneurship through targeted economic reforms in our product and capital markets and the reduction of red tape.

The results would be astonishing: a study which I initiated for the PES Lisbon

network shows that, by 2010, there would be 11 million more people in work, raising employment by 4.2%. Realising the Lisbon goals in this way is also the single, most effective way of meeting the demographic challenge of an ageing population and maintaining our Welfare States.

In order to ensure an effective implementation of such a strategy, we need to establish a concrete review of implementation, including a national implementation scoreboard. We need to provide detailed information on the implementation of national "growth programmes". Peer review is crucial to ensuring common progress in meeting the Lisbon goals and the open method of coordination, an important basis which still has to be strengthened. But concerted implementation is not enough. We must start concerted communication. This is a chance to sell Europe to the people. Europe must mean "Working rich" to the citizens of every Member State.

The next centre-left Presidency of the European Union stands to be the New Labour Government in the second half of 2005. This could be a great opportunity to boost New Labour in the UK and to give new impetus to the renewal of social democracy in Europe.

We could create a new attractive story for ordinary people about the new connection based on multi-level governance. Never use that expression in your communication, but underline that in the modern world the Nation State is not to be undermined, but to have new partners to reach our goals.

We could redirect public debate on Europe from its image of disconnected and

undemocratic technocracy to the wealth of more and better jobs. This is key to regaining the trust of our eurosceptic electorates. It is also key to winning over our publics to the euro.

In order to achieve this, preparations must be made this year. In this work, I believe that the new Party of European Socialists - to be born out of the new European party statute after this year's June European elections - has a key role to play. It must secure support in our governments and parties for the revival of the Lisbon strategy and a new drive for change. Through this new PES, we must convince left-of-centre opposition parties to bring pressure to bear on right-wing governments by winning public debate on policies supporting the achievement of the Lisbon goals.

I believe the pursuit of socially compatible competitiveness, through fair labour market reform, is one of the most important means of doing this, together with stronger economic growth. And I am convinced that we must and can achieve a common progressive vision among all our parties. This will require a lot of hard work, but it will be worth the effort and extremely exciting.

Tags

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