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## **Strengthening the European social model**

### ***Ideas for a renewed Lisbon Strategy of the European Union***

The Lisbon strategy of the European Union has an important goal. It seeks to maintain the European social model through more competitive businesses and a more respectful treatment of the environment. In our capacity as the Executive Committee of the Commission of the Bishops' Conferences of the European Community, we should like to offer some observations on this issue.

The European social model developed under the inspiration of fundamental political and social rights, now enshrined in the European Constitution. We recognise that these rights are in the main consonant with the social teaching of the Church. However the contours of the European social model have become fluid. The first part of this document attempts to give them greater precision from our perspective. The second part sets out some suggestions concerning the renewal of the Lisbon Strategy.

### ***The vision of the European social model from the perspective of Catholic social teaching***

#### *The human person*

Catholic social teaching gives central and determinative importance to the human person. In keeping with the human person's drive for freedom, social and economic conditions must be ordered so as to allow people to take personal responsibility for themselves and for those entrusted to them. This aspiration is inspired by our image of God and by Christian anthropology.

#### *The family*

The family - the marriage of man and woman, which is its basis - are central to the development of each person. People who wish to care for themselves and for their family must also be able to work and find access to employment.

### *Education, employment and social protection*

Progress in these regards depends upon appropriate education and training and a just labour market. All EU Member States, albeit in different ways, have taken steps to arrange for people to be granted assistance for unpredictable major events in life, regardless of income and origin. This is a necessary service of the State in Europe. However, the related costs must be covered by each generation, so that justice is maintained between the generations.

### *Business*

Profitable and productive firms are therefore indispensable to the European social model. They provide work and income for both employees and entrepreneurs alike. Their profits and turnover are the most important sources of funding for public expenditure, along with the wages and social contributions they generate. Globalisation has considerably increased competitive pressures on European firms in European and world markets. To master such competitive pressures, they must make their working methods increasingly innovative and economical. In any case, Europe requires dynamic and competitive firms that are able and willing to pay taxes. Moreover, they must not merely be prepared to respect a series of universal minimum social standards but they should also assume social responsibilities to make the European social model more vibrant and thus increase the resources available for use in external solidarity – i.e. for solidarity with the poorest regions in the world.

### *Environment*

The preservation of the natural foundations of life is equally important for the working of the social model. Rethinking attitudes and policies towards the environment is necessary to ensure both, that the earth that is left to future generations has not lost its ecological equilibrium, and that the European social model is not put at risk by the increasing economic costs of energy and pollution.

If it is indeed the task of the Lisbon Strategy to strengthen European businesses and increase ecological conservation, then this is to be welcomed as this is the only way that the key state services in the social arena (that characterise the heart of our social model) can be preserved. Certain weaknesses have however arisen in the conception of the actual implementation of the strategy up until now. Most of the criticisms in the report presented by the former Dutch Prime Minister, Wim Kok, focus on these. It concluded that it was too difficult to oversee the entire strategy with its many initiatives at numerous levels. The report uses clear language: *“Lisbon deals with everything and thus with nothing. Everyone is responsible and thus no one is.”* It would therefore be desirable for the European Council to comb through the Lisbon Strategy at its spring session and formulate a limited number of priorities for the European Commission, to which the Member States would in turn commit themselves.

In the following section, we shall develop some basic theses as a contribution on the part of Catholic Bishops to the discussion on the re-organisation of the Lisbon Strategy. The goal must be to preserve the core of the European social model. With these suggestions, which are inspired by the social teaching of the Church, we wish to re-state the central position of the human person, her/his dignity and the global common good as the centre point of this debate

## ***Theses concerning the re-organisation of the European social model***

### **1. The European social model should not be funded at the expense of future generations.**

The globalisation of the economy, threats to the natural environment and ageing of the European population place considerable pressure on the present European social model. This pressure will increase dramatically in the next five years. The consequences of the decline in the birth rate and ageing of the population, in particular, will have a sharp effect on the social model. Today, those aged 65 years old constitute 16% of the EU population. In the year 2010, this number will have already increased to 27%. The group of over 80 years old will increase by 50% in the next 15 years. Important decisions must therefore be taken during the next few years.

The ageing of the population along with technical progress in medicine increases the expense of public healthcare and places the long-term financing of pensions at risk in most Member States. Public expenditure in these areas and in general, should not continue to be a burden on the next generation in the form of incurred debt. Public debt is once again increasing in the European Union. Due to budget difficulties in several large and a few small Member States in particular, this burden increased in the year 2003 to more than 70% of the Gross National Product (GNP) of the states in the Eurozone. In some large Member States more than ten percent of public expenditure is funded by credit, without the corresponding long-term investments to offset this assumption of credit. Budget deficits would have been even more alarming without the innumerable sales of state firms and investments.

The fact that the state portion of the existing social security system in most European states in particular will have to be completely renewed and re-organised, is therefore unavoidable. It will no longer be possible to pay for many of the existing services; some of these services, particularly those necessary for supporting the family, will be unaffordable even though they are necessary to support the very generation that will bear the primary burden for the preservation of a European social model in the future. The strengths and weaknesses of European democracies and of the Union itself, (which are inextricably linked with one another) will reveal to the extent that in the forthcoming years it is possible to seriously defend the interests of future generations and to terminate the spiral of indebtedness, notwithstanding the sacrifices this will entail.

### **2. A European Family strategy for a renewed social model: a more effective Lisbon strategy is important, but does not suffice.**

Families with children are a visible sign of confidence in individual lives and the strength of one's own civilisation. Without families with children, European society is at risk and loses its primary and most important place in which individuals feel secure and learn to socialise.

Without the basic optimism and existential confidence associated with the birth of children, it will remain difficult to give the European economy and its businesses, a new drive and new impetus.

To this day families remain the primary pillars of the European social model. Many of the services performed by the family in the areas of education and care, and also as a source of emotional and social stability, cannot be provided by state agencies. For practical and

financial reasons, the Member States and the EU institutions are unable to provide these services. It would also violate the principle of subsidiarity .

However, in Europe the traditional family model appears to be in serious crisis, although no other model has appeared as a convincing alternative. High divorce rates are evidence of the increasing difficulties couples have in giving themselves and thus their families, the necessary continuity and stability. There are many reasons for this. Some of these can be listed without any claim to comprehensiveness. There are strong material pressures that force many couples to accept two full-time jobs and decrease family time accordingly. The economic system in many EU states remains to this day, insufficiently flexible to combine family and professional life, and allow couples establishing families' sufficient time to educate their children and organise their household. People in the EU are not sufficiently compensated either materially or idealistically for dedicating themselves completely to their families. This is not as yet a recognised source of personal development. For its part, the professional world has still not developed adequate understanding of the significance of the responsibilities of family life. The question as to how young couples can be helped should also be very high on the political agenda. Europe needs to make a qualitative leap forward in this domain.

As a general rule, women along with children are the inadvertent victims who have to bear the heaviest burden should the family split up. Without basic trust in the permanence of a relationship, women, as well as men, find it difficult to make the decision to have children. The risk of having to raise children alone appears too great. This is one of the reasons why 30% of all women in the EU today report that they do not have as many children as they would have liked. The birth rate in the EU is correspondingly much too low. The resulting demographic decline can only partially – but not entirely – be compensated by increased immigration.

The Lisbon Strategy alone cannot achieve the preservation of the European social model and mobilisation of all the forces in European society which are necessary to preserving that model. A European Family Strategy is an essential component in this overall strategy. The Member States are responsible for family policy, but it is time that the European Union and its institutions, also check each initiative to see to what extent the measures proposed in it support families (“family mainstreaming”).<sup>1</sup>

### **3. Europe should nurture its values**

The knowledge society also requires understanding of values. We do not observe a conscious interest in the issue of transmitting values in European policy.

European industry requires its employees to hold high professional qualifications. Education designed to transmit the values that are Europe's foundation is just as essential.

It is necessary for children in school to learn to read, write and do arithmetic better, and for people of all ages, as well as children and young people in Europe, to become familiar with the new communications and information technologies. Schools and advanced adult institutions must be encouraged to teach these skills. It is also necessary for future European citizens to learn to express themselves in several languages. It is no longer simply a question of knowing English. All this is necessary, but it is not sufficient.

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<sup>1</sup> Hopefully the Union and its Member States will heed the appeal in Pope John Paul II's postsynodal exhortation *“Ecclesia in Europa”* to *“work for the promotion of genuine and adequate family policies on the part of individual States and the European Union itself”* (no. 91)

In addition to this the transmission of values, which are both the real source of the rise of European civilisation and its most precious characteristic, must be provided for. Where and how do children learn the essentials today? Where do they experience European values and how do they learn to understand them?

A few examples: tolerance, respect and generosity up until now have not been placed on any study schedule, but they are essential both to promoting peoples living together in the European Union and to their acting in solidarity with the rest of the world.

Still too little attention is paid to promoting an awareness of being rooted in a religious and cultural tradition and to the understanding of European history, particularly when the Lisbon Strategy speaks only of spirit in terms of strengthening the entrepreneurial spirit. Europe can produce dynamic and outstanding individuals if they are shaped by a cultural and religious education aware of Europe's history.

Europeans also seem to have lost their sense of what is holy, transcendent and ceremonial. Thus, for example, it is depressing to see that in many places in Europe, Sundays and even religious and national holidays, have become ordinary working and shopping days. The price paid for this is not merely that Europeans are losing their religious ties but also that the public space is being robbed of its sense of ultimate meaning. If Europe wishes to mobilise new energies, religious ties and a public life shared by all are anything but a competitive disadvantage. On the contrary, they reinforce a sense of community and shared European identity. Thus they strengthen the core of the European social model.

Schools cannot transmit these values on their own. Other institutions must also play their part. Above all, it is the task of clear, identifiable individuals: teachers and educators, sports coaches and religious counsellors, and above all, parents and increasingly, grandparents.

#### **4. For a deeper dialogue between science and research, philosophy and theology**

One of the Member States' concrete agreements in the context of the Lisbon Strategy was the goal of significantly increasing expenditure for research and development to a level paralleling that of the USA and Japan by the year 2010.

The Church supports the plan to give more support to research and development. It acknowledges the existential significance of science and research for people. Science and research find their starting point in wonder and the attempt to discover the truth about existence. Without the will to understand reality, people would be lost in the barren and inconsolable boredom of the unchanging.<sup>2</sup> Science and research have an existential significance for humankind from the perspective of the Church.

The Church is also aware of the significant contribution of research and science to the economy. Innovation promotes competitiveness. In general, they may be a source of a better quality of life, especially in the area of health where new therapeutic options are available to the sick. Science and research earn the full recognition of the Church, as long as they remain committed to the common good and respect human dignity.

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<sup>2</sup> Pope John Paul II formulated this as follows in his encyclical *Fides et Ratio*: "Driven by the desire to discover the ultimate truth of existence, human beings seek to acquire those universal elements of knowledge which enable them to understand themselves better and to advance in their own self-realisation. These fundamental elements of knowledge spring from the wonder awakened in them by the contemplation of creation: human beings are astonished to discover themselves as part of the world, in a relationship with others like them, all sharing a common destiny. Here begins, then, the journey which will lead them to discover ever new frontiers of knowledge. Without wonder, men and women would lapse into deadening routine and little by little would become incapable of a life which is genuinely personal." (*Fides et Ratio*, 4)

The Church also recognises the risks of research that no longer places the dignity of the human people at the centre of its work. Respect for human dignity and an obligation for the preservation of creation should not be relativised by the drive for new knowledge. Research freedom should not relativise human dignity. *Scientism* is another threat to be reckoned with. It challenges the legitimacy of other types of knowledge, which come from disciplines other than the positive sciences.<sup>3</sup>

Because of its promotion of research, the EU carries a great responsibility. On the one hand, research and the resulting innovations play an important role in the competitiveness of the European Union. On the other, very serious consequences are involved in some research fields – the so-called “life sciences” in particular, – when, for example, human life is involved. Blind faith in the ability of research to cure all human diseases in the foreseeable future if research were carried out often enough, predominates. Concrete economic considerations are often also a decisive driving force.

The European Union should be careful not to ignore the fundamental ethical boundaries that some Member States have drawn on these very difficult questions. One outstanding example of this involves research with human embryos and the embryonic stem cells derived from them. There is no agreement on the ethical assessment of this research among the Member States at present. The EU should therefore refrain from Community support for research proposals that are liable to prosecution in some Member States on ethical grounds.

The European knowledge society therefore needs many more possibilities for dialogue between the sciences and ethics, philosophy and theology not to restrain the progress of knowledge but rather to focus it on the human person and the common good. This interdisciplinary debate must include ethical, philosophical and theological dimensions much more so than in the past. This would contribute to better informing and involving public opinion, as this is the only way to engage in appropriate ethical debate and dismiss unfounded reservations. A dialogue of this type should be integrated explicitly in the 7<sup>th</sup> European Research Framework Programme.

## **5. Employment has become inaccessible to many**

Work has a prominent position in human existence. It has an ethical value in that it gives the human being dignity. According to the social teaching of the Church, work is thus neither a simple commodity nor an indiscriminate pastime. It is a source of the production of well being, both for society as a whole and for the individual. Access to work is an important key to the development of one's own personality. For this reason work should not become inaccessible. But this is precisely what has happened in large parts of the European Union. People over fifty years of age no longer find access to the labour market because the cost of labour is generally too high and there is no longer sufficient demand for their qualifications.

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<sup>3</sup> “This is the philosophical notion which refuses to admit the validity of forms of knowledge other than those of the positive sciences; and it relegates religious, theological, ethical and aesthetic knowledge to the realm of mere fantasy. In the past, the same idea emerged in positivism and neo-positivism, which considered metaphysical statements to be meaningless. Critical epistemology has discredited such a claim, but now we see it revived in the new guise of scientism, which dismisses values as mere products of the emotions and rejects the notion of being in order to clear the way for pure and simple facticity. Science would thus be poised to dominate all aspects of human life through technological progress. The undeniable triumphs of scientific research and contemporary technology have helped to propagate a scientific outlook, which now seems boundless, given its inroads into different cultures and the radical changes it has brought.” (*Fides et Ratio*, 88)

Young people have no access at all as the cost of employing them is too high for many firms. This is clearly a primary task for economic policy, on which everything else depends. These issues cannot be resolved by measures to re-distribute wealth.

The cost of labour must therefore be reduced in many European states. This should first of all be achieved by means of a wage policy. The incidental expenses associated with wages are too high in many countries because rising costs, for example in health care, burden employment income unilaterally. State assistance for vocational training and further training in particular, are a supplementary tool to decrease the cost of initial or re-entry into the labour market and to keep the unemployed from sinking into the vicious cycle of poverty. Equal opportunities in education and training are more than ever, essential in order to address the social question.

Longer and more flexible working weeks are a way for some Member States and sectors of the economy to increase the competitiveness of firms. More flexibility in the course of a professional career would allow employees starting families more time to raise their children or at a later time, to take care of their parents when they become old. There is no alternative to extending the age of employment throughout the EU as people are living longer and need a longer period of employment and an affordable pension system.

## **6. Completing the internal market and fostering social services, in the context of services of general economic interests, must be pursued together**

The provision of social services of general interest at affordable prices is part of the European social model. The position of these services in the common European market requires further legal definition and guarantee.

The completion of the internal market is one of the central goals of the Lisbon Strategy. The freedom to provide services and the completion of the internal market for financial services are important priorities. The Church's social teaching emphasises the significance and social role of the market: "*[o]n the level of individual nations and of international relations, the free market is the most efficient instrument for utilising resources and effectively responding to needs.*"<sup>4</sup> The Church therefore supports all attempts by the European Union to achieve a more flexible functioning of the market, where further market opportunities have not been developed.

For a series of services however, the special conditions of their provision and their character as not-for-profit assistance providers, do not allow for the exclusive application of economic criteria. In many Member States, Churches and their organisations offer such social services; along with other non-profit making providers. The Churches provide such services on the basis of religious conviction and vocation. For some of these services, for example debt counselling or hospice management, no market exists. In the efforts to complete the common European market and find uniform regulations in the service sector, the special quality of the social services and the particular motivation of the Church for providing such services must be taken into account.

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<sup>4</sup> Pope John Paul II, Encyclical *Centesimus Annus*, no. 34

## **7. The harmonisation of the basis for the assessment of corporate taxes in the EU is a question of tax equity**

The EU Member States compete with one another for the siting of firms. They derive their attractiveness in this from a series of factors that include the level of training of employees, social services and transport infrastructure. Taxes raised on corporate profits also count in this respect. Occasionally there are calls to harmonise these tax rates to avoid so-called tax competition for employment. This would be unfair, as it would steal a natural development process from less developed Member States. Exclusion of this development factor would no doubt be grounds for considerable transfer payments. Nevertheless, it would be good to unify the basis for assessing taxes. It is impossible to explain to European citizens why flourishing firms pay few or no taxes due to numerous special regulations in some Member States despite the common market. Differing tax rates, to which differing state services of a general nature necessarily correspond, cannot thus be justified in terms of a unified basis for tax assessment.

## **8. The excessive consumption of fossil fuels is a threat to the climate and endangers the European social model**

It must become possible over the next few years to reduce our use of petroleum, natural gas and coal by using alternative, new and improved technologies and different consumption patterns. This would not merely serve the preservation of world peace and environmental protection; it is also a prerequisite for the affordability of the European social model.

At present, Europe does not pursue policies that adequately conserve natural resources. The Christian theology of creation cannot justify current levels and forms of the consumption of limited raw materials. According to that theology, God has entrusted us with the ability to develop technology. People, as God's creation, are called to refine technology, and also to guard against its abuse. This imperative to preserve creation makes the continued increase in the use of fossil fuels particularly alarming.

Increased carbon dioxide emissions have a lasting influence on climate. Damage from climate change in turn constitutes a growing burden on public budgets. A growing proportion of our economic expenditure will have to be used to relieve or limit environmental damage and therefore cannot be used for other purposes.

Given Europe's dependence on imports of petroleum and natural gas, the bill for fossil fuels will increase drastically in the fight for distribution with the rising markets in Asia and the preponderant USA. The share of expenditure for funding our energy consumption will become larger and share funding our social model will necessarily become smaller.

The European Union wants to cover 20 percent of its demand for electricity and 12 percent of its entire energy demand from renewable energy sources by 2010F. Furthermore, it is necessary to considerably improve the use of existing primary energy sources. One can also anticipate renewed discussion of nuclear energy in the provision of energy in Europe. Priority should clearly be given to the search for a European lifestyle that combines a high quality of life with a lower consumption of fossil fuels and responds to the obligation to pursue global solidarity.

### *Conclusion*

The Lisbon Strategy has lost credit in the eyes of many European citizens due to excessive promises, unfortunate slogans and few deeds accomplished. And yet, what is at stake is the



future of the European social model. This has not yet been made sufficiently clear and must be discussed more forcefully in the public forum and by the Churches as well.

Even in the case of extensive reforms of the social security systems, it will only be possible to fund it in the long term if European businesses are so competitive worldwide that they are able both to pay taxes on revenues and appropriate salaries to their employees, so that they have sufficient funds to provide for themselves and to contribute to payments for solidarity.

Value transfers, education and training and responsible science and research not only strengthen Europe's businesses, but also provide a necessary basis for co-existence in Europe.

A more conservationist use of our natural resources and a more sparing use of fossil fuels in particular, are not only unavoidable in order to control climate change but also in order to preserve the European social model.

Finally, only if Europe is economically successful can it help the poorest of the world. How and whether Europe is able to assist the poor within its borders and throughout the world is our moral yardstick.

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