

Tony Blair's opportunity: an Anglo-Social European model

Mike Dixon & Howard Reed

27 July 2005

Britain's social model has developed a distinctive, hybrid character under Tony Blair – both less “American” and more “European” than critics claim, say Mike Dixon & Howard Reed of the Institute of Public Policy Research.

The start of Britain's presidency of the European Union from July-December 2005, like its hosting of the G8 summit in Scotland, has been overshadowed by the London terrorist attacks of 7 and 21 July and the understandable concentration on security issues in their aftermath. The cautious resumption of “normal” politics – against the background of an intense focus on the possibility of an extended terror campaign – gives Tony Blair the chance to show that Britain has much more to offer Europe than the caricature of a mid-Atlantic neo-liberal outpost might suggest.

Indeed, if every crisis is an opportunity, Britain's presidency of the European Union could not be better timed. Tony Blair now has the chance to shape the future of Europe according to an “Anglo-social” vision which combines economic dynamism, equity and social protection. It could get Europe out of the mess it is in. But persuading some countries – particularly France and Germany – is going to be difficult.

Blair's first problem is that debate on the future of Europe is rife with caricatures. Many French voters rejected the constitutional treaty in their 29 May referendum because they saw it as driving cold Anglo-Saxon capitalism into the warm heart of Europe, threatening their hard-won social rights with neo-

liberalism. As one French history teacher put it: “It is a constitution for the bourgeoisie, for multinationals, for bosses. It is only about the economy, competition, profits, the market and capitalism.” But others saw it as a compromised solution that did not go far enough to modernise a sclerotic and economically fragile union.

Although this accidental coalition of the populist left and right got what it wanted in the referendum, it may have won the battle but lost the war. Blair appears to have gained considerable political capital ahead of Britain's presidency and has started to articulate a clear vision of “Europe with a strong and caring social dimension ... [not] simply an economic market”, arguing that the choice is “not between a ‘free market’ Europe and a social Europe ...”. If he can continue to appeal to both sides of the debate, his influence may be profound.

The crucial question is whether Blair's vision is right.

A new British model

The next decade will bring considerable challenges as globalisation, increasingly demanding electorates, and technological, social and demographic change all make it more difficult for governments to achieve their goals.

Essentially, Blair wants Europe to respond to these pressures by following Britain's recent trajectory.

The last eight years have seen the UK evolving, retaining its best features while adopting some key ideas from elsewhere, particularly Scandinavia. This evolution has certainly paid rewards. More than 2 million more people are in work and unemployment is lower than it has been for thirty years. Poverty – and particularly child poverty – has fallen substantially. The number of people who have trouble affording to heat their homes has halved. More 16-year-olds are achieving Level 2 qualifications than ever before and the nation is healthier and living longer: infant mortality is at a record low, life expectancy for a newborn child has increased by more than two years and deaths from heart disease are down by 27%.

So how has Britain changed? A decade ago, the British welfare state was firmly in a “liberal” camp along with the United States, Canada and Switzerland. These countries place individual responsibility centre stage and offer little protection against market forces. Revulsion with this way of organising society partly explains why the French people voted against the European constitution.

Their concerns are understandable. In these “liberal” welfare states, benefits are focused almost exclusively on those most in need and are aimed at preventing abject poverty rather than providing a decent standard of living. Lightly-regulated labour markets create a large low-wage service sector replete with companies like McDonald's. While this has enabled them to have high employment rates, low taxation and balanced budgets, these have come at the price of internationally high levels of poverty and inequality.

But since 1997, four fundamental policy shifts stand out. First, and perhaps the most important, there has been a focus on “active” labour-market policies which aim to help people back into employment. Second, tax credits have helped to “make work pay” at the same time as increases in support for families with children – both in work and out of work – have reduced child poverty. Some aspects of the labour market have been re-regulated through policies like the minimum wage and new parental rights. Third, spending on public services has been increased dramatically, perhaps the defining feature of the last parliament. Fourth, the child trust fund has been introduced – a small but potentially important break from the means-tested approach.

Britain is potentially better-placed to achieve social justice than its critics allow.

Put together, these four shifts mean that Britain has moved away from the US in some important ways. The evolution of the last eight years has seen a new “Anglo-social” model beginning to emerge, with a mix of high employment, economic dynamism, public services funded through general taxation and an active welfare state. These are strong foundations upon which to build a fairer society. And they mean that Britain is potentially better-placed to achieve social justice than its critics allow, while countries like France and Germany are increasingly under strain.

Why is this? Part of the answer lies in the shape and structure of their welfare states. Countries like France and Germany have social insurance systems of taxation and unions with a strong political and economic role. Public-service employment is limited and labour-market regulations and high fixed costs (including payroll taxes) tend to impede private sector employment growth. This almost inevitably leads to lagging employment and financial instability.

An Anglo-social Europe?

These states desperately need reform. And it looks as if Blair is right to think that the emerging Anglo-Social model can provide some policy lessons. But it is unlikely that Europe will accept his vision as it stands. Inequalities in income, wealth and wellbeing in Britain – though falling – are still too high. Who your parents are still makes too much difference to your chances in life. And democratic participation is in decline with the rich and better educated becoming ever more powerful. As ippr's recent publication *Social Justice: Building a Fairer Britain* argues, the UK needs to learn from other European social models – particularly Scandinavian ones – if its potential is to be achieved and if it is to be a convincingly attractive alternative for European electorates.

How does it need to change? Some aspects of Sweden and Denmark's welfare states are realistically unachievable; a British electorate (and many European ones) would never accept the high levels of taxation and social spending needed to provide the standard of public services these countries attain. But they provide useful lessons in three areas.

The first of these is that embedding entitlements to childcare and early years education in a high-quality, publicly regulated and comprehensive service should form the centrepiece of progressive institution-

building in the early 21st century, just as the National Health Service in Britain did in the immediate post-war period. This would improve children's life chances, ensuring a fair start for all, and also enable women to participate equally in the labour market, helping to close the unacceptably high gender pay gap.

The second area for reform should be to increase adult skills and opportunities for job progression through a comprehensive system of training entitlements. An Anglo-social labour market is good at creating jobs, but less good at encouraging progression into higher-paid, higher-skilled work. Equally, existing barriers to work should be removed. The national rollout Pathways to Work scheme, which assists disabled people with entry into work, has a key role to play here.

The third area for reform should be to end pensioner poverty and ensure security in retirement. Increasing the basic state pension, restoring the earnings link, and providing free long-term care are key.

These changes do come with a price tag. Achieving social justice in Britain will mean mobilising public support behind paying for progress. And in the face of long-term pressures on public expenditure, it is crucial to target services that are the highest priority for social justice and to make tough spending choices. But it can be done.

The task for Britain's presidency

With these reforms, Tony Blair's vision for a new European social model would look broadly right: the emerging Anglo-social welfare state is one that can appeal to much of Europe in terms of its combination of social protection and economic dynamism. While it is important to remember that countries differ considerably and are constrained to a large extent by their history and culture – what theorists call “path dependency” – the failure to ratify the constitution and agree a budget, combined with Britain's presidency of the European Union, brings a golden opportunity for Blair to push this vision.

Agreeing to negotiate the rebate was a sensible move. Blair is now in a stronger position to argue for a budget that prioritises moving higher up the economic “value chain” and away from locking in the Common Agriculture Policy as it stands for the next decade. Yet he faces a serious problem in going further.

The difficulty for Blair's presidency is that the social model he is advocating does not need European legislation. The Lisbon agenda, introduced in 2000 to make Europe the “most competitive place to do business in the world by 2010”, sets out clear targets for educational reform and employment targets but rightly leaves the onus on achieving them to national governments.

As “Simon Berlaymont” argues in his [openDemocracy](#) essay, “What the European Union is”, “freedom of national action, rather than European constraints, is the defining feature of the European economy”. Europe does not replace the nation-state to anything like the degree its critics say. The key elements of a fully developed Anglo-social welfare state – such as an emphasis on active welfare programmes and better progression and training in the labour market – remain matters for national, not European, governments.

It would not be desirable to attempt to impose the Anglo-Social model through pronouncements from the centre, as with the working time directive. Across Europe, reform of key areas of the welfare state, such as pensions and childcare policy, needs to take account of the particular institutional features of each state. There is no magical “one-size-fits-all” prescription.

But there is a healthier way of living. Blair's vision is pushing in the right direction. Much of Europe needs to move towards an Anglo-social model if it is to face up to the challenges the next decade will bring. This will require political bravery and strong national leadership, particularly in France and Germany. With elections in both countries in the near future, the stakes could not be higher.

Mike Dixon is research assistant at the Institute of Public Policy Research (ippr).

Howard Reed is research director at the Institute of Public Policy Research (ippr).

Copyright © Mike / Howard Dixon / Reed, 21-04-2005. Published by openDemocracy Ltd. Permission is granted to reproduce this article for personal, non-commercial use only. In order to circulate internally or use this material for teaching or other commercial purposes you will need to obtain an institutional subscription. Reproduction of this article is by arrangement only. openDemocracy articles are available for syndication. For institutional subscriptions, syndication and press inquiries, please call +44 (0) 207 608 2000.
