

**BOOSTING INNOVATION
FOR A BETTER SOCIAL OUTCOME:
proposals for EU policies**

STATEMENT

by

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Seul le texte prononcé fait foi
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Distinguished speakers and guests, colleagues, ladies and gentlemen,

- It is with great pleasure that I welcome you to Milan, capital of Lombardy, one of the regions driving Europe's economy, and previously one of the capitals of the Western Roman Empire back in the 3rd century AD.
- But specifically now the venue for the key meetings of the Italian presidency of the EU and undoubtedly one of the beating hearts of Italy's social economy and social innovation.

- And it is a great honour to be hosted today in this prestigious convention centre of the Cariplo Foundation. Along with the Consumers' forum of the ANIA, they are the key partners for this meeting of Group III of the European Economic and Social Committee, the European home of civil society.
- I would like to express my sincere thanks to the respective presidents Giuseppe Guzzetti and Silvano Andriani and to all of their staff for their excellent preparatory work for this event.
- One of Europe's major philanthropic foundations, well known for its role in anticipating significant social innovation, and a foundation comprised of Italian insurance companies, coming together along with consumer associations to explore the new prospects for welfare: this gives a clear sense of the direction of this conference.

- Finally, let me also pay a personal tribute to PierMario Vello, who passed away prematurely a few months ago. Secretary-general of the Cariplo Foundation, a long-serving manager, and the author of a very fine book – *La società generosa* – to a certain extent his spiritual testament. It was specifically from a meeting with him a year ago now that the concept of today's meeting took shape. So allow me to dedicate our work today to his memory.

- Boosting innovation for a better social outcome is our theme, with the objective of devising specific proposals for the EU institutions right at the beginning of a new legislature, under the Italian presidency of the EU and under the high patronage of the president of Italy.

- By 2040, there will be only two people of working age for every pensioner in Europe. The economic crisis has put all of our welfare systems under severe pressure. Existing and new challenges have significantly increased social vulnerability: in Europe today a quarter of the population lives in conditions of

poverty or social exclusion, a trend going radically in the opposite direction from the target set five years ago under the Europe 2020 strategy of a one-fifth reduction in the number of poor people. Similarly, with unemployment at a rate of 12.5% and growing, Europe is the only industrialised region in the world experiencing such a massive unemployment problem.

- The very process of social and territorial convergence, which for so long has been a tangible expression of the success of the European integration project, is now very much in jeopardy and we are now seeing cases of structural divergence between Europe's regions.
- **"For the times they are a-changin'..."** – so sang Bob Dylan 50 years ago. These were the words with which Mr Visco, the governor of Italy's central bank, opened his fine public lecture a few days ago in Bologna, outlining the challenges for Italy and Europe in the face of persistent economic stagnation and continuing technological development. Pointing to the well-known distinction between growth (which relates to the production of goods and services traded on the market) and development (which concerns the general conditions of a community's economic and social well-being, to which growth must ultimately contribute), he stated: "In the pursuit of a new model of development, or at least of sustainable and balanced economic growth, it is important to maintain a pluralist society and overhaul the political and economic institutions in a more solidarity-based (inclusive) direction".
- While I don't want to put words in the governor's mouth, I would like to point out here that, back at the beginning of this century, the European Commission, under the direction of the then commissioner for employment and social affairs Anna Diamantopoulou, strongly emphasised the "costs" of the absence of social policy, and established a Social Agenda, which was based on an earlier European programme for social action.
- The balanced rationale of the European model of an inclusive and sustainable social market economy then found a decisive anchorage point in Article 3 of the Treaty on European Union, which sets out the overall aims of the EU, and, in paragraph 3, clearly establishes the objectives of an EU that is required to balance economic efficiency with social and territorial cohesion and equity, all combining to build a resilient system that is competitive on the world stage.
- The aim here, of course, is not to argue that it would be enough to restore the balance of public social spending of the past, squeeze the public and business a

bit more with new taxes, struggle to recover, though rightfully, a further chunk of tax evasion or avoidance, perhaps agree on some new European constraint, in short go back to increasing transfers and everything will fall into place. With an increasingly-ageing Europe now accounting for 7% of the global population, 25% of global GDP, though declining, and already 50% of global social spending, some kind of marginal adjustment will not suffice. We are dealing with a structural problem that dates back to well before the crisis and which requires us to expedite our fundamental rethink of the functioning of the European social models, failing which there will be a growing distance between what exists in law and the actual living conditions of individuals and families.

- While we must reaffirm the crucial role of public authorities at all levels and of the general taxation system, it is quite clear that our welfare systems require major reforms, based on greater systemic efficiency – which is indeed possible, as demonstrated by some success stories in Europe – but also and largely on innovation and new forms of participation and investment.
- In the lecture he gave a few weeks ago at the KU Leuven (university), on the very theme of the need to build a more social Europe, the president of the European Council Herman van Rompuy said very clearly that the ultimate aim of any political endeavour was human and social progress. And developing his argument, he said that there had previously been an agreed division of labour between the EU and the Member States: with the former focused on breaking down borders and opening opportunities (as in building the internal market and establishing energy and digital networks) and the latter responsible for protecting the people, and in particular, assuming almost exclusive responsibility for employment and social protection policies.
- "Europe", he said, which "had been all about opening" big opportunities, was now seen by many as intruding, dictating, prescribing, even punishing. And he went on, recalling the message summed up in the European Council's strategic agenda for the next term of office: "The Union must be stronger outside, more caring inside".
- Effectively, an explicit reference to the second of the five pillars set out in the June Council conclusions entitled "A Union that empowers and protects all citizens". With due regard to the subsidiarity principle and the competences of the Member States, the conclusions stated that "the Union must keep doing what it is good at and continue to unlock opportunities, but it must also be perceived and experienced as a source of protection". A source not only as regards the rules to

which we have referred, but also through specific policies in three areas – again in the Council's words: to "help develop skills and unlock talents and life chances for all; and guarantee fairness and help ensure all our societies have their safety nets in place to accompany change and reverse inequalities".

- Herein lies the good news, that we are by no means at year zero, or at the stage of mere theoretical discourse or limited experimentation. This reform process is now underway throughout Europe. While the pace and methods vary, the process has definitely been started. Both in the sphere of public policy, and, increasingly through the leadership of so many players from the social economy, business, unions, civil society organisations and local communities, who are building unprecedented forms of alliances and synergies. This structural paradigm shift is getting results: it is creating jobs, generating wealth, and delivering social progress and territorial cohesion; it is clearly driving innovation in social policy.
- This is the subject of our work today. We will see from the concise but effective study carried out specially for our meeting today by Maurizio Ferrera and Franca Maino – who I would like to thank – the scope and potential of this social innovation that goes beyond the State. The starting point is the Italian case, and what they refer to as "secondo welfare", a rapidly expanding concept that is radically overhauling the relationship between the State and society, and demonstrating its ability to give substance to the systemic change that we mentioned earlier. But I don't want to spoil the surprise of their contribution – I'll let you discover for yourselves the main message of their report, which will follow shortly, and of the study, which is available for you today.
- We will then hear about a number of innovative experiences in welfare services in different countries and sectors, followed by a practical overview of the new ways of financing welfare – beyond simply fiscal transfers – which are increasingly based on a virtuous activation of private savings and local communities.
- And we will also hear about how this approach is already gaining clear support in terms of policy innovation, both at EU level, with particular reference to the European Commission's 2013 social investment package, following on from the Strasbourg conference on the social economy and the spending priorities for the EU Funds for the period 2014-2020, and at national level, with the major reform process launched by the Italian Government.

- And not forgetting, finally, the *Charter on shared social responsibilities*, adopted in January by the Council of Europe, which boosts the prospects of this approach for restoring the social capital of our countries.
- We would like to conclude today's proceedings with specific proposals for EU policies, aimed at reaffirming and strengthening the positive and useful things that are already being done. But these proposals should also open up new prospects, such as looking to the imminent review of the Europe 2020 strategy, into which we believe the social investment package and social innovation should be explicitly incorporated, including through specific systems of indicators, monitoring, case-by-case and strategic assessments, best practice exchange and specific recommendations for the European semester.
- With this in mind, we have prepared a draft Milan Declaration, with the valuable support of a high-level advisory group, including leading European figures with great expertise in this subject, some of whom are with us today, and to whom I would like to express my sincere thanks. The preparatory seminar that we held with them in Brussels on 17 September was highly constructive and we think that its contribution will be taken into due consideration by the European Commission.
- The draft declaration is now in your hands; following your input we will amend it and incorporate your proposals over the course of the day. Our staff will gather additional ideas from the debate. The broad lines of the declaration will be presented during our closing session this evening by the vice-president Ariane Rodert, who I would like to thank for her valuable work. The final text will then be shaped in the following days and circulated.

Dear friends, I hope that I have not taken too long in setting out the ideas that have driven our preparatory work and our expectations for today's proceedings. I would simply like to tell you that we believe in the vision of Europe set out by Mr van Rompuy. A Europe which – based on the principle of subsidiarity – empowers and protects its citizens, supporting and awarding the independent initiatives of individuals and groups, rooted in specific, viable local communities, for the development of activities of general interest, for the common good and the progress of our countries.

As PierMario Vello put it more simply, "it is really possible to create societies that are creative, efficient and profitable, and at the same time based on explicit relationships of unconfined generosity".

All of this is now possible; it is already happening, and with the growing leadership and participation of so many players, public and private, it can truly become the new face of the Europe that we all want, in which the people, and the various social groupings that they freely form, once again hold sway.

Thank you.
