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Welfare, Wealth and Work for Europe – WWWforEurope: A New Development Strategy for Europe

Objective, Research Design and Project Consortium

The EU project "Welfare, Wealth and Work for Europe – WWWforEurope" aims to lay the analytical foundation for a new development strategy for Europe that will make a socio-ecological transition to high levels of employment, social inclusion, gender equity and environmental sustainability possible. Europe has to guarantee its financial stability, the sustainability of public debt and the strength of inner European solidarity in coping with the challenges of climate change and demography, while envisioning a future of high levels of wealth, welfare and employment. The current austerity measures heavily restrict options for policy makers. Still, it is necessary to consider which development path Europe should opt for in the long run. Optimally, it should be a socio-economic model that differs from other models and is also accepted by the young. Such a long term, sustainable growth strategy will necessarily alter short term priorities.

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Economic performance has been rather disappointing in Europe since the mid-nineties, specifically in terms of growth of GDP and total factor productivity. Particularly in the highly indebted countries, unemployment has reached record levels, and the average unemployment rate has risen significantly above 10 percent. Some peripheral countries face twin deficits in budget and current accounts. Meanwhile, Europe's share in world trade remains relatively stable, proving the international competitiveness of the economy. This all comes as Europe faces old and new challenges: globalisation, demographic change, new technologies, post-industrialisation, ecological issues and climate change. At the same time, welfare systems have come under strain due to high public deficits and increasing debt. Along with macroeconomic disequilibria within Europe and worldwide, a need for fiscal consolidation and instabilities on the financial markets are seriously restricting the available options for policy makers.

Against this background, the new European development strategy has to emphasise growth and employment based on innovation and increased competitiveness. At the same time, the strategy must guarantee high levels of social inclusion, take on the fight against poverty and find a way to deal with climate change. These challenges require a change in European policy: a change that must not point in the direction of reducing social inclusion, postponing environmental goals and opting for price-cost-competitiveness, but rather pave the way for a new growth strategy with social and ecological priorities which ought to be viewed as promoting and not hindering development¹.

**Europe needs
a change**

¹ See Aiginger (2007), Aiginger – Schratzenstaller (2011), Aiginger (2012), Schratzenstaller (2012).

The WWWforEurope project

"Welfare, Wealth and Work for Europe – WWWforEurope" is an integrative four-year research project, which was called for by the general direction Research and Innovation within the 7th Framework Programme and is funded by the European Commission. The research consortium coordinated by WIFO (project coordinator: Karl Aiginger, vice coordinators Stefan Ederer and Margit Schratzenstaller) was awarded the contract for the project against strongest international competition.

Researchers from 33 scientific institutions in 12 European countries form the project consortium, contributing their interdisciplinary expertise in the fields of economics, ecology, history, demography, political science and gender research.

Quality monitoring will be guaranteed by a high-ranking scientific board. The policy board will ensure that the views of important stakeholders in politics, the economy and civil society are taken into account. An essential element of the project is to create a process of exchange and discussion among researchers, politicians and stakeholders at all levels.

Based on profound scientific work, the project will lay the analytical foundation for the desired socio-ecological transition of society and develop operational concepts of how this vision can be realised. The research will be organised in five areas, each of them representing a political field that is essential for a socio-ecological transition.

- Area 1 will deal with challenges faced by the European Welfare State.
- Area 2 will analyse the ecological and biophysical dimension of the socio-ecological transition.
- Area 3 will investigate the role that research and innovation, as well as industrial and innovation policy, can play as drivers of growth and employment.
- Area 4 will focus on governance structures and institutions at the European level which are necessary to support a new path of smart, sustainable and inclusive growth.
- Area 5 will explore the role of the regions in the socio-ecological transition.

Social and ecological objectives are not new. But as sub-ordinate targets they have not been thoroughly addressed and are regularly given up whenever difficulties arise. Particularly since the outbreak of the financial and economic crisis it seems that they are no longer considered top priorities. For instance, the opportunity to use economic stimuli and consolidation packages as part of a consistent long term strategy for socio-ecological transition has not been sufficiently explored.

There is plenty of proof of the deficits of implementing a European growth strategy, especially since the failure of the Lisbon Agenda. For example, there is the "European Semester", which aims at an overall assessment of member countries' economic policy. It ought to evaluate compliance with budgetary objectives on the one hand and the implementation of growth-stimulating policies on the other. Effectively, the focus lies on assessing member countries' consolidation efforts, rather than on the structure or quality of public finance. Whether government spending focuses on promoting growth, employment and ecologic sustainability seems less relevant. Growth targets and full employment are hardly mentioned².

The Lisbon Agenda, which aimed to make Europe the most competitive and dynamic knowledge-based region in the world, failed in many ways. For example, it failed to increase research expenditure and improve educational systems, in part because the economic policy of the EU primarily focused on liberalisation, deregulation and improving price-cost competitiveness, accompanied by a strong emphasis on monetary stability. Actively promoting growth and employment was not a priority. The Lisbon Strategy also failed to consider the different socio-economic backgrounds, economic, social and cultural heterogeneity and economic disequilibria among the EU countries. Furthermore, quality of growth was not sufficiently taken into account: it was not a priority to assess whether growth helped to reduce poverty, enhance social cohesion and achieve ecological sustainability. Investment in important drivers for growth, such as education, research and socio-ecological innovation have been neglected by the EU and the member countries themselves, thus resulting in high unemployment and slow growth. Meanwhile, EU climate targets are being missed, income and wealth inequality is increasing, considerable gender

² See Ederer et al. (2011), Ederer – Janger (2011).

gaps are persisting and the competitiveness of peripheral regions has deteriorated. Against this background, the WWWforEurope research project aims at designing a development strategy which acknowledges that growth measured in GDP is not a final goal of society, but rather a means to facilitate high levels of employment, social inclusion, gender equality and ecological sustainability.

Research is an indispensable precondition for the success of economic policy: the policy goals have to be broadly accepted and well-founded, the milestones for implementing a strategy have to be well known and objective, and success and pre-conditions as well as failures and obstacles have to be proved. Strategies must not be diluted for political reasons, postponed because of national elections or adapted to fit the short term political agenda.

The four-year WWWforEurope research project will be carried out by an international, interdisciplinary research team. The consortium consists of 33 partners from 12 countries, representing university institutes, national and international research and knowledge centres, and private research and consultancy agencies. The heterogeneity of the EU is reflected in the structure of the consortium in that the project partners come from 12 EU countries, representing different regions with different socio-economic models. Southern Europe, which includes Italy and Spain, is represented equally alongside Western and Central Europe (Belgium, the Netherlands, France, Germany and Austria), Northern Europe (Sweden), the Anglo-Saxon countries (UK) and Central and Eastern Europe (Hungary, Slovakia, Czech Republic).

The consortium stands for the holistic and interdisciplinary approach of WWWforEurope, identifying trade-offs and synergies between different targets of a socio-ecological transition from the start. Different scientific disciplines are represented, ranging from economics and ecology to history, demography, political science and gender research.

This multi-faceted approach also results from an explicit consideration of the unequal starting points of different European countries³ and policy levels (EU, national, regional and local). The project intentionally builds on interdisciplinarity and methodological variety, comprising qualitative and quantitative methods, surveys and econometrics, models and case studies. Research originates from different fields. Historical evidence is specifically important when analysing past transitions, obstacles and drivers of change. Political scientists analyse existing institutions, barriers and facilitators of change based on interviews and innovative case studies. The analysis of micro data helps to understand the drivers of change, in which direction change is moving and how it can be influenced by policy instruments. Data sets on macro-economic performance are broken down into sectors and industries to show structural change and its direction. (Macro-)economic simulation models show how trends fit together and how instruments affect goals intentionally and unintentionally, as well as which synergies, trade-offs, contradictions and constraints exist. As a cross-cutting issue, gender equity will be regarded in all research areas, and distributional aspects will be systematically taken into account.

The project will be supported by a high-ranking policy and scientific board. The policy board will ensure that the views of important stakeholders in politics, economy and civil society are taken into consideration. Quality monitoring will be guaranteed by the high-level scientific experts of the scientific board.

The objective of the project is to lay an analytical foundation for the envisaged socio-ecological transition of society based on profound scientific work, and to develop operational concepts of how this vision can be realised. The research work will be organised in five areas, each representing a political field that is essential to socio-ecological transition.

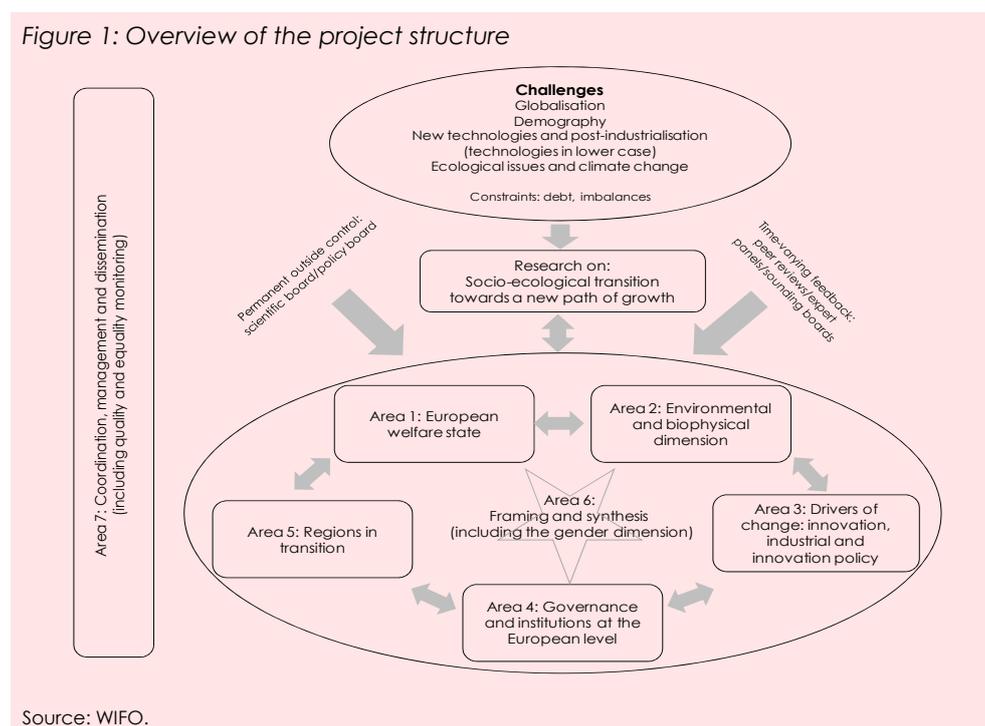
³ See, for example, Aiginger *et al.* (2010), Aiginger (2011).

The role of research for a socio-ecological transition

Research areas within WWWforEurope

- Area 1 deals with challenges for the European welfare state, exploring the influence of globalisation, demography, new technologies and post-industrialisation on welfare state structures, while taking into account the significant fiscal constraints most European countries currently face.
- Area 2 will analyse the upcoming ecological and biophysical dimension. The impact of ecological sustainability on growth and employment will be investigated, as it will have important repercussions on economic policy and welfare, which are not always reflected in traditional GDP measures.
- Area 3 will address the main drivers of change, specifically innovation, industrial and innovation policies shaping the innovation system and the production structure. On the one hand, research and innovation represent core activities driving the current growth path. On the other hand, innovation policy and industrial policy provide important instruments for a socio-ecological transition.
- Area 4 focuses on governance structures and institutions at the European level which are of key importance to a shift towards a new socio-ecological model. A change towards a new path of "smart, sustainable and inclusive" growth will require substantial adjustments towards a more consistent and coordinated macroeconomic governance system in the EU. Changes in economic monitoring and the envisaged socio-ecological transition must account for differences across regions and levels of development.
- Area 5 will carry out research on the role of the regions in the envisaged socio-ecological transition. It begins with an exploration of the institutional preconditions of this transition at the urban, peri-urban and rural levels, proceeds with a focus on the role of regional labour markets and cultural diversity, and finally explores the transitional dynamics of European regional policy.

Figure 1: Overview of the project structure



Area 6 will frame the project in advance, attempting to identify and monitor interlinkages between Areas 1 to 5, ultimately binding together the results to develop a coherent strategy and policy design for socio-ecological transition. Thus, the central challenge Area 6 aims to tackle is to make visible how the individual instruments in different policy fields and at different levels work together. A coherent strategy and policy design is necessary for the process of socio-ecological transition to be successful. Single instruments and isolated policy elements are inefficient and ineffective if they do not consider the effects on each other and if they are not supported by other policies in a coherent and well-communicated strategy.

The following central questions shall guide the four-year research programme and link the five research areas:

- Can the EU simultaneously participate more strongly in world growth, guarantee the maximum well-being of its population and reduce energy and material input?
- How can regional cohesion and social inclusion be achieved in such a growth strategy, minimising the risks of detrimental effects on incentives and maintaining the openness of society?
- How can social and technological innovations be supported (and the focus of technological trends be shifted) so that they contribute to social and ecological sustainability?
- How can institutions of modern market economies be changed so as to internalise the current social and ecological externalities and decrease volatility and divergence in Europe?
- How can the general public, third sector actors and vested interests be motivated to support reforms towards a new growth path?

The consortium coordinated by WIFO was awarded the contract for WWWforEurope by the EU commission after a rigorous selection process. This marked an important step for the Austrian Institute of Economic Research. Furthermore, the WWWforEurope project can prove valuable to Austrian economic policy. Austria is relatively well prepared for a socio-ecological transition, although it is falling back in the area of climate change mitigation and income and wealth inequality is increasing. National economic policy can contribute to the EU strategy and learn from it. The envisaged impact of the research project is to place socio-ecological transition firmly on the political agenda, as well as to provide policy makers at the European, national, regional and local levels with the analytical basis and operational tools needed for its implementation.

Central questions of WWWforEurope

WWWforEurope as an advantage for Austria and Austrian economic policy

Welfare, Wealth and Work for Europe – WWWforEurope: A New Development Strategy for Europe

Objective, Research Design and Consortium – Summary

WIFO is coordinating the integrative research project "Welfare, Wealth and Work for Europe – WWWforEurope", which is financed by the European Commission from its 7th EU Framework Programme and which combines 33 partner institutes from 12 EU member countries.

Economic policy in Europe is faced with old and new, short- and long-term challenges: globalisation, demographic change, incipience of new technologies and post-industrialisation, ecological aspects and climate change. With debt growing apace, the welfare state and its institutions have come under increasing pressure. Apart from the enormous sovereign debt, it is existing imbalances in the world and in Europe, as much as the instability of the financial system, which seriously restrict the scope for action available for economic policy.

Against this background, the new European development strategy designed to achieve a socio-ecological transition needs to opt for economic growth and employment based on innovation and increased competitiveness. Yet at the same time it needs to pursue the goal of social inclusion and the fight against poverty as well as follow an ecological strategy to cope with climate change and an energy turnaround.

The project addresses five research areas, each of which representing a vital field for policy action to implement this socio-ecological transition:

- Area 1 deals with the challenges for the European welfare state.
- Area 2 is dedicated to the ecological and biophysical dimension of the socio-ecological transition.
- Area 3 studies the drivers of change, especially innovation and industrial policy, including not just technical but also social and ecological innovations.
- Area 4 looks into structures of governance and institutions at the EU level which are essential for a socio-ecological transition.
- Area 5 focuses on the role of the regions in the socio-ecological transition.

Area 6 involves a synthesis and integration of areas 1 to 5. The object is to identify possible trade-offs, as well as synergies between the subgoals of the socio-ecological transition.

The Boards

Members of the Scientific Board

Philippe Aghion, Bruno Amable, Kenneth Joseph Arrow, Tony Atkinson, Enric Banda, Graciela Chichilnisky, Giacomo Corneo, Paul de Grauwe, Barry Eichengreen, Ernst Fehr, Jean-Paul Fitoussi, Dominique Foray, Anthony Giddens, Geoffrey J.D. Hewings, Magdalena Nowicka, Andre Sapir, Rick van der Ploeg, Mieke Verloo, Ernst Ulrich von Weizsäcker, Sylvia Walby, Richard Wilkinson

Members of the Policy Board

Gunilla Almgren, Giuliano Amato, Kurt Bayer, Markus Beyrer, Colin Crouch, Sheila Dow, Brigitte Ederer, Jorgen Elmeskov, Franz Fischler, Anselm Görrer, Andrej Horvat, Gernot Hutschenreiter, Helga Nowotny, Konrad Pesendorfer, Slavo Radosevic, Claus J. Roidl, Juliet Schor, Bernadette Segol, Gertrude Tumpel-Gugerell

The Consortium

Area 1: Challenges for the European Welfare State

Coordination: Hans Pitlik (Austrian Institute of Economic Research – WIFO)
 Project partners: Budapest Institute (Hungary)
 Institute of Economic Research Slovak Academy of Sciences (Slovakia)
 Kiel Institute for the World Economy (Germany)
 Institute for World Economics of the Hungarian Academy of Sciences (Hungary)
 Mendel University in Brno (Czech Republic)
 Ratio (Sweden)
 Vienna University of Technology (Austria)
 University of Dundee (UK)
 Vienna University of Economics and Business (Austria)
 Centre for European Economic Research (Germany)

Area 2: The Ecological and Biophysical Dimension

Coordination: Jeroen van den Bergh (Universitat Autònoma de Barcelona, Spain)
 Project partners: Ecologic Institut (Germany)
 University of Surrey (UK)
 Universitat Autònoma de Barcelona (Spain)
 University of Economics in Bratislava (Slovakia)
 Alpen-Adria-Universität Klagenfurt (Austria)
 Vienna University of Economics and Business (Austria)
 Austrian Institute of Economic Research – WIFO

Area 3: Drivers of Change – Innovation, Industrial and Innovation Policy

Coordination: David Bailey (Coventry University, Great Britain)
 Project partners: Nice Sophia Antipolis University (France)
 Institute for Financial and Regional Analyses (Germany)
 Goethe-Universität Frankfurt (Germany)
 Katholieke Universiteit Leuven (Belgium)
 Humboldt-Universität zu Berlin (Germany)
 Alpen-Adria-Universität Klagenfurt (Austria)
 University of Birmingham (UK)
 University of Pannonia (Hungary)
 Centre for European Economic Research (Germany)
 Coventry University (UK)
 Ivory Tower (Sweden)
 Austrian Institute of Economic Research – WIFO

Area 4: Governance Structures and Institutions at the European Level

Coordination: Andreas Sachs (Centre for European Economic Research)
 Project partners: Mendel University in Brno (Czech Republic)
 Policy Network (UK)
 Hasselt University (Belgium)
 Austrian Institute of Economic Research – WIFO

Area 5: The Role of Regions in the Socio-Ecological Transition

Coordination: Thomas Sauer (University of Applied Sciences Jena, Germany)
 Project partners: Free University of Bozen (Bolzano, Italy)
 ICLEI – Local Governments for Sustainability (Germany)
 Kiel Institute for the World Economy (Germany)
 Università Politecnica delle Marche (Italy)
 Vienna University of Economics and Business (Austria)

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