Social developments in the European Union 2013

Edited by David Natali

Chapter abstracts

David Natali
Introduction: A last chance to rescue Europe? (Re-)launching social EU the only strategy against anti-euro sentiments

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The EU has spent the last five years tackling the most impressive economic, social and institutional crisis it has ever faced. European policymakers have followed their typical 'muddling through' strategy to save the integration project: incremental reforms based on the minimum reachable consensus between Member States. Such an approach—reactive in many respects but also ideologically driven—has helped the EU to survive but has not mapped out a coherent and effective European growth plan for the long term. The year 2013 was marked by increased awareness of the need to set up a more ambitious strategy able to foster more coherence within the EU. This introduction addresses some of the main issues that were at stake in the EU debate during 2013. First, it examines the social condition of the Union: Member States are still suffering from the consequences of the recession, including huge social and employment problems. Second, it provides evidence of the mounting anti-European sentiment that has spread across Europe. Third, it traces the milestones of the EU debate and policymaking of the last months, including the timid advancement of a roadmap for a 'genuine'EMU and the increased weight of the European Central Bank in the institutional landscape. Fourth, it summarizes the most ambitious proposals for a more legitimate and socially inspired EU that are presented in the remainder of the book.

Anton Hemerijck
Fault lines and (still too few) silver linings in Europe’s social market economy

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Between rising anti-establishment populism and the EU’s intrusive imposition of fiscal austerity, a political-institutional vacuum has emerged at the heart of the European integration project, brought home with a vengeance by the results of the recent elections to the European Parliament. Hemerijck engages a daunting critical ques-
tion: can the welfare state and European cooperation, two of the most important feats of post-war social engineering, prove resilient in the aftermath of the global financial crisis? This chapter examines the deep fault lines in the European construction and explores a number of silver linings that have taken root over the past two years. It briefly analyses how these fault lines in policy analysis, institutional makeup, and domestic politics have made crisis management arduous for both national- and EU-level governments, and then it discusses the three silver linings on the horizon of the Europe 2020 policy agenda: (1) the already existing proactive and reconstructive welfare reform, (2) the renewed endorsement of the social investment perspective by the Commission, and (3) the rekindling of the social dimension of the EU. It explores the political space available for making the European project more inclusive and proposes that Europe learn from the political truths exposed by the crisis.

Christophe Degryse, Maria Jepsen and Philippe Pochet
A worrying prospect: Towards a more imbalanced European social governance?

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Tension has grown in recent years between three different models of economic and monetary unification: 1) monetary union as the natural outcome of political union, 2) monetary union as the trigger for political union and 3) monetary union without political union. In order to address the crisis without pursuing further political unification, Degryse, Jepsen, and Pochet describe the three main policy dynamics underlying these models, examining how they have developed and which political preferences they reflect. They hypothesize that in the wake of the meltdown of 2008, the ensuing euro crisis reaffirmed the move away from a model of economic and social union backed political union and towards another model without political integration but rather governed by the market. Tracing the development of economic and monetary union throughout the history of the EU, they identify key moments of weakening and evaluate the effectiveness of the reforms implemented. The authors focus on the European Semester that encourages Member States to reform economic and social policies, largely through country-specific recommendations. They consider the consequences of this process on social models at national and European levels and highlight the inconsistencies, contradictions, power struggles, and paradigm changes, and they caution against accepting foregone conclusions about which model will best suit Europe in the future.

Frank Vandenbroucke, Bart Vanhercke and John Morley
A European Social Union: Key questions to answer

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In the aftermath of the recent European elections, there has been an increasing awareness of the risks and consequences of failure to deliver on the fundamental goals of the European project, namely the pursuit both of economic and social progress through the progressive development of welfare states and of upward convergence across the Union. Vandenbroucke, Vanhercke, and Morley argue that Europe needs far more resolute EU-level action to promote sustainable growth, employment, and social investment, a Social Union that would support national welfare states on a
systemic level. Such action would guide the development of national welfare states through the establishment of general social standards and common social objectives. The long-term trade-offs implied by monetary unification require the participating countries to establish a basic consensus on the social order that the monetary union must serve. This chapter formulates key questions that must be answered in considering the development of a Social Union, undertaking to describe the legacy of the economic and financial crisis and to argue that social investment is a key stepping stone towards revamping the EU’s social dimension. It also argues that a basic consensus on the European Social Model is a necessity at both EU and national levels, and then introduces ten tough nuts to crack concerning the objectives, instruments, and governance of the EU’s future social dimension.

Ferdinand Fichtner

*Euro area-wide unemployment insurance: Useless, desirable, or indispensable?*

While financial markets have recently seen a substantial decline in the tensions brought on by the 2008 crisis, several national economies still suffer from significant economic difficulties. The absence of autonomous monetary policies has contributed to the build-up of imbalances in the monetary union. Extensive literature suggests that a monetary union should go hand-in-hand with strong cooperation on fiscal policy between the Member States; thus, Fichtner here outlines a European fiscal transfer system in the form of a European unemployment insurance scheme for the short-term unemployed, which could effectively cushion cyclical imbalances in the euro area and have substantial advantages over a more traditional fiscal transfer system. First, transfer payments are automatically linked to the business cycle, thus largely preventing countries from becoming permanent net contributors or net recipients. Secondly, the system is transparent and easy to understand for policy makers and the general public, and it is less susceptible to political influence than other transfer systems. Finally, such a system is socially and politically desirable, since it would set a minimum standard for the level of social protection in the participating countries without necessarily enforcing harmonization of unemployment insurance schemes across Europe. With a reasonably sized system, the stabilization effects would be limited, so expectations should not be set too high; nevertheless, such a scheme would be a useful complement to monetary integration and has significant advantages over other forms of fiscal transfer schemes.

Ramón Peña-Casas and Denis Bouget

*Towards a European minimum income? Discussions, issues and prospects*

Like the two before it, the year 2013 suffered from cyclical developments, caught between the economic slowdown and the cuts in social expenditure in many countries, which increased pressure on national anti-poverty and social exclusion policies. This trend has made it difficult for Member States to use their general social protection regime to improve the living conditions of the poorest sections of society. The recent
deterioration of the social and economic situation in many European countries is the outcome of (a) low economic growth in the context of a stagnating crisis and (b) the reduction of social expenditure and of public expenditure as a whole. Against this backdrop arises the question: should Europe adopt an EU-wide minimum income scheme? Peña-Casas and Bouget examine the current situation regarding minimum incomes in Europe, including the similarities and differences between systems as well as the limitations they face. They detail the EU initiatives that have been launched over the years and address the potential objectives of such a scheme, the resources necessary to carry it out, and the possibility of setting up a European minimum income fund. Such a fund, they argue, would be akin to those already established in previous years of the Union, and it would be a part of the global broadening of anti-poverty strategies.

Dalila Ghailani

*Gender equality, from the Treaty of Rome to the quota debate: Between myth and reality*

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Gender equality has been on the EU agenda since the Treaty of Rome. After more than half a century of developments, however, has the ideal so strongly promoted in the legislation and rhetoric become a reality? Ghailani argues that although European institutions have been an important catalyst in developing economic, social, and political equality for women, it would be an exaggeration to say that discrimination has vanished. EU equality policy has developed gradually over several decades, taking in new areas and new commitments and going beyond the limited field of discrimination in employment. The Member States, however, still control the main political levers affecting gender equality, and these States are still divided on the implementation of effective integrated gender equality strategies. Legislation, although vital, is not in itself sufficient to attain gender equality; it must be accompanied by radical change in mentalities and in socio-cultural references. This change must begin with the general public, since the views of ordinary citizens influence the political priorities of national authorities, but there must also be a change of attitude among employers, since they can take direct action to eliminate differences in employment practice. In this context, social dialogue also plays an essential role in encouraging these developments, which, unfortunately, remains a long-term task. True gender equality is still more of a myth than a reality in the EU.

Carole Lang, Stefan Clauwaert and Isabelle Schömann

*Working time and atypical forms of employment contracts in times of crisis: recent reforms in the Member States*

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Traditionally, *flexicurity* is a two-sided arrangement whose goal is to combine flexibility for employers and companies on one hand with more job security for workers on the other hand. Research since 2008, however, indicates that the core concept of flexicurity has become imbalanced so that it favours flexibility over security. Reforms that were intended as temporary crisis-solving measures have become more permanent as projections for economic and monetary growth have worsened. Lang, Clau-
waert, and Schömann examine how (a) working time and (b) contracts of employment are still affected by deregulating measures in national labour law. Member States pursue working time reforms by either extending or reducing working hours, sometimes granting greater freedom in how employers can allocate working time. In addition, not only are existing contracts being subjected to deregulation and increased flexibility, but innovative forms of employment are also being created in order to allow even more flexibility. The authors argue that EU Member States are using the crisis as a justification for the adoption of such radical reforms, but that these reforms have proven ineffective, turning the concept of flexicurity into a hollow façade. By deregulating working time and employment contracts, Member States are choosing to ignore the issue of workers’ security. Consequently, the debate over the effectiveness and relevance of flexicurity has real significance, and calls to reshape it are not only justified but urgent.

David Natali

Conclusion: Future prospects

As highlighted in this edition of Social developments in the EU, the year 2013 was characterized by a mixture of highs and lows. The low points were the apparent stalemate of the institutional and governance reforms and the rise of anti-European political movements. The high points included the lively intellectual and political debate on the future of economic and social governance that developed in the run-up to the European elections of May 2014. All in all, the events of 2013 confirmed the urgent need to reform E(M)U economic governance and its interplay with the still-insufficient social dimension. This concluding chapter provides further reflection on the future of the European Union and the highly complex problems to be tackled by policymakers, addressing the most important question for future progress: what is the right strategy to tackle the problems of the EU? Natali summarizes the two phases that have characterized European integration (in conjunction with the Treaty of Rome and the Maastricht Treaty) and expounds upon the current flaws that E(M)U has and the reforms that it needs today. He evaluates the prospect of a new compromise, the persisting weakness of support for a reinvigorated social dimension, and a new consensus for a fairer and more mutually-supportive Europe.