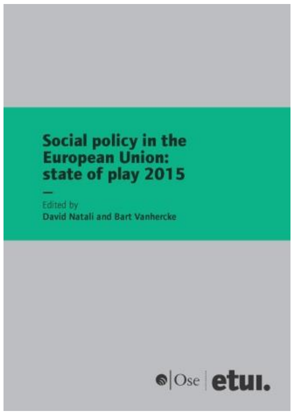

Social Policy in the European Union: State of Play 2015

HIGHLIGHTS

The EU has a new European Parliament, for the first time the leader of the winning majority was appointed President of the new European Commission, there are some new faces in the European Council, and there is recognition by all that the EU economy remains in trouble. For all these reasons, the **past year has been different**: *change is in the air*, if only because the public mood has been shifting, and this has *brought politics back into the equation*, both at the national and EU level. Whether policies, politics and processes will change for the better, or for the worse, during 2015 remains to be seen.

The main questions addressed in '*Social Policy in the European Union: State of Play 2015*' by **European Social Observatory** (OSE) and **European Trade Union Institute** (ETUI) researchers as well as renowned external scholars are: *What would be the best ways for the EU to move forward from the crisis? To what extent are the post-European Parliamentary election period and the new European Commission game-changers that can pave the way for a more social EU agenda? And finally, what are the limits of the increasingly important yet highly contested role of the EU in pushing national reforms in policy areas at the core of the welfare state?*

Chapter 1 explores the **Eurozone crisis***, which continues to pose major challenges for the EU and its Member States.* **Vivien Schmidt** argues that:

> *The problems stem from the Eurozone's flawed policies, toxic politics, and rules-based processes. By framing the crisis as one of public debt (rather than private excess), then diagnosing the causes of the crisis as behavioural (Member States not following the rules) rather than structural (linked to the euro's design), EU leaders produced policies that have failed to provide lasting solutions to the crisis*.

The author proceeds to offer several suggestions for how the EU, and specifically the Eurozone, can foster further economic integration and progress. These include:

- *Mutualisation of debt,* including through issuing Eurobonds;
- *Emergency European Central Bank financing* to Member States with above-average rates of unemployment;
- *Solidarity-related policy instruments*, including a cyclical adjustment fund and/or an unemployment insurance fund;

- *EU revenue-producing instruments,* as the EU needs to have its own sources of revenue. For example through a financial transactions tax, a European corporate tax, a Value Added Tax (VAT) on EU generated wealth or a solidarity tax (or fund) levied on all citizens and residents of the EU.

Future fiscal surveillance plans should, in Vivien Schmidt's view, consider:

- *Deductibility of growth-enhancing investments* in infrastructure projects, education, training, research and development;
- *Deductibility of social investment:* make any efforts toward improving skills and human capital tax-deductible;
- *Carrots and not just Sticks* to encourage structural reforms: provide project financing and poverty relief in exchange;
- *Improving transparency of statistics* and make them less punitive for countries in trouble: Eurostat calculations of country deficit and debt tend to disadvantage countries that the markets consider less viable.

Chapter 2 focuses on the **European Semester**, which is a policy coordination tool used by the EU to encourage change and reform in Member States, especially in those areas where the EU has few or no legal powers. According to **Jonathan Zeitlin** and **Bart Vanhercke**, there has been a partial but *progressive 'socialisation' of the content of the European Semester,* which is, among other things, a response by the EU to the rising discontent with austerity in the European populace. Against the odds - and accepted wisdom among scholars - the authors of this chapter find, within the context of a predominantly economic paradigm, *an increasing emphasis on social objectives in the EU's priorities and Country-Specific Recommendations; an intensification of social monitoring, multilateral surveillance, and peer review; and an enhanced role for social and employment policy actors, especially the EU Employment and Social Protection Committees*.

At the same time, the limited involvement of non-governmental stakeholders at both the EU and national levels remains an important flaw in the EU's evolving socio-economic governance architecture: *neither social partners nor civil society organizations currently play any significant role in the European Semester*, which should be seen as highly problematic.

Chapter 3 asks an important question emerging from a bitter reality: since the **social rights and protections** won by labour movements have been gradually eroded over the last few years*, are there any effective forms of resistance against this erosion left*? According to **Richard Hyman**, the traditional forms of protest are, unfortunately, by themselves ineffective: *With often depleted resources as a result of a long-term loss of membership, unions at the national level have not been well placed to respond to the crisis.*

For Richard Hyman, this reflects a more general *failure of trade unions to win the battle of ideas*. In general, Eurobarometer surveys show a rather low level of trust in trade unions, and overall that level has deteriorated since the crisis. Most countries had negative net trust before the crisis and this trend has become more and more accentuated in most countries. Only in Germany does the level of trust remain high. The countries worst affected by the crisis have tended to experience the greatest decline. At the same time, the author concludes that a combination of traditional and new, cross-national forms of protest could produce desirable effects to combat neoliberal hegemony: *fatalism and surrender should not be the only options. Another world – and another Europe – is possible.*

Chapter 4, by **Martin Myant**, addresses the issue of socialisation in a different way: with a critical assessment of Commission President Jean-Claude **Juncker's investment plan.** According to the author, the plan, despite good intentions, is a woefully inadequate measure in the fight to restore social rights and protections in Member States affected by the financial crisis. For Martin Myant, to have real success an (alternative) Investment plan should:

- Set clear and ambitious objectives: to provide an immediate stimulus, to satisfy identifiable needs for economic and social modernisation and to start to reduce the divergences across the EU;
- Be organised at a larger scale and run over a longer period, so that it is tailored to the needs of the above objectives;
- Ensure that investment is undertaken and oriented towards wider development objectives (and not merely commercial viability);
- Have a strong and well-equipped organisational structure to coordinate and evaluate projects, both at the level of the European Investment Bank and within Member States; and
- Be enhanced by the relaxation of stringent austerity rules.

Chapter 5 analyses the EU's approach to **education**. **Chiara Agostini** and **David Natali** look at both the manner in which the Commission speaks about education policy and the way it deals with this policy. The authors find that education has come to the forefront of the EU's policy agenda, incl. through an increasing number of CSRs on this topic: from 16 in 2011 to eighteen in 2012, 22 in 2013, and 25 in 2014. At the same time, the EU has not reformed its own fiscal consolidation stance enough to give Member States sufficient resources to revitalise education. Essentially, the EU has made grand speeches about education, but done little to actually show that its intentions are genuine.

At an aggregate level, these are the main trends highlighted by the chapter:

- *Education expenditure declined between 2009 and 2012 across the EU*, from 5.5% to 5.3% of GDP.
- In 2012, government expenditure remained at the same level as the previous year, 5.3% of GDP, in a year when GDP itself fell by 0.4%.
- Trends confirm the lack of convergence between EU countries: the period 2009-2012 was marked by an overall increase in total spending on education and training in 3 countries, overall stability in one single country and – crucially – *an overall decline in total spending on education and training in no less than 22 countries*.

In **Chapter 6** **Furio Stamati** and **Rita Baeten** demonstrate how the EU is capable of formulating (or discouraging) **healthcare reform** in Member States. The authors arrive at the conclusion that although the EU expresses concern for the state of (access to) healthcare in the Eurozone and elsewhere, its current fiscal policies prevent Member States from achieving more socially oriented reforms. Financing reforms mainly dealt with general spending and hospital budget cuts, increases in taxes and user charges. Some of the main findings are as follows:

- *Spending cuts were particularly severe in Greece, Ireland and Italy*. Public health spending in Greece has fallen by about €5 billion since 2009.
- *Tax financing of healthcare grew in Ireland and Sweden*
- *Greece, Ireland, and Italy increased user charges.*
- *The scope of private service provision increased in Greece, Ireland, and Sweden.* About 25% of intensive care beds suffered from staff shortages.
- *Policymakers in all countries strived to preserve current access levels, but succeeded to varying degrees.* The reform of the Greek health insurance funds left unemployed workers and some professionals with no or reduced coverage

Chapter 7, by **Dalila Ghailani** and **Aida Ponce** critically assesses the **Transatlantic Trade and Investment Partnership** (TTIP). Their conclusion is straightforward: *no-one but the people around the negotiating table grasps, even vaguely, what TTIP will contain by the end of the negotiations*. The negotiators make strong claims about the benefits of the future partnership, on the basis of contested studies, and this is resulting in increasing suspicion and outright worries among trade unions and civil society groups concerning the real implications for workers. As for the investor-to-state dispute settlement (ISDS) mechanism, the way in which the European Commission has handled the public consultation has not, to say the least, helped to smooth the waters. It remains far from certain whether TTIP will be signed in 2015.

In the forward-looking **chapter 8, David Natali** sheds light on the true **political risks** for the EU, which include the progressive destabilisation of the political scene through the rise of anti-EU movements. This trend is at the heart of the EU political dilemma: the EU needs to be repoliticised, but at the same time there is a risk that this will further weaken EU integration. Such a political risk would also be a challenge for the **trade union** movement. The latter now seems part of the present political problem, but in the future could – and should - be part of the solution.

The **final Chapter** by **Cécile Barbier** summarises the key events of 2014 in the area of social and economic affairs, from the adoption of the European single currency by Latvia (1 January 2014) to the failure of the third round of the Presidential elections in Greece (29 December 2014) and the announcement of early new elections on 25 January 2015.

Bart Vanhercke and David Natali, Brussels, 22nd September 2015

Ose European Social Observatory

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