Towards a European Social Union

The European Pillar of Social Rights and the Roadmap for a fully-fledged Social Union

A Forum debate

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Torino, Centro Einaudi, 2019

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General presentation

The European Pillar of Social Rights and the European Social Union: Creating the Link

In 2013, Frank Vandenbroucke coined the notion of a European Social Union (ESU) in order to clarify our thinking about the so-called social dimension of the EU. This new expression contains three implicit messages. First, it invites us to propose a clear-cut institutional concept, in contrast to the elusive notion of 'a Social Europe'. Second, it indicates that we should go beyond the conventional call for '*a social dimension*' to the EU, as if today's EU has no social dimension whatsoever. Third, it explicitly suggests that what is needed is not a European Welfare State, but, precisely, a Union founded on two principles. On the one hand, national welfare states should remain responsible for organizing interpersonal redistribution among their citizens; on the other, they should take up the commitment of sustaining forms of tangible solidarity among themselves as collective entities.

The adoption of a *European Pillar of Social Rights* in November 2017 and the elections for a new European Parliament, in May 2019, constitute a unique opportunity to relaunch and enrich the ESU debate. The *Pillar* has marked a point of no return: either it will be a sufficiently convincing and recognizable success, or it will be a high-profile failure. Given the political cost of an eventual failure, those of us who care about the social dimension of European politics should now work on an interpretation of the *Pillar* that maximizes its positive potential. For this initiative to have an impact on EU policy-making, a first condition is that it is sufficiently powerful. It must be connected in a convincing way with functional necessities and broadly accepted aspirations of European integration; and it must fit into a consistent conception of the role the EU should play and the role it should not play in social policy. The idea of a European Social Union can provide a fertile context for the search and specification of such *raison d'être, by* pointing to both possible justifications and practical opportunities.

In order to encourage and facilitate the conceptual and policy link between the *Pillar* and ESU, EuVisions has launched a debate with two introductory contributions by Frank Vandenbroucke and Maurizio Ferrera, followed by comments by various authors. The debate is not purely theoretical. Participants will of course discuss about conceptions and *raisons d'être,* but they also explore their potentials in reference to practical options and concrete proposals. The debate is closed by two rejoinders by Frank Vandenbroucke and Maurizio Ferrera.

The European Pillar of Social Rights: from promise to delivery

Introduction to the 'ESU-debate'

Frank Vandenbroucke

Introduction

In November 2017, the European Parliament, the Council and the Commission jointly and solemnly proclaimed a *European Pillar of Social Rights* a set of 20 principles about equal opportunities and access to the labor market, fair working conditions, and social protection and inclusion. Some principles are well known, as they have already been formulated in the context of earlier efforts to coordinate the Member States' policies. Other principles are relatively new at the European scene, such as the objective to ensure adequate minimum wages. The communication on the *Pillar* was ambitious: it was said to be about "delivering new and more effective rights for citizens", and Commission President Juncker called for agreement on the *Pillar* "to avoid social fragmentation and social dumping". The launching of this *Pillar* was not an isolated event: it fitted into a broader evolution in EU policy-making. Over the last five years, the Commission steered away from an emphasis on fiscal consolidation and economic competitiveness, which dominated in the immediate aftermath of the financial crisis of 2008. Already in 2013, the Commission's *Social Investment Package* explicitly signaled the need to broaden the EU's agenda. Below the radar, social issues became gradually more important in *the European Semester* process. Official reflection papers and roadmaps on the future of the Monetary Union underscored the need for a social dimension in the completion of EMU. The Commission tackled the thorny problem of posted workers, and announced the creation of a *European Labor Authority*. So conceived, the *Pillar of Social Rights* was but one instance of a gradual, cautious but deliberate policy shift at the level of the Commission.

However, the *Pillar* initiative may also turn out to be a decisive moment in this policy shift, with longer-lasting consequences – either positive, or negative. Positively, the *Pillar* may become a policy agenda that sustains real momentum, beyond the lifetime of this Commission. In contrast, if the EU fails to deliver on the promise enshrined in the *Pillar*, the initiative will backfire and the frustration it generates will undermine any new attempt to equip the EU with a comprehensive social dimension, for a long time to come. Thus, the solemn proclamation of the *Pillar* marks a point of no return: either it will be a sufficiently convincing and recognizable success, or it will be a high-profile failure. Obviously, the jury is still out and a final verdict will take time, maybe years. At the moment of writing this introduction, there is a straightforward reason why the jury is still out: we are in the realm of democratic politics, and we cannot predict how important the solemn declaration of November 2017 will be for the new Parliament and the new European Commission after the next European elections. Nevertheless, given the political cost of an eventual failure to deliver on the *Pillar*, those of us who care about the social dimension of European politics, should now work on an interpretation of the Pillar that maximizes its positive potential. The reader may be surprised that I call for work on the 'interpretation' of the *Pillar* ('Does the communication of the Commission about the Pillar not speak for itself?'). However, my choice of words is on purpose. For the *Pillar* to have an impact on EU policy-making, a first condition is that its *raison d'être* is sufficiently powerful: it must be connected in a convincing way with functional necessities and broadly accepted aspirations of European integration; and it must fit into a consistent conception of the role the EU should play and the role it should not play in social policy. Yet, I'm not calling for a purely conceptual debate: whether or not we agree on what is a promising interpretation of the *Pillar's raison d'être* can be tested by means of practical, concrete proposals. This is what this debate is about.

The raison d'être of a European Pillar of Social Rights: an interpretation

When the *Pillar* was launched, the Commission explicitly declared that the *Pillar* is "primarily conceived for the euro area but applicable to all EU member states wishing to be part of it". This focus on the Eurozone is not happenstance; the Commission's thinking on the future of the monetary union and its motivation for the *Pillar* are related. Since it is important to understand that relationship, I briefly elaborate on it. A basic insight, that has gained prominence in the European Commission's recent thinking on the completion of EMU, is that nearly all existing monetary unions are true 'insurance unions'. They not only centralize risk management with regard to banks, they also centralize unemployment insurance. EMU is the one exception, but it is gradually developing policies driven by the need for mutual insurance, notably in its progress towards a Banking Union. Next to Banking Union, the European Commission now argues that EMU also needs fiscal stabilisers; to achieve this, one of the options would be the re-insurance of national unemployment benefit schemes at the Eurozone level. Another option, which the Commission seems to prefer at the time of writing this contribution, would be a scheme that supports Member States' public investment capacity when they are hit by a crisis and have to cope with reduced revenue and increased spending on unemployment benefits[1]. In fact, both options share a common insight, to wit, that it is important that Member States' automatic stabilisers can play their role in times of crisis whilst simultaneously their public investment capacity is protected.

The reference to unemployment insurance in these policy scenarios is not happenstance: unemployment insurance supports purchasing power of citizens in an economic downturn, and is therefore an 'automatic stabiliser' *par excellence*. Existing monetary unions either opt for a downright centralization of unemployment insurance (like in Canada or in Germany), or they demand some convergence in the organization of unemployment insurance and provide a degree of reinsurance and centralisation when the need is really high (like in the US, which combine centralisation and decentralisation in unemployment insurance). This is rational behaviour for two reasons. First, risk pooling enhances resilience against asymmetric shocks. The second reason also applies when shocks are symmetric across the whole Union and risk pooling across Member States has no added value *per se*. National insurance systems create an externality; a country that properly insures itself, also helps its neighbours. Therefore, the concern with the stability of the Eurozone entails a cluster of policy principles to sustain an effective stabilisation capacity in *each* Member State: sufficiently generous unemployment benefits; sufficient coverage rates of unemployment benefit schemes; no labour market segmentation that leaves part of the labour force poorly insured against unemployment; no proliferation of employment relations that are not integrated into systems of social insurance; effective activation of unemployed individuals; and the constitution of budgetary buffers in good times, so that the automatic stabilisers can do their work in bad times. These principles become a *fortiori* imperative, as *quid pro quo*, if the Eurozone were equipped with reinsurance of national unemployment insurance systems. More broadly, my contention is that such common principles would be a corollary of any conceivable Eurozone risk-sharing scheme that is triggered by unemployment shocks (e.g. a public investment guarantee, as considered by the Commission). But even without a Eurozone risk-sharing scheme, the implementation of common 'stability-related' principles would benefit the Eurozone as a whole.

The upshot of this argument is that monetary unification is more beneficial when there is a degree of convergence in some key features of the participating Member States' social and employment policies. This is not necessarily a flat denial of an argument developed by Schelkle, that

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1 See European Commission (2017a), notably on pp. 25-26 and European Commission (2017b), notably pp. 1316.

a monetary union allows and even valorizes diversity (Schelkle, 2017); my emphasis is on 'convergence' (not: uniformity) and on 'some' (in some policy domains, not in all domains).

Admittedly, the idea that there is a social policy corollary to monetary unification is not new. Already in the 1990s, reform in labour markets was justified by the advent of the monetary union. The 1997 *European Employment Strategy* emphasized supply-side flexibility: an agenda for flexible labour markets was interwoven with an agenda of investment in individual labour market opportunities and the development of 'enabling' policies; together, this would create 'flexicurity'. In a nutshell, my argument adds 'stability' as a desideratum to 'flexibility': stability both in terms of the avoidance of large financial and economic shocks, and of a stable development of the wage share in national income, thanks to coordinated collective bargaining[2]. Whilst the 'enabling' dimension of flexibility focused on equipping individual people with adequate skills, in order to achieve stability, one needs collective action: collective bargaining, but also the organisation of collective insurance devices. Stability requires instruments that typically protect vulnerable individuals: unemployment insurance stabilises the economy, because it protects the purchasing power of the unemployed. In other words, stability is intrinsically associated with collective action and 'protective' policies. Enabling and protective policies can be mutually reinforcing in creating *resilient* social systems. That social systems should be *resilient* is a matter of common concern in a monetary union.

In addition, the monetary union calls for integrated competitive markets for goods and services as well as for cross-border mobility of labour (including in the form of 'posting'). This in turn entails a social corollary. For instance, next to reform in the regulation of posting, national minimum wage regimes should be transparent, predictable and universal in coverage. Admittedly, this applies not only to the Monetary Union but to the whole Single Market.[3]

Thus, the *Pillar* can be understood as a translation of functional necessities of monetary integration and the Single Market in terms of social standards and, subsequently, in a language of social rights. However, I would immediately emphasize that one should not overstretch the power of such a functionalist rationale: what is 'needed' and what is 'imposed' by EMU (or the Single Market),

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2 Space forbids to develop the relevance of well-organized collective bargaining for EMU: see Vandenbroucke, 2017b, and Watt and Watzka, 2018

3 On an analytical level, one should carefully distinguish between (i) the 'social corollary' of EMU, and (ii) the 'social corollary' of the Single Market; they partly overlap, but are also different. The Commission's Reflection Paper on the Social Dimension of Europe of April 2017 is insufficiently clear about this. See Vandenbroucke (2017b).

depends on the normative aspirations that drive the European project at large (Vandenbroucke, 2017b). We are not talking about the functional requirements associated with a monetary union *in abstracto*; we are considering a monetary union that should serve the fundamental aspirations of the European project, such as upward convergence in prosperity and social cohesion. More fundamentally, as Ferrera (2018 - This issue, pp.12-26) argues, next to functional and normative arguments, there may be a 'free-standing political justification' to equip EU citizens with EU social rights. A political authority cannot survive and prosper without the diffuse support of the people belonging to its jurisdiction; diffuse support rests not only of effectiveness, but also on fairness: "Citizens must feel that the (…) government abides by the general norm of somehow representing the collective interest, taking care of all sectors/strata of the population, however weak and peripheral."

The Commission's statement that the *Pillar* is "primarily conceived for the euro area but applicable to all EU member states wishing to be part of it" is analytically coherent, but, politically, such a differentiation is not well received in a number of Member States and in the Parliament. This underscores the observation that the *Pillars* addresses a problem of legitimacy that goes beyond the Monetary Union.

My summary account of the *raison d'être* of the Pillar shows that it is multifaceted, but it nevertheless points to priority areas in which initiatives have to be taken. For instance, on the basis of this account a clear priority area is access to adequate social protection for all workers. Access to social protection (notably, but not only, adequate unemployment insurance) is not only a key feature of labour markets that support both stability and flexibility. 'Access to social protection for all workers' is also a principle that speaks both to mobile and non-mobile EU citizens, and that highlights fairness as a key driver of EU policy initiatives. The Commission was therefore right to launch an initiative on 'access to social protection' in parallel to the *Pillar*. It is a pity that it has first been announced with the promise of a 'hard' legal initiative, but then was scaled down to a softer recommendation (European Commission, 2018); now the challenge is to give that recommendation real bite. For related reasons, I consider the Commission initiative with regard to the *European Labour Authority* as highly relevant: organizing and enforcing 'fair mobility' is key in a monetary union, and 'fair mobility' has to be embedded in well-regulated labour markets, in the interest of both mobile and non-mobile citizens. In similar vein, the improvement of the *Written Statement Directive*, proposed by the Commission, answers the need to fight growing gaps in employment protection in some EU labour markets, and is well taken. In contrast, independently of the intrinsic need to develop policies that sustain the work life balance in all the Member States, one may wonder why the Commission picked 'work-life balance' as a showcase for its willingness to develop the social dimension of the EU. An EU initiative on improving the work-life balance enters into sensitive domains of national policies, and on the basis of the *raison d'être* of the Pillar – at least, as I understand it – it is not evident that this should now be a priority matter to be regulated at EU level, notwithstanding its intrinsic merits. But the contributors to this forum debate may disagree with me on this.

A Pillar of Social Rights for a European Social Union

In the preceding section, I highlighted (albeit briefly) the intellectual coherence between the Commission's work on the completion of EMU and its work on the *Pillar of Social Rights*. The public debate nevertheless remains handicapped by the absence of clear analytical thinking about the role the EU should play in the domain of social policy and the role it should not play. At the very moment the *Pillar* was solemnly accepted by the Council, one could hear some national ministers saying that its implementation was all the responsibility of the Member States, whilst other ministers underscored the need for tangible EU-level initiatives. Such confusion in debates on 'Social Europe' is not a new phenomenon and it is not happenstance. In fact, although the expression 'Social Europe' is omnipresent in debates about the EU, it is an ill-defined and even ambiguous concept. For some people 'Social Europe' may mean 'protecting domestic social policies against (liberalizing consequences of) further Europeanisation', for other people it may mean 'more supranational EU initiatives'. Hence, simply stating that the *Pillar* should contribute to 'Social Europe' begs the question: what should the EU *do*, what should Member States *do*?

In trying to clarify our thinking on the EU's social dimension, I deliberately started to use the notion 'a European Social Union', for three reasons. First, the expression 'Social Union' invites us to propose a clear-cut institutional concept, in contrast to the elusive notion of 'a Social Europe'. Second, it indicates that we should go beyond the conventional call for 'a social dimension' to the EU, as if today's EU has no social dimension whatsoever. Suggesting that the EU has no social dimension is analytically incorrect and politically counterproductive. The coordination of social security rights for mobile workers, standards for health and safety in the workplace, and some directives on workers' rights, constitute a non-trivial acquis of fifty years of piecemeal progress. The EU also developed a solid legal foundation for enforcing non-discrimination among EU citizens. The notion of a European Social *Union* is not premised on a denial of that positive acquis. The next steps can build on that acquis. However, the next stage of development must also respond to new challenges, which are about more than 'adding a social dimension'. Third, the emphasis on a Social Union is not a coincidence. A European Social Union is not a European Welfare State: it is a union of national welfare states, with different historical legacies and institutions. As explained below, a union of national welfare states requires more tangible solidarity between those welfare states as collective entities. But its primary purpose, so I believe, is not to organise interpersonal redistribution between individual European citizens across national borders; the main mechanisms of solidarity which the EU now needs to develop are between Member States; they should refer to insurance logics rather than to redistribution, and to support for social investment strategies (space forbids to elaborate upon the latter idea). There are specific aspects of social policy for which we may have to rethink the practical application of the subsidiarity principle, both within Member States and at the level of the EU. Yet, a 'union of welfare states' would apply subsidiarity as a fundamental organising principle. Solidarity between Member States necessitates a degree of convergence, but convergence is not the same as harmonisation. More generally, the practice of a Social Union should be far removed from a top-down, one-size-fits-all approach to social policy-making in the Member States.

The core idea can be summarised as follows: a Social Union would support national welfare states on a *systemic level* in some of their key functions (stabilization is such a key systemic function, as explained earlier) and guide the *substantive development* of national welfare states, via general social standards and objectives, leaving ways and means of social policy to the Member States. A Social Union would need a basic consensus about and an operational definition of 'the European Social Model'. In other words, European countries would cooperate in a union with an explicit social purpose; hence, the expression European Social Union.

A Social Union, so conceived, is not only desirable but necessary, unless we would drop the idea that the integration project concerns welfare states with at least some shared aspirations. To make that analysis is not to say it leads to only one definitive version of a European Social Union: depending on the normative judgements that are brought to bear, a Social Union may be a more ambitious or a less ambitious project; it can be based on different conceptions of social justice. Nor is it to say that an operational concept of a European Social Union is already on the table. We are, at least in part, still in uncharted territory: important issues have to be clarified.

Ferrera (2018) develops his vision on a European Social Union in a way that is very congenial and helpful: he starts from the premise that we can build on what is already in place – a set of diverse institutional pieces that serve as ingredients for a European Social Union – whilst the aim is something very different from a federal welfare state as found in the so-called historical federations. The aim is to create a 'holding environment' for flourishing national welfare states, rather than a federal welfare state. Yet, such a holding environment requires tangible supranational policies.

Returning to our initial subject, the reader may now wonder: if the EU's vocation is not to become a welfare state, why should it equip its citizens with European social rights, defined at the EU level?

To answer that question, the nature and purpose of what is proposed as 'rights' at the EU level must be clarified. We tend to conceive of 'rights' primarily as instruments for the enforcement of entitlements. Ferrera (2018) rightly argues that we should broaden our understanding of the role of rights: "Following the tradition of Max Weber, we can define rights as sources of power (*Machtquellen*). There are three distinct types of resources which back the actual exercise of any right. First, there are normative resources. Holding a right means having legitimate reason to claim compliance by others: horizontally from fellow citizens (e.g. non-discrimination in the workplace) and vertically from political authorities (e.g. fair treatment by social administrations). Secondly, there are enforcement resources: if compliance is not obtained, the right-holder can activate legal coercion. Thirdly, there are instrumental resources: the availability of practical conditions for the full exercise of a right. In the case of social entitlements, for example, the state sets up social insurance systems and networks of public services, provides information, advice, procedures for accessing and delivering benefits and so on. While the second type of resources (enforcement) is what makes rights (and, by extension, citizenship) 'hard', in contemporary liberal-democratic societies we should not underestimate the importance of the other two types: normative and especially instrumental resources. The former operate at the ideational and motivational level, while the latter facilitate the actualization of rights. In addition, both may play a role in the process of rights adjudication in courts of law. We know that even when it adopts binding norms that indirectly impinge on national citizenship, the EU cannot provide enforcement resources directly to citizens. The EU does however provide normative resources (if only through soft law) and, in particular, instrumental resources. I suggest that the main role of the European Pillar of Social Rights in terms of citizen empowerment could and should result, initially, from its capacity to exploit in a coherent and systematic way its motivational and actualization potentials."

Building on the typology of resources that back the actual exercise of rights as presented by Ferrera, I would argue that delivery on the *Pillar's* promise presupposes that different instruments are combined to implement its principles: EU legislation; policy coordination and benchmarking; and EU funding. These principles should play a tangible role in the European Semester and fiscal and macro-economic surveillance. My account of the *Pillar's raison d'être* also explains why I think it cannot be dissociated from the need to make progress in the completion of the monetary union, as proposed by the European Commission. (In that respect, the actual content of the joint declaration by Merkel and Macron of 19 June was more important than what some commentators made of it; obviously, it must be kept on the agenda.) In short, what is needed is an effective 'roadmap for delivery', based on the complementarity of existing EU instruments and a well-considered selection of priority initiatives. Which initiatives should feature in such a selection of priorities? That is the question to be debated in this forum.

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Crafting the European Social Union

Towards a roadmap for delivery

Maurizio Ferrera

Introduction

At the end of his introductory contribution to this debate, Vandenbroucke (2018 - this issue pp.2-11) invites a reflection on priority selection and on a possible "roadmap for delivery" – building in particular on the European Pillar of Social Rights (EPSR). In this contribution, I want to pick up this invitation and make a proposal on how the bold intellectual idea of a European Social Union could be turned into institutional practice. In my view, the roadmap should start with a simple, yet farsighted and politically ambitious step: linking together in a creative way a number of building blocks which are already available at various levels of government, under the new symbolic umbrella of ESU, precisely. I will accompany my proposal with a free standing "political" justification of this move. So far, the debate has mainly justified it in functional and normative terms: ESU would improve the coherence and performance of the EMU; it would rebalance the EU towards those social values which are enshrined in the Treaties. Building on both arguments, I will add that ESU is badly needed for political reasons as well: it would re-stabilize the EU polity by providing a symbolic and practical "glue" for restoring "togetherness" and thus diffuse support and legitimation for the integration process.

Piecing ESU together from what is already available

There is a lot of ambiguity in the widely used term of 'Social Europe'. As argued by Vandenbroucke, the latter does not designate a clear and definite institutional entity – as is also the case with the similarly vague notion of the European Social Model. These 'names' are not fit for purpose, as they lump together the horizontal dimension ("le social dans l'Europe") and the vertical dimension ("l'Europe dans le social") of social protection without clarifying their mutual connection and interdependence, their division of labor and potential synergies and, last but not least, without outlining a comprehensive system of governance. The reconciliation of the economic and social sides of integration must involve a far-sighted initiative of linguistic and symbolic innovation as a precondition for institution building. We have an Economic and Monetary Union. We must pronounce the birth of a fully-fledged institutional counterpart: a European Social Union (ESU). The year 2017 sealed the adoption of the European Pillar of Social Rights (EPSR), an important and valuable step forward, but not enough. We need ESU as a wider container, certainly comprising the EPSR, but not coterminous with it.

In the intellectual realm, the ESU already 'exists'. It is now time to fill this expression with recognizable empirical contents. I suggest that we already have a sufficient set of ingredients to start the reassembling process and thus move from the symbolic to the policy realm.

Here is a tentative list of such ingredients:

1. The ensemble of social protection systems of the Member States. National systems still display notable differences in their specific schemes and institutions, in their logics of market correcting, the ranges of risks covered. But they are now faced with similar and in some cases common adaptive changes. Moreover, they are increasingly differentiated within themselves, especially in the social service sectors. As revealed by the growing profusion of social initiatives and programs at the regional and local levels institutional distinctions ten to blur, giving rise instead to new and hybrid mixes of policies and approaches (Halvorsen and Hvinden, 2016). The intra EU pluralism of welfare regimes is thus increasingly contained both from the above (their common commitment to the principles of the social market economy and the social dialogue, enshrined in the Treaties) and from below (sub-national hybridizations). Since their key feature – in the context of our discussion – is the close link between social protection institutions and domestic territories and jurisdictions, we can define this component of a forthcoming ESU as the *National Social Spaces*.

2. The ensemble of social schemes and policies characterized by a cross-border element. Most of these initiatives involve regions, under the legal umbrella of European territorial cooperation. But another interesting development on this front is the creation (mainly by the social partners) of cross-border occupational insurance schemes for pensions and health care benefits. This component may be called *Transnational Social Spaces*.

3. The novel membership space –coterminous with the EU external borders – within which all the bearers of EU citizenship enjoy a common 'title' bestowed upon them by the Union in order to access the benefits and services of the place in which they choose to settle. Starting from the 1970s, the EU has had a structured legal framework for the coordination of the social security systems of the Member States, and since 2011 a directive regulates the cross-border mobility of patients. Let us define this component as the *EU Mobility Space*.

4. The ensemble of those supranational policies that have an explicit social purpose, be they of a regulative or (re)distributive nature, directly funded by the EU budget (if they imply spending) and based on either hard or soft law. This component is the *EU Social Policy* in its proper sense.

5. The set of objectives of a social nature contained in the Lisbon Treaty, including those that allocate responsibilities between levels of government and define decision-making procedures in this field. Given the supremacy of EU law over national law, such objectives and rules constitute the general framework that guides the other four components. We can call this component the *EU fundamental social principles*.

The five components are all in place and in flux. They do not have equal standing, of course. The national social spaces will keep their predominant role for a long time to come. We know however that integration has made their boundaries more porous and flexible, their policies more adaptive to interaction and coordination dynamics, more plastic at the margins of innovation and experimentation. Prior to the crisis, an overall process of mutual hybridization and at least partial convergence was clearly under way – slow moving, but likely to have a systematic impact (Hemerijck, 2013). The current decade has largely reversed this trend (Andor, 2017; Palier, Rovny, and Rovny, 2018). Thus, today the challenge is to rescue convergence by enhancing overall steering capacities, so that the five components can be made to work in sync, with mutual reinforcements. Addressing this challenge also implies rethinking the relationship between ESU and Economic and Monetary Union (EMU), in order to limit reciprocal negative externalities. If this process is to be steered according the EU fundamental social principles, then we need to devise a broad ESU template capable of sustaining two different types of solidarity: a pan-European solidarity between countries (and all individual EU citizens *qua tales*) centered on supranational institutions and the more traditional forms of national solidarity, centered on domestic (and regional/local) institutions.

Vandenbroucke has already made it clear that ESU would be something very different from a federal welfare state, as we observe it today in the so-called historical federations (such as the United States and Switzerland) (Obinger et al. 2005). In the latter, the process of bottom up unification took place at a time when the constituent units had barely started to address social problems. Although with some delay compared to unitary states, central authorities were thus able to standardize and/or establish ex novo federal social schemes and programs. The construction of a European Social Union would take place within an entirely different developmental context, i.e. on the backdrop of extensive nation based welfare states. This historical fact sets objective limits to ambitious forms of supranationalization, as already predicted by Stein Rokkan many years ago (Ferrera, 2019). Thus, ESU would be an unprecedented process of "coming together" of already existing welfare states, allowed to maintain their 'legitimate diversity' (Scharpf 2002), but (i) committed to mutual adaptation based on jointly defined criteria and (ii) open to engage in some risk pooling. The fact that the EU has its own budget, fed by semi-automatic contributions and "own resources" already sets it apart from any other type of multi-state regional organization, and implicitly signals the presence of a modicum of social federalism – based on inter-territorial transfers – within its institutional architecture. But compared to the historical federations, ESU-building will be a novel adventure of large scale institutional experimentation.

Anton Hemerijck has dubbed ESU as a "holding environment" (Hemerijck, 2013), i.e. "a zone of resilience based on shared values and a common purpose, matched by competent institutions, in times of painful adaptation. The function of a 'holding environment' is to mitigate stress and thereby uphold the integrity of national welfare states, but also to maintain pressure to mobilize rather than overwhelm domestic reforms with only disciplinary intrusion". The concept of holding environment comes from child neuro-psychiatry (Wincott, 1964) and has been subsequently elaborated by the management sciences. For the latter, a holding environment is "a social system that serves to keep people engaged with one another in spite of the divisive forces generated by adaptive work" (Heifetz et al., 2009, p.305). Resting on a mix of collective safety goals and mutual collaboration, on one hand, but also systemic pressures to engage with country-specific policy problems and institutional recalibration, the notion of holding environment has indeed high analytical and symbolic potential in the context of our ESU discussion. The challenge is how to fill it with empirical content, building – as I propose –on those institutional components which are already available.

The word "environment" evokes a notion already used above: "space". ESU would be a political and institutional space (more precisely, a meta-space), in two senses. First, and obviously, it would be a territorial space, including all the Member States and their citizens/residents, and with an outer border coterminous with the EU frontiers. Second, ESU would be a membership space, tying its participants to the respect of common values, the pursuit of common objectives and compliance with rights and obligations in a wide sense.

By providing a new institutional assemblage and a new *Gestalt*, ESU could overcome the ambiguities of Social Europe. In the first place, it would clarify once and (hopefully) for all that in an integrating Europe social protection (and the underlying normative objectives of 'solidarity' and 'social justice') has at least three distinct dimensions: national, trans-national and supranational. These dimensions can potentially clash with each other, but this is not inevitable, provided they are properly recognized as such and deliberately reconciled. Secondly, and as a consequence of this, ESU would be based on the premise that social protection must move towards a multi-level architecture, allowing for a network (rather than a hierarchy) of links among the five components, to favor synergies and mutual adjustments. While the internal articulation of ESU is obviously key to its success, its construction must not lose sight of inter-institutional relations, so to speak. As mentioned, if ESU is to become the counterpart of EMU within the overall EU framework, then the two Unions must gradually come to terms with each other, in a logic of 'institutional complementarity'.

The creative re-assemblage of the five components will require demanding exercises of political and institutional imagination. What is needed are both grand visions and circumstantial policy ideas to serve as seeds or wedges for change. It took about two decades – the Seventies and Eighties – to generate, by trial and error, a detailed and consensual blueprint for the EMU. The design of this blueprint ran in parallel with policy experimentations and incremental innovations (e.g. the monetary 'snake' of the Seventies, followed by the European Monetary System in 1979). Even though we have a 'name' which is fit for purpose, the construction of ESU has just made its first steps in the intellectual realm – and only as a general aspiration. Even a brief discussion of the above-mentioned building blocks would fall way beyond the scope of this contribution. Let me however make some remarks about the latest institutional innovation within the realm of EU social policy: the European Pillar of Social Rights (EPSR).

The European Pillar of Social Rights: an operational arm of fundamental social principles?

What role can the EPSR play within the context of a wider European Social Union? Vandenbroucke is right in suggesting that the fate of this ambitious institutional innovation will be key for the European project in the coming years. The most important ingredient (and also the most politically appealing) of the new expression is that of European *rights*. The legal status of the EPSR is, however, ambiguous. The text speaks about 'principles and rights' and specifies that the Pillar reaffirms some of the rights already present in the Union's *acquis* and that it also adds new principles, which however require dedicated measures or legislation in order to become legally enforceable. This ambiguity has led some commentators to consider the new initiative as mere phrase-mongering (see Sabato and Vanhercke, 2017 for a review of positions). This judgement is however too hasty. To gauge the significance of the EPSR and its potential in respect of ESU, some conceptual clarifications are in order.

What are 'rights', exactly? Following the tradition of Max Weber, we can define rights as sources of power (*Machtquellen*). There are three distinct types of power resources which back the actual exercise of any right. First, there are normative resources. Holding a right means having legitimate reasons to claim compliance by others: horizontally from fellow-citizens (e.g. non-discrimination in the workplace) and vertically from political authorities (e.g. fair treatment by social administrations). Secondly, there are enforcement resources: if compliance is not obtained, the right holder can activate legal coercion. Thirdly, there are instrumental resources: the availability of practical conditions for a full exercise of rights. In the case of social entitlements, for example, the state sets up social insurance systems and networks of public services, provides information, advice, procedures for accessing and delivering benefits and so on. While the second type of resources (enforcement) is what makes rights (and, by extension, citizenship) 'hard', in contemporary liberal-democratic societies we should not underestimate the importance of the other two types: normative and especially instrumental resources. The former operate at the ideational and motivational level, while the latter facilitate the actualization of rights. In addition, both may play a role in the process of rights adjudication in Courts of law. Amartya Sen has repeatedly highlighted the crucial importance of instrumental resources, especially with regard to fundamental rights. During a famine, my "right to subsistence" may not be worth anything - even assuming the presence of a legal guarantee in the strict sense - if the state does not intervene to facilitate the availability of food in the area where I happen to reside (Sen, 1981). Especially in certain concrete situations, instrumental resources are crucial to ensure that the power conferred by a right is transformed into full “ableness” (Morris, 1987). Finally, let us not forget that both normative and instrumental resources play an important role in the judicial process.

We know that even when it adopts binding norms that indirectly impinge on national citizenship, the EU cannot provide enforcement resources directly to citizens. At most, hard law imposes an obligation for a member state to provide EU norms with an effective legal form according to national practices and institutions. The existence of a supranational Court of Justice implies that citizens can hold their national authorities as imputable of noncompliance. Thus even hard law confers merely procedural and not substantial guarantees. This is why in EU law-making normative resources (if only through soft law) and, in particular, instrumental resources are de facto almost as important as enforcement resources. I suggest that the main role of the EPSR in terms of citizen empowerment could and should result, initially, from its capacity to exploit in a coherent and systematic way its motivational and right-actualization potentials.

The EU already offers a wide array of programs and services that facilitate the exercise of social rights legislated by supranational, national and even subnational authorities. Many programs underpin intra-EU mobility (e.g. EURES, ERASMUS and EHIC), others make possible, complement and strengthen national initiatives, e.g. through the structural and cohesion funds, some sector-specific funds – such as the European Globalization Adjustment Fund (EGF)[4] or the Fund for Aid to Deprived People (FEAD)[5] – or dedicated initiatives such as the Youth Guarantee. The added value of the EPSR should be that it acts as a broad framework capable of linking, enhancing and expanding such types of initiatives as instruments for the actualization of the Pillar’s rights, leveraging on the ideational and motivational power of its normative principles. The recent proposal – explicitly linked to the EPSR – for a Regulation for the establishment of a European Labour Authority (ELA) is a good illustration of the way in which the Pillar can become consequential at the grass roots level.

In the ESU context, the EPSR could thus be seen as a sort of intermediary between the EU fundamental social principles, on the one hand, and all the other ESU components, on the other. In

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[4] The European Globalisation Adjustment Fund was established in 2006 to provide support to people losing their jobs as a result of major structural changes in world trade patterns due to globalisation, e.g. when a large company shuts down or production is moved outside the EU, or as a result of the global economic and financial crisis.

[5] The Fund for European Aid to the Most Deprived (FEAD) was established in 2014 to support Member State measures of material assistance to the most deprived, accompanied by social inclusion measures (Madama, 2016).

its preamble, the Pillar makes explicit and detailed reference to the pertinent articles of the Treaties. Art 12 of the Preamble states that:

> *"The aim of the European Pillar of Social Rights is to serve as a guide towards efficient employment and social outcomes when responding to current and future challenges which are directly aimed at fulfilling people's essential needs, and towards ensuring better enactment and implementation of social rights".*

In this formulation, the purpose of 'guiding' nicely relates to the above-mentioned ideational and motivational dimension; the purpose of 'ensuring enactment and implementation' relates, in its turn, to the facilitation and actualization dimension. In other words, if appropriately and strategically exploited and despite its soft character, the EPSR could play an important role within a future ESU. Even prior to that, it could already start to pave the way for its eventual establishment. Figure 1 offer my visualization of how the ESU might look like and the place of the EPSR within its overall framework.

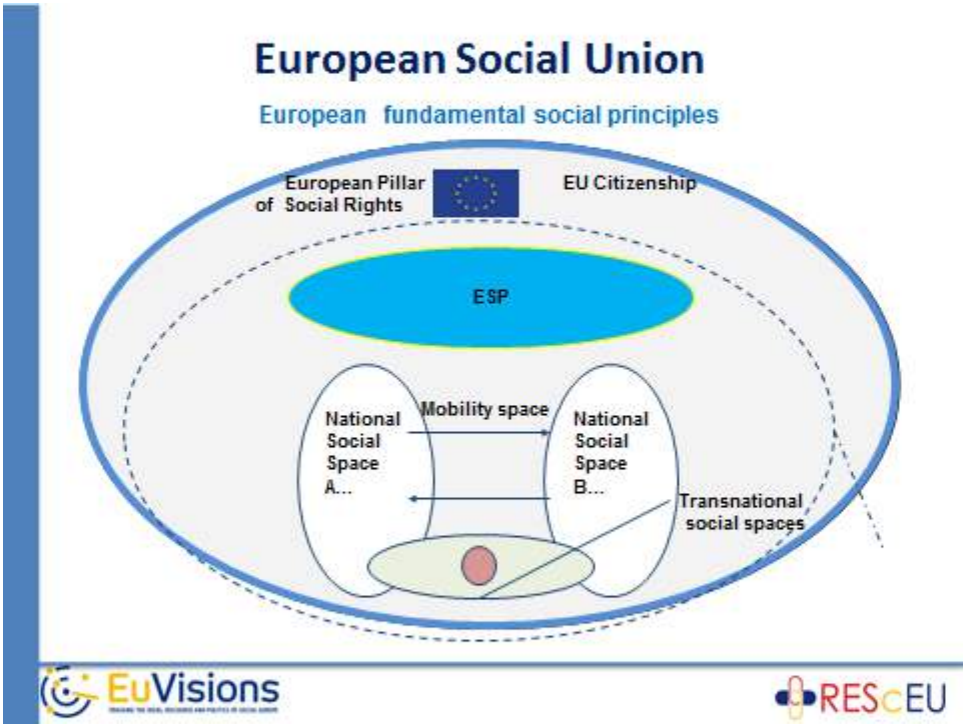

Figure 1. The European Social Union: a visualization

Pan-European solidarity: necessary, but how feasible?

The ESU debate agrees that the latter should rest on two types of solidarity, guided by different criteria: a pan-European solidarity between countries and between individual EU citizens, centered on supranational institutions; and the more traditional forms of national solidarity, centered on domestic (and regional/local) institutions. Pan-European solidarity is the most delicate question and has become even thornier in the wake of the crisis. Academic discussions on this topic have mainly concentrated and rested on either normative or functional arguments. The former aim at defending (or rejecting) the principled desirability of cross-national solidarity given the deep network of ties now linking the Member States. The latter try to establish whether a proper (efficient and effective) functioning of both the monetary union and the single market does require a number of "social corollaries". As argued by Vandenbroucke in his introduction, these would imply some risk pooling and the presence of some market-correcting and centralized "visible hand". Both types of arguments acknowledge the ultimate political nature of the pan-EU solidarity issue by underlining the need for consensus and common will by national governments. But they fall short of spelling out which exactly are the political obstacles to institutional change and how they might be overcome. Even prior to this, normative and functional discussions skirt a more fundamental question: what would be the political implications of ESU? Is it possible to outline a freestanding political justification of this proposal?

It is a tenet of political theory in all its variants that a territorially organized collectivity cannot survive and prosper without a diffuse support by its members, i.e. a set of general and positive evaluative orientations towards the collectivity as such and its authority structure – a diffuse support capable of motivating compliance beyond self-interest. Historically, organized solidarity came to play a key role for political legitimation by nurturing positive feelings about the effectiveness and fairness of the territorial government. Just like external security and internal peace, the welfare state has gradually established itself as a basic political good, i.e. an instrument serving the purpose of facilitating social cooperation, managing conflicts, sustaining generalized compliance and thus, ultimately, "keeping the polity together". There can be little doubt that the EU and the monetary union are currently suffering from a clear legitimacy crisis: populist parties are not just questioning EU policies but challenge the EU polity as such – and Brexit is going to tear apart an important piece of the latter. To what extent can we conceive of ESU (and specifically, its pan-European solidarity component) as instrument for re-legitimation of the EU and thus as an antidote against political centrifugation?

The answer must come in two steps. As mentioned, legitimation does not hinge on specific support, i.e. interest-based approval of contingent functional performance, but overall output performance do matter. A basic social norm in contemporary democracies is that institutions and public policies must abide by a logic of instrumental effectiveness in respect of voters' needs and aspirations. In the eyes of a significant number of citizens and parties, the problem with the EU is, precisely, that "it does not work", it is out of sync in respect of popular demands and needs. The functional justification for ESU (specifically: the introduction of some EU level automatic stabilizers) is precisely that the latter is necessary to re-establish effective performance of the monetary union and the single market. ESU's contribution to the re-establishment of functional performance would thus operate *ipso facto* also as a vehicle of political re-legitimation and re-stabilization of the EU polity. Though analytically distinct, the political justification of ESU would rest on the shoulder of the functional one.

Diffuse support rests however not only on effectiveness, but also on fairness. Citizens must feel that the territorial government abides by the general norm of representing in some way the collective interest and takes care of all sectors/strata of the population, however weak and peripheral. One of the indictments made by Eurosceptic formations is, precisely, that the Union does not represent collective interests and that it does not rule according to fairness. Note that in the political argument what matters are not general conceptions of the common good or distributive justice, but the empirical presence of widely shared beliefs that the government (the EU) is indeed credibly inspired by norms of fairness. Along the fairness dimension, the political justification becomes freestanding in respect of both normative and functional arguments.

A possible objection could be that in the present situation the proposal (let alone the construction) of a more solidaristic EU would aggravate the legitimation problem rather than solving it. Any move towards a "Transfer Union" would in fact increase and embitter existing political conflicts around the EU. To the extent that it is genuinely political (and not functional or normative in disguise), this objection must be broken down in two distinct propositions:

- The EU lacks the cultural preconditions (in a very broad sense) for a strategy of political legitimation involving any significant form of organized collective solidarity;
- Given the extant conflict constellation and the rise of Euroscepticism, no step in this direction is politically feasible.

Both propositions rest more or less explicitly on the thesis according to which there has been a clear shift from 'permissive consensus' to 'constraining dissensus' within national public opinions, emblematically represented by the rise of Euroscepticism (Hooghe and Marks, 2009). Though empirically grounded, the constraining dissensus argument has two limits. First, by focusing on the public opinion side, it soft-pedals the role played by the elite (including mainstream elites) in having prepared a fertile terrain for the voters' dissensus. Second, it tends to overestimate the extent and depth of such dissensus. Both points are key for a realistic political justification. It may well be the case, in fact, that the legitimation crisis has resulted from elite choices and mistakes, thus being largely self-inflected. And it might equally be the case that there are more cultural predispositions for pan-European solidarity than meet the critic's eyes.

An increasing body of empirical data seems to support the latter hypothesis. A mass survey conducted in the Fall of 2016 in the context of the EU-funded REScEU project (Ferrera and Pellegata, 2017), shows that wide majorities of citizens would indeed favor steps in this direction, including in Germany. Popular support for a larger EU budget aimed at promoting economic and social investments, for helping people in severe poverty and for providing financial help to member states experiencing a rise in unemployment has majoritarian support in all of the six countries covered by the survey: Spain, France, Italy, Germany, and Poland. Results have been confirmed by a similar survey covering also Austria, Cyprus, Greece, Hungary, Ireland, the Netherlands, Portugal, Slovakia (Gerhards et al., 2018) and by a more recent YouGov survey (Genschel and Hemerijck, 2018). More generally, a recent investigation by the Pew Research Center has found that pro-EU "mainstream" voters (as opposed to supporters of "populist" views and parties on both the left and right) still constitute significant majorities in Sweden (80%), the Netherlands (72%), Germany (68%), France (53%) and Spain (51%). Counting undecided respondents, populist voters do not reach the majority in Italy either (Pew, 2018).

Survey data must be handled with care. Yet, it can be at least suggested that a 'silent majority' seems to potentially available for supporting a strategy of realignment between the deep togetherness created by the EMU, on the one hand, and the institutional and symbolic architecture of the EU, on the other. The absence of such strategy represents a clear failure of European political elites. As shown by a second survey of the RESCEU project, European elites are much less solidarity-prone that their voters (Ferrera and Pellegata, forthcoming). As mentioned above, elective (choice based) partnerships based on forward looking objectives turn onto fully-fledged families of nations to the extent that their leaders engage in some fraternal nudging. The exercise of 'socioemotional leadership', capable of developing a collective fraternal idioculture has become difficult in a world increasingly based on fluid social relationships, self-seeking behaviours and rational-legal authority (Brint, 2001). But the EMU elite has made long steps in the opposite direction, emphasizing difference and apartness between national communities and their governments, denigrating, also symbolically, any mechanism of mutual support, promoting a historically unprecedented rule-based formalization of political authority: almost a deliberate recipe for undermining the conditions of polity maintenance.

I mentioned above that the EU cannot develop into a fully-fledged federal welfare state, but must at least put in place a "holding environment" for a safe functioning and adaptive flourishing of national welfare states. In my view, such environment should also serve a "polity maintenance" function, i.e. be conceived and pursued with a view to safeguarding the Union's survival and durability.

Several proposals to enhance cross-national economic solidarity are currently under discussion among EU leaders and institutions. Most of them have already been discussed in Vandenbroucke's introduction. These innovations are currently discussed under the umbrella of EMU governance. By making the latter more transfer-oriented and socially friendly, they would create valuable institutional complementarities with ESU. They could actually be thought of as bridges between the two. And with the passing of time, a strengthened ESU might be able to steer the functioning of these new instruments according not only to a logic of economic effectiveness, but also of social fairness.

Conclusion

The official establishment of the ESU is of course merely presumptive and its functional and political effectiveness may well be disputable. Those who nurture more clamorous aspirations are likely to be disappointed, at least initially, as the ESU would not be much more than a formal re-assemblage of already-existing elements. But in politics a lot can be achieved through symbolic action and small policy changes: a mere discourse about ESU, an act of 'naming' and a smart packaging of its first measures could have a significant impact.

We should also remember that national welfare states did not come about with big bangs: with a few exceptions, their beginnings were quite modest and it took a long time to build momentum. Institution building resulted from social and political conflict around redistributive issues. Conflict dynamics served both to cement horizontal alliances among the disadvantaged and to promote vertical exchanges between rulers and ruled. Solidarity and political justice became irreversibly intertwined through the democratic process. In the historical federations, claims of social justice intersected with claims of territorial justice. In some critical historical contingencies (the New Deal in America, World War II in Switzerland), big leaps forward in terms of both interpersonal social and inter-territorial solidarity resulted not only from bottom-up pressure from the workers' movement, but also from a top-down logic, based on the interests/wish of incumbent political authorities – local and federal – to preserve stability and consolidate polity in the face of acute functional challenges, social unrest or dire emergencies.

The most vocal players in Europe's political arenas seem now to be Eurosceptic and supporters of *souverainisme*. As mentioned, survey data reveal that there are large 'silent majorities' who still support EU membership and more integration, including more pan-European solidarity. It is to be hoped that such voters will be able to find suitable candidates in the run-up to the 2019 European Parliament elections. The latter will not be the last train for ESU. But it would certainly be a pity to miss it – and probably a huge political mistake.

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A Timely Call for a Social Union

László Andor

Introduction

The call for discussion by Maurizio Ferrera and Frank Vandenbroucke on the program of a European Social Union could not be more timely. The forthcoming European Parliament elections will again sharpen debates about the mission of the EU, while the economic slowdown is bound to revive memories of a recent euro area crisis which threatened Europe with multiple disintegration.

Today the EU is in a post-crisis period and has to prepare for a post-Brexit era. It still has to heal the wounds of the financial and economic crisis, while ensuring that no other nation believes that it is easier to find solutions to its problems outside than inside. On the other hand, Brexit also means that the country that has been least committed to the EU social dimension is leaving the Union. In previous years, British governments have used every opportunity to block the creation of a more social Europe. But once they are not part of the EU anymore, other countries can move much more freely towards deeper integration. – if they really want to. Such an intention, however, cannot be taken for granted.

In recent years, the reluctance of Member States to deepen the social dimension of the EU has been attributed to a variety of reasons. One is the case of high income – high social standard countries (e.g. Sweden, Austria) where a more social EU raises the fear of downward adjustment of social standards. The second is the opposition from politicians who consider social policy a threat to economic competitiveness (Orbán et.al.). Third, there are the countries that went through economic hardship and divergence (Spain, Italy) and may fear that more EU social policy would bring more conditionalities and sanctions when compliance with the existing ones have already been rather demanding. A fourth concern is that any further development of a social agenda leads to a higher common budget, against which any Dutch government in any moment of the day is ready to assemble a rainbow coalition.

Therefore, why exactly a deepening of the EU social dimension is needed and what it can mean should be explored and explained carefully. A contemporary debate has to start from a look back to the origins of Social Europe.

Delors' Compact: the original virtue

The social agenda of the EU went through an evolution in the last 30 years. What concerns systemic construction, the 1989 Community Charter of the Fundamental Social Rights of Workers is a crucial landmark. Former European Commission President Jacques Delors knew that the Single Market would not gain public support without a social dimension. He therefore made it acceptable to working people by launching a cycle of social policy legislation, devoting a large share of the EU budget to Cohesion Policy and establishing EU level dialogue between employers and trade unions ('social dialogue').

This 'Delors Compact' was later supplemented by the Lisbon Strategy (2000), and its "2nd edition" called Europe 2020 (2010). However, the Lisbon Strategy should not be seen as just another element of Delors' Social Compact. It was also a progressive answer to the obsession of the Maastricht model of Economic and Monetary Union (EMU) with nominal convergence (low deficits and low inflation) and the indifference of that to the social costs. The late 1990s produced the EU's Employment Strategy together with the endeavour to reconcile the economic mechanism of the single market and single currency with the European Social Model.

Various views exist about the success or failure of the Lisbon Strategy, but its main stakeholders keep the Open Method of Coordination it created in high esteem, and the various programmatic elements like life-long learning continue to enjoy support. Europe's progress since is measurable in areas like Occupational Safety and Health as well as female participation in the labour market.

East-West imbalance and the social question

The enlargement of the EU to the east raised questions about the feasibility of Social Europe, since it created a geographical divide in Europe in terms of productivity and wage levels. Rounds of enlargements have made the EU much more imbalanced and heterogeneous as compared to its predecessor, the European Economic Community, which in itself can be seen as an obstacle to a deep social dimension whether it requires more common legislation or common funds (see Matsaganis 2018 – this issue, pp. 119-130).

The good news is that there is economic convergence between East and West. However, those who believe that all problems in the East will be slowly resolved by experiencing higher than average GDP growth need to look beyond the GDP growth figures and see gaps in health conditions, life expectancy and in particular the extraordinary population decline experienced in Eastern Member States and especially the more Eastern regions of those.

Economic convergence seems to be happening simultaneously with divergence regarding political values and social models. Therefore, the EU has to make efforts to ensure that economic growth in the East is sustained and is coupled with convergence in terms of political and social policy standards. In the long run, this is the real solution to the problem of social dumping, which has been the main focus of legislative activity in the past decade.

The East-West divide is often exposed through controversies around labour mobility. Upholding the right to free movement and to ensure equal treatment for mobile workers remains a pivotal issue. But today in this context a key question is how the peripheral regions (mainly the eastern ones) can rebuild human capital, which is being lost through constant migration towards the West. Besides, the EU must remain active in addressing the situation of Roma and promote integration, which is arguably Europe's biggest social challenge today.

Countering North-South social divergence

What killed social convergence in the past decade, leading to dramatic disparities between North and South in terms of unemployment and poverty levels, was the Eurozone crisis. To quote Hemerijck (2019 – This issue, pp. 93-112), "the Eurozone crisis critically exposed the naïve policy theory-in-use of deepening European economic inter-dependence without an adequate safety net".

High youth unemployment rates in Spain and high NEET rates in Italy are not entirely new, but the 2011-3 period saw a dramatic rise in such indicators, leaving behind a bad social and political legacy. The incapacity of Greece to deal with the social consequences of the banking and fiscal crises was even more striking, with an extraordinary rise in income inequality and material deprivation. Supportive efforts like helping to build a social economy sector or establish a minimum income scheme could only come as too little and too late.

Since the economic recovery has started, many (in particular from the centre right political circles) believe that no further action is needed to improve the functioning of the EMU, and some do not care at all about its social dimension. This is, however nothing but a recipe to repeating the disasters of 2011-3.

The North-South imbalance still requires adequate treatment. This is primarily about an EMU reform, but that can only be properly calibrated and sequenced if the social dimension is taken into account. Preventing core--periphery divergence in the euro area thus primarily requires a proper stabilisation capacity (e.g. unemployment insurance), while restoring convergence necessitates an EU strategy to develop and maintain social investment models in the peripheral regions.

Brexit: the ultimate argument for Social Europe

In recent years, reflections about the reconstruction of the EU and its social model have been overshadowed by the UK referendum about EU membership and the highly complicated procedures it triggered. While ensuring that the UK leaves the EU with the smallest damage on both sides, we also have an opportunity to explore the causes of Brexit, including the social ones. The usual clichés do not help and need to be dropped.

The fact that benefits of the single market do not automatically trickle down to disadvantaged regions and social groups played a major role in the 2016 referendum result in the UK. English people outside metropolitan areas felt disenfranchised politically and economically, while UKIP, reinforced by egocentric Tory politicians, ensured that their frustration be directed to Brussels instead of London and in particular Westminster. Contrary to UKIP stereotypes, British people did not experience a « too social » EU, but the opposite, thanks to UK governments that refrained from taking advantage of EU funding tools.

The UK could have used the European Social Fund (ESF) to help municipalities facing migration pressures but did not. The UK could have used the European Globalisation Adjustment Fund (EGF) when major producers were downsizing, but the government decided against it. The UK could have used the European Fund for the Most Deprived (now called FEAD) to boost the capacity of the food banks, but it did not in order to avoid that the more caring side of the EU would become visible in Britain.

This UK government attitude contributed to the alienation of many British people from the EU, and eventually to the victory of the Leave vote as well. Consequently, the real lessons of Brexit actually support the progressive arguments about the need for tackling imbalances and inequality collectively in the EU and for stronger common instruments in favour of economic, social and territorial cohesion.

Imbalances among and inequality within countries of the EU that have been sources of instability and disintegration in Europe call for progressive analysis as well as EU solidarity in practice supported by concrete fiscal competences and capacities. As Brexit recently highlighted, the perceived inability of the EU to address global trends – such as deindustrialisation or migration flows – may suffice for jeopardising the whole EU integration project.

EPSR: a game changer?

The recent exercise to establish a European Pillar of Social Rights (EPSR), together with the confirmation of the importance of the social dialogue by the current Commission President Jean-Claude Juncker, revives key components of the original 'Delors Compact'. However, any meaningful development of the social agenda today depends on facing two major developments that have taken place since Delors' Presidency: the eastward enlargement of the EU and the Eurozone crisis. Hence a return to the spirit of 1989 and incremental legislative improvements may not be sufficient in today's EU. A quantum leap must happen and the EPSR, which was endorsed by EU leaders in November 2017 in Gothenburg (Sweden), is only an overture to that.

The EPSR, although it has functioned primarily as an ideological debate, achieved a major step forward by incorporating into the concept of the European social agenda the questions of the welfare state. The three-chapter approach of the EPSR, and in particular its third chapter, should be compared to the original construct of the late 1980s and the subsequent legislative cycles that practically identified social policy with coordination in the area of employment and legislation in the area of working conditions in particular. In addition, the long consultation about the content also helped to bring stakeholders into an alliance for the implementation. For some it also represents a welcome shift from a technocratic to a more political approach to Social Europe.

While making such steps forward, the focus on the EPSR in recent years also meant steps backwards on various accounts. First of all, it represented a political withdrawal from the objectives, including numerical targets, of the Europe 2020 Strategy. This has never been officially cancelled, but it has not received the same amount of political attention in the last four years as before, and its guiding role for both the EU budget and the European Semester has diminished. The focus on the EPSR also allowed for a withdrawal from the social investment paradigm which was rolled out in an emblematic document of the previous cycle, the 2013 Social Investment Package. The SIP delivered important guidance regarding the fight against child poverty, and homelessness, and stressed that without adequate resources, social rights remain illusory. Third, the EPSR focus also side-lined the work on the social dimension of the EMU, only to rediscover and recycle the scoreboard of the 2013 October Commission communication which is the necessary tool to demonstrate social divergence between the core and the periphery of the euro area.

Policy coordination – socialising the Semester

While social policy has been perceived as a side issue at EU level, very important work has been done to consolidate social policy coordination at the heart of economic governance, i.e. within the so-called European Semester. First, it was ensured in 2010 that employment and social policy plays a part in this new coordination method, and then the share and weight of social analysis and recommendations gradually increased (see Zeitlin and Vanhercke 2017).

The socialisation of the European Semester required an updated paradigm which was delivered by important policy documents in the 2012-3 period: the Employment Package, the Youth Employment Package, the Social Investment Package and the White Paper on Pensions. These policy documents helped generating specific recommendations to Member States in order to address the social consequences of the crisis but also to tackle structural problems. Perhaps the most significant such item was the EU Youth Guarantee scheme which was modelled on existing schemes and launched with additional financial support from the EU budget. Subsequently, the Youth Guarantee became an inspiration for the EU policy on long-term unemployment, but also a parliamentary initiative for an EU Child Guarantee.

The story of the Youth Guarantee demonstrates that Europe’s social acquis does not only require occasional maintenance but it also allows for incremental amendments. In this vein, the functioning of the Single Market and EMU could be improved by new ‘social standards’ (applicable across the Union) or ‘national social floors’ (with levels adapted per country). Whether the European

Semester is the best channel for policy coordination and innovation has been and will continue to be discussed. Experts are ambivalent about the co-existence of economic and social policies in the Semester, and the effectiveness of implementation has also been put in question.

EU budget and social agenda

The social dimension of the EU budget appears to be an underestimated area. This is perhaps because of the low expectations towards the EU in the area of social policy in general, and also because of the bias for legislative instruments in the EU social policy toolkit. However, if it is explained where and how the EU funding connects with human capital investment within the member states, its role and significance can be better understood.

Within national budgets, broadly defined welfare expenditures amount to around 40 per cent of the total expenditures. Out of this category, narrowly defined social protection budgets receive about one third. Needless to say, the EU budget can never rival or centralise these budgetary components. However, the social compartment of the EU budget can and does provide vital contributions to social assistance and social investment programs within the member states, which also function as incentives for reforming employment and social policies and designing more effective programs on the ground. In many countries, workforce training largely depends on funding from the European Social Fund (ESF).

Hence reaching the common social policy goals does not only depend on the effective implementation of EU law but also the capacity to concentrate financial resources and invest them closely aligned on long-term goals. The endowment and regulation of the ESF is a crucial question. In the MFF proposal for 2021-2027, the Commission maintains the principle that the allocation of the ESF has to be defined at EU level, in order to avoid that member state governments driven by short-term considerations reduce human capital investment. In the current period, this function was implemented by an EU wide minimum share within Cohesion Policy (23.1 per cent), while post-2020 it would be an absolute number. Due to the merger of some smaller funds with the ESF, this number would be higher than EUR 100 bn and there is also a new name: “ESF+”.

Besides, the Commission also confirms that within the ESF, a defined threshold should protect expenditures related to social integration. In order to ensure that ESF is not only a fund that serves the labour market but also the fight against poverty and social exclusion within the member states, the threshold would increase from the current 20 per cent to 30 per cent. On the other hand, political attention is required not only when the size of such an envelope is defined but also how programs are designed, implemented and audited. There have been many examples where money has been allocated for an important social objective, e.g. Roma integration, and then it was difficult to trace where it actually went.

Without too much limelight, the social compartment of the EU budget does connect with the needs and expectations of EU citizens. Ferrera (2018 – This issue, pp.12-26) reminds us that opinion surveys practically everywhere find strong support a greater concentration of resources with the purpose of more robust social policies. Popular support for "a larger EU budget aimed at promoting economic and social investments, for helping people in severe poverty and for providing financial help to member states experiencing a rise in unemployment" has majority support in EU countries with larger populations (Spain, France, Italy, Germany, and Poland) but also in smaller ones.

A fiscal capacity for the Social Union can thus count on the support of European citizens, as long as the tools and mechanisms to be established are deemed transparent as well as effective. But how big an increase would be supported by experts, citizens and government elites can differ greatly. Thomas Piketty (2018) and his co-signatories are calling for a quadrupling of the EU budget in order to allow the EU to play a greater role in the reduction of inequality within countries. This sounds like a major quantitative shift, but it also would mean a qualitative shift since where the EU budget plays some role in redistribution it is between and not within Member States. A paradigm shift is primarily a question of new tools as opposed to much greater volumes.

Unemployment insurance

The recent financial crisis caused such a great social damage primarily because of the inherent bias of the current model of the monetary union for internal devaluation at the time of crises. The root cause therefore can be found in the design flaws of the EMU rather than the lack of social policy. The Maastricht model of the EMU was not sufficiently "Economic", and it is definitely not "Social". Since 2012, a number of reform steps have been made (two pillars of the Banking Union, a permanent ESM even if outside the Community framework etc.) but the reform process itself is also incomplete. There is a long list of outstanding reform elements - from creating deposit insurance and safe assets to amending the mandate of the ECB.

Making steps towards a Fiscal Union and establishing at least some fiscal capacity has been much talked about in recent years. Existing monetary unions all serve with examples of automatic stabilisers. As Vandenbroucke (2018 - this issue, pp.2-11) explains, in fact all monetary unions are also insurance unions, which also self-evidently cover unemployment.

A basic European unemployment insurance scheme, serving to partially pool the fiscal costs of cyclical unemployment, has been promoted by Sebastian Dullien (2017) among others as a possible automatic stabiliser at the EMU level. Such a tool would make a direct link between reducing imbalances in GDP growth and helping the innocent victims of recessions and financial crises. It would help uphold aggregate demand during asymmetric cyclical downturns and provide a safety net to national welfare systems.

Various models of unemployment have been studied by economic analysts. Together with a genuine unemployment benefit scheme, in which some 250 million employees would enter a risk community, reinsurance mechanisms have also been considered. If well-designed, a re-insurance scheme could also function well, and in addition it could be more politically feasible.

A fair, rules-based and predictable transfer mechanism at the EMU level will have to be acceptable also for the ‘surplus countries’, in order to stabilise the single currency economically, socially and politically. Adopting an insurance model will increase the chance of agreement: positions have indeed become significantly closer since German finance minister Olaf Scholz started to advocate such a scheme. Arguably, this is the highway that would lead us to a more resilient economic model and higher level of social cohesion at the same time.

Social economy

Europe must develop further its social models and the EU level coordination of those while knowing that the post-2008 financial and economic crisis was primarily a product of the business model and not the social model. The efforts to reform the business model, however, have also to take into account social responsibility, employee well-being and participation. Building on the concept of social rights and the new focus around those in the context of the EPSR, more can be done to help European companies to adapt their business models towards better social and environmental impact.

First, employee share ownership and other forms of employees’ financial participation in their companies could be promoted in order to broaden capital ownership. European legislation and related practical tools could be particularly useful in promoting employee co-ownership of companies operating in more than one national jurisdiction.

Second, the EU could further promote the application of metrics that evaluate companies’ social and environmental impact: many useful methodologies and reporting standards exist and the challenge now is to work with the financial sector to promote their wide use.

Third, cooperation and learning between social enterprises across countries could be strengthened, also with support from EU funds. A lot will also depend on what use national and regional authorities make of their Structural Fund allocations and whether they develop financial instruments that can support start-up and development of social enterprises (and continue to develop such instruments for microfinance). A socialisation of the EU’s investment strategy is a further opportunity that should not be overlooked, including in ongoing MFF debates.

Campaign for a wage alliance

Wages and wage setting represent an area where the EU has no direct competences but in various ways the issue has gradually come under EU influence too. Most importantly, the EU crisis response brought pressure towards a decentralisation of wage-setting mechanisms, a disruption of pre-crisis collective agreements, and a downward adjustment of the minimum wage, in programme countries in particular. This came in addition to a longer-term trend of a declining wage share in a number of countries.

In order to counter such negative trends, a campaign has been launched for a European Wage Alliance. How to facilitate upward wage convergence is the central question of the campaign, and some concrete proposals have already been outlined.

For example, agreement could be sought on a guaranteed wage floor in each country, based upon a coordinated approach towards minimum wages at EU level and ensuring that the levels are set above the poverty threshold and represent decent pay for the work undertaken. Guaranteed national minimum wages would help sustain internal demand while also improving the situation of posted workers and helping to fight social dumping.

Second, a guaranteed minimum income (at different levels per country) could be an effective way of ensuring adequate income support and fighting poverty while providing for activation incentives where relevant. Such a 'national social floor' would also indirectly define the minimum performance expected from national automatic fiscal stabilisers in times of economic crisis.

Going beyond Gothenburg

A 21st century EU social agenda must address new issues like the impact of digitalisation and robotisation on labour, especially for what concerns the effects of technological change on working conditions and income inequality. On jobs, skills and social security, the new Jobs Strategy of the OECD offers fresh analysis as well as guidance. While constantly updating EU social policy, in cooperation with stakeholders and various international partners, is an important task, it also remains important to reconcile economics with our social policy objectives, and monitor the social dimension of all EU policy areas and tools, from trade to competition.

However, the critical question today is whether the EU can also provide material support to its member states and regions in a systematic way to meet common social standards and achieve commonly agreed goals. This brings us to the most essential questions regarding the concept of a Social Union, which is the material base for it.

As Vandenbrucke (2018) very importantly underlines: "A European Social Union is not a European Welfare State: it is a union of national welfare states, with different historical legacies and institutions." However, since the functioning of the EU, and of economic governance in particular, has massive consequences over national industrial relations and welfare systems, mainly through their fiscal base, there is a need for an EU safety net for the safety nets of the Member States.

A Social Union cannot just mean more EU level legislation, as it cannot purely be built through more policy coordination or through budgetary instruments either. All three arms of governance have to play a role and in due coordination. There are a number of components around, and the time has come for a new architecture. The ESU would represent "a fully-fledged institutional counterpart" (Ferrera 2018) to the EMU, and it can be built by using many existing and some new building blocks.

Conclusions

Reports of the death of the European Social Model during and after the crisis were greatly exaggerated. Obituaries are premature, even if one cannot stress enough that the social fallout of the crisis, and of the crisis response in the so-called program countries, is a European drama and EU responsibility. The EU does not only have a much talked about democratic deficit but also a much less talked about social deficit. And the Eurozone crisis deepened both. It became questionable that the functioning of the EMU can be reconciled with democratic procedures within Member States, and whether it represents a mortal threat to welfare states on the Eurozone periphery.

Social integration in Europe has always followed economic with a delay and on a much weaker legal footing. The gap has widened again which also contributes to the decline of confidence in the EU in times of crises. The EPSR can still turn out to be the game changer to launch a round of actions addressing the social deficit. If its components are well designed and work together in concert, the move to a Social Union can bring benefits to all. Countries with higher standards will not need to fear downward convergence, and countries that need to catch up can be confident that their economic development will also be coupled with social development.

Progressive change is possible within the framework of the existing Treaty. Where better functioning required new tools or tighter coordination, progress has been possible in various fields even without a federalist momentum. Financial and economic governance has been deepened in recent years but this has to be followed-up with more robust social governance with focus on rights as well as outcomes. Popular support may be lacking for a United States of Europe but, with the right arguments, it can be built up in favour of a Social Union.

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Challenges to ‘united in diversity’ in a European Social Union

Taking the core–periphery conflict seriously

Vladimir Bogoeski

Introduction

Frank Vandenbroucke’s call for joint reflections on the European Pillar of Social Rights (the Pillar – 2018 - This issue, pp.2-1), as well as on the European Social Union (ESU) in general, could not be timelier. The final text of the Social Pillar has been set in stone and solemnly proclaimed by EU institutions, the Revision of the Posted Workers Directive (PWD) has been adopted and reflections on the social consequences of the austerity governance in response to the eurozone crisis have been widely present in both the academic and the political realm. As I understand it, the aspirations of this debate are both conceptual and practical. The conceptual component strives to substantiate the idea of an ESU that is opposed to the arguably vaguer (but potentially more political) notion of Social Europe. The practical component, after conceptually interpreting the *raison d’être* of the Pillar and its role in the ESU, calls for reflection on concrete (policy) proposals to maximise the Pillar’s potential. This contribution engages with the on-going debate on Social Europe as envisioned by the ESU and the Pillar, and argues that the conceptual choices we make now as academics and policymakers will have practical consequences for the future development of the European integration project. Therefore, no major undertaking in the EU’s social domain can afford to disregard the current divide between the EU’s core and periphery from its top priorities.

The conceptual understanding of the ESU and the *raison d’être* of the Pillar are inherently interrelated, as it is necessary to first understand the desired national and supranational dimensions of the ‘social’ in the European integration project – Ferrera (2018 - This issue, pp.12-26), for one, differentiates five categories of social space – to then be able to reflect on how the Pillar might serve as an instrument that could contribute to achieving the desired social ideal. As several authors in this discussion have already noted, the Pillar – as well as Vandenbroucke’s conceptual project of the ESU – happened to come about at the same time as several other EU level initiatives in the social domain.

This might be read as a signal for a European 'social momentum' and a policy shift at the Commission's level (Vandenbroucke 2018), which makes it crucial to consider the Pillar within this broader context.

Carpe (the social) momentum

The most prominent among the mentioned initiatives, namely the Revised Posted Workers Directive (PWD), is particularly relevant and offers momentum for both the idea of the ESU and the Social Pillar. The debate on the Revision lasted over two years and created an atmosphere more reminiscent of Europe from the times of the Iron Curtain than a period with an ever-closer Union. It has divided Europe's core and the eastern periphery on the question of low-cost labour competition, itself symbolic for the general social dumping debate in the context of labour mobility in Europe, beyond the posted workers debate. In the context of Brexit and rising Euroscepticism across the continent that has focused on (mis)interpretations of the effects of labour mobility, the question of the ESU cannot sidestep the East-West chasm and treat the Eurozone as its only priority.

The final compromise on the Revision of the PWD has, however, opted for the rescue of the national welfare state (in the sense of Milward 1992). By finding the best possible compromise in the introduction of an equal pay principle for posted workers, the Revision attempts to sustain both national social standards and cross-border service provision, but with clear determinacy to preserve the former. It rejects the 'access justice' as the EU's own conception of social justice (Micklitz 2011), and the market rationality behind wealth distribution between the East and the West through merely granting service providers and their workforce from the East free access to Western markets. In this sense, the Revision signals that the Member States' (MS) welfare arrangements, together with their industrial relations system embedded in the national socio-economic cultures, are to be protected before anything else. Understandably enough, it leaves the discussion of fairness and the practical aspects of the distribution of wealth within the EU to take place elsewhere.

Foundational market freedoms are important, but these should not undermine national social arrangements, according to the Revision. In this sense, the Revision compromise resonates to some extent with Vandenbroucke's conceptual project of the ESU, thus contributing to the 'social momentum' for our debate. But protecting the already existing national welfare arrangements is only the very first and basic step to an ESU, and certainly won't be enough. The Posting debate was just a piece of the underlying conflict between the old core and the eastern periphery, which is deeply rooted in the structural and economic inequality among MS from these two counterparts. Consequently, the national welfare states are at different levels of development, depending on whether they are in the core or the periphery of Europe. Hence, a Social Union of unequally developed welfare states will likely not be the European social ideal.

Beyond the Pillar's functional approach

Where the Revision has left off is where a project as ambitious as the Social Pillar would ideally step in to create and sustain a 'holding environment' (Hamerijck 2013; Ferrera 2018), where national welfare states, backed by the development of a transnational and EU social space, will thrive. There are three crucial aspects that need to be taken seriously in the discussion of the Pillar and the ESU more generally. First, the *raison d'être* of the Pillar is essentially functional for the completion of the EMU, which is inherently limiting to the search for more imaginative social solutions. Second, as indicated in the posted workers example, the future of the European integration project depends on tackling inequality within and across European polities, but the Pillar does not set clear distributive goals that would eventually bridge the inequality gap, especially between the core and the periphery. Third, the language of rights that has been chosen for the Pillar's approach has historically lost the battle against material inequality (Samuel Moyn 2018), not to mention it could shut down further debate on more progressive pre- and re-distributive approaches beyond the rights framework.

Although the other contributors to this debate are aware of the limits and potential pitfalls of a functional social dimension, the rationale behind the Pillar and the ESU remains primarily functional rather than political (Ferrera 2018). This functional understanding of the Pillar is not only normatively unfortunate but might create an epistemic trap, where pursuing social goals becomes desirable or justifiable only when it benefits the functioning of the EMU or the single market. Because we are arguably in the midst of 'social momentum' and are having this discussion to rethink the 'social dimension' of the European integration project, following Ferrera's observations I suggest we go beyond the necessitarianism regarding the functional character of the ESU and, more broadly, the EU's overall social dimension.

I propose, instead, a more 'dignitarian' and fairness-based understanding of the 'social' in Europe, which should be normatively decoupled from the functioning of the single market, the EMU or the regaining of the social and political legitimacy of the EU. The functional rationale has, for instance, led to the conception of the Pillar for eurozone members only (with the option for other MS to join), which risks paving the way for social policy a field of differentiated integration. Rethinking and reconstituting the 'social' by leaving out a large part of the eastern periphery from the start is both symbolically and practically exclusionary and creates the impression that the social inequality across the Union is not a priority so long as it does not directly affect the euro. This has the potential to further entrench the line dividing the European East and West, which is still fresh from the recent posted workers debate.

New initiatives such as the European labour authority (ELA), which strives to improve the practice of labour mobility within the EU, are certainly important and relevant, but rethinking the social dimension of the European project will require us to discern the root causes for the failures of the free movement framework in the first place. If the ELA is going to be established to improve the enforcement of mobile or posted workers' rights, we need to discuss how the vulnerabilities and structures that lead workers (from the periphery) to work under less favourable and often exploitative working conditions (in the core) are enabled and created.

Some of the root causes can partly be located in the pre-existing economic and social inequalities between the core and periphery. The living conditions and lack of material resources among a significant part of the mobile and posted workers from the periphery are creating high levels of vulnerability and dependency by structurally limiting workers' choices and agency, which further impairs successful enforcement of their rights. The same exercise of tracing the root causes would apply to the social consequences of the eurozone crisis governance in the MS of the southern periphery. Therefore, any further thinking – and especially action – on the substance of the ESU or the Pillar will presuppose tackling the problem of within and especially between European polities.

In this sense, as Chiara Saraceno (2019 – This issue, pp. 147-156) has argued in this forum, it is essential to focus on both pre-distributive and redistributive policies to bridge the inequality gap within and between MS. We, therefore, need to think outside the rights framework that the Pillar itself is constructed upon and reflect on the legal structures that might perpetuate particular hierarchies and injustices within the EU (Kukovec 2015).

Equal rights in unequal national economic and social conditions

This clearly shows that the contested '*flexicurity*' rationale is ingrained in the Pillar's DNA, which implies that social policy objectives will generally need to withstand economic efficiency or cost-benefit tests. It is, therefore, crucial to question the capacity of the Pillar's rights approach to counterbalance the established single market rationality (remember Viking and Laval) and the social consequences of monetary governance during the eurozone crisis. Questioning the rights approach should go beyond the critique of pursuing social policy objectives through the language of social rights (*juridisches Missverständnis*, Rödl 2017*)*, but should question whether the Pillar's approach remains predominantly minimalist. The Pillar sets to establish a tendency that would replace 'minimum level' with 'good quality' entitlements (Pillar, Arts. 1, 5, 11, 16, 18, 19, 20). This, at least symbolically, can be considered an improvement compared to other EU or international instruments, such as the EU Charter or the International Covenant for Economic, Social, and Cultural Rights, which strives for a minimum floor of protection in domains like housing, health, and food, rather than a fuller bodied egalitarianism (Moyn 2018; Florian Hoffmann forthcoming 2019). Despite this turn from minimum or adequate to good quality standards, the inequality between MS renders the Pillar's approach a minimalist rather than an egalitarian one (distinction by Moyn 2015). Determining what good quality means 'in light of national economic and social conditions' (Pillar, Art 6) will relativise the Pillar's goals and might *de facto* maintain the sufficiency of an approach with minimum standards and adequacy.

Sufficiency is unlikely to be enough to achieve social convergence and combat inequality at the EU level as envisioned in the Pillar's supporting documents – especially if we reimagine the ESU to include the eastern periphery from the start. Therefore, one might argue that it would be more productive to consider the Pillar's rights framework as an auxiliary rather than the main instrument for substantiating the ESU. Its rights and principles, together with the accompanying scoreboard, could be regarded as motivational and inspirational directions, but it would be less productive to focus on discussing their enforceability and justiciability in each case.

Outlook

In this contribution, I argued that in the midst of the current 'social momentum' it is crucial to reconsider the predominantly functional rationale of both the ESU and the Social Pillar. The social legitimacy of the European integration project goes far beyond the Eurozone, which for a 'social restructuring' project of this kind necessarily requires the inclusion of the eastern periphery from the start. Tackling the existing inequality between the European core and the periphery (both southern and eastern) is essential for the success of any social reinvention of the European integration project, which in this case will require looking for progressive pre- and re-distributive policy solutions beyond the rights framework offered by the Social Pillar.

One starting point will be to rethink pre-distributive policies (Saraceno 2019) that would aim at correcting the existing legal arrangements that keep reproducing hierarchies and structural inequalities in the single market and within the EU in general (see Kukovec 2014). These pre-distributive policies need to be combined with distributive and redistributive policies that would naturally require thinking about transfers and supporting national and transnational initiatives through structural and cohesion funds, as well as other sector-specific funds such as the European Globalisation Adjustment Fund (EGAF) or the Fund for Aid to Deprived People (Ferrera 2018). Regarding the EGAF, for example, research has shown that only a small proportion of EU workers affected by globalisation receive EGF financing (Clayes and Sapir 2018), which could be a field where mitigation and improvement of the current situation through the Pillar's guidance is imaginable. Finally, the Pillar should by no means prevent the pursuit of more progressive alternatives, following the latest example of the 'European Pact for Social Progress' (Rödl 2018). All of this would, however, require open support for more pan-European solidarity, which does not have to be *a priori* perceived as a dangerous idea in the current political context (Ferrera 2018; Vandenbroucke 2018).

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The European (Social) Union is in need of a 'Social Imbalances Procedure'

Francesco Corti, Sebastiano Sabato and Bart Vanhercke

Introduction

Frank Vandenbroucke and Maurizio Ferrera's call for a public forum debate on a future 'European Social Union' (ESU) has already stimulated a vivid and rich discussion. On the one hand, challenging ideas have been put forward: how to interpret the role of the ESU (Bogoeski 2019 – This issue, pp. 40-46; Vandenbroucke 2018 - This issue, pp.2-11); how to conceptualize the idea of the ESU and how it relates to the European Pillar of Social Rights (EPSR) (Ferrera 2018 - This issue, pp.12-26; Hemerijck 2019 - This issue, pp. 93-112); and why the Economic and Monetary Union (EMU) needs a social dimension (Andor 2018 – This issue, pp. 27-39; Watt 2019 – This issue, pp. 160-168). On the other hand, analyses have focused on the implementation of the Social Pillar (Garben 2019 – This issue, pp. 76-83; De la Porte 2019 – This issue, pp. 70-75) and on possible proposals to be developed within the framework of the EPSR (Cantillon 2019 – This issue, pp. 54-63; Matsaganis 2018 – This issue, pp. 119-130; Saraceno 2019 – This issue, pp. 147-156).

Within the overall debate, the idea of a European Social Union has been often presented as a counterpart to the Economic and Monetary Union**.** In this regard, Costamagna (2019 – This issue, pp. 64-69) rightly pointed out that, especially in the aftermath of the financial crisis and the adoption of the new economic governance of the Eurozone, the social dimension of the EMU has been progressively subordinated to the economic one. A case in point is the creation of the European Semester, a new hybrid meta-coordination framework. While apparently sharing some characteristics with the 'soft governance' approach of the Open Method of Coordination (OMC), the Semester shows a more prescriptive nature (Dawson 2018). The adoption of recommendations that are 'country-specific', the (at least theoretical) threat of financial penalties, the 'back and forth' scrutiny and intervention in the management of national budgets, intensified peer pressure and altered voting procedures represent rather important novelties that have profoundly altered the relationship between the EU institutions and national social policies (Vesan et al. 2019). Although across the years, the Semester has been partially ‘socialised’ (Zeitlin & Vanhercke 2018), this has not tackled the persisting asymmetry between economic and social goals within the Semester. Against this background, the aim of this contribution is to briefly investigate the subordination of the social to the economic dimension within the Semester and then propose the creation of a new mechanism to rebalance the relationship between the ‘economic’ and the ‘social’, thus giving substance to the idea of the ESU and one of the key objectives of the European Pillar of Social Rights.

The economic and social dimension within the European Semester

Since 2011, the economic, employment and social policies of the Member States of the European Union (EU) have been monitored and coordinated through the so-called European Semester. This broad process has enabled EU institutions to take on an increasingly important role in analysing and steering national policies. However, while the monitoring of macroeconomic and fiscal performance is embedded in a surveillance mechanism (dubbed the ‘Macroeconomic Imbalance Procedure’), made up of both a soft ‘preventive’ and hard ‘corrective’ arm, the supervision of employment and social policy takes place through a soft coordination mechanism.

Over the years, the asymmetry between the surveillance of macroeconomic policies and coordination of social and employment policies has become problematic, for at least three reasons. First, the *de facto* subordination of the social to the economic dimension of the E(M)U means that fiscal consolidation often goes hand in hand with a deterioration in social standards. Second, a deterioration in social standards and increase in social inequalities in one E(M)U country can have negative spill-over effects on fiscal stability in other countries; this could, in turn, undermine the stability of the E(M)U. Third, this asymmetry contributes to the loss of credibility of the European project.

Against this background, the European Commission has prudently tried to address the balance between the economic and the social dimensions of the European Semester, leading to its slow but certain ‘socialisation’ in recent years. As explained by Andor (2018), the European Commission proposed the addition of social and employment indicators to the Macroeconomic Imbalance Procedure in its 2013 Communication on ‘Strengthening the Social Dimension of the EMU’. This was seemingly done with a view to giving social issues more prominence and preventing the creation of social imbalances that could affect the stability of the Eurozone. Similarly, in September 2015, the newly appointed Juncker Commission proposed including other social and employment indicators in the MIP Scoreboard, with the aim of better reflecting employment and social developments and better capturing the social consequences of macroeconomic imbalances.

While including social indicators in the MIP has undoubtedly helped to increase the political visibility of these issues and to draw policymakers' attention to the social implications of the macroeconomic surveillance mechanism, some have argued that with the inclusion of social indicators in the MIP, there is a risk that social policies could be further subordinated to the achievement of macro-economic and fiscal objectives, with social policies becoming merely an adjustment factor to achieve these objectives (see Costamagna 2019).

What can be done then, to strike a better balance between the EU's economic and social strands?

The proposal for a 'Social Imbalances Procedure'

In October 2014, Commission President Jean-Claude Juncker called for a social 'triple A rating' for Europe, which he deemed 'as important as an economic and financial triple A rating'. The same concept was reiterated in the Five Presidents' report on Completing Europe's Economic and Monetary Union in June 2015. It was partially made operational in 2017, with the launch (April) and proclamation (November) of the European Pillar of Social Rights (EPSR).

Despite the solemn interinstitutional proclamation of the EPSR and the introduction of a new 'Social Scoreboard' to the Semester, to monitor the employment and social performances of the Member States, several challenges remain to be tackled in order to resolve the social crisis that still affects the EU.

There is still a range of problems which require a response. These include high unemployment rates among young people; education or training (NEET) and alarming youth unemployment rates, especially in Southern European regions; persistent inequality in access to childcare, education, training and lifelong learning opportunities; and a high level of poverty and social exclusion rates across the EU. As Fransen *et al* (2018) have stressed, the EU suffers from a social investment gap estimated at €142 billion per year: €15 billion in education and lifelong learning, €70 billion in health and long-term care and €57 billion in affordable housing.

In view of these formidable challenges, monitoring social and employment performances and calling on Member States to reform (in the context of the European Semester) is simply not enough. We believe the time is ripe for the EU to place social and economic imbalances on an equal footing. To this end, we propose the establishment of a tool aimed at flagging and correcting social imbalances within Member States. We call this mechanism, which is partially a repackaging and relabelling of existing practices within the Semester, the 'Social Imbalances Procedure' (SImP).

The aim of this procedure is to ensure that social and employment imbalances that a) have the potential to erode social cohesion within a Member State or b) could have negative spill-over effects on other Member States are detected at an early stage and corrected properly. In line with the European Pillar of Social Rights and the Charter of Fundamental Rights of the European Union, we suggest to start with five priority social policy areas where social imbalances could be identified and corrected: a) education, b) healthcare, c) housing, d) poverty and social exclusion, and e) unemployment.

Our proposal is that the EU should intervene, in addition to and facilitating Member States' efforts, through policy initiatives more strictly linked to the notion of social investment.

In our proposal, a future Social Imbalances Procedure could consist of three stages. The first stage would be the identification of social imbalances. To do this, the SImP would use the (possibly refined) indicators included in the Pillar's Social Scoreboard, in accordance with the analysis provided in the annual Joint Employment Report. Countries displaying 'critical situations' (i.e. excessive social imbalances) in one or more of the five policy areas mentioned above would be encouraged by the European Commission to request the Social Imbalance Procedure. Member States could also decide, on their own initiative, to ask for the SImP to be applied.

The second stage of the SImP would be to define the actions needed in order to improve these situations. A Multi-annual Action Plan (MAP) should be drafted jointly by the national government and the European Commission. This plan would contain a list of initiatives/reforms to be implemented by the Member State in the years to come (over at least a three-year time span) and EU actions to support the implementation of these initiatives. We suggest that the EU interventions could take three possible forms: a) technical support in defining the contents of the national reforms to be implemented

— the existing Structural Reform Support Service (the SRSS coordinates and provides tailor-made technical support to EU countries, in cooperation with the relevant Commission services) is a good example of this; b) financial support through the newly proposed Reform Delivery Tool, the re-focusing of Member States' Operational Programmes or an increase in the EU co-financing rate for the ESI funds. Financial support should be focussed on the implementation of policy initiatives more directly related to social investment (e.g. ALMP and social infrastructure); and, arguably more ambitious, c) a 'silver rule' to exempt human capital social investments from the Stability and Growth Pact rules, in line with the provisions of the Country-specific Recommendations (as proposed by Hemerijck 2019).

The third stage of the Social Imbalances Procedure would consist of monitoring the implementation of the national Multi-annual Action Plan. This would be done through the Semester, notably in the European Commission's Country Reports. In case of repeated non-compliance of a Member State either with the actions agreed in the MAP or with the fiscal rules defined in the SGP, the SImP would be closed and the Member State would lose the extra EU support provided through the procedure.

Three reasons for a Social Imbalances Procedure: functional, normative and political

We believe that a Social Imbalance Procedure of this type is a feasible and desirable tool for tackling the above-mentioned asymmetry between the economic and social dimensions of the E(M)U. There are three reasons for this. The first is *functional* and concerns the fact that excessive social imbalances affect not only the MS concerned, but can also spill over into other Member States, threatening the sustainability of the EMU as a whole. In this respect, addressing such imbalances should be a matter of common concern, one that is also in the self-interest of the Member States in good social and economic situations (see Vandenbroucke 2018). The second is *normative* and refers to the EU's commitment to implement the principles enshrined both in the Treaties and in the European Pillar of Social Rights, which explicitly refer to upward social convergence as one of the key goals of the Union (see also Ferrera 2018). The third is *political* and concerns the legitimacy of the European integration process. In the aftermath of the Euro crisis, the EU has been largely perceived as a champion of austerity measures and social retrenchment policies. This has led to public distrust of the European project and has helped populist and Eurosceptic movements to take root in several EU countries. The legitimacy and sustainability of the European political system itself is at risk.

The time has come for the EU to act upon the promises it made when adopting a European Pillar of Social Rights. The launch of a Social Imbalances Procedure would pave the way for Europe to be serious about delivering its social ambitions and could represent an important step in the direction of a European Social Union.

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The European Pillar of Social Rights

Ten arguments for prioritizing principle 14 on minimum incomes

Bea Cantillon

Introduction

Which initiatives should feature in an effective 'roadmap for delivery' on the European Pillar of Social Rights (EPSR), based on the complementarity of existing EU instruments and a well-considered selection of priority initiatives? My answer to the question debated in this forum is that a well-conceived notion of minimum incomes *sensu lato* (i.e. principle 14 on minimum incomes in combination with principle 6 on adequate minimum wages, principle 12 on social protection and principle 13 on unemployment benefits) should be the place to start.

The failures of harmonization and convergence and the new "principle and right based" approach

The EPSR marks a potentially important paradigm shift in European social policymaking: after *harmonization* of instruments of policy and *convergence* around broadly stated objectives, it is proposed to shift the focus to *principles and social rights* to be pursued for European citizens. Until the 80's, for those who were concerned about the social dimension of Europe, harmonization of social security was the leading idea. However, as national systems evolved and became more complex and as the Union grew larger and therefore more diverse, it slowly dawned that harmonization was not possible nor desirable. Gradually, the ambition to develop common policy instruments was replaced with an ambition to develop common policy objectives. In this new approach, it is left to the Member States themselves to decide in accordance with their own needs and preferences which policy instruments and strategies to deploy. In other words, social Europe was to be shaped by different national policies towards common European objectives, thus effectuating a shift from 'input' to 'outcome' governance.

With a view to supporting the convergence process, a number of common social objectives were agreed upon, including the eradication of poverty. To this end, a loose, open policy approach was developed and a set of social indicators was defined for the purpose of measuring the progress made towards the social objectives (Atkinson et al., 2002). Subsequently, the bold but vague ‘eradication of poverty’ as a strategic social policy goal of the Lisbon Strategy was replaced by the more concrete Europe 2020 targets aiming for a reduction of the number of persons living in poverty, jobless households or material deprivation by 20 million. Regrettably, however, this approach has failed to make real progress , either at the national or at the European level (Cantillon, Goedemé & Hills, 2019).

There are several reasons for the lack of success of the convergence strategy: the design failures in the architecture of the Eurozone , the non-binding method of coordination and the fact that the objectives were defined at a too high level of abstraction. The evolution of poverty and social exclusion also depends on factors that national policymakers has little or no control over: poverty is dependent on, among other things, employment and the adequacy of social protection, but also on external factors such as the share of single-parent families. In other words, the distance between 'outcomes' on the one hand and 'policy input' on the other is too great. Only with highly sophisticated simulation models it is possible to isolate the effects of policy from other changes in society (see as an example of such an exercise Hills et.al., 2019).

The shift from outcome convergence to a “principle and rights” based approach must be welcomed. The EPSR is potentially more powerful than harmonization of overly divergent policy instruments or convergence around too vague objectives. The 20 principles are well balanced over the dimensions "Equal opportunities and access to the labour market”, ”Fair working conditions” and “Social protection and inclusion”. The principles are more precise than the convergence objectives while leaving room for a large variety of national policy packages. They can thus be used to gradually move from outcome to nuanced input governance without falling into a 'one-fits-all' approach. However, past failures of previous rights based approaches should make us pause for thought. For example, in the late 80’s, the struggle with the European Social Charter was mainly about principles and symbols and the mountain bore a mouse. So, how can the pillar be used as an effective leverage for the establishment of a European Social Union (ESU)?

As said in the previous contributions to this debate, not everything in the pillar is equally important. To be successful, one must focus on the essential and build on previous initiatives and existing building blocks. The rollout of the EPSR must be instrumental to national welfare states and to Europe as a whole, it should be based on strong moral principles and it must help to create support of citizens. It must start from the full exploitation of motivational and actualization potentials but, where appropriate, it should ultimately lead to binding agreements on the essential points.

Starting from these assumptions, I see 10 multifaceted arguments to contend that principle 14 - "*everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market*" - should be the place to start.

Normative, functional, political and pragmatic arguments for prioritizing minimum incomes

1. *Catering for the most vulnerable should be the priority of the ESU.*

Ever since the Lisbon Strategy, the European Union has declared poverty reduction one of its main social goals. Yet, progress in terms of poverty reduction has been disappointing in most EU Member States, to say the least (Cantillon & Vandenbroucke, 2014, Cantillon, Goedemé, Hills, 2019). For families who are most dependent on social protection poverty has reached extremely high levels. In the large majority of countries both in-work and out-of-work income protection is inadequate to prevent poverty. This is worrying, especially in the poorest EU Member States where minimum incomes are too low for having simultaneously access to adequate housing and adequate food, even if it were exclusively spent on these items (Goedemé, et.al.,2019). The discrepancies between the living standards of Europeans living at the bottom are enormous.

The persistent and almost universal nature of disappointing poverty trends and inadequate social floors point to the need for collective action while the discrepancies within the Union and the strong deteriorations in the crisis-hit Southern European countries suggest that pan-European solidarity mechanisms are needed.

2. *Employment and social investment strategies, however important, are not enough to reduce poverty. Adequate incomes for low wage earners and for jobless households are essential. Because employment objectives are now firmly anchored in European*

and national social policy, an equivalent European embedding of the minimum income guarantee is required.

Effective anti-poverty policies have to be embedded in a broad set of social, employment and economic policy objectives, both at the level of the EU and at the level of individual countries. Anti-poverty policies themselves should be conceived *sensu lato* , not only involving minimum incomes and social assistance or the access to essential services but also enabling policies , accessible health care, minimum wages, childcare provisions, housing, etc. In other words, effective anti-poverty strategies require delivering on a broad range of principles on which the EPSR is built. Given the importance of income from the labor market for most people of working age, and that in nearly all countries social assistance benefit rates fall short of the relevant national poverty line, employment and unemployment levels are of obvious importance. But increasing employment rates is not a sufficient condition for reducing poverty. There are several reasons why employment gains do not necessarily translate into falling poverty. These include the growth of in-work poverty, when wages are low and in-work benefits or tax credits are not adequate to help people to get out of poverty; the 'inefficient allocation' of employment, when the additional jobs go to households that already have paid workers, rather than to poor low work-intensity households; and inadequate social protection. While it is true, as advocated by Hemerijck (2019 – This issue, pp. 93-112), that a "social investment approach tilts the welfare balance to social risk prevention rather than compensation", healing with all three of these factors is important in any strategy to reduce poverty – but doing so *faces conflicts*. Economic and employment objectives are now firmly anchored in European and national policies. An equivalent European embedding of the minimum income guarantee is therefore required.

3. *Adequate social floors are an important element of social security for the growing number of platform workers, self-employed and flexible workers.*

The social pillar rightly places a great deal of emphasis on social protection for platform workers and for the self-employed. But, how can flexibility be ensured while at the same time guaranteeing adequate social protection, irrespective of the employment status? How can adequate unemployment benefits be guaranteed, in line with contributions and eligibility rules? Matsaganis (2018 – This issue, pp. 119-130) proposes outlines of a possible strategy: make health care, child care and other social services universal; introduce or strengthen basic income schemes for children and for the elderly; render contributory schemes more actuarially fair; rethink means-tested income support (housing benefits, minimum incomes) in view of volatile earnings; step up efforts to obtain accurate information of earnings in the platform economy. Clearly, the constitution of an adequate social floor is a necessary condition for success of such strategies.

4. *The European Union has a role to play in guaranteeing minimum incomes, not only as "gendarme" of commitments and agreements, but also as facilitator of national and regional policies. The ESU must create the conditions needed for securing and lifting the social floor of national welfare states.*

Since the 1980s, there are forces at work that makes it more difficult for individual nations to successfully fight against poverty: the declining wage share and the decoupling of productivity and wages, the flexibilisation of work and the sluggish growth of low wages put systemic pressure on social protection systems. As a consequence, anti-poverty strategies have become more demanding: they come at a considerable cost; they have to deal with difficult trade-offs and they have to look at the architecture of the welfare state as a whole – the drivers of rising income inequality, the availability of jobs for the low skilled, the pressures on low wages, the issue of adequate work incentives and the progressivity of taxes and social spending. With given resources, almost everywhere important *additional* redistributions are necessary to raise minimum incomes to the poverty line (Collado et.al. 2019). Because all countries in Europe (and beyond) face similar challenges, it is necessary to join forces in order to create the necessary conditions for success (e.g. the inclusion of wealth in the distribution process and ensuring adequate minimum wages). This is not only necessary for the poorer countries to catch up, but also for the maintenance and improvement of the most developed welfare states in Europe. This argument nicely relates to Hemerijck's '*holding environment*' and Vandenbroucke's (2018 - This issue, pp.2-11) definition of the ESU : "a Social Union would support national welfare states on a systemic level in some of their critical functions and guide the substantive development of national welfare states, via general social standards and objectives, leaving ways and means of social policy to the Member States."

5. *Minimum standards in terms of wages, social assistance and social insurance are necessary preconditions for pan-European solidarity. Compacts on minimum incomes are needed to support the functioning of the social funds and to make proposals on a European unemployment insurance concrete.*

Solutions for the design failures in the architecture of the Eurozone is that monetary unions need ex ante solidarity mechanisms, either through insurance mechanisms or through redistribution. Frank Vandenbroucke refers to the idea, that has gained prominence in the European Commission's thinking, of the need for unemployment insurance. Through the ESF + initiative, the Commission also aims to increase redistribution. This raises the issue of the creation of a level playing field: national welfare states must make sufficient efforts themselves to protect the unemployed and the poor. Social re-insurance mechanism could be layered on top of existing national safety nets. A fair operation of the Fund for European Aid to the most deprived (FEAD), for example, assumes minimum efforts by the jurisdictions to which the receiving charitable organizations belong. Compacts on minimum incomes are also the first step in making proposals on a European unemployment (re)insurance system concrete. In his contribution to this debate Anton Hemerijck aptly says that " If such an EMU social re-insurance mechanism could be layered on top of existing national safety nets, all the participating member countries would – in theory – be more protected and thus better able to bounce back and recover in the aftermath of a sizeable asymmetric economic crisis."

6. *Delivering on adequate minimum incomes is needed for the success of the EPSR itself. The principles on which the pillar is built are strongly interrelated but the right to adequate minimum incomes is essential, normatively and instrumentally. Successful social investment, social mobility and equal opportunities, effective social protection and "affordable" services presuppose adequate minimum income protection and vice versa.*

A last functional argument regards the success of the EPSR itself. The principles on which the EPSR is built and the policies needed to deliver on them are strongly interrelated. In some cases they are mutually reinforcing, in others clear tensions and trade-offs are involved (e.g. providing adequate social protection for the unemployed on the one hand and strengthening entitlements in order to 'make work pay' on the other). Therefore, delivering more effective social rights for all European citizens requires comprehensive approaches and multiple country-specific policy packages that balance tensions and trade-offs. In this complex policy field, the right to adequate minimum incomes is essential, normatively and instrumentally. Successful social investment, social mobility and equal opportunities, effective social protection and "affordable" services presuppose adequate minimum income protection and vice versa.

7. *Adequate and secure incomes are a major concern for many European citizens and this concern is there to stay. Enabling and ensuring basic security for all European citizens will increase the legitimacy of the EU among citizens.*

8. *A compact on minimum incomes presupposes pan-European solidarity because the poorest countries will have to make the greatest efforts to fulfill the promise of adequate incomes. So conceived, enforceable agreements on minimum incomes for all Europeans are not only a necessary condition for making pan-European solidarity possible (see argument 5), they are also a lever to strengthen pan-European solidarity, for example through intensifying the social funds.*

Maurizio Ferrera (2018 - This issue, pp.12-26) puts forward a freestanding political argument for a move to a ESU: “citizens must feel that the territorial government abides by the general norm of representing in some way the collective interest and takes care of all sectors/strata of the population, however weak and peripheral”. He also reminds us that opinion surveys find strong support for “a larger EU budget aimed at promoting economic and social investments, for helping people in severe poverty and for providing financial help to member states experiencing a rise in unemployment”. In this line of reasoning, the previous mentioned political arguments emerge for enabling adequate minimum incomes to create ‘support of the people belonging to the European jurisdiction’: ensuring “decent incomes for all” will increase the legitimacy of the EU among citizens and help to strengthen pan-European solidarity.

9. *The ingredients are there to make a major step forward in the full exploitation of the potentials for guaranteeing adequate minimum incomes : existing national "building blocks" are supplemented with the EU-2020 targets on social inclusion, the social coordination and the ESF +.*

Like the creation of national welfare states, the ESU will only come about gradually, building on existing systems and devices. Ferrera rightly suggests that we already have a sufficient set of ingredients to start a re-assembling process. This is particularly true for minimum income protection. Since the introduction of social floors in Greece and Italy everywhere in Europe there are general social assistance systems, various minima in social security and different kinds of income supplements for low wage earners. At the EU level, these building blocks are supplemented with the EU-2020 targets, the social coordination and the ESF+ which has an explicit social inclusion purpose.

10. *In Europe minimum income guarantee has been a recurrent theme. Implementing principle 14 of the EPSR would nicely fit in European ideational history.*

In contrast to the US – where minimum income protection is limited to the sick, the disabled, the elderly and single mothers – general safety nets are in place in all EU-countries. This is an important distinguishing feature between the European and the American social models.

At the EU level, minimum income guarantee is a recurrent theme. The European Council, Parliament and NGOs alike have pointed towards the importance of minimum income protection for those out of work at numerous occasions (see for instance the 1992 Council's Recommendation 'common criteria concerning sufficient resources and social assistance in social protection systems' (92/441/EEC) (Council, 1992). However, it never went further than recommendations, proposals and resolutions. With its New Social Agenda 2005-2010, the European Commission put the issue of national minimum income schemes back on the agenda, as part of the discourse on the need for 'Active Inclusion'. In the Commission recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market, the notion of a minimum income guarantee occupies a central place. The European Parliament, in its Resolution of 6 October 2010, goes one step further: it not only stresses that 'minimum income schemes should be embedded in a strategic approach towards social integration' but adds that 'adequate minimum income schemes must set minimum incomes at a level equivalent to at least 60% of median income in the Member State concerned'. In the Resolution by the European Parliament on the European Pillar of Social Rights "the importance of adequate minimum income schemes for maintaining human dignity and combating poverty and social exclusion, as well as their role as a form of social investment in enabling people to participate in society, and to undertake training and/or look for work" is highlighted and "the establishment of wage floors in the form of a national minimum wage" recommended.

Building on existing national institutions and pan-European ideas and initiatives Europe could make a hallmark of the slogan "*Decent Incomes for All*" to be proud of.

How to get there?

In his contribution Ferrera (2018) reminds us that “while (…) enforcement is what makes rights (and, by extension, citizenship) ‘hard’, in contemporary liberal-democratic societies we should not underestimate the importance of the other two types: normative and especially instrumental resources“. There is scope to further develop and improve these resources along the following lines.

First, in order to make the normative argument more tangible, I propose the development of reference budgets , i.e. illustrative priced baskets of goods and services that represent in a concrete way the minimum required for ‘adequate social participation’ in each country.

Second, a modest shift from “output governance” to “input governance” can strengthen the instrumental resources. In order not to violate the – to be cherished - principle of social subsidiarity policy input indicators regarding minimum income protection *sensu lato* – including net minimum wages, social insurance and social assistance – should be added to the poverty outcome indicators used in the monitoring process of the European Semester. Incorporating a set of well thought-out policy indicators would strengthen the European social governance. It would help to make the linkages between the commonly defined goals on the one hand and policies and instruments to meet these goals on the other more tangible while pointing to the difficult trade-offs involved. This turnaround has already partly been made with the introduction of so-called benchmarking frameworks.

Third, in order to give more bite to the social coordination, starting from the 2008 Active Inclusion Recommendation and the EPSR, a EU framework on minimum incomes should be put in place, not only as a guideline for national governments but also to rebalance the legal asymmetry between economic and social standards. An EU framework directive on a well-conceived notion of adequate minimum income protection may generate upward pressure, not only on minimum rights in social security and social assistance, but also on the quality of work for people at the bottom, on equal opportunities and social mobility. It may strengthen and render more operational the current processes of Open Coordination on these issues. Moreover, in times of budgetary austerity, an EU-wide concept of adequate minimum incomes would signal to Member States and European citizens that the most vulnerable must not become the victims of austerity. It would also be a lever to strengthen pan-European solidarity, for example through intensifying the social funds. As said, since such a scheme – even if it is moderate in its initial ambition – requires a significantly greater budgetary effort on behalf of some of poorer Member States in Eastern and Southern Europe, it inevitably raises the question of pan-European solidarity.

The principle of adequate minimum incomes for all should serve as a compass for the ethical program of the Union. Certainly, many questions remain to be solved: What, for example, is the meaning of 'adequate minimum income' in the context of the diversity between and within countries? What form should the supportive pan-European solidarity take? Which timeline should be foreseen and what significance must be given to "enforceability"? But time has come to proclaim that a European compact on minimum incomes is possible, desirable and, above all, necessary.

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The European Social Union as a “union of national welfare states”

A legal perspective

Francesco Costamagna

In launching the debate on the European Social Union (ESU), Frank Vandenbroucke and Maurizio Ferrera identified some of its main prospective features. In my view, the fact that the ESU is not intended to be a European Welfare State, but a union of national welfare states, together with the idea according to which the ESU is set to become the institutional counterpart to the Economic and Monetary Union (EMU) are the key ones. Against this background, this comment argues that these two features provide a strong normative orientation to the efforts aiming at creating the ESU, shaping its content and its function. The analysis deals with these features, focusing, in particular, on their legal implications.

Vandenbroucke (2018 - This issue, pp.2-11) and Ferrera (2018 - This issue, pp.12-26) offered a clear identification of the benefits potentially deriving from the introduction of the ESU. First of all, they both emphasised that the use of this notion would bring about more clarity from both a conceptual and an analytical point of view, avoiding the ambiguity and contradictions inherent in the use of other terms, such as ‘Social Europe’. Second, Ferrera highlighted that the establishment of ESU would contribute to “rebalance the EU toward those social values which are enshrined in the Treaties”. Thirdly, the ESU would contribute to re-legitimize the integration process in the eyes of its citizens, by “restoring ‘togetherness’ and thus diffuse support”.

Operatively, the proposal is imbued with a good dose of political realism, claiming that the ESU should be created by assembling a number of already-existent building blocks, without the need to modify the Treaties to confer new competences to the EU. Needless to say, this increase both the credibility and feasibility of the proposal, especially in difficult times as the ones that the European integration process is traversing. Ferrera proposed a tentative, albeit already well-defined, list of ingredients that form part of the ESU.

If, as convincingly advocated by Vandenbroucke, the ESU is to be a union of national welfare states, one of the ingredients is bound to play a central role within the meta-space created at supranational level. It is the case of national social spaces, which can be defined as the ensemble of national welfare systems and labour market policies characterized by distinct endowments of schemes and institutions, as well as by different logics and backgrounds. Due to the lack of legal competences, financial resources and democratic credentials at supranational level to elaborate a substantive social policy, they are – and they are set to remain for a long time – the only *loci* where ideate and carry out meaningful redistributive activities to "combat social exclusion and discrimination, […] promote social justice" and "social cohesion", as provided for by Article 3 TEU. Therefore, the different ingredients of the ESU should combine so to create what Hemerijck (2019 – This issue, pp. 93-112) referred to as a "holding environment", i.e. a space contributing to protect the integrity of national social spaces and to make sure that they can perform their core functions, such as promoting dignity, autonomy and social justice.

The subordination of the 'social' to the 'economic' in the context of the EMU

In the light of the above, it is quite obvious why the ESU has been primarily perceived as a counterpart to the EMU. Indeed, since its inception, it was clear that the creation of the EMU would involve a huge transfer of power from the national to the EU level negatively affecting social policies, which could end up being "the very likely victim of EMU". As duly observed in the Delors Report of 1989, the creation of the EMU would increase economic interdependence and, thus, "reduce the room for independent policy manoeuvre and amplify the cross-border effects of developments originating in each member country". One cannot but regret that these prescient remarks did not lead, as envisaged in the Report itself, to the adoption of "countervailing policies" at supranational level in order to compensate Member States' loss of the monetary levers with which to address financial imbalances.

With the eruption of the Eurozone crisis and the ensuing reform of the economic governance mechanisms the above-mentioned risk fully materialized. The new architecture entrusts EU institutions with an unprecedented capacity to exercise policy formulation, supervision and guidance on social issues - such as pensions, wages and dismissals procedures - that fall squarely within Member States' exclusive competence. The main problem is that the exercise of these powers is functional to the stabilization of the EMU and not to the pursuit of core social objectives. In this context, the 'social' has been transformed into an adjustment variable, to be treated either as a cost to be reduced in order to balance Member States' budgets or as a factor that should contribute to increasing their external competitiveness. For instance, the 2016 Supplements MoU for Greece contained a prescription urging Greek authorities to "compensate for the cost of the Council of State ruling (equivalent to 2 percent of GDP) on some aspects of the previous pension reforms". This condition referred to a 2015 decision by the Greek Supreme Court finding that the 2012 pension cuts breached the Greek Constitution and the European Convention of Human Rights ('ECHR') for depriving pensioners of their right to a decent life. This is a very troubling example of the depth of the transformation of the European constitutional constellation: far from representing a cornerstone of what used to be called the 'European social model', the protection of social rights is now seen as a cost that needs to be compensated.

This transformation has been achieved, in the case of the Semester, by creating of a hybrid framework that brings under the same umbrella different strains of EU policy coordination and surveillance and that allows the Commission to gain leverage in sectors covered by soft coordination processes while relying on the threat of hard sanctions. The creation of a hybrid meta-coordination framework, yoking together hard and soft law processes, allegedly aimed at increasing consistency among instruments that have different legal bases and rely upon distinct enforcement mechanisms. In reality, the main objective was to put hard law mechanisms at the service of soft coordinative governance tools, in order to strengthen the capacity of supranational institutions of making national authorities comply with recommendations touching upon subject matters, such as pensions and wage-setting mechanisms that fall in national competences. The choice to put coercion at the service of flexible arrangements is problematic under many accounts. Country Specific Recommendations are not just "broad guidelines" as provided for by Article 121 TFEU, being very specific in identifying the measures to be adopted and the results to be achieved. Rather than broad guidelines, many of the recommendations look like narrow paths not allowing for any deviation from what EU institutions – and the Commission, in particular – consider as the 'right way' toward salvation. For instance, in 2015 Ireland was recommended to "[t]ake measures to increase the cost-effectiveness of the healthcare system, including by reducing spending on patented medicines and gradually implementing adequate prescription practices. Roll out activity-based funding throughout the public hospital system".

These recommendations leaves non-compliance as a possible way out. Yet, this option is not readily available to all Member States. Despite nominally retaining a non-binding character, these recommendations engender a level of compliance that is higher than the one that may be inferred from Article 288 TFEU. Indeed, the Commission can use hard-law processes, such as the SGP, to put pressure on national authorities so to make them adopt the recommended reforms. Due to its power-based nature, the effectiveness of the mechanism depends on the vulnerability of the State to this threat. Those States at risk of being put under an excessive deficit procedure have few other options apart from complying with supranational recommendations.

In the case of bailout packages, the transformation materialized through an escape from EU law, its logic and guarantees, enabling the Commission and the creditor States to fully exploit the asymmetry of power that underpins the relationship between those that control the financial resources and the State that badly needs those resources to avoid default. The rules governing the definition, approval and monitoring of the conditions attached to financial assistance packages have a “mixed legal parentage” that combines international agreements, EU legal acts and other documents, such as Memoranda of Understanding (‘MoU’), whose legal nature is contested and that some consider as not even creating legally binding commitments. The dominant view has been that these provisions fall outside the EU legal framework. It is against this background that the Court has rejected all the claims brought by private applicants seeking the annulment of acts addressed to a Member State in the context of a financial assistance programme. Moreover, the alleged disconnection between bailout measures and the EU legal framework lies at the basis of the decisions of the Court rejecting the requests for preliminary rulings submitted by national courts and, in that context, excluding the applicability of the EU Charter on Fundamental Rights (‘the Charter’) to austerity measures.

The ESU as a counterpart to the EMU

If the ESU is to be a union of prospering national social spaces, there is the need to put an end to the systematic prioritization of EMU-related objectives over social ones. Making sure that economic governance mechanisms operate in accordance with Treaty provisions granting an equal status to economic and social objectives (see Article 3 TEU and Article 9 TFEU) and with the Charter on Fundamental Rights could be a first step in the right direction, albeit not surely a panacea.

In the case of financial assistance packages, this can be achieved by bringing the elaboration, implementation and monitoring of structural adjustment programmes fully under EU law. The Commission sought to proceed along this path by proposing to replace the ESM with a European Monetary Fund to be established through the adoption of an EU regulation. The Court had already spelled out the consequences of such a move, possibly making it even less palatable for certain Member States. In the *Florescu* judgment (C-258/14, 13 June 2017), dealing with a bailout package based on Article 143 TFEU, it declared its competence to rule on the compatibility between Romanian austerity measures and EU law provisions protecting fundamental rights. To this end, it found that the MoU is reviewable under Article 267 TFEU, since it is mandatory and "constitutes an act of an EU institution". At the very latest, this should vest the Court with the power to ensure that structural adjustment programmes are fully consistent with the Treaty and the Charter, so to abandon the socially suffocating conditionality requirements contemplated so far.

Ex post control is certainly important, but it is urgent to make sure that structural adjustment packages comply with EU law since the moment in which they are negotiated and drafted. Article 7 of Regulation (EU) No. 472/2013 is quite timid in this regard, establishing that, when a Member State requests financial assistance, the draft macroeconomic adjustment programme has to take "into account the practice and institutions for wage formation and the national reform programme of the Member State concerned", as well as to "fully observe Article 152 TFEU and Article 28 of the Charter". Even though they would apply in any case, it may be advisable to make clear that these programmes have to comply with the whole set of social provisions contained in the Treaties and in the Charter. Operationally, this should feed into a social impact assessment, as strongly advocated by Juncker since the beginning of the mandate of this Commission. The problem is that, as demonstrated by the impact assessment carried out with regard to the Greek MoU of 2015, so far this instrument has been mostly used to praise the reforms adopted, rather than to critically engage with their social sustainability.

Finding a way out is more problematic with regard to the Semester. Over the years, there has been many attempts to 'socialize' it, with regard to both its organizational and its substantive components. Undeniably, some results have been achieved, as demonstrated by the growing number of recommendations that treat social issues not just as factors that should contribute to the attainment of EMU core objectives. However, it is doubtful whether this evolution actually marks the end of the prioritisation of economic objectives over social ones within the Semester. Indeed, the more 'socially-oriented' recommendations are still marginal if compared with those adhering to the 'traditional' approach. This is hardly surprising, considering that the Semester has been created to ensure the smooth functioning of the EMU and that, consequently, in this context social objectives are bound to play second fiddle.

It is still unclear whether the European Pillar of Social Rights (EPSR) will make any meaningful difference in this regard. As it is well known, the document, setting out 20 key principles and rights regarding equal opportunities and access to the labour market, fair working conditions and social protection and inclusion, is not legally binding. As pointedly observed by Ferrera, this does not mean that it is irrelevant. In particular, according to the Annual Growth Survey 2018, the Pillar should "serve as a point of reference for the further implementation of the European Semester", being "a compass for renewed convergence towards better working and living conditions". However, so far it has only led to the adoption of a new set of indicators that should contribute to a better monitoring of Member States' social performance. This seems to be far too timid to correct the distortions generated by a mechanism that is structurally biased towards the prioritization of EMU-related objectives over competing ones, such as the promotion of social rights.

Another step toward the establishment of a social counterpart to the EMU would be the creation of a centralised fiscal capacity to finance EU level automatic stabilizers. Indeed, these transfers can help to ease the pressure on social policy, emancipating it from its role of sole – or main – adjustment variable within the EMU. Both Ferrera and Matsaganis (2018 – This issue, pp. 119-130) emphasised that the introduction of automatic stabilizers could be an important vehicle for the re-legitimization of the whole integration process. Yet, their creation raises a number of legal issues with regard to both the payment side and the financing one, as well demonstrated by the highly polarised debate surrounding the establishment of a common unemployment insurance scheme. An in-depth analysis of the debate lies well beyond the scope of this brief comment. However, it is worth recalling that in 2013 Communication on the strengthening of the EMU social dimension, the Commission posited that the creation of this scheme necessarily required a Treaty change, since there was not provision conferring to the EU the competence to take such a step. While some commentators concurred with the Commission, others dissented, at least with regard to the possibility to institute an 'equivalent' unemployment insurance scheme. This version of the scheme does not envisage the possibility of direct payments to eligible persons, but it provides for the transfer of funds to national budgets when the short-term unemployment rate exceed a certain threshold. According to some legal scholars, the equivalent version of the scheme – "less ambitious, though still useful" to use the words of Matsaganis – find a viable legal basis within the existing Treaties and, more specifically, in Article 352 TFUE.

The European Social Union

Addressing challenges on the labour market

Caroline de la Porte

The contributions in this forum address fundamental questions about the functional, operational, policy specific and free-standing normative-political justifications of a 'European Social Union' (ESU), of which the European Pillar of Social Rights (EPSR) is an important component. As noted by Vandenbroucke (2018 - This issue, pp.2-11), "… the expression 'Social Union' invites us to propose a clear-cut institutional concept (….) A European Social Union is not a European Welfare State: it is a union of national welfare states, with different historical legacies and institutions." Ferrera (2018 - This issue, pp.12-26) provides a framework to identify and characterize the logics of interaction, resources and levels of governance that would make up the ESU. The ESU does not embody the ambition to develop a European welfare state, but rather, to make use of the resources already available at EU level within the existing institutional and legal framework.

In the launch of the EPSR, Jean-Claude Juncker argued that fair, inclusive and empowering welfare systems and labor markets are crucial for boosting productivity, strengthening social cohesion and increasing standards of living (European Commission, 2016). The solemn declaration adopted in Gothenburg in November 2017 embodies high symbolic value, underlining the member states' commitment to the 20 principles of the EPSR. While the declaration is not legally binding, the principles are to be implemented by various instruments, particularly social benchmarking and policy coordination, but also (updates to) directives, which are legally binding. Since then, the activity at EU level to focus on moving from intentions to delivery has been extensive. This momentum - that contributes to building the ESU - has to be maintained or even strengthened, following the change of guard at EU level later this year. I argue that the EU's activity is particularly relevant for politically sensitive areas, such as work-life balance, and cross-border challenges, such as changes to the labour market, which lead to an increase of precarious workers.

As a long-term analyst of EU social policy, I argue that one of the undervalued aspects of EU's activity is its capability to contribute to solving labour market and welfare state challenges, that are common to the EU's member states. Since the mid-1990s, the EU has developed and used its capability to diagnose major policy challenges (through high quality comparative data), to propose common EU policy solutions to those challenges (on the basis of best practices identified among the EU member states), and to recommend country-specific policies (through policy coordination) to support each member state in its on-going reform trajectory. Pensions, (active) labour market policy, health care reform, and anti-poverty policy are areas where the EU, in collaboration with member states and social partners, has successfully applied this type of resources, based on finding the best solution to common problems. In other words, the EU's strongest resource consists of comparative data and knowledge, and with it the exchange of (best) experiences and country specific recommendations. As underlined by Matsaganis in his contribution (2018 – This issue, pp. 119-130), it has never been more relevant to exchange best practices, due to challenges, which member states are not able to tackle on their own. In this contribution, I focus on the EPSR's aims regarding two major labour market challenges: reconciling work and family life, a sensitive policy issue on which there is often deadlock in member states, and enhancing protection for the 'most flexible non-standard work and new forms of work[6]' (hereafter 'the most flexible new forms of work').

During the last decades, there has been a dramatic increase in female labour market participation across the EU. According to Eurostat, the total female employment rate in the EU (from 20 to 64) has increased from 61% in 1997 to 72% in 2017 (Eurostat, labour force survey). This trend has led to an increase in demand for adequate parental leave schemes and child-care among citizens. This issue is sensitive politically in member states, because it concerns values about child education and care, which are central in the private sphere. At the EU level, member states – such as Sweden - that have successfully introduced adequate leave schemes for parents, as well as high quality, accessible and affordable child-care are seen as models to be emulated (see de la Porte, 2019, http://www.sieps.se/globalassets/publikationer/2019/20192epa). Based on the knowledge of best practices in Sweden, the EU promotes leave policies targeted at the second carer as well as accessible,

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6 This is the terminology used by the European Commission (2017a) to refer to the types of work which are not covered by the scope of fixed-term, part-time and temporary agency work directives.

affordable and high quality child-care, because such policies facilitate the combination of work and family life. From a gendered perspective, such policies would also reduce the labour market-related penalty for women (in terms of career progression, working time as well as wages) (Esping-Andersen, 2007). In the framework of the EPSR, an important breakthrough has been made in this area: the revised directive on work-life balance – agreed provisionally between the European Parliament, the Council and the European Commission in January 2019 – encourages more gender equalizing leave policies. Based on knowledge from best practices, the directive introduces paternity leave for fathers/equivalent second parents, for at least ten working days, to be paid at least at the level of sick pay, and it earmarks two out of (at least) four months of parental leave for each carer, compensated at a level decided in member states.

Similarly, concerning child-care, the EU has, based on comparative data and knowledge, as well as best practices in Denmark and Sweden, encouraged member states to invest in high quality early childhood education and care (ECEC). More specifically, in 2002, the member states agreed on EU wide benchmarks for child-care in the European Employment Strategy: 33% under three and 90% of children from three until mandatory school age should be in ECEC by 2010. It is to a great extent because of EU pressure to extend ECEC, that member states have made progress in this area. In the EPSR, an assessment of progress in development of ECEC across member states has been made. The report highlights that there are major differences among member states in relation to the development of ECEC (European Commisison, 2018). In the implementation of the EPSR, EU benchmarks will become more ambitious. Member states where ECEC is underdeveloped should be supported by the EU. Other than country specific recommendations, the EU could consider earmarking EU social funds for to help member states develop ECEC.

In short, for reconciling work and family life, EU activity, through the revised directive on work-life balance, as well as EU policy coordination, has supported member states in developing adequate work-life policies. This is exemplifies that the EU has and is contributing to the ESU, through knowledge-exchange, comparative data, benchmarking, best practices, and country specific recommendations.

A second major challenge that needs to be addressed is the increase of 'most flexible new forms of work', which will continue to increase across the EU in the coming decades, due to digitization of some forms of work, that has been labelled the '4th Industrial Revolution'. As noted by Matsaganis, 2018), this is a cross-border issues, which member states cannot successfully tackle on their own. The 'most flexible new forms of work' are associated with low skills, no comprehensive access to training, little information about working conditions, and virtually no job security. Put differently, these types of work - such as casual work, zero hour contracts, voucher-based work, platform work - are precarious in terms of job quality, labour rights, as well as social protection. As part of the EPSR, the update to the 'written statement' directive aims to enhance protection for the increasing number of workers on such atypical contracts, which are flourishing in the digital economy.

The literature on segmentation and dualization (Hipp et al., 2015; Emmenegger et al., 2012) documents that non-standard workers do not have full access to social insurance coverage and are vulnerable regarding access to training, wage increases and transition to open-ended contracts. The EU directives on part-time, fixed-term and temporary agency work cover specific types of workers concerning pay, access to training and the prospect of obtaining an open-ended contract. Based on the principle of anti-discrimination, workers on such contracts must be treated equally (relative to the number of hours worked) to a comparable permanent worker. This has led to changes in member states, particularly those with rigid labour markets, both to enhance protection for workers on atypical contracts, but also to decrease protection for permanent workers (de la Porte and Emmenegger 2017: 300–301). However, 'most flexible new forms of work' are not covered by these directives. Twenty per cent of new jobs since 2014 have been in 'non-standard' employment not covered by the part-time, fixed-term and temporary agency contracts (European Commission, 2017a). The proposed update to the 'written statement' directive 91/533/EC proposes a more open-ended and inclusive approach to the notion of 'work', 'worker' and 'employee', whereby even workers in such precarious 'non-standard' employment would be better protected (European Commission 2017b). The update would increase obligations for employers to inform workers of their work, in a written form and in a timely manner. This includes information on the place of work, type of work, working time, remuneration, amount of paid leave, the institution receiving the social security contributions, training entitlement and the procedure for terminating employment. The draft directive stipulates that workers would have the right to request a more secure job and to receive a written reply from the employer. Whilst the revision of the 'written statement' directive is still at an early stage, it is crucial that member states and social partners prioritize the directive, and to exchange best practices on this topic, in order to avoid a growing number of workers in very precarious working conditions.

The EU's activity to help member states and social partners meet social challenges through the EPSR and in building the ESU needs to be followed through in the coming years, in order to counter major gender and labour market challenges. The two EU initiatives delineated briefly here show that progress is being made rapidly. The work-life balance directive and the proposed directive targeted mainly at 'most flexible new forms of work' could have positive social effects. However, the success of the EPSR – and by extension the development of the ESU - depends upon engagement and ownership by governments and social partners in member states. While the EPSR certainly will leave a footprint at EU level, the implementation of most principles will be determined by the member states' own political agendas. Political leaders across the EU should support the EPSR and the idea of an ESU as complement to the single market and EMU. They should use knowledge, comparative data and best practices in order to develop these policies, as they have in the past.

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The European Pillar of Social Rights as a Revival of Social Europe

Sacha Garben

Introduction

Previous contributions to this EuVisions debate on the 'European Social Union' and the role of the European Pillar of Social Rights therein (Ferrera 2018 - This issue, pp.12-26), have already set out the Pillar's main features, proposed 'interpretations' (Vandenbroucke 2018 - This issue, pp.2-11) and 'perspectives' (Knijn 2019 – This issue, pp. 113-118), have argued for specific focus and prioritization (Cantillon 2019 – This issue, pp. 54-63) and have suggested strategies for the Pillar's effective implementation (de la Porte, 2019 – This issue, pp. 70-75).

As many contributors have already emphasized, the Pillar is more than the list of 20 non-binding rights and principles. Fortunately, for otherwise it would inevitably succumb to the risk of disappointment and frustration that Vandenbroucke pointed out. The proof of the Pillar will be in its implementation, and it is already showing to be an important agenda-setter, turning into a social action plan for the EU akin to the 1989 Community Charter on the Fundamental Social Rights of Workers with its accompanying Action Programme.

Hoping to add something new to this already very rich discussion, and building on my previous publications on the constitutional imbalance between 'the market' and 'the social' and the European Pillar of Social Rights (Garben 2017, 2018, 2019). In this piece, I will argue that even if the Pillar cannot address all the EU's social failings, it has put a surprising social spin on the Better Regulation Agenda that was threatening to erode the social *acquis* and it helps rebalance the EU's output by reviving the use of the Treaty's Social Title.

The Pillar and the EU Better Regulation Agenda

The overall Pillar initiative contains a sometimes confusing 'blend of old and new elements' (Plomien 2018): it subsumes pre-existing legislative initiatives such as the three proposals on non-discrimination, proposes to replace existing measures (Work-Life Balance Directive to replace Directive 92/85/EEC on maternity protection and the 2010 Parental Leave Directive; Directive on Predictable and Transparent Working Conditions to replace the Written Statement Directive), and introduces genuinely novel actions (European Labour Authority). It furthermore deploys a range of governance tools in the Pillar's implementation, from hard and soft law measures to policy coordination in the European Semester. In order to understand this mixed working method, it is particularly insightful to see the Pillar in relation to the EU Better Regulation Agenda.

While the Better Regulation Agenda has been around in EU policy-making in various incarnations for several decades, it was arguably under the previous administration that is became particularly powerful, impacting EU social policy to an important extent. The Agenda is based on a number of, partially contradictory, rationales:

(i) improving the quality of EU legislation;
(ii) reducing the quantity of EU legislation;
(iii) increasing public participation in the legislative process;
(iv) promoting science-based governance;
(v) enforcing the subsidiarity and proportionality principles.

While it would be ill-informed to paint a picture of EU Better Regulation as an unequivocal drive towards de-regulation in the interests of businesses, many scholars have argued that certain elements of the Agenda carry a risk of systematic bias against regulatory standards, particularly to pursue non-economic interests such as social policy (Garben and Govaere 2018, Dawson 2016). One of the main methodologies used in the obligatory Impact Assessment of new EU initiatives and wide-spread Evaluations of existing legislation, is cost-benefit analysis, which poses problems in terms of its reliance on certain assumptions and the quantification of non-quantifiable benefits. It was out of concern for the expected negative consequences of the Agenda in this sense, that in 2015 more than fifty civil society groups set up of a 'Better Regulation watchdog' concerned that the Agenda would erode important existing rights and policies and hamper the development of new initiatives.

The Pillar has drastically changed this picture, at least from a social perspective. The Pillar turns the EU Better Regulation Agenda squarely on its head, deploying its very methodology to upgrade the EU social *acquis*. In some ways, the entire Pillar process can be seen as a Better Regulation exercise, whereby the European floor of social rights comprising the EU and international social *acquis* is considered for its 'fitness for purpose'. The Pillar's set of 20 rights and principles sets out what is this floor, and the Pillar's broader implementation package identifies the holes in the floor (in the sense of missing or inadequate social protection, due to a lack of standards, implementation and/or enforcement thereof), and proposes concrete measures to plug them (making use of the entire EU regulatory and governance arsenal). This explains why the Pillar is an amalgam of 'the old' and 'the new'.

More concretely, precisely the evaluations of the social *acquis* that worried social stakeholders and kept Commission services' hands full over the past years, are now seized to support the new initiatives taken in the implementation of the Pillar. The initiative to revise and strengthen the Written Statement Directive builds on the findings of an earlier REFIT evaluation, the proposal to include new exposure limit values for five chemicals in the Carcinogens and Mutagens Directive follows the evaluation of the EU's occupational health and safety *acquis*, and the proposed Work-Life Balance Directive follows the withdrawal of the Commission's 2008 proposal to revise the Maternity Leave Directive, which was part of the Better Regulation Agenda. The fact that the Pillar's Staff Working Document mentions specifically that 'in 2018, the Commission expects to complete a REFIT evaluation of the Directives which give effect to the Social Partner Framework Agreements on fixed-term and part-time work' suggests that further Pillar-related initiatives could be based on the outcomes thereof.

All this may lend some credence to the argument that Better Regulation's core methodologies of evidence-based policy-making and analytical underpinning of regulation are in fact neutral as to the amount and level of rules and regulation they prescribe: if a problem is identified, the analysis may very well suggest that new EU action is needed to address it. While it could still be argued that the administrative burden of impact assessment and the cost-benefit methodology inherently imply a certain bias against regulation, the Pillar experience shows that this bias can be overcome by political choices. In any event, from a social perspective, there is something particularly pleasing about the fact that one of the main obstacles to Social Europe has been turned into an important force supporting its revival and development.

The Pillar and the Constitutional Imbalance between 'the Market' and 'the Social'

The Pillar needs to be seen against the background of increasing criticism about the EU's social deficit. The austerity measures taken in the Euro-crisis (see Costamagna 2019– This issue, pp.

64-69), as well as the internal market case law of the Court of Justice of the EU in the context of national social standards of the past decade, have been considered responsible for a degree of 'social displacement' (Kilpatrick 2018) in the EU, that had been widely recognized and deplored (Barnard 2014). While in the Pillar's explanations the common currency and the internal market are staunchly defended and the Commission's narrative continues to carry a streak of 'economic growth equals social outcomes', Commission President Juncker has presented the initiative as part of his efforts to ensure a 'Social Triple A Rating' for Europe, and the Pillar has to be seen alongside the proposal to revise the Posting of Workers Directive to ensure the principle of 'equal pay for equal work', and with the initiative of the European Labour Authority the issue of the balance between the economic freedoms in the internal market and social rights is increasingly drawn into the Pillar process.

In previous work (Garben 2017), I have highlighted the existence of a constitutional imbalance between 'the market' and 'the social' in the EU. I explored three areas of EU law, focusing on how 'the market' and 'the social' are being balanced and by whom, whether there is an imbalance in the overall outcome, and to what extent that outcome can be legitimised. I found that in the area of EU social law, the constitutional configuration of the Treaty's Social Title -with in particular the central use of legislative process through the Community Method and the Social Method - ensures balance and, moreover, legitimacy. In contrast, in the internal market and economic governance, the balance between 'the market' and 'the social' has been decisively struck in favour of the former, to such an extent that it affects the overall balance of these values in the EU polity, and this outcome is not the result of democratically legitimate procedures but instead of judicial and executive decision-making respectively. In the internal market, the CJEU decides on highly sensitive political, socio-economic questions in its application of the prohibitions on restriction to free movement (often interpreted as pure economic freedoms), displacing the national legislative process but to a certain extent also the European one – in that a range of political and legal factors make upwards social re-regulation by the EU exceedingly difficult in an area 'liberalized' by the Court's case law (Scharpf 2010). In economic governance, national regulatory autonomy is severely constrained through substantive decisions taken by executives at the EU level, but outside the systems of checks and balances of the Community Method. It was argued that to address this, we should structurally re-empower the legislator vis-à-vis both the executive and the judiciary, at the European and the national level.

How does the European Pillar of Social Rights fit into the picture? As I have argued elsewhere (Garben 2018), the Pillar does not (and cannot) in itself resolve this problem. The most important social decisions continue to be taken not in the context of the Treaty's Social Title, but in the internal market and economic governance, and these decisions prioritize the market over the social and remain democratically deficient.

While, as stated above, the Pillar has to be seen alongside the revision of the Posting of Workers Directive to ensure the principle of 'equal pay for equal work', as well as the proposal for a European Labour Authority, the Pillar cannot fundamentally address the displacement of democratic social decision-making to the judiciary in the internal market. It would seem that only a fundamental change in the case law (either initiated on the CJEU's own motion or through Treaty amendment), would be sufficient (Barnard 2009, Scharpf 2015). To some promise, in the specific area of posted workers, the Court has adjusted its stance on national wage standards to a more moderate approach in the *Elektrobudowa* and *Regiopost* cases, allowing more leeway for host Member States to impose minimum pay conditions. In other areas, however, the internal market freedoms continue to receive precedence over labour protections, such as the *Commission v Spain* judgment on port labour, and recently in *AGET* concerning Greece's legislation on collective redundancies. As for the EU Legislator, while it managed to amend the Posting of Workers Directive to allow more space for the application of social standards, proposals in other areas, such as on the services e-card, undermine such attempts to 'socialize' the internal market.

Regarding economic governance, one may think that the Pillar has more of a potential to address the structural problems. After all, part of the Pillar's implementation is through the European Semester, and precisely aimed at improving the social dimension of the EMU. This is, in fact, presented as the official rationale for the initial focus of the Pillar's application to the Euro area. But while this could further the substantive 'socialisation' of the European Semester (Zeitlin and Vanhercke 2014) through the inclusion of a range of social benchmarks and objectives in the yearly recommendations cycle and their follow-up (along the lines of the trend started a few years ago to include social considerations concerning poverty, minimum wages and income in the Semester), I agree with Costamagna 2019 that the overall framework remains oriented towards financial sustainability. It thus will remain to be seen what approach will be taken in the 'hard cases', where a certain social objective cannot easily be defended from an economic viewpoint and instead implies a trade-off. Indeed, stakeholders such as the European Anti-Poverty Network have noted[7] that while the implementation of the Pillar through the Semester should in general be welcomed, the process

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[7] https://www.eapn.eu/wp-content/uploads/2017/05/EAPN-2017-EAPN-CountryReports-Assessment-1133.pdf

overall still needs to 'shift the narrative from austerity to social investment in social rights and standards, and finance adequate and sustainable welfare states through tax justice and progressive taxation'. Furthermore, the most important social damage has been done in the context of the Euro-crisis measures, and the national reforms effected under Troika auspices remain in force. And in any event, the Pillar does not change anything about the legitimacy problems inherent in the current decision-making process of European economic governance, which remains executive-dominated and excludes genuine parliamentary participation. The highly sensitive, political nature of the issues being dealt with necessitate a more robust democratic approach than a signing-off by the Council, and this is not something the Pillar can resolve.

Nevertheless, even if the Pillar cannot by itself address the EU's most fundamental social-democratic problems, the Pillar does help rebalance the EU's output by reviving the use of the Treaty's Social Title provided that the envisaged implementing measures are indeed successfully adopted. Especially the legislative proposals, both the re-packaged pre-existing ones and the new initiatives, would significantly improve the level of social protection of many European citizens, and would respond to a number of social challenges that have reared their head particularly since the onset of the economic crisis, such as labour market precarity.

This finding serves to underline how important the legal competence provided in the Social Policy is for the construction of Social Europe. Over the past decade, output had been meagre, especially in terms of legislation. Since the adoption of the Temporary Agency Work Directive in 2008, itself the result of two decades of arduous debates and negotiations, there has been little EU legislative action undertaken on the basis of the Social Policy Title. Various well-known factors of both a political and constitutional nature have contributed to this sense of social displacement: EU enlargement has made EU decision-making more complicated particularly in this area by increasing the number of countries leaning towards a 'Liberal Market Economy', whose bargaining position has been further strengthened by the CJEU's judgments on national social standards in the context of the internal market as discussed above, national parliaments have proven an additional hurdle since the Lisbon Treaty's introduction of the Early Warning System, and the financial crisis made the economic and political case for maintaining (let alone raising) social standards more difficult on both the national and European level. The Pillar itself can be seen as testimony to the change in some of these underlying factors, particularly the different ideological orientation of the current Commission and the Member States, partially on the back of economic recovery, and – possibly – a decrease in the bargaining power of the Liberal Market Economies in EU decision-making in the wake of the Brexit-referendum.

Conclusion

As one commentator has noted, the Pillar 'entails some meaningful developments for social […] progress. However, its current form and content represents an adjustment to, rather than a transformation of, the unequal European economy and society' (Plomien 2018). But what it does do, should also be recognized, namely significantly boosting the EU's social credentials in a time where the EU needs a positive post-crisis narrative (Barnard and de Baere 2017) going into the European elections. If effectively 'implemented', which depends not only on the current political powers but also the ones to take over, the Pillar will significantly improve the level of social protection of many European citizens, which is something to celebrate.

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Towards a European Social Union?

A Rokkanian-Mephistophelian remark

Martin Heidenreich

Introduction

Ferrera (2018 - This issue, pp.12-26) proposes to construct a European Social Union (ESU) as a counterpart of the Economic and Monetary Union (EMU). This social union is based on already existing pillars: the national welfare states, transnational forms of harmonisation and coordination of national systems, the creation of new membership rights, supranational redistributive and regulatory EU social policies and fundamental European social principles. Given the depth of the financial, Eurozone, migration and Brexit crises in the last decade, this proposal raises two questions: Did the already existing institutions and rights contribute to the improvement of the living conditions of Europeans or did they at least prevent serious negative impacts of the European integration? And what could contribute to better, more convincing forms of social protection envisioned by Ferrera and his colleagues?

First of all, it has to be stated that the heterogeneous architecture (or "holding environment") of existing national, transnational and supranational welfare institutions, social rights, and resources did not imped the "double dualisation" (Heidenreich, 2016; Palier, Rovny, & Rovny, 2018) of living, income and employment conditions in Europe during the last decade: The discrepancies both between EU and Eurozone member states – in particular due to the increasing unemployment rates in Southern Europe – and between different fractions of the labour force, in particular between younger and older, unskilled and skilled, migrant and domestic employees, has strongly increased. And this cannot be attributed only to national or global determinants external to the benevolent, Nobel-prize-worthy existence of the EU. The double dualisation of the European labour markets is also the result of EU policies.

The most important and recent example of such the EU impact of social inequalities is the Economic and Monetary Union (EMU), which led to the abolition of the previous monetary buffers between the member states of the Eurozone. Due to the absence of a common fiscal policy and a centralised budget in the EMU (Preunkert, 2015), the labour markets in the Eurozone countries became the most important buffer against economic shocks. The result is increasing labour market inequalities in particular between northern and southern European countries and between labour market insiders and outsiders (which we have termed "double dualisation"; Heidenreich, 2016). An example of the dualisation between European countries is the labour market inequality between Southern and Northern European countries. While the unemployment rates of Germany and Greece were nearly identical at the beginning of the Great Recession (8.5 % versus 8.4 % in 2007), Greece's unemployment was five times higher than Germany's in 2014 (26.5 % compared to 5.0 %; Eurostat, table une_rt_a). The unemployment rates of Spain were 16.3 percentage points, of Cyprus 12.2 percentage points, of Ireland 6.9 percentage points, and of Portugal 5 percentage points higher than before the crisis.

Another facet of the dualisation of European societies are the increasing gaps between native and migrant, unskilled and qualified, young and old employees. In an exemplary way, Figure 1 shows the increasing low wage, unemployment and temporary employment risks for young workers (20-25 years) compared to prime-age workers (25-54 years) from 2005 to 2014 (Figure 1). After taking into account the heterogeneous composition of the labour force, the unemployment risk of young workers compared to older ones was in 2008 about 12 percentage points higher in the crisis countries of the Eurozone (Italy, Spain, Greece, Cyprus, Portugal, and Ireland), and 5.5 percentage points higher in the other Eurozone countries indicating the higher segmentation of (mostly) Southern European labour markets. In 2014, the age gap in the risk of unemployment rose significantly to 25 percentage points in the crisis and to 10 points in the other countries. Hence, the already highly segmented labour markets of the crisis countries are now even facing a higher relative risk for the young than before the crisis. In the same period, also the relative risk of being temporarily employed was 32 percentage points higher in the crisis countries. The risk of earning a low wage in 2014 was 24 percentage points higher for younger workers compared to prime age workers.

These two facets of increasing inequalities between and within Eurozone member states indicate that the labour market was the most important buffer against the crisis in the EMU. While the economic integration in Europe has gradually decreased social inequalities between European nation-states until 2008, this convergence has been partially reversed by the Great Recession of 2008/09 and the subsequent Eurozone crisis since 2010 (Beckfield, 2006, 2009, 2013, 2019). These increasing labour market inequalities are – as rightly mentioned by Ferrera (2018) and

Vandenbroucke (2018 - This issue, pp.2-11) – the result of EU decisions on the architecture of the EMU.

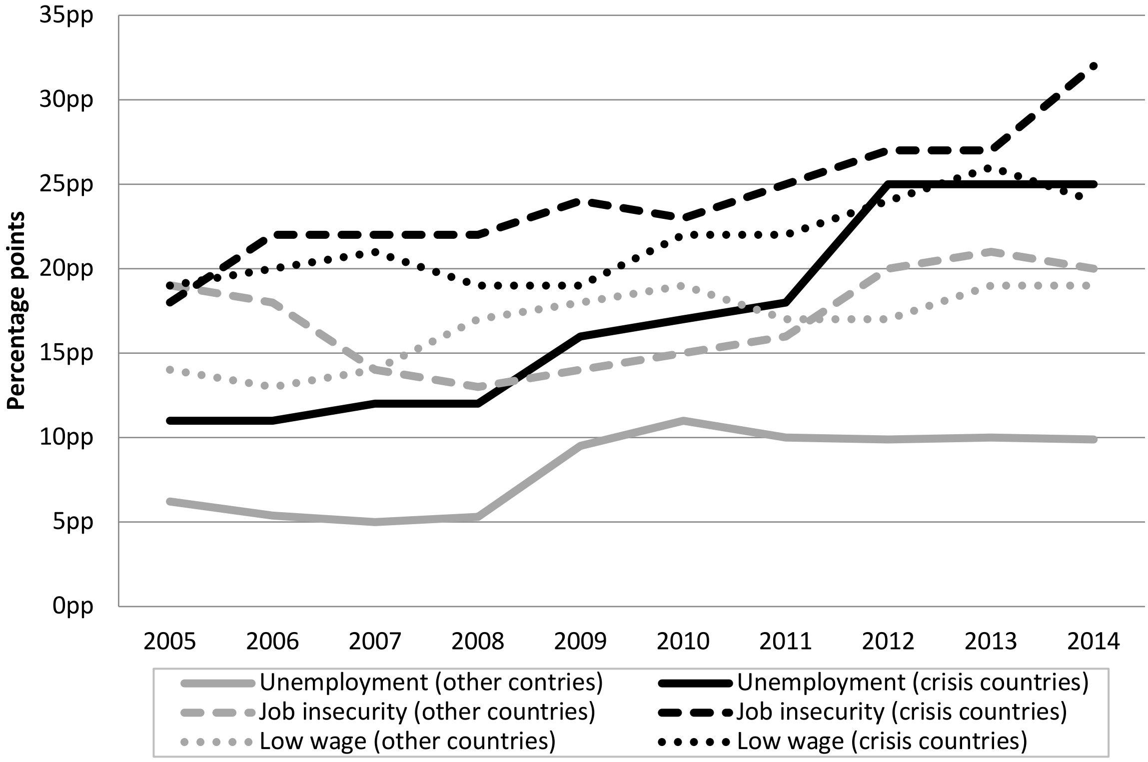

Figure 2: Age gaps in low-wage, unemployment and job-insecurity risks in the crisis countries and other Eurozone countries

Source: EU-SILC 2005-2015, calculations by Sven Broschinski and Matthias Pohlig. The risk of younger in contrast to core employees is calculated on the basis of binary logistic regression models for each year controlling for the individual health status and household type, i.e. single parent, single person, adults without children, adults with children. The coefficients in the figure are average marginal effects, which can be interpreted as percentage changes in predicted probability. We designate Cyprus, Greece, Ireland, Italy, Portugal and Spain as 'crisis countries', because they have been most strongly affected by the financial and Eurozone crises.

Secondly, this raises the question how European forms of social protection (or an ESU) can be strengthened. Vandenbroucke (2018) and Ferrera (2018) discuss three different social mechanisms: Functional requirement, solidarity and power. These mechanisms will be discussed in the following starting with the first one. It is convincing that Vandenbroucke (2018) proposes similar to Ferrera (2018) the ESU as an "insurance union" which centralises "not only centralise risk management concerning banks, but (…) also (…) unemployment insurance." Therefore, these authors want to legitimise the ESU by reference to the functional complementarity of a social and a monetary union. At first glance, this is a convincing starting point for legitimating the strenghtening of the ESU. But such a proposal does not only overlook functionally equivalent solutions, but it risks also committing a classical functional fallacy. On the one hand, there is no necessary link between monetary unification and the ESU. The European unemployment insurance mentioned by Vandenbroucke (2018) is only one example for an automatic stabiliser. Basically, a completion of the monetary union requires the Europeanisation of fiscal policies and capacities, as proposed by Macron (2017) and as already shown by Mundell (1961) and Friedman (1997). A European fiscal policy is not limited to the field of social policy. On the other hand, not everything what might be seen as necessary takes really place. Researchers may convincingly argue that an Europeanisation of social or fiscal policies is a necessary basis for a currency union. Currency unions should deal centrally with the risk of public debt defaults, with the risk of private and in particular bank insolvency and with asymmetric economic cycles (Shambaugh, 2012). This requires a central bank which functions as a lender of last resort and different types of fiscal stabilisers for allowing the recapitalisation of banks ("banking union") and the bailout of highly endebted territorial communities ("European Stability Mechanism"). Unfortunately, the proof that a stable currency union depends on a Europeanisation of fiscal policies, does not result in such Europeanisation – as the still deficient institutionalisation of the Eurozone (Preunkert, 2015), the dualisation of social inequalities and the immense damage done to the social cohesion of the EU show. Therefore, functional necessity is not be a sufficient basis for the strengthening of an ESU.

Transnational solidarity, another social mechanism mentioned by Vandenbroucke (2018) and Ferrera (2018), may be another basis for the ESU. Such an argument, however, might run into the risk of assuming that attitudes are a reliable basis for social practices. In addition, it might confuse solidarity between people with solidarity between states. Solidarity among Europeans might not be stable and reliable basis for a "solidarity (…) between Member States" (Vandenbroucke, 2018). And the concept of solidarity among states might be strongly misleading at least in a realistic theoretical perspective. It might be more useful limiting solidarity to interpersonal relations – as proposed by the following definition - and not extending it to solidarity between states which is usually analysed as the realm of power and self-interest: "We usually comprehend 'solidarity'' as mutual vouching, to be found in people who are linked to each other by specific things in common. One is 'solidary' with those to whom one is close due to some common ground: a shared history, shared feelings, convictions or interests. In this sense, a particularistic - maybe even exclusive - dimension is inherent in the general use of the term solidarity." (Bayertz, 1999, p. 8) Therefore, it is not clear if and how the declared solidarity between Europeans reported by Gerhards, Lengfeld, and Häuberer (2016) and Gerhards and Lengfeld (2015) can be used as a basis for an institutionalised solidarity among states.

A third social mechanism mentioned by Ferrera (2018) might be a more reliable basis for a ESU: power. Ferrera (2018) rightly refers to the role of power ressources and power relations as the consequence and as a prerequiste of the establishment of social rights. However, it is not clear if the declaration of European social rights is sufficient base of the practical realisation of these rights. This raises the question which power resources might strengthen transnational social rights. On the basis of the previously reported double dualisation of European labour markets, we assume that an answer to this question has to look for dynamics which might empower peripheral countries and labour market outsiders by providing them a better access of them to power resources.

An answer can be based on the earlier, pre-Weberian works of Maurizio Ferrera. A Rokkanian dynamic of boundary building and internal structuring (Ferrera, 2003; Rokkan & Flora, 1999) might contribute to the legitimation and establishment of an ESU. This argument starts from the observation that EU and Eurozone member states do not have any more realistic options of leaving the EU or the Eurozone after having acceded to it (in spite of the famous article 50 of the EU Treaty). This has been shown by the events in 2015 when the new Greek government reflected on the possibility to leaving the Eurozone, and the difficulties of the UK in leaving the EU (2016-2019). It has become clear that these exits result in prohibitively high costs in four dimensions:

a) They might revitalise border conflicts which had been put at rest due to the common EU membership and a usually pragmatic collaboration within the EU. Currently relevant examples are the border disputes between the UK and Ireland or between various Balkan states.

b) Leaving the customs union and the single market will seriously damage the manufacturing industries by threatening transnational production chains with tarifs, non-tariff barriers and delayed supplies.

c) The interruptions might even be more serious in service trade, even if services are not dependent on customs checks or on ports in Dover and Calais. Sir Rogers, the former UK Permanent representative to the EU, has convincingly argued that both the size and the share of the British service trade and the regulatory gap between the single market and all existing free trade agreements (FTA) will lead to serious damages for the British economy:

> *"Where services represent 80% of the economy and tradeable services much the fastest growing element of our trade; where barriers to services trade are all about regulatory architecture. And where the difference between commitments which are at Single Market levels and those in an FTA on Canadian lines could represent the loss of a very substantial percentage of our current total services exports to the EU." (Rogers, 2019, p. 14)*

d) In a similar vein, the debate in 2015 on the consequences of a Greek exit from the Eurozone has shown that the introduction of a local currency (for example, a new Drachme) in a former Eurozone member state will result in general in an immediate sovereign debt default and in the insolvency of many domestic companies, because the new currency will rapidly devaluatem while previous debts will often still be denominated in Euros.

In sum, the strong political, economic and monetary integration has effectively created an EU border which prevents the exit of EU and Eurozone member states. An indicator for this boundary consolidation is that since the start of the Brexit chaos none of the populist parties in the EU raised the issue of leaving the EU again. If even a big, wealthy, stable, well-organised and globally integrated country as the UK does not succeed in leaving the EU without major frictions, it will even harder for other countries.

As Stein Rokkan and Maurizio Ferrera have argued, the successful establishment of an external boundary increases the pressure for an internal structuring. Taking the historical example of European state and nation-building processes, Ferrera (2003, pp. 615–616) has distinquished four phases of such a "bounded structuring" : "State building, nation building, mass democracy, and redistribution are the four ingredients and at the same time the four time phases of territorial system building in modern Europe." These Rokkanian insights of Ferrera can be combined with his current Weberian emphasis on the role of power by asking which power resources can contribute to such a "bounded structuring" at the transnational level. Perhaps the emerging cleavages and struggles between cosmopolitain and populist-national movements (Kriesi et al., 2006; Kriesi & Pappas, 2015) might provide an answer – similar to the class struggles in the 19th century which also contributed to the creation of the first social insurances. However, the reference to the cosmopolitain-populist-nationalist cleavage in combination with the brutal impact of the decade-long financial and Eurozone crisis on the European labour markets is a somewhat mephistophelian logic: Can the "Power that would Always wish Evil, and always works the Good" (Goethe, 2003, p. 56) contribute to the transnational strenghtening of social rights?

Indicators for such a mephistophelian dynamic are first of all, that populist parties now are trying to dominate the EU discourse (and the European parliament), because an an exit from the EU or the Eurozone is no longer a viable option even for Eurosceptic parties. Second, the projects of these parties might also reflect the social interests of their voters and populations – even if some of these projects (the Brexit, early retirements, or the fight against refugees and migrants) might be against the material interests of the groups who voted most decisively for these options. Third, other parties might react also to these populist challenges and to the gap between loosers and winners of Europeanisation processes (Recchi, 2019). Fourth, also the EU institutions might reflect more on the social consequences of liberalisation strategies or the insistence on the Maastricht ordodoxy, for example by the redefinition of the policies of the European Central Bank, which since 2012 ("whatever it takes") tried to reduce the burden of the highly endebted Eurozone. The role of the non-bailout principle (Article 125 TFEU) might be gradually reduced due to the destructive impact of the financial and Eurozone crises on European labour markets. Fifth, also at the national level, the issues often raised by social movements all over Europe might be taken more seriously, in particular the increasing social and territorial inequalities between booming capital regions and desindustrialised or rural regions. An example are the "gilets jaunes" ("yellow vest") protests in France. In sum, the deep frictions in the aftermath of the financial and Eurozone crises and the related crisis of legitimacy might lead to a higher consciousness for the gap between the winners and loosers of Europeanisation processes. In the best of all worlds, this might be the power basis for stronger and more integrated ESU.

The only problem of such an argument is that Mephistopheles might not be the best advisor and architect of an ESU. He might prefer "illiberal democracies" and populist, eurosceptic, nationalist or even xenophobic and antisemitic positions, he might prefer the construction of new boundaries and walls, forcing universities out of the country, undermining the independence of constitutional courts, designating refugees as terrorists, German chancellors as Nazis, civil servants as "unelected bureaucrats", and cosmopolitains as "international elites", "citizens of nowhere", "party of Davos", "Jewish mafia", trouble-makers, speculators and "foreign agents" which are alienated from their compatriats. This has been highlighted by the Brexit decision which can also be interpreted as a rection to national austerity policies (Fetzer, 2018) and to the huge and increasing territorial gaps in England. Therefore, a less risky strategy of constructing an ESU is highly welcome. But I am afraid that a solemn declaration of a European Pillar of Social Rights at the Social Summit might not be sufficient for strenghtening the ESU.

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Who’s afraid of the European Social Union?

A contribution to the ESU debate

Anton Hemerijck

Introduction

The most competitive economies of the European Union (EU) spend more on social policy and public services than less successful ones. Knowledge economies and ageing societies require European welfare states to focus as much – if not more – on ex-ante social investment capacitation than on ex-post social security compensation. To make way and sustain for 21st century social investment progress, untold lessons from the Great Recession call for a transformation in the Eurozone governance regime from a ‘disciplining device’ over member welfare states into a European Social Union (ESU) as a ‘holding environment’ for active welfare states to prosper.

Re-engaging Europe’s double commitment

A decade after the first deep economic crisis of 21st century capitalism, Europe has passed the nadir of the aftershocks unleashed by the 2008 global downturn. Time to count our blessings: a rerun of the Great Depression has been avoided and recovery is under way. The jury is still out on whether employment growth will return to pre-crisis levels. Unemployment remains very high, especially, in the Eurozone economies most adversely affected by the crisis. The political aftershocks of the Great Recession, the rise of populism across the continent, Brexit, and illiberal nationalist turns in Hungary, Poland and Romania, confront the European Union (EU) with an existential crisis. Most precipitously, the EU’s fall from grace as an even-keeled project of regional economic cooperation, committed, in the words of the Lisbon Treaty, to the ‘social market economy’, fostering economic prosperity and social solidarity in tandem, within and between member states, has fueled anti-globalization discontent, rising national welfare chauvinism and increased support for xenophobic and popular anti-EU populist in national and European parliament elections.

Can Europe's unique 'double commitment' to inclusive social citizenship at the level of the nation state and progressive economic integration on the European level be rescued in the years ahead? Is there political room for a more assertive social reform agenda, bolstered by an EU policy instruments and institutions, to countenance both the 'efficient market hypothesis', falsified by the momentous 2008 financial crash, and the equally threadbare protectionist welfare populist backlash? These two questions figure prominently in Frank Vandenbroucke's (2018 - This issue, pp.2-11) introductory contribution the 'European Social Union (ESU) debate', followed by Maurizio Ferrera's (2018 - This issue, pp.12-26) call to craft a viable political roadmap for delivery, together with Manos Matsaganis' (2018 – This issue, pp. 119-130) warnings on the 'snakes and ladders' the detours ahead.

Reflecting on the prospects of a more robust ESU, at a time when the Commission is about to embark on an "excessive deficit procedure" against Italy's the populist coalition government of Cinque Stelle and the Lega over its flat-out rejection to further comply with fiscal commitments made by previous governments to lower Italy's public debt, can easily come across as earily out of synch with political reality. Ongoing blame gaming between Eurozone creditor and debtor countries continues to leaving the burden of keeping the single currency afloat entirely to the ECB. Additional finger-pointing between refugee frontline states and unaffected Central and East European countries anxious to protect cultural homogeneity, if need be, by trampling with the rule of law, does not bode well for enlarging the future political space for European solidarity. Still, numerous experts ponder on a European Monetary Fund (EMF), the introduction of an EU rainy day infrastructural investment facility, or a joint Eurozone unemployment re-insurance layer, as advocated by Frank Vandenbroucke in his contributions. Are these intellectual endeavors in vain? I think not.

Manos Matsaginis aptly reminds us that Lord Beverdge wrote his reports on full employment (1944) during the World War II when Winston Churchill's more immediate concern was ending the war rather than crafting the postwar consensus behind a more inclusive welfare state. Good ideas may not be expedient, but they are never wasted. Searching exploration may come in handy when additional contingencies appear. Taking heed from the Beveridge reports, the ESU debate should obviously start with a proper diagnosis of the 2008 crash, and the Eurozone crisis more in particular that follow suit. Concurrently, due attention should to the pace of transformative demographic and techno economic change and the inescapable depth of economic interdependence, fast-forwarded by European integration over the past three decades. In a nutshell, the Eurozone crisis critically exposed the naïve policy theory-in-use of deepening European economic interdependence without an effective safety net. By constitutionally committing the union to the no-bailout principle in fiscal policy and lowflation prerogative in monetary policy, the architects of the single market and the single currency thought that the European project was best served by disciplining member states to keep their 'wasteful' welfare states in check. From here on, cognitive inertia prevented a generation of European policy makers from recognizing that greater cross-national heterogeneity also allows for better joint-insurance, thereby raising and reinforcing the potential economic benefits of European integration, under the proviso of an adequate institutional apparatus of contribution enforcement and behavioral conditionality on the member states (Schelkle, 2018). To be sure, politically, in the European context of highly popular national welfare states, EU conditions of contributory obligations and/or behavioural constraints attached to potentially more effective European insurance instruments are not readily seen as fair and legitimate. The political myth of national welfare state sovereignty runs deep.

Any crafting a viable roadmap for the ESU, from this point of view, has to engage in an arena of strongy embedded audiences, from the cognitive expertise of the hegemonic market-making policy philosophy behind European economic integration, to the two-level instititutional division of labour between member states and EU institutions, based on the 'permissive consensus' of relegating social policy to the jurisdiction of the nation state and market and currency regulation to EU institutions, and, finally, unto European electorates with strong political sentiments about national welfare sovereignty. These are the fearful audiences with path-dependent privilege that ESU advocates have to persuade and convince with strong socioeconomic evidence and normative-political grounds. This is not undoable, as many post-crisis trends point in this direction, but they have yet to come together in a codified manner in the form of an assertive and articular ESU. In the subsequent paragraphs, I take on the staying power of prevailing cognitions, institutional orientations, and national political sentiments from the perspective of a number of untold lessons learnt from the Great Recession and the Eurocrisis aftermath. I finish with a modest proposal to give the ESU much needed policy bite.

Untold lessons from Europe's experience with the Great Recession

When ten years ago the global financial crisis reached Europe, it did not cause immediate unrest. In 2008, the sentiment was that the European economy was in relatively good shape, with overall sound public finances, low inflation, and gradually rising levels of employment. Soon, however, it proved imperative for Ireland, the Netherlands, the United Kingdom, and Spain to salvage quite a few – 'too big to fail' – international banks and insurance companies, that were heavily implicated in the US credit bubble that burst with the fall of Lehman Brothers. Overnight increases in public deficits and national debt, European political leaders quickly agreed, could only be restored by further sobering up the welfare state, especially so after the Greek fiscal crisis threatened to break up the euro. With some delay and procrastination, EU leaders and institutions managed to avoid the collapse of the Eurozone economy, with quite unorthodox crisis management, principally by ECB after 2012. Arguably, for reasons of cognitive inertia, the most successful feat of mid-twentieth century social engineering – the European welfare state – was mistakenly left in disregard in the crisis management exercise.

With the benefit of hindsight, it is evident that the countries that were best able to absorb the economic and, more particular, the social aftershocks of the financial crisis the best, were the more inclusive welfare states of Northwest Europe, from Finland and Sweden to the Netherlands, Germany and Austria. This should not really surprise us, as the post-war Keynesian-Beveridgean welfare state was designed precisely as a shock-absorber to 'buffer' the macro-economy at large and household incomes at the micro-level in the case of a sizeable financial crisis. Ignorant of the proficiency of strong safety nets, mainstream post-2008 crisis management, essentially harked back to stagflation crisis in the 1970s and 1980s, advocating welfare retrenchment and labor market deregulation on the presumption that 'moral hazard' and 'adverse selection' predicaments of generous benefits and strong job protection thwart efficient labor market allocation. Admittedly, the cost-containment policy response was adequate in the 1980s with benefit levels trending up to 80% percent of last earner wages without activation requirements. But even then, countries like Denmark and Netherlands, opted for a 'flexicurity' policy mix – labor market flexibility in combination with inclusive, but highly activating, social security, which proved surprisingly proficient in raising (especially female and older worker) employment without dismantling social insurance commitments, including pensions. Notwithstanding Danish and Dutch successes, in mainstream OECD policy thinking the 'flexicurity' success was instantly relegated to the world of 'exceptions to the rule' of subtractive labour marke flexibility and lean welfare provision (OECD, 1994; Hemerijck, 2013). Moreover, in the European context, fighting inflation, balanced budgets and market liberalization gained constitutional privilege in EU Treaties. As the single market and the single currency were negotiated at a time when the 'supply side' revolution in macroeconomics was riding high, the architects of the Single European Act (SEA) and the Economic and Monetary Union (EMU) naïvely presumed that wider and deeper economic integration would inescapably discipline member states to keep their 'wasteful' welfare states in check. The presumption was that the obligations to keep public deficits below 3% GDP and government debt under 60% of GDP, in complete disregard of the composition of public spending between infrastructural investments or more consumprive outlays, would ultimately foster EU-wide socioeconomic convergence.

The Eurozone crisis further exposed the weakness of the market-making theory-in-use of deepening economic interdependence without a safety net to preempt the ‘moral hazard’ and ‘adverse selection’ quandaries from festering across member countries (Pisani-Ferri, 2014). In the early year of the euro, Germany undershot the ECB’s inflation target. At the same time, the Mediterranean countries and Ireland struggled with high inflation at fortuitous catch-up growth. Although Spain and Ireland continued to adhere to fiscal conservatism, lower interest rates and easy credit stimulated a construction bubble, financed by massive private debt, which ultimately burst. For Italy and Greece, with their troubled public finances, a different scenario unfolded. After they had secured safe entry into EMU, ‘structural reform’ incentives waned as public borrowing grew excessively cheap. Paradoxically, membership to EMU acted as a ‘reform tranquilizer’, reducing rather than reinforcing pressures to enact structural reforms to bring their fiscal houses in order. As a result, capacitating, social investment oriented, welfare reform never took off where it was needed the most, in the Southern periphery of insider-biased labour markets and male-breadwinner pension-heavy welfare states.

The further deepening of the euro crisis reveals how profoundly interdependent the European political economy had become and at the same time how difficult it had also become to manage EU institutions in hard economic times. The Greek fiscal crisis of 2010 spread contagion risks to EMU sovereigns in fiscal duress, such as Italy, Spain and Portugal, countries that found themselves trapped in a “bad equilibrium”, unable to respond to problems in their national banking system, but also incapable of mitigating rising unemployment through countercyclical buffers, due to lack of fiscal space, high public debt, and fragmented safety nets, further dampening the prospects for recovery (De Grauwe, 2011). Unsurprisingly, the ‘straightjacket’ solution deepened competitive divergences and social imbalances, with mass (youth) unemployment, rising (child) poverty and a widening intergenerational divide, thus further defeating the very purpose of fiscal austerity, as prescribed by the Commission, the ECB and the IMF. Next, the social crisis spilled over into a political backlash with ‘creditor’-countries calling for a tightening of the fiscal straitjackets on 'debtor'-countries in the Eurozone periphery, fueling, in turn, the rise of anti-EU populism. To the extent that the Great Recession did not end in a deep depression, as in the 1930s, it is because, on the one hand, E(M)U countries with more inclusive safety net ‘buffered’ the shock proficiently, and, on the other hand, because responsible policy makers ultimately dared to breach the doctrines enshrined in the treaties, and make way for the rescue of Greece, Ireland, Portugal and Spain, backed by unorthodox ECB monetary policy. Only when the ECB announcement its program of Outright Monetary Transaction (OMTs) was confidence in sovereign bond markets restored and the downward spiral broken.

For four decades, government interference in the economy was seen as detrimental to dynamic dynamism, but since 2008 the mixed economy is back, but not with a vengeance rather as a blessing in disguise. And while state intervention in monetary policy and financial regulation has been restored in the wake of the Eurocrisis, there is, more troublesome, no equivalent intellectual revival of the welfare state, contributing to economic security and political stability in times of need, underway. The present condition conjures up a gaping cognitive and empirical failure! Today the most successful European economies, according to the Global Competitiveness Index of the World Economic Forum (WEF), are high-spending welfare states, including, Finland, Germany, the Netherlands, and Sweden, with levels of social spending hovering between 25 per cent and 30 per cent of GDP and between 30 per cent and 50 per cent of public spending (Hemerijck and Ronchi, forthcoming). Figure 1 surveys a selection of 22 EU countries and the US according to their employment rates and levels of equality after taxes and transfers (we use the reverse Gini index), while also giving an idea of the size of each country's welfare state in terms of public social spending (the larger the surface circle, the 'bigger' the welfare state) (Hemerijck and Ronchi, forthcoming). The 1980s notion of an inevitable trade-off between economic efficiency and social equity, coined by Arthur Okun (1975), no longer applies to many advanced 21st century economies. If anything, the trade-off logic today appears the exception rather than the rule. Countries showing record employment levels are today among the bigger welfare spenders. The encompassing welfare states of Northern Europe, with the partial exception of Finland, attain levels of employment well above the 70 per cent Lisbon target (dashed line). The same is true for the continental countries Germany, the Netherland, Austria and the Czech Republic, which have caught up rapidly in the last decade. The prowess of competitive welfare states, it should be emphasized, does not merely lie in their 'automatic buffering' capabilities. It seems that greater service intensity in welfare provision, in the areas of childcare, activation, training and long-term care, seems intimately related to high employment. Ex negativo, there are a few big spending welfare states, such as France and Belgium, that remain trapped in a 'welfare without work' predicament: they do well in terms of inequality, but have failed to raise employment levels, precisely because of a lack of capacitating family and employment services. Most worryingly, Southern European countries, especially Italy and Greece, face both low employment and high levels of inequality despite high overall welfare spending. In short, the evidence that high social spending correlates with competitiveness, high employment and low (child) poverty, presses us to cognitively reconsider, not merely the quantity of social protection spending, but even more so the quality of capacitating social services, in the ESU debate.

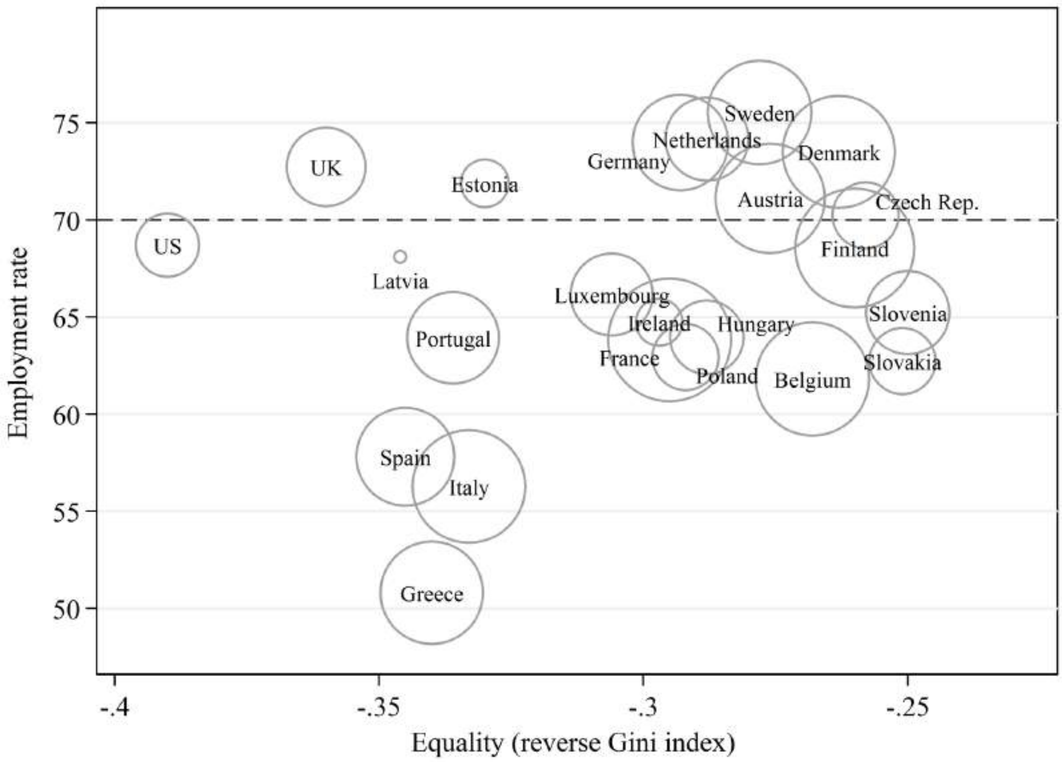

Figure 3. Employment rate, equality and the 'size' of the welfare state in the US and in selected European countries (year 2015).

Note: The size of the bubbles in the graph is proportional to welfare spending in each country, ranging from the 'smaller' welfare state in Latvia (14.4 per cent of the GDP) to the 'biggest' in France (31.7 per cent of the GDP). The dashed line indicates the Lisbon employment target (raising the employment to or above 70 per cent).

Source: OECD.

Prioritizing social investment in the European Social Union

Admittedly, the Juncker Commission has taken on an ambitious swath of social policy initiatives, consistent with my observation above, including the *Youth guarantee*, *the ErasmusPro initiative* for cross-border initiatives, the *New Skills Agenda for Europe*, the *European Pillar of Social Rights*, the Social Scoreboard for assessing progress towards a social *'triple A'* for the EU. However, many initiatives have been pursued in an uncoordinated ad hoc manner. And what's more, time and again, concerns about inequality, poverty and mass (youth-)unemployment are relegated to 'auxiliary' status, and subordinated to the Six-Pack (2011), the Fiscal Compact (2012) and the Two-Pack (2013), prescribing balanced budgets irrespective of urgent needs. In spite of the post-crisis lip service paid to social investment by the European Commission, the 'default' policy theory of market liberalization, balanced budgets, hard currency, and welfare retrenchment, has not not been subjected to more intense scrutiny, with the exception of financial re-regulation and unorthodox monetary policy intervention, mentioned earlier. Beyond lipservice, in terms of 'revealed preference', EU institutions were not really ready to defend the 'productivity-enhancing', 'participation-raising', 'employability-friendly', 'family-capacitating' social investments for the greater good of a more prosperous, equitable and caring Europe. This goes to show how much current economic and social imbalances are tied to embedded policy thinking and practice, for which there are no quick fixes on offer.

In Frank Vandenbroucke inspiring and incisive contribution to the ESU debate, the proficiency of advancing in the direction of some kind of of 're-insurance scheme' for national unemployment insurance systems, to provide fiscal breathing space for countries asymmetrically affected by a downturn, acting as an automatic stabilizer, especially for the Eurozone, is given considerable pre-eminence (see also Andor, 2016; Beblavy et al., 2015; Dullien, 2014). I fully agree with his focus on the Eurozone, as indeed the EMU deliberately lacks the option of currency devaluation as a safety-valve in the case of an intrusive economic shock. For a sustainable currency union, it follows, there is an obvious need to reflect on alternative fall-back options. An added advantage to Vandenbroucke proposal is the intimate affinity with arguments about the Banking Union and the Capital Markets Union, which are increasingly framed as Eurozone re-insurance devices, not least by Mario Draghi (2018). Recent developments towards completing the banking union and the capital markets union all highlight the importance of ex ante and ex post collective risk-sharing insurance mechanisms to provide for significant stabilization that can help offset major losses in recession-hit regions with gains in the better performing parts of the currency union, while at the same being able to continue to provide credit to sound borrowers. The overriding important – Keynesian – lesson from the European experience of the Great Recession was the unavailability of a policy instrument for Eurozone shock absorption. However, the experience of the Eurocrisis also suggests that novel risk-reducing and risk-sharing instruments are not easily accepted by all the relevant actors at both the national and the Eurozone level. Notwithstanding trials and tribulations, there is progress underway. The European Stability Mechanism (ESM) and OMT have been effective in keeping the Eurozone together, while regulatory reforms have strengthened the banking sector with highly leverage ratios, and the creation of a banking union has brought about a more uniform approach to banking supervision and the new EU resolution framework has shifted the cost of bank failures from sovereigns onto private financial institutions themselves.

Notwithstanding progress in financial regulation and monetary policy, there is a real need for additional fiscal instruments to stabilize the economy during large shocks to the system. To the exent that inclusive social security is evidently more robust in buffering asymmetric shocks, in comparison to any kind of banking resolution mechanism currently under discussion, there is room to generalize a re-insurance logic to the Eurozone collectivity of national welfare states partaking in the currency union. If such an EMU social re-insurance mechanism could be layered on top of existing national safety nets, all the participating member countries would – in theory – be more protected and thus better able to bounce back and recover in the aftermath of an sizeable asymmetric economic crises. But there is an institutional twist to this argument of utmost importance.

A central institutional predicament for any effective Eurozone social re-insurance facility, Vandenbroucke acknowledges, impinges on the specific designs of the partaking national unemployment insurance systems, particularly with respect to the extent to which prevailing social security systems are able to buffer large cohorts in the working-age population. As such, Vandenbroucke concedes the need for some minimal institutional convergence in the scope and operational routines of national social insurance systems for the smooth operation of the envisaged Eurozone unemployment re-insurance, touching on social security coverage, activation support, minimum wage legislation, income protection for households with a weak attachment to the labour market, etc. An additional concern is that social insurance systems typically protect insiders rather than outsiders. From the perspective of prevailing socioeconomic imbalances, arguably, outsiders, ranging from youngsters, women, and the long-term unemployed, rather than insiders, have disproportionately borne the brunt of the social aftershocks of the crisis. In addition, a Eurozone social re-insurance layer, however much effective in the event of future asymmetric shocks, does little to address the problem socioeconomic divergence, exposed by the Eurocrisis.

Somewhat in passing, Vandenbroucke confesses that 'space forbids' him to elaborate on social investment, which he strongly advocates in numerous other publications (Vandenbroucke, 2002; Vandenbroucke and Vanhercke, 2014; Vandenbroucke, 2017; Vandenbroucke et al., 2011; Vandenbroucke and Hemerijck, 2012). Indeed, at first sight, social investment, understood as a capacitating supply-side welfare reform strategy does not come across as immediately relevant to the demand-side solution of a Eurozone facility that reinsures national social insurance systems in times of demand-deficient mass unemployment. However, in light of the evidence surveyed before, I would not like to discard the importance of social investment reform for macro-level effective demand, especially in terms of (female) employment and micro-level household resilience inherent to the shift to dual earner families. In addition, there is an argument to be made that social investment progress could help resolve the institutional predicament of minimal welfare state and labour market convergence.

I fully concur with Frank Vandenbroucke that the Eurozone needs urgently redress the 'bad equilibria' exposed by the Eurocrisis, and indeed to shift gears to welfare reforms that contribute to more sustainable socioeconomic convergence. Central to the long-term financial sustainability of the welfare state is the number (quantity) and productivity (quality) of current and future employees and taxpayers. To the extent that welfare policy in a knowledge economy is geared towards maximizing employment and employability and productivity, this helps to sustain the so-called 'carrying capacity' of the modern welfare state (Esping-Andersen et al., 2002). With the massive expansion of women's employment over the past quarter century, the work-income-family nexus is very much the 'lynchpin' of the social investment paradigm. More flexible labour markets and skill-biased technological change, but also higher divorce rates and lone-parenthood, make equal access to employment for women (economic independence) a prerequisite. Absent possibilities of externalizing child and elderly care, rising numbers of female workers face 'broken careers' and postponed motherhood, resulting in lower fertility, thereby intensifying the ageing burden in pensions and healthcare. Policies such as early child education and care (ECEC), education and training over the life-course, (capacitating) active labour market policies (ALMP), work-life balance (WLB) policies like (paid) parental leave, flexible employment relations and work schedules, lifelong learning (LLL) and long-term care (LTC), all share objectives that transcend the compensatory logic of income-support, originally developed to protect (predominantly male) workers and their (stable) families against market exigencies. The social investment approach tilts the welfare balance to social risk *prevention* rather than *compensation* in times of economic or personal hardship. The key objective is to break the intergenerational transmission of poverty through interventions that help 'capacitate' individuals, families and societies to respond to the changing nature of social risks, by investing in human capabilities from early childhood through old age, while improving career-life balance provision for working families, in particular for working women. Three complementary policy functions underpin the social investment edifice: (1) raising and maintaining the '*stock*' of human capital and capabilities; (2) easing the '*flow*' of contemporary labour market and life-course transitions; (3) using '*buffers*' such as income protection and economic stabilization as inclusive safety nets (Hemerijck, 2015; 2018). Aggregate evidence on welfare performance – before and after the crisis – indeed corroborates the effectiveness of social investment, as surveyed previously. Countries with strong and integrated portfolios of 'stock', 'flow' and 'buffers' policies are best able to reconcile economic competitiveness and social inclusion (Hemerijck and Ronchi, forthcoming).

Evidently, the human capital 'stock' function, referring to a broad set of capabilities, including knowledge, skills, intelligence, aptitude and health, features most prominently in the social investment perspective. By comparison, the post-war Keynesian-Beveridgean welfare state prioritised social protection 'buffers', while the conservative-liberal critique of the interventionist welfare state of the 1980s gave primacy to 'flow', understood as efficient labour market allocation, undistorted by the 'moral hazard' predicament of social benefits. In the social investment perspective, more critically, the relationship between the functions of 'stock', 'flow' and 'buffer' is not simply intimate; each of the three functions individually takes on a specific substantive disposition. In the social investment perspective, buffers are required to undergird far more volatile and precarious labour markets, and also to cover periods of training and more gendered childrearing and care obligations for frail family members. As such, the substantive emphasis is on 'inclusive' income protection 'buffers' rather than employment-related social security for labour market insiders. Similarly, while 'flows' in the conservative-liberal critique are premised on lean social protection and deregulated labour markets to ensure optimal market flexibility, satisfactory flows in the social investment perspective are inherently related to 'work-life balance' and 'family reconciliation' requirements, which entails an element of (re-)regulation of (gendered) employment relations. Finally, human capital 'stock' exigencies in both the Keynesian-Beveridgean post-war welfare state and the conservative-liberal critique of the interventionist welfare state from the 1980s did not reach far beyond compulsory primary and secondary education. By contrast, the 'stock' effort in the social investment perspective embraces a 'lifelong' commitment to human capital acquisition from early childhood to old age. It follows that for social investment to work, effective policy coordination is essential. Inclusive 'buffers', gender-family-balanced 'flows' and lifelong 'stocks' can be made to work together to produce synergetic effects. The resulting policy complementarity can be mutually reinforcing both at the time of delivery and longitudinally over the life course, and in addition, in terms of aggregative economic and social wellbeing (Hemerijck, 2018).

The notion of policy complementarity goes far beyond 'stocks', 'flows' and 'buffers'. In the past, welfare economists believed that the case for increasing government spending, beyond automatic stabilizers, was relatively weak. Again the aftermath of Great Recession reveals that expansionary an fiscal and monetary policies cannot realluy replace strong and inclusive safety nets. The US experience, with its on more aggressive fiscal and monetary policy stance of the US, as compared to Europe, seemingly has had a stronger effect on credit growth and asset price inflation than on overall job creation and economic security, inadvertently weakening rather than strengthening the structure of the US economy (Rajan, 2010).

It is my contention that social investment should figure far more prominently in the ESU debate. From a demand-side perspective, effective social investment reform can produce significant leaps forward in economic demand, both from the perspective of the macroeconomic performance and household income and social resilience. In the transition from a low-employment male breadwinner model to a high employment dual earner model, for both the Netherlands and Germany, policy combinations of (exposed sector) wage moderation, labour market liberalization, and worklife balance improvement and family services' expansion, not only contributed to significant service sector employment growth, but also more indirectly, through better labour market allocation and higher productivity, bolstered exposed sector competitiveness and growth, while, at the same time, making dual earner households – no longer dependent on single breadwinners – more resilient. Obviously, successes in dual earner household resilience, have to flanked with more target support provision for single-parent families.

Frank Vandenbroucke correctly raises the issue that any effective Eurozone reinsurance of national unemployment insurance systems requires some elements of convergence in key features of the participating member states' social and employment policies. This begs the critical question of how to fast forward requisite institutional convergence. Can an assertive Eurozone-wide social impetus help to prepare the way for improved institutional convergence, whereby, over time, 'enabling' and 'protective' policies reinforce each other to forster more resilient welfare systems. The extent that an assertive social investment impetus effectively contributes to institutional convergence, in terms of policy sequencing, this could pave the way, at a later stage, for layering the Eurozone social reinsurance facility on top of convergent social investment policy portfolios, to further bolster the overall resilience of the currency union. In my reasoning, therefore, *ex post* reinsurance has to follow *ex ante* investment progress, brought forward by an explicit Eurozone-wide policy strategy, which is the subject of the next section.

Exempting social investment 'stock' spending from the Stability Pact

EU institutions, and especially the Commission, should be given credit for raising the stakes of social investment over the past two decades. Against the tide of fashionable tragic trade-offs conjectures, ever since the Amsterdam Summit of 1997, the Commission contributed to build the edifice of social investment, from the stepping stones in the Lisbon Agenda of 2000 to a fully-fledged welfare paradigm with the publication of the Social Investment Package in 2013. In terms of political commitment, Frank Vandenbroucke and Maurizio Ferrera judge *the European Pillar of Social Rights* by the European Commission in 2017 as a key milestone in the direction of the ESU. The *Social Pillar* sets out 20 key principles, defined in terms of rights in support of fair and well-functioning labor markets and welfare systems. All in all, the 20 principles cover a well-balanced portfolio of 'fair-playing-field' social and employment regulatory provisos, including equal treatment, gender equality, work-life balance, health and safety, minimum wages and social security rights, while ample attention is also devoted to 'capacitating' social investment oriented rights, such as the right to essential public services, inclusive education and training over the life course, active labor market policy support, childcare and family benefits, the inclusion of people with disabilities, long-term care, and housing assistance.

Consistent with my previous argumentation, in terms of ESU delivery, I vouch for a strong reinvigoration of social investment reform, bolstered by a concrete EU-level initiative, embedded in a long-term monitoring progress exercise, than currently on offer in Commission reports and documents. My concrete proposal is to discount social investment human capital 'stock' expenditures from the fiscal criteria of the Stability and Growth Pact (SGP) and the Fiscal Compact in order to create the necessary fiscal space, within a bound of 1 to 2 per cent of GDP, for at least a decade. If we take the three social investment policy functions into consideration for the vantage point of a viable division of responsibilities between the EU and the member states, in thinking through an appropriate design of the EU impetus, then clearly the function of social security 'buffers', the core prerogative of national welfare states, jealously guarded by domestic politicians, clienteles and electorates, should remain in the remit of national welfare provision. The 'flow' function, concerning labor market regulation and employment relations, in synch with work-life balance and gender equality, with the aim of fostering adaptable family-friendly careers in knowledge economies and ageing societies, could conceivably be served rather well by mutual learning and monitoring processes, modelled after the Open Method of Coordination (OMC), engaging national ministries, EU administrative directorates, relevant expert committees and the social partners in sharing virtuous, but also more unfortunate, practices for domestic reform inspiration. This brings me to the overriding importance of expensive and lifelong human capital ‘stock’ investments.

Again, unfortunately, the Eurozone austerity reflex after 2010, has resulted in a public investment strike in the area of human capital stock capabilities, lifelong education and training, with significant negative spillovers for future growth, employment and productivity. Here is where the EU could press its formidable institutional weight without trampling on national welfare state jealousies. Granting more fiscal room (within bounds) on human capital ‘stock’ improvement to countries that have experienced excessive social and macroeconomic imbalances, would enable them to secure future-oriented financing of their social infrastructures of lifelong education and skill upgrading systems, before the ageing predicament becomes truly overwhelming, as is the case in most Meditarrenean member states. Exempting social ‘stock’ investments from SGP deficit requirements would render enlarged fiscal space to member state government wishing to pursue social investment reform, without trampling per se on Eurozone fiscal governance agreements. Given that current divergences are particularly large among EMU member states and problematic in terms the sustainability of the single currency, my proposal of discounting social investment ‘stock’ spending from the SGP should, like Frank Vandenbroucke’s social reinsurance facility, be targeted to the Eurozone. For countries struggling to commit to a balanced budget such exemptions could foster immediate gains in early childhood, female employment, improved work-life balance and reduced levels of early school leaving, without abandoning extant ‘buffering’ social protection commitments, with positive medium-term outcomes in employment growth, productivity through higher educational attainment, and ultimately a lower pension burden resulting from higher levels of employment.

Is this proposal any different from the Commission (2017) communication on flexibility in EU fiscal governance? Very much so; this for six – if not more – reasons. Politically, in the first place, the proposal is explicit substantively with a future-oriented social focus on long-term EU action, consistent with delivering on the ESU. We are not talking about some underspecified discretionary fiscal wiggle-room for countries in budgetary difficulties on a year-to-year basis. To wit, already the current flexibility clause of the Commission is looked upon with suspicion by some of the more fiscally austere Northern member states governments, currently organized under the so-called Hanseatic League of the Netherlands, Finland, Denmark and Austria. Second, the proposal concerns a concrete commitment on human capital ‘stock’ improvement, and is therefore easily monitored and more likely also to engender stronger member-state legitimacy to EU action. Third, in our era of nationalist resurgence, domestic reform ownership is crucial. That’s why in this proposal the political initiative explicitly lies with responsible national political actors with considerable freedom of policy choice. Italy and Spain could, inter alia, opt for the creation of immediate (and primarily female) jobs by making major investments in high quality childcare centers, while France would be able to pursue a radical improvement of its system of vocational education and training, based on the German example, and Belgium, the Netherlands and Slovenia could ramp up their rather regressive lifelong learning arrangements, after the Finnish model. The investment aid would strongly incentivise countries fiscally constrained to join the bandwagon of social investment reform, while conditionality would reassure countries in better fiscal shape. It goes without saying that discounting human capital 'stock' investments will have be closely monitored through the European Semester in terms of effective open coordination with regard to labor market regulation and employment relations that help ease labor market and life course 'flows' for individuals and families, together with progress towards make social security 'buffers' more 'inclusive' across the member states.

The third reason touches on the conundrum that political commitments to long-term investment, in a context of short-span electoral cycles, are very difficult to get off the ground. Especially today, there is need for institutional levers of more long-term orientation. Voters are most concerned about today's policy consequences than about longer term consequence, as they face important informational constraints to make prospective (rather than retrospective) inferences. Likewise, political elites' craving for popular consensus are also drawn into immediate problems. As political problems whose consequences have not yet emerged are less likely to emit attention-generating signals and are, as such, at a disadvantage in the political competition for investment decisions (Jacobs, 2011). Given that the EU is somewhat more shielded from immediate domestic political tussle, it potentially allows for a longer time horizon, as the partial successes of the single market and the single currency suggest. Mario Monti is purportedly to have labelled the EU as the "trade union of the next generation". Today, arguably, the EU, and more in particular the Eurozone, is not doing a very good job for its youngsters. However, given the relatively strong evidence of employment growth through upward social investment recalibration, this predicament of temporal inconsistency can possibly be breached by an EU policy strategy that allows member states to explicitly commit to long-term social investment. Fifth, anticipated institutional convergence through social investment progress, aligned with improved worklife 'flows' and more inclusive social security 'buffers', as I have argued above, can feature as a precursor to the introduction of *ex post* social re-insurance mechanisms, as suggested by Vandenbroucke, with the cumulative advantage of strengthening the long-term resilience of the Eurozone.

Finally, to the extent that, over time, the Eurozone would thus turn into a credible ESU, this would surely attract, not so much the likes of Vitor Orbán and Jaroslow Kaczyński to join the Eurozone, but more likely younger voters in Hungary and Poland wishing to be member of a single market and currency union with significant future-oriented and inclusive social wellbeing bite. In this sense, turning the Euro into a social success is key to the future success of the larger European project.

The political contours of the European Social Model

Any policy proposal that touching on the sensitive area of work, family, care, social security and distribution, has to pass not merely the tests of policy effectiveness and efficiency, but ultimately alternative policy proposals have to be seen as fair, as both Ferrera and Vandenbroucke. When the EU is invoked as a critical lever of progress in a context of deeply cherished 'legitimate diversity' such proposals have to convincing in term institutional appropriateness (Scharpf, 2002; Ferrera, 2005). In the current predicament, electorates continue to hold national politicians accountable for socio-economic (mis-)fortune, not EU institutions. What's more, the failure to structurally resolve the euro crisis at the supranational level has increasingly been met by rising Eurosceptic domestic pressures to water down ruling governments' commitments to European solutions, especially so in the more politically sensitive field of welfare provision. Today EU-skeptic right-populist parties are, to wit, the most ardent defenders of the post-1945 social contract for 'native' nationals only, proclaiming that retirement at 65 can be sustained through protectionism, a ban on migration, often in conjunction with bidding farewell to the internal market and the single currency. At the same time, fiscal conservatives continue to champion intrusive cost-containment to make up for a lost decade in 'structural reform' in the Eurozone periphery. Between right-populist welfare chauvinism and on-going calls for overnight budgetary consolidation, a 'political-institutional vacuum' has emerged at the heart of the European project (Marks and Hooghe, 2009). The aftermath of the Eurocrisis has caught governments in dire fiscal straits in between Scylla and Charybdis. Pressures for deficit reduction constrained the domestic policy space for social investment reform, while populist, successful with disenchanted electorates, increasingly resist abiding by austerity compromises made in Brussels.

The Italian conundrum that I referred to in the introduction, is a tragic case in point. If a Eurozone social investment impetus facility would have been available for the government coalitions from Enrico Letta to Paolo Gentiloni, between 2013 and 2018, very likely, significant investments in the social infrastructure would have been underway with pride in reform ownership and also significant (female) employment gains. By having barred this option, the EU today is confronted with an EU-skeptic populist government with 2019 budget of expanding passive social protection spending while lowering the retirement age, at the price of a higher deficit, in breach with earlier fiscal commitment. The proposed tax cuts and spending increases in a highly indebted country do not measure up to a viable growth strategy in the knowledge economy and a rapidly ageing society, where investments in youngsters are imperative to sustain popular welfare states and pensions commitments. Admittedly, the Italian predicament of economic stagnation, low (female) employment and high poverty principally has home-grown roots. However, protracted economic stagnation in the wake of the global financial crash is also related to how the Euro crisis, coming to head in 2012, panned out from different European welfare states.

Looking ahead, Europe is in dire need of a growth strategy that is economically viable, politically legitimate and seen as socially fair. Given the magnitude of the hangover from the sovereign debt crisis and the dismal experience of social investment reform in Southern Europe prior to the Euro crisis, there are no quick fixes. The good news is that, as domestic social investment programs are being institutionalized across the European continent, the evidence of higher employment participation and labour productivity has become ever stronger. By implication, employment and productivity growth also allow for suststaing standing commitments. In other words, a political space is opening up for putting popular European welfare states on a more sustainable fiscal footing with Eurozone policy support. By the same token, it follows, that there is no existential material interest from the Eurozone perspective, that eurozone member countries in dire fiscal straits, should cut active labour market policies, vocational training, and family and childcare services. That would, in the long run, constrain job opportunities for men, women, and youngsters resulting in higher levels of (child) poverty at declining levels of fertility, undermining the carrying capacity of popular welfare states to shoulder the ageing burden.

Given the overall sound evidence of how dynamic social investment can help achieve prime EU political objectives of growth, jobs, competitiveness and social inclusion, without crowding out elementary social safety nets, I plead, in conclusion, for an ESU that pro-actively support national administrations to better align the three social investment welfare functions of stocks, flows, and buffers within their highly diverse domestic economic, social and institutional context. In my monograph *Changing Welfare States*, I coined the notion of an assertive 'holding environment' as a quintessential EU support structure for (active) welfare states to progress in the single market and the currency union. The ESU could transform into such a ‘holding environment’ as a zone of resilience based on shared values and a common political purpose, matched by competent institutions, in times of painful adaptation. The ESU ‘holding environment’ for sustainable and active welfare provision contrasts sharply with the notion of the single market and the single currency as a welfare state ‘disciplining device’, for which the evidence is increasingly threadbare. By truthfully giving formidable weight to social wellbeing in the governance architecture of the EMU, national social citizenship regimes become embedded in a ‘holding environment’ that commits, bonds and integrates the EU and member states to a shared welfare policy commitment of civilized living in the ageing societies and knowledge economies of the EU.

In terms of future policy delivery, the degree that ex post social (re-)insurance facility is made conditional on ex ante social investment progress, made possible by (temporarily) breaching the deficit rules on the condition that government use the additional fiscal space to fast forward capacitating social investment ‘stock’ improvement, which in turn could reinforce elementary institutional convergence, required in anticipation of a supranational social reinsurance facility at the level of the EU, could ultimately foster greater Eurozone resilience. Obviously, intricate issue- and policy-linkage have to be explained in public debate by all relevant political actors, as their logics are not self-evident in the complex political-institutional reality created by national welfare state expansion *cum* deepening European economic integration. To the extent that large majorities in virtually all member states wish to live in a prosperous EU, why not try to convince European citizens that EU social investment progress requires elements of fiscal discipline and that, eventually, Eurozone social re-insurance is in the national interest, even though it involves short-run costs?. There are no apriori reasons to be afraid that European electorates are not ready to listen to sound evidence and complex arguments that support an inclusive ESU (Genschel and Hemerijck, 2018).

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A European Social Union for all

A chance to rethink and redo justice and solidarity

Trudie Knijn

The joint launch of 20 principles for a new European Pillar of Social Rights by the European Parliament, the Commission and the Council appears to be the longed-for reaction – when it is almost too late – to two decades of market-driven policies at the expense of protection for European populations, a liberal capitalist economy that undermines social rights and a flexible labour market that degrades economic security.

Maybe it is not yet too late, although Brexit, the result of Italian elections and the protests of the '*gilets jaunes'* reflect the soaring social inequality resulting from this market-driven ethos. Most of all this political and social turmoil makes clear the urgent need for a proper and decent reaction by European as well as national politicians. The latter should no longer blame the European Union and its bureaucracy by painting it as a Kafkaesque abstraction that decided the policies that have brought us to this point: also national politicians should plead guilty to the neo-liberal turn and its outcomes.

The way in which the 20 principles are interpreted is crucial. One approach is to accentuate 'equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion', as Frank Vandenbroucke does. This approach paints the 20 principles as a means of reaffirming that social rights are conditional on a record of employment; according to this approach, social protection should be implemented via an insurance union between Member States rather than in redistribution (Vandenbroucke, 2018 - This issue, pp.2-11). The arguments for such a solution at first sight are rather balanced by weighting national and supranational interests, benefits and costs, sentiments and risks. Also, the approach contains a careful consideration of possible implementation instruments; EU legislation; policy coordination and benchmarking, and EU funding.

The timing of the launch of the 20 principles is well chosen because the European Union's Social Pillar appears to be supported by Europe's population, according to Vandenbroucke's recent opinion poll (Vandenbroucke et al., 2018), and surveys by Ferrera and Pellegata (2017) and Lengfeld, Schmidt and Häuberer (2015), all of which have shown that European-level, work-related solidarity would be welcomed by the majority of the EU population. Although the trend towards European solidarity on workers' interests is a welcome reaction to the downgrading of labour-related protection as a result of neo-liberal policies and the emphasis on market and competition between and within Member States several critical comments have to be made.

First of all, I contend that any proposals for a solution that are not based on an analysis of the causes of the deterioration in social rights, wages and social protection and the increase in social and economic exclusion is going to be too optimistic. What is missing from the European Social Pillar and from Vandenbrouckes's presentation of the European Social Union's aims and goals is an analysis of why wages have fallen, why the increase in incomes has stalled and why inequality between rich and the poor is growing in all Member States. We cannot outline a way forward until we have analysed the roots and causes of decades of neo-liberal reforms, such as deregulation of financial markets, marketisation and outsourcing of public services, and austerity-driven social policies.

It is one thing to organise solidarity among working people within and among EU Members States, it is something else to ask the supranational EU government and the governments of Member States to take back control of the markets. Yet without re-regulation of global capital flows that are supported by internationally operating financial accountancy companies in avoiding taxation, without limits on the operations of equity funds that invest in, plunder and then sell companies – even public utilities – an insurance fund might remain futile, for two reasons. The first is lack of resources. An insurance fund would rely on contributions from employers by way of taxation and premiums paid by all companies, large and small, operating in the Union. Consequently, solidarity between workers via an insurance fund would mean redistribution of the already minimal resources of the employed. What is needed is a clear and instant redistribution between companies and their shareholders on the one hand and employees on the other hand.

Secondly, it demands restoring the primacy of (social) policy and national politics over speculative financial markets. I recall a statement made by the former (social democratic) Minister of Finance, Jeroen Dijsselbloem, in reaction to a redistributive budget proposal of Italy. His statement that '[the] market really will have to look at this [the Italian budget proposal] very critically' (CNBC live tv, 18 October, 2018), implying that in the end budgetary discipline is not a matter for politicians but for the market. Although Dijsselbloem might not be a typical social democrat, many will remember the social democratic movement's embracing of the deregulation of the financial, economic and labour markets in the 1990s and its negative consequences.

Presenting insurance schemes for workers as an alternative to the diminished social rights workers have today, requires that we challenge the relationship between workers who are producers and speculators who invest for rent-seeking and short-term profits (Stiglitz, 2015). Instead, increasing dividend taxes, regulating global financial flows, halting money laundering and implementing fair trade policies between north-western and southern Member States are examples of combining solidarity between European workers with economic justice involving redistribution between rich and the poor, and between Member States.

The challenging aspect of the Social Pillar is, therefore, setting a minimum standard for social security and provisions for all European citizens that compensates for the 'forgotten' social rights of the European Social Model during the crisis. An 'insurance union' might complement the EMU, because, if implemented as outlined above, it would add a new form of pan-European solidarity. However, if it wants to function like that it also should contain the aspects of the Social Pillar that go beyond an insurance union for European workers only and include all European citizens.

In my reading of the European Social Pillar the 20 principles are much more extensive, broader in scope and scale and intended to promote more redistribution within and between Member States than the insurance union proposed by Vandenbroucke. Why should we promote an insurance-based solidarity mechanism rather than the principle of redistributive justice? What real objections are there to the EU's prioritisation of work-life balance? Why does Vandenbroucke neglect other crucial aspects of the 20 principles, such as equal treatment in access to goods and services, life-long learning, protection against poverty, the right to good healthcare, affordable, high-quality long-term care services and social housing. Why does he pay no attention to principle 20, which states 'Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communication. Support for access to such services shall be available for those in need.' Why does Vandenbroucke emphasise the role of an insurance fund, reject redistribution and denigrate the EU's prioritisation of work-life balance? One might assume that in an insurance Union a member state that found itself in dire financial and economic straits would be entitled to access the EMU budget to safeguard principle 20 for all its citizens, but there is no guarantee that this would be the case and so something has to be added to the insurance Union.

Over the past two decades, the European labour market has developed into a completely fragmented, deregulated and chaotic arena with problems for which an insurance-based solidarity mechanism or even 'flexicurity' are not solutions, because many Europeans – most of whom are women – are no longer part of traditional labour markets. Women are over-represented amongst the populations of involuntary self-employed and working poor in Europe's outsourced and flexibly contracted public sectors. Women have to take care of the soaring numbers of 'boomerang children' returning to the family home as adults and they make up the overwhelming majority of mobile temporary workers leaving their families behind in Eastern Member States for care work in Austria, Ireland, Italy and Spain, which will never afford them any labour protection because they will never meet the criteria for work-related insurance. Even in the well-protected welfare states, public provisions protecting work-life balance are being reduced due to austerity measures, the commercialisation of care services and the new ideology of personal responsibility.

So I argue that it is crucial to read the 20 principles again, this time not from a workers' perspective, but from a European citizens' perspective, male and female; the perspective of a just Europe. I admit that the principles then come as a surprise. Do the European Union and its constituencies finally understand that there is more to life than work, that not all EU citizens are workers, that the conditions under which all Europeans live matter and that social services that guarantee a decent and dignified life should be part of the European project? If so, a few recommendations might be worth considering.

A bottom-up process to take back control, foster investments and grant work-life balance

Taking back control: Not in the sense of Member States reacting against the European Union, but in the sense of using politics and policies to wrest control over European lives back from the markets. European citizens – and in some countries also their representative politicians – oppose the EU because they blame the EU (rightly or wrongly) for austerity, for the outsourcing of social services to an unreliable market, for the decline in basic public goods (healthcare, elderly care, housing and education) and for inequalities in access to such goods. Therefore, if the Social Pillar is to be taken seriously, the implementation must go far beyond an insurance union and include taking back political control and increasing budgets for public services, thereby restoring solidarity with those who cannot participate fully in the labour market. Taxation and dividend policies should be revised to this end. This demands a revision of the neo-liberal paradigm of a small state, with severe consequences for the relationship between EU politics and the financial markets that speculate on the outsourcing of public goods.

Regional investment strategies: It is obvious that some Member States struggle to compete with the most advanced and productive Member States. They face not only enormous debts, because of the rigid monetary criteria set by the most prosperous Member States, but consequently also a depressed population, forced migration and consequently care and brain drains. The highly skilled professionals, young women and educated young people from these countries move westward, leaving the rest of the population behind to cope with poor services and demographic losses. There is an urgent need for investment in poorer parts of Europe to increase social solidarity amongst the regions of Europe and, not least, to reinforce commitment to the European project. However, given the recent lack of appreciation (in countries such as Wales and Hungary), the EU should also concern itself with the revitalisation of local communities and give a voice to bottom-up organisations that can decide for themselves what would be useful in their context, under current conditions.

Work-life balance: From the 1970s onwards, the European Union has promoted gender equality, although also in order to expand the labour market reserve, resulting in downward pressure on wages. Nevertheless, the EU always has taken the lead in policy reforms aimed at gender equality, more so than most of its Member States, except for the Scandinavian ones. Now the EU does stress the principle of gender equality again in the 20 principles of the Social Pillar. To be sure, neglecting gender equality as a matter of justice can only be justified if one assumes that the average male worker can 'afford' to maintain 'his' family, and supposes that the average female worker is a higher educated woman who has access to affordable childcare. In many Member States, however, half of the population – the female half – struggles with lower pay than male counterparts receive for similar work, unaffordable childcare, unprotected, flexible labour contracts and pure gender discrimination. Trade unions have never protected domestic work and the tendency in almost all Member States is to put incentives on minimally paid – female – care at home for elderly and disabled people. Moreover, during the crisis and beyond young people, unemployed or in precarious jobs, have to stay with or return to their families for support. This tendency towards re-familiarization places an extra burden on women, who take most of the responsibility for housekeeping and care. Hence, prioritising work-life balance should in no sense be seen as a luxury. Instead, reaffirming commitment to gender-equal redistributive and recognitive justice at the level of the EU and its Member States still needs high priority.

Reviving bottom-up processes: Although I would like to praise Vandenbroucke's rational analysis of the mechanisms that can promote European Union solidarity, I also see that his strategy is mainly top-down. In the current era, this is to mistake and misinterpret the lessons of the bottom-up resistance movements. We can no longer deny the dynamic forces for change that operate at the local and regional level or ignore the NGOs that have taken responsibility for filling the gaps left by (neoliberal) governments and have driven the process of comparing policies and learning, according to their specific needs and interests. The EU has tried to deal with the 'democratic deficit' by connecting communities and associating them in a transnational d*emos* critical of the prevailing order. So far, this has not been successful because it has not made use of existing institutional alliances. The agenda for implementation of the principles of the Social Pillar should, however, include more stakeholders; organisations with interests, NGOs that comment on or have taken over the responsibilities of the state, and organised citizens' interests as part of deliberative democracy. Maybe, and most interestingly, a deliberative democracy organised at EU level would overcome politicians' national interests and build a real and just European society.

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Snakes and ladders on the road to ESU

Contribution to the debate

Manos Matsaganis

Ahead of its time?

At the time of writing, six months before the 2019 European Parliament elections, with the stand-off between Italy and the European Commission moving inexorably to the next stage, German politics in flux following Angela Merkel's resignation as party leader, and Britain slowly waking up to the real possibility of a no-deal Brexit (not to mention the implications for Europe of the Trump Presidency), one might be forgiven for thinking that a less propitious moment to discuss social policy would be hard to imagine.

That would be understandable – but wrong. After all, the open letter on "how to save the European peace project"[8], signed by six leading German thinkers, including Jürgen Habermas, the philosopher and sociologist, and Friedrich Merz, currently the favourite to succeed Merkel as leader of the Christian Democratic Union party, featured only two concrete proposals, the second of which was "a common labor-market policy, possibly including EU-wide unemployment insurance" (the first was "An army for Europe").

To stretch the analogy, surely the immediate aftermath of the battle of El Alamein (November 1942) cannot have been a good time to discuss social policy either. And yet, that was exactly what British troops in North Africa did, at many improvised conferences a few kilometres from the front, with the shortened version of the Beveridge Report, fresh off the Ministry of Information press, meticulously introduced by officers and eagerly read by soldiers[9].

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8 "We are deeply concerned about the future of Europe and Germany" (*Handelsblatt*, 25 October 2018).

9 See among others Timmins (1995) and Whiteside (2014).

The potential of seemingly far-fetched ideas[10] suddenly to become topical should never be underestimated. This is one of the reasons why the debate on the European Social Union, introduced by Frank Vandenbroucke (2018 - This issue, pp.2-11) and Maurizio Ferrera (2018 - This issue, pp.12-26), deserves to take centre stage.

In joining this debate, I will focus on three topics: the constraints placed by diversity, and how to overcome them; the limits of unemployment (re)insurance, and the need to address new forms of 'worklessness'; and the contribution of a European Social Union to the goal of coping with the transformations of work, a process that has been ongoing for some time but is likely to be accelerated in the near future by automation and platforms.

Diversity and its implications

My starting point is that in debating ESU we need to acknowledge that the EU has become more diverse in recent years. The reasons are there for all to see. The recent enlargements (in 2004, 2007, and 2013) rendered the EU ever more heterogeneous. Migration and the refugee crisis made European populations more mixed, ethnically and religiously. And the Eurozone crisis widened the emotional distance separating Europeans, and led to national stereotypes coming back with a vengeance.

The divergence is real. In Southern Europe, living standards fell significantly during the crisis, and in spite of the recovery (more energetic in Spain and Portugal, more sluggish in Italy and Greece) they are still below their pre-crisis peak relative to the rest of Western Europe[11]. It is not just a question of some countries doing better than others. The contrast between the quiet despair and humiliation

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[10] In fact, soon after Olaf Scholz, German finance minister and a Social Democrat, cautiously endorsed the idea of a euro area reinsurance fund of national unemployment insurance systems, his cabinet colleague Peter Altmaier, economy minister and a Christian Democrat, rejected it as a thinly disguised 'transfer union' (anathema in Germany). See "Interview mit Finanzminister Scholz: Deutschland hat eine besondere Verantwortung" (*Der Spiegel*, 8 June 2018) and "Fat chance of a euro-zone unemployment insurance fund" (*Handelsblatt*, 18 October 2018). As for William Beveridge, Winston Churchill privately viewed him as 'a windbag and a dreamer' (cited in Addison 2011).

[11] Gross domestic product at current market prices per head of population, in purchasing power parities, relative to EU15=100 (AMECO indicator HVGDPR).

palpable in Naples or Athens, and the confident prosperity of Munich or Rotterdam, is too stark to miss, and augurs ill for the future of the Union.

Does diversity matter for our debate? I think it does. Somewhat prosaically, because the next European Parliament (and Commission) could be even less kindly inclined towards a European Social Union than is currently the case. More generally, because diversity places a constraint on the extent of redistribution European electorates are likely to support (especially when extended to "Others", be they refugees from Afghanistan, migrants from Romania, or jobless South Europeans). The point was made forcefully a few years back by Alesina and Glaeser[12], who argued that one of the main reasons the US lacks a European- style welfare state is ethnic heterogeneity. When the rich and the poor have different skin colour, they inhabit different worlds. As shown by responses to the World Values Survey (in the late 1990s), Americans were twice as likely as Europeans to believe that "the poor are lazy", and half as likely that "the poor are trapped in poverty".

It is undoubtedly true that such attitudes are not cast in stone, and quite possible that public opinion is less intransigent than political elites vis-à-vis redistribution. After all, the fear of "Others" is inversely related to proximity and the direct experience of life with them, as shown by the fact that multicultural cities were far more likely than ethnically homogeneous rural areas to have voted in favour of protecting Obamacare and raising the minimum wage, 'Remain' rather than 'Leave', and *Die Grünen* rather than *Alternative für Deutschland*.

Recent opinion surveys on support for redistribution within the EU confirm this pattern[13]. While attitudes differ significantly between member states, with respondents in Southern Europe being more favourable to European solidarity than those in Poland, Germany, or Sweden, citizens appear to be consistently more supportive of redistribution between member states than are politicians[14].

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12 See Alesina and Glaeser (2004).

13 See Gerhards et al (2018), Genschel and Hemerijck (2018), Ferrera and Pellegata (forthcoming).

14 In the REScEU project poll, only 42% of German MPs were in favour of "financial help to states facing a rise in unemployment", while among the general public in Germany the approval rate was as high as 65%. The gap was widest in Sweden, where the corresponding figures were 22% among MPs versus 69% among citizens at large. See Ferrera and Pellegata (forthcoming).

On the whole, as Gerhards and his colleagues at Free University, Berlin have concluded, "Europeans altogether display a notably higher level of solidarity with citizens of other EU countries and EU states than many politicians and social scientists have so far presumed"[15].

Nevertheless, support for (transnational) solidarity in Europe varies by issue. As Genschel and Hemerijck have reported[16], it is lowest "for risk types that are central to the EU's Single Market and EMU – debt and unemployment". To the extent that this final point is correct, it follows that the roadmap to ESU may have to prioritise functional over normative arguments, 'hand ups' over 'handouts', and risk sharing[17] over redistribution.

Beyond EU-wide unemployment insurance

On the face of it, the proposal for a common unemployment insurance scheme for the EU, or perhaps the Eurozone, fits the purpose. Even though some politicians in Germany and elsewhere have been quick to attack it as yet another attempt to introduce redistribution by stealth towards the usual suspects (i.e. poorer member states), in fact it would be difficult to predict who such a scheme might benefit in the future. Conceivably, a recession in China would cause job losses in exporting firms, most of which are located in 'core' economies within the EU. It seems fair to assume that a common

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15 See Gerhards et al (2018). Support for intra-EU redistribution was also high in the REScEU poll reported in Ferrera and Pellegata (forthcoming). In the YouGov poll, reported in Genschel and Hemerijck (2018), support for financial aid to member states hit by an unemployment shock was about 45% overall, with considerable variation across countries.

16 See Genschel and Hemerijck (2018). Gerhards et al (2018) also found that support for helping people in need in other EU countries was higher for the sick and the old than it was for the unemployed – although even in the latter case the approval rate ranged from between 60% and 70% in Poland and Germany to over 90% in Spain and Greece.

17 Note Waltraud Schelkle's argument that "diversity of membership is a mixed blessing in political- economic terms. On the one hand, members with different risk profiles reduce the overall risk of an insurance pool and can support each other in a variety of ways. On the other hand, members that are very different may not trust each other and are therefore likely to agree only on minimal insurance." In her view, "the maxim of monetary integration must be to maintain political unity in economic diversity rather than pushing for ever closer union." See Schelkle (2018).

unemployment insurance scheme to deal with asymmetric shocks in a monetary union is probably what most reasonable persons would choose if put in an original position behind a ‘veil of ignorance’.

In recent years, a considerable amount of preparatory work has been carried out on the topic[18]. In the version put forward for discussion by the European Commission, as one of the options for a stabilisation function in the euro area (the other being a ‘European Investment Protection Scheme’), a European Unemployment Reinsurance Scheme would act as a “reinsurance fund for national unemployment schemes. [...] The scheme would provide more breathing space for national public finances and help to emerge from the crisis faster and stronger”.[19]

The proposal was supported and further elaborated in a recent report by seven French and seven German economists, who explained that the scheme “would offer one-off transfers in case of large downturns affecting one or several member states. It would be designed as a reinsurance fund for large shocks affecting the labour market in euro area countries, and could be conceived as a line in the EU budget, or as a subsidiary of the ESM. ‘Reinsurance’ means that covering the ‘first loss’ associated with a particular shock remains the responsibility of the country itself. The fund would therefore be activated only if the shock exceeds a specified level, and cover only a portion of the losses above that level. In insurance terms, this is akin to ‘catastrophic loss’ insurance with a large deductible.”[20]

Recasting the original idea of a common unemployment insurance scheme as a mere ‘reinsurance fund’ has come under attack as unnecessarily cautious by left-of-centre economists along the spectrum of opinion in Germany[21]. The two versions are clearly different. The former would be a straightforward EU social benefit, though jointly funded with national governments and locally administered as today. The latter would be a less ambitious, though still useful, reinforcement of

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18 On the various contributions, see among others Dullien (2014), Beblavý and Maselli (2014), Andor (2016), Beblavý et al (2015), Ábrahám et al (2016), Brandolini et al (2016), Vandenbroucke et al (2016). See also the special issue of *Intereconomics* on “Designing a European Unemployment Insurance scheme” (in 2014).

19 See European Commission (2017).

20 See Bénassy-Quéré et al (2018).

21 See Bofinger (2018), Watt (2018), Dullien (2018).

automatic stabilisers in the euro area. Nonetheless, both would be important milestones on the road to a European Social Union.

Even in the more modest version, the success of a reinsurance fund would depend on the design of national unemployment insurance in each country. For instance, the main reason the number of recipients of unemployment insurance benefit in Greece fell by half in 2010- 2014, when the number of unemployed workers nearly doubled, was that the great majority of jobless workers were either long-term unemployed or new entrants to the labour market, both ineligible for the benefit[22]. More generally, in order to be able to spend the extra money available on income support to the unemployed, the countries qualifying for assistance from the reinsurance fund would have to relax eligibility conditions, or extend the duration of benefit, or raise the benefit level (or some combination of the above). In other words, to be effective the reinsurance fund would have to be accompanied by a harmonization of eligibility rules for unemployment insurance schemes across the EU (or the Eurozone). Moreover, it might have to be reinforced by US-style automatic extension mechanisms as soon as the unemployment rate exceeds a certain level.

On another note, unemployment insurance itself may be gradually becoming less relevant. In a future recession, a fall in the demand for labour may manifest itself as a reduction in the average number of hours worked, rather than as a rise in unemployment. (In the jargon of economists: adjustment may be more likely to take place along the intensive than the extensive margin.) This could be an explicit policy goal, as in the case of short-time work schemes such as *Kurzarbeit* in Germany, under the terms of which the government subsidizes a temporary reduction in working time intended to maintain an existing employer/employee relationship[23]. Alternatively, it may be the result of changes in the labour market, such as an increase in the share of those working for platforms, or in other forms of non-standard employment.

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[22] The other reason for the decline in coverage was that, under austerity, eligibility conditions were tightened (and the benefit rate reduced). See Matsaganis (2018a).

[23] For a review, see Arpaia et al (2010).

ESU and the future of work

The transformation of work (from 'fordist' to 'post-fordist') is hardly new, yet technical change has accelerated its pace. On the one hand, automation destroys many jobs (mostly involving routine tasks, at a middle skill level), while at the same time creating others (mostly involving non-routine tasks, at both high and low skill levels). On the other hand, platforms have rendered work more fluid, and labour markets more 'informal' (and often precarious), e.g. by further blurring the distinction between dependent employment and self-employment[24].

A first challenge arising from the transformation of work concerns education and training. The dislocations caused by disruptive change affecting sectors, industries, occupations, regions, and countries imply that millions of workers will have to acquire new skills in short time. The emphasis on 'problem-solving capabilities, intuition, creativity, and persuasion'[25] implies that education systems, at least in some countries, will have to be radically overhauled, and that adult learning systems will have to be upgraded.

A second challenge concerns the treatment of workers in the platform economy. In many ways, the issues raised are similar to those concerning existing precarious forms of employment such as those facing many self-employed workers in secondary labour markets throughout Europe. For instance, *Uber* drivers or *Foodora* couriers are typical of the 'dependent self-employed' (i.e. those typically working for one employer, but without having employee status). In contrast, workers offering their services online or offline through platforms such as *TaskRabbit* are typical of genuine, though often informal, self- employment. In many European countries, all self-employed workers, whether independent or dependent, are treated the same. But relative to employees, the self-employed are often excluded from access to a range of benefits either *de jure* (e.g. protection against unfair dismissal, minimum wage, severance pay, sickness leave, maternity leave, unemployment insurance) or *de facto* (e.g. reduced eligibility for contributory pensions). While no easy solutions to the protection gaps experienced by platform workers present themselves, it may be that the most promising course of action is to expand coverage where possible in piecemeal fashion.

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[24] For a review of the recent literature, and a more detailed discussion of the issues, see Matsaganis (2018b).

[25] See Autor (2015).

A third challenge regards the future of the welfare state. If the goal is to ensure worker mobility between jobs while at the same time guaranteeing a high level of social protection to all citizens, irrespective of their employment status, there seems to be no alternative to abandoning occupational fragmentation in favour of making European welfare states more universal. The outlines of a possible strategy readily follow from that: make health care, child care and other social services universal; introduce or strengthen basic income schemes for children (child allowances) and for the elderly (first-tier citizens' pensions); render contributory schemes (second-tier pensions) more actuarially fair; rethink means-tested income support (housing benefits, minimum incomes) in view of volatile earnings; step up efforts to obtain accurate information of earnings in the platform economy (and from other informal activities). The corollary of a shift from contributory to non-contributory social benefits would be a corresponding shift in funding, from social contributions to general taxation, and from taxing labour to taxing real estate, emissions, and value added.

What does all this have to do with ESU? Actually quite a lot. It seems unlikely that any EU member state can cope with the consequences of the transformation of work on its own. The effort to limit the scope for tax and regulatory arbitrage in Europe on the part of multinationals, including high-tech giants, can only succeed at EU level[26].

The same goes for attempts to extend formal social security to gig workers, possibly including making platforms liable for collecting and paying social contributions on their behalf, as speculated in a recent paper by Tito Boeri and his co-authors[27]. More broadly, the case has never been stronger for mutual learning, policy experimentation, and exchange of best practices. Anton Hemerijck's notion of ESU as a 'holding environment', "a zone of resilience based on shared values and a common

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[26] A glimpse of what is at stake is offered by the recent case of Amazon inviting US cities to bid against each other to host the company's new headquarters. In the ensuing scramble, "238 entities – cities, states, two dozen different towns in Massachusetts, and a cluster of three businesswomen in Anchorage, Alaska – sent proposals to host Amazon's second headquarters." On 13 November 2018, Amazon finally announced that they have selected New York City and Arlington, Virginia, as the locations for their new headquarters. It emerged that New York City and the State of New York had offered Amazon "at least 1.5 billion dollars in tax breaks and other grants to settle in a place that has not, historically, struggled to attract newcomers. […] When combined with existing incentives, Amazon might receive three billion dollars in breaks in New York alone." See "The New York hustle of Amazon's second headquarters" (*The New Yorker*, 17 November 2018).

[27] See Boeri et al (2018).

purpose, matched by competent institutions, in times of painful adaptation"[28], is particular apt in this context. A more splendid opportunity for a policy initiative under the European Pillar of Social Rights, with a potential to transform for the better the lives of millions of (mostly young) Europeans, would be hard to imagine.

2019 and all that

Is this all an 'academic discussion', an idle pursuit of professional thinkers disconnected from the real world? At times it must seem so, even to ourselves (minus the 'idle'). As an antidote to (self)doubt, it is gratifying to note the advanced positions on 'Social Europe' adopted by certain political formations in the run up to the European Parliament elections of May 2019.

In particular, the European Green Party has demanded "eight concrete actions for the strong implementation of the Pillar of Social Rights" that can be implemented within the current framework (i.e. without Treaty amendments). These include a roadmap for higher levels of public social investment in all Member States (within the Stability and Growth Pact), a directive on an adequate minimum income, and uniform European rules on minimum wages (at least 60% of the median wage). In addition to these short-term proposals, the party is also committed to "examining the idea of the mid-term introduction of a European unemployment insurance that can guarantee a basic coverage for EU citizens and which should be supplemented by national unemployment benefits".[29]

In the meantime, the debate must go on. As one of the proponents of ESU had pointed out twenty years ago: "No reform passes without the support of social coalitions interested in it and without political forces capable of imposing it. Nevertheless, the raw material of every reform is always an

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[28] See Hemerijck (2013), cited in Ferrera (2018).

[29] See EGP Council "Adopted Resolution on The Pillar of Social Rights in the EU" (Antwerp, 18-20 May 2018). Also, intriguingly, *Volt Europa* (the pro-EU "pan-European, progressive movement aiming to revolutionize the way politics is done across Europe"), as befits a political formation of mostly young and very young Europeans, has put forward interesting proposals on building an enabling education system for the future, integrating gig workers into social welfare systems, and assuring minimum child benefits all over Europe. See Volt Europa "Mapping of policies".

ideal blueprint for change; and with time, a serious commitment on the front of ideas can help remove even the most resistant of barriers.” [30]

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[30] See Ferrera (1998, p. 108). My translation.

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Social Europe and Social Justice

Graham Room

The EPSR and the ESU – A major step forward or more of the same?

The EPSR was launched with much fanfare at the end of 2017. It followed on the heels of the Commission *White Paper on the Future of Europe*, earlier in the same year. Both documents can be viewed as signs of optimism; a decade on from the financial crisis of 2018, it was possible to look to the future and to re-affirm social as well as economic priorities. At least as significant however has been the political crisis enveloping many of the member states, with rising levels of popular hostility to European integration and a resurgence of nationalism. This has been evident most dramatically in the UK, with its decision to leave, but it has far wider ramifications.

Any appraisal of the EPSR (set as it is within a larger debate about the future of the EU) and the ESU (to whose development the EPSR might in due course contribute) must therefore depend on our understanding of the economic and the political challenges with which Europe is struggling.

It is not obvious that Europe's leaders have learned any lessons. In face of the economic challenges, the Maastricht criteria for sound public finance in the Eurozone countries remain firmly in place. In regards to social rights, the EPSR retains the Lisbon (2000) principles of the OMC, with the Commission monitoring progress according to general common standards, while member states shoulder all responsibility for delivering those rights. Nevertheless Vandenbroucke (2018 - This issue, pp.2-11), in his contribution to this forum, notes that at the very moment the Council endorsed the EPSR, national Ministers were disputing whether this responsibility would henceforth be shared with the EU. In regards to the future trajectory of the Union, the White Paper of 2017 offered fast lanes and slower lanes for the journey, but no real debate over alternative directions and destinations of travel.

It is therefore not evident that the EPSR, launched with an eye on the upcoming European Parliament elections, will provide a clear and compelling message sufficient to bind European citizens together in a common cause. And it is not evident that the political leaders responsible for the EPSR have listened sufficiently to what those disaffected citizens are saying.

The economic challenge

It is now widely recognised that ordo-liberalism and 'sound money' will not suffice as a macro-economic policy for growth and for jobs – still less, one that will deliver general prosperity across the countries and communities of the European Union (Blyth, 2013). Reformers typically offer two sorts of proposal.

First, across the Eurozone in particular, and across the single market more generally, individual economic actors need greater protection against destabilising shocks. This is true for banks and private financial institutions; for the public finances of individual national governments; and for individual citizens. This is a major argument by Vandenbroucke, in his contribution to this forum. Stiglitz (2016) likewise, in his recent analysis of the euro and its economic, social and political consequences, argues for financial stability mechanisms, including eurobonds, common deposit insurance, and the pooling of unemployment insurance costs.

Second, there is a need for well-targeted investment in the new technologies and jobs of the future. Here public and private investment need to work in concert – as demonstrated by the experience of the US, no less than the Asian tigers (Mazzucato, 2013). Such investments would prioritise those that can deliver a low carbon economy. This is a key proposal by Varoufakis[31] and DiEM25 for a Green New Deal[32].

Each of these reform proposals however requires important caveats. Efforts to protect against destabilising shocks tends to assume that such shocks are the exception rather than the norm. But what if such destabilisation is inherent in the very process of capitalist accumulation, and may indeed intensify, as remaining barriers within the trans-European economic space are removed? So also, public and private investment in new technologies may well deliver jobs for the future, but these may not entail prosperity across the countries and communities of the European Union; they may instead just reinforce existing disparities. And if that investment is left to each nation to handle itself, as

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[31] https://www.theguardian.com/commentisfree/2018/dec/13/plan-europe-macron-piketty-green-new-deal-britain?CMP=share_btn_link

[32] https://diem25.org/diem25-unveils-its-european-new-deal-an-economic-agenda-for-european-recovery/

Piketty[33] for example seems to imagine, the scope for such investment within the weaker economies will be correspondingly limited.

These questions were already being raised, at the time of the UK's entry into the European Economic Community in 1973. Kaldor, a leading Keynesian, had a keen appreciation of the cumulative dynamics of economic development. Those regions which captured a competitive advantage in manufacturing industry would tend to perpetuate and reinforce this (Kaldor, 1971). Eventual European economic and monetary union would reinforce these virtuous and vicious circles, by removing any scope for exchange rate adjustment. In such circumstances, the burden of social benefits – unemployment benefit in particular – would tend to grow fastest in the countries with the weakest economies, as has indeed happened. Here was a fiscal vicious circle, walking in step with the vicious circle of stagnant productivity – even while other countries enjoyed the virtuous circle of accelerating productivity, export surplus and stable levels of social expenditure. For the populations of those stagnant economies, in the east and south of Europe, emigration may well seem the only alternative to poverty or destitution[34]. This is powerfully argued by Andor (2018 – This issue, pp. 27-39), in his contribution to this forum.

These were by no means concerns that others than Kaldor had ignored. Nevertheless, when Cecchini (1988) brought together the official wisdom on the costs and benefits of the single market, he was confident that such benefits would extend to all the countries involved, and gave little if any warning that some might succumb to persistent stagnation.

The political challenge

What did we learn from the UK referendum of 2016, the passions and fears that it unleashed? Was this a national – and rational - debate about membership of the EU - or a mix of quite different hopes and especially fears? These questions arose most fundamentally for the UK Labour Party, as they sensed the gap that had opened up, between the internationalism of their London-based elite and

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33 http://tdem.eu/en/manifesto/

34 https://www.lrb.co.uk/v14/n19/wynne-godley/maastricht-and-all-that

their traditional supporters in the Midlands and the North. But how did the UK get into this situation? How in particular did immigration divide Labour from its base?

Immigration into the UK over the decade until 2016 was 5.77 million[35]. Many immigrants have gone into areas of low-cost accommodation alongside the working class households from whom Labour traditionally drew its support. True, there has been emigration of 3.48 million (meaning net immigration has been 2.49 million) but not necessarily out of those same localities. During the same period, austerity and recession have meant cuts in public services, in jobs and in benefits, which have hit those same areas particularly hard. Was it so surprising that established residents should infer a causal connection? And was it surprising that they felt insecure and abandoned?[36]

Labour assured voters that immigration was a good thing; those who said otherwise were bigoted or misguided. After all, had not immigration been accompanied by some growth in GDP? (Maybe so, but for households on average incomes, real wages stagnated.) And did not immigrants pay more in terms of social security contributions than they took out in benefits? (Maybe so, but in localities receiving large numbers of immigrants, policies of austerity meant there was little if any financial support for the extra services needed.)

The economic crisis following 2008 - and the programme of austerity that followed – undermined the solidarity and resilience of local and national communities, in face of such changes. All but the wealthiest suffered; Labour's natural constituency suffered most of all. The referendum provided an opportunity for them to give vent to their sense of abandonment. It is this that politicians in the UK have been forced to confront.

These economic and social divides are however largely peripheral to much of the European reform debate, including the Commission's March 2017 White Paper. This is not only because of an economic orthodoxy, which expects social benefit to be evenly spread, as the concomitant to the free market; but also because social policy is assigned by the subsidiarity principle to the individual nation

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35 https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/may2016

36 Goodwin and Heath draw together the demographics of the Brexit referendum and of the Leave voters in particular. They emphasise that income and poverty were a major divide, as were skills and education. Those who were additionally marginalised, by the lack of opportunities in the places where they lived, faced a 'double whammy'; and the voting divide was even greater.

states. Social policy and social justice are however much too important to be left there; they constitute the 'hot politics' of European progress. If ignored, they risk a melt-down of the whole Union.

Solidarity in hard times

The fear, that electorates would see European integration as no more than a project of the elites, has been a perennial concern of EU policy makers. Hence their long-standing wish to provide the EU with a 'social dimension'. This was however never so ambitious as to intrude on the prerogatives of the member states in such a major area of spending and political saliency with the electorate. At best it involved ensuring common social standards (as much to avoid unfair competition between businesses as to benefit citizens) and exchanging best practices in policies for education, training and social welfare. This grew particularly during the Delors presidency, with the move to the Single Market; and with growing concerns at the turn of the century over the weakness of the European economy, as new digital industries began to dominate. Protection for workers, as economic change accelerated, and investment in workers, as skills became more rapidly outdated, moved centre-stage.

The financial crisis of 2008 changed everything. Now it was the banking system and the public finances that needed protection: the first by providing a safety net for those banks that held bad risks; the second by austerity policies that shifted the burden of that safety net onto the population as a whole. The result was particularly severe for the weaker economies of the periphery – and for national governments within the Euro area, required to follow the currency's budgetary disciplines, but without any mechanism for solidarity between them, only a debtors' prison for the worst offenders. The consequence was rising unemployment in much of the south and the 'desertification' of their economies.

In short, therefore: the longstanding reluctance of national governments to have the EU institutions involved in their national social policies, coupled with the prominent role played by the EU institutions in the enforcement of austerity, meant those institutions had little to offer the mass of the European population, in terms of social and economic justice in hard economic times. Imprisoned within the straitjacket of German ordo-liberalism and austerity, the EU proved unable to develop a European solution for an interconnected European economy. This has been matched by the failure to develop a European response to the migration crisis of recent years.

With the economic desertification of southern Europe and conflict across the MENA region, pushing many towards the European north-west, it is not surprising that the populations of the north-west have turned against such immigrants. This is especially the case with those local communities suffering from austerity and lack of community investment and fearing intensified competition for local jobs. Recent research across Germany[37] and France[38] paints a similar picture to Brexit Britain. These are the 'hot politics' with which European citizens are fundamentally concerned and by reference to which they judge their politicians, even though they may be unsure which of them to hold responsible.

Three steps to save Europe

The EU has played a major part in bringing peace and prosperity to its peoples. Nevertheless, it also has important failings, which have contributed to popular disenchantment. This has made the EU a convenient scapegoat for cynical domestic politicians, blaming their audience's woes on distant foreigners. This has been a potent brew for the politics of European disintegration. Thus as Andor points out, in his contribution to this forum, successive UK governments could have made much greater use of EU funds, for example to help municipalities facing migration pressures. Cynically they did not do so. This is not peculiar to Conservative politicians; Jeremy Corbyn sees attractions in Brexit, as allowing state aid to industry and a strong industrial strategy, but has little sense of what EU rules already allow[39].

Nevertheless, it would still be possible to frame a reform message for the EU, centred on social and economic justice, and grounded in the concerns felt by disenfranchised communities across the Europe. This will however require reforms to the institutional order of the EU and more active democratic engagement with markets and corporate interests.

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37 http://www.progressives-zentrum.org/politically-abandoned/?lang=en

38 https://www.theguardian.com/world/2018/dec/21/how-hi-vis-yellow-vest-became-symbol-of-protest-beyond-france-gilets-jaunes?CMP=share_btn_link

39 https://www.theguardian.com/commentisfree/2018/dec/27/four-reasons-jeremy-corbyn-wrong-eu-state-aid?CMP=share_btn_link

Such a reform message might have three elements[40]:

- *Rejuvenate the European Economy*

It will be necessary, first, to confront the toxic austerity regime that Berlin has imposed on much of Europe. Austerity insists that reduction of the public sector deficit must be the principal economic goal, pursued mainly through cuts in public expenditure. There is however an alternative and very different analysis[41]. Government must play a leading role, in maintaining the general buoyancy of the economy, and in using public investment to build its long-term capacity. Otherwise, the economy is likely to stagnate; and the most vulnerable communities will disproportionately bear the costs.

A positive industrial strategy would aim to spread jobs and useful work to all localities and regions, revitalising local communities and pushing back against predatory financialisation. Stiglitz (2016) wants a stimulus to promote growth, especially in the stagnating regions, and encouragement to industrial policies to enable the eurozone's laggards to catch up with the leaders. One approach could be to allow incomes in those surplus countries to rise, and expect some to be spent by consumers on goods and services from the weaker economies. This would accord with the instinct to 'trust the market'. It would however be unlikely of itself to produce a process of economic development which builds up high value-added industries in those weaker economies and addresses the social and economic needs of their domestic populations.

A better response would be to invest purposefully and strategically through both public and private effort. A positive industrial strategy of this sort could take inspiration from the active industrial policy of the Treaty of Paris, as well as the concerted efforts to build a knowledge economy that were embodied in the Lisbon (2000) process. This would include investment in infrastructure, human capital and the science base, especially through long-term projects of a scale and duration the private sector cannot contemplate on its own. Government can also be central in creating new markets, including – in recent times – the development of

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[40] https://www.bath.ac.uk/publications/from-brexit-to-european-renewal/attachments/from-brexit-to-european-renewal.pdf

[41] https://www.bath.ac.uk/publications/alternatives-to-austerity/attachments/alternatives-to-austerity.pdf

new markets for green technologies and energy sources. This goes far beyond the argument that government should intervene only in cases of 'market failure'.

Rejuvenating the European economy will surely require significant fiscal integration. Various proposals for fiscal union in the eurozone have been advanced in recent years, including most recently by Piketty[42] and colleagues, starting with corporation tax. They also argue for the creation of new democratic institutions for the eurozone, since without an accompanying democratisation of decision-making at the European level, fiscal union will simply be experienced as a further loss of sovereignty and accountability.

- *Promote Security and Creativity for All*

Reaching towards a knowledge economy involves not only shifting the European budget towards research and building the right links between research, technology, innovation and enterprise. It also needs a strong social dimension, in terms of skills, social institutions that support a high-skill economy and broad popular commitment to this new economic order.

Individual security against the risks of income interruption was the heartland of traditional welfare states. Over the last half-century, however, those solidarities have been on the defensive across much of the industrialised world, in the face of neoliberal hostility to state welfare. The globalisation of markets and the shift to new knowledge-based technologies has brought insecurity to large swathes of the population; and it was this insecurity, in part at least, that created the social conditions for Brexit. In turbulent times, the solidarities of strong welfare systems must therefore be retained, not dismantled, in the face of neoliberal markets (Polanyi, 1944; Rieger and Leibfried, 2003).

Yet if markets threaten those solidarities, so does excessive and unbridled inequality (Piketty, 2014). This is for several reasons. First, because it encourages the rich to opt out of collective security arrangements and build protected schemes of their own. Second, because the national solidarities of strong welfare systems carry with them norms of equitable treatment and just desserts, which unbridled inequality undermines. Gross inequality undermines solidarity and hence also the overall European project.

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42 https://www.theguardian.com/commentisfree/2014/may/02/manifesto-europe-radical-financial-democratic

Meanwhile however, the financial crisis showed who calls the shots, within western political economies. Governments came forward as guarantors of the banks' viability. The costs were then spread across society, in particular by retrenchment in public provision and in the institutions of collective solidarity on which most people depend. Security for citizens and communities was thus, at least in some degree, in tension with security for the financial institutions. The tension is all the greater, when taxation systems become less progressive; when taxation of footloose corporations is driven by a 'race to the bottom' against national tax authorities; and when governments shift from taxation as a source of revenue to borrowing on the bond markets. This is what Streek (2014) describes as the 'Debt State'; Galbraith (2009) as the 'Predator State'. Tax reform is also therefore a necessary part of any European reform, in any attempt to 'rescue Europe'.

The shift to a knowledge economy depends not only on collective security and solidarity, but also on human investment and skills. This is especially important for the demographically challenged societies of Europe, which can ill afford to waste their scarce human resources, and must equip them to respond successfully to the new challenges of artificial intelligence and robotics[43]. This will need more investment in the least skilled, since this can yield the greatest returns in terms of economic growth (Coulombe et al., 2004). However, if our education and training systems are to prioritise these groups, they need to be much more inclusive than at present. Otherwise they will be neither socially equitable nor economically efficient.

Social policy as a productive force is not just about investing in individuals; it also involves investment in occupational and regional communities. Human capital must be deployed effectively within industrial settings if economic growth, competitiveness and employment are to be achieved. This aligns with the vision of a 'smart economy' set out by Hutton (2015: Ch 6), with innovation and 'mass flourishing', locally and nationally.

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43 https://www.technologyreview.com/s/603370/robots-will-devour-jobs-more-slowly-than-you-think/?mc_cid=676bdca633&mc_eid=bc4434aad3

- *Re-Think Free Movement*

Free movement also needs re-thinking: the free movement of people, but also of goods, services and capital.

The free movement of goods and services may allow economies of scale and reductions in the price of consumer goods – but it can also mean downward pressure on social and environmental standards and the destruction of employment in communities unable to compete. The free movement of capital may mean downward pressure on taxable capacity, as businesses threaten to move elsewhere, and their disregard of any obligations towards the communities where they are based.

Being forced to migrate north because of the economic desertification of one's home region is no freedom. It is also no 'free movement' if rich countries denude poorer countries of their highly skilled people, because they have themselves failed to invest sufficiently in training.

Free movement requires some collective responsibility for the infrastructures of the communities to which large numbers of immigrants come, rather than 'devolving' this burden to the local areas in question. This is true, whether those incomers arrive from outside or inside the country in question, and whether they are coming for work, tourism or education[44]. We allow fragile environments to be protected and watched over by local communities. We may also allow them, as caretakers, to set the terms on which we intrude and in what numbers; we encourage their community stewardship (Ostrom, 1990). It would be strange not to extend that thinking to their jealous protection of their social fabric.

This is part of the larger question of how national and European policies can support local communities more generally, especially those facing major social and economic change. Leaving them at the mercy of global markets risks community disintegration – as much through the exit of secure jobs, as through the arrival of incomers. This will require investment in the social and economic security of all our communities. It could mean re-embedding capital within local and regional communities, including for example encouraging

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[44] https://www.theguardian.com/education/2018/sep/23/town-v-gown-is-the-student-boom-wrecking-communities

community co-ownership of local businesses. This is central to the reforms of the UK economy proposed by Hutton (2015: Ch 5), with business ownership a vehicle for innovation and community benefit as much as for profit.

This may entail interfering in the free movement of financial capital, the hallmark of the globalised economy. What recent experience has underlined however is that the free movement of financial capital is itself dependent on the concerted guarantees provided by national governments – the very governments from whose taxation international finance seeks to free itself (Supiot, 2012: Ch 4).

In short, therefore, the free movement of labour, capital, goods and services requires some more careful assessment of who benefits, rather than a blanket commitment as an article of faith, or a test of political correctness. This sets markets as servants, not masters, of social and political choice. Blind commitment to the 'four freedoms' is not a sound basis for public policy (Supiot, 2012: Ch 5).

What might this mean, in practical terms, for the free movement of labour within the EU – the issue which emerged as the central battle ground in the UK referendum, but which also now infuses national politics across the Continent?

First, there are no simple answers. It is as unhelpful to insist on the 'free movement of people' as an absolute principle of the EU, as it is to insist that 'control of its borders' is an absolute necessity for each nation state. A more intelligent conversation is needed, seeking to balance the diverse interests involved.

Second, we must recognise that we each sit within multiple solidarities, with their entitlements and obligations: our families, our local communities, our nations and beyond that our citizenship of the EU. Each of these entails responsibilities and commitments on our part and the expectation of support. I should expect a generous welcome wherever I travel in the EU, but until I make my own contribution to that community, it is to my community of origin that I should primarily look for support in time of need. This is indeed broadly the current situation[45]. This, again, needs respectful and civilised discussion, with due attention to the readiness of extremist groups to fan the flames with their divisive rhetoric.

Third, we should also recognise that these solidarities may be resilient, but also sometimes fragile, in face of exogenous shocks – and that rapid change can bring them to ‘tipping points’ of calamitous loss. These may arise from the sudden influx of outsiders, migrants from other countries, but also the ‘gentrification’ of old working class residential areas, as prosperous young professionals move in. They can also arise from the free movement of capital, as international corporations acquire and close down local firms with no regard to the community solidarities that employment sustains. It was partly in recognition of such solidarities that the Treaty of Paris and the European Coal and Steel Community had a strong social and industrial policy. This still has a key role to play in a reformed EU.

This would then also re-shape the debate on immigration. First, by investing in the skills and creativity of our own population, we reduce the need for employers to look elsewhere – for nurses, for IT specialists and others - in ways that denude poorer countries of those in whom they have invested their slender national resources. Second, by taking collective responsibility for the infrastructures of those communities to which large numbers of immigrants come, rather than ‘devolving’ this burden to the local areas in question, we reduce the risk that those communities will see immigrants as a threat.

These surely are the principles by reference to which any new view of free movement needs now to be forged – applicable across the EU. There are ideas aplenty for practical reform[46], not only from those involved in the UK’s Brexit debates[47].

45 https://theconversation.com/what-the-eus-rules-on-free-movement-allow-all-its-citizens-to-do-62186

46 https://www.theguardian.com/commentisfree/2017/jan/16/we-can-escape-brexit-doom-with-one-small-tweak-to-free-movement

47 https://www.theguardian.com/commentisfree/2017/jan/22/europe-needs-refashioning-brexit-taxation-migration

The ESU and the political economy of Europe

The EU Council and the Commission have developed a wide range of instruments for monitoring the economic and social policies of the member states, checking them against centrally agreed standards and identifying the leaders and laggards. The latest addition is the EPSR[48], with its twenty principles and rights, neatly packaged into three categories. Meanwhile, the Parliament has steadily expanded its powers of co-decision. The appearance is therefore of a more orderly but also more democratic Union.

Nevertheless, the challenges discussed here require a more fundamental reconstruction of democratic European politics bottom-up. Policy monitoring will become a dynamic force for change only when local and regional social and economic actors drive the process of comparison and policy learning, depending on their specific needs and interests. This would expose domestic policy-making to alternative approaches and intelligence from across Europe, enriching policy debates. It would recognise different scenarios of potential development, with real political choices and trade-offs. Domestic political leaders could no longer rely on the relative ignorance of their population regarding practices elsewhere; they would instead need to justify their performance, by comparison with good practice in other countries. Social benchmarking of this sort could have major consequences for their political credibility.

This is consistent with some of the pressures for change around the 2020 European Strategy, the updated Lisbon process, which call for more opportunities for citizens and communities to participate in European governance, along with trade unions and other civil society organisations (Natali and Vanhercke, 2015: 248, 258). The latter have generally grown weaker over recent decades; new forms of cross-national exchange and solidarity might serve to reverse this.

In some small and modest ways, there are already prototypes of this within the history of the EU. One was the succession of 'pilot programmes' to combat poverty, launched by the Commission between the mid-1970s and the mid-1990s (Room, 2014). Poverty was of course outside the scope of Community social policy as defined by the Treaty of Rome. These programmes were therefore small and required special decisions by the Council of Ministers – but their novelty and their concern with the living conditions not just of workers, but of citizens in general, gave them a certain freedom to

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[48] https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

develop outside the normal constraints of Commission functioning. So did their small scale, which obliged the Commission to limit them to a range of local communities and to work in concert with NGOs.

The result was a succession of initiatives involving local communities from across Europe, connected through the evaluation experts on whom the Council had insisted. Once connected, they used that intelligence network for their own purposes. Local projects brought their peers together on their own turf, both to enrich the debates with city decision-makers in which they were involved, but also to involve Commission officials and national civil servants in events at which those decision-makers would have to defend their policies, in the glare of international publicity (Room, 1986: Ch 4).[49]

This showed the critical leverage that local communities can exercise, exposing local, national and European decision-makers to public scrutiny – and associating those communities in a transnational '*demos'* that questions the prevailing order. This was deliberative democracy in practice, with local communities artfully calling together the multi-level decision makers, who pull the levers of power, and the practitioners from elsewhere, who can testify to alternative ways of doing things. Rather than national and EU decision-makers keeping to their allotted spheres, local actors summoned them to confront the social and economic injustices faced by their communities.

Small prototypes of this sort will not change the world, but they may provide models on which other social and political actors can draw – including national parliaments. They point the way to an 'ever-closer union', not in the sense of 'free markets' and new levels of political management, but in terms of the diverse legacy on which local communities can creatively draw. This means not just securing respect for what Scharpf (2014: 1, 16) terms 'legitimate diversity', but also building *new* forms of diversity, through transnational association and practice. This would balance an 'ever-closer union', as the goal of European development, with an ever more *diverse and creative union*, enjoying strong social solidarity and participatory democracy (Leonard, 1999: Ch 5).

[49] A more recent example is provided by Rebel Cities (or Cities for Change): "…the construction and development on a European level of networks between the 'cities for change' can be decisive in increasing the potential of intervention and political pressure on national governments and European institutions. It can affirm a real protagonism of the communities and local governments in political decisions that affect them."

Nevertheless, to speak thus risks embracing a spurious optimism. The economic and political challenges that Europe faces are not entirely the result of political incompetence or ill-adapted institutions. They are in part at least the result of the political economy of European integration and the distribution of economic and political power. This has indeed been the sub-text of much of this paper - the priority given to protecting the financial institutions; the displacement of the costs of the financial crisis onto the least secure in our societies; the opposition of the stronger member states to fiscal integration; the tolerance of rising levels of income and wealth inequality; the free movement and management of capital.

Thus, against the market optimism of recent decades, what European austerity has exposed are the social class divisions of capitalism. This is why our ‘three steps to save Europe’, taken together, are much more than an exercise in economic management and social cohesion; they are fundamentally political, a struggle for social justice. Whether there are political actors ready and able to take forward such a struggle will dictate what sort of Social Union emerges. In his contribution to this forum, Ferrera (2018 - This issue, pp.12-26) documents evidence of pan-European public solidarity, but not of their political support for a new Europe-wide social contract – even if this is indeed a precondition for the survival and strengthening of the EU.

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A European social union should address the causes of growing inequalities

Chiara Saraceno

Introduction

Arguing for a European Social Union rather than for a “social dimension” of the EU is both a necessary and radical shift of focus. Possibly, it is more radical than anticipated in starting this debate, in so far it requires to move beyond the necessary, but limited, focus on redistribution and on the respective responsibilities of national welfare states and of the EU - beyond the full implementation of the European Social Pillar, however important that may be. Taking up Vandenbroucke’s (2018 - This issue, pp.2-11) idea that “for the Pillar to have an impact on EU policy-making, a first condition is that its raison d’être is sufficiently powerful”, my thesis is that its raison d’être is to use its role as a supra-national space and player to develop instruments to contrast unjust inequalities. If achieving a European Social Union means developing a fairer society for all its citizens (and also for non citizens who come to live here), the causes of “unfairness”, of inequality-producing mechanisms, including those created by the Union itself, should be tackled. It is not only a matter of balancing “active” vs “passive” measures, “enabling” vs “compensating” or “protecting” policies, nor only of “insuring” against social risks. Rather , it is also, and foremost, a matter of intervening on the socially structured and often legally underpinned drivers of inequality at the distributive level: where income and wealth are accessed and accumulated in ways and according to rules that are far from being always fair.

Why inequality is increasing and we cannot afford it

In developed, democratic, societies, inequality has now reached heights unknown since the post war years, as documented by a vast literature, including the OECD reports of the last 15 years, although –in different degrees across countries. This process has involved also the traditionally more egalitarian countries, such as Sweden, which until the 1970s was the most egalitarian country within the developed ones, but, according to Goran Therborn is now one the most unequal with regard to wealth, and only average with regard to income.[50]

There is a general consensus on the reasons of the increase in inequality, although individual analysts may focus more on one or another. Four main drivers have been detected.[51] The first is the increasing power of capital over labor, due to the combination of capital mobility, labor market flexibilization and technological change, in a context of weakening of the strength of trade unions. The second is the rise of oligarchs capitalism, due to the concentration of income, wealth and power in the top 10% of citizens – and most notably in the ultra-rich top 1%. This concentration, in turn, is not only nor mainly the result of the traditional concentration of wealth, but of an unprecedented gap in wages between top managers and the other workers, a concentration which has little to do with the added value and merit of the former, but largely with the monopolistic positions they hold, as well as with the way their compensation is structured. A large a large part, in fact, is paid in the form of bonuses and stock options, thus under an often less traceable and more favorable taxation rules. As a consequence, an increasing lower share of gains goes to workers. A third driver is the individualization of economic conditions. Workers are increasingly divided in terms of family backgrounds, education, employment contracts – permanent or temporary, full time or part time, etc. – and polarized in terms of skills and wages. This makes it difficult to detect clear common interests around which collectively organize to counter the diminishing value of wages. The fourth driver is the retreat of politics. In the name of market self-regulation, national governments, but also international bodies, including the EU, have reduced their control on market rules at all levels – labor market and capital movement regulation, distribution and use of profits, regulation of the social impact of technological development. While this retreat has de facto encouraged oligarchic, rather than true market capitalism, it has also reduced the space for redistribution through taxes, public expenditure, provision of public services outside the market. It must be added that, according to a substantial body of research, inequality at the economic level translates, also in democracies, into inequality in the political arena and in the chances to support measures and reform favorable to the

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[50] G. Therborn, Twilight of Swedish Social Democracy, *New left Review,* 113, September-October 2018 https://newleftreview.org/II/113/goran-therborn-twilight-of-swedish-social-democracy

[51] See e.g. Atkinson A., *Inequality*, Harvard, Harvard University Press, 2015; Franzini M. and M. Pianta: *Explaining Inequality*, Oxon, Routledge, 2016

more disadvantaged.[52] Growing economic inequality s therefore a risk in itself not only for development, as pointed out in the most recent OECD reports, but also for democracy.

The EU contributes to the drivers of inequality by favoring inter-country (and even inter-regional competition) without regulating the movements of capital and enterprises within, as well as outside the Union itself. It, therefore, allows the unfairness of competition between different systems of social protection and levels of minimum wages. It is a real paradox that an international community that shares common economic rules (and currency) and acts as an open market, where every enterprise can move and compete with everybody else, has not considered what this means for the social and economic structure of its member countries and for the financial underpinnings of national, welfare states themselves. As EU members, they must comply with EU directives on mobility of both labor and capital, anti-monopolistic regulations and so forth, and, as Eurozone members, also with budget rules concerning deficit and public debt. But, because of these same rules, they have little control on who moves where across the EU, both at the individual and at the enterprise and financial level.

The unfairness of growing inequality has been strengthened, de facto and in public opinion perception, by the asymmetrical impact of the Great Recession, with lower income households having suffered the most.[53] The better performance during the recession of countries with stronger and more universalistic welfare states, mentioned also by Hemerijck in this Forum (2019 – This issue, pp. 93-112), certainly speaks in favor of a positive role of a well-designed national social protection systems in navigating the crisis and buffering the most disadvantaged at the national level. In a contest of differently performing economies, however, strict common budgetary rules (particularly within the Eurozone), the inter-countries gap in national welfare states' capability to protect their citizens risks to widen. The EU itself, rather than being perceived and functioning as (in Hemerijck's words) a "holding environment, based on shared values and a common purpose, matched by competent

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[52] See e.g. J. Hacker, *The institutional foundations of middle class democracy*', London, Policy Network, 2011; Gilens M., *Affluence and Influence: Economic Inequality and Political Power in America*, Princeton, Princeton University Press, 2012; N. Carnes, *White-Collar Government: The Hidden Role of Class in Economic Policy Making*, Chicago: Chicago University Press 2013; L. Elsässer, S. Hense, and A. Schäfer, "Government of the People, by the Elite, for the Rich: Unequal Responsiveness in an Unlikely Case." Unpublished manuscript, Universität Osnabrück. 2018

[53] See e.g. Cantillon B., T. Goedemé e J. Hills (a cura, *Decent incomes for all*, Oxford, Oxford University Press, (forthcoming); S. Ólafsson, M. Daly, O. Kangas and J. Palme (eds.), *Welfare and the Great Recession*, Oxford, Oxford University Press, forthcoming.

institutions, in times of painful adaptation”, risks being identified as a space of inter-country blaming, of asymmetrical power relations and a cause misery and disruption for the most marginal and/or more disadvantaged. In this context, populist/nationalist movements and parties collect not only the dissatisfaction of the “losers”. They may also collect the dissatisfaction of those who, without being losers, feel threatened in their way of life by the possible demands coming from other member countries and from intra-EU unbalances.

The differential exposure to unregulated migration from developing countries, the unwillingness of many Member State to share the responsibility for hosting refugees and asylum seekers and the inability of the EU to develop, and implement, a joint migration policy, further adds to the weakening of a positive EU “holding” role, while increasing intra-EU conflicts.

In order to counter this risk, at the redistributive level, it is not enough to promote what Ferrera (2018 - This issue, pp.12-26) in this Forum describes as a “process of “coming together” of already existing welfare states, allowed to maintain their ‘legitimate diversity’ but (i) committed to mutual adaptation based on jointly defined criteria and (ii) open to engage in some risk pooling”. Or, at least, the third item in the list should come first. As mentioned by Vandenbroucke and Matsaganis (2018 – This issue, pp. 119-130) in this Forum, the role of the EU at the redistributive level and particularly of the monetary union also as a “insurance union”, is important, however not only for solidaristic or functional reasons, but also in order to correct the inequality-producing mechanisms set in place by its being an inefficiently and asymmetrically regulated open mobility space. In this perspective, I share Vandenbroucke’s hopes for the Commission’s initiative concerning the European Labour Authority with the task of organizing and enforcing ‘fair mobility’ across EU countries, and his proposal for some kind of *European Unemployment Risk Sharing* instrument. But I also share his disillusionment for the failed promise of a ‘hard’ legal initiative on ‘access to social protection’ in parallel to the European Social Pillar. Furthermore, as pointed out by Matsaganis, any EU-wide minimum social protection should also tackle two crucial issues. One is the growing differentiation within the labor market and labor contracts, which excludes a growing number of workers from traditional unemployment benefits. Re-insuring these at the EU level, without rethinking the instruments of unemployment protection in a diversified and often deregulated labour market risks crystalizing this exclusion. The second issue concerns the diversity, in eligibility and duration rules as well as in level of living of the national systems of social protection. I wonder, in this perspective, for how long we can settle for accepting that, within the common political, economic and social space of the EU, the poverty thresholds measured in reference to the median national incomes, if translated in PPS indicate enormous cross country differences. Households living at the level of the risk of poverty line in Belgium can afford over 2.5 times more goods and services than similar households in Hungary. Those in the same situation in Luxembourg can afford seven times more goods than those counted as poor in Romania. These differences in level, not only cost, of living, have increased greatly with the inclusion of the Eastern European countries, while the 2008 financial crisis has deepened the "older" North-South differences. The promise included in the Treaty of Rome, the "harmonization of the living and working conditions", seems farther away than ever.

These differences in level of living are not only a serious obstacle in building any kind of pan-European solidarity. They are also a great temptation for wages and social protection dumping, thus feeding nationalist and populist parties and public opinions. It may well be, as Hemerijck argues, that "cognitive inertia prevented a generation of European policymakers from recognizing that greater cross-national heterogeneity also allows for better joint-insurance". But overcoming this cognitive inertia is more easily said than done, since it now feeds the emotional basis of emerging nationalisms and of anti-EU hostility. Yet, overcoming that inertia and addressing those huge inequalities in level of living and in social protection (in some cases also in basic democratic rules) is a challenge that cannot be avoided. It should become a more explicit and better monitored target of structural funds, which in turn should be better coordinated with the goals of the European Social Pillar. In this perspective, I share Cantillon's proposal concerning the process, and possible building blocks, towards a decent income for all guarantee.

Why the EU needs a pre-distributive agenda

But, as I anticipated, redistribution is not enough, if the drivers of unfair inequality are not tackled at their sources. It is also necessary to intervene at the level of distribution, on the mechanisms that determine who gets how many resources. It is necessary therefore, to develop what have been called pre-distributive policies, but which might simply be called fairer economic policies. The aim of these policies, in fact, is to promote market reforms that encourage a more equal distribution of economic power, assets and rewards before government collects taxes or pays out benefits.[54] Pre-

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[54] See e.g. Hacker J, *The institutional foundations of middle class democracy*', London, Policy Network, 2011; Matzner E. and W. Streek, *Beyond Keynesianism: The Socio-economics of Production and Full Employment* Brookfield, Elgar, 1991; Chwalisz C. and P. Diamond (eds.) *The Pre-distribution agenda*, Policy network, Bruxelles, 2015; Carlin

distribution seeks to restructure the market economy, ensuring that fairer outcomes for all be secured without sacrificing long-term growth and productivity. Rather than wholly relying on the redistributive sphere of social policy, therefore, the aim of pre-distribution is to address the structural context of contemporary capitalism: the quality of work and the satisfaction it generates; the allocation of 'good' and 'lousy' jobs; the prevailing framework of employment rights and market flexibilities, the distribution of the benefits of technological change, the unequal impact of globalization. Going beyond an equal opportunity framework which focuses mainly at the individual level, the aim of pre-distribution is to eliminate biases that benefit privileged groups, promoting public interest objectives that reduce the need for *post hoc* government intervention. Its agenda is encompassing and includes some of the measures highlighted by Vandenbroucke, such as the already mentioned Commission initiative concerning the European Labor Authority in order to organize and enforce 'fair mobility' across EU countries. It includes also some of the concerns of the social investment agenda, in particular its focus on education and on work-life balance policies. It includes also the introduction of legislated minimum wages thresholds, to protect the more vulnerable workers, together with the strengthening of the role of trade unions. But it also aims at reforming financial systems to reduce the moral hazards and the loading of their costs on the taxpayers. It argues in favor of limiting the executive and CEO's pay awards, which have often lost their reference to any added value based on evidence and have widened the gap between the top and the average wage earners. In counter-trend compared to what has happened in most capitalist democracies in recent decades, proponents of a pre-distributive agenda are also favorable to the taxation of inheritance, in order to limit the intergenerational transmission of inequality and to allow some social, rather than familial, redistribution at each generational passage.

Following Ferrera's attempt to make sense and systematize the already existing EU institutions within the social policy field, one might detect a few already existing items of EU pre-distributive agenda. Some of them are hard policies, others are soft ones and often at risk of being overcome by EU rules concerning the formation of national budgets, rather than being a focus of negotiation over budget between the Commission and national government. Anti-monopolistic

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W., 'A Progressive Economic Strategy' (London: Policy Network, 2012). Available at http://www.policy-network.net/publications_detail.aspx?ID=4269 (last accessed 27.12.2018). AG.I.R.E, Contro la disuguaglianza. Un manifesto, Bari, Laterza, 2018. Also Atkinson's 15 proposals in his testament book *Inequality* (cit.) are largely of a pre-distributive kind.

regulation pertains to the hard policies. It should be added that it is argued more in terms of supporting market competition than, as it should, in terms of busting undue privileges. Support for education, including early education and to work-life balance policies belong to the "soft" set. Putting some strength in supporting their implementation within the negotiation of national budgets would be a positive move, showing that the EU is not only interested only in making national governments comply with its financial rules, but also first and foremost in improving the life chances of its citizens. Unfortunately, this has not been the case until now.

Emerging interest in drafting a pre-distributive agenda

The good news is that the issue of intra- and cross-country inequality is emerging as a central issue in policy debates and there is a growing awareness that, although redistributive policies are important and social rights need to be strengthened, something must be done at the distributive level, not only to improve individual life chances, but to contrast the mechanisms that produce excessive, and unfair, inequalities. On the eve of European elections, a pre-distributive agenda, and more generally an agenda where the social and economic dimension are closely linked together, is finding its way both in the European intellectual community and in some political platforms. Matsaganis has already mentioned the Green platform, which, among interesting redistributive proposals, mentions a clear pre-distributive one: a directive on an adequate minimum income, and uniform European rules on minimum wage. Two other very recent initiatives are worth mentioning in this line.

The first initiative is the Manifesto drafted by Manon Bouju, Lucas Chancel, Anne-Laure Delatte, Stéphanie Hennette, Thomas Piketty, Guillaume Sacriste et Antoine Vauchez , which is now collecting thousands of signatures across Europe.[55] This Manifesto, tying together the social and economic dimension of the EU, proposes to stipulate a Treaty on the Democratization of the Economic and Social government of the European Union that allows to have a EU budget based on four common taxes (on corporate profits, on high incomes, on wealth, and on carbon emissions) in order to put the issues of inequality, climate change, research and social protection at the heart of the European growth regime, replacing "hard economic logic of ultraliberalism". Consisting of 4% of the European GDP, this budget should finance research and universities, direct investments towards

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[55] http://tdem.eu/

sustainable forms of growth with regard both to inequality and to environment, the reception and integration of migrants, support to agents involved in the transition and direct transfers to nation states to reduce taxes on lower incomes.

The second initiative I wish to mention is the *Sustainable Equality Report* by the Progressive Society, an initiative sponsored by the Parliamentary Group of the Progressive Alliance of Socialists & Democrats in the European Parliament (S&D Group).[56] This report starts from the idea that "policies and actions targeted at re-empowering people and re-shaping our economies must be combined with a range of policies that specifically target poverty and excessive inequalities linked to gender, income, wealth, origin and place of residence - and poverty". Towards this end, the report, on the one hand, at the re-distributive level, advocates the full implementation of the European Pillar of Social Rights principle by 2012, the introduction of a European-wide Child Guarantee, the development of an Anti-Poverty Plan, including the introduction of directive on a minimum income guarantee, support for a reform of existing social protection schemes in order to take account both of changes in the labor market and of environmental risks. On the other hand, at the pre-distributive level, in addition to the launching of a vast European Fair Wages Action Plan particularly focused on improving the lower wage group, the report argues in favor of an EU regulatory action to make all business forms much more accountable for their social and environmental responsibility. Minimum business obligations towards society as a whole should be enshrined in European legislation and sustainable public procurement should become the norm. The Report also stresses the need to strengthen the regulation and supervision of the financial sector, "to ensure that they play their full role in financing the transition to sustainability, provide adequate finance to smaller firms and consumers, and recognize and manage new risks, including shadow banking". In order to reduce the social damages of a footloose capitalism it also suggests that the largest firms be subject to stricter rules embodied in a binding Corporate Responsibility Passport necessary to operate inside the single market. Similarly to the Manifesto quoted above, the Progressive Society Report proposes to finance these and other initiatives geared to reversing growing wealth inequality and financing social policy aimed at ending poverty through a European Net Wealth Tax, and through a Financial Transactions Tax.

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[56] https://www.progressivesociety.eu/publication/report-independent-commission-sustainable-equality-2019

These proposals may seem even more unrealistic than the pure redistributive ones, in a context where public discourse seems to be dominated by nationalist/populist parties. Yet, only addressing the issue of unfair inequalities and their roots is there a chance of developing a European policy that acknowledges the good reasons of the resentment and fears caused by globalization and technological change and takes its part of responsibility for their solutions. These, in fact, do not lie in nationalistic closure, which can only feed inter-country competition and conflict at the expense of the weakest. They rather lie in a joint, consensually negotiated revision of the functioning of the market economy supported by common rules and by a common social budget.

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How can a European Social Union protect citizens and member states?

Waltraud Schelkle

The contributors to the debate on a European Social Union (ESU) share some common ground. It is meant to be an institutional framework for the European Union of nationally constituted tax-transfer states, not a federal welfare state. The ESU's role would be to promote certain policy goals that very different welfare systems are built to address: Bea Cantillon (2019 – This issue, pp. 54-63) mentions a minimum wage geared to fight poverty; Chiara Saraceno (2019 – This issue, pp. 147-156) argues that rising inequality must be reined in, in particular where the EU itself is a contributing factor through openness and intensified competition. The base for an ESU is the European Pillar of Social Rights (ESPR), announced with great fanfare by Commission President Juncker. A future ESU is meant to add to this time-honoured rights-based approach, bringing in more policy coordination and, crucially, budgetary instruments like an EU-wide unemployment scheme, as László Andor (2018 – This issue, pp. 27-39) points out. All this would make permanent what Anton Hemerijck (2019 – This issue, pp. 93-112) advocates in an apt phrase: the shift from a 'disciplining device' for member states to a "holding environment' for active welfare states to prosper".

Needless to say, the devil is in the detail. 'Social protection for all workers' sounds like motherhood and apple pie. No decent EU citizen will oppose it. Except that in a world of finite resources and limited willingness to pay taxes, budget constraints force us to set priorities. Protection for all workers may not be the priority everywhere. In some member states, it is the many self-employed and self-exploiting who are failed by the system. In turn, they feel entitled to evade taxes, making it even less likely that they get the social protection they deserve.

Tax evasion brings me to the disingenuous role of Jean-Claude Juncker, who figures so prominently on the EuVisions pages. Surely, only libertarians and Eurosceptics would argue against the agenda of this compassionate Conservative and true European when he supports more social rights for EU citizens to create an ever closer union? Yet, as a national politician, for many years the Prime (and finance) Minister of Luxembourg, he opposed increased European competences in income taxation. Under his watch, the Duchy became a tax haven that starves other member states of funding for more generous welfare. Juncker's promotion of the ESPR thus sounds hollow to those in the EU who do not live in an international financial centre for which openness and mobility are the guarantors of a privileged existence. In some parts of the union, openness and mobility are genuinely mixed blessings.

All this is to say that I think one needs to take the 'holding environment' idea for an ESU seriously and talk about institutional detail, so that we start to understand how compatible our priorities are. This must come before those with inside access to EU decisionmaking push for one or the other.

To give just one example. Can we agree on substantive goals like fighting working poverty? Or should the goal be rising inequality across the whole population, rather than focusing on the working population only? An EU-wide unemployment insurance scheme complementing national schemes will not make much difference to either. It is an automatic stabilizer for an 'insurance union', as Frank Vandenbroucke (2018 - This issue, pp.2-11) rightly says, not a redistributive instrument of a transfer union. I would not know how to choose between these valid goals of an ESU, let alone how to bring many fellow supporters of an ESU along with me.

An ESU will not be chosen behind a Rawlsian veil of ignorance. It therefore needs political mechanisms by which those EU citizens who care about social rights and welfare can make their views heard. Those who care are the residents of a welfare state, and they express their sentiments with their votes. The ESU should be backed by political citizenship. Adopting a residence principle for political citizenship would be a genuine innovation for the EU. It could follow the example of many countries outside Europe where residents gain a right to vote after a period of residence or taxable economic activity.

Voting rights for immigrant residents would change political debates. It would at least make some national members of parliament raise issues of openness and migration with other than welfare-chauvinistic messages. To solve the puzzle why the principle of 'no taxation without representation' has not played a more prominent role in European integration is beyond the confines of this blog. But we should see it as a genuine element of a future ESU. Taxation is, after all, a powerful redistributive and stabilising instrument of welfare states. Mobile EU citizens are disproportionately young and well-educated but not necessarily well-paid and well-treated. The right to vote at the place of residence would contribute to a holding environment for open and accessible welfare states.

Progressive taxation is jeopardized by the openness that an ESU is meant to uphold. National governments find it difficult to tax fairly and at the necessary level and have to take recourse to debt or expenditure cuts instead. Progressive income taxes do not only redistribute, they are also more effective automatic stabilisers. Also, the taxation of wealth, including housing property, must come back on the agenda if we want to stand any chance of retaining a meritocratic society: this is the upshot of Thomas Piketty's analysis. The ESU could organise a laboratory federalism that provides lessons on how tax systems can innovate and cooperate to get at the hard-to-tax sources of concentrated wealth and underused property.

Political citizenship in the EU and protection of tax states are aspects of an ESU that create a holding environment. They would enable a union of diverse welfare states to live together. The union would expect member states to be respectful of the needs of their neighbours, for instance to abstain from freeriding on their tax base and from outsourcing stabilisation to others. Adding ever more rights to the menu of social citizenship will not do the trick.

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Towards a European Social Union

From spillovers to just transitions[57]

Andrew Watt

Introduction

It is a pleasure to contribute to the important debate launched by Frank Vandenbroucke and Maurizio Ferrera, which has already attracted a number of stimulating responses from expert commentators. It has always been important to reflect on the relationship between economic integration and social and political integration, and how to safeguard and develop social achievements across Europe in the specific institutional framework that is the European Union. The challenges thrown down more recently by populism, nationalism and Euroscepticism mean it is now also urgent.

As a lot has already been said in this debate, I will – after some introductory remarks – focus on pieces of the jigsaw puzzle that I consider particularly relevant or under-discussed so far. (The corollary is that I will not enter debates such as that on the Pillar of Social Rights, well covered by other contributors.) At the end I propose using the concept of "just transition" in mitigating and countering climate change as a way to put flesh on the bones of a nascent European Social Union.

The economic and the social

I have always been critical of a tendency to separate "the economic" from "the social". For too many on the Right a market economy can be relied on to deliver not just the physical but also the social goods: social policy interventionism distorts incentives and stymies market-led efforts. On the Left, the market economy is frequently seen one-sidedly as a producer of inequalities, oppression and environmental damage. Economic policy can be left to the neoliberals, while the task of progressives

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[57] This contribution has benefited from helpful comments on an earlier draft from Maurizio Ferrera, Willi Koll and Lukas Vesely. The usual disclaimer applies.

is to erect bulwarks against encroachment the market economy, to prevent it seguing into a market society.

Neither view is correct. Economic and social policies are inextricably entwined and, potentially, mutually reinforcing. A market economy incentivises (if prices are right) efficiency and innovation. Market forces can – i.e. this is not unconditional – bring about regional convergence. These factors impact directly on social outcomes and living standards (or the option for greater leisure). This generates tax revenues that can be used to finance social programs. Equally, to generate good outcomes the economy needs – a non-exhaustive list – regulation and collectively legitimized intervention to reduce instability and prevent crises, correct market failures, prevent the regional and class-based accumulation of economic and political power, and – in certain key areas like health and education – to allocate resources according to other than market economic principles (decommodification). In short, a good combination of social, economic and other policies improves human welfare by promoting cooperation and coordination where it is needed and channeling competition to where it can raise productivity and efficiency.

Jacques Delors put it[58] succinctly: « La concurrence qui stimule, la coopération qui renforce, la solidarité qui unit ». Article 3 of the Treaty on the goals of the EU is right to combine social and economic goals.

The situation in the European Union

As several contributors to this debate have pointed out, the EU is a peculiar entity in this regard. Political integration post-1957 has been gradual and came at a time when welfare states in the Member States (MS) were already highly developed and tightly entwined with their respective national social, demographic and economic characteristics. With certain specific exceptions, integration was focused on market creation and what might be loosely described as managing (some of) the consequences of extending markets beyond national borders. Over time, this "managing the consequences" has led to some significant progress in developing a nascent trans-national social policy in Europe. (See Vandenbroucke and other contributors to this debate for details.) Nevertheless

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[58] https://fr.wikipedia.org/wiki/M%C3%A9moires_(Jacques_Delors)

it remains the case that the welfare state in the EU is primarily a national affair. Citizens look first to their respective national government (or intermediary organisations like trade unions, NGOs and charities) to "deliver" social policies. Meanwhile, with the Maastricht Treaty, the introduction of the Euro and some of the economic policy measures introduced in response to the crisis (tighter fiscal rules, the Macroeconomic Imbalance Procedure, Banking Union), economic policy has become substantially more integrated, above all for Euro MS.

Social Europe a myth?

This situation has led to a widespread and, I believe, highly damaging misunderstanding. The unsophisticated claim is that because of the paucity of explicitly European social policy, social Europe is a myth. But this is to confuse the EU as a multi-level entity with the EU-level in the narrow sense. Citizens want effective policy and good outcomes: the governance level at which this is delivered is a secondary matter. Most people recognize that social standards in (most but not all) EU countries are amongst the highest in the world. Provided the MS can deliver, the system ain't broke.

There is a more sophisticated view, however. This is the idea that economic integration in the form of market opening actively undermines social standards in the member states, essentially by pitching national welfare states and also taxation systems into a "race to the bottom" to attract mobile factors of production, capital, wealthy individuals and highly skilled workers. As an influential tradition in the literature, established by Fritz Scharpf, conceptualises it, "negative integration" (market creation) is facilitated by the EU via rulings by the European Commission or European Court of Justice, whereas "positive integration" (market-correcting regulation) is difficult because of institutional diversity and the need to reach unanimity or a high degree of consensus between MS. A recent and concise statement of this view, by Martin Höpner, is here.[59]

There are examples of this sort of regulatory and tax competition, and it is a matter of concern; I return to this point below. Yet it is an erroneous view of the functioning of the European Union for a number of reasons. It mischaracterises market forces as inimical to social outcomes while suggesting that market correction consistently promotes social outcomes. This is not the case. The

59 https://www.socialeurope.eu/social-europe-is-a-myth

legal restrictions (not bans) on the provision of state aid are a good example. These serve to prevent harmful forms of market correction that while they might be in the short-run interest of a national government, ultimately increase the ability of mobile capital to extort concessions and taxpayers' money from MS. More fundamentally, the predictions of this theory are hard to square with the empirical facts. I am currently engaged in a systematic study of the changes in social indicators in EU and comparable non-EU countries. To cite one simple, but encompassing indicator, social spending as a percentage of GDP in the EU15 (on OECD data) has risen steadily (with some cyclical variation) since 1980, from around 18% to 27%. Initial levels in the USA and other non-EU countries for which data are available were substantially lower (12-13%). They have also risen over time, but less steeply, such that the (western) Europe's lead has actually increased, despite the higher initial level, and despite the allegedly pernicious EU-specific influence of "negative integration".

Moreover this approach risks understating Europe's capacity, in a process of institutional development, to overcome limitations on "positive integration". A recent an important initiative in this regard is the attempt by the Juncker Commission to progressively drop the principle of unanimity in taxation matters. And the European Social Union initiative launched by Frank Vandebroucke and other contributors to this debate can be seen in the same light. It can be translated into the following question: How can we raise Europe's capacity to act on social issues, where there is a value-added in doing so?

Where can the EU add social value?

Subsidiarity is an important guiding principle of the EU. It is not enough, indeed it is not helpful at all, to argue, as some on the Left are found of doing, that given that the EU intervenes heavily in, say, fiscal policy it should do so with respect to social policies, because "the social is just as important as the economic". There is a clear economic rationale for the need to coordinate the setting of fiscal policy; in a word there are significant spillovers between countries, particularly those sharing a common currency. That the current rules do not adequately address the spillover is a different matter. Coordination of social policy measures going beyond mere informal policy learning clearly makes sense wherever there is evidence of policy spillovers. Negative "externalities" should be avoided and positive ones encouraged or even enforced. This logic can scarcely be disputed.

Beyond the spillover logic a case can also be made for "Europeanisation" in the social policy field to reduce disparities between countries and also to deepen popular support for the European integration process. I believe these two lines of argument to be basically legitimate. (see also Vandenbroucke, 2018 - This issue, pp.2-11; and Ferrera, 2018 - This issue, pp.12-26) It seems reasonable to argue that a degree of geographical "cohesion" is a necessary condition for economic integration to function. But the case is less unambiguous. The former introduces a cross-country redistributional element. Reasonable people will disagree on the extent to which such redistribution is desirable. Similarly the "allegiance" argument is based on a premise that will be shared to varying degrees (including not at all).

Areas with a strong spillover argument

I will turn now to some individual policy areas where I believe a case for moves towards a European Social Union could most readily be made, i.e. where spillovers are most readily apparent.

- *Ending unanimity on tax*

  It may raise eyebrows to start here, as taxation is not obviously a "social policy". Yet national social policies (often) need public resources. And the structure of national tax systems affects distributional outcomes. Reducing harmful tax competition would thus be an important step to undergird national welfare states while ensuring that the mobile (who tend also to be the wealthy) pay their share. Moving away from unanimity on taxation would make it substantially easier to prevent races to the bottom on taxation and make "positive integration" in this area a real possibility. It is welcome that the European Commission has launched an initiative in this area.

- *Strengthening collective bargaining coordination*

  There is considerable evidence that highly developed, coordinated national wage-setting systems deliver better social and economic outcomes than rudimentary, individualistic systems. (From a large literature, see Ch. 3 of the 2018 OECD Employment Outlook[60] and the

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[60] https://read.oecd-ilibrary.org/employment/oecd-employment-outlook-2018/the-role-of-collective-bargaining-systems-for-good-labour-market-performance_empl_outlook-2018-7-en#page1

discussion here[61] especially pp. 82ff.). Effective systems combine relatively compressed wage structures (and thus lower inequality) with good employment outcomes. This is a strong argument for developing such systems, not though, by itself, for a strong role – one going beyond promoting policy learning, benchmarking exercises etc. – for the European level. However, particularly within the monetary union, wage developments (specifically: unit labour cost developments) have very substantial cross-border spillovers. In the absence of exchange rates, unit labour costs are a prime determinant of international competitiveness; see also Vandenbroucke in this debate. They are closely linked with price inflation – whereby product market competition and other factors impinge. As such they help determine real interest rates (for a given nominal interest rate set for the whole currency union by the ECB) and thus influence the pace of demand growth. The interactions and how they relate to the unfolding of the Euro crisis are explained more fully here[62], pp. 5ff.

The importance of coordinating wage developments offers a clear rationale for "investing" in developing effective collective-bargaining institutions at national level, and also in exploring ways to improve wage coordination at EMU level. Together with Willi Koll I have proposed (here[63]) institutional reforms for the Euro Area that would encourage such an institutional strengthening. Apart from improving economic outcomes in the narrow sense, by ensuring a more balanced development of demand in individual countries, more inclusive and coordinated national systems would be conducive to better social outcomes, as suggested by the literature cited above. As such this could make a significant contribution to promoting an ESU. This could involve a strategy for agreeing a minimum wage norm across Europe; for an early statement see here[64].

- *National automatic stabilisers*

A somewhat similarly structured argument can be made for a coordinated attempt to strengthen national automatic stabilisers. Automatic increases in public spending or cuts in

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61 https://www.boeckler.de/pdf/p_imk_study_57_2017.pdf

62 https://www.boeckler.de/pdf/p_imk_study_61e_2018.pdf

63 https://www.boeckler.de/pdf/p_imk_study_61e_2018.pdf

64 https://www.etui.org/Publications2/Policy-Briefs/European-Economic-Employment-and-Social-Policy/European-minimum-wage-policy-a-concrete-project-for-a-social-Europe

taxes and social contributions in an economic downturn (vice versa in an upswing) stabilise the national economy. Because demand effects spill over to trading partners (especially within monetary union), other countries benefit from the stabilisation effect. This provides a rationale for encouraging, incentivizing or cajoling member states to increase the "bite" of their automatic stabilisers, for instance by raising them to an agreed minimum level. This could be done with "soft" coordination mechanisms in the context of the European Semester, leaving the choice and weighting of policy measures to the discretion of member states.

- *Cross-border automatic stabilisers*

This logic applies all the more to cross-border automatic stabilisers, the most discussed example of which is some form of European unemployment (re)insurance. Such a scheme would also stabilise economic developments and help avoid situations where countries are forced to cut back public spending during an economic downturn. As Laszlo Andor (2018 – This issue, pp. 27-39) has discussed this issue extensively in his contribution to this debate, I will not develop this point further. Decisions at the end of 2018 suggest that some progress could be made in this area, but political resistance to quantitatively substantial measures remains strong.

Moving forward: "Just transition" as a framing for ESU?

Some of the policy areas discussed above could be at least partially addressed by soft coordination measures; others would require more far-reaching steps. As far as redistributional policies are concerned, the EU budget is an obvious place to start. On the revenue side a number of proposals have been put forward (for instance an EU-wide corporation tax); a group around Thomas Piketty has made ambitious proposals[65] along these lines. On the expenditure side space for spending even without greater resources could be found by reducing and better targeting agriculture-related spending; greater resources could then be devoted to "social" spending with a clearer European rationale, such as support for lagging regions or boosting the sensible but underfunded European Globalisation Adjustment Fund (EGAF). See also Laszlo Andor's more comprehensive discussion in his contribution.

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65 https://www.theguardian.com/commentisfree/2018/dec/09/manifesto-divided-europe-inequality-europeans

I would like to end with a proposal for framing a European Social Union (or at least an important aspect of it), in a way that goes back to the crucial idea of spillovers between countries. The mother of all spillovers is, of course, climate change. Every ton of greenhouse gases emitted anywhere in the EU (actually: in the world) affects all the member states. (It is true that the impact will not be evenly spread, but there is great uncertainty about how the negative effects will be spatially distributed. No country can count on escaping harm.) It is also well known that efforts to decarbonise our economies, particularly by raising the price of fossil fuels, which from an efficiency point of view has much to recommend it, have serious social implications. The poor tend to spend a higher proportion of their income on fossil fuels and have less scope to invest in technological solutions in order to reduce that proportion than wealthier citizens.

This applies within countries, as the *gilets jaunes* protests in France have recently made clear. It also applies between countries, as the fraught debates at the successive climate change mitigation conferences have shown. There is thus an urgent need to develop “just transition” policies, within and between countries, because that is the right thing to do, but also because without them there will be justifiable resistance to needed decarbonisation policies. They may therefore be blocked.

In the light of all this, it would appear that strong arguments can be made for a substantial European value-added in the area of “just transition” in the context of decarbonisation strategies. The latter are, arguably, crucial for our survival. Consequently I would like to suggest that it will be productive to explore how just transition – a concept that has already developed a considerable following in civil society and international policymaking circles[66] – could be used to push forward the idea of European Social Union. This could take a narrower, more instrumental approach: for instance the idea of an EU-wide carbon tax whose revenues are distributed on a per capita basis. This could but need not be taken literally, i.e. per capita payments to each household. National governments could also receive transfers on a per capita basis. The latter would have an inter-country redistributional effect, the former would ensure that this also occurred within countries.

Arguably, though, the “just transition” paradigm could also be extended beyond the environmental field. One rationale given for welfare policies at national level is to facilitate acceptance of structural change that can be wrenching for individuals and for whom it is therefore rational to seek to prevent the changes. This argument can, in principle also be made at European

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[66] http://www.ilo.org/global/topics/green-jobs/publications/WCMS_432859/lang--en/index.htm

level, as is already implicit in the EGAF; see also Matsaganis's contribution to this debate (2018 – This issue, pp. 119-130). Ultimately this brings us back to the ideas I only touched on earlier: that welfare policies and social insurance/redistribution are essential for maintaining – to use an old metaphor – the "social fabric". This is, I believe, part of a vision for the European Union, although it is probably one whose realisation cannot be expected in anything but the longer run. In the meantime we should seek to build momentum starting with the areas where the spillover effect is most plausible, while seeking to lever the just transition paradigm to foster progressive change.

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The new European Commission must convince citizens that the Pillar is alive and kicking.

Frank Vandenbroucke

Introduction

I'm very grateful to all the people – colleagues from academia, policy-makers, social and political actors – who contributed to the forum debate launched by EuVisions. This brief conclusion should not be read as a real 'conclusion': it is not possible to do justice to all the contributions, since the many themes broached in the contributions would merit more thought. Nor will I try to sketch a social agenda for the new Commission. Rather than 'concluding', I want to explain the mindset in which I launched, together with Maurizio Ferrera, this forum debate, and in which I read the contributions.

In my introduction, I wrote that the solemn proclamation of the Pillar marks a point of no return: some years from now, it will either be a convincing and recognizable success, or it will be a high-profile failure. The Pillar may become a policy agenda that sustains real momentum, beyond the lifetime of the Commission Juncker. However, if the EU fails to deliver on the promise enshrined in the Pillar, the initiative will backfire, and the frustration it generates will undermine any new attempt to equip the EU with a comprehensive social dimension for a long time to come. Given the cost of an eventual failure to deliver on the Pillar, those of us who care about the social dimension of European politics, should now work on an interpretation of the Pillar that maximizes its positive potential. This means, among other things, that it must fit into a consistent view of the role the EU should play and the role it should not play in social policy: in our view, this is the perspective of a 'European Social Union'. In the introduction, also insisted that we should identify priority areas in which the Commission, Parliament and Council have to take initiatives.

The many components of a European Social Union

Let me first recall that Maurizio Ferrera (2018 - This issue, pp.12-26) identified five different 'components' that have to be brought together to constitute a 'European Social Union': the National Social Spaces, Transnational Social Spaces, the EU Mobility Space, the EU Social Policy Space (supranational EU policies that have an explicit social purpose, be they of a regulative or redistributive nature) and the EU Fundamental Social Principles. My call for identifying priorities was about one of the five components: it was about 'EU Social Policy' in the proper sense of supranational EU initiatives.

This multidimensional understanding of what 'social Europe' is about is important. To use Andrew Watt's (2019 – This issue, pp. 160-168) words, claiming that 'social Europe is a myth', *because of* 'the paucity of explicitly European social policy', is based on a misunderstanding: it confuses the EU as a multi-level entity with the EU-level in the narrow sense. The EU-level, in the narrow sense, should act on social issues when there is value-added in doing so. For sure, one should not interpret 'added value' in merely economic or material terms here: the added value of EU-level social initiatives can be that they increase the legitimacy of the EU – a point stressed by Ferrera in his introduction to the debate (I return to this below). However, we should resist the temptation to download our *whole* social agenda onto the EU as an institution: it is not because a social concern X is relevant, that the EU should develop policies to tackle X. This may be what differentiates my approach from, for instance, Trudie Knijn's contribution to this debate (2019 – This issue, pp. 113-118). In a critical comment to my introduction to the debate, Knijn writes that implementing the Social Pillar 'must go far beyond an insurance union'; she mentions the need to spending more on public services. I concur with her that budgets for public services must be increased in many a Member State, and that this resonates with the Pillar's principles, but I would consider this a task of the Member States. A European Social Union must make it possible for Member States to invest sufficient resources in public services. At the level of the *European Union*, this requires a policy framework that allows Member States to maintain fair and adequate taxation systems, so that welfare states can be funded adequately (notably by preventing a race to the bottom in corporate taxation); and it requires temporary support for Member States that are hit by severe economic shocks, so that they can maintain their funding of welfare services whilst coping with declining revenues and increased spending on unemployment benefits. This is basically what an 'insurance union' would do; it would 'insure' the Member States capacity to invest in welfare, but it would not take over the responsibility for welfare budgets themselves.

Watt adds a broader observation to his *caveat* about the proper role of the EU: we cannot separate 'the economic' from 'the social'. Indeed, economic and social policies are inextricably intertwined and, potentially, mutually reinforcing. Different contributors to this debate – Graham Room (2019 – This issue, pp. 131-146); Sacha Garben (2019 – This issue, pp. 76-83); Trudie Knijn and others – also underscore this insight, each in his or her own way. Tackling interregional inequalities, realizing upward convergence, sustaining public investment… is to a large extent a matter of economic policy choices, in which the EU is an important actor and agenda-setter. I read Vladimir Bogoeski's contribution (2019 – This issue, pp. 40-46) in the same spirit. Bogoeski challenges the belief in a 'rights-based' approach rather fundamentally: the language of rights may lose the battle against material inequality, notably between the core and the periphery of the EU. Indeed, if the unequal *economic* development of the EU's Member States is not addressed, there is no long-term perspective for a true European Social Union. Bogoeski writes that tackling unequal development across Europe is a matter of both 'redistributive' and 'pre-distributive policies' (whereby he links his contribution with Chiara Saraceno's input to the debate - 2019 - This issue, pp. 147-156); in my understanding, his legitimate concern leads us also squarely into the domain of economic and regional policies.

Which priorities for EU-level social policies?

Bea Cantillon's (2019 – This issue, pp. 54-63) contribution is important in that she really takes up the challenge of identifying 'the priority' in a roadmap for delivering the Pillar. She argues that minimum income protection should be the priority of all priorities, and that the EU-level should reinforce both the substance of its policies and its policy levers in this domain. I will not rehearse her arguments, but I would like to briefly contrast her proposal with the approach I set out in my introduction, and which is developed and enriched in a very useful way by Manos Matsaganis (2018 – This issue, pp. 119-130). To repeat: I suggested that the hard core of the 'holding environment' for EU Member States would be an insurance union, whereby the word 'insurance' must be understood in a broad sense. It would organize mutual risk-sharing in the case of severe economic shocks, but it would also organize collective action to allow Member States to maintain fair taxation systems (a point emphasized, rightly, by Waltraud Shelkle and various other contributors in this series). It would, to some extent, organize solidary support for social investment policies in countries that are in need of resources. Within the Pillar's 20 principles, I identified one priority which is, in my mind, intrinsically related to this notion of an 'insurance union': access to social protection for all. The

Commission initially proposed new ‘hard legislation’ to guarantee access to social protection for all European citizens; in a second stage, it opted for the softer approach of a recommendation, which has been accepted by the Council. Over the next few years, more work is needed with regard to this principle.

I suggest that different arguments would support selecting ‘access to social protection for all’ as a key priority, i.e. to really put it top of the list. First, if we think the stabilization capacity of national welfare states is important and merits EU-level support (notably through the organization of an EU-level unemployment re-insurance scheme), then national welfare states must see to it that their stabilization capacity does not erode. For that reason, it is of utmost important that all citizens have access to social protection, including access to insurance against lack of work or incapacity to work. New developments in labour markets, such as the proliferation of independent work with the ‘zzp’ statute in the Netherlands, but also the platform economy, are undermining this basic feature of welfare states. Second, in this domain, we have both real spill-overs and intellectual spill-overs among Member States. We are confronted with real spill-overs, because the proliferation of new forms of work that are not integrated in social security schemes in some Member States may put unfair competitive pressure on other Member States to allow the same (perverse) development. Potentially there are positive intellectual spill-overs, in this sense that a process of mutual exchange and learning among Member States’ policy-makers would be very useful in order to better understand the nature of the challenge of the new economy, the variety of future scenarios and possible solutions. The EU is uniquely well equipped to serve as a platform for innovative policy development in unchartered policy domains, of which new forms of work are a prime example. Third, I think the political legitimacy of the EU would be bolstered if EU citizenship would be linked inextricably with access to social protection. Such a principle would state that every EU citizen must always have access to social protection irrespective of the sector, the type of activity, the type of employment relationship… in which he or she, or the persons on whom he or she depends, are engaged. This would really be a ‘European social right’ for each and every individual European. In yet other words, an EU-level process of mutual learning would not be confined to exchanges between high-level experts and policy-makers. Rather than remaining an ivory-tower exercise – a feature characterizing EU-level learning and peer-review processes all too often – it would inform the definition of social rights to be understood and enjoyed by all EU citizens.[67]

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[67] In this conclusion to this EuVisions debate, Maurizio Ferrera signals that there may be some ambiguity around my argument, since Principle 12 of the Pillar and the Council Recommendation for the moment speak of “all workers and

Here, I benefit from Manos Matsaganis' contribution, which enriches my argument on 'insurance union' by linking the debate on European unemployment insurance to the broad debate on the 'future of work': '[T]he case has never been stronger for mutual learning, policy experimentation, and exchange of best practices', so he writes, and I concur with this. At risk of simplifying the distinction between Cantillon's priority proposal and the approach on priorities taken by Matsaganis and me, I would say that the former focuses on specific outcomes to be achieved, whilst the latter focuses on the 'nuts and bolts' of future-proof welfare states. Obviously, there is overlap between the two. Matsaganis wants us to reconsider the importance of universal services and benefits, which are important instruments in the fight against poverty. Or, to give another example of overlap between an emphasis on minimum income protection, in terms of outcomes, and an emphasis on nuts and bolts for future-proof welfare states: developing a European framework that obliges every Member State to have a transparent system of minimum wages with universal coverage, may fit as much into Cantillon's narrative as it may fit into Matsaganis narrative.[68] Yet, the emphasis in these respective contributions is different. I do not want do pronounce a final judgment here; there is merit in both approaches. Cantillon also advances relevant political legitimacy arguments in support of her priority, as I do with regard to the priority I would give to access to social protection and new forms of work (and in his final conclusion to this EuVisions debate Ferrera tables additional cautionary arguments against the risk of reducing a European Social Union to an 'insurance union'.) What I want to emphasize is that this is *exactly* the kind of debate we need with regard to the determination of *priorities* in the implementation of the Pillar's principles. Policy-makers and social and political actors cannot do everything simultaneously: their political energy and capital is inevitably limited, hence, priorities must be identified.

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the self-employed", not "all citizens". In the economy of the Pillar, this is not problematic, as risks and needs unrelated to work are dealt with in other parts. But Ferrera cautions that the latter should not be forgotten, and deserve a proper place in the aspiration of a European Social Union.

[68] Given the emergence of new forms of work, in which traditional employment relations do not apply, one should add to the emphasis on minimum wages another, complementary idea: in certain sectors of the new economy independent workers should be able to set minimum tariffs collectively, without being accused of breaching competition law.

The synergy of instruments

Obviously, this insistence on the selection of priorities, does not detract from another argument in my contribution: delivery on the Pillar's promise presupposes that different instruments are combined to implement its principles: EU legislation; policy coordination and benchmarking; and EU funding. The Pillar's principles should play a substantial role in the European Semester and fiscal and macroeconomic surveillance. Sacha Garben and Francesco Costamagna (2019 – This issue, pp. 64-69) draw our attention to the role of the European Semester. In my own words, I would say that the challenge they highlight is to really mainstream the Pillar's inspiration in the European Semester's policy recommendations. I do not think there is an insurmountable contradiction here. Recall Watt's warning for an artificial opposition of 'the economic' and 'the social': the austerity policies which Garben and Costamagna presumably have in mind were not an example of the opposition between sound 'stabilisation' policies (to use Costamagna's terminology) and sound social policies. In the aftermath of the financial crisis, the over-emphasis on fiscal consolidation was simply an ill-guided economic policy; it was definitely not an example of well-organized stabilisation. In yet other words, at the level of the European Semester, the debate is not so much about an opposition between 'the social' and 'the economic', but about making adequate economic choices. Obviously, a policy and legal framework that would give greater weight to social considerations would be helpful in that respect.

The European Social Observatory (OSE) recently published a report for the Workers' Group of the European Economic and Social Committee, in which the Commission's proposal for the next Multiannual Financial Framework is scrutinized, from the perspective of the Pillar (Sabato et al, 2019). They table a battery of operational budgetary proposals to translate the Pillar into the EU's budgetary policies. I refer the reader to this report for useful inspiration. Among other proposals, the authors rightly say that the *Reform Support Programme*, a new budgetary instrument proposed by the European Commission, should be a vehicle to promote social investment policies in the Member States. In fact, the whole MFF should undergo a 'social investment check'. I should say that I'm less convinced by the suggestion in this OSE report to introduce a 'Social Imbalances Procedure', which is the main focus of the contribution by Francesco Corti, Stefano Sabato and Bart Vanhercke (2019 – This issue, pp. 47-53) to this EuVisions forum debate. Adding a new soft procedure, like the 'Social Imbalances Procedure', to the already very complicated set of procedures in which the Commission and Member States are engaged, may have relatively little added value *per se.* I, for one, believe that the crux is to provide tangible support to Member States that want to implement reforms guided by the social objectives of the Pillar, and to do this in a coherent way, based on true EU solidarity. Further developing proposals such as the Commission's *Reform Support Programme* (which is not yet accepted politically![69]) and allocating sufficient budgetary resources to it, is the way to go. Also, recall that I think that the real fight for 'the social' is often about the substance of the economic policies, notably in the context of the European Semester. Setting up a specific and separate 'social' imbalances procedure may militate against the necessary integration of the economic and the social. But I may be wrong about this, and the proposal merits further debate.

The functionalist fallacy

Martin Heidenreich (2019 – This issue, pp. 84-92) insists that 'functional arguments' are a poor basis to develop a social dimension to the EU: he warns for a 'functionalist fallacy', and proposes a highly original alternative account of the basis for a European Social Union, based on the idea that 'exit' options seem to be foreclosed. Bogoeski also cautions against a functionalist approach: one of the risks of a functionalist approach is that its focus on the completion of EMU might make us blind for the East-West divide. These important remarks touch upon complex analytical and normative problems with which I do struggle. As indicated in my initial introduction to this forum, I agree that we should not stretch functional arguments too far. Elsewhere, I have argued that, when thinking about the EU's social dimension, we are always on a bridge between functional arguments and shared political aspirations. Ferrera's insistence on the political nature of the challenge – the search for political legitimacy – also means that we must avoid a narrow, economic functionalism when arguing for a European Social Union. On the other hand, given all the constraints we face, functional arguments carry some weight, as Matsaganis writes. Cutting a complex argument short, I would say that we cannot avoid to be somewhere on that bridge between functional and fundamental normative arguments.

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69 The Commission's idea met a lot of resistance at Member State level, and has been converted – if I understand it well – into the notion of a 'Budgetary Instrument for Convergence and Competitiveness for the euro area', mentioned in Ursula von der Leyen's agenda as presented for the European Parliament.

The responsibility of the new Commission

As already said, these summary thoughts inspired by our forum debate, cannot do justice to all the contributions. They do not justice to what a comprehensive debate on the idea of a European Social Union would entail. I deliberately focus on the need to identify priorities for action at EU level that can translate the Pillar's promise of 'improved rights for European citizens' into tangible initiatives that are accessible to and understandable by those citizens: access to social protection for all, a framework for fair corporate taxation, temporary support for countries hit by severe economic shocks, budgetary support for social investment policies, a framework on principles applying to minimum wages… would be such tangible initiatives. Watt adds an interesting suggestion: a joint EU approach to 'just transition' in the context of the climate challenge.

In other words, this debate underscores that, yes, there is a really promising agenda waiting for further action. In fact, my main, admittedly rather pragmatic worry over the last few months was about continuity: the Commission's task is to guarantee continuity with regard to the Pillar. In general, continuity is an important feature for policies that require time to become effective, but continuity is especially important for the European institutions, if they want to maintain credibility with the public at large. For the EU's credibility, there is nothing worse than the impression that social policy initiatives are 'cheap talk', and as quickly forgotten as they have been launched. In a side-remark in his contribution, Laszlo Andor (2018 – This issue, pp. 27-39) rightly complains that the Commission Juncker should have given a higher profile to the follow-up of the 2013 Social Investment Package; the mere fact that the Social Investment Package was launched by the Commission Barroso probably reduced the Juncker Commission's motivation to keep it prominently on the radar. This is a pity, and the same must not happen again with the European Pillar of Social Rights under the new Commission that is now formed. Ursula von der Leyen's agenda, which she presented to get sufficient support in the European Parliament, is promising in this respect: she not only announces a full implementation of the Pillar, but also an 'action plan'. Setting out an 'action plan', means being clear-headed about priorities and coherent with regard to the ways and means for delivery and, thus, the mobilization of all the relevant instruments. Let me therefore end with this pragmatic note: Ursula von der Leyen's agenda means that the new Commission must get its act together to mainstream the Pillar in its economic and social policies at large, and that it must identify a selection of priorities, that can feed into high-profile initiatives, neatly organized in a consistent action plan. By doing so, it should convince a skeptical public that the Pillar is alive and kicking.

Conclusion

A boost to ESU building

Maurizio Ferrera

When, back in 2014, I started my REScEU project[70], the online observatory EuVisions was to be the "operational arm", so to speak, of our academic research. Its mission was threefold: 1) developing an agile and user friendly instrument for presenting the findings of our empirical investigations as well as of our conceptual and normative work; 2) serving as a forum for debates with colleagues and policy makers; 3) providing a testing ground for launching new ideas and practical proposals. Perhaps immodestly, I think that with the "ESU debate", EuVisions has demonstrated a commendable capacity to fulfil its threefold mission and live up to its promises.

To be sure, the idea of a European Social Union did not germinate within Rescue. Its seed was planted in both the academic and the EU policy circles by Frank Vandenbroucke. Soon after the start of REScEU, Frank was kind enough to involve me in his own efforts to flesh out the ESU idea. Such efforts culminated with a collective volume published in 2018 (A European Social Union after the Crisis, edited by Frank Vandenbroucke, Catherine Barnard, Geert De Baere, Cambridge University Press, 2017). Participating to that book project gave me the opportunity of linking Frank's insights with REScEU's agenda and of channelling the congenial findings and thoughts of our research towards the ESU proposal and its further articulation. Needless to say, the adoption of the European Pillar of Social Rights (EPSR) in 2017 gave further spurs to our reflections, including that of promoting an "ESU debate" on EuVisions. Like Frank, I warmly thank all the contributors to this debate for their smart and thoughtful pieces. In this conclusion, I will try to distil a brief summary of the discussion, add a few further remarks of my own on "how to piece the ESU together" and express my hopes of advancement for the post-election new legislature.

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[70] Reconciling Economic and Social Europe: the role of values, ideas and politics (www.resceu.eu) , ERC advanced grant n. 340534 of 2014

Piecing ESU together: a summary of the debate

The financial and economic crisis has caused a general worsening of the social situation in all the Member States - a dramatic worsening in some of them. As highlighted in particular by Chiara Saraceno, socio-economic inequalities have witnessed a quantum leap in the last decade, disarticulating and polarising the very fabric of European societies. Dualisation *within* Member States has been accompanied by dualisation *among* the Member States, in the wake of a dangerous spiral of divergence between "core" and "peripheral" countries. Europe seems to have entered a treacherous epoch of *double dualisation* (as noted by Martin Heidenreich).

On this backdrop, all the contributors have welcomed the ESU proposal as a response to such predicament. They also share Frank's and my own pragmatic approach: the best strategy is to start with the ingredients which are already available and to "piece them together" to form a Social Union. Among the various ingredients, the EPSR promises to be the most propitious "hook" in programmatic as well as legal terms. However significant, it would be a mistake, however, to overestimate the EPSR's potential (Francesco Costamagna and Sacha Garben). For the time being, it is just an aspirational document, a set of "manifesto-rights" that need to be given substance and form, first of all by clearly identifying the possible institutional guarantors and the specific type of resource-guarantees which are needed for an actual fruition of the Pillar's rights by EU citizens. As noted by Caroline De la Porte and Waltraud Schelkle, implementation will be key, as the devil always hides in details.

Emphasising the fact that we already have some pieces on the ground may itself turn out to be a double edged sword. On the one hand, the existence of a scattered "capital" of social policy spaces gives us the advantage of not having to start from zero, either institutionally or politically, and thus of possibly achieving some significant result already in the medium-term. On the other hand, relying on what is already available may triggering off a "wait and see" mood, feeding the expectation that the pieces of ESU will end up together sooner or later and thus that no overarching strategy is needed. This would be a big mistake. Good ideas must find purposeful "carriers". Generalising an expression used in the UK in the early 2000s, the "stumbling" approach does not lead very far. Then, the expectation was that Blairs's tax reforms would gradually stumble towards a good idea: the basic income[71]. Almost 20 years on, this optimistic prediction has not materialised. So, if the ESU idea is good, why not outlining a pragmatic but clear strategy rather that counting on a random walk?

A strategy should start by setting reasonable and feasible priorities. On this front the contributors of our debate have expressed different views, already discussed by Vandenbroucke in his own conclusion. Bea Cantillon –supported by Saraceno and others – has suggested to prioritize minimum income protection; Matsaganis, Andor and others are more inclined towards prioritizing the protection of employment, especially those new forms of work linked to digitalisation. Both proposals share the same rationale: one should target the losers, the victims of dualisation dynamics. Since national systems still have a number of gaps and voids in this policy sector, EU action would be timely and useful, it could take a lead in orienting future developments and it could also avoid many of those obstacles typically linked to the institutional and political resistance inevitably exerted by already existing schemes. In his conclusion to the debate, Vandenbroucke sketches a bridge between Matsaganis' focus and his argument and makes a third proposal, grounded on principle 12 of the EPSR and on the Commission's proposal for a Council Recommendation (COM(2018) 132), aimed at ensuring access to social protection for all workers and the self-employed in the Member states. Prioritizing this goal would have at least two advantages. First, it would direct attention and policy efforts towards the historical and distinctive core of the European Social model: the social insurance of work-related risks. Second, such a priority would give to ESU the imprint of a multi-level "Insurance Union", aimed at supporting the Member States and their citizens in "hard times".

The term "Insurance Union" emphasizes in particular the problem of cross-territorial solidarity and thus points directly to the second side of dualisation, i.e. the increasing socio-economic divergence between Members States (not only North-South, but also East- West, as rightly noted by Bogoeski). Many contributors have focused their intervention on this aspect. According to Andor and Hemerijck the challenge of divergence cannot be tackled with a right –based approach only, but it requires a range of policies for promoting upward convergence and a certain degree of risk pooling. To this effect, what is needed is a shrewd combination of legislative, coordinative and budgetary instruments. Many have indicated the introduction of some form of EU unemployment insurance as the priority for the legislative agenda. Waltraud Schelkle and Andrew Watt have aptly recommended

[71] This was the sympathetic reaction (Financial Times, 16 August 2000) of Sir Samuel Brittan - a long-term advocate of basic income- to a report prepared by the Citizen's Income Study Centre's research report "Stumbling Towards a basic Income. The prospects for tax-benefit integration" (by Bill Jordan, Phil Agulnik, Duncan Burbidge and Stuart Duffin, London, April 2000),

to deal also with the issue of tax competition, which bears great responsibility in undermining budgetary and economic stability at the national level. High attention should also be given to improving existing coordinative instruments. As regards the fight against poverty, Cantillon suggests a shift from the governance of outcome to the governance of inputs. Sebastiano Sabato and Francesco Corti formulate the boldest proposal: introducing a fully-fledged "excessive social imbalance" procedure, in the context of the Semester.

Many contributors argue in favour of a significant enhancement of the EU's budgetary instruments, especially by introducing an autonomous fiscal capacity and smart rules for inducing public and especially social investments (Andor, Costamagna, Watt, Room). Watt and Room also recommend an extension of focus on policies and instruments apparently falling outside the remit of ESU, such as environmental sustainability and the so called just transition (possibly reconverting to this end agricultural spending).

Piecing the ESU together is not just a matter of outlining a substantive agenda, but also of forging supporting coalitions. As aptly pointed out by Trudi Knijn, there is a lot going on in civil society which is poorly known and even less exploited as a social base for building a more solidaristic EU. Local activist networks could be mobilized to serve as meso-level intermediaries between grass-root needs/demands and the macro-level of supranational institutions. More generally, a transversal reading of the various contributions signals preoccupation but also some optimism about the change of "moment". Albeit slowly, and with a marked time lag in respect of problem pressures, a "socialisation" trend seems to be finally emerging in the midst of economic and fiscal "austerianism".

The new "social moment" of EU politics: let us make the best of it

The results of the 2019 European election have been reassuring. In the aggregate, the right wing, populist and nationalist parties have performed much below their own expectations and some incautious predictions. In Italy, for months we heard threatening promises by the Cinque Stelle and the Lega Nord , according to whom "all will change in Brussel" after the elections. As it turns out, Ursula Von den Leyden will still be supported by the mainstream parties and the Cinque Stelle have even voted in her support. What is even more important, the President-elect has presented a political program which is possibly the most socially and environmentally friendly ever. As a recent focus on

EuVisions explains[72], this time most parties have included detailed policy proposals in their electoral platforms. The parliamentary majority (as well as the Greens) will certainly exert a tighter substantial control and stimulus for the work of both Commission and Council. It is still too early to make predictions, but the "possibility space" for EU politics now includes a "social track" which was unthinkable only a few years ago. Continuity is important – as Vandenbrouke rightly argues. But pragmatism must be guided by visions. So it is important that we do not weaken our efforts at deepening and clarifying issues of principles and issues related to the broad strategy for ESU building.

Kindly connecting with my previous work on "opening" and "closure", Martin Heidenreich has highlightened an interesting political development that might create the necessary preconditions for ESU-building in political arenas. I would summarise his reasoning by defining this development as the "defeat of exitism". It seems awkward to use this term at the eve of "real" Brexit. But if we look at the discourse and platforms of the leading sovereignist leaders (Salvini, Le Pen, Wilders and others) the exit option no longer features as top priority. It is almost certain that such move is less the result of a "genuine" ideational conversion than of (un)feasibility considerations. Be as it may, the acceptance of the extant spatial boundaries of the EU (Eurozone) is likely to have important (and constructive, rather than destructive) "structuring" effects. If you cannot exit a given arena, you have to voice for promoting your interests in a logic of eventual compromise. It is a tenet of the Weber-Rokkan tradition to acknowledge that "bounded conflict" may well have a paradoxical *integrative* effect. In this light, ESU-building could indeed serve as a construction site capable of producing political and social bonding, in addition to its more visible functional benefits.

I like Vandenbroucke's proposal of declining ESU as, essentially, an "Insurance Union" with a double mission: organising mutual risk-sharing; promoting common actions to create the conditions for domestic stabilization as well as sustaining social investments. Reaching a general programmatic consensus among the Member States on this blueprint and possibly implementing its first step, i.e. a European Unemployment Insurance of sorts, would already be a huge achievement. I only see two risks in this approach. The first is that the EU already has some spending policies and some dedicated funds (e.g. the Social Fund and the Fund for European Aid to the most deprived – FEAD) which do not rest on an insurance logic, but rather on the "active inclusion/cohesion" logic (for individual

[72] http://www.euvisions.eu/the-social-dimension-in-the-electoral-programs-of-the-european-political-groups/

beneficiaries but also for national and regional governments, through various forms of conditionality). This logic should be protected and valorised with the ESU. The insurance principle complements and socialises competitive transactions, but is still based on rational expectations and actuarial calculations. Political communities require instead a modicum of unconditional solidarity - incorporated in their institutional structures- so that ordinary citizens can have an instinctual trust in the fairness of central authorities, whatever happens. This is crucial especially in those situations in which reciprocity-based calculations are instrumentally ambiguous, epistemically difficult or normatively untenable because of marked a-symmetric shocks or emergency situations.

The second risk that I see has to do with the key principle that Vandenbroucke prioritizes as being intrinsically related to the insurance notion: access to social protection for all. Principle 12 and the Council Recommendation for the moment speak of “all workers and the self-employed”, not “all citizens”. In the economy of the Pillar, this specification is not problematic, as risks and needs unrelated to work are dealt with in other parts of the Pillar, by other principles. It is true that, historically, social insurance was born around work-related risks through risk pooling techniques. But we must remember that in the historical federations (e.g. the US and Switzerland) the institutional separation between insurance (assigned to the federal level as regards work-related, inter-individual redistribution) and assistance (which remained in the jealous hands of sub-federal units, with very limited cross-state subsidization) prompted institutional and political tensions which have survived to this date. Since the EU already has “active inclusion/cohesion” policies at the supranational level, would it not be wise to capitalise on this, by formally and symbolically anchoring them within the ESU conception? With a view to attempting a political “leapfrogging” in respect of the experience of the historical federations? This is just a thought for the moment, which I offer as a topic for future discussions. Thus let me end this wonderful and exciting “ESU debate” with a Socratic invitation: there is still a lot to discuss, let us meet again soon.