

TOWARDS A MORE SOCIAL EUROPE?

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This synthesis of the conference “What Social Initiatives for Europe?”, whose speakers were Jean Pisani-Ferry, László Andor and Marisol Touraine, reviews the key issues addressed : the challenge of building a social Europe, the reasons to go further with social Europe, the Social investment package and the strengthening of social Europe in the face of the economic crisis.

The *Centre d'études européennes de Sciences Po* [Paris Political Studies Institute's Centre for European Studies], in partnership with *Notre Europe - Jacques Delors Institute*, hosted a conference in Paris on 14 June 2013, entitled “What Social Initiatives for Europe?”, moderated and concluded by Bruno Palier, director of research with the CNRS at the *Centre d'études européennes de Sciences Po*.

The speakers at the conference were:

- **Jean Pisani-Ferry**, commissioner general for the *Commissariat général à la stratégie et à la prospective* [French Economic Policy Planning] and a member of the Board of directors of *Notre Europe - Jacques Delors Institute*;
- **László Andor**, European commissioner for Employment, Social affairs and Inclusion;
- **Marisol Touraine**, French minister for Social affairs and Health.

The conference was introduced by Jean Pisani-Ferry, who reviewed the main issues at stake in the construction of a social Europe. This was followed by a presentation by László Andor of the “**Social investment package**” adopted by the European Commission on 20 February 2013¹. In this package the Commission urges member states to afford priority to social investments and to modernise their social protection systems². Does this mean that the Commission has laid the groundwork for a fully-fledged social investment pact? The issue of a social Europe is an age-old concern that crops up in debates with a certain regularity, yet without ever showing any real progress. And yet the issue of European initiatives in the social sphere is more relevant than ever

at what is an especially delicate moment in Europe's history. In this connection, Marisol Touraine focused her address on the reasons justifying a strengthening of social Europe today, and she provided an overview of the most important measures that need to be adopted in this sphere.

The conference ended with a question-and-answer session open to the public.

This synthesis reviews the key issues addressed in the course of the conference.



1. The challenge of building a social Europe

Minister Marisol Touraine began her address by stating that: “**If there is a ‘social Europe’, it is invisible to our fellow citizens**”. This, the minister argued, is due to the fact that social Europe is not perceived as comprising a single model with protections and solidarity mechanisms identified as such, or with solutions available to the citizens when they find themselves in difficulty.

This may well reflect the fact that the construction of a “social Europe” has never been a priority *per se* in the course of the European integration process. As Jean Pisani-Ferry pointed out, **social Europe has been treated throughout European history as a complementary feature of the single market**. A corpus of Community legislation has accrued over the years accompanying market liberalisation in such a way as to curb unfair competition among member states. As the commissioner general of the French Economic Policy Planning explained in a nutshell: “We attempt to separate the things over which we compete with one another, in other words salaries, from the things over which we do not compete, namely working conditions”.

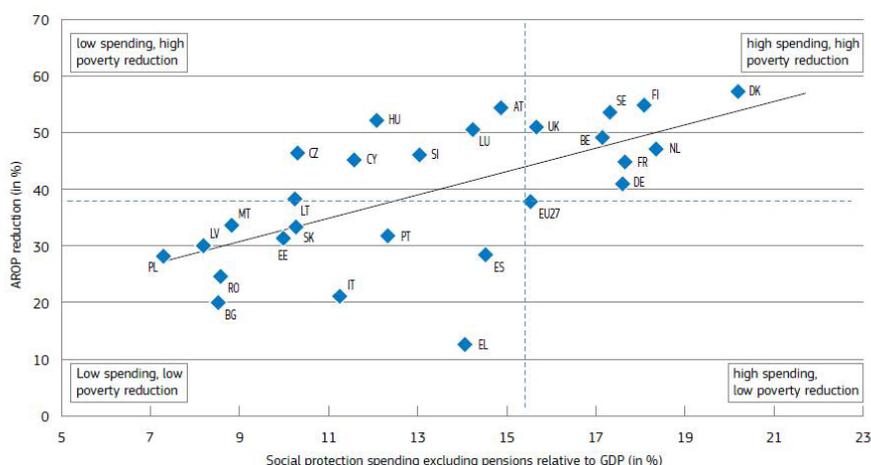
Social Europe also has two other tools, in addition to European legislation. On the one hand, there is the **financial support administered to member states through structural funds**, particularly the European Social Fund (ESF), while on the other hand social Europe benefits from the **coordination of social and employment policies**. Since the Lisbon strategy was adopted back in 2000 (and currently in the context of the Europe 2020 strategy) member states have set common objectives and exchange best practices in this sphere and they receive annual

recommendations from the Commission designed to allow them to improve their social and employment policies.

But is this “social Europe” sufficient? In the view of the minister for Social affairs and Health, if member states wish to be convincing in the existing climate of extremely strong scepticism and indifference towards Europe, the citizens must be encouraged to perceive Europe as a factor bringing prosperity at their level. In order to achieve this, it is necessary to mobilise the member states, the European institutions and Europe’s citizens around **a project designed to turn social Europe into the equivalent of what has been achieved for economic Europe**.

Yet making progress in the construction of a social Europe is a major challenge for a number of different reasons, the chief reason, as all three speakers pointed out, being **that there is more than one social model in Europe**. The underlying principles are different, as are the priorities, the modalities and the level of funding. Nor are all the various models equally effective, as commissioner Andor explained, illustrating his point with a figure (*see Figure 1*) on **social protection spending’s effectiveness** in

Figure 1 : Similar budgets lead to very different results
Social protection spending (relative to GDP) and relative reduction in share of population (aged 0-64) at risk of poverty (2010)



Note: AROP = at risk of poverty, below 60% of the median income

Source: “Social investment package”: European Commission, Towards Social Investment for Growth and Cohesion - including implementing the European Social Fund 2014-2020, Communication COM(2013) 83 final, 20.02.2013.

reducing the share of the population at risk of poverty. Thus there are some countries with high spending levels that have a major impact in reducing poverty; there are others, at the opposite end of the scale, with lower spending levels matched by only limited ability to reduce poverty; there are yet others with high spending levels but only a limited ability to reduce poverty; and finally, there are those that manage to achieve good results in terms of reducing poverty despite low social protection spending levels.

In addition to these differences in the various national social systems, the difficulty in making headway with social Europe lies also, in Jean Pisani-Ferry's view, in the fact that **member states share "a common will precisely not to share"**. The solidarity sphere is considered a national sphere and when we look at opinion polls in which citizens are asked what they think we should do together and what they think we should do individually, they lump everything to do with social policy in the individual basket.

Moreover, a large number of member states consider that Europe is already doing too much in the social sphere today, particularly in what concerns the coordination of employment and social policies.

In this context, the minister for Social affairs and Health stressed that the member states could never agree to the Commission deciding the guidelines of their respective social policies. In Marisol Touraine's view, "until social Europe becomes a given, the member states cannot agree to the content of their social policies being decided by Brussels in the name of economic imperatives". Taking pension systems as an example, the minister pointed out that the French government has set out a path of reform designed to ensure the system's ongoing viability, but that devising the means to achieve that end continues to be a national prerogative. In reply, László Andor explained that the Commission does not recommend a single standard solution for member states' pension systems. Indeed in its white paper on pensions, the Commission acknowledges both national responsibility in this sphere and the differences that exist among the various national systems. But having said that, the Commission endeavours to ensure that all national pension systems meet three conditions despite those differences: adequacy, sustainability and safety. The Commission's recommendations are in line with these objectives, and its monitoring of pension systems is dictated primarily by the need

to ensure the sustainability of the various member states' public accounts.

In this respect, Jean Pisani-Ferry shed additional light on the issue. Bearing in mind the fact that **responsibility for social policies lies in the national domain**, generally speaking we must avoid going beyond a comparison and exchange of best practices in order to bolster the effectiveness of national social policies. Yet when there is an ascertained degree of interdependence, and this is particularly the case with pension systems in view of their budgetary impact, we must accept that the Commission has to have its say on developments at the national level.

2. Why do we need to go further with social Europe?

Yet we need today to maintain the prospect of strengthening social Europe despite the difficulties identified above. Minister Marisol Touraine pinpointed **four reasons for encouraging the Europeans to carry on in the pursuit of a social Europe**.

2.1. The need for solidarity

First of all, there is a need for greater solidarity within the EU today on account of the economic and social crisis. László Andor also highlighted that need, pointing out that the crisis is not affecting all of the member states to the same extent and that in the peripheral states (southern and eastern Europe) there exists a **"social emergency"**, an expression which president Barroso has used on more than one occasion to date.

In this connection, unemployment is an absolutely crucial issue, nor is it confined solely to the alarming observation that the unemployment rate has reached unprecedented levels. It also raises the problem of a **growing polarisation among the members of the euro zone** (see Figure 2). There is a very clear-cut gap between the stable "Triple A" countries in the heart of the EMU and the peripheral countries.

Nor is this polarisation within the euro zone merely a statistical issue. The Commission argues that it is in fact gradually fostering **political tension between the two groups of countries**.

In addition to the imperative need to reverse the unemployment trend, especially the trend in unemployment among young people, Marisol Touraine stressed that **structured solidarity mechanisms** must be put in place in order to combat poverty. That may seem obvious, but things are very different in practice. According to the minister, difficulties begin to emerge as soon as concrete situations are addressed. Funding for the European Food Aid Programme to the Most Deprived, which has come up against a number of hurdles, is a good example of this.

2.2. The challenge of workers mobility

The real mobility situation within the EU continues to be far weaker than one might think, yet in Marisol Touraine's view it is still a concrete example of **the need to ensure that European social policies dovetail with national policies**. The minister cited the example of the organisation of the French health system and its health professionals, a system based on training in courses with limited access. Thanks to the free movement of citizens and to the mutual recognition of diplomas, however, French citizens can train in other EU countries and foreigners trained abroad can come to work in France. How can we ensure that the proper functioning of our system dovetails with the free movement of European citizens in such circumstances?

2.3. Social policies: a trump card for economic competition

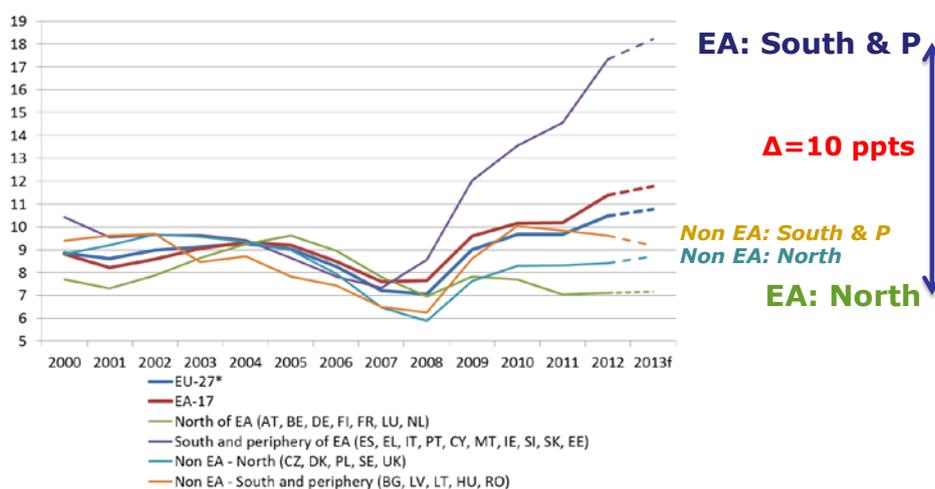
The minister for Social affairs and Health pointed out that social policies are trump cards in the sphere of economic competition. Thus it is necessary to strengthen those social policies that are designed to ensure employees' well-being. In this context, she highlighted **the direct link between economic production capacity, competitiveness and employees' health and well-being**.

While observing that France probably has one of the highest social standards in Europe, the minister argued that **the structuring of a social Europe would act as a bulwark against social dumping**. The crucial problem for a large number of citizens is not whether their social protection system is going to improve thanks to Europe but whether their current level of protection is rather likely to drop because of Europe.

2.4. Political justification for social Europe

The construction of social Europe can become **a mobilising theme by providing a response to European citizens' broad indifference towards the European project**. Marisol Touraine explained that the rise of populism, especially in France, is directly linked to the inability to propose a European project that is not exclusively perceived as a purely economic model. In the space of a single generation, Europe, which used to be seen as a bulwark against globalisation, is now perceived as a threat to social models.

Figure 2: Growing polarisation within euro area – Unemployment rates (%)



Source: Powerpoint Presentation of commissioner László Andor.

3. The Social investment package for the modernisation of national social systems

The European Commission adopted a Social investment package on 20 February 2013 for the purpose of fostering growth and cohesion. László Andor pointed out that this package is designed primarily to improve national social policies – through a more efficient and effective use of the resources earmarked for those policies and the implementation of more effective strategies for active inclusion – while also providing member states with guidelines on how best to use EU financial support, in particular from the ESF, to modernise their national social systems.

The Social investment package's underlying principles

The aims enshrined in the proposal rest on three major points:

- Responding to people's needs at critical times in their lives, with the focus on investing early and preventively;
- Spending more effectively and efficiently to ensure social protection is adequate and sustainable; some countries manage to achieve better results than others with a budget at the same level or lower, which proves that it is still possible to improve efficiency in the sphere of social spending;
- Investing in people's skills and capacities to improve people's opportunities to integrate in society and the labour market. Examples of this are education, childcare, healthcare, training, job-search assistance and rehabilitation.

Given that the financial crisis is having an increasingly serious social impact, the European commissioner stressed the importance of establishing a framework for integrated action in response of the crisis.

László Andor was keen to highlight four crucial issues in connection with which governments are called upon to develop social policies that are more effective and better able to cushion the negative impact of the economic crisis:

- **child poverty:** a recommendation from the Commission on the struggle against child poverty urges the adoption of an integrated social investment policy for the benefit of children: "Investing in children: breaking the circle of disadvantage". The idea is to allow individuals to develop their potential for participating in social and economic life to the full by acting when they are still at a very early age;
- **the homeless:** a working document from the Commission services on the fight against homelessness describes their situation in the EU and discusses potential courses of action;
- **minimum wage:** the Commission notes the existence of minimum wage regimes in most member states but it also notes that the quality of those systems could most of the time be improved. In the context of the European semester, it is thus envisaged that the Commission monitor the level of income support in order to ensure that it is appropriate. For that purpose a series of referent budgets should be defined in collaboration with the member states in the near future;
- and lastly, the Commission proposes to support member states' action in the sphere of **Roma integration**. To this end it is preparing a recommendation on best practices based on member states experience. The Commission is also using annual reports on the progress achieved in the implementation of national Roma integration strategies, in the context of the European semester³ and with the support of European funds.

In addition to discussing the above initiatives, the Commissioner also addressed the issue of **European resources' financial contribution to member states' social investment policies**, an issue also included in the package. In this connection, he pointed to the importance of the role played by the European Social Fund and to the Commission's wish to see 25% of the cohesion budget allocated to that fund.

László Andor also mentioned the recent Programme for social change and innovation which he considers to be a key tool – albeit on a small scale – for **encouraging social innovation**. This, because the new social initiatives fostered at the national level can then be extended to other member states via the lever of the ESF.

Putting it in a nutshell, through this Social investment package the European level offers member states not only financial support but also additional expertise in the social sphere.

4. Strengthening social Europe in the face of the economic crisis

In commissioner Andor's view, it is crucial to realise that **consolidation of the EMU is the starting point for a comprehensive solution** for everything connected with the economic crisis.

Pointing out that the origin of the crisis lies in flaws in the current EMU model, László Andor argued that the key ingredient in the reconstruction of the EMU is thus already on the table, in the shape of the report coordinated by Herman Van Rompuy on the strengthening of the EMU⁴. In the view of the commissioner for Social affairs, **the four pillars in this road map - the fiscal, economic, banking and political pillars - must be completed by a social dimension**. The definition of this EMU social dimension is being discussed; it is, however, necessary to speed things up because not a lot has been done to develop the necessary changes over the past six months.

Jean Pisani-Ferry identified three areas in which we are witnessing the dawn of a new era in the construction of social Europe, and this, despite the fact that social issues are the responsibility of national governments.

1. **Youth unemployment:** this issue is particularly important not only on account of the unacceptable levels of youth unemployment in many member states but also because those levels are perceived as being the result of the malfunctioning of the EMU. Thus people are expecting concrete remedial action. Six billion euro are to be earmarked in the context of the next multi-annual financial framework to fund the youth employment initiative⁵, which at the current unemployment rate amounts to 150 euro per youth per year, Jean Pisani-Ferry pointed out. That is insufficient and we need to go further. We are currently heading towards concentrating that 6 billion euro over two years, which is a start in the right direction, but we need more if this initiative is to be effective. It is also necessary to think about improving the effectiveness of the ways in which these resources are used.
2. **Mobility:** mobility is growing strongly within the EU, chiefly on account of the economic crisis. Young people from countries in difficulty

are moving today because they simply have no other choice. It is thus necessary to take concrete action now to ensure that this mobility takes place in acceptable conditions (especially by ensuring the portability of social rights, for instance supplementary pension rights) and that young people can aspire to returning to their home countries once the economic situation becomes favourable again.

3. **Macro-economic stabilisation:** the question arises today of devising a means of absorbing asymmetric shocks within the euro zone. One solution, backed in particular by French Economy and Finance minister Pierre Moscovici, consists in establishing an unemployment insurance scheme. Jean Pisani-Ferry stressed that this initiative is not being recommended solely for its social aspect but also because unemployment insurance would contribute to the stabilisation of an economy suffering from an asymmetric shock. The three speakers all came out in favour of the proposal, although certain problems were raised regarding its creation. Thus Marisol Touraine, for instance, stressed that the project has yet to be properly debated and that it is therefore more of a long-term affair. Also, she warned that this kind of insurance must not lead to security dumping. Jean Pisani-Ferry, for his part, highlighted the moral hazard issue, but also the technical issues involved in such a transfer.

The importance of addressing youth employment and worker mobility issues is recognised in a Franco-German agreement on the EMU signed as part of the preparatory work ahead of the European Council in late June. This agreement is entitled "France and Germany - Together for a stronger Europe of Stability and Growth"⁶. In addition, the minister for Social affairs and Health pointed out that the agreement proposes the implementation of minimum wage floors, defined at national level, that would guarantee a high level of employment and fair wages - leaving the choice between legislation and collective-bargaining agreements.

The Franco-German paper also contains proposals designed to strengthen the EMU's legitimacy in the realm of social governance. Thus it proposes to establish **regular meetings of the Employment and Social affairs ministers of the euro zone**,

which should allow these players to play an active role in the governance of the euro zone alongside the Finance ministers. In this context, while admitting the need for a new governance structure within the euro zone, László Andor nonetheless voiced the need to ensure that such a structure does not foster new divisions between the countries inside the euro zone and those outside it.

Also referring to the Franco-German paper, the minister pleaded for the **establishment of dedicated euro zone structures within the European Parliament**. Such structures must become the political and democratic beacon that is such a crucial feature in the construction of a social dimension to the EMU. A permanent link with the European Parliament is necessary in order to ensure that the euro zone's decision-making process enjoys the appropriate legitimacy and democratic supervision; and indeed it becomes unavoidable if we want stronger social governance.

In addition to the measures provided for in the Franco-German paper, Marisol Touraine stressed that a strengthening of social governance in the

euro zone must also include **a stronger role for the social partners**. The latter's views should be given greater consideration in connection with issues relating to the EMU, in particular by consulting with them ahead of the euro zone social affairs ministers' meetings. They would play an early warning role if they consider that a member state's situation requires monitoring or special intervention on the European institutions' part.

Finally, according to the minister, the euro zone countries need to identify their shared aspirations in the field of social protection if they are to aim for a stronger coordination of their social policies. In this respect, the minister said that she is in favour of the establishment of a **social pact for the euro zone** which would act as a guarantee of fair competition among the member states. She also highlighted the need to work on the development of a **social scoreboard** – alongside the macroeconomic scoreboard – to track the development of the social situation in each member state. In identifying its social problems, Europe will show that it considers them to be a crucial source of concern.

1. "Social investment package": European Commission, *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020*, Communication COM(2013) 83 final, 20.02.2013.

2. The notion of social investment, which first appeared in the late 1990s, aims to guarantee the viability of social protection systems in the context of post-industrial societies. The notion has acquired a particularly high profile on account of the economic crisis. Thus in the view of Bruno Palier, Frank Vandenbroucke and Anton Hemerijck, who [called for the development of a social investment pact in 2011](#), the pact was supposed to be a companion piece to the Euro Plus Pact in an effort to impart a positive and social twist to Europe's actions.

3. Launched on 5 April 2011, the [EU Framework for National Roma Integration Strategies up to 2020](#) urges member states to adopt national strategies designed to improve Roma people's economic and social situation by the year 2020.

4. In December 2012, José Manuel Barroso, Herman Van Rompuy, Jean-Claude Juncker and Mario Draghi signed a [road map for the completion of the EMU](#) on the basis of deeper integration and strengthened solidarity on four pillars – a budgetary pillar, an economic pillar, a banking pillar and a political pillar.

5. EU heads of state or government agreed at the European Council of 27-28 June 2013 to increase EU resources earmarked to tackle youth unemployment from 6 billion to 8 billion euro.

6. Franco-German agreement on the EMU, "[France and Germany – Together for a stronger Europe of Stability and Growth](#)".

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