

IS THERE SUCH A THING AS “SOCIAL EUROPE”?

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Although the EU developed a “Social Europe”, the economic crisis and public debt has caused an imbalance between the social and economic dimensions of the European project. In this tribune, the authors start with a brief discussion on the construction of the social acquis in order to answer the following questions: *Why must Social Europe be reinforced today? How do we draw the strategic lines for a new, more social Europe? What initiatives must take priority in order to achieve a “Triple A” in the social domain?* This article was first published in *Revue Politique et Parlementaire*, Special Issue “L’Europe dans la tourmente”, No. 1079, April-June 2016.

Cohesion and social progress are two of the objectives of the European Union (EU).¹ As such, and despite the fact that social policies are essentially national competences, the EU has, over the course of European integration, developed a set of instruments in the social field (financial support, European legislation and mechanisms to coordinate national policies), which makes it possible to refer to a “Social Europe”. The latter involves a “social acquis”² which has, over several decades, supported a process of convergence between Member States and been fundamental to the simultaneous pursuit both of economic progress on the one hand and of social progress and cohesion on the other.

The economic and sovereign debt crisis - and the response to it, which was largely based on fiscal consolidation - highlighted the imbalance between the economic and social dimensions of the European project. Since the outbreak of the crisis, inequalities have been on the rise both between and within Member States. The EU has basically ceased to be a “convergence machine”.³

In the current context of extreme scepticism and indifference towards Europe, to avoid losing further support from its citizens, the Union has to appear to be a source of well-being. That requires the Member States to strengthen the social dimension of the European project, with two goals in view: limiting the potential negative effects of the single market and globalisation on national social models, and promoting upward social convergence between Member States.

To achieve a “social triple-A” rating, as the President of the European Commission, Jean-Claude Juncker hopes

to do, the EU needs to change its mind-set: the social dimension of the European project needs to be horizontal, and therefore taken into account in all EU initiatives and policies.

In this tribune, we will start with a brief discussion on the construction of the social acquis in order to answer the following questions: *Why must Social Europe be reinforced today? How do we draw the strategic lines for a more social Europe? What initiatives must take priority in order to achieve a “Triple A” in the social field?*

1. The difficulties of creating a Social Europe

The creation of a “Social Europe” was not a priority in itself at the outset of the European project. The founding fathers considered that social progress would result from the economic progress brought about by the creation of the common market. The European Economic Community (EEC) was therefore to focus on economic openness, whilst Member States would remain responsible for the development of their welfare states.

The social dimension is not, however, totally lacking in the Treaty of Rome, which provides for an EEC legislative power in certain social fields considered necessary to enable free movement of labour, e.g. the coordination of social security systems and combating discrimination. The Treaty also enabled the creation of the European Social Fund (ESF), which aimed to support industrial conversion and training.

In the first decades of the European project, these provisions of the Treaty proved sufficient. However, from the 1980s onwards, this division of tasks became untenable. The launch of 'Target 92' for the implementation of the single market raised concerns about the social consequences of deepening European economic integration.

To neutralise these potential negative effects, the adoption of the Single European Act (SEA) in 1986 introduced several new features to the social component of the European project. For example, a qualified majority was introduced in certain social fields, European social dialogue was acknowledged as a procedure in EEC governance, and promotion of economic and social cohesion became one of the EEC's objectives -leading to a major expansion of the cohesion funds and policy from the late 1980s.

The momentum generated by the SEA continued with the adoption of the Community Charter of Fundamental Social Rights of Workers in 1989 and of the Social Policy Protocol of the Treaty of Maastricht in 1992 (later incorporated into the Treaty of Amsterdam in 1997), which strengthened the role of the European social partners.

From the mid-1990s to the late 2000s, social and employment concerns remained high on the European agenda and a new EU intervention instrument in the social field was established. In areas on which the EU cannot legislate, the Member States have undertaken a (non-binding) coordination of their national policies through the Open Method of Coordination (OMC). Moreover, confronted with the growing challenges facing national welfare states, the EU has taken on a more proactive role: its interventions no longer seek solely to protect national social models against any downsides of economic integration; rather, they aim to act as a catalyst for national social reforms in order to ensure sustainability of national social models and enhance their efficiency. The European employment strategy (2007) and the Lisbon Strategy (2000) are the two main examples of this European Union commitment.

More recently, in order to address the social fallout of the crisis, the EU presented new social policy initiatives, including initiatives to foster employment - including the "Youth Guarantee" aimed at reducing youth unemployment - as well as mobility of workers and social investment.

There is, therefore, a genuine "Social Europe" today, but it is not sufficient to address the challenges currently facing the EU.

2. Why does Social Europe need strengthening today?

There are three major arguments as to why Europe's social face needs to be strengthened now.

Firstly, the **economic crisis** of the last few years has had major social consequences in many Member States - including increased unemployment and heightened poverty rates, as well as an undermining of social rights - and fuelled economic and social divergence between Member States. Due to the poor management of the crisis, the EU, once symbol of prosperity, is now viewed as the bringer of austerity. The effects of the crisis and of national austerity measures have to be offset by more proactive European action in support of sustainable growth, employment and social investment. A new balance between economic growth, fiscal consolidation and social progress now appear not only to be necessary, but also urgent. As Jacques Delors has said, "if European policy-making jeopardises cohesion and sacrifices social standards, there is no chance for the European project to gather support from European citizens."⁴

Secondly, a more social Europe is also essential to offset the effects of the **deepening of the single market**, as the four freedoms of movement - persons, goods, services and capital -introduced by the single market can push Member States into social and fiscal competition. This intensified competition between Europeans could lead to a "race to the bottom" in which Member States with the least protective social standards would be most cost-competitive. This risk was heightened by the enlargements of the EU to Central and Eastern Europe, which have generated greater differences in standards of living and social standards between EU Member States. The European Commission's current efforts to deepen the single market, particularly in the digital and energy sectors, thus need to be accompanied by initiatives guaranteeing that greater integration does not erode the foundations of national social models. A new compromise is needed similar to that reached in the 1980s, when the cohesion funds and policies were enhanced to offset the establishment of the single market.

Thirdly, the Member States are facing **common challenges and societal transformations** which affect

their labour markets and, more generally, the very future of their social models.⁵ Ageing populations put a strain on intergenerational equity and the long-term sustainability of welfare states, while technological change and digital transformation require greater and new skills in European firms and workforce. The phenomenon of migration and globalisation, meanwhile, require a common approach at European level with a focus on social issues.

3. What strategy for a "Triple-A" Social Europe?

In his speech before the European Parliament ahead of the vote on the College of Commissioners in 2014, Jean-Claude Juncker declared that he wanted Europe to have a "social triple-A rating".⁶ The main initiative launched by the Commission with this objective in mind is the "European Pillar of Social Rights" initiative, which is drawing on and supplementing the EU social acquis. According to the Commission, "the Pillar should become a reference framework to screen the employment and social performance of participating Member States, to drive reforms at national level and, more specifically, to serve as a compass for renewed convergence within the euro area."

This initiative is, of course, a welcome one; it will help bring social rights back into the European political debate and promote wide consultations and social dialogue. However, rather than bringing genuine progress in the area of social rights, this Pillar runs the risk of being a mere compilation of social standards that already exist in European law or other international provisions.⁷

The potential benefits of this "European Pillar of Social Rights" will thus depend on the level of ambition and commitment of the Member States which, for the moment, do not appear to consider this Commission initiative to be a priority. In any case, **we are convinced that the Pillar alone will not suffice to earn the EU a "social triple-A"**. Above and beyond issues relating to the legal value of the Pillar and the voluntary nature of it as regards countries outside the euro area, we identify a major problem with the Commission's approach.

The EU social mission cannot content itself with building a social pillar. It has to show through in all the Union's areas of activity as a truly horizontal policy. At the end of the day, that comes down to implementing a clause introduced in the Treaty of Lisbon, which has so

far been ignored: the "horizontal social clause" under Article 9 of the TFEU, which stipulates that all EU policies and activities must be defined taking into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.

In order to strengthen the social dimension of the European project, the Commission therefore needs, above all, to take note of the fact that the objectives of full employment as well as social cohesion, progress and justice must be pursued by the whole College of Commissioners, and not the Commissioner for employment and social affairs alone. The social dimension must be horizontal, meaning that it must be incorporated into all European initiatives, as social policies are inevitably affected by policies implemented in other fields such as fiscal policy⁸ and market liberalisation policy, as well as initiatives relating to the establishment of a single market for digital services⁹ or energy.¹⁰

4. Priorities for action: convergence, mobility and human capital

In this last section, we will draw out guidelines for initiatives which, through the 'means' presented above, could help push the EU towards the "social triple-A" it should aspire to.

The initiatives need to focus on three priorities: 1) establishing an EU and EMU architecture that ensures socio-economic convergence; 2) laying the ground for a genuine European labour market that fosters fair mobility; 3) supporting social investment and investment in human capital to build a society that is both more productive and inclusive.¹¹

4.1. Restoring socio-economic convergence

In the face of rising populism and Euroscepticism fuelled by growing inequalities and divergences, restoring socio-economic convergence should become the EU's top priority, from the economic, social and political standpoints.

In this context, direct implementation of the horizontality principle of the EU's social dimension could be particularly effective as regards fiscal and macroeconomic surveillance. Social and macroeconomic objectives must be reconciled, which requires reform of

the "European Semester". Greater attention to social imbalances within the EU is needed as part of this rebalancing of the European Semester; the social scoreboard, within the Macroeconomic Imbalance Procedure needs to be more operational and better taken into consideration. Genuine social impact analysis needs to be developed. The Eurogroup should no longer meet solely in "Finance Ministers" format, but also in other formats, such as "Employment Ministers", to enable social and employment considerations to be taken into greater account in euro area debates.

Furthermore, the EMU¹² needs to be strengthened through the creation of an automatic stabiliser mechanism, as a vital condition to ensure that cyclical shocks do not lead to structural imbalances with major social consequences, as was the case in the euro area crisis.

Lastly, whilst the Five Presidents' Report¹³ sketches out proposed "national Competitiveness Authorities" to foster labour market convergence, it is essential for these Authorities to take into account social concerns, such as the quality of work and working conditions, in addition to the promotion of competitiveness and productivity. This once again shows the need for an EU social dimension taken into account in all initiatives, in an integrated manner.

4.2. *Guaranteeing fair mobility*

The free movement of persons is one of the most tangible achievements of the European integration project as far as citizens are concerned. Mobility within Europe does, however, give rise to a number of challenges. Firstly, the rate of labour mobility within the EU remains limited, whereas greater mobility would contribute to euro area stability and help resolve the geographical imbalance between job supply and demand within the Union. Secondly, mobility within Europe can cause difficulties, for both countries of origin and host countries, which have to be taken into account.

The EU needs an ambitious strategy aimed at creating a genuine European labour market based on fair mobility. There are two priorities to enable fairer mobility.

Firstly, compliance with common rules on free movement of persons must be guaranteed. That is particularly important as regards posted workers, an area where cases of breaches and illegal situations are commonplace and create tensions in host countries.

Exchange of information and administrative cooperation between countries have to be enhanced, and the possibility of creating an EU labour inspection agency, as suggested by former European Commissioner Michel Barnier, needs to be considered. Although social tourism and social dumping remain relatively rare in Europe, serious political action is needed both to ensure these phenomena do not worsen and to generate a positive narrative in favour of mobility within the EU.¹⁴

Secondly, guaranteeing fair mobility also means taking into account the downsides of mobility for the countries of origin. Many host countries are currently concerned about the impact of mobile EU citizens on their national welfare states, whereas the impact of mobility on countries of origin is practically absent from debate.

The loss of workers, who are often young and qualified, is first and foremost a loss of productivity and competitiveness. Moreover, with fewer people paying in, the sustainability of public finances is also undermined. This issue is worthy of at least as much attention as the challenges of mobility within Europe for host countries.

4.3. *Supporting a human capital investment policy*

It is undeniable that many countries in recent years have considered social spending and the social acquis as second-order objectives in the face of fiscal imperatives and the demands of competitiveness. In such a context, many have advocated a "social investment pact"¹⁵ for Europe, aimed at both addressing the impact of the crisis on social policies and promoting the modernisation of national welfare states. In February 2013, moreover, the Commission adopted a "Social Investment Package", which was based on the evidence that "Member States with a firm commitment to social investment - that is, benefits and services that strengthen people's skills and capabilities - have lower rates of people at risk of poverty or social exclusion, higher educational attainment, higher employment, lower deficits and higher GDP per capita."¹⁶ However, the non-binding nature of the recommendations and the lack of financial support clearly limited the impact of the Social Investment Package.

There are currently very large disparities between Member States as regards their policies for investment in human capital (early childhood education and care,,

education policy, active employment policies, etc.). In this area, the EU can and must aim for raising the bar.

European action in support of social investment would help foster a change of paradigm in countries where such change has not yet taken place. The economic relevance of social "spending" needs to be more widely understood, as regards its impact on productivity through a more qualified, motivated workforce, and on tax revenues through a more inclusive labour market.¹⁷

The Commission should promote cooperation and sharing of best practices between Member States, while providing technical support for the introduction of reforms to modernise national social models. The adoption at European level of the Youth Guarantee – inspired by a similar, successful initiative in Finland – is just an example of the type of initiatives the EU can promote in its pan-European agenda for social investment.

The social investment paradigm also needs to be taken into consideration in the allocation of EU funds and in the implementation of the Stability and Growth Pact. Deeper reflection should be undertaken on the feasibility of a "golden rule" for social investment, eliminating certain social spending from the calculation of public deficits.

Concluding Remarks

The EU has gradually built up a social *acquis* that, for many years, supported improvement in living conditions and economic and social convergence within the Union. The economic crisis, the deepening of the internal market, and profound social transformations such as globalisation, technological development and population ageing now require a new, more effective strategy at European level to strengthen the EU's social dimension. The EU approach to social objectives cannot be limited to a mere "Pillar". It requires a horizontal dimension and must become an integral part of all the Union's policies and initiatives, in accordance with the principle of subsidiarity. Concrete policy actions to push Europe towards a "social triple-A" are not out of reach, but their acceptance does appear to be politically difficult in the near future, despite their importance and urgency. Restoring socio-economic convergence through a more balanced European Semester, for example, or new impetus for fairer mobility within Europe, or even a human capital investment strategy, could provide Europe with foundations to fulfil its "social" mandate. Progress in this direction will be slow, as it requires mutual confidence between EU members and the will to move forward in risk sharing. The EU social *acquis* will most likely continue to progress at a slow pace – too slowly, indeed, for what circumstances demand. A change of approach, based on a horizontal social dimension, is, however, in the hands of the Commission and could give some bite and substance to the call for a "social triple-A".

1. See Article 3 of the Treaty on the European Union.
2. For a recent account of the development of the social *acquis* in Europe, see European Commission, "The EU Social *Acquis*", SWD(2016) 50 final, March 2016.
3. F. Vandembroucke and D. Rinaldi, "Social inequalities in Europe: the challenge of convergence and cohesion", *Policy Paper No. 147*, Jacques Delors Institute, December 2015.
4. See the preface of the report "A new start for Social Europe", *Studies & Reports No. 108*, Jacques Delors Institute, February 2016, p. 7.
5. For an overview of the current challenges facing welfare states in Europe, see I. Begg, F. Mushövel and R. Niblett, "The Welfare State in Europe: Visions for Reform", Chatham House, Research paper for the Vision Europe initiative, 2015.
6. Speech by Commission President Jean-Claude Juncker in the European Parliament plenary session during his election. "What I want is for Europe to have a social triple-A rating: that is just as important as an economic and financial triple-A rating", Strasbourg, 22 October 2014
7. On this subject, see the remarks of Daniel Seikel, 24 March 2016, and Anastasia Poulou, 27 May 2016, at www.socialeurope.eu.
8. See B. Vanhercke, J. Zeitlin and A. Zwinkels, "Further Socializing the European Semester: Moving Forward for the 'Social Triple A'?", European Social Observatory, December 2015.
9. On the effects of the digital transition on the labour market, see Roland Berger, "Middle classes facing digital transformation", Think Act, Beyond Mainstream, October 2014, and N. Colin, A. Landier, P. Mohnen and A. Perrot, "Économie numérique" (digital economy), *Les notes du conseil d'analyse économique*, n° 26, Conseil d'analyse économique, October 2015 (French only).
10. See, for example, S. Pye, A. Dobbins, C. Baffert, J. Brajković, I. Grgurev, R. De Miglio and P. Deane, "Energy poverty and vulnerable consumers in the energy sector across the EU: analysis of policies and measures", *InsightEnergy Policy Report*, April 2015.
11. See D. Rinaldi, "A new start for Social Europe", *Studies & Reports No. 108*, Jacques Delors Institute, February 2016; B. Vanhercke, J. Zeitlin and A. Zwinkels, "Further Socializing the European Semester: Moving Forward for the 'Social Triple A'?", European Social Observatory, December 2015, for concrete proposals on reform of the European Semester.
12. For an analysis of various EMU reform scenarios, see S. Fernandes and K. Masluskaitė, "Deepening the EMU: How to maintain and develop the European social model?", *Studies & Reports no. 101*, Jacques Delors Institute, November 2013; for a review of the various options for a European Unemployment Benefits Scheme, see M. Beblavý, G. Marconi and I. Maselli "A European Unemployment Benefits Scheme: The Rationale and the Challenges Ahead", *CEPS Special Report*, September 2015; for a proposal on fiscal transfers linked to output gaps, see H. Enderlein, L. Guttenberg and J. Spiess, "Blueprint for a Cyclical Shock Insurance in the euro area", *Studies & Reports no. 100*, Jacques Delors Institute, September 2013.
13. Five Presidents' Report, *Completing Europe's Economic and Monetary Union*, European Commission, 2015.
14. See S. Fernandes, "Access to social benefits for EU mobile citizens: 'tourism' or myth?", *Policy Paper no. 168*, Jacques Delors Institute, June 2016, and L. Andor, "Fair Mobility in Europe", *Social Europe Occasional Paper*, Friedrich Ebert Foundation, January 2015.
15. See, for example, F. Vandembroucke, A. Hemerijck and B. Patier, "The EU needs a social investment pact", *Opinion paper no. 5*, European Social Observatory, May 2011.
16. European Commission, "Social investment: Commission urges Member States to focus on growth and social cohesion", IP/13/125, February 2013.
17. See OECD, "In It Together: Why Less Inequality Benefits All", OECD report, Paris, 2015 and A. Hemerijck, 2012, *op. cit.*

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