



| European Commission President Jean-Claude Juncker has relaunched a pan-European discussion about Europe's Social Model.

## SOCIAL EUROPE IS BACK ON THE AGENDA BUT THERE IS NO BIG BREAKTHROUGH

by Björn Hacker

Thanks to its proposals on social Europe, the European Commission has given the pan-European debate on this issue a boost. But its proposals are inadequate in terms of their scope and level. To restore people's confidence in a socially balanced European integration process, we need to move away from the current emphasis on a market-friendly and austerity-loaded form of economic governance.

There were high expectations in advance of the European Commission's final proposals for the European Pillar of Social Rights and the Reflection Paper on the EU's social dimension. For too long the social aspects of European integration had been

slipping off the political agenda. They had been pushed aside in favour of economic aspects even before the financial crisis and this trend continued following the crisis in the monetary union. Many socially orientated actors in the EU have long believed that the

integration process must maintain a close eye on its social dimension to be sustainable in the long run. Can they now be happy with the Commission's ideas?

There can be no doubt that what the Juncker Commission did

achieve with the year long consultation on different aspects of social standards, social protection and working conditions, was to relaunch a pan-European discussion about Europe's Social Model. Initially, it was Jacques Delors who emphasised the need

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for a social dimension to accompany the EU's rapid economic integration and that was back in the 1990s! The social protocol to the Treaty of Maastricht was groundbreaking in that it stepped up Europe's powers in the field of social policy. Workplace security, social dialogue, European Works Councils and equal opportunities had been at the heart of it, followed by anti-discrimination rules and the European Employment Strategy. In the 21st century, coordination of different schemes for labour market policies, poverty prevention, pension and healthcare arrangements with

common objectives agreed by EU Member States have come to the fore. But the coordination of policies in the Lisbon Strategy and the entry into force of the Charter of Fundamental Rights due to it being incorporated into the Lisbon Treaty have, for many years, been the most recent appearances of social issues on the EU's agenda.

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### **Austerity provoked a backlash**

The concept of mutual learning came coincidentally at a time when social reform primarily

meant cutting down social spending and supply-side economics ruled out more market-shaping measures. This was the recipe. EU Member States learnt from each other by explaining their national reforms in supranational fora and reports. In the 21st century, welfare state expansion and macro-economic policies were mostly seen as obstacles to economic success. Highly divergent economic growth led to ever growing macroeconomic imbalances. This was the backdrop for the severe crisis in the monetary union. The chosen path of an asymmetrical alignment signified internal policy changes in Greece, Ireland, Portugal, Cyprus and Spain to overcome the crises. Without an own currency, these states had to devalue internally by cutting wages, pensions and other social investments. With these austerity measures social issues came up in public debates once again, but only in a negative sense. Examples were that people complained about rising (youth) unemployment, higher risks of poverty and social exclusion, shrinking household income and decreasing access to social services in the countries under the supervision of the Troika of the European Central Bank (ECB), the International Monetary Fund (IMF) and the European Commission. The cannibalisation of social policy by doubtful economic imperatives, in turn, provoked a backlash.

The Commission has responded to the growing discontent with Europe's state of social affairs, which has been exploited by right-wing populists, with a huge

package of proposals and reflections for the future. These were published at the end of April 2017. However, the ideas that have been presented will not be sufficient to restore confidence in the integration process and to develop a true European Social Model. Using supranational fora in the one and the EU to tackle new challenges such as digitalisation, globalisation and changes in employment and societal patterns jointly is a good idea. Upward social convergence is rightly at the heart of the Commission's proposals and means a catch-up process, in which the Member States enlarge their social security provisions. But this ambitious objective cannot be achieved by restating basic social security principles without explaining how the higher standards can be put in place. The Commission's most concrete idea is to develop a social scoreboard that monitors selected indicators on labour market policies, working conditions and the impact of social protection schemes. But this good initiative is missing a common objective and will be hidden in the Joint Employment Report. This would amount to achieving less than the coordination efforts at the time of the Lisbon Strategy and would also fall behind concepts brought to the table by former EU social commissioner László Andor in 2013. At the time he proposed including social indicators with commonly agreed objectives in the existing framework of the Macroeconomic Imbalance Procedure in order to give them teeth beyond a pure reporting exercise.

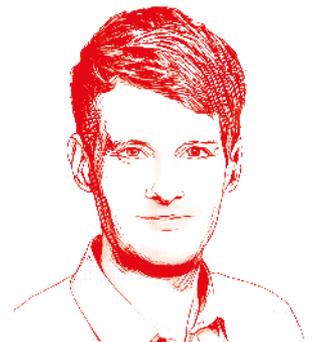


Monument to the Maastricht Treaty: the social protocol to the Treaty stepped up Europe's powers in the area of social policy.

## Elevating market-shaping instruments

And this is exactly where the whole debate on social Europe remains incomplete. The main fault line runs between the dominance of market-developing policies of the major integration projects such as the Single Market and Economic and Monetary Union on the one hand and the relatively small EU legal acquis on market-shaping social aspects on the other. It is a positive development to put social affairs back on the EU agenda but we have to dig deeper if we really want to bridge the gap between the far-reaching economic integration of the EU and the coordination of social policies, which is lagging behind. There are instruments that really enable upward social convergence: a social stability pact with reference values for social spending, the integration of joint economic and social surveillance in the European Semester, a social protocol which gives social rights the same significance as economic freedoms. The reflection paper on the social dimension discusses the resistance in some EU Member States to commonly develop this sort of social dimension and offers the option of enhanced cooperation (i.e. cooperation among

a smaller group of EU Member States) for the states interested, for example, in the Eurozone. This might be the way forward, but there need to be higher ambitions and the relegation of social policies to a lower level of importance under the existing economic governance needs to be addressed. As long as the focus stays on budgetary issues and austerity to the detriment of social issues, a European Social Model will remain just cheap talk.



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