



Social Developments in the European Union 2011

Edited by David Natali and Bart Vanhercke,
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Executive Summary

1. Natali and Vanhercke: “Foreword. European paradox: is the EU running to stand still?”

In their foreword, David Natali and Bart Vanhercke argue that the European Union has taken significant steps forward in the depth of economic integration, but that in a number of underappreciated respects, its response to the crisis fails to address both immediate problems raised by the crisis, and longer standing problems facing the union. It has in these respects stood still.

Expanded Summary:

In economic governance, Natali and Vanhercke point to the European Financial Stability Facility and European Stability Mechanism, growing coordination of economic policies and control over fiscal policy at EU level represent significant advances in European economic integration. At the same time, they find that in both practical and political terms the EU has failed to make similar advances. In practical terms, they note that while failing to address the real causes of the crisis, balanced budget fundamentalism does nothing to redress problems with divergent competitiveness in the Union. Nor, in applying austerity uniformly, does it address problems unique to each peripheral country. Politically, the EU’s response to the crisis has proven especially unpalatable, and while encroaching upon new and sensitive areas of economic and social policy, such as collective bargaining rights, the EU has failed to address longstanding issues with democratic legitimacy.

In this context, Natali and Vanhercke find the EU at a crossroads. Indeed, while they are deeply concerned about the dominance of liberal and neoliberal thinking informing the EU’s present direction, they also note the unprecedented opportunity presented by the crisis to address some of the EU’s longstanding shortcomings in democratic legitimacy and social solidarity.

2. Amato and Mény: “Is the EU becoming more like the UN? Paradoxes around EU institutional developments in 2011 and the risks for future integration”

With Cécile Barbier and David Natali, Giuliano Amato and Yves Mény reflect upon the management of the sovereign debt crisis and accompanying institutional developments, finding that in its style of decision-making, the European Union has increasingly come to resemble the United Nations. As a result of fractious decision-making and gaps in the EU’s response to the crisis, it faces a choice between a significant advance towards federalism, or a crisis of European integration brought on by a descent into populism and paralysis.

Expanded Summary:

In the current context, Amato and Mény find decision-making in the European Union increasingly difficult, and note in particular the increasingly stubborn defense by member governments of national interests, as well as the growing predominance of large members, particularly France and Germany. This, they argue has been the result of institutional changes favouring an intergovernmental approach to taking decisions, and by the challenges that have come with granting the EU new economic powers without accompanying budgetary and redistributive ones.

As a result of this ‘UN-ification’, the European Union is faced with two possible scenarios. It may, in the first scenario match the EU’s economic powers with budgetary ones in a significant step towards EU federalism. In the second, the EU faces a descent into populism and paralysis, as the fractiousness and incoherence brought on by the ‘UN-ification’ of the Union precipitates a crisis in the integration process.

3. Diamond and Liddle: “Step by step: the EU and the Eurozone’s fitful search for better economic governance through the aftershocks of the financial crisis”

Patrick Diamond and Roger Liddle dissect the ‘unreformed neoliberalism’ of austerity plans in the Eurozone, finding that this austere response to the crisis creates new problems for the Eurozone economy, and for the integration process more broadly. It also overlooks the crucial issues of financial regulation and growth. Hence, centred upon fiscal austerity, the current settlement, is hardly final, and the EU will have to address both the issues not tackled by the ‘solutions’ currently being proposed, but also the problems that they raise.

Expanded Summary:

While the response to the crisis does represent a genuine effort to address problems with coordination between member economies, Diamond and Liddle stress that it has failed to address the deeper causes of the crisis, while its deflationary bias raises problems of its own. Indeed, the response overlooks the problem of divergent competitiveness between Eurozone members. For Diamond and Liddle, it also fails to adequately address financial regulation and economic growth. Moreover, while the proposed solutions to the crisis specify in some detail how to redress issues in the Eurozone, they fail to address the role of EU members outside the Eurozone.

Despite the deep flaws in the solutions being applied to the crisis in the Eurozone, Diamond and Liddle conclude that the crisis also represents a unique opportunity to move Europe away from the Anglo-American model of capitalism. This is possible if decision-makers accept the need for demand stimulus in the short term, stress growth, and crucially, growth in employment over the medium term, and shift towards sustainable models of economic growth over the longer term.

4. Degryse and Pochet: “Worrying trends in the new European Governance”

Christophe Degryse and Philippe Pochet argue that the EU has misdiagnosed the causes of the crisis, and hence that its remedy mistakenly overemphasizes budget austerity at the expense of complimentary goals. While the crisis represents an excellent learning opportunity for policy-makers, Degryse and Pochet warn that their failure to heed its lessons risks exacerbating social, economic, environmental, and legitimacy problems. This is likely to lead to popular discontent and will raise serious challenges for the European Project.

Expanded Summary:

For Degryse and Pochet, the crisis yields several key lessons that the EU has largely failed to learn. Firstly, they find the actual causes of the crisis in financial deregulation and the growth of inequality, which promoted over-reliance upon credit and financial bubbles. In delaying over financial reregulation, the EU has only partially learned this lesson.

Secondly, fiscal stimulus and robust social protections were crucial in those countries that recovered quickly, and in stressing fiscal austerity, the EU has exacerbated, rather than solved the crisis. For Degryse and Pochet, the current emphasis upon fiscal austerity strongly suggests that policy-makers have not grasped this lesson. Indeed, while fiscal indiscipline had been an issue in Greece, this was not the case in other at-risk economies. Hence, in indiscriminately prescribing fiscal austerity, the EU has misdiagnosed the problem and applied the wrong remedies. At the same time, the authors note that accompanying innovations in macroeconomic management have only served to increase the complexity and opacity of EU decision-making.

Thirdly, the narrow definition of growth espoused by policy-makers, and the faith that they have placed in the rationality of markets to deliver it are misguided. Rather, in overlooking complimentary goals such as growth in employment, and the quality of employment, policy-makers’ response to the crisis is unlikely to produce economically and ecologically sustainable development.

With all of this in mind, these new patterns of EU governance, and the economic, social, and legitimacy problems that accompany them will mean significant challenges, popular discontent, and a potential abandonment of the integration project. Avoiding this fate demands that decision-makers in the EU grasp the real lessons of the crisis.

5. Jouen: “Cohesion Policy and the role played by structural funds in austerity”

Marjorie Jouen examines structural funds and cohesion policy, as well as proposals to redeploy them as tools for promoting economic stimulus and territorial solidarity in the midst of strict government austerity plans. She finds, however, that structural funds have not proven to be effective tools for economic stabilization and recovery, and that attempts to use them in this way misunderstand the nature of cohesion policy.

Expanded summary:

Jouen argues that the very design of structural funds makes them incompatible with crisis management. This is because funding priorities are set and carried out over an extended period, making them unresponsive to short term contingencies. This makes them ill-suited for responding quickly to a crisis. She notes as well that cofunding requirements make structural funds compliments for government spending, and thus, that they cannot serve as an offset to national austerity programmes.

Hence, Jouen concludes that the changes currently being considered to make structural funds more responsive to short-term pressures misunderstand the nature of cohesion policy. Indeed, they have proven to be useful tools for promoting competitiveness in depressed and under-developed regions. However, they are designed to do this over the medium and longer term, and cannot be effective in redressing short term problems (i.e. responding quickly to crises).

6. Degryse and Clauwaert: “Taking stock of the European social dialogue: will it fade away or be transformed?”

Christoph Degryse and Stefan Clauwaert reflect upon twenty years of the European Social Dialogue (ESD), finding that success in adding a social dimension to economic integration has been mixed, and varies substantially between member states. 2011 has been a difficult year for the ESD, with dialogue between the social partners declining dramatically during the crisis. Nonetheless, Degryse and Clauwaert note that while 2011 was a difficult year, 2012 will be a significant test of the Dialogue.

Expanded Summary:

Degryse and Clauwaert note with some disappointment that while the European Social Dialogue is one of the few remaining drivers of Social Europe, discontent among unions and disinterest among employers has seen it lag behind parallel advances in the integration of economic and monetary policy. Just as importantly, they find that the impact of the ESD varies substantially between member states. In member states with robust institutions for promoting social dialogue, and where the social partners are well organized, the ESD can be highly influential. Conversely, the ESD has not been effective in promoting social dialogue in countries that lack effective institutions and well-organized partners.

Against this background, the ESD has not been favoured as a forum for discussing solutions to the crisis, and activity in the European Social Dialogue has declined substantially throughout the crisis.

Nonetheless, while 2011 proved an extremely trying year for the ESD, 2012 will prove a crucial test for the social partners in demonstrating the utility of the Dialogue.

7. Peña-Casas: “Europe 2020 and the Fight Against Poverty and Social Exclusion: Fooled into Marriage?”

Ramón Peña-Casas examines and evaluates poverty reduction under the Europe 2020 strategy, arguing that it shares a number of the shortcomings of its predecessor, the Lisbon Strategy. Specifically, while Europe 2020 does contain commitments to inclusive growth, guidelines for social inclusion, European poverty targets, and a European Platform against poverty and social exclusion, the strategy is dominated by broader economic objectives. For Peña-Casas, the social dimension of Europe 2020 is inadequate to meet the social policy challenges identified by the European Council.

Expanded Summary:

Peña-Casas finds that while Europe 2020 does carry a social element, it is not only overshadowed by economic objectives, but frequently interprets social objectives in economic terms. Specifically, poverty reduction and social inclusion are interpreted in terms of labour market participation and economic growth. Social protection is viewed in the same light, with the Europe 2020 strategy stressing the need for reforms to improve work incentives and financial sustainability.

Just as importantly, Peña-Casas is pessimistic about the prospects of the Europe 2020 strategy for improving social inclusion. He notes that member states have generally done very little to account for the social goals of Europe 2020, while new European poverty measures are ‘dubious’ as a measure of poverty and social exclusion. He raises concerns as well that the amount of discretion left to member states invites incoherence, while issues remain over how to integrate the Platform against poverty and social exclusion with existing programmes under the auspices of the Social Open Method of Coordination.

8. Baeten and Thomson: “Health care policies: European debate and national reforms”

In their chapter, Rita Baeten and Sarah Thomson examine current developments in health reform, finding that the role of the European Union has changed dramatically. Where previously the EU had approached health reform in the context of the single market and mobility of patients, Baeten and Thomson find that recent changes give the Commission a stronger role in reworking national health systems under the auspices of reforms to macroeconomic policy. It has also used opportunities afforded by the crisis to act in areas previously outside its competence. They find that while the role of the EU in health reform does raise a number of tensions, it also presents a number of opportunities to improve the efficiency and quality of care.

Expanded Summary:

In reviewing developments in health policy, Baeten and Thomson note the extent to which the EU has come to play a role in national health reforms. This is striking, firstly, because of the resistance that Member States usually display towards EU encroachments in this area. It is also striking because its role has grown even more dramatically as a result of the crisis, with health reform being included in the austerity packages accompanying EU bailouts in peripheral countries.

In expanding its role in health reform, Baeten and Thomson find that the EU's role has raised tensions between competing objectives of health reform. Specifically, they point to cost efficiency, care quality, employment and economic growth, and enhancing competition as goals of EU involvement that may not always be reconcilable. They conclude, however, that health is one that has substantial potential for efficiency gains that EU involvement may help the sector realize. In any case, its actions have set a precedent for greater EU involvement in health reform in future.

9. Ghailani: "Römer, Casteels, Pregge: an overview of a number of judgements delivered by the Court of Justice of the European Union in 2012"

Dalia Ghailani turns her attention to the European Court of Justice, and its judgements on social matters in 2011. She focuses upon workers' rights in the areas of equal treatment and non-discrimination, as well as social security for migrant workers, finding that in contrast with 2007-8, 2011 has seen few large rulings on social matters, which have largely been limited to clarifications of previous rulings. 2012 promises to be much the same in this respect.

Expanded Summary:

While Ghailani notes that much of the ECJ's work in 2011 has been limited to clarifications, three cases are particularly noteworthy. Firstly, the Römer cases, places marriage and registered partnerships on the same legal footing. Secondly, the Casteels case pushes the Commission to renew work on issues with supplementary pensions, and finally, the Test-Achats case eliminates discrimination in insurance premiums on the basis of gender. She concludes that while much of the court's work was clarification, this is likely to become the norm, as it has become increasingly common for national courts to refer preliminary questions on social matters to the ECJ.

10. Natali: "Future Prospects: Has the European Social Model Really 'Gone'?"

In his conclusion to the Bilan, David Natali argues that while it has come under attack, the European Social Model has not 'gone', but is, in fact, necessary if the EU is to emerge from the crisis. In a context where reform proposals draw heavily upon neoliberal thinking, Natali argues that this approach raises a number of challenges for the model. However, he notes as well that absent stimulus spending and robust social protections, European policy makers tempt a deflationary cycle that will undermine growth and economic competitiveness over the longer term. For Natali, solidarity has always been a part of

European integration, and that there exists the potential to revive these solidaristic elements, but that political conditions must change for this to happen.

Expanded Summary:

In his conclusion, Natali argues that the European social model has come under attack, with the emphasis upon austerity, price stability, and market flexibility challenging the model's emphasis upon social inclusion and generous social protections. Nonetheless, this obsession with austerity and flexibility that challenge the European Social Model is ultimately self-defeating. Indeed, Natali finds that the current emphasis on austerity among EU institutions and right-leaning governments tempts a deflationary cycle that threatens both social solidarity AND economic growth and competitiveness over the longer term.

These challenges are compounded by changes in the intellectual climate surrounding social and economic policy. Where previously, EU policy-making has favoured an eclectic and pragmatic mix of liberal and Keynesian elements, recent dynamics are far more ideologically charged, and more favourable to neoliberal thinking. At the same time, Natali points to the Common Agricultural Policy, and more recently to cohesion policy, arguing that solidarity has always been a part of European integration, but has been one that has been underemphasized since the 1980s.

The potential exists to revive the solidaristic elements of the integration project, to coordinate socio-economic policies to the benefit of European citizens and European economies, as well as to build EU-policy in new and meaningful areas. However, realizing this potential requires a change in the political climate, perhaps changes in government, and a change of strategy on the part of the labour movement. While the recent past has been troubling in a number of respects, the near future will be interesting indeed...