

# How will the Europe 2020 Strategy Mid-Term Review reduce poverty and inequality?

EAPN Seminar and Roundtable debate

Friday 03/10/2014

## Can the EU become a 'Social Union'?

Bart Vanhercke

European Social Observatory &  
University of Leuven

# Towards a Social Union?

- *Europe needs a ‘Social Union’ that supports national welfare states in key functions such as macroeconomic stabilization (unemployment benefit scheme), and guides the development of national welfare states on the basis of general social standards and objectives.*

- F. Vandenbroucke w. Bart Vanhercke (2014)

# Five Years of Economic Crisis: An unsettling legacy

- While recovery in the European economy is underway, its robustness & scope is far from guaranteed
- Meanwhile, the legacy of the crisis is *deeply worrying*
  - Employment rates in the EU *lower* in 2012 than 8 years earlier, including in EU15 as a whole (excluding Germany)
  - Significant *fall* in real household income per head in 2008-2010 (in line with the fall in GDP per head)

# Five Years of Economic Crisis: An unsettling legacy

- Material deprivation - financial stress and lack of access to basic goods and services - declined markedly 2005-2008. It then rose from under 13% in 2008 to over 15.5% of the population in 2012.
- 24.2% of the European population is at risk of poverty and social exclusion !

# Five Years of Economic Crisis: An unsettling legacy

- In a recession, welfare states commonly serve as ‘automatic economic stabilisers’ in support of aggregate demand and addressing poverty
- However, from 2010 onwards, the automatic stabilisers became increasingly constrained (sovereign debt crisis)
- The result was an overall reduction of public investment in the EU by 15% over four years from 2008-2012.

# Five Years of Economic Crisis: An unsettling legacy

- The **same** occurred with investment in developing and maintaining *human capital*
  - spending on education, child care and health
- Government expenditure on *education* was largely cut back after 2010
  - Public expenditure on education lower in 2011 than in 2008 in 10 MS; expenditure on *tertiary education* cut more than education overall
- GR: austerity in *health* care is leading to a public-health disaster ('austerity kills')

# The EU's Stance/Tools on Social Policy

- The European Union's stance on social policy
- To put it mildly: the EU is not exactly *'living up to expectations'*
- In view of the social problems people are facing (not 'Member States')

# Unsurprisingly Then: Confidence in EU is collapsing

- Between 2007 and 2012, euroscepticism has risen to a striking degree
  - ES: new high of 72%, and U.K., DE, FR, IT & PL echo the sentiment
- Recent EP elections: populism and euroscepticism



# The EU's Stance/Tools on Social Policy

- The EU's prudent stance on social policy in employment and social policy is a rather short story to tell.
- This is not a coincidence!
- The consecutive Treaties only provided a strictly *limited transfer* of powers from the national to the EU level in these areas

# So Why Even Bother ?

*Because social imbalances are undermining the EU project as a whole*

- Huge *disparities* in rates of child poverty across the Eurozone and non-convergence and even *divergence* during the crisis years
- These signal the extent of the social imbalances in the Eurozone, partly due to *divergences* in economic growth across
  - From 2009 to 2012, those countries with the highest levels of GDP per head recovered more quickly and disparities then widened again.

# Child Poverty: An 'excessive social imbalance'

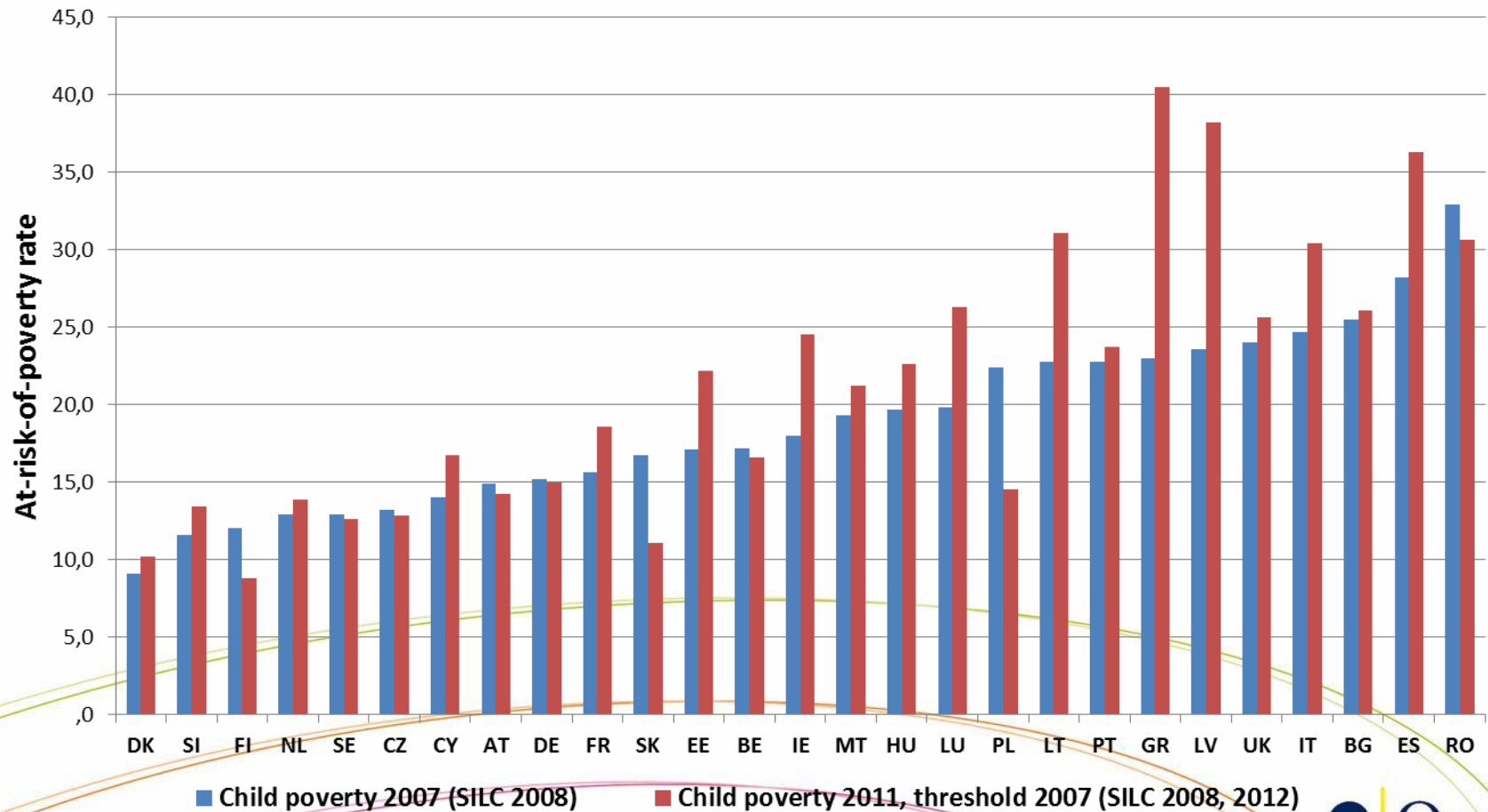
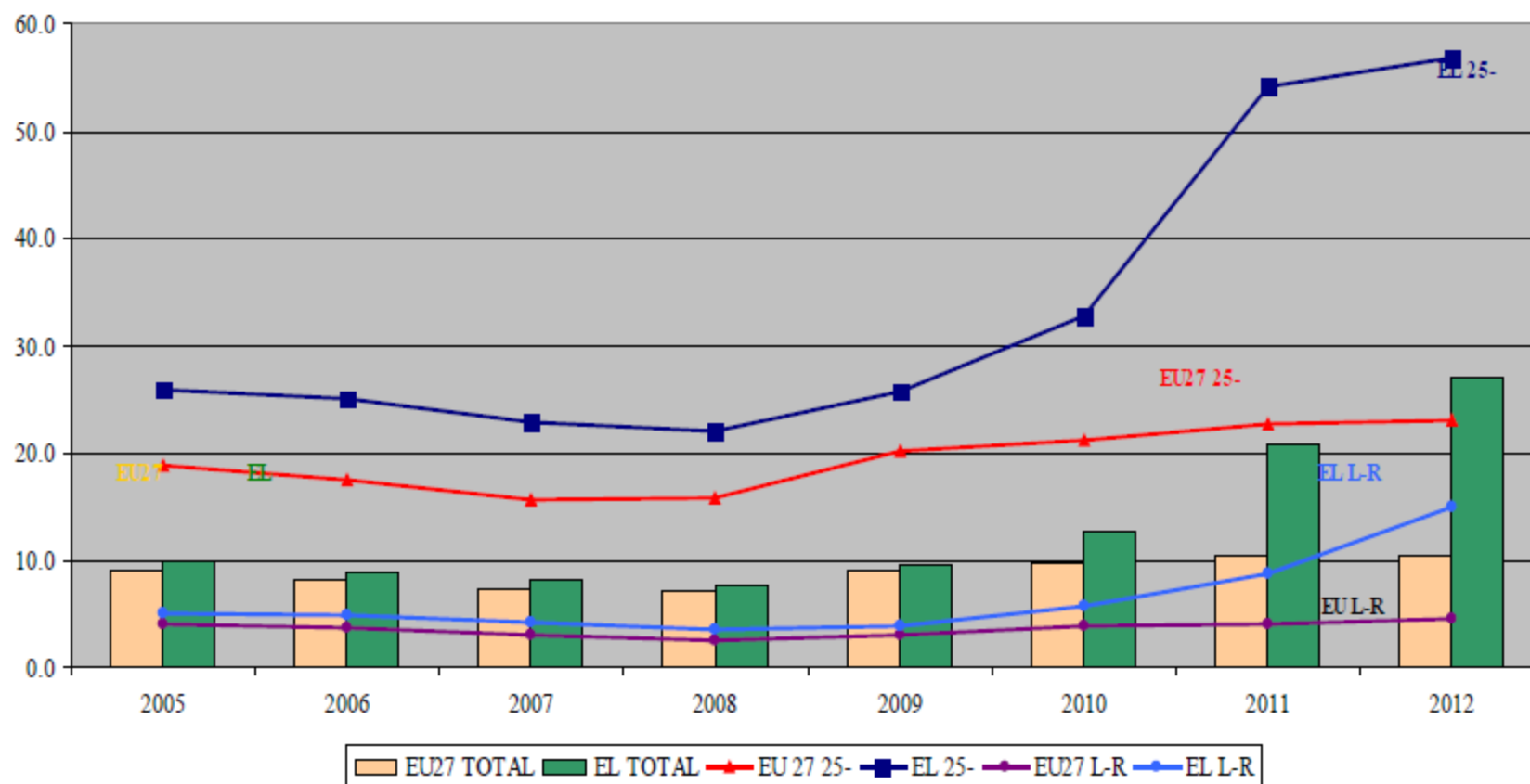


Figure 4: Unemployment rate, Greece, 2005-2012

## UNEMPLOYMENT RATES



Source: Eurostat

# Some Recent Positive Developments

- **Institutionally**

- DG EMPL reinforced under Juncker Commission
- Three units from other DG's (partially) moved to EMPL
- Incl. *labour market reform* (from ECFIN); Skills and Qualification + Vocational Training and Adult Education (from EAC); Equal Treatment Legislation (from JUST)

# Some Recent Positive Developments

- New European Commission
  - Strong (electoral) ‘social commitments’ of J-C Juncker which we had not heard from Barosso
  - Remind him: a “jobs, growth, and investment package” is *not enough* (minimum wage?)
  - Good start for Mariane Thyssen (hearing EP): given key role in the European Semester
  - On paper ‘Social’ and ‘Economic’ Affairs Commissioners now on equal footing

But ! What about ‘Vice Presidents’, incl. one for ‘Euro and Social Dialogue’? (Valdis Dombrovskis)

# Some Recent Positive Developments

- **Governance:** ‘Social Affairs’ players (SPC, EMCO, DG EMPL) reinforced their influence on the European Semester
  - Getting across more ‘social’ messages, incl. on importance of ‘social investment’ (even – especially – in times of austerity)
  - Incl. through new (*hard-fought*) analytical tools: Social Scoreboard, SPPM etc
- **But:** ECON actors still largely dominant; and EMPL still seen as ‘big brother’ of ‘SP&SI’ (EMCO and SPC teambuilding)

# Some Recent Positive Developments

- **Mid-Term Review:** window of opportunity
  - ‘Social’ market economy (Hearing M. Thyssen)
  - Enhance social governance tools (e.g. SIA of austerity measures, esp. in Progr. countries) and enhance role of social actors in Semester
  - EPAP: either be abandoned (SECGEN?), or revamped, incl. by giving stakeholders a *real voice* in the process
- **But:** ‘review’ no guarantee for improvement
  - Remember the ‘revision’ of the Lisbon Strategy (social dimension side-tracked)?



Still, fair to talk about  
**‘The Unhappy State of the Union’**  
(Tsoukalis, 201)

A new ‘grand bargain’ is needed

# ‘From a sense of survival to a sense of common purpose’

But: some very ‘tough nuts to crack’ along the road to a ‘Social Union’, incl. key questions about

- The role of the EU in social policymaking (subsidiarity)?
- The future of European Social Dialogue (stalemate)?
- What kind of ‘solidarity’ (European minimum protection)?

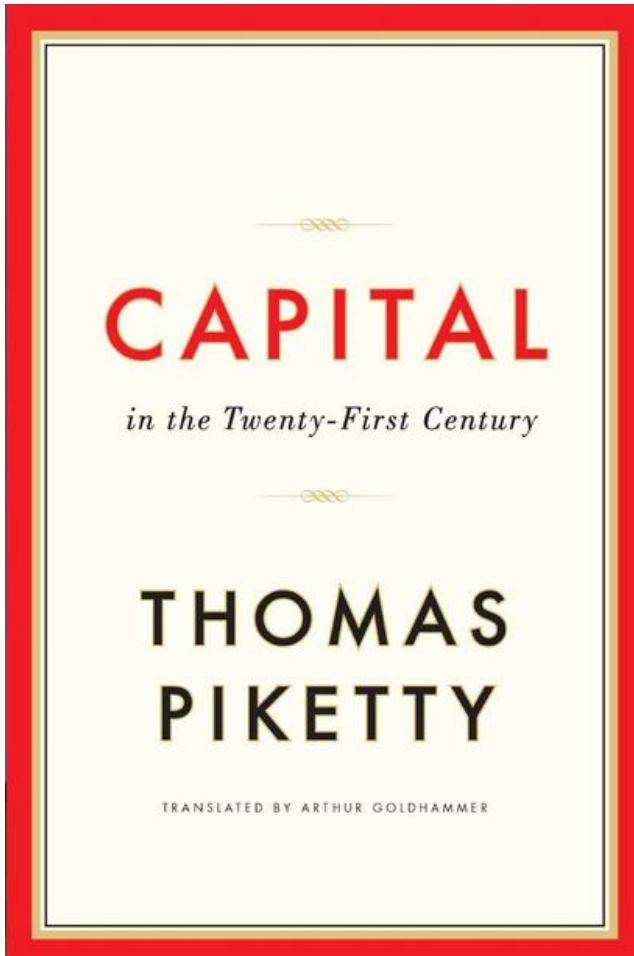
# In Sum: continue to care!

- ‘Why should we care’ about this EU?
  - Institutional changes, changes in governance, MT-R provide a window of opportunity *now*
  - Change of perspective: acknowledgement that without a ‘Social Union’ *there simply will be no European Union in the long run*
- Continue to speak up for a more social Europe (while being realistic!)
  - *If you will... we will @OSE*

# Conclusions

There is also some good news... at least the debate about a “European social Union” is out there

More largely: debate about (factors reproducing) long-term trends in inequality



What are the grand dynamics that drive the accumulation and distribution of capital? Questions about the long-term evolution of inequality, the concentration of wealth, and the prospects for economic growth lie at the heart of political economy. But satisfactory answers have been hard to find for lack of adequate data and clear guiding theories. In *Capital in the Twenty-First Century*, Thomas Piketty analyzes a unique collection of data from twenty countries, ranging as far back as the eighteenth century, to uncover key economic and social patterns. His findings will transform debate and set the agenda for the next generation of thought about wealth and inequality.

- Thomas Piketty's new book [Capital In The 21st Century](#) created a big impact, also beyond the usual suspects group of people involved in the policy process.
- Piketty's book has even been the bestselling book on [amazon.com](#)
  - *Not 'Game of Thrones', or 'Journey to the ice palace', but a 700 page book about the nature of capitalism and inequality*

Download our publications, Newsletters and events agenda from [www.ose.be](http://www.ose.be)

(EN-FR)

Opinion papers

Research papers

Briefing papers



Cécile Barbier

[www.ose.be](http://www.ose.be)

rue Paul Emile Janson 13 / 1050 Bruxelles / tel. : 32 (0)2 537 19 71 / fax. 32 (0)2 539 28 08 / email : info@ose.be

[www.ose.be](http://www.ose.be)

# Feedback most welcome at

[vanhercke@ose.be](mailto:vanhercke@ose.be)

[www.ose.be](http://www.ose.be)



Find us on  
**LinkedIn**