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European Integration and the Future of Social Policy Making

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Abstract. The basic aim of this paper is a brief presentation of the current situation as regards some central aspects of social policy formation and implementation in the European Union. The general rationale of the paper is the viewing of the European Union as one of the major global actors towards neoliberal globalization, resulting by the contemporary ideological and political dominance of certain social forces within it. The drive towards greater socio-economic liberalization, the emphasis on international competitiveness and the gradual commodification of previously considered public goods pose a remarkable threat to the European social model (or social models). The paper starts with a synoptic account of some crucial aspects of the contemporary social situation in the European Union (notably income distribution, unemployment, poverty and social exclusion) and of the most important social policy frameworks at European level. Subsequently the future prospects of the European social policy regime under the dominance of neoliberalism is discussed, opening new questions about the ways of reversing contemporary trends.

Key words: social policy, European integration, neoliberalism

1. Introduction

The basic aim of this chapter is a brief presentation of the current situation as regards some central aspects of social policy formation and implementation in the European Union. The general rationale of the chapter is the viewing of the European Union as one of the major global actors towards neoliberal globalization, resulting by the contemporary ideological and political dominance of certain social forces within it. The drive towards greater socio-economic liberalization, the emphasis on international competitiveness and the gradual commodification of previously considered public goods pose a remarkable threat to the European social model (or social models). The chapter starts with a synoptic account of some crucial aspects of
the contemporary social situation in the European Union (notably income distribution, unemployment, poverty and social exclusion) and of the most important social policy frameworks at European level. Subsequently the future prospects of the European social policy regime under the dominance of neoliberalism is discussed, opening new questions about the ways of reversing contemporary trends.

2. European social policies

Despite the remarkable wealth creation in European Union\(^1\) countries during the last decades, problems such as social and income inequalities, unemployment and social exclusion are persistent, although their importance vary considerably from country to country. As regards income distribution and social inequalities, the differences remain vast, both between and within member states and furthermore they have risen in most countries during the 1980s and 1990s. According to the Eurostat (2001: 12-13):

“At EU level, the bottom (poorest) 20% of the population received 7.6 of total income in 1996, while the top (richest) 20% received 39.3 i.e. 5.2 times more. This gap between the most and least well-off persons is smallest in Denmark (2.9) and Sweden (3.7). It is widest in the four southern Member States where average income is the lowest in the Union”

“Around 17% of EU citizens had an equivalised income that was less than 60% of the national median in 1996. The proportion of ‘poor’ people was relatively high (over 29%) in Greece and Portugal and lowest in Denmark, Luxembourg, Netherlands, Austria and Sweden (11-14%). Social benefits reduce the proportion of poor people in all Member States but to very differing degrees: the reduction ranging from around 10% in Greece to over 60% in Denmark, almost double the EU average”.

The most important problem, which the European Union faces, is persistent high unemployment rates in combination with relatively low employment participation levels. Despite the recent considerable progress, unemployment in the European Union remains high enough. In 1999, the average employment was 62.3% (163.2 million people), while in 2000 it reached 63.2% (165.9 million people). This represents an average annual growth of 1.4% for the period 1995-2000. This period, which followed a few years of recession, witnessed substantial employment growth in a number of Member States. Yet, the above rates are at a considerable distance from the Stockholm targets, 67% for total employment by 2005 and 70% by 2010. Two

\(^1\) The European Union of fifteen member states
important qualitative dimensions of European unemployment are youth unemployment and long-term unemployment. In EU level youth unemployment (percentage of young people aged 15-24 out of work) was 8.5% in 1999, while the unemployment rate as a percentage of the labour force was 17.9%. As regards long-term unemployment, in 1999, 4.2 of the EU-15 working population were affected and 45% of the total unemployed population was jobless for over a year (European Commission, 2002a; Eurostat, 2002).

As regards social exclusion and poverty it is estimated that in the European Union some 60 million people are at risk of falling into social exclusion as a result of low income, whereas 18% of the EU population is at risk of poverty. Without social transfers the percentage would be even greater reaching more than a quarter of the population (European Commission, 2002b).

The European Union is characterized by a relative absence of a centralized common social protection and policy framework like for example the framework that exists for agriculture (Common Agricultural Policy – CAP). Nevertheless debates, guidelines, directives and regulations on several aspects of social policy shape a distinct quasi “European social policy framework” and reinforce the debate on the European social model in the present and future. A brief outline of the evolution towards a European social policy framework or in other words of the involvement of the European institutions in social policy matters, can be formulated as follows:

The EEC Treaty contained some points on social provision:

“- the free movement of workers (Articles 48-51)
- the right of establishment (particularly in relation to the self-employed) (Articles 52-58)
- the freedom to provide services (Articles 59-66)
- the social provisions (Articles 117-122)
- the European Social Fund (Articles 123-128)
- the economic and social cohesion (Articles 130A-130E)” (Gold, 1993: 12)
One must note that the difficulty of passing from these general points and provisions to direct measures or to the formulation of a common social policy framework is due to three sets of reasons. The first is related to the tension that exists between supranational bodies (the European Commission, the European Parliament and the European Court of Justice) and national interests. The second is related to the different social philosophies and conceptual frameworks in the Member States, which in many cases supersede the traditional left – right divide (the Roman-German system, the Anglo-Irish system, the Nordic system). The third is related to the different views of employers and trade unions regarding the formulation of a common social policy in the Union (Gold, 1993).

According to Gold (1993) and up to the first years of the 1990s, there are four stages of the European social and labour policies. The relative absence or ‘neglect’ of social policy harmonisation efforts in the European Community characterizes the first stage (1958-1972), although social provisions were made in many cases and instances. During the second stage (1972-1980), the Social Action Program (1974) was adopted which contained around 40 initiatives, related mainly to the promotion of full and better employment, improved living and working conditions and worker participation. Furthermore, a series of directives were passed concerning employment protection, employee participation, equal treatment for men and women and health and safety matters.

During the third stage (1980-1987), several other directives were passed (on health, safety, and equal treatment) but the distinct feature of this stage is the evolution of the concept of “subsidiarity” (the notion that the European Community would take action only in cases, which cannot be dealt efficiently at the national level). This notion was, in some respect, a drawback from the concept of a European social policy and was caused mainly because certain governments were against unified measures due to fear of higher labour costs and different political and socio-economic philosophies and policies. The fourth stage (1987-1992) is characterized by the adoption of the Social Charter (Community Charter of the Fundamental Rights of Workers) at the Strasbourg Summit in December 1989. The Social Charter was accompanied by an Action Program, which contained 47 proposals on initiatives in different areas of social policy. The UK was allowed to stay out of the implementation obligation of the
Social Charter because of political disagreement related to its adoption and its economic and cost consequences. Subsequently in December 1991 (at the Maastricht European Council), the Social Charter took the form of an ‘Agreement on Social Policy’. Finally in June 1997 (at the Amsterdam Summit) and followed the change of position of the UK government the social agreement was incorporated in the body of the Treaty and applied to all Member States (15).

Currently the social policy framework at a pan-European level is the Social Policy Agenda (SPA) (European Commission 2000). In February 1999, the Commission announced before the European Parliament, this 5-year program of action for 2000-2005, with the objective of “shaping a new Europe”. The official aim of SPA is to provide a comprehensive and coherent approach for the European Union to confront the new challenges for social policy resulting from the radical transformation of Europe’s economy and society. This Agenda is part of an integrated European Union approach aiming at economic and social renewal. The Lisbon European Council has set the strategic goal to be achieved through the creation of the most competitive and dynamic knowledge-based economy globally capable of sustainable economic growth with more and better jobs and greater social cohesion (European Commission, 2001). Officially considered steps in this regard, are the ‘modernisation’ of the European social model, the investment in human capital and the combat of social exclusion. The Social Policy Agenda framework requires that all key actors join their forces in a framework of interaction of economic, employment and social policy.

The following set of actions is undertaken:

- the realization of a European full employment potential through the creation of more jobs and adaptation to the new working environments;
- the modernisation of social protection and the promotion of social inclusion;
- the enlargement of the Union and the enhancement of the social dialogue.
Within the above framework, social policy is recognized by the European Union as a productive factor and closely linked with sustained non-inflationary economic growth, sound public finances and well-targeted social protection.

3. The neoliberal agenda and the future of social policy in the European Union

Neoliberalism is a contemporary variation of the classical liberalism of the 19th century, closely associated with ‘neoclassical economics’ and promoting the abolition of ‘barriers’ to the functioning of the free market, such as government intervention, tariffs, social and labor regulation, etc. It advocates the commodification of almost every aspect of socioeconomic life, deregulation and minimization of the economic role of the state, privatization of state-owned enterprises, budgetary discipline and anti-inflationary policies, public expenditure and taxation cuts and it notoriously hostile to the notion of ‘public goods’ (Martinez & Garcia, 1997). International organizations, such as the International Monetary Fund (IMF) and the World Bank, are among the major proponents of neoliberal ideas and of the respective economic policies.

Contemporary social welfare, both at the global and at European level, is influenced by major socio-economic changes, which are mainly related to globalization that has two important characteristics. The first relates to the growing, and highly asymmetrical, interdependence of economies and societies, while the second relates to the proliferation of a liberalised, open market system of economic and production organization which tends to take its “pure” form and where market forces dominate the economic arena without the ‘barriers’ of previous periods.

The liberalizing globalization process has generated socio-economic and political restructuring and changes worldwide. These include accelerated flows of short-term investment based on speculative currency trade, policies aimed at further reducing barriers to trade, increased shares of transnational corporations in global production and trade, global interconnectedness of production, increased movement of people worldwide, changing power balances between nation-states and supranational agencies and organizations and proliferation of new forms of communication and
information technologies. The consequences of these changes on social welfare concern mainly increased social inequalities, both between and within countries, increased impoverishment, vulnerability of people to social risk, and accelerated exclusion of people, communities and regions from the benefits of globalization (Deacon, 2000: 1).

In this broader global context, the character of social policy making has undergone important changes following the economic crisis of the mid-1970s and the retreat of the Fordist model of mass production and consumption that was strongly associated with state interventionism and the development of a universalistic social policy regime. The gradual transition to more flexible types of economic organization associated with the adoption of neoliberal policies, resulted in increased pressures to dismantle the universalistic social policy regimes in favour of selectivity and residualism (Petmezidou-Tsoulouvi, 1992).

In the European Union, social welfare in general and certain social problems in particular, have exacerbated under these conditions (Ferrera et al., 2000; Bernhagen, 2000). European social policy has proven unable to address satisfactorily and comprehensively persistent and strongly interrelated problems such as income inequalities, long term unemployment, social exclusion, poverty and social security and protection, which affect directly and importantly the cohesion of European societies. It is true, however, that social situation would have been worse in the absence of EU social policy interventions whose impacts depends on the social policy model of each member state and the broader socio-economic conditions (Ferrera et al., 2000; Bernhagen, 2000).

Although European nation building is closely associated with the adoption of a strong social policy dimension, the EU social policy area is characterized by relatively clear tendencies towards greater residuality and selectivity (Nieminen, 1995). The major challenges the European Union identifies for the future are related to global economic competition, especially with the United States and Japan, globalization of trade and production, competitiveness, economic growth and the impact of new technologies on work and demographic ageing (Nieminen, 1995). Social policy is conceptualised primarily as a tool to support economic growth and competitiveness; i.e. it is
considered as a productive factor (European Commission, 2000), thus losing its autonomy in covering certain social needs and becoming subordinate to economic concerns. Although economic and social issues and processes are interlinked and interdependent, this is not reflected in the relationships among the respective policy areas, which are not mutually (and equally) supportive and reinforcing (Vikstrøm, 1996).

These trends are associated also with a relative departure, or major pressures for such a departure, from the traditional universal/institutional social model and towards a residual and selective social policy model. The universal/institutional model of social policy is a model of an all-inclusive welfare, covering the social needs of extended segments of the population, which take the form of social rights. On the contrary, the residual (or selective) model assumes minimum state intervention that is a residual to the ‘normal’ function of the market. Its main purpose is to prevent extreme social deprivation and exclusion in order to avoid social unrest and conflicts. Social benefits are means tested and in many cases the recipients are stigmatized. Furthermore, institutions or organizations other than the state are important actors in providing social services such as the family, voluntary organizations, charities, etc. (Petmezidou-Tsoulouvi, 1992).

Concepts and values, which traditionally are associated with a strong and inclusive social state, such as social solidarity and social equality are changing meaning and adapt to the necessities of applying neoliberal economic policies in the European Union (Nieminen, 1995). From the concept of ‘equality of outcome’, which strongly relates to efforts to reduce social inequality through income redistribution policies and to the universalistic model, emphasis shifts towards concepts of ‘equality of condition’ and of ‘equality of opportunity’, which are linked to notions of free market, individual freedom and entrepreneurship (Turner, 1986; Nieminen, 1995). Within this conceptualisation, social inequality poses no real threat to society as far as there are opportunities of inclusion, mainly in the form of some kind of employment; hence, the overriding emphasis on ‘social exclusion’ rather than on ‘poverty’. “Thus while poverty simply exists, ‘exclusion’ is created. And if it is created, it can be reversed. While the poor may always be with us, the excluded can be integrated” (Wickham, 2000: 6). The combination of neoliberal economic policies and selective
social policies leads to a form of ‘management’ of social exclusion and deprivation and not to a comprehensive resolution of problems of social and income inequality and poverty (Cahill, 1994; Streeck, 1999).

Thus the principal goals of EU social policies (promotion of social cohesion and inclusion) and of economic policies (creation of a competitive and dynamic knowledge-based economy) are only rhetorically compatible, mainly because of two reasons. The first is the complementary and subordinate position of social policies in relation to economic policies, and the second relates to the neoliberal content and character of economic and monetary policy making of the Union. The subordinate position of social policies weakens considerably the simultaneous achievement of social and economic policy objectives. Certain linkages between economic and social policy objectives are discernible only within the ‘loose’ and much debated context of sustainability. The European Commission (2001a: 10) acknowledges that “…development has an economic, a social and an environmental dimension. Development will only be sustainable if a balance is struck between the different factors that contribute to the overall quality of life”. However, within the dominant neoliberal economic policy paradigm of the EU, sustainability is viewed as a set of necessary, although limited, adjustments allowing the continuation of the current patterns of economic organization and development (Rammel & Bergh, 2003) The adoption of such an approach “…offers an incrementalist agenda that does not challenge any existing entrenched powers and privileges. In this sense, the mantra of sustainable development distracts from the real social and political changes which are required to improve human well-being, especially of the poor, in any significant way” (Robinson, 2004: 376). Furthermore, the focus on ‘efficiency’ and the associated market-based incentives may lead to unsustainable long-term socio-economic patterns, and especially to negative distributional effects (Rammel & Bergh, 2003). Thus, the overt congruence of the goals and objectives of EU social and economic policies within the sustainability framework proves to be highly superficial and rather questionable.

Social policy objectives and targets, set by the Council or the Commission, constitute mainly propositions for national action, not associated with binding EU-level targets, sanctions and related procedures (Ardy & Begg, 2001). Meeting these objectives rests
with the national governments, according to the subsidiarity principle, and on ‘soft’
coordination methods. Although certain quantifiable targets exist (e.g. increasing
overall employment by 70% up to 2007 and increasing the female participation rate to
60%), they differ substantially from corresponding economic policy targets or
ceilings which are centrally imposed by the European Council and are associated with
certain review and sanction procedures in the case of not meeting them. Although the
BEPGs constitute a policy coordination framework, based on the principle of
subsidiarity, they are strongly influenced by the SGP, which is a relatively rigid and
compulsory EU macroeconomic and budgetary framework.

Within the current economic policy framework and the high priority of certain
economic goals such as macroeconomic stability and competitiveness, the
subordinate role of social policies in the Union becomes gradually evident. The
economic policy objectives and the dominance of the neoliberal paradigm, influence
the EU and national social policy goals, changing its emphasis from combating social
problems and promoting social integration and development to ‘managing’ social
polarization and exclusion (Cahill, 1994; Streeck, 1999). The difference between
comprehensively ‘managing’ and combating social problems draws from the
divergent value systems underlying neoliberal and redistributive approaches to socio-
economic development respectively.

The alleged political commitment of the Union for the development of close relations
between social and economic policy can be identified in several instances in official
documents, such as in the conceptualization of social policy ‘as a productive factor’
and the adoption of strategic economic policy goals at the Lisbon European Summit.
Within this framework, and with the adoption of the SPA, the European Commission
(2000: 6) “…sets to ensure the positive and dynamic interaction of economic,
employment and social policy and to forge the political agreement to mobilise all key
actors to work jointly towards the new strategic goal”. The 1999 Cologne European
Council “consolidated the European employment strategy and created the basis for a
Community employment policy which takes account all the economic factors that
affect the employment situation”^2. This consolidation resulted in the European

Employment Pact (Cologne process). The Pact reemphasizes the importance of price stability and controlled pay increases for employees and, thus, leads to a certain kind of economic, employment and social policy linkage within the dominant neoliberal policy priorities and consensus.

Thus the character of relationships between European Union economic and social policies is asymmetric. Economic, or ‘market-making’, policy has become gradually Europeanized, comprising in many instances strict rulings and sanctions, while the social, or ‘market-correcting’, policy has to be agreed through intergovernmental processes, on the basis of, in most cases, unanimous consensus (Scharpf, 2002; Mosher & Trubek, 2003). These remarks raise important questions as regards the content and the ideological-conceptual basis of economic and social policy relations in the Union. If the ultimate goal of these relations is the minimisation of the ‘autonomy’ of the economic element and the promotion of an all-inclusive and cohesive society, then neoliberalism and the associated highly asymmetrical social and economic policy relations are not appropriate for meeting this goal (Mariolis & Stamatis, 1999; Bernhagen, 2000).

EU economic and social policy making adopts forms of policy coordination methods between European actors to ensure that member state policies are in agreement among them and with the EU goal of economic and social cohesion. The close coordination method applies to economic policies. “The activities of the member states and the Community shall include…the adoption of an economic policy which is based on the coordination of member states economic policies in order to achieve the Community objective of high level of employment and sustainable non-inflationary growth” (Wickham, 2000: 16). The Open Method of Coordination (OMC) applies to social policies. The two policy coordination methods are characterised by a fundamental difference that explains the divergence between economic and social policies. Economic policies exhibit a better balance between ‘Europeanization’ and subsidiarity, mainly because several crucial monetary and economic policy decisions are centralized and subject to strict review and sanction procedures. On the contrary, binding target-meeting procedures or centrally induced legislative change, signifying major moves towards ‘Europeanization’, are absent from social policy making. Furthermore, the trend towards subsidiarity and decentralisation is reinforced in
recent years, as there is an observable departure from the social standard and directive style of social policy provisions towards ‘loose’ coordination and ‘policy learning’ procedures (Scharpf, 2002) that have several limitations and drawbacks (Ardy & Begg, 2001).

In contrast to economic policy, there is no clear commitment and a common political vision as regards social policy at the European level (Wickham, 2000). Furthermore “…if there is no sanction (or, as it was the case with the EMU convergence criteria, a reward) for failing to adopt suitable measures, let alone meeting targets, the attempt to co-ordinate could prove to be empty” (Ardy & Begg, 2001: 12). Additionally, the legitimacy of drawing social policy guidelines by unaccountable officials and national government representatives and the use of the Open Method of Coordination to avoid ‘hard law’ initiatives in EU social policy have been seriously questioned (Sciarra, 2000; Ardy & Begg, 2001; Mosher & Trubek, 2003). These issues should be taken into account and addressed in order for the ‘policy learning’ promoted through the OMC to produce concrete and binding policy outcomes at European level.

The divergence in the mode of implementation of EU economic and social policies and the resulting differences in their ‘Europeanization’ trends, flowing from the principal postulates of neoliberalism and the ‘residual’ and subordinate character of social policy, does not allow formal interaction among policy actors or consistent and compatible procedures and rules of joint and balanced social and economic policy making at the European level. A mutually supportive relationship between social and economic policy presupposes a view of economic policy goals, such as growth and competitiveness, as means for social cohesion and development and not as ends in themselves. Furthermore, it requires the reduction of the social policy autonomy of the member states through pan-European and market compatibility regulation (Ferrera et al., 2000). The absence of these prerequisites detracts from efforts to move towards the creation of a unified, high standard social policy regime for Europe as a whole (Storey, 2004).

The above-mentioned divergence influences also strongly the use of economic and social policy instruments and their relationships. Economic policy instruments are more ‘Europeanized’ while the role of individual member states in the development
of social policy instruments remains crucial. For example, the main monetary policy instrument is the interest rates which are imposed centrally by the independent European Central Bank (ECB). The commonly agreed rules derived from the Stability and Growth Pact (SGP), the Excessive Deficit Procedure and the Broad Economic Policy Guidelines (BEVGs) are the main macroeconomic and public finance policy instruments. Although these rules conform with the subsidiarity and policy coordination principles, they embody certain binding limits and ceilings associated with sanctions and fines. Regulatory and legislative instruments are used by the internal market, competition and external trade policies. Only, the labor market, capital and product market policy areas are less Europeanized and are partly influenced by the requirements of the BEVGs.

On the other hand, the main instruments of EU social policies, financial incentives and programs funded through the Structural Funds, are less ‘Europeanized’, as regulatory and legislative instruments are used mainly at the member state level. Currently, proper political and ideological preconditions for the weakening of the subsidiarity principle and the gradual ‘Europeanization’ of social policy together with considerable changes in economic policy directions and goals are missing. Thus the development of integrative, common legal and institutional instruments for the EU social and economic policy areas cannot be fully achieved at present. For the same reasons, particular financial mechanisms, fiscal incentives, planning or management instruments or specialized tools (such as indicators), promoting comprehensive and mutually supportive economic and social policy relations at a pan-European level are absent.

Apart from the negative impacts of the neoliberal agenda for the future of social policy making within the European Union, we can also identify certain moves and actions of the EU for promoting the neoliberal project globally. This identification shows more clearly the domination of neoliberal doctrines and the associated policies to the contemporary process of European integration and the socio-political challenges for reversing the current trends at European and world level. As Storey (2004: 8) puts it “Rather than globalising the social model, as Habermas, Derrida and Murshed (see above), have advocated, the EU is internally dismantling that model. Furthermore, it is indeed engaged in a process of globalising policies but these are
neoliberal rather than social policies”. For example the European Union pushes for further commodification of non market based delivery systems, requires binding commitments to the liberalization of public sector services, promotes deregulation of foreign investments and dictate the adoption of a neoliberal economic policy framework with countries with which is to develop Economic Partnership Agreements (for example with countries of Africa, the Caribbean and the Pacific) (Storey, 2004: 8-9).

4. A final note on a possible alternative role of the EU

The above brief account opens new questions about the future of social policy making, not only within the European Union but also globally. Although it is impossible to return to the era of nation-state dominated social welfare policies and to the Keynesian macro-economic policy framework, European Union, because of its size, its social welfare tradition and economic power, could play a vital role in globalizing social policy and in altering the content of globalization from neoliberalism to social justice and redistribution. As noted earlier, although currently the EU promotes neoliberal globalization, the increase of social inequality and social problems at European and global scale, results to a renewal of the debate about the possibility of a socially responsible globalization (Deacon, 1999; Deacon, 2000). According to Deacon (2000) such a policy framework includes injecting social concerns into the global economy by promoting social regulation of economy, world trade and transnational corporations and by imposing global taxes for social purposes. The European Union could be a major global actor towards socially responsible globalization but this development would require considerable internal institutional and policy changes and above all a quite different balance of social and political power within it (Brie, 2004).

References


