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The undercutting of the European Social Dimension

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We are witnessing a growing schizophrenic attitude and behaviour by the EU. On the one hand, it rhetorically emphasizes social cohesion and growth (now even with a “Social Investment Pact”). On the other hand, through the economic stability pact, it compels the member states to reduce their budget, ignoring the plight of the poor, of the unemployed, of those needing social services that instead are being reduced, while also proposing to reduce the social cohesion and social funds (see the stalemate of 22-23 November 2012 on the budget) .

I. From words to facts: the aims and the outcomes of the integrated and streamlined social OMC and reporting,

A. The intentions were good, but the risks already visible and made explicit

It is well known that the social dimension has never reached the same status as the economic one within the EU. Somewhat paradoxically, this became even more evident with the introduction of a common currency in many member countries, which has neither been preceded nor followed by a political and fiscal union, nor by a European social compact. At the same time, there have been periods in the EU history when the importance of addressing in a common and coordinated way relevant social dimension has had an important acknowledgement. It was the case of equal opportunities between men and women in the 1970s and 1980s, of social ex/inclusion in the ‘90s and early 2000s. In particular, the two summits held in the year 2000 (in Lisbon and Nice) marked a change in approach and the assumption of a more active role on the part of the Commission in the area of social ex/inclusion, albeit within the framework of the subsidiarity principle. The new orientations adopted at these summits were modelled on the Open Method of Coordination (OMC), which defines the roles of the Commission and of the Member States.¹ The OMC puts responsibility for stimulation, coordination and the promotion of exchanges into the Council’s hands and confers the full accountability for the fight against poverty and exclusion on the member states. As in other areas, the OMC was based on three institutional instruments: 1) the establishment of a high-level committee (Social Protection Committee) made up of those who are responsible for

¹ The Open Method of Coordination is a mode of governance developed under the European Employment Strategy at the 1997 Luxembourg Summit which is based on soft regulatory measures (“soft laws”) and mutual learning to improve convergence in areas (such as long-term unemployment, demographic ageing and social protection) that remain the responsibility of the national governments, but that concern the whole of the EU.

this area in the Council and in the respective governments; 2) the design of a Community Action Programme to combat social exclusion; 3) the creation and deployment of the National Action Plans for Inclusion (NAPs/inc) and their periodical revision by means of a Joint Report, and the application of a shared system of indicators conceived at the Laeken Summit in 2001 (under the Belgian presidency) for evaluation of the evolution of the situation, as well as progress and setbacks with regard to the measures that had been implemented. The OMC is based on “moral suasion” rather than enforcement. There are no penalties for not fulfilling the requirements, not even in the sense of “naming and shaming”. As such, it is a very fragile policy instrument (Daly 2006, Marlier et al. 2007), particularly compared not only to the EMU, but also to employment policies.

While the OMC process in the area of social exclusion was slowly gaining some kind of visibility and legitimacy at least in individual member countries, and a debate was developing on the use of indicators and target setting, as well as on the opportunity and means to strengthen the impact of “moral suasion” within the OMC, however, the Commission redefined the whole mechanism. Following the 2004 Kok Report, which evidenced the lack of progress towards Lisbon’s objectives and recommended that overriding priority be given to economic and employment growth policies, the 2005 Midterm Review of the Lisbon Agenda stressed that priorities should be refocused on employment and competition. It thus confirmed the secondary importance given to social policies, and particularly policies against poverty and social exclusion, in the European political agenda. Of course, one could argue – as did the Kok Report – that the reduction of poverty and social integration would be the natural consequence of more employment and a more competitive economy. But this argument is far from being empirically grounded, as shown above. In any case, following this reorientation of priorities, in the spring of 2005 a new approach was adopted – the Revised Lisbon Strategy – in which the weakest point of the triangle, social cohesion, was dropped and the focus was switched to the primacy of economic development and employment. Countries are now requested to prepare a National Action Plan for overall social protection and social inclusion. Social inclusion and policies to contrast poverty and social exclusion have become just a subsection of national plans where employment policies and pensions play the major role. Although the official rationale for this change was “mainstreaming” and developing an integrated approach, the risk that the issue will be sidelined is very real, particularly in countries that have not taken the exercise seriously.

Actually, the Broad Economic Policy Guidelines (BEPG) had been synchronized, with the policy cycle of the European Employment Strategy (EES) already in 2003, in order to allow for synergies and coherent policies between the macro-economic and the employment coordination processes.

In the same year, the European Commission had suggested the strengthening of the social dimension of the Lisbon Strategy *via* a streamlined social OMC (Open Method of Coordination), which would synchronize different cycles (inclusion, pensions, health and long-term care) of the social OMCs, which up to then had been governed by different rhythms, yet with similar reporting obligations.

This proposal gained strength in 2005, in the context of the revised Lisbon Strategy. In its renewed Social Agenda, the European Commission reiterated that it would propose that the OMC be “rationalised and simplified”. The rationalisation should include cross-cutting objectives for all three formerly separated strands and an integrated reporting cycle. The ensuing changes became known under the heading of “streamlining”.

The ambition of the rationalisation processes were double (Frazer and Marlier 2008, Kröger 2011): first, there should be mutual “feeding in” (contribution of social policies to growth and jobs) and “feeding out” (contribution of economic and employment policies to greater social cohesion) between the economic and employment processes on the one hand and the social processes on the other; second, there should be mutual interaction between the different strands (inclusion, pensions, health and long-term care) of the now streamlined social OMC. The streamlined process should thereby be strengthened politically, become more visible, and promote “good governance”, not least through the involvement of a broad variety of actors, in order to close the existing “gap between objective setting and policy implementation”.

While national governments were generally in favour of streamlining, stakeholders were more ambivalent, in so far they saw the risk that the specific, in depth focuses and the involvement of stakeholders formerly developed in the separated processes be weakened in streamlining. This risk was particularly felt by stakeholders involved in the NAPs concerning poverty and social exclusion, which had a tradition of large involvement by civil society actors, compared to the pension and employment ones.

These warnings notwithstanding, the Commission, in its Communication “Working together, working better”, proposed to streamline the fields of social inclusion, health and long-term

care and pensions in order to simplify reporting procedures, achieve more coherence across policies, encourage Member States to take a more strategic, cross-cutting approach and facilitate synergy effects with the streamlined Lisbon process. In 2006, the proposal was adopted by the European Council and the new streamlined process of the Social Protection and Social Inclusion OMC (SPSI OMC) thereby started. The specific objectives were and are:

- Making a decisive impact on the eradication of poverty and social exclusion;
- Providing adequate and sustainable pensions;
- Ensuring accessible, high-quality and sustainable healthcare and long-term care;

Besides the reporting system, there are common indicators and specific national indicators which should allow for the monitoring of the social situation in Member States and their (non-) achievements of adopted objectives. This was a new and positive development, since until then goals were vague as regard their quantitative dimension and there were no agreed upon indicators for monitoring. In principle, quantifying goals could offer more leeway for critical peer reviewing of progress, as well as for national stakeholders to put pressure on their government towards the achievement of the declared and agreed objectives.

B. But the implementation was weak

Two years after the introduction of the streamlined SPSI OMC, the Commission issued a Communication in which it proposed to strengthen it further, indirectly suggesting that the process was not yet delivering what was expected, particularly with regard to a systematic use of the common agreed indicators. More explicitly, an expert report in 2008 noted that the network of independent social inclusion experts recognised only limited and mostly implicit linkages and synergies between growth and jobs and social inclusion policies across the EU. EAPN (the European Anti Poverty Network) shared the same view. In particular, EAPN (2006) “feels that streamlining has made it more, not less likely that the national activity is merely a report to the Commission - over such a big area and in such a new mechanism, the strategic task is not achievable. Nor is it evident that the status of the Joint Report on Social Protection and Social Inclusion is higher now than previously.” The same view was stated by EAPN two years afterwards (EAPN 2008)

In order to respond to these concerns and to support greater interaction between the economic and social processes and objectives, from 2008 onwards, the SPSI OMC cycle was synchronised

with the Lisbon Strategy cycle.

These adjustments notwithstanding, little evidence of a synergic approach is found in the national reports, and very generic in the SPC and Commission reports (Kröger 2011). Little “feeding in” and only in that social objectives are subservient to economic processes, and no “feeding out”

One reason for the missing interaction of the diverse policies and processes may be that there has never been a profound analysis on how such mutual interaction could work and what it should look like to begin with. This cannot really surprise given the existing differences between Member States and between party families about the right way to social integration and the role the EU should play in it. The lack of clarification of and consensus on what streamlining could and should mean and how it could be achieved results in still another empty use, by the various actors, of the most updated European “vocabulary” (jargon), which now includes “streamlining”, “feeding in” and “feeding out” (on the uses and abuses of European vocabulary – and on how it can get lost, or totally transformed, in translation see for instance Barbier 2005).

II. The disappearance from focus of both poverty and non market social services

Apart from the lack of streamlining and of “feeding in” and “feeding out” processes, pension reforms and activation towards employment have taken up most, if not all, attention in the social OMC and Reports. In particular, as the crisis continued and austerity measures were put in place, with the number of the unemployed growing, the focus on activation towards employment was even more stressed, as if unemployment were the consequence of some individual failure to be corrected. At the same time, “social spending” became the scapegoat of the crisis, as if the origin of the economic crisis were to be found primarily in the “excessive generosity” of the welfare state and in its “passive” policies, rather than in the financiarization of the economy and, in some case, in the housing bubble. Paradoxically, the role of scapegoat was most prominent in those countries – the Mediterranean ones – where the welfare state was weaker, more fragmented and large quota of the population unprotected or only weakly protected (for instance, both Greece and Italy lack a minimum income provision for the poor).

To be sure, this narrowing of focus has a longer history and precedes the economic crisis. The cultural shift of the eighties and nineties, strongly influenced by neo-liberalism, had suggested that the old paradigm of the welfare state was inappropriate in a profoundly changed social, economic

and demographic environment. As it had been unable to combat long term unemployment, it should be replaced by a new paradigm stressing equality of opportunities and a strong emphasis on individual responsibility, although often framed within the social investment paradigm, with its corollary of the tension between active versus passive social policies.

Also this neo-liberal paradigm, however, has proven to be ineffective. The strategy of focusing on access to employment at any cost has proven inefficient. Although empirical data do not offer clear and univocal evidence that the growing number of the working poor has resulted in increased poverty everywhere, it is true that most of the poor are working poor. Thus, being in employment is not the solution for them. It is true that many working poor are not consumer poor, because they are not the main breadwinner in their household. It is the case of the young and of many women. But the protective role of the household hides constraints on individual autonomy and “exit” options.

Some observer (e.g. Cantillon and Vignon 2012) also point out that rebalancing the cost of social inclusion policies in favour of making (paid) work attractive, risks making the lives of the core structurally unemployed even more difficult, in so far these policies do not touch the deeply rooted obstacles to work that render extremely difficult for some of the most vulnerable adults, including young people of working age, to participate in the labour market. Structural impediments to participation such as a health condition, limited access to child care, or a lack of proper housing close to job opportunities, are particularly worrying. Indeed, impediments such as these are the cause of the persistent proportion of adults living in households where nobody works, or there is very little work little, even where the overall labour force participation rate has been increasing.

Other vicious circles were driven by precarious unemployment. Coupled with short employment spells, precarious employment also entails fewer training opportunities, with a higher risk of being trapped in poor employment.

Also the social policy sector which appeared to have flourished under the “activation” and “employability” focus – that of work-family conciliation policies and particularly of social care services (Mätzke and Ostner 2010)) - with the tightening of national budget and the identification of “social spending” as the black sheep is increasingly at risk both of cuts and of quality lowering. Not only the Barcelona targets with regard to child care coverage are far to be reached in many countries, particularly for the under three years old; there is also an increasing risk that, with budgets under stress and with the aim at providing jobs for the low qualified, the “custody” dimension of these services prevails over the early education one, thus marginalizing the role of

social investment in children these services should have. The lack of effort by the EU (and the Social Protection Committee) to achieve standardized and comparable data on the quality and institutional status of child care services (Keck and Saraceno 2011) across the EU is certainly an indicator of well known methodological difficulties. But it is also an indicator of a weak theoretical and political investment. A similar, if not worse, situation may be found in the area of social care services for the disabled and frail elderly. Once again, the countries where these services were less established are more vulnerable to cuts, while those where they have a longer tradition (and therefore more rooted constituencies), may experience some re-orientation in terms of quality and/or targeting.

Problems with a too narrow focus on the employment strategy have been recognized also by the SPC, in an opinion on the the post 2010 Lisbon strategy expressed in 2011: “However, evidence has shown that considerable increases in employment rates observed in all EU countries coexisted alongside with significant numbers of workers in precarious jobs, working poor and jobless households. As concluded in the 2008 Joint SPSI Report, benefits of economic and employment growth have not always reached the most vulnerable and have not always led to increased social cohesion overall. Inequalities have often increased and limited progress has been achieved in the objective of making a decisive impact on the eradication of poverty”. Yet, apparently more out of faith than based on evidence, the SPC optimistically concludes that “active labour market policies that coincide with active social protection policies can facilitate returning individuals to the labour market and minimizing benefit dependency while still protecting the most vulnerable”.

III. Still more contradictions to come

The Europe 2020 strategy, approved by the EU Commission in March 2010, that is in the full middle of the financial crisis, seems to have reduced the social dimension to the contrast to poverty, although for the first time with a specific, quantitative, target: a 25% reduction of the interested population. Towards this aim, it encourages countries to strengthen policies which support, once again, employability (investment in education and training, support to school-to work transition, social care services), but also forms of flexisecurity in order to support individual and family income over the life course. It is however unclear how the complex system of levels of governance and actors set in place by this strategy in order to support and monitor the implementation of this objective may actually operate in a context where national budgets are under the control of the BCE and of EU rules, particularly in the countries with higher public debt, but also higher levels of

poverty and unemployment (e.g. Saraceno 2011). The austerity measures imposed on Greece and, to a lesser degree, Spain, Portugal and Italy, certainly are neither conducive to lower unemployment and lower employment rates, as the European Labour Surveys and Eu-Silc data testify. The 2012 Report itself by the Commission on *Employment and social development*, published on January 8, 2013, admits that the goals of Europe 2020 are becoming increasingly difficult to be achieved, both in the area of poverty reduction and of employment growth, and actually the situation has worsened, widening cross country differences with an emerging dualization between resilient and falling countries. The latter are precisely those which had a weaker and more fragmented welfare state that, under the crisis and under the requirements of the ECB and the Commission are expected to further reduce their social spending, rather than rendering it more efficient and equitable.

The EU parliament has proposed (November 20, 2012) a Social Investment Pact as a compensation for the Euro-plus one. It asks for policies favourable to employment, including a systematic investment in education at all levels. The Commission has taken up this proposal, which should start be implemented in 2013. But with what money, if the EU budget is going to be reduced and many countries are forced to implement draconian austerity measures that in some country – e.g. Greece and Italy – have substantially reduced funding for education and research, thus for social investment in the young generations (as well as for innovation in the economic arena)?

The Commission also proposes to create a European Fund to support the most deprived. We might interpret it as a kind of European minimum income guarantee, although, once again, linked to activation policies. This proposal seems to echo that of some observers, such as Cantillon and Vignon (2012), who argue that, in order to at least be coherent with the objectives of the Europe 2020 strategy, the EU, which now imposes a budgetary golden rule to be incorporated within each national constitution, should not stay neutral as to the consequences of such rules upon the structure of public spending. It should contain a safeguard clause with regard to the provision of a minimum income security and it should boost access to non market social services.

The proposed budget for this measure, however, is well below the need estimated by the Commission itself: 2,5 billion over 7 years, compared to the estimated 4,75 billion. It is unlikely that the states that are most hit by the crisis and more constrained by the budgetary rules imposed by the EU are able to make up the difference. Even this limited provision, which evokes the image of a residual welfare state for the poor, therefore, is not likely to see the light. Even less so since the November summit did not reach an agreement on the budget because many countries did not think that the budget cuts were enough.

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