



HAL
open science

Annex 6: What future for Social Europe?

Catherine Mathieu, Henri Sterdyniak, Thomas Seguin

► **To cite this version:**

Catherine Mathieu, Henri Sterdyniak, Thomas Seguin. Annex 6: What future for Social Europe?. [Research Report] Euroframe. 2007. hal-03614778

HAL Id: hal-03614778

<https://sciencespo.hal.science/hal-03614778>

Submitted on 21 Mar 2022

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

What future for social Europe?

Catherine Mathieu, Henri Sterdyniak and Thomas Seguin, OFCE

‘Social Europe’ has various meanings. It may refer to the current intervention of European authorities in the fields of social protection and employment legislation, as a complement or sometimes as a substitute to national institutions interventions. The role of European authorities is clearly stated in European Treaties that assert that MS remain responsible for their social protection. At the same time, the logic of European construction, the rising interdependence of economies, the interconnection of economic and monetary issues lead European authorities to tend to increase their role in social issues and to pilot ‘the modernisation’ of national social protection systems.

But social Europe may also refer to a political project, aiming at increasing the power of European authorities in social areas: there would be a social Europe like there is today an economic or monetary Europe. This social Europe would lead to unify gradually European social systems. This would imply a transfer of sovereignty which would be questionable since the role of social partners would be reduced and there would be no guarantee on the content of this social Europe, possibly moving towards a liberal or social-democrat system. Social Europe may imply a step back in social democracy in Europe. At the same time the explicit recognition that Social Europe exists and that it should be managed in an open and democratic way, could be a progress as compared to a situation of constrained convergence.

Last, Social Europe may refer to a political project aiming at deepening the European Social Model, by unifying social protection, redistribution and employment legislation towards the top. This could take place through the gradual introduction of social norms in each country at high and progressively similar levels. But there is no consensus in Europe on the content of this social Europe.

1. Convergence or preservation of national specificities?

All EU countries need to reform their social protection systems in face of financing constraints, and of world and domestic social and economic changes. Since they face similar problems, this could be the opportunity to implement a convergence strategy. However, there have been up to now very few common reforms in Europe even if some convergences have been emerging. For instance, the reforms of social protection financing (like the introduction of IRAP in Italy or CSG in France, the VAT rise in Germany) have remained national. A minimum wage has been introduced in the UK but not in Germany – although this is currently debated, see Brenke and Dreger, 2007). Two Member States only have adopted notional accounts for their pensions systems: Italy (see Onofri, 2007) and Sweden. Moreover, the EU enlargement complicates convergence policies. Issues that were difficult to tackle in the EU-15 become almost unrealistic to address in the EU-27. Three justifications may be given in favour of convergence: facilitating economic integration, originating a European citizenship, preventing a social competition race to the bottom.

The diversity of systems in the EU is difficult for European companies. They have to handle a variety of regimes, which is costly and raises delicate issues in terms of comparability of workers' earnings according to their workplace. Diversity will be hardly sustainable if European integration strengthens. New issues will emerge in permanence, such as: what legislation does apply to a Spanish worker working for a French company in Poland? Who will pay for the family and health allowances of this worker? But the merging of the existing systems into a single one that would facilitate the work of European companies is difficult to design. European companies could be offered to opt for a new 28th regime, but offering a choice in this area would be dangerous. A system that would cover only well-paid and healthy employees of big European companies would necessarily be more generous for these workers if they did not have to care financially for poorer European workers and the socially excluded. Competition between continental, Anglo-Saxon, central and eastern European countries could lead to the end of the continental model that is characterised by a large redistribution between heterogeneous groups of the population. Companies will not locate their production in countries where the well-paid are too heavily taxed. The young will prefer to settle in countries where social contributions and tax rates are the lowest. In the end, the remaining systems will be those accepting strong inequalities (the Anglo-saxon model) or benefiting to a relatively homogeneous society (the Scandinavian system). Continental countries could have no choice but move towards the liberal model through a painful period of imbalances. Europe

could therefore decide to avoid a race to the bottom. However this risk has not materialised yet and the threat remains theoretical (see Table 1.1). The risk is limited because social protection is both a cost and a benefit for the economically active. In countries where social protection is high, workers are entitled to health, pension, unemployment and family benefits as a counterpart of their contributions: the system is therefore on average not a burden for workers. Assistance payments are a burden, but they are generally funded by taxation. However higher wage earners bear a specific burden in too redistributive systems and the profitability of the pay-as-you-go pensions' system can be lower than that of pension funds.

The debate around the services directive, the so-called Bolkestein directive, illustrated unsettled legal issues arising from contradictions between the Internal Market's rules and the national characteristics of employment legislation and social protection. Entitling services companies to be under 'the origin principle' and restricting the possibilities of control of employees by the authorities of the countries where they work would have allowed companies to choose their location only from social and taxation considerations and to practice tax dumping as compared to companies located in more demanding countries in terms of social standards. This would have increased substantially the field of competing goods. Moreover, the notion of services was not precisely defined, with public services (health, education) being threatened to comply to competition rules, and in particular that of not receiving public subsidies. But these services must be allowed to remain public under the rules of the ESM.

Last, European construction implies that social and political life becomes progressively 'European' which would be facilitated by the convergence of social protection systems. The objective is to 'create an ever closer union among the peoples of Europe'. European construction would be of more interest for the peoples if they could see visible implications in terms of social protection. In that respect, the European Commission tries to intervene more in social issues, although in the absence of any constitutional and democratic framework. The European Court of Justice intervenes already in the field of social protection, and some harmonisation piloted for instance by the European Parliament would be preferable to a harmonisation implemented by the ECJ alone, where the Internal Market requirements would prevail over social protection issues. Similar social protection all over EU countries would facilitate similar economic policy answers in the occurrence of shocks and hence would facilitate economic policy coordination. In the longer run, EU countries are unlikely to be able to choose deeply different strategies in the field of social protection (for instance some

countries favouring the postponement of retirement age and some others a rise in social contributions).

A certain degree of convergence seems necessary, but towards which model? Can convergence take place if national models are deeply anchored in different social institutions and practices? Social systems cannot be unified at the EU level, without accounting for national traditions, debates and specificities. Building a European social protection in that way would be at the expense of the role of national social partners and would weaken the support for social protection. Such a strategy could lead to unify systems towards the bottom in the name of competitiveness rather than to the development of a rejuvenated ESM.

All social protection systems are based on solidarity. Solidarity remains today widely national. Countries with low unemployment rates are not willing to pay for countries where unemployment rates are high, because they consider that high unemployment rates are due to insufficient domestic efforts. It seems unlikely that in a 20-year time scale, the French or the British will agree to pay social contributions for the pensions of the Italians or the Germans, where fertility rates will have been too low.

According to Boeri (2004) for instance, there are no scale returns or externalities in social matters that would justify harmonisation in Europe. Boeri rejects harmonisation in the name of the respect of national preferences expressed by the democratic process and the advantage of efficiency of decentralisation. Competition should be allowed to play between national systems. Since there are several different social Europe(s), reforms should account for initial conditions and should necessarily adapt to the different Social Europe(s). Imposing the same kind of reforms to the different European social models could weaken the efforts of reforms. The need for consistent reforms is an additional reason for not imposing a single European social model, reforms having to account for country-specific institutional networks. Otherwise, reforms will be a failure. According to Boeri, there is no risk of a race-to-the-bottom in social areas. There is no evidence that social protection schemes have been dismantled in the EU. However since all EU countries have introduced safety nets, it could be wise to coordinate minimum incomes schemes in order to avoid the potential risk of 'social nomadism' through a last resort assistance.

It is also the view of Lejour (2007). Lejour recalls that since the Treaty of Maastricht in 1992, EU Member States have applied the subsidiarity principle in arranging the division of competencies between individual Member States and the EU. There may be solid arguments for centralised European coordination, for example scale or external effects. But these effects

are not really present in social security expenditures and labour market regulations. Lejour estimates that countries will converge over time in terms of their welfare states. The harmonised social regulations will be expensive for the majority of new Member States and will not match their level of economic development: the preferences for social standards are simply different for rich and poor countries. Differences in regulations need not in fact be harmful; they can help the economic development of new Member States because they will be able to attract more capital and strengthen their competitiveness with lower social standards. Western European consumers will ultimately also benefit from this through increased trade and specialisation. Convergence could then subsequently lead to adaptation of social policy to the EU norms. If on the other hand high social standards are imposed on the new Member States immediately, this could make it more difficult for them to achieve the growth necessary to catch up with the West.

These views imply that there is no further progress for a European citizenship. Besides one may wonder what competition between social systems may mean in a situation of free movement. Will countries where redistribution is the higher be able to stand competition from less redistributive countries, knowing that the wealthiest will leave the country while the poorest will settle there? There is not evidence that competition lead to a satisfactory system.

2. Social Europe in action

Europe intervenes in three respects in the social area: Legislation (or hard law), financial support, coordination processes (or soft law).

2.1. The ‘hard law’

The ‘hard law’ represents all legislative EU decisions. Initially, Treaties allowed European institutions to intervene in specific areas: free movement of workers, coordination of social security systems, health and safety at the workplace, gender equality and more generally fight against discrimination. The first two elements are justified by the Internal Market, the third one may be justified by the objective of not seeing economic competition run at the expense of workers; the fourth element can only be justified by the objective of building a European Society sharing common values.

The Single European Act introduced in 1987 focuses on the need for an economic and social cohesion. Qualified majority voting is allowed for some issues, like workers’ protection at the

workplace; collective bargaining is promoted and favoured, but harmonisation of social protection systems has not been associated with the Internal market.

The Treaty establishing a Constitution for Europe recalls the Union's objectives: '*a highly competitive social market economy, aiming at full employment and social progress [...]. It shall combat social exclusion and discrimination, and shall promote social justice and protection*'. The annual Tripartite Social Summit for Growth and employment is enshrined in the constitution. The Treaty embeds the EU Charter of fundamental rights that includes social rights but under hardly binding specifications: workers have a right to work, but not to have a job: rights are recognised as in the national legislations, no minimum benefit is stated.

The majority of the Union's actions in the social field remain subject to a unanimity vote (social security and social protection of workers, protection of workers where their employment contract is terminated, representation and collective defence of the interests of workers and employers, conditions of employment for third-country nationals legally residing in the Union. They are clearly stated in the framework of European Treaties, notably under the principles of subsidiarity and proportionality (art. 5). Some elements are explicitly excluded from the European field (pay, right of association, right to strike and right to impose lockouts): there is for instance no possibility to set a EU minimum wage.

All in all, the Union's role in the Social field applies more to employment policy than to social protection broadly speaking. The Union has tried to promote the social dialogue and to introduce common rights for EU workers (health, safety, non discrimination). But the Union has no power in terms of organisation of social protection (pensions, health or unemployment insurance, family).

The Union faces a growing difficulty: liberal countries and the new MS are reluctant to accept binding legislation. The working time directive has thus being emptied of its content with the existence of an opt-out clause, permitting Member States not to apply the maximum 48-hour limit, on the basis of voluntary agreements with individual workers.

The European Commission and the ECJ also play an indirect role in the social field through their prerogatives in economic policy coordination (government borrowing, level of public spending), competition, free movement and free establishment.

The EU legislative actions in social protection seem to have reached a limit. There is no agreement between the Commission and the MS to make significant progress in that direction. The diversity of social models and the unanimity principle prevent any progress.

2.2. Financial support

Financial support in the social field is extremely limited. The ESF co-finances local projects of active labour market policies but with relatively low resources (0.1% of the EU GDP). The introduction of a 'European globalisation adjustment fund' was proposed by the Commission in March 2006. This fund could be a positive element for the future of Social Europe. It recognises that there are workers affected by globalisation. The aim is to identify these workers and to provide a financial support in 're-training or concrete assistance to find new jobs'. In practice the fund will provide a support to the direct victims of globalisation, to workers in an industry sector directly hit by competition from low-wage countries. The fund will not facilitate job creation or help people keep their job, although in most cases a whole geographical area is hurt and new job opportunities are limited. Some social expenditure will be directly covered by the EU with this fund. It is an attempt to raise the EU budget and influence. However, the current expenditure ceiling is very low (500 million euros per year, i.e. 0.2% of MS unemployment allowances spending). If it is recognised that globalisation as a whole makes victims (low skilled workers) and winners (high skilled workers, capital income earners), the fund does not allow for transfers of the magnitude of the challenge.

Financial support in the social field is constrained by the absence of EU solidarity, by the denial to give own resources to the EU and the difficulty to implement transfers between countries with different incomes levels and different institutions. For instance, some have suggested that unemployment allowances be considered at the EU level and this would allow for contra-cyclical transfers. But this would mean that MS are no more responsible for their unemployment benefits systems. Moreover, it seems difficult to settle a European system where the unemployed will receive higher allowance in richest countries. It seems also difficult that countries in a full-employment situation accept to pay for countries in high employment.

2.3. Coordination processes (or soft law)

Coordination processes (or soft law) include the definition of common EU objectives (BEPGs, Lisbon Agenda, Social Agenda). In the social field, they allow European authorities to intervene in areas that are not of their competence according to the Treaties. Since 2000, MS and the Commission concert according to the Open method of coordination (OMC). The objective is to stimulate converging reforms in national social models, in sharing national experience and 'best practices'.

The EPC, the SPC, the Commission and the Council give periodic guidelines on the evolution of ‘social protection in the European Union’, even if social protection in the EU does not exist as such and if the legitimacy of EU authorities in the field of social protection is weak. Over the last ten years, the most relevant texts have been:

- Modernising and improving social protection in the European Union (1997)

According to the Commission, social protection systems (SPS) need to be modernised in Europe. The ESM must be preserved and consolidated because the increased flexibility of economic life requests that SPS provide safety. But population ageing will have high costs, and there is also a need to increase fertility. The suggested solution is to ‘make social protection more job friendly’: to raise work incentives; cut means-tested benefits (at the risk of higher inequality), to turn unemployment allowances into an active support to training, to cut taxes on labour (but what would be the alternative resources?), to raise incentives to work longer, to offer integration contracts to those under minimum incomes. The financial sustainability of public pensions systems must be ensured, supplementary regimes must be supervised, schemes for long-term care must be introduced. The report suggests the introduction of market mechanisms in health insurance albeit warning against adverse selection. It is in favour of individual social rights while recognising the risks of increased poverty for some women.

- The Lisbon Strategy (March 2000)

The European Council launched the Lisbon Strategy (*‘becoming the more competitive and dynamic knowledge economy in the world, able to promote durable economic growth accompanied by a quantitative and qualitative improvement of jobs and a better social cohesion’*). Social policy is requested to adapt to external (globalisation) and domestic (ageing, Lisbon Strategy) changes. Higher employment rates (rising from 61% to 70%) will ensure Social security financing. The objective of modernisation of social protection is restated, with the four objectives mentioned earlier, and this will be achieved owing to the work of SPC and OMC: make work pay; make pension systems sustainable; promote social integration; ensure high quality and sustainability of health care. The fight against poverty and social exclusion is promoted as a priority objective, the SPC being asked to set relevant indicators.

This social element of the agenda is developed in the ‘Agenda for social policy’ that promotes “to strengthen the role of social policy as a productive factor”. This agenda aims at more interaction between economic, social and employment policies and to involve all people involved in the Lisbon strategic framework: fiscal policies must remain sustainable; wage

moderation must be implemented; markets of goods, services and capital must be reformed; tax policies must be coordinated. The agenda does not try to harmonise social policies, but to define common objectives and facilitate coordination in the framework of the Internal market. Social protection remains under the responsibility of the MS, but some cooperation at the EU level should address the challenges of globalisation. In terms of social policy, suggestions are limited; the four objectives are simply recalled; the promotion of social inclusion is a priority objective, but without any precise suggestion.

The Kok report (2004) reassesses the Lisbon strategy at half-way. It does not address social protection itself. Social protection is subordinated to employment policy. The 2005 Social Agenda is relatively modest (12 pages). The objective of modernisation of the ESM is considered according to two major elements: (1) Employment (2) Equal opportunities and inclusion. The major new element in the Agenda is an intergenerational approach which stresses the needs of the young and families. The Commission announces that it will open a debate on national minimum income schemes

Social protection in a strict acceptation has not really emerged at the EU level. Because of divergent views between countries, there are few debates on the basic objectives of social protection and on social models. The question of the convergence between social models deserves to be raised in face of European economic integration. Social policy is often not considered for itself, with its own social protection objectives but like an element of employment policies. The BEPGs claim for public spending cuts. But social protection expenditures represent substantial budget components and are likely to be affected by these cuts. The EMU, globalisation and demographic ageing place EU countries' social policies in front of common challenges. A common strategy would be necessary. It requires delicate choices between social concerns and economic constraints. These choices are essentially political. MS start from very different situations; they can make different choices. *Vis-a-vis* this diversity, there is no authority who could design convergence strategies; there is no democratic process that could support such strategies; there are no social forces which could carry them. The dialogue processes aim at tackling these weaknesses, but they are limited to debates between European and national technocracies, which is not sufficient.

3. The open method of coordination

The strategy currently implemented by the Commission consists mainly in modernising social protection systems through a common elaboration of the Member States piloted by the

Commission through the open method of coordination.

European social policy has been unable to progress through legislation in the area of social protection although the need for strengthening European cooperation was increasing, namely to address the risks of social regression due to the deepening of the Internal Market (see Erhel and Palier, 2005). Since 1992 and the Maastricht Treaty, the number of directives proposed and adopted has diminished. The signing of the Amsterdam Treaty has not affected this trend even if the *Title on Employment* was introduced. The promotion of the social dialogue has not been more fruitful, with only 3 collective agreements leading to directives.

The OMC tries to reach a certain convergence in the area of social protection through a non binding coordination process, based on the exchange of information and dialogue between MS. It is in fact easier to influence national policies by other means than binding rules in the presence of interdependent and complex institutional systems. Coordination remains the only supranational tool allowing for the respect of irreducible disparities.

If the subsidiarity principle must be enforced, the OMC is a way of getting around it in social areas. In practice, MS and the Commission take part in the OMC. In each area, common general objectives are announced, action plans are elaborated and national reports are produced where MS explain the policy measures they intend to implement in order to reach the common objectives. These plans and strategies are assessed by the Commission and the Council in joint reports, delivered at European Councils. The Social protection Committee is the link between the Commission and the Council. The whole process is an intensive technocratic process.

The OMC was launched in three areas: the fight for social inclusion (2000), retirement and pension systems (2001) health and long-term care (2004). There are very few externalities in these fields that justify an intervention at the EU level. This intervention is justified by the need to induce the emergence of ESM values (in terms of social inclusion and health), by the need for making converging choices in terms of pension for economic and social reasons.

It should be noted that there is no OMC in the family area, although the performances differ widely among MS in terms of fertility rates, female employment rates, and relative family incomes.

What is the impact of the OMC?

Three views can be found on the usefulness of the OMC (Pochet, 2001). According to the first view, the OMC hides the very social policy at the EU level. It would allow each country to follow the policy of their choice without taking care of EU non binding recommendations.

The ‘confidential’ character of the OMC and its absence from national debates tends to validate this view.

According to a second view, the OMC prevents the occurrence of too large divergences that would be detrimental to European economic integration (like ‘social tourism’ and ‘social dumping’). The OMC could also possibly allow for some convergence of strategies. This view accepts that there can be several models in Europe, albeit insisting on the need for a common framework with no risk of social dumping. The OMC would be a way for European and national technocracies to agree on a strategy.

According to a third view, the OMC expresses a clear objective of social policies convergence. It would therefore have real influence and effects on MS social policies, but this effect would be visible only in the long term. Accounting for initial very different situations, the OMC would be more efficient than rules through directives.

In fact the OMC does not seem to have had a direct influence on the national reforms of social policies. In most cases, the national debate on reforms does not refer to a European strategy. In the fields of exclusion, pensions, health, many reforms were implemented before the introduction of the OMC. Last, there is an issue of political opportunity: politicians generally prefer not to mention a European reference.

However, if the OMC does not seem to have direct effects, it may still have some effect. The OMC gives more weight to social issues, primarily through its peer assessment system and the binding ‘name and shame’ process. There would be a learning process, or the elaboration of a common knowledge linked to the OMC and the exchange of information on national experience and best practice. The tools of the OMC (indicators, guidelines, models, justifications) are resources for national policy makers that can be used in the definition of national policies. Thus the OMC has obliged all countries to put the ‘inclusion’ topic on their agenda. The ‘health’ and ‘pensions’ OMC oblige countries to take a position in terms of sustainability/social needs dilemma. The pensions OMC has revealed the risk of poverty for older workers and the deterioration of dependence ratios. In this aspect, European coordination would from this respect a ‘leverage effect’ on national policies.

The OMC gives a new reference for social areas and allows policy-makers to legitimate their position and possibly use the OMC in the national debate. National policy-makers can agree on rules in Brussels and say at home that there are under EU constraints. The gap widens between those who take part in EU discussions and those who do not. Last some think that the European Employment Strategy had increased the involvement of social partners in the

definition of labour market policies guidelines. This is however very arguable for the social OMC.

The OMC is the *a priori* impossible aggregation of contradictory national objectives, some European convergence in the respect of national specificities, since policy measures remain to be taken at the national level. However, the future of social protection is debated traditionally in most EU countries with a social dialogue between the government, the civil society, employers and employees' trade unions. Despite its social focus, the OMC takes place within closed doors: national parliaments and the European Parliament do not take part in the process (reports are delivered to the Council but are not sent to the Parliament for consultation). National social forces are not involved. The OMC places the debate at an inter-government level, between high level representatives of the ministries for finance and social affairs. Can these representatives present the national strategy in terms of pensions? Can they give the view point of their countries on reforms in partner countries? The process is more a discussion between administrations and is poor in comparison with discussions at the national level where the diversity of people involved is better represented. The OMC represents in that respect a step back in the social and democratic debate.

4. How to adapt the ESM? National reforms or a European pilot?

Five main views can be found on the future of the ESM.

1) For Liberals, Europe and globalisation offer the opportunity to abandon an old-fashioned social-democrat model that is no more in line with the needs of modern capitalism. Social and tax competition, under the impulse of globalisation and Internal Market, will lead EU countries, especially continental ones, to dismantle progressively their employment protection systems (labour rights, minimum wage) and to liberalise their social protection systems (moving from pay-as-you go to pension fund systems, to private health care). Otherwise, companies will progressively refuse to settle in these countries and skilled workers to work, pay taxes and social contributions there. The ageing of populations and the resulting rise in pensions and health spending would not be financed in a global economy since a rise in contributions would lead young workers to move abroad. From that point of view, any harmonisation would be harmful insofar as it would postpone the necessary changes. There is a need to move towards a liberal model, through labour market flexibility, focusing social protection on the poorer while letting the market play for the rest of the population. A rise in inequalities must be accepted to be in line with world standards.

But the Liberals do not account for the fact that this move is not desired by the populations. Europe would enter a long period of social unrest, social insecurity, inter-generational conflicts unfavourable to consumption, trust and economic growth. European Societies may decide to opt or not for a liberal model. But European construction should aim at leaving the choice open.

2) For Sovereignists, the Peoples should keep the right to choose their social protection framework, all the more that it is tightly linked with domestic institutions and social forces. Europe should not intervene in existing national social rights and should be given only the task to organise the coexistence of different systems. This is the mainstream view in Nordic countries. This is also the British and some new MS view points, although for opposite reasons: the fear is that European institutions impose a system harmful for economic efficiency

For how long will domestic disparities remain consistent with the Internal Market, with the free movement of goods, capital and services? The Sovereignist view assumes that each progress in Economic Europe is associated with measures guaranteeing national sovereignty in terms of benefits, taxation and labour legislation. This is a view shared neither by the Commission, which is in favour of reducing MS prerogatives, nor by a majority of MS. Can European companies with workers in several MS operate under specific domestic legislations? Last, some country specificities are questionable (child and old-age poverty in some Liberal countries, low employment rates and fertility rates in Mediterranean countries, high unemployment in continental countries). Should European construction help the reduction in these specificities or should countries tackle these issues?

3) Very few people suggest a big bang leading to a unified system in Europe. This would raise insoluble issues: which system? How to organise in practice the transition phase while maintaining the acquired rights? All social protection systems are based on solidarity. But solidarity remains today at the national level and there is no EU solidarity. The only system that could be easily extended would be a liberal system with a minimum solidarity. However, a move towards a single system, under the effects of increased labour mobility in Europe, the development of European companies, increased competition and possibly ECJ's decisions cannot be totally excluded. So the question of the design of a single system can be raised even if only from an intellectual point of view.

4) The proponents of a Social Europe are in favour of a progressive convergence towards a unified social model in Europe, embedding a high level of social protection. The introduction

of a social and economic EU government would allow for the harmonisation of taxation and social protection to the top. Social minima (minimum incomes, replacement rates for unemployment and pensions benefits) and wage minima would be settled according to the level of domestic economic development and would increase in catching-up countries as they converge towards the best performing countries. Employees would be more involved in companies' management. Social Europe would allow for the coordination of wage increases and hence would have positive demand effects while minimising the unfavourable effects in terms of competitiveness. Europe would be able to promote its model at the world level.

Is there a need for a Social Europe, like there is a monetary Europe, a Stability Pact, an Internal Market? The answer is not straightforward. Social progress raises conflicting issues. It was driven by workers and their trade unions, who are not involved in technocratic processes in Brussels. Thus Social Europe may weaken further the weight of social democracy.

Table 1. Minimum wages in the EU, 2005 (gross levels)*

	Euros, per month	Minimum wage /average earnings
Luxembourg	1467	0.42
Netherlands	1265	0.39
Belgium	1210	0.40
France	1197	0.48
UK	1197	0.34
Ireland	1183	
Greece	668	0.44
Spain	599	0.35
Malta	557	0.60
Slovenia	490	
Portugal	437	0.36
Czech Rep.	235	
Hungary	232	0.36
Poland	205	0.36
Estonia	172	
Slovakia	167	
Lithuania	145	
Latvia	116	0.33
Bulgaria	77	0.47
Rumania	72	

* No minimum wage in Germany, Austria, Sweden, Denmark, Finland, and Cyprus. Source: Eurostat

Anglo-Saxon countries and the new MS do not want to be constrained to adopt a model that is widely felt to be in crisis today in larger continental countries; a model that has failed to avoid high unemployment, rising exclusion and which financial prospects are under question. The

unification, even progressive, of strongly heterogeneous systems seems difficult to implement, both at technical, political and social levels. It would require a larger homogeneity than there is today in Europe. It supposes a delicate questioning of national practices: for example, some countries do not have a national minimum wage (but minimum wages by branch) or a minimum income (social assistance being decentralized). The unification would require that a central power in Brussels is able, politically, socially and technically to pilot a complex and contradictory mechanism.

Should Europe be given more powers in the field of social protection and should the principle of qualified majority be accepted, knowing that it may lead to a harmonisation either to the top or to the bottom? Social democracy - that embeds Keynesianism and redistribution - is no more a majority view in Europe. This raises the question of democracy in Europe: can a country be constrained to adopt or be forbidden to implement a social reform? How to organise an efficient social dialogue in Europe, in order to reform and unify social protection, between many partners organised at the national level? If the more efficient model is the model where social partners agree to a fine tuning of social policy, labour law and wages, this model – like in Scandinavia and the Netherlands -, cannot be easily extended in a vast heterogeneous area.

Box 1. Enhancing Social Europe (February 7, 2007)

A declaration for « Enhancing Social Europe » was released in February 2007 by 9 of the 27 Labour Ministers (Belgium, Bulgaria, Greece, Spain, France, Italy, Cyprus, Luxembourg, Hungary). It is a minority text in Europe. In particular, no Scandinavian country signed. The declaration suggests “*to strengthen the ESM... by elaborating a vision for the future of Social Europe...by promoting with a balanced approach...to adaptations related to globalisation, while ensuring social rights and protection enshrined in the European tradition*”. The four suggested directions are: employment policies and flexicurity (fighting against precarious work; developing minimal social standards); social cohesion (preserving the social goals and the universal and solidarity character of social protection systems; defining minimum incomes); equal opportunities (supporting rise in the female employment rate; strengthening family policies and network of nurseries); a better European social governance (evaluating the social impact of all Union policies; developing the European social dialogue)

5) From a Social-Liberal European point of view, European authorities should impulse progressive but converging reforms aiming at *modernising* national social protection systems. Such a convergence would be obtained through soft methods, like the BEPGs or the Lisbon Agenda, i.e. through a set of objectives elaborated by the Commission and then adopted by

the European Council, and like the open method of coordination, i.e. the confrontation of domestic experience and peer pressure guided by the European Commission. Each country would however keep its autonomy in social areas. This process has the advantage of leaving national sovereignty intact. But it is necessarily slow and not visible for economic agents and populations. Moreover, its content raises questions. The BEPGs and the OMC are dialogue processes between European and national administrations and do not really involve national social players, as they are hardly debated at the country level and in the general public. How should the process be democratised and strengthened? Currently the process is not mobilising and does not lead to the emergence of a Social Europe project, in the acceptance 2 and 3 of this concept. In practice the role of European authorities stands between supporting a specific ESM and questioning it under the name of modernisation. But these issues should be decided after a social debate by a democratic political process.

References

- Boeri T. and S. Baldi, 2005, 'Europe(s) sociales, convergence et compétition', *Revue d'Economie Politique*, n° 6 Novembre-Décembre, pp.705-719.
- Brenke K, Dreger C., 2007, *Introduction of minimum wages in Germany: Coverage and consequences, Microeconomic evidence based on the SOEP*, DIW, Annex 1 – EUROFRAME-EFN Autumn 2007 Report.
- Buti M., D. Franco and L. Pench, 1999, *The Welfare State in Europe, challenge and Reforms*, Edward Elgar.
- CPB, 2003, *Social Europe*, European Outlook 1.
- De la Porte C. and P. Pochet (ed.), 2002, *Building Social Europe through the Open Method of Co-ordination*, PIE-Peter Lang.
- Delors J. and P.N. Rasmussen, 2007, *La Nouvelle Europe sociale*, mimeo, Parti Socialiste Européen.
- Ehrel C., L. Mandin and B. Palier, 2005, 'The Leverage Effect: the Open Method of Coordination in France', Chapter 8 in Pochet and Zeitlin (2005).
- Ehrel C. and B. Palier, 2005, 'L'Europe sociale : entre modèles nationaux et coordination européenne', *Revue d'Economie Politique*, n° 6 Novembre-Décembre, p. 677-703.
- Esping-Andersen G., 1990, *Three Worlds of Welfare Capitalism*, Polity Press, Cambridge, UK.
- Esping-Andersen, G., 2002, *Why We Need a New Welfare State*, Oxford University Press, Oxford..
- European Commission, 1997, *Modernising and improving social protection in the European Union*.
- European Commission, 2000, *Agenda for Social Policy*.
- European Commission, 2005, *Communication on the Social Agenda*.
- European Commission (DG emploi et affaires sociales), 2004, *Rapport du Groupe de Haut Niveau sur l'avenir de la protection sociale dans une Union Européenne élargie*.

- Ferrera M., A. Hemerijck A. and M. Rhodes., 2000, *The Future of Social Europe: Recasting Work and Welfare in the New Economy*, Oeiras, Celta Editora.
- Garabiol P., 2005, *Le modèle social européen ou la création d'une identité sociale européenne*, Fondation Robert Schuman.
- Georgopoulos T., 2005, *La méthode ouverte de coordination européenne : « En attendant Godot »?*, Institute for European Studies, Université de Montréal, Note de recherche n°01/05
- Goodin, R.E. and A. Smitsman, 2000, 'Placing Welfare States: The Netherlands as a Crucial Test Case', *Journal of Comparative Policy Analysis*, vol. 2, no. 1, April, pp. 39-64.
- Grahl, J. and P. Teague, 1997, 'Is the European social model fragmenting?', *New Political Economy*, vol. 2, no. 3, pp. 405-426.
- de Groot H.L.F., R. Nahuis R. and P.J.G., 2004, 'Is the American model Miss World? Choosing between the Anglo-Saxon model and a European-style alternative', CPB Discussion Paper 40, 2004.
- IGAS, 2006, *La Dimension européenne des politiques sociales*, La documentation française, Paris.
- Jacobsson K. and H. Schmid, 2002, 'Real Integration or Just Formal Adaptation?', in De la Porte and Pochet (eds.), 2002
- Junestav M., 2002, 'Labour Cost Reduction, Taxes and Employment: The Swedish Case', in de la Porte, C. and Pochet, P. (eds.), 2002
- Kleinman, M., 2002, *A European Welfare State? European Union and Social Policy in context*, Palgrave, London.
- Kok W., 2004, *Facing the challenge– The Lisbon Strategy for Growth and Employment*, Report from the High Level Group.
- Leibfried S. and P. Pierson, 2000, 'Social policy: Left to Courts and Markets?', in Wallace H. et Wallace W. (eds), 2000, *Policy Making in the European Union*, Oxford University Press, pp 268-286.
- Leibfried, S., 2000, Towards a European Welfare State?, in: Pierson, C., Castels, F.G. (eds.), *The Welfare State Reader*, Polity Press, Cambridge, UK, 2000, pp. 190-206.
- Lejour A., 2007: *Social Europe: responsibility of the EU or the Member states?*, CPB, Annex 5 – EUROFRAME-EFN Autumn 2007 Report.
- de Mooij R.A. , 2006, Reinventing the welfare state, CPB.
- Oates W., 1999, 'An Essay on Fiscal Federalism', *Journal of Economic Literature*, vol 37, pp 1120-1149.
- Onofri P. , 2007, The Pension Reforms in Italy: a Never Ending Story, Prometeia, , Annex 8 – EUROFRAME-EFN Autumn 2007 Report.
- Palier B., 2000, 'Does Europe matter ? Européanisation et réforme des politiques sociales des pays de l'Union européenne', *Politique européenne*. n°2, p. 7-28.
- Pochet P., 2001, *Méthode ouverte de coordination et modèle social européen*, colloque de l'IEE, *The European Union: One Market, One Social Model?*, September.
- Quintin O. and B. Favarel-Dapas B., 2007, *L'Europe Sociale*, 2^{ème} édition, La Documentation Française, Paris.
- Sapir, A., 2005, Globalisation and the Reform of European Social Models, *Bruegel Policy Brief*, November.
- Scharpf F. W., 1999, *Governing in Europe: Effective and Democratic?*, Oxford University Press.

- Scharpf F. W., 2002, 'The European Social Model: Coping with the challenges of Diversity', *Journal of Common Market Studies*, vol. 40, n°4, pp. 645-670.
- Taylor-Gooby, P. (ed.), 2001, *Welfare states under pressure*, London.
- Volden C., 2002, 'The Politics of Competitive Federalism: A Race to the Bottom in Welfare Benefits?', *American Journal of Political Science*, 46.2, p. 352-363.
- Wickham, J., 2002, *The End of the European Social Model: Before It Began?*, mimeo, January.