

## Solidarity in the EU

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by Joachim Fritz-Vannahme

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## spotlight europe

# 2008/11 – October 2008

# Solidarity in the EU

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The French President Nicolas Sarkozy wants to protect companies in the EU from the fallout of the financial crisis with the help of European sovereign wealth funds. He claims that he is not trying to subsidize businesses, and simply wishes to stabilize the situation in the midst of the turmoil. In other words, Sarkozy is asking for solidarity in order to protect the European economic and social model. What are the challenges with which this model will be confronted in the future?

spotlight europe  
# 2008/11

### Everybody's talking about "social Europe"

Solidarity did not suddenly become a keyword in European politics at the outbreak of the financial and banking crisis. If you type the term "social Europe" into a search engine on your computer, you will be rewarded with 245,000 hits - an accumulation of texts which could easily fill whole libraries. The keyword "European social model" leads us to similar magnitudes, for here we are faced with 93,000 responses that are all there and waiting to be explored.

There can be no doubt about the fact that anything which is social is riding high in Europe. All this despite the fact that the European Union, seen from the vantage point of its architecture, is first of all an internal market and a legal community in which quite a lot of agricultural policy-making is going on, but where something such as social policy was never actually part of the plan. In the [EU financial framework](#) for the period between 2007 to 2013 there are six headings ranging from growth and employment to the EU as global player. One searches in vain for the keyword "social." The annual budget for 2007 at least contains the heading "Employment and Social Affairs," for which €11 billion have been earmarked. The EU spends five times as much on agriculture.

This is another reason why the rejection of Sarkozy's proposals can hardly come as a surprise. Within the EU integrated economic and social policies exist only in a very rudimentary form.

The amount of money being spent and the modish use of certain terms are thus in stark contrast to one another. Nevertheless, the talk about a social Europe or the European social model is becoming increasingly popular. Primarily, of course, among moderate left-wingers. Socialists and Social Democrats in the European Parliament want to use the subject next year in order to win the European elections. Thus the title of their recently issued pamphlet is "[Inclusive Europe, Europe for all](#)."

The Commission is also sympathetic to the term. The team around José Manuel Barroso was initially considered to be liberal. Indeed, it was reviled as being "neo-liberal," especially in France. In July 2008 the Commission launched its "[renewed social agenda](#)," which is "designed to ensure that European Union policies respond effectively to today's economic and social challenges," as the press release on the subject put it. The subtitle stated that this social agenda was about "opportunities, access and solidarity in 21st century Europe." These passages read like a preface to Sarkozy's call for more protection for Europe's companies and jobs.

But let us forget Sarkozy for a moment. These "economic and social challenges" refer on the one hand to the changes brought about by globalization, and on the other to demographic change. "Globalization is generally considered to be an external phenomenon, and all too infrequently as a development on which policymakers can exert some influence," we are told in a [position paper issued by the German government](#) in July 2006. "As a result European attempts to shape globalization in terms of an improvement of our external competitiveness lack coherence."

Here the German government under Angela Merkel brackets together competitiveness and maintaining the level of employment. The EU institutions in Brussels do exactly the same. The disagreements between Paris and Berlin with regard to the European sovereign wealth funds are about methodology, not principles. Seen in this way, social policy and internal market policy are twins, as it were. If one strengthens the internal market, one is protecting jobs and thus acquiring room for manoeuvre with regard to social protection and social policy.

This is where the phenomenal success of the catchphrase "European social model" has its origins. And this model, one is told just about everywhere, needs to be modernized so that it can be defended in the years to come. This can mean one of two things (or both). On the one hand the welfare states within the European Union need to be modernized, no matter, to use the typology introduced by Esping-Andersen, whether we are talking about the Scandinavian, British, Continental or south European varieties.

On the other hand it can refer to the modernization of the very notion of the "European welfare state," which needs to demonstrate and assert its legitimacy both in the EU member states and in the EU taken as a whole. In the following this spotlight concentrates on the second topic.

## II

### Economic existence and European consciousness

"Where one is dealing with constraints to which the welfare state is subject, it would be a mistake to concentrate solely on globalization," Anthony Giddens warned in 2007 in his book "Europe in the Global Age." Some of the core problems, Giddens believes, derive from "endogenous structural change." In addition to demographics he points to deindustrialization and cer-

tain patterns of poverty and social exclusion. The transformation of attitudes to families and women would have to be included among the inner factors of change, indeed, even migration became an issue within Europe before anyone began to talk about globalization.

Yet no matter how endogenous or exogenous factors actually relate to one another, Giddens also believes that the opportunities for growth and the development of the labour market are closely linked. There is nowadays no vision of the future of the European welfare state which manages to get by without “jobs and growth.”

The word “social” did not first become popular in the EU in the days of supposedly neo-liberal capitalism and a deregulated financial and banking sector. In the late 1980s the then President of the Commission, Jacques Delors, saw to it that the Community would devote its energies to more than only the internal market. His opponent in those days was Margaret Thatcher. At home and in Brussels the British Prime Minister pursued an unparalleled policy of deregulation. Yet the very fact that she was so interested in promoting the internal market meant that she had to make concessions to her partners elsewhere – and Delors jumped at the chance.

Delors’ first show-piece, the Single European Act of 1986, which was also the first amendment of the EEC Treaty for thirty years, defined and stipulated the task of promoting “economic and social cohesion.” On the other hand, it contained no more than two specific social policy provisions – on safety at the workplace and on social dialogue. This was not enough for the Frenchman, who came from a Christian social background.

By the time of the Maastricht Treaty in 1993 Jacques Delors had managed to set in motion an increasingly broad debate about the “social plinth” and about guaranteeing basic social rights in the Community of Twelve. And even if the results

were less than he had hoped for, the Maastricht Treaty contained a protocol which allowed eleven of its twelve members – the United Kingdom, as was to be expected, stood aloof under Thatcher’s successor John Major, something which was only straightened out in the Treaty of Amsterdam – to take action on the basis of unanimity in the vast majority of areas relating to labour laws and social legislation. Delors always considered this basic text to be a personal success.

## “Barroso decides to hoist the social policy flag”

The Commission under Barroso with its different political affiliations has once again decided to hoist the social policy flag, though this has something to do with the circumstances and the markets. Those who shoulder responsibilities in the European Union have been under pressure, at the latest since the French No vote on the Constitutional Treaty. Thus increasingly vociferous critics maintain that the European Union is not a protective shield, but the vanguard of the proponents of globalization and deregulation. This is the reason why Barroso came out with a “renewed social agenda” in July 2008.

Back in the days of Delors the development of the internal market led to the inception of a small strand in European social policy which was destined to have important consequences. Today it is the rapid and often terrifying pace of the globalized markets which sustains the debate within the EU. In both cases social policy became the subject of power struggles. On both occasions there was an expansion of existing markets and the creation of new ones, and on both occasions there were vociferous calls to limit their scope. “We must define more clearly at European level both the role of the market and the limits (!) to the market,” we are told in the [pamphlet issued by the European Social Democrats](#).

If one says “market,” one also has to say “social.” That is not only what Social De-

mocrats believe. The Treaty of Lisbon states (for the first time) that the social market economy is the model to which we should all aspire. And thus bringing it about with the help of justice and competition has been declared to be the future task of this Union.

### III

## Has the EU not been social all along?

What was being touted in Delors' day and age and more particularly during Barroso's term of office as new and innovative was of course in essence as old as the hills. This proposition may sound surprising, but the EEC and the EU were designed to be "social" from the very beginning and as part of their innermost being at that.

Even in the days when the political organization of Europe was still called the "European Economic Community," and especially when it was enlarged and transformed itself into the European Community and the European Union, it had already been pursuing social policies for a long time and on a very large scale at that. The only thing was that no one was allowed to say so in public. Europe's heads of state and government from the time of Adenauer to the days of Merkel were not keen to spell out what was really happening because they were afraid of the voters. As the years went by this made many things more complicated than would in fact have been necessary.

For example, from the time of its inception in the EEC Treaty of 1957 the Common Agricultural Policy was in effect social policy. Thus the CAP was supposed to raise the level of agricultural productivity, to supply consumers with sufficient foodstuffs at reasonable prices – and to ensure appropriate incomes in the agricultural sector. For a certain segment of the economy the EEC made a point of deliberately pursuing social policies – and the EU con-

tinues to adhere to this tradition in an age in which it makes direct payments to farmers.

The current EU Structural and Cohesion Policy also amounts to social policy inasmuch as we are dealing with a classical policy of redistribution. The regions have been anthropomorphized as it were, and are treated as if they were rich or poor.

If one takes the two areas of agricultural and regional policy together, then the EU spends far more than half of its budget on "social policies." But no one calls it that. Seen from this angle, "social Europe" has existed not only since Delors and the work on the Treaty of Maastricht. As early as 1957, incidentally, the (modestly financed) European Social Fund was set up by the founding members of the EEC and enshrined in the Treaties of Rome.

Thus the old EEC was already unwilling to accept the difference in prosperity between its member states and tried to do something about it. Although this may not have been a great success, its critics then and now easily forget this ethical political position. Self-imposed solidarity followed growing integration and numerous bouts of enlargement (these, incidentally, also amounted to a social measure, for they were supposed to secure and expand the zone of prosperity) like a ghostly double.

### IV

## New social policy approaches

Yet what do the resources and instruments for this look like, and, above all, what will they have to look like in the future? The specialist literature on the subject makes a distinction between regulatory policy of the kind contained in the Treaties of Rome and its successors right up to the Treaty of Lisbon, redistributive policy (agricultural and structural policy are two examples mentioned above) and collective ac-



cords and agreements concluded in the context of the social dialogue between the social partners. Apart from this one would have to analyze the rulings of the European Court of Justice in order to ascertain their social consequences.

Of course it would be an error to suppose that this useful categorization was based on logical planning by policymakers. The European Union has never promulgated


various levels.” Europe’s path to a social union can only be forged by an “intelligent mix of national and European competences.” However, “Europe is still a long way away from that.”

Method(s) and goal have not been properly matched, and all too often things happen by chance. This is the most noticeable weakness of European social policy, and it will impede its future development. And if

one looks closely at what is going on, it would be wrong to restrict one’s findings to social policy. They would have to be applied to “governance,” the practical activities and actions of the Union taken as a whole. The best example of such findings is what is currently probably the most ambitious EU social programme. Eight years ago the then 15 members of the Un-


### How the EU makes social policy

**Through redistributive policy**



Redistribution in favour of weaker member states, regions or individuals, e.g. the Common Agricultural Policy (CAP), structural and cohesion policy, European Social Fund (ESF), European Globalisation Adjustment Fund (EGF) and Community programme for employment and solidarity (PROGRESS)


**Through regulatory policy**



By imposing minimum social standards and fundamental rights:

- Primary Law: e.g. gender equality in professional life, anti-discrimination measures, free movement of workers, health protection and safety in the workplace
- Secondary Law: e.g. regulation on freedom of movement, working time directive, directive on temporary agency work


**Through the jurisdiction of the European Court of Justice (ECJ)**



Trend in the jurisdiction towards prioritizing the fundamental freedoms of the internal market over social rights:


- Viking judgement (December 2007): Right to strike vs. freedom of establishment
- Laval judgement (December 2007): Right to strike vs. freedom to provide services
- Rueffert judgement (April 2008): Collective bargaining law vs. freedom to provide services
- Commission/Luxembourg judgement (August 2008): Worker protection vs. freedom to provide services

**Through social dialogue**



Discussions, consultations, negotiations and joint measures taken by the social partners’ organizations (employers and employees)

**Through ‘soft law’**



Coordination between the EU member states even in the absence of EU power to implement joint actions (Open Method of Coordination), e.g. European Employment Strategy (EES), health and pensions policy

Source: Stuchlik/Kellermann, Europa auf dem Weg zur Sozialen Union, FES, 2008, p. 10-16

social policy in one fell swoop. “The question of ‘the right’ European social dimension is completely unresolved and the subject of political power struggles,” Andrej Stuchlik and Christian Kellermann stated in a [study for the SPD-affiliated Friedrich Ebert Foundation in September 2008](#). “What is especially difficult about the formulation of social policy proposals for all those involved is above all the high degree of complexity which has come about as a result of the interdependencies of the policy areas and the responsibilities of the

ion set themselves the goal of turning Europe into the most competitive and dynamic knowledge-based economy in the world by the year 2010. By this date the Union, according to the so-called [Lisbon strategy](#), was to have “become a model of economic, social and ecological progress in the world within the framework of the global goal of sustainable development.”

These self-appointed goals will of course not have been attained by 2010, and for this reason the EU Commission and the

European Council have revised them several times in recent years.

Fundamentally, of course, the EU is sticking to its goals. The employment quota is supposed to reach 70 per cent (hitherto it has been 66 per cent). One in two workers over the age of 50 is to have a job – most of the 27 member states are a long way away from this. An employment quota of 60 per cent for women is a declared goal – today the figure that has been reached is

must be made to raise the basic skills of young people and to drastically reduce early school leaving.”

Each one of these goals presupposes social changes – and thus political design, or social policy, and no longer only on the level of the member states.

If one wishes to increase the proportion of working women, one will, for example, have to provide better child care. Lifelong



57 per cent. Reforms of the labour markets and the social security systems on the lines of the (Danish) flexicurity model are part of the plan, the only problem being that in many places progress on this point has been very slow. Lifelong learning is a core topic of the Lisbon strategy, but with the exception of the Scandinavian countries there is still a long way to go. Each EU member state is supposed to be spending three per cent of GDP on research and development. Currently the average being reported is no more than two per cent.

Furthermore, the [Commission](#) complained at the end of 2007 about shortcomings in the area of education. “Europe has not made any substantial progress in meeting its targets in this area. A determined effort

learning and the reduction in the number of people who do not complete their schooling requires educational and social policy flanking measures. Thus whoever wants a competitive knowledge society cannot dodge the issue of a social Europe. All the members of the EU have recognized that this is the case – even if what they have done within the framework of the Lisbon strategy is in many respects a disappointment.

Social Europe is thus a requisite, commended and concomitant feature of an internal market which wants to be on a par with the best in the world, above all with the United States and Japan. However, the EU does not cut a good figure when such comparisons are made, and the financial

market crisis, which is weakening everyone in the world, should not make one forget Europe's lacklustre performance.

There is on the one hand, as we have seen, the unfavourable age structure – every fifth European is already older than sixty. On top of this, low birth rate will lead to a rapid decline in the working population in Europe. The United States, on the other hand, is managing to keep its population at the same level. In the year 2000 17 per cent fewer young men and 21 per cent fewer young women were working in the EU than in the U.S. In the case of older employees the gap was just about the same. The Commission assumes in its “social agenda” that by 2050, as a result of the ageing process, expenditure on pensions and health care will have risen to 4 to 8 per cent of GDP.

## “Social Europe is necessary to get a competitive knowledge society”

From the 1980s onwards growth in the EU with 15 members declined uninterruptedly, and now the gross domestic product is only 70 per cent of the U.S. level. The Belgian economist André Sapir, in a [report for the EU Commission](#) in July 2003, explained the gap between the U.S. and the EU thus: a third of the GDP was due to lower productivity, a third was due to shorter working hours, and a third to a lower employment rate.

Sapir's hotly debated report appeared a year before the enlargement of the EU by ten and eventually 12 new members. The EU model of governance, conceived for a small community, was becoming increasingly complex and had to cope with the vagaries of market integration as well as with a continually growing number of policy areas. Social policy is without doubt one of the most important areas. Its task is to secure the cohesion of an increasingly unequal Union. Apart from being the “answer to globalization,” this is the second

mammoth challenge facing the European social state.

In 2007 the [EU Commission](#) came to the following conclusions: “Enlargement has made inequality and the problems of EU cohesion more pronounced. The EU population has increased by 20 per cent while the addition to European GDP is only 5 per cent, resulting in a drop of output per head of 12.5 per cent in the EU-25. Moreover, the new Member States are characterised by strong regional disparities with wealth concentrated in a small number of regions. The population living in regions with output per head of less than 75 per cent of the EU has increased from 73 million to 123 million.” The ageing of the population will mean that by 2040 potential growth in the EU will sink from what is now 2 to 2.25 per cent to about 1.25 per cent. The cumulative effect of such a decline means that per capita GDP will be about 20 per cent lower than might normally have been expected.

## V

## European “team spirit”

Demographics, age structure, the development of the family and the consequences of enlargement prove that it would be a dangerous error of judgement to design a future social policy for Europe as an “answer” to globalization and nothing else. Europe must come to terms with itself just as much as it must come to terms with globalization. And in doing so it should not make the mistake of thinking that “globalization” is taking place somewhere else far away, but not here.

This view has now become generally accepted among influential people in Brussels, although it does not mean that the message has got through to a lot of EU citizens. In this autumn, the financial and banking crisis seems merely to have reinforced their defence reflexes. “The financial crisis has not only nourished scepticism about economic freedoms, but also



nurtured the widespread conviction that social justice and equality are not in very good shape.” That is how [Renate Köcher](#) described for example the mood of Germans in October. It is highly ironic that precisely at this juncture a Frenchman has given them an answer in the shape of interventionist policies.

In the poll the call for the interventionist state goes hand in hand with a widespread mistrust of private and family property. Many citizens are not interested in competitiveness; they are merely concerned about the security of their workplace and of their savings.

And this leads us to the crux of the matter, even though it is something that is virtually impossible to measure, and very difficult to explain with the help of economic or sociological models. The fact is that

solidarity in a welfare state presupposes a minimum “team spirit,” or of co-responsibility. However, what is the state of the Europeans’ “team spirit” today, and how will it develop in the shadow of keener international, sub-national and European competition? What kind of governance is this solidarity supposed to encourage? And what actually is the place of the European, of the ordinary citizen in this European Union?

Why do “we” half a billion people in the EU actually live and work together? This question is just as important for our future as the question of defining the right kind of economic and social governance for Europe.

#### For Further Reading:

Anthony Giddens, *Europe in the Global Age*, London, 2007

Iain Begg, Juraj Draxler und Jorgen Mortensen, *Is Social Europe Fit for Globalisation? - A study of the social impact of globalisation in the European Union*, Centre for European Policy Studies, März 2008

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