

Eight Remarks on the State of Social Policy in the European Union (with special regard to the positions taken by European Green parties)

by Helmut Wiesenthal (29-Aug-08)

(1) European integration started as an **thoroughly economic project**. Its subject was the taming of costly competition in the markets for coal and steel. Competition between companies, and more so between countries, turned out disastrous. Because each country, in order to protect a maximum of jobs in these industries, was eager to subsidise employment and spending increasing amounts of money although the process of structural change – triggered by shifting demand as well as technological progress – could in no way be stopped.

Later on, this aim, taming competition and securing certain economic sectors from pressure to adapt, was extended to other industries such as textiles, and above all to agricultural products. Even today, the protection of European farmers and the agribusinesses still makes up a major part of the EU budget, and, shame on us, is a significant causal factor of the economic disadvantage of several African countries.

However this workshop is not to discuss the externalities of the EU, its impact on non-member countries, but, to the contrary, a certain aspect of its internal affairs, namely European social policy. Nonetheless, we should not forget about the functional roots of the EU. And of course, its major achievements. Among them: the liberalisation of trade between EU member countries. These are, and were even more so in the past, rather different, with national economies operating on very different levels of productivity and per capita income.

(2) In the two recent decades, the EU not only allowed the weaker economies of Southern Europe to catch up in a friendly environment, EU policies also helped to make competition from those with lesser income and lower wages become acceptable to those better-off. Strong competition in the internal goods markets was widely accepted, only rarely declared unfair or a matter of wage-dumping. There was a **basic solidarity** concerning the aspiration of weaker members to catch up through capitalising on one's comparative advantage.

Only with the enlargement round of 2004, protection against competition **between** members became an issue. Some of the most advanced countries, such as Germany and France, would not grant workers from the new member countries the right to look

for jobs in their labour markets. Soon after, there were restrictions put on border-crossing employment and the provision of private and public services – by the so-called posting directive (Entsenderichtlinie) and the services directive (Dienstleistungsrichtlinie). Today, solidarity between EU members of different economic capacity does not appear to be taken for granted any more.

This is where the inherent logic of EU social policy comes into play. From the start of common market regulation until the new century, social policy was exclusively dealt with as a means of regulating and furthering the common market. The entire catalogue of standards and statutory regulations concerning safety at the workplace, equal treatment of employees, maternity protection, the general right to health treatment a.s.o., became feasible and agreed-upon because of its function to provide fair competition.

In a wider sense, fair competition is understood to be **itself** the key prerequisite of social security: on the one hand, because it puts pressure on consumer prices and works as incentive for innovation, while, on the other hand, it helps the national economies to secure a high level of competitiveness vis-à-vis the bunch of new players in the world economy. This is the logic of the Lisbon strategy launched in 2000 together with the “Open Method of Coordination”.

(3) After "**globalization**" became the buzzword of the 90s, securing and improving Europe's competitiveness serves as the dominant goal of policy-making at Brussels. This is quite reasonable if one envisages the rapidly declining economic role of Europe against the background of the accelerated growth of the so-called emerging economies, in general, and China's rise in particular. As we are told, the EU-15's share of the world's GDP will decline from considerable 21 p.c. in 2000 to meagre 5 p.c. in 2040 (Fogel 2007). Hand in hand with this decline of Europe's relative importance goes a certain loss of competence for defining what may become the features of future modernity. Unfortunately, the impact of this inevitable change is not yet fully grasped by political leaders in Europe.

Interestingly, this change in the framework conditions of EU policy-making is accompanied by an **agenda change** concerning social security. With the Treaty of Maastricht and its amendments of 1991, the Amsterdam Treaty of 1997 and the Social Agenda passed in 2000 in Nice (Nizza), social policy appears to have gained a status of its own – beside all the market-oriented regulations. And general social rights in the form of basic standards of employment and social protection became

included into the proposal for an EU constitution as well as the Lisbon Treaty of 2007.

(4) As early as 1994, the notion of “European Social Model” became a much used saying. Whenever politicians refer to the “European Social Model”, they do so with certain pretensions in mind. They do not suggest that there already exists a single model of social security systems in Europe. Instead, they claim that the process of appreciation undergone by EU social policy should not come to a halt, but be continued further-on until acceptable standards of social security were in place, all over Europe. This, of course, is an issue of the political Left. However, the appreciation of EU social policy and the claim to proceed on its course, is in no way a project pursued unanimously by a political alliance.

Just to the contrary: There are **two very different strands** of diagnoses and arguments in favour of a “European Social Model” as it might someday emerge out of the diversity of existing social security systems. In what follows, I will speak of the “prosperity-oriented” actors and the “defence-oriented” actors, respectively.

(5) The “**prosperity camp**” stresses that the social profile of the EU depends above all on a favourable course of economic development as the prerequisite of a high level of employment, investments in future-relevant technologies, balanced state budgets and sufficient financial resources of social and educational policies. EU-wide social standards primarily are to establish fair competition as well as safeguard the essential minimum of social security. National governments that prefer higher standards should feel free to make use of the Open Method of Coordination, while the unanimity rule in Council decision-making will protect other countries against unwelcome interference from outside.

When referring to **social justice**, this camp prefers to shed light on those not yet, or no more, participating in the labour market. Proposals focus on improving the opportunities for including outsiders through more flexible labour laws, restricting the seniority principle and improving educational programmes. Accordingly, their vision of a “European social model” comprises near full employment, high competitiveness and a level of flexibility in employment forms and worklife conditions that appears to be adequate for coping with the increasing dynamics of the world economy. Proof of the functionality and social acceptability of this approach is made with reference to the labour market and the economic development in Ireland and Sweden.

(6) The “**defence-oriented**” camp shares the view that the European economies suffer from increasing global competition. Whereas the prosperity-oriented actors would support companies and employees to adapt to the new economic environment, the defence-oriented actors reach at the contrary conclusion. They claim companies should abstain from cost-cutting strategies and frequent structural re-organization. Even the eventual reduction of profits, be it by competitive pressure, be it by increased taxes, should be tolerated in order to prevent the spread of non-standard employment contracts and socially unacceptable flexibility. In their view, the preservation of the labour regulations, inherited from better times in the past has to be given priority and, at the same time, serves as a key feature in their vision of a “European social model”. Further demands concern the introduction of the majority rule for policy-making on issues like minimum wages and tax rates, even in case that some Member States will be overruled.

For the defence-oriented, “social justice” means that the position of employees in the economically better-off (EU 15) Member States must neither be impaired by employees from low-wage countries nor by measures prioritising the inclusion of disadvantaged groups. Consequently, EU policies aiming at increased labour market flexibility and the participation of the long-term unemployed only are acceptable if the position of insiders remains unchanged. With regard to the interests of outsiders, public employment programmes as well as increased welfare entitlements and unemployment benefits are supported. In order to demonstrate the feasibility of this approach, again reference is made to Sweden. However, the positive example of Sweden is commended without mentioning the Swedish labour market and social reforms, notwithstanding the high level of payroll deductions.

(7) Finally, I will try to sketch the position of the **European Green parties** within the battlefield of “prosperity-oriented” and “defence-oriented” actors. Doing so, I refer to a survey I made together with Andrea Goymann. Andrea and I studied the Internet representation of European Green parties and all the members of the EP parliamentary group “The Greens/ European Free Alliance”. Of course, the websites of the Alliance itself and the European Green Party were checked as well. Here comes a brief overview of the results.

First, the positions taken by the European Green parties are **quite divers**. We discovered only two **consensual topics**: (1) All Green parties joined the forceful **rejection of the Bolkestein proposal** for the services directive, in 2005. (2) All Green parties favour the **introduction of a general basic income**.

Second, European Green parties **diverge over the issue of strengthening the EU's competences in social policy**. There are strong supporters, such as the Greens in Austria, France, Germany, Italy and Spain, as there are moderate adversaries, such as the Greens in Finland, Great Britain, the Netherlands and Sweden. In particular, the Greens in Belgium, Finland and Sweden wish to maintain the existing national peculiarities of their system of social security. Obviously, there is a dividing line between the Northern countries, where people appear to be quite happy with their situation, on the one hand, and the continental and Southern countries suffering from above-average unemployment rates and budget problems, on the other.

Third, with the exception of the Northern Green parties, there is a wide consensus over the goal of social convergence – to be realised by the steady increase of mandatory social standards.

Fourth, each of the European Green parties in the continental and Southern countries advocates a certain pattern of social reforms, that – if put into practice – could alleviate the grievances experienced in the respective countries. Prominent elements of these patterns are:

- > a ban on the privatisation of public services,
- > the lowering of the retirement age,
- > further working time reductions,
- > minimum wages (if not already in place),
- > a tax on capital transfers such as the Tobin tax,
- > the introduction of the majority rule into the decisions made by the Council of Ministers on substantial social policy issues.

These proposals are largely identical with those made by trade unions in the home country of the parties in question.

With the exception of the Green parties of Finland and the Netherlands, “globalisation” and increased global competition is seen as a great danger to existing standards of living and security. A positive stance vis-à-vis the changing environment of the European welfare states is taken up only by the Finnish and Dutch Greens. This means, almost all European Green parties belong to the “defence-oriented” camp.