The Europeanisation of Social Policy

Europeanisation/German Politics

Outline

Intro
  Recap
  Intro
The EU and Social Policy
  Positive Integration
  Negative Integration
  Indirect Pressure
Summary
  Summary
  Your turn

Carl Wilhelm Hübner: Silesian Textile Workers, 1846
Last week: Europeanisation & the Bologna process

- German HEP a particularly complex policy domain
- Problems of HE reform linked to problems of co-operative federalism reform
- ‘Bologna’ brought about single most comprehensive set of changes since 1970s
- ‘Bologna’ not an EU initiative, more a tool for national policy makers

Today: Social policy

- EC often depicted as a highly integrated FTA
- Supplemented by political union from 1992
  - CFSP
  - JHA
  - EMU
- Until recently, few people aware of EU’s effect on social policy
What is social policy?

- “Public interventions affecting the distribution of vital opportunities for citizens and their general well-being” (Moreno 2011)
- Closely linked to other, not strictly “social” public policies
  - Education
  - Health
  - Housing
  - Labour market regulation
  - Subsidies
  - . . .

- Social policy is about the welfare state, “an aggregate of public institutions that provide social policies with the aim of achieving a better quality of life for citizens and to facilitate equal opportunities among them” (Moreno 2011)

| TABLE 1: THE THREE WORLDS OF WELFARE CAPITALISM ACCORDING TO GÖSTA ESPING-ANDERSEN |
|---------------------------------|-----------------|-----------------|
| TYPE OF WELFARE STATE REGIME    | LIBERAL         | CONSERVATIVE (CORPORATIST) | SOCIAL-DEMOCRATIC |
| Dominant values in society      | Individualism, self-responsibility, voluntarism | Paternalism, status, hierarchy, corporatism | Universalism, solidarity, equality |
| Access to social security system via | Indigence | Employment, or marriage to employee (co-insurance) | Citizenship, residence |
| Type of program                  | Means-tested, private insurance and occupational benefits | Varies by occupation, and mandatory social insurance | Single comprehensive program (e.g., national insurance, National Health Service) |
| Predominant mode of financing    | Taxes | Earmarked social security contributions | Taxes |
| Type of benefits offered         | Low cash transfers aimed at alleviating poverty | High cash transfers heavily dependent on income and occupational status | Highly redistributive cash transfers, comprehensive social services, active labor market policy |
| Programs run by                  | State, private carriers | Social partners, state | State unions |
| Decommodification                | Low | Medium | High |
| Stratification                   | High, polarized, with major public programs for the poor at one end, and occupational and private provision for the middle and upper classes | High due to occupational differences and the close association between salary and cash benefits | Low |
| Strong reliance in welfare production on | Market | Family | State |
| Examples                         | Australia, Canada, New Zealand, United States | France, Germany, Italy | Denmark, Norway, Sweden |
How can the EU affect national social policy?

1. “Positive” integration: EU initiatives
2. “Negative integration”:
   ▶ De-regulation/market building
   ▶ Conditional financial support (“Troika”) 
3. Spill-over

“Activist social policy”

▶ Meaning: EC/EU initiatives (from the late 1950)
  ▶ Commission
  ▶ ECJ
▶ MS defending their autonomy with national welfare state at core
▶ Very limited success
▶ 1980s onward: Introduction of relatively high standards for health and safety (workplace)
▶ 1990s onward: Gender equality / non-discrimination (pay)
▶ Also: cohesion and other funding, subsidies
The impact of the Single Market program

- Single market at the core of EC since its beginnings
- Mid-1980s initiative to “complete” SEM
- Driven by large business interests
- “Negative integration”
  - De-regulation
  - Privatisation
  - Mutual recognition
- Focus on free enterprise and competition – Com and ECJ as guardians
- “Four freedoms”: Goods, workers, capital, services
Freedom of movement for workers

- EU citizens can work/live anywhere in the EU w/o permit
- Allegedly, states cannot limit benefits to nationals (but see recent debates in Germany, UK)
- Difficult to limit “territory of benefit consumption”
- Difficult to impose social security contributions/minimum wages
- Compared to US, very modest migration of EU citizens within EU
- No central regulation, no universal harmonisation, but slow and incremental process driven by courts/litigants

Freedom of services

- Framers had financial services in mind
- ECJ ruled that freedom of services also implies
  - Right of social policy ‘consumers’ to ‘buy’ in other countries
  - Right of social policy ‘producers’ to sell in other countries
- Social policy: “economic activity or solidaristic action”?  
- Core arena: European market for health
  - Private producers of services/goods in most/many countries
  - Growing importance in rich, ageing societies
  - Growing number of European companies (hospitals, medical equipment, medical drugs)
- Are national welfare states compatible with the EU’s market-based regime?
“Social dumping” and race to the bottom

- Social standards and wages
  - After Eastern enlargement, EU companies can move to low-wage, low-standard countries w/o moving beyond Single market
  - Race to the bottom?
  - But: companies also care about infrastructure, human capital, working institutions, productivity

- EMU, Maastricht criteria, fiscal pact . . .
  - Maastricht criteria required (in theory) budgetary discipline & structural adjustment
  - Cheap credit, but devaluation no longer an option
  - Sovereign debt crisis: Greece, Ireland, Portugal, Cyprus, (Spain) had to accept “Troika’s” control of welfare/fiscal policies
  - (Implications for Germany?)

Tax systems and public utilities

- Tax
  - Fiscal policies are always re-distributive, therefore social policy
  - EU not in charge of taxes and direct benefits (but: farmers), but harmonisation of VAT necessary
  - Constrains member states, up to a point

- Public utilities
  - 1970s: all sorts of national & local services provided by the state (train, bus, air travel; gas, sewer, electricity; mail, telephone, banking; TV etc.)
  - EU push for de-regulation, liberalisation, (European) market building, competition
  - Constant conflict over state-owned/-backed German banks (Landesbanken + Sparkassen)
Summary

► (Single market program a huge success in many ways)
► Indirect effects of economic policies on social policies
► Three inroads for “Europe”
  ► European social policy (so far, quite limited to regulation) – change likely?
  ► Negative integration reducing leeway for national social policy makers
  ► Spill-over
► (German governments often able to resist/slow down Europeanisation of German social policy)

Class questions

In teams of five students (max), discuss these two questions:

1. How will the current economic and political crisis affect the Europeanisation of social policy over the next five years? What impact will Brexit have? Structure your ideas/arguments using the three-pronged classification (positive integration, negative integration/conditionally, spill-over)

2. Take home question: Is the current separation of economic/monetary policies on the one hand and fiscal/budgetary policies on the other sustainable?