

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



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 - ▶ Housing
 - ▶ Labour market regulation
 - ▶ Subsidies
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- ▶ 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)

The famous “Three Worlds of Welfare Capitalism” (source: Leibfried et al. 2011)

TABLE 1: THE THREE WORLDS OF WELFARE CAPITALISM ACCORDING TO GØSTA 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 meager 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

More recent developments

- ▶ ToA includes Social Chapter (UK), QMV on health&safety, gender
- ▶ Worker information and integration, QMV but no monies
- ▶ Subject to unanimous decisions: social security, worker protection etc.
- ▶ “Off limits”: Pay, right of association, strike & lock-out
- ▶ Shifting balance of power: Northern and Eastern enlargements
- ▶ Dominance of centre-right MS governments, “flexibility”, consolidation but no new initiatives, OMC

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- ▶ Will this change over the next 2-3 years?

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

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- ▶ 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

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- ▶ 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?