

## The EU renewed Social Agenda: the right way forward?

**EULALIA RUBIO**

**Eulalia Rubio** is researcher at *Notre Europe*.

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In 1989, the approval of the Charter of Fundamental Rights for Workers and the related social action programme paved the way to the establishment of a set of binding social rights at the EU level. Those were the golden years of Social Europe, when a combination of factors – a socially-committed and skilful Commission, the political momentum generated by the internal market project – led to a significant expansion of EU action in the social domain

Twenty years later, the situation is markedly different. The enlargement of the EU to 27 members as well as the shift towards right-wing majorities at the national level have translated into difficulties and a lack of political will to expand and renew the social ‘acquis’. The ‘soft’ methods of governance, which were supposed to take the lead in the advancement of Social Europe, have not produced the expected results. Last but not least, social issues have clearly taken second place in the EU agenda, as evidenced by some recent developments – such as the 2005 decision to refocus the Lisbon strategy on growth and jobs or the watered-down Council agreement on the Working Time Directive. There is thus a growing impression that Social Europe has come to a standstill, or even that it is in retreat.

In this context, it does not come as a surprise that the recent approval of a new EU social agenda – the so-called “renewed social agenda for the 21st century Europe”<sup>1</sup> - has raised high expectations among those voicing the need for a more Social Europe. Yet, one might wonder whether this new social package is the right way forward to put Social Europe back on track. At first sight, there are two reasons for doubting on this. The first is that the new social agenda has been received coldly by the EU social partners. The business federation Eurochambers has dismissed the package as a “confusing patchwork with questionable added value” and the European Trade Union Confederation (ETUC) has defined it as a “modest step” that

<sup>1</sup> Communication Renewed social agenda: opportunities, access and solidarity in 21st century Europe, COM (2008) 412

“falls short to win the hearts and minds of European citizens and to meet their needs”<sup>2</sup>. The second worrying element is that the new EU social agenda appeared in early July, just before the start of the crisis and at a moment when EU economic forecasts were moderately optimistic. In a context of relative prosperity, a choice was made for an EU social agenda largely committed to social promotion (providing opportunities and access) and long-term social investment (in youth, human capital, healthcare). Yet, the situation has dramatically changed in the last few months, with the onset of the economic crisis. While it is difficult to predict the evolution of this crisis, one thing seems certain: it will trigger major social consequences. We are already witnessing a dramatic increase of the number of unemployed in some EU countries, and if the crisis lasts for long – which is probable – this will translate into problems of social unrest, poverty and social exclusion. This change of circumstances raises serious doubts about the appropriateness and political opportunity of maintaining a long-term oriented EU social agenda.

### **The 2008 social agenda: much ado about nothing**

Apart from these two factors, there is another worrying fact concerning the 2008 EU social agenda: its ambiguity and vagueness. In contrast with the Social Action Programmes of the 1970s and 1980s – which were action plans with clear objectives and a defined timetable – the new EU social agenda stands in a mid-point between a Community action plan and a position paper. The vagueness is also evident with respect to the agenda’s timetable. Unlike the two previous social agendas, which covered a period of 5 years each (2000-2005 and 2005-2010 respectively), this agenda does not have an explicit calendar of implementation. It is presented as the social agenda “for the 21st century Europe” but the proposals it contains are all scheduled for 2008/2009. While the document does not

<sup>2</sup> Eurochambers; “EU Renewed Social Agenda: a confusing patchwork with questionable added value” (<http://www.eubusiness.com/Social/eurochambres.08-07-02>); ETUC; “Social agenda: modest step forward” (<http://www.etuc.org/a/5185>)

give an explicit timetable it announces a revision “together with the Lisbon strategy, for the post-2010 period”. Yet, it is unclear whether this revision will lead to the elaboration of a new social agenda or to an updating of the existing one.

The new social agenda is also unclear with respect to its rationale. The 1989 social action programme was conceptually linked to the Single Market. It aimed at counterbalancing the completion of the single market with “market-correcting” measures (the establishment of EU minimum social and labour standards). The 2000 and 2005 social agendas were linked to the Lisbon Strategy. They were intended to support and complement member states’ efforts to attain the social and employment Lisbon objectives – raising unemployment rates, modernising the social protection systems, promoting social inclusion. The renewed EU social agenda is not conceived as the social component of the Lisbon strategy, and neither does it aim to counterbalance further economic integration with “market-correcting” measures. It builds on the results of a broad-based consultation launched by the Commission in 2007 to take account of Europe’s changing social reality. This consultation formed part of the Commission’s effort to promote a “Europe of Results” – that is, to deliver concrete results with a direct impact on citizens’ lives. Being neither linked to Lisbon nor to recent advances in economic integration, the aim of the new EU social agenda is rather vague: “to enhance European citizens’ well-being and quality of life, by helping them cope with changing social realities”. In coherence with this, the new agenda is wider in scope than the previous ones: it does not confine itself to the traditional EU social domains – employment, social protection – but rather covers a wide range of policy areas including education and youth, health, immigration and intercultural dialogue.

Concerns about bringing the EU project closer to its citizens are commendable. There seems to be a consensus that citizens’ weak support for the

European project is partly explained by the fact that many of them perceive it only as an agent of market liberalisation. If we want to change this perception, we need to convince people that the EU is not only a market project but a societal project. That it is about promoting economic growth but also social progress. That it provides not only concrete benefits for business, but also solid and effective responses to citizens’ social concerns. Yet, one might wonder whether we are going to convince citizens on all these points by formulating a broad EU social agenda. At a time when citizens are severely affected by economic crisis, an EU social agenda which claims vaguely to improve citizens’ well-being by packaging variegated initiatives in diverse policy areas might give the impression that the EU has lost touch with reality. It might indeed reinforce the popular image of EU bureaucrats coddled in their offices far from the man on the street and his concerns.

The EU needs to give a more tangible response to citizens’ social problems. This is truer than ever today, as citizens’ social problems have become more concrete, more acute and also more homogeneous in the context of the crisis. But giving a concrete and effective EU response to these problems requires first of all recognising the limits of EU action in the social domain. It implies using EU leverage in a smart way, focusing action in those areas in which greater EU engagement is not only justifiable but advisable. It implies a return to a real EU social policy agenda, with a clear rationale and clear objectives.

### **Back to basics: a well-focused social agenda with a clear rationale**

In fact, the ambiguities of the current social agenda partly reflect the confusion that reigns today concerning the rationale of EU social action. Over the last decade or so, we have witnessed a shift away from the 1980s rationale of providing a social dimension to the single market towards a new rationale, that of preserving and modernising the European Social

Model (European countries' commitment to high social standards, relative income equality and social dialogue) by providing a common template for national welfare reforms and ensuring its application through non-binding policy co-ordination.

Originally, these two logics were conceived as complementary. Thus, for instance, the launch of the European Employment Strategy in 1994 was not intended to replace efforts to establish minimum EU labour standards, and indeed various EU directives were passed just after its inception. Yet, in recent times, there has been a tendency to conceive these two logics as alternative rather than complementary approaches. As 'soft' social governance has been extended to a number of policy fields (social inclusion, health and pensions, education and training), 'hard' law has been increasingly portrayed as something outdated and unnecessary. In a Europe at 27, it has been argued, "one-fits-all" directives are not the way forward to promote social progress.

In parallel to this, the logic of preserving the European Social Model has been somehow de-natured with the 2005 decision to refocus Lisbon on growth and jobs. The original Lisbon strategy placed economic and social development on equal footing and struggled to ensure an adequate synergy between these two components. The need to co-ordinate social and employment policies was hence justified on both functional and political grounds. Policy co-ordination was to help member states promote financially-sustainable and productivity-oriented welfare reforms. These were deemed necessary for growth (the functional rationale) but also, and more importantly, to anchor member states' commitment to high social standards, thus making the promotion of economic competitiveness and growth conditional upon the preservation of social entitlements and action against social exclusion (the political rationale). With the 2005 refocusing of Lisbon on jobs and growth, the political case for social policy co-ordination has been weakened. Lisbon is now founded on a refined version

of the old 'trickle-down' argument, in which levels of living standards are expected to rise automatically with the move towards a high-skill knowledge-based economy. Thus, in the post-2005 Lisbon architecture, only member states' social reforms in pursuit of employment promotion or financial sustainability are subject to close co-ordination and surveillance within the core Lisbon process. The remaining national welfare reforms are co-ordinated through a much weaker process (the OMC on social protection and social inclusion), which is increasingly justified less in terms of common EU social values and political spillovers and more for the benefits arising from information exchanges and mutual learning.

The current stalemate in Social Europe is partly explained by the weakening of these two logics of intervention. If we want a more effective EU social agenda for the years to come, we need to return to basics. The EU social agenda cannot provide responses to all citizens' social problems, but it can be effective if concentrated on achieving the two main goals which have traditionally inspired EU action in the social domain – that is, to ensure that the single market does not have negative effects on national welfare systems, and to shore up member states' commitment to high welfare standards by helping them modernise their social protection and employment structures. As seen before, both logics have been either delegitimated or weakened over the last few years. Yet, recent events have demonstrated that the two are as relevant now as they were during the 1980s and 1990s.

On the one hand, the controversy generated by the recent European Court of Justice (ECJ) rulings on Viking, Laval and Rüffert has demonstrated that the relationship between the single market and national welfare systems is far from harmonious. They have also demonstrated that the tensions between these two spheres (EU economic integration and national welfare systems) are more complex than the question of obvious "social dumping" practices. In fact, these rulings are the latest episodes in a long history

of ECJ rulings expanding the internal market logic into core spheres of national welfare systems – social services, health care, industrial relation systems. So far, EU political actors have limited themselves to codifying the advances made by the ECJ in the process of European liberalisation, but there has been hardly any response in terms of EU ‘market-correcting’ measures. Redressing this imbalance between negative and positive integration processes should be one of the priorities of the EU social agenda for the coming years. This is not only a matter of morality or ideology. As economic crisis deepens it will be no surprise to hear voices contesting the single market ‘acquis’ – the recent English strike against ‘foreign workers’ is a warning. Making the single market socially-friendly is therefore vital to assure its long-term viability.

On the other hand, the ‘trickle-down’ effect inspiring the 2005 Lisbon strategy has not worked as announced. As shown by a recent Commission report monitoring the progress in social protection and social inclusion<sup>3</sup>, the economic recovery of the latest five years has led to a significant improvement in unemployment rates. However, the overall poverty rate in Europe has not improved, and child and old-age poverty rates have increased in some EU countries. In other words, economic growth has had positive social effects but it has not automatically provided social cohesion neither has it improved the situation of the most marginalised in society. If the trickle-down effect has been limited in good times, it will be totally absent in bad times. Faced with the crisis, the EU should re-think its strategy to preserve the European social model. Rather than promoting a positive synergy between growth and social policies, the priority in the near future will be to prevent a lack of growth translating into extensive poverty and social exclusion. This will imply a change of priority, from social prevention and social investment towards ‘old-style’ passive-oriented social protection. Providing a common template for this shift should be one of the

<sup>3</sup> Commission staff working document, Monitoring progress towards the objectives of the European strategy for social protection and social inclusion, SEC (2008), 6.10.2008

main tasks of the EU social agenda in the coming years. In particular, the EU should ensure that this shift takes place in an orderly and co-ordinated manner so as to prevent negative spillovers from one country to another; that the measures implemented by national governments are timely and effective in mitigating the social effects of the crisis; that they are financially-sustainable in the long term; and that they are provisional, so that member states return to the long-term social-investment approach once the economy recovers.

## **2009: time to write a new EU social agenda**

The coming years will be critical for Social Europe. As the crisis deepens, citizens’ demands for social protection will increase. If the EU does not respond to this demand in one way or another, if citizens do not have the conviction that part of the protection they demand is ensured by the EU, there is a real danger that these demands for protection will translate into protectionism. Can we prevent this scenario? There is no doubt that the EU cannot provide a direct response to those who are losing jobs, homes and pensions, but it can be very effective in two fronts – first, by assuring citizens that the single market does not endanger their national social protection systems, and second, by co-ordinating and supporting member states’ efforts to mitigate the social effects of the crisis. The EU social agenda for the coming years should be explicitly focused on achieving these two goals.

It is time to write a new social agenda for Europe. We should do it as soon as possible, before the crisis gets worse. The forthcoming European elections and the appointment of a new Commission in the coming months provide an excellent opportunity to review the goals of EU social action from scratch. We should not miss this opportunity: not only the chances for a more Social Europe, but the Union’s continuity, depend on it.