

A Roadmap for the future of European Social Union

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Abstract

After healing the wounds created by the economic and financial crisis and the shock wave created by the planned British exit from the EU, the European Union had to prepare for a new era in the common social dimension as a driving force for the resumption of the political integration process. In the focus of debates about the social dimension of the EU, the researcher Frank Vandenbroucke in 2013 created the new notion called "European Social Union". The existence of this institution is now widely accepted in the intellectual field. It is important that this policy proposal which touches on sensitive areas of social policy such as those of work, family, care, social security and distribution must properly convince the institutional suitability of policy effectiveness and efficiency tests. The project aims to support the national well-being states and unite them on a consensual basis. The establishment of a pan-European solidarity will play a major role in the establishment and proper functioning of the Union Welfare system. This solidarity is considered a delicate matter therefore the challenge of achieving it remains difficult. To avoid the risks of asymmetric shocks EMU needs a fiscal stabilizer that will be activated automatically in the event of an economic recession to avoid the unfair burden of national public finances. The creation of a new form of European unemployment insurance would produce a satisfactory stabilizing effect on economic developments and would help to avoid situations where Member States will be forced to reduce public spending during an economic downturn.

In this work I will try to shed light on the identification of key concepts and components that will serve as the foundations for building this new notion.

Keywords: EU social policy, European Social Union, Solidarity Pan-European.

Introduction

In the picture of political developments that accompanied the period before the European Parliament elections 2019 exaggerated reports on the death of the European Social Model during and after the crisis and the creation of a social deficit, many might think it would be too difficult to discuss and reflect regarding the reconstruction of the EU and its social model.

However, in the focus of debates about the social dimension of the EU, researcher Frank Vandenbroucke¹ in 2013 created in the new notion the so-called "European Social Union" (ESU). The existence of this institution is now widely accepted in the intellectual field. It is important that this policy proposal which touches on sensitive areas of social policy such as those of work, family, care, social security and distribution must properly convince the institutional suitability of policy effectiveness and efficiency tests. Operationally, the proposal describes a good dose of political realism, arguing that the ESU should entrust the existing EU institutions

¹ Vandenbroucke, F. "The European Pillar of Social Rights: from promise to delivery". 2018 pp.2-11.

with the power to exercise social policy formulation, oversight and guidance, within the existing institutional and legal framework without being needed to modify the Treaties to give new powers to the EU.

In the attempt to clarify the opinion on the new social dimension of the EU², the notion of “European Social Union” was used, not without purpose, for at least three implicit reasons. First, the notion of “European Social Union” is proposed as a clear institutional concept, as opposed to the notion of “a Social Europe”. Secondly, suggestions through the conventional call for the creation of “a social dimension” for the EU and that the EU does not have a social dimension are by no means analytically and politically counterproductive, as the Union has created one over the years. The main role of the EU would be to set common policies, coordinate and support the work of its Member States and promote comparison and exchange of good practice. Coordination of social security rights for mobile workers, standards for health and safety at work and some directives on workers’ rights constitute a non-primary *acquis*. Also over the years the EU has developed a strong legal basis for implementing the principle of non-discrimination among its citizens. The next steps could be built on this *acquis*. However, the next stage of development must also respond to new challenges, which have to do with more than “adding a social dimension”. Third, the emphasis of a Social Union is not a coincidence. ESU would not be a European Welfare State, but a Union of national welfare states in which the main responsibilities for social policies will continue to be in the hands of Member States, with heritage and institutions with different histories.

While moving from the symbolic realm to the realm of politics, Maurizio Ferrara makes an effort to illustrate this notion and identifies five components that already form the first foundation to begin the process of building a complete ESU:

1. “National Social Spaces” which consist of the community of social protection systems of the Member States, all based on the usual traditions of a “market social economy” and “social dialogue”, but characterized by obvious differences in their specific schemes and institutions, in their logic of market correction and the risks covered. National systems are also differentiated from within, especially in the social services sectors, as evidenced by the growing proliferation of social initiatives and programs at the regional and local level, creating new and hybrid space for policies and approaches. Thus, the pluralism within the EU of welfare regimes is increasingly contained both from above (their shared commitment to the principles of social market economy and social dialogue, enshrined in the Treaties) and from below (sub-hybridizations national). Since their main feature - in the context of our discussion - is the close link between social protection institutions and local territories and jurisdictions, we can define this component as National Social Spaces:

2. “Transnational Social Space” consists of a set of social schemes and policies characterized by a cross-border element. Most of these initiatives involve regions, which operate under the legal umbrella of Europe’s territorial cooperation. In this regard, it is worth mentioning the establishment of cross-border occupational

² The European Pillar of Social Rights: from promise to delivery, in: Maurizio Ferrera (ed.), *Towards a European Social Union The European Pillar of Social Rights and the Roadmap for a fully-fledged Social Union*. A Forum debate. Centro di Ricerca e Documentazione Luigi Einaudi, Torino 2019.

insurance schemes for pensions and health care benefits.

3. "EU mobility space". A new membership space linked to the EU's external borders, within which all holders of EU citizenship enjoy a common "title" enabled by the Union to engage in state benefits and services in which they choose to settle. Since the 1970s the EU has had a structured legal framework for the coordination of Member States' social security systems and since 2011 a directive regulating the cross-border movement of patients in the field of healthcare.

4. "EU social policy", which consists of a set of supranational policies which have a clear social purpose, whether of a regulatory or (redistributive) nature, and which are financed directly from the budget of the EU based on a hard law or soft law. From this component the EU social policy gets its proper meaning.

5. "EU basic social principles" The set of objectives of a social nature contained in the Lisbon Treaty, includes the division of competencies between levels of government and the definition of decision-making procedures in this area. Given the supremacy of EU law over national law, such objectives and rules constitute the general framework guiding the other four components.

In all five components it is noted that national social spaces for a long time will play a dominant role. The common challenge is to create a favorable environment in maintaining convergence and increasing overall steering capacity, so that all five components can operate synchronously, with mutual reinforcements.³

A Social Union, conceived by Vandenbroucke, has as its main purpose the support of the national welfare states in a system in some of their main functions and the guidance of the essential development of the national welfare states, through general social standards and objectives, leaving freedom of action Member States in the ways and means of social policy. However, building the integration project with the national welfare states that needs to be built on a consensual basis and mutual cooperation needs to take place within a completely different development context. In this case, the ESU would be an unprecedented process of "unification" of existing welfare states, allowed to maintain their "legitimate diversity", but committed to mutual adaptation based on jointly defined criteria and open to the inclusion of a risk pool.⁴

From the above, the ESU would be nothing more than a formal reunion of already existing elements where national social spaces will retain their dominant role. In order to achieve a Union of Welfare States and for its normal functioning, it is important to establish some key mechanisms based on the principle of solidarity, as a basic organizational principle. We can rely on two types of solidarity: pan-European solidarity between countries and between individual EU citizens centered on supranational institutions and the more traditional forms of national solidarity centered on national (and regional / local) institutions.⁵

The tendency towards a pan-European solidarity in increasing the interest of workers' protection in the underestimation of labor protection as a result of neo-liberal policies

³ M. Ferrera, "Crafting the European Social Union - Towards a roadmap for delivery" (2018), pp 12-26.

⁴ F.Scharpf "The European Social Model: Coping with the Challenges of Diversity", Cologne, Max Plank Institute, MPIfG Working 2002 Paper 02/8.

⁵ M. Ferrara, "Towards a European Social Union The European Pillar of Social Rights and the Roadmap for a fully-fledged Social Union" 2019, Torino.

will bring a welcome response on their part. Undoubtedly, pan-European solidarity is of great importance for the establishment and well-functioning of the union welfare system, but first it must be analyzed how possible or achievable its establishment and functioning can be.

Pan-European solidarity is seen as a delicate issue that becomes even more sensitive in the post-economic crisis period. Therefore, the challenge in achieving a principle of international solidarity remains difficult. The debates or ambiguities that characterize the debate focus specifically on the impact that pan-European solidarity can have on the interconnected network of multiple links that Member States have between them in the field of social policy.

For the supposed solidarity that can be another basis for the ESU, it must gain a political and functional legitimacy, as any collectivity organized in a given territory needs to reach a unanimous agreement from all its members. This approach can serve to promote social cooperation, avoid internal conflicts by populist currents in the Member States and create a conducive environment for the integration of the welfare state.

We must be careful and clear with the notion of solidarity between peoples and solidarity between states. Solidarity among Europeans may not be a solid and credible basis for a "solidarity (...) between Member States"

It must be acknowledged that every European citizen, thanks to the rights and obligations guaranteed by legislation, is part of a multifaceted solidarity ranging from families, regional communities, states and beyond to common European citizenship. It should be noted that relocating a community citizen to a different country of origin requires responsibilities and commitments. By the time he will offer his contribution to that host community, the need for support in the event of an outbreak must first be sought in the community of affiliation.

It must also be acknowledged that this kind of solidarity can be resilient but can sometimes be fragile in the face of exogenous shocks - and that rapid change can bring them to the "turning points" of catastrophic losses.

The mechanisms that the EU should now develop between Member States as collective entities should refer more to the logic of insurance than to the interpersonal redistribution among European citizens across national borders and support for social investment strategies. However, the centralization of social services and their impact on market correction acknowledge the political nature of pan-EU solidarity, underlining the need for consensus and common will by national governments. Solidarity between Member States requires a degree of convergence, which is different from that of harmonization, so the practice of a Social Union should be avoided from a top-down vertical approach, with an appropriate measure for social policy-making in the Member States. In this case, the principle of subsidiarity, in a "Union of Welfare States" would be considered as a basic organizational principle.

Vandenbroucke bases the promotion of the European Social Union solidarity mechanisms towards a strategy mainly from top to bottom. This top-down strategy typology is well-argued in the author's rational analysis but, I am of the opinion that it excludes some dynamic actors such as social partners and NGOs, where according to specific needs and interests, they should take responsibility to fill the gaps left by

local and regional neo-liberal government policies.

Creating transnational solidarity as opposed to solidarity between people working within and between EU Member States requires regaining control of markets. Creating an insurance union that can be a good complement to the EMU in adding a new form of pan-European solidarity. Market control would not be worthwhile without re-regulating global capital flows backed by financially-accounted internationally operating accounting companies aimed at tax evasion, the unrestricted operation of the equity funds they invest in, looting and selling enterprises and public services. This for two reasons: First is the lack of resources. An insurance fund would rely on contributions from employers through taxation and premiums paid by all companies, large and small, operating in the Union. Consequently, solidarity among workers through an insurance fund will mean redistribution of already minimal resources to employees. What needs to be done is a clear and immediate redistribution between companies and their shareholders on the one hand and employees on the other. Second, it would require restoring the supremacy of social and national policy over speculative financial markets.

However, we must bear in mind that at a time when the globalization of markets and the replacement of jobs with new technologies has brought insecurity to a large number of the population, so strengthening the solidarity of welfare systems in the face of neoliberal markets should be sought, not dismantled.⁶

However, if solidarity is threatened by neoliberal markets, the reaction will lead to an excessive and relentless rise in inequality⁷. One of the reasons is to encourage the rich to move away from collective security agreements and build their own protected schemes. Another reason is because the national solidarity of strong welfare systems carries with it norms of equal and fair treatment, which can be undermined by great inequality and consequently solidarity together with the overall European project.⁸

To thrive in the single market and the single currency, the (active) welfare states of the EU need a quasi-potential support structure, which is known in the literature as the notion of “supporting environment”⁹. The notion of “supporting environment” refers to an area of sustainability based on shared values and a common goal, compared by the competent institutions, in times of adapting difficulties. Its function is to alleviate stress and thus preserve the integrity of national welfare states, but also to maintain pressure to mobilize rather than overload internal reforms with mere disciplinary intervention. It should be noted that for the sustainable provision of welfare, the “supporting environment” is not in coherence with the notion of the single market and the single currency as the “disciplinary device” of the welfare state. Significant progress is currently being made in developing the ambition of the “social market economy” set out in Articles 2 and 3 of the Lisbon Treaty. According to Hemerijck, the ESU can be considered a “holding environment”.

It should be noted that thanks to the results of EU policies, a “dual dualism” of European labor markets has been created, accompanied by discrepancies between

⁶ Polanyi, K. , “The Great Transformation, New York: 1944 Rinehart/Rieger, E. and S. Leibfried, “Limits to Globalisation”, Cambridge Polity Press 2003.

⁷ Piketty, T. (2014), *Capital in the Twenty-First Century*, Cambridge, Mass: Belknap/Harvard University Press.

⁸ Graham Room, “Social Europe and Social Justice”. *Towards a roadmap for delivery*” (2018), pp 37-140.

⁹ Hemerijck, A. (2013), *Changing Welfare States*. Oxford: Oxford University Press.

the EU and Eurozone member states, and that the “supporting environment” of existing national welfare institutions, transnational and supranational, social rights and resources have not prevented this phenomenon¹⁰. The dual dualization of European labor markets is a result of the EU policy architecture. Rising labor market disparities, especially between Northern and Southern European countries, are due to the lack of a common fiscal policy and focused budget on EMU¹¹, and at the same time critically expose the naive political theory of using the deepening of European economic interdependence without a proper security network.¹²

In my opinion, Member States should take seriously the idea of creating a “support environment” for an ESU and discuss institutional priorities and details, in order to begin to understand how far the level of compliance with their priorities can be achieved.

To avoid the risk of asymmetric shocks, the European Commission argues that the European Monetary Union needs fiscal stabilizers, which would be activated automatically in the event of an economic downturn, to avoid the unfair burden on national public finances.

It is clear that the ESU is conceived as a counterpart of the Economic and Monetary Union (EMU). The architecture of social union is based on already existing pillars: states of national welfare, transnational forms of harmonization and coordination of national systems, the creation of new membership rights, EU social policies of supranational redistribution and regulation, and the basic European social rules. If the ESU is to become the counterpart of the EMU within the overall EU framework, then the two structures must gradually come to terms with each other, in a logic of “institutional complementarity” and enhance the effective performance of the EMU and the internal market.

Creating a centralized fiscal capacity at EU level within the ESU context would help alleviate the pressure on social policy and relieve it of its primary role. There are various theories and ways that a state or a federation can influence the economy through fiscal policy. Regarding the European institutional intervention in the economy, various researchers and policy-makers suggest the construction of a possible European mechanism that can have a positive effect on the establishment of a macroeconomic stabilization mechanism at the European level. This European stabilization mechanism on the one hand through fiscal anti-crisis mechanisms will limit the negative effects of shocks, especially if they are asymmetric and on the other hand can be an important tool in creating the possibility of strengthening and legitimizing the economic integration of the European Union¹³.

¹⁰ Heidenreich, M. (2016). The double dualization of inequality in Europe: introduction. In M. Heidenreich (Ed.), *Exploring inequality in Europe* (pp. 1–21). Cheltenham, Northampton, MA: Edward Elgar. Palier B, Rovny A and Rovny J (2018) European Disunion? Social and Economic Divergence in Europe, and their Political Consequences, in Manow P, Palier B and Schwander H (eds.) *Welfare Democracies and Party Politics: Explaining Electoral Dynamics in Times of Changing Welfare Capitalism*, Oxford, Oxford University Press, 277-296.

¹¹ Preunkert 2015.

¹² Hemerijck, A. (2019) - Who's afraid of the European Social Union? A contribution to the ESU debate. pp.93-112.

¹³ Matsaganis, M. “Snakes and ladders on the road to ESU” Centro di Ricerca e Documentazione Luigi Einaudi, Torino 2018, pp.119-130.

F. Vandenbroucke¹⁴ strongly supports his proposal that the creation of a new (re) insurance form of European unemployment would produce a satisfactory stabilizing effect on economic developments and would help to avoid situations where Member States would be forced to reduce public spending during an economic downturn. Still, the polarized debate over decisions and suggestions can be achieved through some progress in this area, but political resistance to substantive quantitative measures remains strong.

In other words, the social protection of the unemployed is an effective instrument, not only in the field of social policy, but also in the economic one, if social programs respond to the needs of the unemployed and are developed in accordance with the requirements of the free market. In this case stability is closely linked to collective action and defense policies.¹⁵

Conclusions

The financial and economic crisis has caused a general deterioration of the social situation in all Member States. Socio-economic inequalities have witnessed a quantum leap in the last decade, disarticulating and polarizing the very structure of European societies. A social deficit can be considered as a failure of the management of the social dimension by the EU is more concerned with the democratic deficit than the social one.

European social integration has always followed economic integration but accompanied by a delay in time and a much weaker legal basis. The project of creating a European Social Union should receive special attention at the tables of European leaders. If a general programmatic consensus is reached between the Member States on this project, within the framework of the existing Treaty and if its constituent elements are well designed and work in tune together, the road to a Social Union may be possible and bring much benefits for all.

Countries with higher standards will not need to be afraid of declining convergence, and countries that should succeed can be confident that their economic development will also be accompanied by social development. Also a European Unemployment and Benefits Insurance that will bring us economic stabilizer would already be a major achievement.

At the end of this paper it can be said that the commitments on the creation of a European Social Union are overdue.

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¹⁴ Frank Vandenbroucke, Catherine Barnard, Geert De Baere. "A European Social Union after the Crisis" Cambridge University Press 2017. P. 178.

¹⁵ See Xhumari Merita, "Social Policy Process and Institutions" Tirana, 2009, pp. 163-185.

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