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SOCIAL POLICY IN THE EUROPEAN UNION: A COMMON WELFARE?

EUROPEANISATION AND THE EUROPEAN SOCIAL MODEL

The unfolding of structures of governance at a supranational European level is taking place through interactions between the 27 members of the European Union. These interactions mainly affect actors and policy networks whose operations have traditionally been confined to national arenas. As a political framework, the European Union is a compound of policy processes, and Europeanisation implies that national, regional and local policies are to be shaped by considerations beyond the mere centrality of the member states. However, multi-level governance in Europe is often criticised as it is not centralised and vertically hierarchical.

In broad terms, Europeanisation relates to economic, political and social domains. It includes countries sharing a linked heritage and embracing egalitarian values of democracy and human rights. However, the concept is far from precise. It is multi-layered and subject to various degrees of understandings and interpretations. Europeanisation is not a static concept, but rather a dynamic idea expressed in the erosion of state sovereignty and the gradual development of common institutions in Europe (for example, Agreement of Schengen, Court of Justice, Euro currency). However, the constitution of a United States of Europe is not the necessary outcome of the process of Europeanisation. The neo-functional school of thought has generally adopted the view that universal progress requires integration, which is made equal to cultural assimilation and single identity formation, along the lines of the US «melting-pot».

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In a broad sense, the European Social Model (ESM) can be identified as a project articulated around collective solidarity, social equality and productive efficiency, which have resulted from the contemporary socio-political processes of co-operation and conflict within the «Old Continent». The ESM promotes social citizenship as a boundary to social and economic inequalities, as well as greater protection to vulnerable individuals and an active social partnership among social actors and stakeholders. As a strategic objective, the ESM encourages sustained and sustainable economic growth based upon social cohesion¹.

During the 20th century the rise of the welfare state – a European «invention» – allowed provision for the basic needs of «the people», through income security, health care, housing, and education. There is a widespread belief that the European Social Model provides unity and identity to most of EU countries, in contrast to other systems, where either individual re-commodification or social dumping are distinctive socio-economic tenets (e.g. USA or South-East Asia)². The articulation of «floors» or «nets» of legal rights and material resources for citizens to participate actively in society can be seen as a common primary concern of the European countries. Accordingly, the fight against poverty and social exclusion plays a central role in the European Social Model. However, and viewed from below, European social policies appear much more diverse, as a kaleidoscope of sediments and peculiarities, although sharing a common perspective on social risks coverage and the promotion of social citizenship³.

¹ Cf. Fritz SCHARPF, (2002), «The European Social Model: Coping with the Challenges of Diversity», *Journal of Common Market Studies*, 40 (1): 649-669; Nick ADNETT and Stephen ARDÍ (2005), *The European Social Model. Modernisation or Evolution?*, Cheltenham: Edward ELGAR; Maria JEPSEN and AMPARO SERRANO Pascual (2005), «The European Social Model: an exercise in deconstruction», *Journal of European Social Policy* 15 (3): 231-245; and Anthony GIDDENS (2006), «Debating the Social Model. Thoughts and Suggestions», in *The Hampton Court Agenda: a Social Model for Europe*. London: Policy Network.

² After analysing longitudinal data from a set of various indicators, Jens Alber points out that the degree of variation within the European Union is wider than that between EU and USA. However, it cannot be concluded that there are different European social models but, rather, different internal trajectories (Jens ALBER, 2006, «The European Social Model and the United States», *European Union Politics*, 7 (3): 393-419).

³ Cf. Peter FLORA (1993), «The National Welfare States and European Integration», in Luis Moreno (ed.), *Social Exchange and Welfare Development*, pp. 11-22. Madrid: CSIC; Fritz Scharpf (1996), «Negative and positive integration in the political economy of European welfare states», in Gary MARKS, Fritz SCHARPF, Philippe SCHMITTER and Wolfgang STREECK (1996), *Governance in the European Union*, pp. 15-39. London: Sage; and Maurizio FERRERA (2003), «European Integration and National Social Citizenship: Changing Boundaries, New Structuring?», *Comparative Political Studies*, 36 (6): 611-652.

On grounding the principle of social cohesion with the implementation of social and economic policies, as well as on institutionalising welfare arrangements, a variety of nuances have been expressed concerning the ESM. For the European Trade Union Confederation (ETUC), for instance, the concept of cohesion implies an improvement of citizens' working and living conditions based upon full employment, good jobs, equal opportunities, comprehensive social protection, as well as securing social inclusion and an active participation by citizens⁴. For those employers' in favour of «flexicurity», cohesion should translate in a combination of employment deregulation, welfare benefits for the unemployed and an effective labour activation policy⁵. The Assembly of the European Regions emphasises gender equality and a universal access to social benefits and services based upon citizens' solidarity⁶. There are opposing views regarding the plausibility of recommending for all European countries the adoption of a comprehensive model. This could work out well in some countries, whereas it could be counterproductive in others⁷. Furthermore, it has been argued that the ESM is already in the process of being undermined by the global economic change⁸.

The ESM appears both as a resource and objective inherent to the process of Europeanisation. In this sense it does seem plausible to speculate about future political and institutional scenarios in which the social could be separated from the economic⁹. Likewise, academic exercises of concealment

⁴ ETUC (2005), «What is the “European Social Model” or “Social Europe”?» (<http://www.etuc.org/a/111>).

⁵ EuroActiv (2005), «Hans Skov Christensen, director general of the Federation of Danish Industry» (<http://www.euractiv.com/en/socialeurope/hans-skov-christensen-director-general-federation-danish-industry/article-146400>).

⁶ AER (2005), «The European Social Model must be grounded in diversity» (<http://www.a-e-r.org/en/news/2005/2005101301.html>).

⁷ Wolfgang MUNCHAU, (2005), «Why social models are irrelevant», *Financial Times* (23.10.05).

⁸ According to this view, the model would be financially unsustainable in the medium/long term future. High fiscal rates would be a deterrent to both investments and job creation. As an illustration of this, it is adduced that employees without children in Belgium and Germany pay around half of their salaries in payroll and personal taxes. In New Zealand they pay little more than 20% and much less in middle-income countries such as Mexico or South Korea (Len SHACKLETON, 2006, «The European Social Model: past its sell-by date». Madrid: Fundación Rafael del Pino, <http://www.fundacionrafaeldel-pino.es/documentos/CONFERENCIASYENCUENTROS/OBSERVATORIOS/Espacio%20Público/Shackleton.pdf>).

⁹ Peter FLORA, Stein KUHNLE and Derek URWIN (eds.) (1999), *State Formation, Nation-Building and Mass Politics in Europe. The Theory of Stein Rokkan*, Oxford: Oxford University Press.

about the difficulties faced by the social process of Europeanisation should be avoided. There are various European welfare legitimacies, briefly analysed in the next section, which have been forged during the 20th century.

WELFARE REGIMES AND CONVERGENCE

During the *trente glorieuses*, or «Golden Age» of welfare capitalism (1945-75), West European systems of social protection were based upon the assumption of full employment and on the complementary role of the family, and, in particular, of women's unpaid work within households¹⁰. A combination of social policies, Keynesianism, Taylorism and female segregation facilitated a sustained economic growth and the generalisation of a type of «affluent worker». The outcome of these factors translated into two main types of welfare state: the Keynes-Beveridge and the Keynes-Bismarck welfare state. In both cases governments managed economies with a relatively high degree of autonomy. They were able to provide social provision for needs which market and family did not meet. The tax consequences of such provision were legitimated upon political coalitions of working and middle class groups¹¹.

The effects of the oil crises in 1973-74 and 1978-79 revealed the increasing openness and interdependence of European economies, and altered a scenario of prosperity and abundant stable male employment. Nevertheless, the «Golden Age» evolved into a «Silver Age» of the welfare state showing limitations but also a high degree of resilience in resisting pressures of a diverse nature¹².

From the early 1980s onwards, a neo-liberal ideological offensive challenged the tenets and legitimacy upon which welfare states had previously developed. Its discourse elaborated on the effects that processes of globalisation of the economy and industrial transformations had had on the national labour markets. In parallel, deep structural modifications had taken place as a consequence of the ageing of population, the increasing participation of women in the formal labour market, and the re-arrangements occurred within households as producers and distributors of welfare. In sum, fiscal crises and the erosion of the ideological consensus which gave

¹⁰ Jane LEWIS (1997), «Gender and Welfare Regimes: Further Thoughts», *Social Politics*, 4 (2): 160-177 and (2001), «The decline of the male breadwinner model: the implications for work and care», *Social Politics*, 8 (2): 152-70.

¹¹ Peter FLORA (1986/87), *Growth to Limits. The European Welfare States Since World War II*, Berlin: De Gruyter.

¹² Peter TAYLOR-GOOPY (2002), «The Silver Age of the Welfare State: Perspectives on Resilience», *Journal of Social Policy*, 31 (4): 597-621.

way to the «Mid-century Compromise»¹³ had conditioned the recasting of welfare states in Europe¹⁴.

In functional terms, EU countries have embraced new economic policies of a similar nature. Those countries which attempted to exercise their nominal state sovereignty against the tide of the new economic policies were heavily penalised. Failure of the programmes for indicative planning implemented by the first Mitterrand Government in the early 1980s illustrated the «persuasiveness» of the new economic neo-classical and supply-side paradigm embraced by neighbouring and competing countries. Let us remember that French Governments after the Second World War put into action plans for economic growth. These were to be implemented in a hierarchical manner by the powerful French public sector, and were «indicative» of the industrial priorities to be taken by private businesses. The model worked satisfactorily in the post-war period, allowing the French economy to perform at a good level. Immediately after the Socialist victory in the 1981 General Election, the Mauroy Government attempted a different path away from the policies of economic austerity followed by the neighbouring European countries. Not long after their initial implementation French economic policies suffered a Copernican turn and were to align themselves with the course of action taken by the rest of the central European economies. This episode illustrated that national economic «sovereignty» was very limited in manoeuvres to promote the previous Keynesian demand-side approach¹⁵.

During the 1990s, European policies aimed at deepening European economic integration with the implementation of the single market and the preparation of the single currency. At the same time, EU institutions safeguarded and promoted policies to preserve «open» market competition. All EU countries undertook a profound shift in their economic policy views, by accepting a limited national debt and securing sound public finances, as well as keeping a low rate of inflation which implied wage moderation and

¹³ By which there was a compromise between a primary framework of property ownership and social rights in advanced industrial countries representative of welfare capitalism. This mutual concession made feasible the institutionalisation of conflicts latent between capitalist inequalities and equalities derived from mass citizenship (Colin CROUCH, 1999, *Social Change in Western Europe*. Oxford: Oxford University Press).

¹⁴ Maurizio FERRERA and Martin RHODES (eds.) (2000), *Recasting European Welfare States*. London: Frank Cass.

¹⁵ Cf. Joseph CAMILLERI and Jim FALK (1992), *The End of Sovereignty? The Politics of a Shrinking and Fragmenting World*, Aldershot: Edward ELGAR; Vivien SCHMIDT (1995), «The New World Order, Incorporated. The Rise of Business and the Decline of the Nation-State», *Daedalus*, 124 (2): 75-106; and Susan STRANGE (1995), *The Retreat of the State*. Cambridge: Cambridge University Press.

a stabilisation of the level of social contributions. Further to the allegations for the need of changes in EU economies, the discourse of globalisation was also used in attempts to modify solidarity pacts at the national level¹⁶.

Similar concerns and approaches by EU countries have not necessarily translated into similar decisions and outputs by member states. During the «Golden Age», the case for pension reforms in Sweden and the UK illustrated how diverse policies reflected the different capabilities for action by national actors and advocacy coalitions¹⁷. Let us remember that, after a long controversy in the UK, the Conservative Government implemented a public supplementary scheme in 1958. However, employees were able – on a voluntary basis – to «contract out» from it into non-public funds. This was the preamble for Thatcher's promotion of the virtual privatisation of second tier pensions during the 1980s¹⁸. In the Swedish case, instead, the Social-Democratic Government was able in 1959 to implement the ATP scheme permitting additional benefits to workers on top of the basic universal pension. This second tier provision remained a public responsibility¹⁹.

Some 50 years afterwards, disparities in pension provision remain, although a clear convergence of policy criteria is noticeable in response to similar demographic pressures. As a result of rising life-expectancy and lower birth rates, the proportion of the EU population aged 65 and over rose from 13 to 17 per cent between 1980 and 2000 and is expected to rise to 27 per cent by 2040. European countries have pursued broadly similar measures to control pension spending, such as taking into account longer working lives and applying actuarial criteria for the calculation of benefits. Following the recommendations not only of IMF, the World Bank and OECD, but also of EU institutions, the most common feature of pension policy reform is the implementation of private pensions as supplements to the public scheme²⁰. Extensive second pillars of private provision and strong

¹⁶ Bruno PALIER and Rob SYKES (2001), «Challenges and changes: Issues and Perspectives in the Analysis of Globalization and the European Welfare States», in Rob SYKES, Prior PAULINE and Bruno PALIER (eds.), *Globalization and European Welfare States: Challenges and Changes*, pp. 1-16. London: Palgrave.

¹⁷ Paul SABATIER (1998), «The Advocacy Coalition Framework: Revisions and Relevance for Europe», *Journal of European Public Policy*, 5 (1): 98-139.

¹⁸ Cf. Giuliano BONOLI (2000), *The Politics of Pension Reform*. Cambridge: Cambridge University Press; and John MYLES and Paul PIERSON (2001), «The comparative political economy of pension reform», in Paul PIERSON (ed.), *The New Politics of the Welfare State*. Oxford: Oxford University Press.

¹⁹ Cf. Hugh HECLLO (1974), *Modern Social Politics in Britain and Sweden*. New Haven, CT: Yale University Press; and Gøsta ESPING-ANDERSEN (1985), *Politics against Markets*. Princeton, NJ: Princeton University Press.

²⁰ Commission of the European Communities (1997), *Supplementary Pensions in the Single Market: A Green Paper*. COM(97) 283.

encouragement for complementary private schemes clearly indicate a shared objective: pension cost containment and sustainability. Certainly, the UK continues to be the «outlier» as the state second-pillar has been dramatically weakened while private alternatives have been further developed. Arguably, the UK case may be the most radical example of the process of pension reform in Europe. Private pension scandals and problems faced by future British pensioners may be also indicative of the limits for reforms in this policy area which, nevertheless, are well underway throughout Europe. Let us also remember that attitude surveys conclude that public pensions are one of the major programmes enjoying highest legitimacy throughout Europe²¹.

Despite common approaches, any future scenario for EU involvement in the area of social protection must take into account the present situation of welfare peculiarities, which has increased with the enlargement to Eastern Europe. A succinct review of the diverse welfare arrangements and institutional configurations within EU-15 should therefore be helpful for this. We draw on the «regime approach», which has established itself as a useful methodological tool for analysing the diversity of welfare states in the European Union²².

The «regime approach» put forward the idea that welfare systems are characterised by a particular constellation of economic, political and social arrangements. The «regime approach» has proved to be very persuasive in linking together a wide range of elements considered to influence welfare outcomes. However, an assumption of continuity tends to prevail over that of change, in establishing patterns of interaction. As a consequence, it is implicitly assumed that a particular welfare state will tend to sustain interests and arrangements identified within the three main categories. For the EU context, these may be described briefly:

The corporatist Continental regime is based on the income maintenance principle and is organized on the basis of occupational categories. Therefore, it is designed much less to reduce inequality than to maintain status. It is characterised by concerted action between employers and trade unions, and is financed by the contributions they make. Welfare policies by state institutions uphold this arrangement, which is organised through social

²¹ Cf. Maurizio FERRERA (1993), *EC Citizens and Social Protection*. Brussels: European Commission, DGV Report; Max KAASE and Ken NEWTON (1996), *Beliefs in Government*. Oxford: Oxford University Press; and Wim VAN OORSCHOT (2000), «Who should get what, and why», *Policy and Politics*, 28 (1): 33-49.

²² Gøsta ESPING-ANDERSEN (1990), *Three Worlds of Welfare Capitalism*. Cambridge: Polity Press and (1999), *Social Foundations of Post-industrial Economies*. Oxford: Oxford University Press.

insurance. There is a sharp distinction between labour market «insiders» and «outsiders». The universality of coverage is therefore dependent on the achievement and maintenance of full employment.

The liberal Anglo-Saxon regime was initially patterned by its commitment to a form of universality in the case of the UK (Beveridge Report). Focused on poverty alleviation it is financed by taxes and incorporates residual means-tested services and flat-rate benefits. It has pursued a radical shift toward market principles, involving deregulation of the labour market, wage flexibility and containment in social expenditure. A low level of de-commodification of individuals implies a large measure of dependence by citizens on the market to ensure their primary income and social protection.

The social-democratic Nordic regime is premised on the combination of solidaristic ideas with growth and full employment, and the minimisation of family dependence. It is financed by taxes, characterised by the principle of universality, and favours the public provision of free services rather than cash transfers. The main aim of this type of welfare state is to ensure the equality and homogeneity of social groups within an all-embracing middle class.

These three types of systems associate a specific institutional configuration with a «founding» doctrine: social insurance schemes with the protection of specific occupational categories; residual benefits with the primacy of the market and the need to combat poverty; universal benefits with the quest for equality. They are designed to have a different impact in terms of the quality of social rights, social structures and the structure of the labour market.

In addition to the well-known three-fold categorisation of welfare regimes, a fourth «familialistic» South-European or Mediterranean category can be identified²³. A discussion has revolved around the contention whether the Mediterranean type of welfare is simply lagging behind those of the 'continental' model of social insurance to which they belong²⁴. Or else, whether it is a mere «Latin rim» characterised by a rudimentary level

²³ Cf. Sebastià SARASA and Luis MORENO (eds.) (1995), *El Estado del Bienestar en la Europa del Sur*. Madrid: CSIC; Maurizio FERRERA (1996) «The "Southern Model" of Welfare in Social Europe», *Journal of European Social Policy*, 6 (1): pp. 17-37; and Martin RHODES (1996), «Southern European Welfare States: Identity, Problems and Prospects for Reform», *South European Society and Politics*, 1 (3): 1-22.

²⁴ George KATROUGALOS (1996), «The South European Welfare Model: The Greek Welfare State, in Search of an Identity», *Journal of European Social Policy* 6 (1): 40-60.

of social provision and institutional development²⁵. In broad terms, similar social-demographic trends, economic constraints and patterns of public policy can be observed in all four South European countries²⁶.

A general rapprochement in the level of social expenditure and in the need to implement reforms among EU countries is clearly visible. Despite institutional specificities, the adaptation of the European labour markets to global competition has undoubtedly produced such a convergence more evident within each regime. After the implementation of the Euro currency and the establishment of the Stability Pact, the paramount concern of the European countries to contain public expenditure has further intensified (as the case of pension reforms clearly illustrates).

Indeed, European welfare states are in a process of convergence towards the middle concerning, among other indicators: income inequality, public expenditure and social protection expenditure (see Table 1). Inequality (Gini coefficients) and the risk of poverty have been reduced slightly, while expenditures have risen in absolute terms²⁷. The politics of the so-called «welfare retrenchment» have in fact translated into a generalized concern for «cost-containment», which manifest themselves in: (a) a hardening of the criteria of access and eligibility to welfare entitlements in Continental Europe; (b) a reduction of about 10 per cent of the generous welfare benefits provided by Nordic welfare states; and (c) a transfer of responsibilities from the state public to the profit-making private in the British welfare state (e.g. pensions)²⁸. In all three instances, approaches to reform have been – at least partially – path-dependent on those ideas, institutions and interest upon which those welfare states were first built and later developed²⁹.

²⁵ Cf. Stephan LEIBFRIED (1992), «Towards a European Welfare State? On integrating Poverty Regimes into the European Community», in Zsuzsa FERGE and Jon EIVIND KOLBERG, (eds.), *Social Policy in a Changing Europe*, pp. 279-345, Frankfurt/Main and Boulder, Campus and Westview; and Ian GOUGH (1996), «Social Assistance in Southern Europe», *South European Society & Politics*, 1 (1): 1-23.

²⁶ Cf. Francis CASTLES (1998), *Comparative Public Policy: Patterns of Post-war Transformations*, Cheltenham, Edward Elgar; Leonardo MORLINO (1998), *Democracy between Consolidation and Crisis. Parties, Groups, and Citizens in Southern Europe*, Oxford, Oxford University Press; and Ana GUILLÉN and Manos MATSAGANIS (2000), «Testing the “social dumping” hypothesis in Southern Europe: welfare policies in Greece and Spain during the last 20 years», *Journal of European Social Policy*, 10 (2): 120-145.

²⁷ José ADELANTADO and Eduardo CALDERÓN CUEVAS (2006), «Globalization and the welfare state: the same strategies for similar problems?», *Journal of European Social Policy*, 16(4): 374-386.

²⁸ Luis MORENO and Bruno PALIER (2005), «The Europeanisation of Welfare: Paradigm shifts and social policy reforms», in Peter TAYLOR-GOOPY (ed.), *Ideas and Welfare State Reform in Western Europe*, pp. 145-175. London: Palgrave Macmillan.

²⁹ Cf. Maurizio FERRERA, Anton HEMERIJCK and Martin RHODES, *The Future of Social Europe: Recasting Work and Welfare in the New Economy*, Report prepared for

Table 1: *Social Expenditure in the European Union as percentage of GDP*

	1990	1995	1998	2002	2005
Continental Europe	29.6	30.1	28.8	29.3	29.5
Nordic countries	28.1	32.1	30.1	28.8	28.2
Southern Europe	18.0	22.2	23.7	24.6	24.1
United Kingdom	24,3	27.7	26.8	27.6	26.8
Average EU	N.A.	27.7	27.1	27.4	27.8

Notes: Unweighted averages.

Continental Europe: Austria, Belgium, France, Germany, The Netherlands; **Nordic countries:** Denmark, Finland, Norway, Sweden; **Southern Europe:** Greece, Italy, Portugal, Spain.

Source: Eurostat (<http://epp.eurostat.ec.europa.eu/>).

All things considered, several questions can be formulated at this point in time in the process of Europeanisation: Is the ESM today based upon the same cognitive and normative principles of several decades ago? Have the views of social actors and partners been substantially modified on the role of the European welfare states? Is there a growing convergence or divergence among national welfare approaches to reform? Can we expect the development of supranational European institutions for social policy-making and a further Europeanisation of national welfare policies? These questions regard both the functional and territorial aegis of social life and are briefly analysed in the next section.

THE «RECALIBRATION» OF THE EUROPEAN WELFARE STATES

The various programs of «recalibration» carried out by the European welfare states reflect a paramount concern for making viable the economic (fiscal) sustainability of welfare spending in EU's countries (accounting for some 60 per cent of the total public expenditures) Main threats to such sustainability are: (1) the increased internationalization of national economies; (2) the higher relative costs of producing human services and social care («Baumol's disease»)³⁰; (3) the «graying» of the population; (4) the slower

the Portuguese Presidency of the EU, Oeiras 2000; Stein KUHNLÉ (ed.), *Survival of the European Welfare State*, London 2000; Paul PIERSON, *The New Politics of the Welfare State*, Oxford 2001, pp. 107-145; and Peter TAYLOR-GOUBY, (ed.), *Welfare States Under Pressure*, London 2001.

³⁰ Which shows in wage increase in welfare jobs, such as those related to dependent

productivity growth in the private sector; (5) the persistent unemployment and low employment rates; and (6) the disincentive effects produced by the welfare state itself, including moral hazard³¹.

Several are the issues shaping EU's welfare developments, in general, and cost-containment, in particular. For the sake of parsimony, two can be singled out concerning both functional and territorial dimensions of social life:

The new activation paradigm

The «new» labour activation paradigm has been embraced all-round within the European Union. Welfare regimes have shared a common concern for implementing policies to favour the transition «from welfare to workfare». Certainly there has been a process of convergence towards a common regulatory paradigm, although this has nevertheless resulted in different policies, depending on the role played by various institutional and ideological factors. Associated with the discussion about the nature and scope of the new activation paradigm, those processes of individualization, employment and contractualization are now succinctly analysed:

(a) *Individualization*. It concerns those interventions on individual attitudes, behaviour and motivations which go beyond the setting of political conditions for a fair distribution of wealth. Activation policies seek to increase a personalization in public interventions and assume a greater involvement of the individual citizen. Thus, the normative and legitimising referent for this type of policies is the individual subject.

(b) *Employment*. The aim of the activation policies is social participation and personal autonomy by means of employment. Policies aim at modifying individuals' approaches towards paid job, by means of incentives, persuasion, or motivation. They deal primarily with the economic dimension of citizens' lives and not so much with their political and social dimension.

(c) *Contractualization*. The contract has become the core metaphor for the orienting and legitimising the activation paradigm. It implies also a change in the terms of the *social contract* that have traditionally articulated the concept of citizenship. The latter has taken the form of a moral contract. Consequently, citizens' access to social rights and entitlements are now dependent on their attitudes, behaviour and economic participation.

citizens or education, that follow those in sectors with faster productivity growth. An increased consumption of tax-financed social services of primary care is usually expected to need higher taxes up to the point where the limit of the «Laffer curve» is reached, and then no further tax financing becomes technically feasible.

³¹ Assar LINDBECK, *Sustainable social spending*, in *International Tax and Public Finance*, 13 (2006), pp. 303-324.

European institutions have been particularly dynamic in the diffusion of the new activation paradigm, which nevertheless manifests itself in a diverse manner within the various European welfare regimes. In some cases social citizenship seems to be reinforced, while in others market law overrides other considerations³². With the extension *tout court* of the new activation paradigm within the European Union the various policies and situations can be grouped around two main poles: (A) one which is characterised by the *moral-therapeutic management* of individuals' behaviour and, (B) a mode of intervention based on *matching* workers' skills and labour costs to the new economic circumstances. These two approaches correspond to a diverse ontological conceptualization of the individual as ethically autonomous but psychologically dependent, or as a politically autonomous subject but economically dependent³³.

Concerning the first pole, in the United Kingdom, Czech Republic and, to some extent, Portugal a moral explanation of unemployment is predominant, by which passiveness is regarded to be the result of the will of the individuals – expressed in the popular remark, «they do not want to have a job». In other countries, such as the Netherlands or Denmark, passiveness would be the result of an unwanted situation (provoked by lack of motivation or personality failings), which would justify either disciplinary or therapeutic policies to avoid the «unemployment trap».

Regarding the second pole, the adjustment of the characteristics of the workers to the demands of the market (*matching approach*), put forward the notion that individuals are autonomous who need resources such as qualification, skills or labour experience. According to this view, welfare states should secure that the individuals (workers) are available in the best possible productive conditions. As a result of these approaches two broad – but alternative – models for socio-economic performance can be detected with the European Union: Anglo-Saxon deregulation and Nordic flexicurity. In the former, social policies have a limited role and their short-term paramount concern is to incite individuals to search actively for jobs, while facilitating a potential 'reservation army'. In the latter, activation is meant

³² Cf. Amparo SERRANO-PASCUAL (2004) (ed), *Are activation policies converging in Europe?* Brussels: ETUI; and Andreas Aust and Ana Arriba (2005), «Towards Activation? Social Assistance reforms and Discourses», in Peter TAYLOR-GOOPY, P. (ed.), *Ideas and Welfare State Reform in Western Europe*, pp. 100-123, London: Palgrave-Macmillan.

³³ Eduardo CRESPO-SUÁREZ and Amparo SERRANO-PASCUAL (2006), «Political production of individualised subjects in the paradoxical discourse of the EU institutions», en Rik VAN BERKEL and Ben VALKENBURG (eds.), *Making it personal. Individualising activation services in the EU*. Bristol: Polity Press.

to provide social services on a long-term perspective in an attempt to break an equilibrium between individuals' and society's demands³⁴.

Multi-level governance

The principle of subsidiarity enshrined in the Treaty of European Union of 1992 (Maastricht Treaty) provides for decisions to be taken supra-nationally only if local, regional or national levels cannot perform better. In other words, the preferred locus for decision-making is as decentralised and close to the citizen as possible. Political elites of the EU member states, reluctant to further the process of European institutionalisation and to lose their national power bases, interpreted the subsidiarity principle as a safeguard for the preservation of traditional national sovereignty and, consequently, the power to intervene centrally. They have been keen to place the bottom-line of subsidiarity at – and not below – the national level of the member states³⁵.

Welfare provision has remained largely as a national centrally-run function, mainly as regards compulsory contributory schemes of social insurance. From both European and global perspectives, however, the harmonisation of economic development has gone hand in hand with the decentralization of political institutions and the regionalization of welfare development. Sub-state layers of government have found in the principle of European subsidiarity a renewed impulse for the running of public affairs, and new opportunities for policy experimentation. Beyond this analytical framework, however, the role of sub-state territories has been largely neglected. The White Paper on European Governance³⁶ stated that the national governments were not involving the local and regional «players» appropriately in the preparation of their positions on EU policies and, consequently, were not facilitating democratic accountability at those levels of government.

³⁴ Cf. Jean-Claude BARBIER (2004), «Activation policies: a comparative perspective», in Amparo SERRANO-PASCUAL, (ed.), *Activation politics for young people in international perspective*, pp. 47-83. Brussels: ETUI; and Amparo SERRANO-PASCUAL (2007), «Activation regimes in Europe: a clustering exercise» in Amparo SERRANO-PASCUAL and Lars MAGNUSSON (eds), *Reshaping Welfare State and Activation Regimes in Europe*, pp. 277-319. Brussels: Peter Lang.

³⁵ Cf. Steven VAN HECKE (2003), «The Principle of Subsidiarity: Ten Years of Application in the European Union», *Regional and Federal Studies*, 13 (1): 55-80; and Luis MORENO and Nicola MCEWEN (2005), «Exploring the territorial politics of welfare», in Nicola MCEWEN and Luis MORENO (eds.), *The territorial politics of welfare*, pp. 1-40. London: Routledge.

³⁶ Commission of the European Communities (2001), *White Paper on European Governance*, COM(2001) 428 final.

Illustrative of this lack of political impulse is the case of the «partner regions». In 2001, there were «partner regions» in Austria (9 *Länder*), Belgium (3 regions, 3 communities), Finland (the Åland Islands), Germany (16 *Länder*), Italy (20 *regioni* and 2 autonomous provinces), Portugal (2 autonomous regions), Spain (17 *Comunidades Autónomas*), and the United Kingdom (3 parliaments, or regional assemblies). They were regarded as not being genuinely accountable to their own citizens³⁷.

Many of the «partner regions» have been very active in developing welfare programmes with a clear vocation for «policy innovation»³⁸. With the enlargement of the EU, a considerable number of small nations have gained status as full member states in contrast with large sub-state regions without «sovereign» powers³⁹. This will create a situation in which entities with a few thousand inhabitants are entitled to be in EU institutions with voting powers, whereas historic regions with several million inhabitants, which make a major contribution to the economic dynamism of the European Union – and to the funding of its budget –, would still be unrecognised by the European treaties⁴⁰.

A result of within-state variations, often reflected in different party systems, channels of elite representation or interest articulation, is that decentralisation has become a major embedding factor in contemporary political life in Europe. Decentralisation in some countries (for example, Belgium, Italy or Spain) is affecting the very «core» of traditional social policies. In these countries, health care, for instance, has been decentralised allowing the establishment of regional systems of health provision.

³⁷ Committee of the Regions (2002), «Contribution of the Committee of the Regions to the European convention», CdR 127/2002.

³⁸ That is the case, for example, of the Spanish *Comunidades Autónomas*. In 1988, the Basque Government announced the implementation of a regional *Plan de Lucha contra la Pobreza* («Programme against Poverty»). This innovative policy sparked off a regional mimesis, or «demonstration effect», on the part of the other 16 Spanish *Comunidades Autónomas*. By the end of 1990s, all Spanish mesogovernments had implemented regional programmes of minimum income guaranteed, which combine means-tested cash benefits with policies of social insertion (primarily employment promotion and vocation training schemes) (Ana ARRIBA and Luis MORENO, 2005, «Spain: Poverty, social exclusion and safety nets», in Maurizio FERRARA (ed.), *Welfare State Reform in Southern Europe. Fighting poverty and social exclusion in Italy, Spain, Portugal and Greece*, pp. 141-203. London: Routledge).

³⁹ These are the cases of Cyprus, Estonia, Latvia, Lithuania, Malta, and Slovenia, with populations of 750,000; 1,370,000, 1,375,000; 2,375,000, 391,000 and 2,000,000 inhabitants, respectively. Such populations make a sharp contrast with some «partner regions» as North Rhine Westphalia (17 million), Lombardy (9 million) or Andalusia (7.5 million).

⁴⁰ European Parliament (2002), «Draft Report on the division of powers between the European Union and the Member States». 2001/2024(INI).

EU institutions, particularly the Commission and the Parliament, have encouraged multilateral co-operation on the assumption that national states will be less «sovereign» than they have been up until now. However, the recent failure by the representatives of the EU national governments to approve the European Constitution in December 2003 seems to corroborate the intergovernmentalist theory that the EU is little more than a forum for bargaining between the member states, and that the national governments are the paramount political actors in the process of Europeanisation.

However, such a state-centric view is subject to several qualifications:

- Short-term interests put forward by the national governments often have long-term unintended and unanticipated institutional consequences;
- The density of the EU policy-making and the partial autonomy of EU institutions allowed for decisions to expand beyond member-state control;
- Institutional inertia, sunk costs and rising costs of «non-Europe» greatly reduce the overriding capacity of national governments to reverse the process of Europeanisation⁴¹.

At the supranational level, EU institutions can develop initiatives and take actions as a result of «spillovers» from the process of macro-economic reforms framed by the Maastricht Treaty and the Stability Pact. Member states increasingly need to adjust their political «sovereignty» in welfare matters to the requirements of the single market. Furthermore, social cohesion has become a common goal to be accomplished and preserved in all member states⁴². In the next section we turn our attention to those developments in social policy-making in which EU institutions have played no little role.

EU, an instigator for social policy reform

Welfare state research has often concentrated its analyses on national social spending rather than on historical processes, institutions and organisational relations⁴³. Moreover, an emphasis in political economy has tended

⁴¹ Paul PIERSON (1996), «The Path to European Integration», *Comparative Political Studies*, 29 (2): 123-163.

⁴² The reference to social cohesion was included in the Single European Act in 1987. There is a chapter on social policy (art. 117- 122) which calls upon the member states to cooperate for the improvement of working and living conditions (art. 117).

⁴³ Cf. Peter FLORA and Jens ALBER (1981). «Modernization, Democratization and the Development of Welfare States in Western Europe», in Peter FLORA and Arnold HEIDENHEIMER (eds.), *The Development of Welfare State in Europe and America*, pp. 37-80. New Brunswick, NJ: Transaction; Peter BALDWIN (1990), *The Politics of Social Solidarity. Class Bases of the European Welfare States 1875-1975*. Cambridge: Cambridge

to play down other crucial issues related to cultural patterns or institutional peculiarities in welfare arrangements within each regime of social policy provision. A common element in most of studies on European welfare is their state-centred approach. Despite their epistemological and methodological differences, most schools of thought have nevertheless focused on national arenas as the sole contexts of analysis for welfare research. Save some exceptions, the European level has persistently been neglected.

As a result, welfare state studies have not paid much attention to European developments. The Europe Union has been generally absent because, apparently, it has appeared not to be part of the welfare state «problem», and because it has lacked powers and resources or has been incompetent and unable to impose any uniform solution to reform national welfare states. Recent research on national changes seem to justify the neglect of Europe: welfare state reforms are based on national policies, where the European level seems to play a minor, or non-existent, role. These assumptions need deep qualification, at least as regards commonalities within each welfare regime. Some analyses have convincingly shown that the European welfare regimes do not seem to share the same vulnerabilities when they face the new global and European impacts, simply due to different institutional arrangements (for example, financing of social spending)⁴⁴.

All things considered, the role of the EU in inducing changes in social policy provision, and in the re-casting of the European welfare states has grown greatly in importance. It operates alongside the ambivalent process of the declining sovereignty of EU's member states in both *de jure* (legal authority) and *de facto* (sovereign capacity) terms. Such a state decline runs in parallel with the requirements imposed by the Court of Justice and the European Commission for the consolidation of EU's «open» internal market and the so-called four freedoms (of capitals, goods, services and workers). As a consequence, national social policies have become increasingly embedded in a framework of «hard» and «soft» EU dispositions. Arguably, the European welfare states have been transformed into *semi-sovereign* entities with a pro-market bias and increasingly shaped by the rulings of the European Court⁴⁵.

University Press; and Bruno PALIER (2001), «Beyond Retrenchment: four problems in current welfare state research and one suggestion how to overcome them», in Jochen CLASEN (ed), *What Future for Social Security? Debates and Reforms in National and Cross-National Perspective*, pp. 93-106. The Hague: Kluwer Law International.

⁴⁴ Fritz SCHARPF and Vivien SCHMIDT (eds.) (2000), *Welfare and Work in the Open Economy*, (2 vols.). Oxford: Oxford University Press.

⁴⁵ Stephan LEIBFRIED and Paul PIERSON (eds.) (1995), *European Social Policy between Fragmentation and Integration*. Washington, DC: Brookings Institution.

If it is true that dimensions of social protection, such as the health care system or family policies, show a degree of dissimilarity between EU countries, the same cannot be said as regards old age pension or employment policies, where common approaches have been progressively adopted by most member states facing reforms with a similar range of options and little degree of variance. Other areas which appear to be «peripheral» in the development of the welfare state, such as gender equal opportunities, health and safety regulations, or poverty and social inclusion programmes, have been progressively harmonised on the initiatives of the European institutions.

Among the various factors affecting this evident trend towards «unity» in social policy provision developed by the European member states, macro-structural constraints such as external social dumping, industrial relocation and financial globalisation must be accounted for. Institutional inputs are also of the foremost importance, particularly those related to European law and European Court of Justice's jurisprudence. This is the result, to a great extent, of the orientation of EU economic actions towards regulation policies rather than re-distribution, which in many cases has remained within member-state «sovereignty»⁴⁶.

Let us remember, for instance, that article 2 of the EC Treaty provides the EC legislator with the competence to harmonise provisions of the national systems of social security in order to secure the freedom of movement of workers. Accordingly, the impact of European law on social security matters is growing in importance and has the potential for far-reaching consequences. Consequently, the Social Charter on the right of workers, as well as the agreement on social policy of the Maastricht Treaty and its inclusion in the Amsterdam Treaty as a separate chapter on social policy, have been significant steps in such a harmonising direction.

In particular, decisions taken by the European Court's have been significant in advancing the general process of the Europeanisation of welfare. The expansion of EU regulations – and especially Court rulings – can be regarded as gradually limiting: (a) national control over beneficiaries, (b) spatial control over consumption, (c) exclusivity of coverage on their own territory; (d) control over access to the status of benefit producer, and (e) control over administrative case adjudication. As a consequence of these processes, European welfare states have witnessed increasing erosion of their external boundaries and of their capacity to control them⁴⁷.

⁴⁶ Giandomenico MAJONE (1993) «The European Community Between Social Policy and Social Regulation», *Journal of Common Market Studies*, 1 (2): 153-169.

⁴⁷ Maurizio FERRERA (2005), *The Boundaries of Welfare. European Integration and the New Spatial Politics of Social Protection*, Oxford: Oxford University Press.

Two rulings by the European Court concerning core competences of the national welfare state can illustrate up to which extent judicial inputs are «Europeanising» social policy-making. In the 1993 *Poucet-Pistre* case⁴⁸, the Court ruled that citizens cannot abandon their compulsory national insurance systems on the basis of Europe's freedom of service. The ruling upheld the compulsory nature of the national systems of public insurance and the principle of re-distributive solidarity among the diverse income groups and age groups integrated within them. According to this ruling the principles of obligatory social insurance and public monopoly conform to the four freedoms enshrined in the European Treaty.

The decision of 1998 on the *Kohll* and the *Decker*⁴⁹ cases constituted a turning point in the juridical concept of the relation between EU law and national health insurance laws. The Court ruled that, in the absence of harmonisation at the EU level, each member state could determine the conditions concerning the right and duty to be insured with a social security scheme, as well as for the establishment of the conditions for entitlement to benefits. Nevertheless, and this was the crucial aspect of the Court's decision, national member states should comply with European law when exercising their powers to organise their social security systems, and should reimburse the costs involved. In this sense, the *Kohll* and *Dekker* rulings constitute important judicial decisions for the neutralization of territoriality conditions in EU health care systems.

These decisions ought not to be seen as irreversible steps in the direction of dismantling or seriously endangering the grounds of European national welfare states. Doubts have been cast on the «effectiveness» of such rulings in areas of national «exclusive» competence. Let us not forget that, on the allegation that the financial implications of the *Kohll* and the *Decker* rulings could undermine the balance of the national systems of social security, the Court also held the view that the reimbursement of costs at a flat-rate, or in accordance with the tariff established in the country of origin, should have no effect on the financial balance of each national social secu-

⁴⁸ These two French citizens appealed to the European Court after having been denied their expressed option of paying their social contributions to a private scheme instead of the compulsory social insurance. The ruling established that such a national requirement did not infringe the provisions of the Treaty regarding either the provisions of the freedom of services and on the abuse of dominant position.

⁴⁹ Mr. *Kohll*, a Luxembourg citizen, had requested the authorisation for dental treatment of his daughter in Germany (Trier). Mr. *Decker*, also a Luxembourg citizen, had solicited the reimbursement of spectacles with corrective lenses he had purchased in Belgium. In both cases, national social security administrations rejected both claims. *Kohll* and *Decker* appealed subsequently to the European Court of Justice.

rity system. However, these sentences set a legal precedent which is not to be underestimated as they take, first and foremost, a European vision of welfare matters. The «watchdog» role of the European Court on Justice gender policies during the last twenty years and its «women-friendly» interpretations of Article 119 concerning equal treatment of female workers have had an enduring impact in European welfare and labour relations.

Not surprisingly, the institutional inputs produced by the Court's jurisprudence have so far been uncontested by member states. Consequently, decisions and rulings by the Court have enjoyed a high degree of legitimacy *vis-à-vis* national interests defended by the national governments. At the root of such an attitude lies the acceptance not only that political life in Europe depends on the rule of law, but the conviction that human rights and values of an egalitarian nature form the very basis on which the political unity of all EU countries is founded. Indeed, the extension on fundamental rights and the accomplishment of the first written European Constitution have recently galvanised political debate. General legislation of this kind would advance further the general process of Europeanisation and would eventually strengthen the European social model.

In parallel, another strategy of policy intervention has developed, encouraged by EU institutions: the «Open Method of Co-ordination» (OMC), which is spreading this strategy to more and more policy fields. Its principal aim is to organise a learning process about how to cope with the common challenges in a co-ordinated way, while also respecting national diversity. The main institutional ingredients of the OMC are common guidelines, national action plans, peer reviews, joint evaluation reports and recommendations. While facilitating an agenda for policy actors, the combination of those ingredients encourages initiatives and a degree of experimentation⁵⁰.

The role of the European bodies in advancing such a new form of intervention for harmonising national approaches and policies has been the most serious attempt for an EU involvement in social-policy making, particularly in the field of social exclusion. In recent times, EU institutions have tried to influence the general intellectual process aimed at re-designing social policy. Influencing national ideas in welfare policies has become one of the main targets of the EU, through the Luxembourg process launched in 1997 and concerning employment policies, and through the Lisbon process initiated in 2000 and concerning pension and social exclusion.

With the Luxembourg process, the European bodies have created a

⁵⁰ Maurizio FERRERA, Manos MATSAGANIS and Stefano SACCHI (2002), «Open co-ordination against poverty: the new EU "social inclusion process"», *Journal of European Social Policy*, 12 (3): 227-239.

new form of intervention which is aimed less at harmonising institutions or legislation than at bringing into line ideas, visions, conceptions, knowledge and norms of action, so that policy goals converge towards «a common political vision of social protection in the European Union». But concrete targets have been also set for making the OMC an effective tool of policy-making. Already in 1999, just before the inception of the single currency, the Commission released a document in which it renewed the commitment of the European Union «to deepen the existing co-operation on the European level». Four main aims were proposed as crucial for the articulation of a concerted strategy: to promote social inclusion; to make work pay and provide secure income; to make pensions safe and pensions schemes sustainable; and to ensure high quality and financial viability of health care.

As regards the Luxembourg process, at the Lisbon Council of March 2000, all EU member states undertook the commitment to increase employment rates (as a ratio of the total employed population and the active working population between 15 and 64 years) to a minimum of 70 per cent by 2010. In the Stockholm Council of March 2001, a similar agreement was adopted regarding employment rates of the population between 55 and 64 years (to achieve at least 50 per cent by 2010).

Concerning the fight against poverty and social exclusion, the Nice Council of December 2000 formalised the launching of the process initiated at the Lisbon Summit. The Joint Inclusion Report in November 2001 aimed at enhancing the effectiveness and efficiency of member states' policies to promote social inclusion by stimulating the collaboration between policy-makers, social partners, NGOs, scientists and excluded people themselves. Subsequently, National Action Plans of Social Inclusion were adopted in all 15 member states for a 5-year period until the end of 2006. It remains to be seen whether the expected aims are fulfilled satisfactorily. In some European welfare regimes its impact during the first phase of implementation is undeniable, if only for the mobilization of actors and governmental bodies⁵¹.

This new form of European intervention remains «soft» and «nation-state friendly», both aspects facilitating the achievement of co-ordinated decisions between member states. However, from the territorial perspective the demarcation of internal responsibilities among the local, regional and central layers of governments constitutes a major challenge if claims for decentralisation and subsidiarity are to be accomplished. In European countries with a federal or regional structure, decentralisation of social assistance

⁵¹ Manos MATSAGANIS, Maurizio FERRERA, Luis CAPUCHA and Luis MORENO (2003) «Mending nets in the South. Anti-poverty policies in Greece, Italy, Portugal and Spain», *Social Policy and Administration*, 37 (6): 639-655.

and services has had much greater impact than privatisation in the last decades. Moreover, in some of them, central government can be regarded as the one playing a subsidiary role with respect to the regions in matters of social welfare, which remain as a primary responsibility of the mesogovernments. From the EU angle, a long-standing opposition remains between the primacies of the national versus the European loci of decision-making.

CONCLUDING REMARKS

Despite the political anti-climax brought about by the failure of the drafted 2005 European Constitution to be approved by EU member states, Europeanisation continues its process of system-building and all-round governance. As already stated, political developments, however, do not necessarily point towards a «command-and-control» European Social Model. The polycentric nature of Europeanisation and the compound structuring of intergovernmental governance do not point to the institutionalization of a centralized EU. Rather, Europeanisation confronts a gradual and necessarily «slow» process of accommodating cultural, historical and political diversity within the Old Continent while respecting the principles of democratic accountability and territorial subsidiarity. Consequential to their profound embedding in the development of the modern nation-state, European welfare systems face difficult dilemmas in the transition towards new multi-level configurations.

At present, a fully fledged articulation of social citizenship in the EU framework seems unrealistic, despite its desirability. However, national, regional and local governments can work together with EU institutions in multilateral agreements, allowing mutual collaborations in the three main stages of policy process (planning, decision making and monitoring). Frameworks of solidarity, such as those provided by state systems of social insurance, or increasingly those affected by European directives, will continue to play a crucial role. However, sensitive areas of citizens' concern, where more efficient policy provision is plausible by means of more effective development of community-orientated services, are increasingly important. Of particular relevance are those concerned with the weaving of «safety nets» to combat poverty and social exclusion, and with the development of social services for young children and for the frail elderly⁵². Such areas of social intervention appear suitable to be run by elected sub-state

⁵² Luis MORENO (2003), «Europeanisation, mesogovernments and safety nets», *European Journal of Political Research*, 42 (2): 185-199.

levels of government, which can be accountable for the implementation of means-tested programmes, and for purposes of optimizing economies of scale. In this manner, the re-launching of programmes of social citizenship may also be articulated from «below».