

Working Notes

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Contents

Editorial	2
Forced Migration: A Challenge for European Solidarity <i>Eugene Quinn and David Moriarty</i>	3
Unemployment and the European Union <i>Rory O'Farrell</i>	10
Elections 2014: A Turning Point for the European Social Model <i>Robin Hanan</i>	16
Interview with James K. Galbraith <i>Jean Merckaert and Solange de Coussemaker</i>	23
The Social Dimension of Europe: Withered on the Vine? <i>Denis Clerc</i>	27
Interview with Pat Cox, Former President of the European Parliament <i>Edmond Grace SJ</i>	31

Elections 2014: A Turning Point for the European Social Model

Robin Hanan

For many people, particularly those struggling to make ends meet, the European Parliament elections can seem very remote from the reality of their lives. It is tempting to either ignore the elections entirely or use them to make a statement about national politics or the personality of candidates.

This would be a mistake.

Over the life of the new parliament, the European Union and its Member States will face fundamental choices about what type of society and economy to build after the recession. These choices will affect everyone but, like the decisions taken during the recession and before, they will have the sharpest impact on people experiencing poverty, social exclusion and discrimination.

The Parliament

The European Parliament's importance in shaping the future of Europe comes not only from its enhanced powers (since the Lisbon Treaty, which entered into force in December 2009, the Parliament has almost equal powers with the Council of Ministers in most areas of legislation) but from the moral authority it holds as the voice of the people of Europe and as the most open and accountable of the triangle of institutions which drive the EU (Council, Commission and Parliament).

For this reason, the European Anti Poverty Network (EAPN) has been actively engaged in analysis and public debate concerning issues which it believes should be central to the new Parliament's concerns. The priority for EAPN is to encourage its members – made up of thousands of local, regional and national organisations representing and working with people affected by poverty – to engage with candidates and parties and to make sure that the eradication of poverty and the building of a more inclusive Europe are central issues in the campaign debates themselves, and in the Parliament that will emerge after the election.

The manifesto of the European Anti Poverty Network for the 2014 elections, *Electing Champions for a Social Europe*, focuses on three

issues which EAPN believes should be priorities for the new parliament:

- A Social Pact for a Social Europe;
- An effective EU Strategy to fight poverty; social exclusion, inequalities and discrimination
- Strengthened democracy and civil-society participation, including an annual hearing with people experiencing poverty in the European Parliament.¹

European Social Model

Over at least the past couple of decades, Europe's politicians, academics and commentators have agonised about the future of the 'European social model'. For people living in the EU, especially those affected by poverty, unemployment, discrimination and exclusion of one type or another, this debate is more than academic. It can mean the difference between living and existing.

The term 'European social model' is generally used to mean a commitment to social rights; redistributive mechanisms to compensate for the worst effects of inequality; universally available services such as education and health; a relatively high level of social protection, and partnership and rights in employment.

The term is often used to point up the contrast between the EU and its economic competitors such as the US, Japan or China which have developed models of competitiveness based on low costs and low taxes, with consequent low wages and low levels of services and welfare.

However, the European social model was always an aspiration, not a finished reality. On all of the social and employment measures, there was a vast difference between countries in Europe, mostly dating back to the 1930s and 1940s, before the EEC/EU was created.

The Nordic social models started as a conscious response to the great depression of the 1930s, while most European countries built their education, health and welfare systems out of the ashes of World War II. Expectations in the former

dictatorships of Southern Europe, from the 1970s, and Eastern Europe from the 1990s that contact with EU social democracies would save them from the worst ravages of US-led neoliberalism were understandable but largely unrealised.

The crisis in confidence in Europe's ability to deliver an effective and inclusive social policy is not new. While the EEC's founders clearly saw it as a political project, the Treaties built in an emphasis on integration of markets, production, and later financial services.



Candidates at EAPN Dublin constituency hustings, one of three held in the Irish EU constituencies. © EAPN Ireland

Despite the much greater reach of European competence in recent Treaty revisions, most areas of social policy, apart from those related to the workplace, are clearly outside 'EU competence'. Many Member States have resisted the involvement of their EU colleagues in what are sensitive issues to do with social welfare and public services. This is particularly true of the countries with the strongest welfare systems, who are afraid of 'harmonising downwards' and those with the weakest who are afraid of the costs of 'harmonising upwards'.

The current fundamental difference between the way the EU approaches economic policy and the way it deals with social policy is becoming harder to defend. Free movement of goods, people and, increasingly, services raises the danger that countries will be forced into a 'race to the bottom' in terms of employment, environmental and social standards and public spending in order to attract investment. This is compounded by the increasingly close alignment and European scrutiny of national budgets, particularly in the euro zone. This is not a new process – it dates back at least to the Maastricht Treaty of 1992. However, the 2012 Fiscal Compact, and policies in the 'six-pack'

agreement have increased this scrutiny. The impact of social and budgetary policy during the recession, both in Troika countries and beyond, has shown just how directly these policies affect people's lives.

The European social model of the next decade is unlikely to simply replicate welfare states of the past. It is vital, however, that we build from a set of recognised rights – including the right to an adequate income to enable full participation in society, quality services available to all, and quality employment backed up by progressive taxation and redistribution of wealth.

The May 2014 election will be the first opportunity to test public responses across the EU to the policies pursued during the recession. Social quality, services, income for the poorest and rights have generally been sacrificed in the interests of protecting those on higher incomes and in pursuit of a narrow model of competitiveness. Failure to ensure there is a strong social dimension to the concerns of the next European Parliament could lead to an even more divided Europe, with levels of poverty, unemployment, and exclusion rising.

Poverty in Europe

The latest European statistics show that in 2012 there were 125.5 million people across the EU 'at risk of poverty or social exclusion', meaning that they experienced at least one of the following – were 'at risk of poverty', defined as living on less than 60 per cent of median income of the particular Member State; were 'severely materially deprived'; or were 'living in households with very low work intensity'. The 2012 figure represented an increase of 10 million since 2009.

However, there are significant differences between the level of poverty in the EU as a whole and the situation in individual Member States. In 2012, while the overall rate of poverty and deprivation was 23.8 per cent, some countries had rates well in excess of 30 per cent (Bulgaria: 49 per cent; Romania: 42 per cent; Latvia: 37 per cent; Greece: 35 per cent) while others had rates below 20 per cent (Netherlands and the Czech Republic: both 15 per cent; Finland: 17 per cent; Sweden and Luxembourg: both 18 per cent).

Taking only the 'at risk of poverty' measure (that is having a disposable income below 60 per cent of median income) the 2012 data show that 17 per cent of the EU28 population experienced this type of poverty. Again, there were marked differences

between Member States, several having rates above 20 per cent (Greece and Romania: both 23 per cent; Spain: 22 per cent; Bulgaria and Croatia: both 21 per cent), while others had rates of between 10 and 13 per cent (Czech Republic and the Netherlands: both 10 per cent; Denmark, Slovakia and Finland: all 13 per cent).²

Furthermore, research confirms what we know from members in the EAPN: that, while there is a very great difference in incomes between, for example, Bulgaria and France, the cost of living is converging.

This implies that we need to address both relative poverty, which describes how excluded someone is from the society in which they live, and more absolute deprivation in the poorer Member States.

The growth in income poverty and other forms of deprivation in Europe in recent years reflects increased unemployment, growth in insecure, badly-paid employment, freezing or cutting of social security payments, worsening public services such as education, health and social care, and increasing problems in accessing housing that is affordable and of an adequate standard.

As far back as 2000, the Heads of Government of the European Union, meeting in Lisbon, declared that ‘poverty in the European Union is unacceptably high’ and agreed to include in the Lisbon Strategy a commitment to ‘make a decisive impact on the eradication of poverty by 2010’.

No matter how we measure it, whether in the relative terms favoured by most EU Member States or in more absolute terms, the achievement of this goal was not even approached. It was clear, even before the banking crisis of 2008, that this was the case and that the political will required to end, or even reduce, poverty was missing.

The 2010 strategy, *Europe 2020*, promised to reduce the numbers at risk of poverty by 20 million in ten years, but there are few policies or even sub-targets to make this happen.

A Social Pact for a Social Europe

We need therefore to set ambitious social objectives for the European Union and ensure that economic policies contribute to these social objectives.

In calling for a ‘social pact for a social Europe’ (in its Manifesto, *Electing Champions for a Social*

Europe), EAPN envisaged that this would involve:

- *Setting ambitious social objectives for the European Union and ensuring that economic policies contribute to these social objectives and that social rights are not subject to the follies of market freedoms.*
- *Safeguarding our social protection system independent of demographic changes.*
- *Bringing an end to the failed austerity policies with an approach based on solidarity between all the Member States.*
- *Giving priority to reducing inequality and poverty through ensuring tax justice and an end to tax havens.*
- *Supporting high universal quality social protection seen as an investment and an economic stabiliser fostering inclusive growth.*
- *Ensuring that the next revision of the European Treaties will allow for specific directives to achieve greater cooperation to protect and build high level social standards.*³

The Manifesto’s call for an end to ‘failed austerity policies’, which have been based on cutting spending on services and welfare, will have particularly resonance in Ireland.

A report by the European Parliament’s Committee on Economic and Monetary Affairs, published in February 2014, criticised aspects of the programmes implemented by the Troika – the European Central Bank (ECB), the European Commission (EC) and the International Monetary Fund (IMF) – in particular the exclusion of national parliaments from real decision-making in relation to Troika proposals, a lack of transparency and accountability and the adoption of a ‘one size fits all approach’.⁴

Given that two of the Troika members were European institutions (the ECB and EC), the lack of accountability to the European Parliament raises major questions about European governance. This issue will be just as important in the future, as new powers of fiscal governance embodied in the institutions of the European Monetary Union and the Fiscal Stability Treaty⁵ mean a requirement on EU Member States to submit their budgets to European scrutiny.

In fact, however, EU institutions are already required under Treaty provisions to take into account the promotion of social objectives. The Lisbon Treaty, in Article 9, states:

In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.

This legal requirement is also specifically referenced in the treaty sections which define the responsibilities of the European Central Bank, Economic and Monetary Union and the other economic powers of the Union.

This provision has not yet been effectively tested or utilised. Several European Parliament reports have called for its activation in areas such as economic and monetary union.

Ensuring an Adequate Minimum Income

One of the key pillars of the European social model is the commitment, in principle if not always in practice, to ensuring that everyone has the resources to participate fully in the society in which they live.

The EU needs a clear and effective strategy to achieve an upwards convergence in social standards and protection to counter the ‘race to the bottom’ in working conditions, taxation, and social spending which is a feature of globalisation.

To avoid being undercut, such social standards must be underpinned by binding European legislation; Member States which do not live up to these standards should be held as accountable as they currently are in other areas, such as trade and economic, fiscal and environmental policy.

Ensuring adequate minimum income schemes in all Member States is a cornerstone for such standards. They form the basis on which high-quality social protection schemes should be built, and serve as a benchmark for identifying adequate minimum wages.

Concretely, the immediate priority will be for the new European Parliament to champion the introduction of a Directive on Minimum Income.

The importance of *adequate* minimum income schemes is obvious: schemes that fall short of adequacy may reduce hunger and meet the most basic needs, but they trap people in ongoing poverty, leading ultimately to greater social, health and economic costs, and leaving people unable to

access opportunities to escape from poverty.

The European Commission has pointed out that well-designed, adequate and widely available income support systems are essential to supporting people to return to the labour market. The Commission report, *Employment and Social Developments in Europe 2013*, says that ‘all other things being equal, people receiving unemployment benefits have greater chances to take-up a job than non recipients’.⁶

Furthermore, welfare payments are spent almost exclusively in the local economy and are therefore one of the biggest economic stimuli available to governments. Evidence shows that EU Member States with good social welfare policies are among the most competitive and prosperous.⁷

EU Member States with good social welfare policies are among the most competitive and prosperous.

In 1992, the European Council adopted a Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems, acknowledging the right of every person to such support.⁸ Unfortunately, commitment to the implementation of this recommendation has been very limited.

However, over the past few years the issue has once more begun to gain the attention of EU authorities. In 2010, the European Parliament adopted a Resolution on the role of minimum income in combating poverty and promoting an inclusive society in Europe, and called on Member States to establish a minimum income threshold, based on relevant indicators. The Resolution stated that, to be adequate, minimum income schemes must provide at least the equivalent of 60 per cent of median income in the Member State concerned.⁹

In 2011, the Parliament adopted a further Resolution relating to the issue, calling on the Commission ‘to launch a consultation on the possibility of a legislative initiative concerning a sensible minimum income which will allow economic growth, prevent poverty and serve as a basis for people to live in dignity...’.¹⁰ The

Resolution also asked the Commission to help Member States share best practice in relation to minimum income levels.

In 2013, the European Commission, in a Communication on Social Investment (referred to as the ‘Social Investment Package’), adverted to the importance of adequate income schemes, saying: ‘The level should be high enough for a decent life and at the same time help people to be motivated and activated to work.’ The Commission stated its intention to monitor the adequacy of income supports in Member States, using for this purpose ‘reference budgets’ that will be developed jointly with members.¹¹

Two other EU institutions, the Committee of the Regions (in 2011) and the European Economic and Social Committee (in 2013) have each adopted an ‘Opinion’ backing the idea of a Framework Directive on Minimum Income.

In March 2014, Pervenche Berès, the Chairperson of the (outgoing) European Parliament’s Employment and Social Affairs Committee, expressed strong support for the idea of an EU Directive to ensure the progressive realisation of adequate minimum income schemes in every EU Member State. She described the possibility of such a Directive as ‘an exciting development that needs to be part of the discussions in the European Election campaigns and which should be brought quickly on the agenda of the newly elected Parliament.’¹²

Tackling Racism and Xenophobia

The May 2014 election may be remembered as the election where the ‘normalisation’ of xenophobia and racism in Europe is either deepened or reversed.

It is quite possible that parties opposed to the free movement of people across Europe, and prepared to discriminate against ethnic minorities and migrants in welfare, services and employment, could top the poll in several Member States in the election. Opinion polls show that parties of the far right may come first or second in the UK (UKIP), France (Front National), the Netherlands (Party for Freedom) and Denmark (DPP). This could pose a serious threat not only to the principle of free movement, which has contributed greatly to European prosperity and the rights of people to seek work, but to the very basis of the European social model.

There has always been an element of xenophobia and racism on the far right of European politics and in times of recession and increased competition for scarce jobs and resources there is the danger of this growing.

What is particularly worrying now, however, is not just the scale of support for far-right parties but the fact that their language and policies have become acceptable across a broader spectrum of politics.

It is interesting to recall that the entry of Jörg Haider’s Freedom Party into the Austrian Government in 2000 led to moves, however unsuccessful, by the rest of the EU to isolate Austria politically. The entry of similar right-wing parties to power in Hungary and Denmark in recent years has hardly been discussed.

An issue of particular concern is increasing discrimination against Roma and Sinti people, who have taken on the role of scapegoats for the recession and lack of jobs – a role ascribed also to asylum seekers and non-European immigrants. We have seen a growing marginalisation of Roma and Sinti people in terms of access to housing, employment, education and other services in Hungary, Romania, Bulgaria, Serbia, the Czech Republic and elsewhere, giving rise to increasing poverty and even destitution.

This in turn has led to increased migration, especially to Western Europe. But in the countries of destination, Roma and Sinti people often have few contacts or rights and they once again experience severe prejudice and discrimination. Attacks on Roma in France, Italy and many other Western European countries have been linked with a stoking up of fear of Eastern European migration generally.

One of the great challenges of the May 2014 election is for politicians of the centre to stand up to this fear and racism. Most are well aware of the benefits of migration to the people who migrate, to their host country and to Europe generally, but in the face of public and media claims that migration represents a threat to existing ways of life or to the sustainability of public services in host countries many politicians find it easier to let such assertions go unchallenged.

Trust and Relevance

There has long been concern about the ‘democratic deficit’ within the EU, and debate about how this

might be addressed. Meanwhile, however, this deficit has grown into a crisis of faith in political institutions and the ability of politics generally to bring about a better society. Opinion polls show trust in the European Union to be as low as 33 per cent and trust in national governments even lower, at 27 per cent.¹³ The big loser of the 2014 European Parliament elections could well be democracy itself.

The decline in trust can be attributed partly to the nature of the EU institutions, the complexity of their decision-making procedures and the reality of the compromises that have to be made to reach agreement. But it is also due to the inability or unwillingness of these institutions to acknowledge and address social issues of concern to people.

For many years, when the official European Commission opinion poll, *Eurobarometer*, sought the views of nationally representative samples of people in Member States regarding which issues the EU should give most attention to, poverty came top of the list, closely followed by unemployment – well ahead of the issues, such as ‘competitiveness’, ‘security’ or ‘terrorism’, which dominate the Council agendas.

More recently, ‘poverty’ has been removed from the list of options but unemployment now tops the list.

This points to a contradiction at the heart of the ‘European project’. The founders of the EEC and its predecessor, the European Coal and Steel Community, clearly saw their work as building a more peaceful and prosperous Europe after the disaster of two world wars. The instrument they chose was trade and later economic and fiscal integration, driven by free movement, first of goods and then of services, people and capital.

This was in clear contrast to the development since the nineteenth century of most democratic nation states, which attempted to integrate economic and social strategies and had a strong democratic element.

Social policy in the EU developed slowly because, as already noted, many Member States, for both good and bad reasons, were reluctant to allow ‘interference’ in their social policies by their neighbours. This may not be the view of all Member States, but it is strongly argued by a blocking minority led by those with the most developed and least developed social systems who,

for different reasons, fear harmonisation.

The reality of Europe today is one of growing levels of poverty, inequality and xenophobia, fuelled by the dominance in the EU and Member States of policies of competitiveness and austerity, rather than of cohesion and redistribution. In this context, democracy is in a fragile condition.

The next five years will be critical in terms of shaping a sustainable economic recovery and defending and promoting the comprehensive protection of social rights embodied in the concept of the European social model.

It is vitally important, then, that governments and opposition parties, as well as NGOs and other civil society organisations, should assert strongly that democratically elected representation is a vital part of the solution to the problems facing Europe and encourage not only active interest and engagement in the European Parliament elections but in what happens once the new Parliament begins its five years of work.

Notes

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