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**Friends, not Foes:  
European Integration and National Welfare States**

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### **Solidarity and Europe: a problematic relationship?**

According to a traditional Swedish saying, “Per Albin built the people’s home and Ingvar Kamprad furnished it”. Albin was the Social Democratic Prime Minister who led Sweden out of the economic depression of the early 1930s and initiated key social-welfare legislation. Kamprad is the founder of IKEA, the world famous maker of affordable furnishing products. The saying’s message is clear: high standards of living and “well-being” rest upon a generous and protective welfare state *and* on a thriving and efficient market economy. In the second half of the 20<sup>th</sup> century the Scandinavian countries have shown that such a virtuous combination is not only desirable, but also possible. Despite the turbulences of the 1990s, the Nordic “social model” is still a beacon for all those who care about social justice and economic growth in the era of globalization. But the thorny question is: how can the two be reconciled for those countries which had no Albin and no Kamprad – or did not have them in this order? And can the two be reconciled within the EU? The second question is thornier than the first one, for it presupposes an understanding of the “architectural” rationale and mission of the EU itself. Is the EU a new “home-in-the-making”? Or is it merely a “commons” amongst distinct national homes – a level playing field for economic transactions? And in this latter case how can we make sure that the logic of the commons goes hand in hand (or, as a minimum, does not clash) with the logic of the homes?

Such questions lie today at the heart of political debates all over Europe. And they rank at the top of the preoccupations of ordinary people. European citizens are keen supporters of both “solidarity” and “Europe”. But they perceive an increasingly problematic link between the two. A quick look at some recent opinion surveys<sup>1</sup> reveals that:

- Solidarity and welfare receive overwhelming mass support as social values and policy goals in all countries. 95% of respondents (EU15) think that “helping others” is very important and significant majorities consider “social security”, “equality”, and “the spirit of cooperation” as precious legacies of the 20th century.
- EU membership and European integration are also the object of widespread support in the vast majority of member states (EU25 average: 54%). Despite their “no” to the referendums on the Constitutional Treaty, in June 2005 51% of the French and 77% of the Dutch still thought that “EU membership is a good thing”.<sup>2</sup>
- Yet there are fears about the EU as well: more than half respondents (EU25 average) are afraid that European integration may lead to a loss of social benefits, while more than three quarters are anxious about job losses. The fear that rising numbers of immigrants may pose a threat to the domestic economy and cultural identities is also linked, in mass attitudes, to the integration process.
- Probably as a consequence of such fears, citizens tend to be very jealous of the decision-making prerogatives of their own governments in the core areas of social protection: about two thirds of Eurobarometer respondents declare that responsibility for “health care and social security” should remain firmly in the hands of national authorities, without interference from the EU.

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<sup>1</sup> European Commission (2001 and 2004a).

<sup>2</sup> The UK is the only member state where a plurality of respondents declares that EU membership is “a bad thing”.

These figures do confirm the existence of a tension, uneasiness in linking or reconciling “solidarity” with “Europe”. Both receive mass support, but only to the extent that they keep on separate tracks and that solidarity remains a national affair. This popular preference for separation rests on something deeper than a cognitive “quick fix” – on something which is neatly captured by the Swedish metaphor of the welfare state as the people’s home.

Social sharing builds on “closure”. It presupposes the existence of a clearly demarcated and cohesive community, whose members feel that they belong to the same whole and that they are linked by reciprocity ties vis-à-vis common risks and similar needs. Since the nineteenth century (in some countries since much earlier) the nation-state has provided the closure conditions for the development of sharing sentiments and practices within its own territory.

European integration, on the contrary, rests on “opening”: on weakening or tearing apart those spatial demarcations and closure practices that nation-states have built around themselves. Free movement, free (“undistorted”) competition, and non-discrimination have been the guiding principles of the integration process. This process has undeniably produced a novel social aggregate – the “Euro-polity” – whose individual members have become “equals” in respect of economic and (most) civic transactions. But the establishment of an enlarged level playing field in these spheres has not (yet?) fostered bonding dynamics among the new equals. Based as it is on the logic of economic opening, European integration is programmatically geared towards the expansion of individual options and choices, often challenging those closure conditions that sustain social solidarity. Therefore, it is quite understandable that ordinary citizens remain “nationalist” when asked about the latter and express a preference for keeping the EU away from this sphere.

The problem is, however, that the “separate tracks” solution – that is, the insulation of national social protection systems from the dynamic of economic integration and from supranational interference – ceased to be viable long ago. When the integration project was launched in the 1950s, behind the federalist discourse on an “ever closer union” and functional spillovers, the idea was precisely that the European Communities would concentrate on economic opening, while the member states would keep for themselves the sphere of solidarity and welfare. Since the 1980s, however, the division of labor has become increasingly untenable: advances in economic integration prompted the introduction of direct or indirect constraints also in the sphere of domestic sharing arrangements. The establishment of Economic and Monetary Union made such constraints very explicit in the course of the 1990s, giving rise to the mass fears that are revealed by opinion surveys.

The 2000s have witnessed a growing politicization of the “opening” issue and, in some countries more than in others, of the integration process as a whole. The most evident manifestation of this politicization has occurred in the spring of 2005, during the campaigns for the French and Dutch referendums, which rejected the Constitutional Treaty. Not surprisingly, questions regarding the social sharing dimension (who shares what, and how much? Is it appropriate for the EU to interfere in such decision? More crucially still, is the EU undermining national welfare arrangements and labour markets?) are playing a central role in this process, while national governments find themselves increasingly sandwiched between the growing constraints imposed by the EU on the one hand and the national basis of their political legitimacy on the other – a legitimacy which remains highly dependent on decisions in the social protection domain.

According to many commentators, the best strategy for coping with this situation is to sweep sensitive questions about the social implications of integration under the carpet, stick to the pre-Convention status quo (with minor institutional fixes, if absolutely necessary) and concentrate on what's really important for the future of Europe, i.e. economic reforms for competitiveness and growth.<sup>3</sup> Competitiveness and growth are fundamental objectives, no doubt. The fact is, however, that without providing some answers to the sensitive questions about their social implications, economic reforms are unlikely to make much progress – at both national and supranational levels. The French and Dutch examples show that large, pro-status quo coalitions (whatever the actual motives of their supporters) can rapidly emerge in domestic political markets. If it is true that solidarity and social cohesion rank so high in people's preferences and expectations and that the EU is increasingly perceived as a potential threat to such values, then it seems wise to openly address these perceptions and worries, identifying their objective roots and pondering about possible responses. The European Union is not likely to ever turn into a "people's home" in the thick, Swedish sense of the expression. But surely it can be made more "homey" than it is currently perceived by a growing number of its citizens. As a minimum, efforts are needed to persuade citizens that the large "commons" (the single market) which has emerged in their neighbourhood is not a negative threat for their homes, but a positive opportunity for all the inhabitants of the homes. As we shall argue below, this does not entail a watering down of the current agenda for economic reforms, welfare state modernization and more market liberalization. But it does require a delicate "nesting" of such agenda in a wider and more socially friendly institutional and discursive framework.

The next section will suggest a diagnosis of the objective, institutional roots of the current predicament.<sup>4</sup> The subsequent sections will discuss scenarios and proposals on how to possibly address it.

### Opening the People's home: gains and pains

Let us start with a bit of history and some general concepts. As is well known, the European welfare state was born in the last decades of the 19<sup>th</sup> century, through the establishment of compulsory public social insurance, a new innovative technique that allowed the pooling of risks among wide social collectivities and thus made redistribution towards the less fortunate enormously more efficient than all prior forms of social protection. Compulsory insurance rests on "closure" principles: it "locks" entire segments of the population (or the whole population, in certain cases) into redistributive schemes backed by the authority of the state, which impose obligations and confer entitlements to those who are "in", while rigorously keeping out all those who do not qualify, those who do not meet the requirements for admission. Compulsory insurance is a form of "bounding" that has both a social and a territorial component: it typically

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<sup>3</sup> The following quote is from an article of the *Financial Times* published prior to the Hampton Court European Council of October 2005 and well represents this point of view: "The EU has become a scapegoat for failures in national politics. It has as a result been weakened in its ability to do the things it must do: ensure trade and competition that force adjustment on companies and countries. If the summit were to agree that this is indeed the role of the EU, with the rest up to the member states, it would have achieved something not just important, but surprising" (*Financial Times*, October 20, p. 4). The negative tones with which the Anglophone press discusses the issue of "social models" is also epitomized by the title of a "Charlemagne" editorial appeared on the *Economist* on the issue of October 1-7, 2005: "Choose your poison" – the poisons being, precisely, national social models.

<sup>4</sup> For a more general and articulated formulation of the diagnosis, see Ferrera (2005).

envisages rules of affiliation linked to individual status (e.g. being an employee, an unemployed or an elderly person); such rules are binding in respect of a given territory, normally the entire national territory. Social protection schemes are thus “bounded spaces”, with a clearly defined membership and territorial scope. Boundaries and compulsory affiliation play a fundamental role in securing and stabilizing redistribution over time – especially “vertical” redistribution from stronger to weaker groups and individuals.

The period between the end of World War II and the oil crisis of the mid-1970s is known as the “golden age” of national welfare. In those three decades social insurance rapidly expanded its coverage and its generosity and started to offer widespread security (occasionally, even security *cum* comfort) to millions of “little people” – elderly people, poor people, disabled people etc. – whose life chances had traditionally been modest and haphazard.<sup>5</sup> Welfare state building was accompanied by an unprecedented political and ideological consensus on the role of the state in society and in the economy. This consensus was important not only for its distributive outcomes, but also for its bonding effects: it created strong solidarity bonds (horizontal and vertical) throughout the social structure, as well as strong political bonds between ordinary citizens and state elites, through the mediation of interest groups (especially trade unions) and mass parties. The expansion of welfare programs has consolidated distinct national “communities of trust”, it has contributed to anchoring democracy to society and to feeding a virtuous circle of economic modernization and growth, political legitimation and stability, social cohesion and solidarity.

During the *Trente Glorieuses* being a citizen entailed a wide range of civic, political and social rights; but the space of national citizenship was not easy to enter for outsiders and not easy to exit for insiders – at least on a permanent basis and with full access to rights. Vis-à-vis the exterior, citizenship operated as a filtering device, as an *instrument* of closure.<sup>6</sup> But, inside the boundaries, citizens were “captive” of their nation-states: they had guaranteed freedoms and entitlements, but also the corresponding set of obligations and constraints. Cross-national movements were indeed possible, but at the risk of suffering significant losses in terms of protections. This state of captivity did not affect only the sphere of citizenship. Thick boundaries existed in those decades around most of the other functional spheres of each nation (including the market), and most of these closures reinforced the welfare state. As national tax bases (including capital) and national consumers were “locked in”, the distributive and regulatory costs of the welfare state could be easily reflected in prices without jeopardizing the profitability of capitalist production.<sup>7</sup>

When it was launched in the 1950s, the project of European integration did not intend to challenge the institutional foundations of national social contracts. Quite to the contrary, the Founding Fathers and most of the relevant national elites conceived of European integration as a project capable of creating and sustaining a virtuous circle between *open* economies and outward-looking economic policies on the one hand and *closed* welfare states and inward looking social policy on the other<sup>8</sup>: according to Gilpin’s famous formulation, the maxim then was “Smith abroad, Keynes at home”.<sup>9</sup> The limited competences assigned by the Rome Treaty to the supranational level in the social policy sphere reflected the explicit objective of a division of

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<sup>5</sup> See Esping Andersen (1990).

<sup>6</sup> Brubaker (1992).

<sup>7</sup> See Scharpf (1999), Scharpf and Schmidt (2000).

<sup>8</sup> Milward (2000), which argues that in the 1950s and 1960s European integration “rescued” the nation states of Europe.

<sup>9</sup> See Gilpin (1987).

labour between national and EC rulers that was seen as virtuous for both the market and the welfare state; it also rested on an implicit *favor*, a positive orientation of the Founding Fathers vis-à-vis social protection, high labour standards and full employment objectives, whose national scope and closure pre-conditions were taken for granted and thus assumed as inherently non-problematic for a project essentially aimed at creating a customs union. European integration and the welfare state were to remain only “loosely coupled”: the EEC did not need to meddle in welfare issues, because these lied at the core of domestic agendas, buttressed by national political compromises and legal orders already well tuned in socially protective directions.

With the passing of time, however, the scope of the integration process has gradually widened and its momentum has accelerated. Cross-national boundaries have been extensively re-defined, differentiated, reduced or altogether cancelled in a growing number of policy fields. An internal market has been established, resting on the free circulation of goods, persons, capitals and services. A common currency has been introduced in the Euro-zone, accompanied by rather rigid constraints on domestic fiscal policies. A tightly monitored competition regime forbids national closure practices that are judged as market distortions by supranational authorities. Firms, capitals and more generally “tax bases” are no longer captive of the nation state, thus greatly altering the traditional economic context of redistributive arrangements and restricting the margins of manoeuvre for sectoral, occupational, and in general “social” cross-subsidizations within domestic labour markets.

European integration has moreover affected in a *direct* way the boundaries of national citizenship spaces and of the institutional core of the welfare state, i.e. compulsory social insurance. The traditional link between rights and territory has become much looser: for most civic and social rights, the filtering role of nationality has been neutralized. In the field of social insurance proper, a detailed set of rules has been established for coordinating social security regimes in case of cross-border movements, while EU competition rules have started to affect certain aspects of these regimes at the national level.<sup>10</sup> The exclusionary or discriminatory prerogatives of national governments vis-à-vis outsiders have been severely restricted and the very “sovereignty to bound” of the nation state in the social sphere has been put in question. Social insurance contributions and benefits have become portable across the Union; patients can seek medical treatment in any EU hospital; pension funds have been allowed not only to invest, but also to shop for clients and “sponsors” in all member states; the treatment of legal immigrants (including third country nationals) has been harmonized across the Union, envisaging access not only to social insurance, but to means-tested social assistance as well; and private (third pillar) insurance has been almost fully liberalized. The principles of compulsory membership and of public monopoly over social insurance schemes are still shielded from the EU competition regime, but only to the extent that certain conditions apply (e.g. the adoption of PAYGO financing).<sup>11</sup> With respect to the *Trente Glorieuses*, the institutional framework which is currently in force represents a true quantum leap in terms of “opening” for at least three reasons: 1) the extremely wide scope of coordination rules: both the material scope (i.e. the range of benefits and schemes covered by coordination rules) and its personal scope (i.e. the range of eligible groups and persons); 2) the “tighter coupling” between social protection and the internal market, which have become increasingly intertwined with each other; 3) the high degree of “juridification” of both the

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<sup>10</sup> See Leibfreid and Pierson (2000).

<sup>11</sup> These conditions have been specified by various ECJ rulings. There is no principle in the Treaties that explicitly shields public social insurance from competition law. See Ferrera (2005).

coordination and the competition regimes of the EU, a juridification emblematically represented by the powers of a supranational Court enjoying supremacy over domestic Courts. The sovereign "right to bound" is still there: but it is no longer an absolute right, subject as it is to the limits posed by the EU competition and coordination regimes – which specify the conditions under which it can be legitimately exercised – and by the judicial review of the European Court of Justice.

This opening of the "peoples' homes" on the side of the EU was well-meant and has brought enormous advantages. The single market project was elaborated in order to respond to the threats of stagnation and Euro-sclerosis, with a view to revamping "growth, competitiveness and employment". As underlined by Giddens, the EU GDP is now significantly larger than it would have been without enhanced market integration.<sup>12</sup> Liberalizations have made several goods and services more affordable to consumers (let us think of low-cost air fares), enhancing the range of options available to them; in certain areas (e.g. health and safety) market integration has also brought about more consumer protection and higher labour standards. In addition, the tighter coupling between economic integration and national systems of social protection has prompted several countries to undertake much needed distributive rationalizations: not all the cross-subsidizations mentioned above served genuine social justice objectives. More generally, the establishment of the EMU has encouraged a thorough re-examination of the financial bases of European welfare states, of the quantity and quality of their spending commitments and modes of financing, also in the light of endogenous transformations and challenges (most notably: demographic challenges). In other words: the deepening of integration has generated tangible benefits and beneficial "modernizing" spurs to national systems of social protection. During the last fifteen years, important and incisive reforms have already been introduced in most countries – a fact that is less acknowledged in public debates than it deserves.<sup>13</sup>

But "opening" has caused strains and problems too. Certain sectors, occupations, territorial areas, social groups have gained, others have lost: the opportunity structure of Europe's political economy has witnessed dramatic upheavals in the last twenty years.<sup>14</sup> Traditional social and political equilibriums that had formed around national redistributive arrangements have been de-stabilized. Sizeable segments of the electorate have matured growing feelings of insecurity: about jobs, social benefits, and generally intrusions from outside. In many countries there are clear symptoms of "euro-fatigue": for the sacrifices made to join EMU, on the one hand, but also for the gap between euro-expectations and euro-deliveries (regarding prices, growth, employment etc.) on the other hand. An interesting Eurobarometer survey on globalization reveals that 20% of respondents (EU15) consider their national economy as "too open" and 26% consider the European Union as "too liberal" – with peaks of 34% in France and Germany.<sup>15</sup> A more recent survey covering Germany, France, Spain, the UK and Poland shows that Europe has come to be perceived as a disappointment and even as a source of worry on the very grounds on which it traditionally based its "output legitimacy": 75% of respondents are convinced that the euro has caused a rise in prices, 30% (43% in France and in Poland) declare that EU membership has implied a decline in economic prosperity and 30% are convinced that EU membership makes no difference at all for prosperity.<sup>16</sup> Behind these numbers there is a heterogenous mix of socio-

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<sup>12</sup> Giddens (2005).

<sup>13</sup> See Ferrera and Hemerijck (2003), Hemerijck (2002 and 2005).

<sup>14</sup> See Bartolini (2005).

<sup>15</sup> European Commission (2004b).

<sup>16</sup> See TNS-SOFRES (2005).

economic profiles and ideological orientations. But such numbers cannot be ignored by those national and EU leaders who are currently in charge of Europe's policy agenda. However desirable from an economic point of view, a policy platform predominantly centered on "opening" risks to generate various forms of "political backlash", i.e. dynamics of defensive mobilizations around the status quo, increasingly framed in euro-skeptic terms and accompanied by anti-EU orientations. Are there ways of avoiding this scenario?

### **Casting Lisbon in a "social nest": a re-balancing act**

As was anticipated at the end of the first section, our proposal is that of "nesting" the economic reform and "modernization" objectives in a wider, more socially oriented discursive and institutional framework.<sup>17</sup> The deepening of market integration and the Lisbon goals on competitiveness, growth, labor market and welfare state modernization should remain, no doubt, fundamental priorities of the EU policy agenda. The "modernization" agenda can be further improved and fine-tuned in programmatic terms and definitely needs to be stepped up in terms of actual implementation, especially in the big continental countries of the euro-zone. But this agenda ought to be widened and enriched. In particular, it should become clearer that these economic objectives are prioritized not *per se* but as vehicles for social progress, i.e. as instruments for the expansion of the life chances of Europe's citizens and the consolidation of their "homes". The European social model(s) must become more market-compatible and even more competition-friendly: as mentioned above, if intelligently steered, reforms in this direction can bring about sizeable gains on both efficiency and equity grounds. But in its turn the EU must clarify and upgrade its social dimension and more openly reveal to its citizens its solidarity-friendly face.

As the "nesting" task is urgent, it must be undertaken with building blocks that are already available. These instruments are basically the following: fundamental rights, open policy coordination, and of course the Constitutional Treaty itself. If it is true that the latter is doomed to remain "frozen" in the short/medium term, nothing hampers far-sighted EU leaders from discreetly exploiting its discursive and institutional appeal while waiting for political conditions to be ripe again for a full ratification.

A bit of historical reconstruction might be useful, again, to articulate our argument. The issue of how to reconcile economic and social policy objective at the EU level is certainly not new. The idea of a 'social dimension of the internal market' made its appearance in the wake of the Single European Act. Some significant measures of positive integration started to be adopted towards the end of the 1980s, establishing common social standards in a number of spheres (health and safety at work, gender equality, contractual relationships, and so on).<sup>18</sup> In the second half of the 1990s the reconciliation issue appeared explicitly on the EU agenda and the turning point came with the Amsterdam Treaty of 1997. While remaining aloof from any suggestion of regulatory harmonization from above (let alone the promotion of supranational redistributive schemes), the new approach inaugurated with the Treaty on the European Union goes beyond the traditional mix of cohesion measures and the setting of minimum social standards. This approach was and is intended to embed national systems of social protection within a two-pronged institutional

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<sup>17</sup> On the concept and theory of "nesting" in institutional configurations see Aggarwal (1998).

<sup>18</sup> See Hine and Kassim (1998) and Rhodes (1998).

framework: fundamental social rights on the one hand and open policy coordination on the other. The first element is aimed at supplying a positive list of enumerated social freedoms and entitlements recognized and upheld by the EU legal order: the general but common content of EU citizenship in its social dimension. The second element (the open method of coordination or OMC) is aimed at supplying in its turn both a common set of routinized procedures and a common set of policy goals and targets capable of encouraging and supporting reforms at the domestic level while orienting such reforms in a convergent direction.

A catalogue of social rights recognized by the EU has been included within the Charter of Fundamental Rights, first proclaimed by the European Council at the Nice summit of 2000 and subsequently included as Part II of the Treaty Establishing a Constitution for Europe. To be sure, the rights listed under Title IV (devoted to 'Solidarity') of the Charter are nothing new in respect of what already exists in the member states.<sup>19</sup> Moreover, in strictly legal terms the recognition of such rights in the new Treaty has not made them directly enforceable rights; rather, they have the status of 'programmatically principles' or 'aspirational rights', and are thus endowed with a much lesser binding character than other civic or political rights such as free movement or non-discrimination.<sup>20</sup> Despite these limitations, the codification and (future) constitutionalization of something akin a bill of (social) rights must be regarded as a very significant innovation<sup>21</sup>, which could promote a normative and symbolic re-balancing of the Union's overall mission and thus might prompt a gradual redress of the traditional asymmetry between the economic and social dimensions of integration. How could this re-balancing actually unfold? Initially, through jurisprudence. In fact, the codification of fundamental rights offers to the European Court of Justice a novel "anchor" for (re)orienting its rulings in a more socially oriented direction. In the past on several occasions the ECJ has already played an important role in upholding social sharing objectives – sometimes by confirming the legitimacy of closure (e.g. as regards compulsory affiliation to social insurance), sometimes by confirming the legitimacy of opening (e.g. as regards non discrimination of immigrants within social protection). The constitutionalization of a bill of rights will allow the Court to exercise this function in a more consistent, firm and continuous way. In the longer run, this constitutionalization could contribute to gradually shifting the centre of gravity of the EU political production towards some middle point between the safeguard of "freedoms" and the stabilisation of "entitlements" – the two sides of life chances in the European tradition.

The second prong of the new institutional framework is the open method of coordination (OMC), a new instrument of multi-level governance in the social policy sphere, initially inaugurated in

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<sup>19</sup> The list includes: workers' right to information and consultation within the undertaking (art. 27); right of collective bargaining and action (art. 28); right of access to placement services (art. 29); protection in the event of unjustified dismissal (art. 30); fair and just working conditions (art. 31); prohibition of child labour and protection of young people at work (art. 32); protection of family and professional life (art. 33); rights to social security and assistance (art. 34); right to health care (art. 35); right of access to services of general economic interest (art. 36); right to environmental protection (art. 37) and to consumer protection (art. 38).

<sup>20</sup> The Treaty establishing a Constitution for Europe signed in Rome on 29 October 2004 treats most of the social provisions of the Charter of Fundamental Rights as 'principles'. In art. II-112.5 it specifies that 'The provisions of the Charter which contain principles *may* be implemented by legislative and executive acts taken by institutions, bodies, offices and agencies of the Union, and by acts of Member States when they are implementing Union law, in the exercise of their respective powers. *They shall be judicially cognizable only in the interpretation of such acts and in the ruling on their legality*' (emphasis added). This article (and in particular the emphasized passages) confers on social rights a weaker binding character, subject to the mediation of other law-making bodies.

<sup>21</sup> Some have said 'spectacular': Ziller (2003).

the field of labour policy with the European Employment Strategy (EES) in 1997.<sup>22</sup> In the context of the Lisbon strategy launched in 2000, the OMC has been subsequently extended to the field of social inclusion (2001), pensions (2003), and more recently health care. From our perspective, the OMC is promising both from a procedural as well as from a substantive point of view. Procedurally, the OMC is centred on the following steps: (a) the setting of broad objectives and guidelines for each sector of intervention; (b) the translation of these objectives into national action plans periodically prepared by member state governments; (c) the monitoring and evaluation of such plans through peer review and benchmarking exercises; and (d) a comparative assessment (with the possibility of issuing recommendations, in the case of employment policies) performed jointly by the Commission and the Council, feeding back into the first step at each subsequent round. From a substantive point of view, the OMC specifies for each sector the priorities for action with a view to orienting the content and direction of policy change. The substantive priorities for employment, social inclusion, pensions, and health care are set out in Table 1.<sup>23</sup> While a few of these priorities reflect the economic and financial preoccupations typical of EMU discourse, most of them do speak a different language. This is particularly the case with the social inclusion objectives. As noted by Mary Daly, in the social inclusion process 'there is a vision of the good society . . . one where people have access to a range of social goods, where family solidarity prevails, where life is not blighted by life crises and where, politically, all relevant bodies (and especially those experiencing poverty and social exclusion) are mobilised. Hence the community is seen as political community'.<sup>24</sup> Though primarily considered a procedural innovation, the OMC does have an important substantive dimension. Its "homey" symbolic and policy agenda can work in the same re-balancing direction as the Charter of Fundamental Rights.

Based on the experience of the last five years, several doubts have emerged in the debate about the adequacy of fundamental rights and the various OMC processes as counterweights to "the temple of competition".<sup>25</sup> It may be true that looked at from a "perfectionist" angle, the social dimension of EU citizenship remains conspicuously "thin", even in the wake of an eventual defrosting and future ratification of the Constitutional Treaty. But perfectionism is seldom an appropriate yardstick for assessing the nature and prospects of a new institution. Through an intelligent political steering, the institutional configuration outlined by the Constitutional Treaty might incrementally originate several virtuous developments, for example exploiting the interaction between – precisely – fundamental rights and the OMC. Such interaction may in fact trigger two parallel trends: (a) a gradual 'hardening' of the OMC objectives which, through the mediation of fundamental rights and ECJ jurisprudence, may acquire a more binding character vis-à-vis domestic policy environments and choices; and (b) the establishment of systematic procedures for the actual implementation and monitoring of fundamental rights at the domestic level through the mediation of the employment, social inclusion, and (to a lesser extent) the pension and health care processes.<sup>26</sup>

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<sup>22</sup> See Ferrera, Hemerijck, and Rhodes (2000); De la Porte, Pochet and Room (2001); Rodrigues (2001); Zeitlin and Pochet, (2005).

<sup>23</sup> A re-definition of these objectives is expected to take place in 2006. See European Commission (2005a).

<sup>24</sup> See Daly (2004).

<sup>25</sup> See the discussion in Tsoukalis (2005).

<sup>26</sup> See Sciarra (2004) and Smismans (2004). An embryonic development in this direction is likely to unfold in the field of non-discrimination rights of disabled people: the OMC employment might become the instrument for monitoring the actual compliance with such rights within national labour markets and active employment policies. See EMCO (2005).

Table 1. *The employment, social inclusion, pension, and health care 'processes': main substantive objectives*

<p><i>Employment: overarching objectives</i></p> <ul style="list-style-type: none"> <li>• full employment</li> <li>• quality and productivity at work</li> <li>• social cohesion and inclusion.</li> </ul>
<p><i>Social inclusion: common objectives</i></p> <ul style="list-style-type: none"> <li>• to facilitate participation in employment and access by all to the resources, rights, goods and services</li> <li>• to prevent the risks of exclusion</li> <li>• to help the most vulnerable</li> <li>• to mobilise all relevant bodies</li> </ul>
<p><i>Pensions: common objectives (broad headings)</i></p> <ul style="list-style-type: none"> <li>• safeguarding the capacity of systems to meet their social objectives (adequacy)</li> <li>• maintaining their financial sustainability</li> <li>• meeting changing social needs (modernization)</li> </ul>
<p><i>Health care and care for the elderly: long term objectives</i></p> <ul style="list-style-type: none"> <li>• accessibility</li> <li>• quality</li> <li>• financial viability</li> </ul>

The first testing ground for both developments could be the sphere of social inclusion and in particular the 'right to sufficient resources', which features explicitly in the catalogue of fundamental rights and is at least indirectly evoked by the broad objectives of the social inclusion process. As is known, the establishment of a common guarantee of sufficient resources appeared on the EU agenda in the early 1990s.<sup>27</sup> The Commission's proposal was blocked but has since remained part of policy and academic debates.<sup>28</sup> If the narrow path resting on fundamental rights and the OMC remains open or possibly gets wider, then the adoption of an EU minimum income guarantee for 'the most vulnerable' might be its first tangible institutional step. Such a move might also find adequate support from public opinion. We said in the first section that ordinary citizens are jealous of the decision-making prerogatives of their national governments in the core sectors of social protection. But, according to the Eurobarometer, in the field of poverty and social exclusion a majority of 62 per cent would indeed favour joint national-EU decision making.<sup>29</sup>

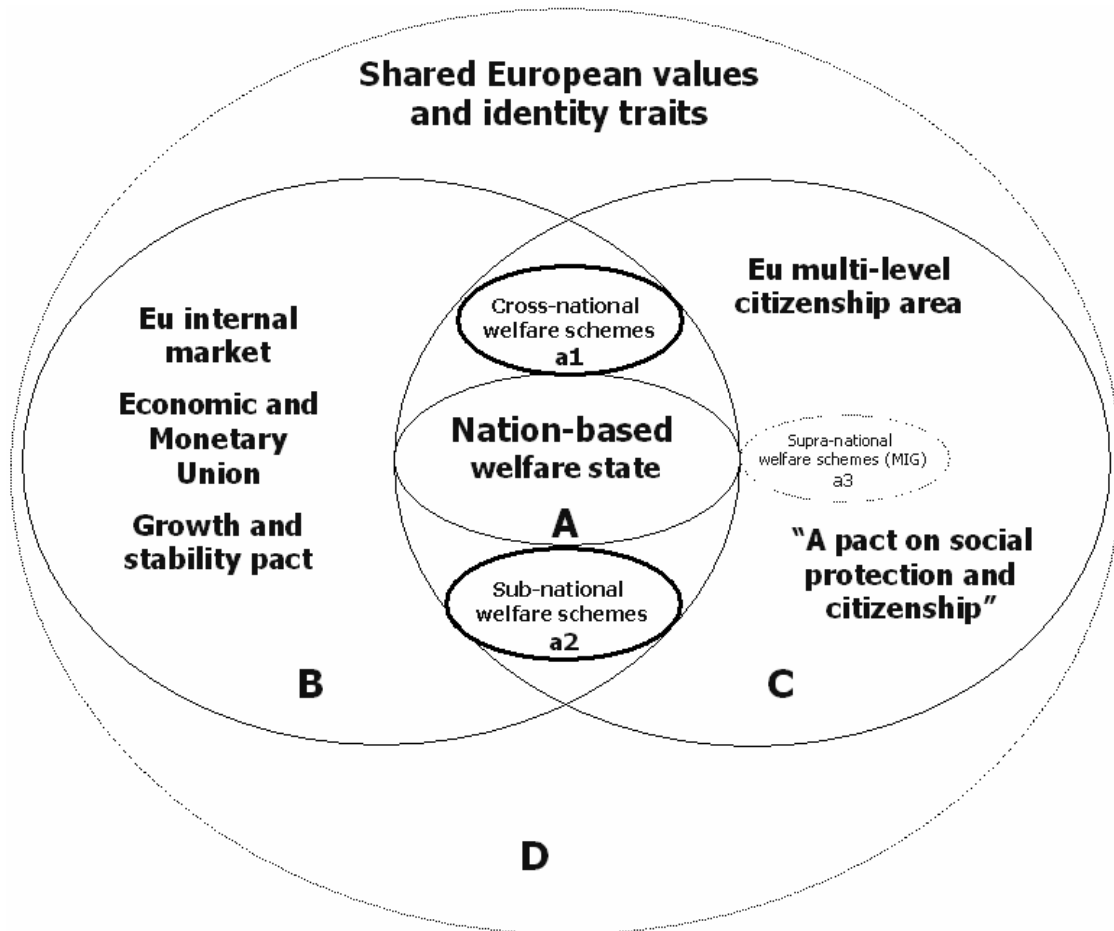
Fundamental rights, the OMC and its "processes" (in particular: the social inclusion process) and the Constitutional Treaty are thus the most obvious and readily available building blocks that can be used in order to embed the "competitiveness and growth" agenda in a more socially friendly symbolic and institutional framework. Is there a direct and explicit way for visualising the overall configuration that would originate from such "nesting" project? Can a map be drawn that could serve as reference point for policy makers and the wider public? An attempt at drawing such a map is shown in figure 1.

<sup>27</sup> See Ferrera, Matsaganis, and Sacchi (2002).

<sup>28</sup> See for example, Boeri and Bruecker (2001) and Schmitter and Bauer (2001).

<sup>29</sup> Only in Denmark and Sweden do slight majorities prefer exclusively national decision-making. See European Commission (2001)

Figure 1. Nesting the nation-based welfare state within the EU architecture



At the centre of the figure we find the national welfare state (space A): a reformed and “modernized” welfare state, possibly reconfigured in a decentralized fashion and complemented by a number of novel trans-national forms of sharing, such as cross-border pension funds covering certain occupational groups, trans-frontier health care or labour market programmes, and so on. Each national welfare state is nested, however, within two wider and common regulatory spaces. Space B is already in place: it is the single market, resting on free-movement provisions and competition rules – and, in the EMU countries, on a common currency, a common monetary policy, and common budgetary rules. Space C is the novelty and can be called the emerging “EU multi-level citizenship space”, resting on a common (and adequately “hardened”) catalogue of fundamental civic, political, and social rights – including, if it should prove feasible in the future, an EU “guarantee to sufficient resources”, possibly funded directly by the EU budget.<sup>30</sup> As regards social rights, it should be made clear that the new regulatory space C would *not* force a top-down harmonization of domestic social citizenship regimes. Its function would be twofold: a) it should explicitly and officially affirm that the European Union recognizes and

<sup>30</sup> Space C also includes a “Pact for social protection and citizenship” as a possible counterweight to the Pact on Growth and Stability: see below. The Social agenda 2005-2010 does mention initiatives in the poverty field and on minimum income schemes in particular: see European Commission (2005b).

respects citizens' entitlements to protection against social risks; 2) it should establish general principles about the tasks of EC law and the tasks of national legal orders as regards the actual content and implementation of such entitlements. To a large extent, these two functions are already adumbrated in art. 34, Title IV of the Nice Charter.<sup>31</sup> It really is a pity that during the Constitutional debate national publics have not been given a chance to grasp the highly innovative character of this article – both as a protective shield for national social protection institutions vis-à-vis the pressure of “negative integration” and as a spur for more socially friendly jurisprudence and legislation on the side of the EU.

Space C also includes the various OMC processes, in both their substantive and governance dimensions. Space B and space C overlap underneath space A. This overlap is meant to signal two facts: first, some civic rights (typically the four freedoms) by their nature belong to both spaces; second, the economic and budgetary policies of space B are (or ought to be) programmatically linked to the social policies of space C.

There may be other, more sophisticated forms of visualizing the overall institutional framework needed for overcoming the current predicament of the national welfare state and for countering the “political backlash” scenario outlined at the end of the last section. The purpose of the figure is purely illustrative. What matters are the two important messages that the figure intends to convey:

- 1) the “people’s home” – i.e. the nation-based welfare states – should remain/be placed at the centre of the institutional architecture of the EU. The centrality of nation-based welfare provision is not only a “side-payment” that has to be paid in order to avoid political backlash in the wake of increased market integration. National welfare states serve essential integrative functions within European polities and societies. An adequate level of social integration is a pre-requisite for a thriving market performance.
- 2) a new regulatory space should be developed, with a view to programmatically link the “competitiveness and growth” agenda with a parallel agenda, centred on the expansion and fair distribution of life chances for all EU citizens. Life chances are not only a matter of (market) “options”, but are also a matter of “ligatures”, of normative and social bonds that tie individuals and social groups to one another.<sup>32</sup> Life chances rest on a delicate (and dynamic) balance of “opening” and “closure”, a balance that needs constant institutional “gardening”.

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<sup>31</sup> “The Union recognizes and respect the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accident, dependency and old age, and in the case of loss of employment, in accordance to the rules laid down by Community law and national laws and practices” (art. 34, para. 1).

<sup>32</sup> See Dahrendorf (1975).

The figure includes a third, outer (and thinner) circle: a socio-cultural space consisting of a (limited) “core” of values, symbols, and identity traits shared by all EU citizens. This space should underpin the other three spaces and provide a basic reservoir of systemic loyalty for the functioning of the whole Euro-polity and the strengthening of its legitimacy. The formation of such a space is inherently difficult and problematic, given the robustness of state-national cultural and institutional legacies. But loyalty building is a process, which – to the extent that it actually happens – rests on the build-up of incremental changes: in particular the gradual increase in the mutual relevance and mutual trust among the various European nationalities, in the wake of denser transactions and contacts.<sup>33</sup> Generational replacement is likely to accelerate such process. If we look for them we do find some empirical signs that already point in this direction. For example, a Eurobarometer survey of 1999 asked respondents the following question: “Is there a European cultural identity shared by all Europeans?”.<sup>34</sup> On average (EU 15), 49 per cent of respondents answered negatively and only 38 per cent answered positively. But, interestingly, the percentage of agreement was higher among educated and especially among young people. The young are also much more likely to feel “national and European” than the average population. This suggests that generational replacement may indeed work in favour of greater “we-feelingness”. It must also be noted that a 38 per cent agreement is not negligible at all. There seems to be, in other words, a sizeable “capital” on which to build.

### **Urgently needed: political leadership and action.**

National leaders (including center-left leaders) have so far manifested little interest in Social Europe. They have tended to treat social policies as a preserve of domestic sovereignty, largely detached or detachable from the dynamics of European integration. They have behaved, in other words, as if the original “division of labour” between the supranational and the national levels was still in place. The political earthquakes that took place in France and the Netherlands in the Spring of 2005 should however have alerted them that “loose coupling” is no longer viable and that some explicit compromise must be found at the highest political level, with a view to reconciling within the EU institutional framework the reasons and “logics” of the two prime drivers of progress in the European tradition, i.e. the marketplace and the welfare state. Once again, like in the 1950s, the integration project must be (re)cast with a view to rescuing the financial and institutional foundations of the national social models, in the face of changed internal and external transformations.

As argued above, the obvious springboards for such re-casting are the instruments that are already available, and in particular the “open coordination” processes in the field of social protection and social inclusion.

The existing EU agenda offers a unique opportunity for catching up. In the wake of decisions taken during the 2005 Spring European Council, a new departure is now envisaged for “open coordination” in the fields of social protection and social inclusion. The Commission has already issued a Communication outlining a reformed and “streamlined” institutional framework for this

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<sup>33</sup> See Delhey (2004).

<sup>34</sup> European Commission (2001)

new departure.<sup>35</sup> European leaders thus have an immediate chance for making the caring side of Lisbon more visible and more vigorous.

At the national level, this could be achieved by turning the preparation of the various National Action Plans into a serious occasion for elaborating and discussing domestic strategies for reconciling competitiveness and cohesion, the market and the welfare state (a modernized welfare state) in the framework of the broad objectives jointly defined at the supranational level. The strongest criticism against the OMC has been so far its low political salience within domestic policy systems and public spheres, the lack of involvement of national Parliaments and key stakeholder groups. Recent research has indicated that the actual picture is perhaps less gloomy than generally perceived: a growing mobilization of social actors is indeed taking place around both the employment and the social inclusion process. But more efforts must be made in this direction, through the deployment of appropriate procedural and possibly financial incentives.

At the EU level, national leaders could give a strong and visible political signal about the importance of the social dimension: for example, by issuing a joint official statement or declaration (which might take the symbolic form of a “Pact on Social Protection and Citizenship”: see figure 1 above) supporting the re-launch of open policy coordination in the field of social protection and especially social inclusion. The latter is indeed the “process” that has the highest legitimizing potential for the EU. A specific mandate for reconciling the economic and social sides of the Lisbon strategy and making concrete proposals (on procedures and substance: e.g. improved benchmarking and more tangible, financial incentives) could be given to the newly established committee of “Ministers for Lisbon”.

Such a political signal would be decisive: precisely because its symbolic and policy potential has not been adequately exploited so far, the OMC may soon be condemned to evaporation and oblivion. There are no other instruments at hand in the short and medium run to respond, politically, to the “anti-opening” (anti-market, anti-capitalist, anti-immigrants, anti-enlargements etc.) tide which is rapidly surging in many member states. Revamping the “caring” dimension of Europe through an instrument such as the OMC may itself prove inadequate or insufficient. After all, Social Europe already has an *acquis* of hard law, which needs to be fine-tuned and further developed. But now we need a swift political move: the reform of soft coordination in the fields of social protection and social inclusion has the advantage of being already on the agenda – and is a flexible and promising instrument, which deserves to be given it a real chance.

Let us conclude with a final remark, less centred on current political conjunctures and deadlines than on the *longue durée* of the integration project. At the beginning of this chapter we said that the early steps of supranational integration were accompanied by an ambitious discourse about an “ever closer union” of a quasi-federal type between six relatively homogeneous founding member states. But de facto the project was that of “rescuing the nation-state” after the catastrophes of two wars. The expansion of domestic social protection systems (the national social models) was made possible by the dividends of economic growth – an exceptionally rapid growth triggered and sustained by market integration and intensifying cross-border trade flow. Fifty years on, we have to wonder whether the original project should not be turned on its head. If the diagnosis of this analysis is correct, it may in fact be wise to tone down explicit federal ambitions and recast European integration as a project explicitly aimed at rescuing what has in

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<sup>35</sup> European Commission (2005a).

the meantime become a core ingredient of the nation-state itself, namely the social protection systems. In this perspective, the common and coordinated policies of the EU (especially space B of figure 1) should be calibrated and publicly justified as the most effective instruments for sustaining and fostering these (modernized) systems, through more efficient and more integrated markets, higher growth and employment levels. The “ever closer union” may still come by, with its own slow pace and possibly a variable geometry: but it would come by a silent and non-intrusive by-product of this new and critical rescue operation.

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