

A Trojan Horse For Social Europe

Ronald Janssen, *Social Europe Journal*, 17/10/2013

Conservatives and business are usually rather good in turning progressive concepts around into their policy priorities of deregulation and privatisation. However, with the recently published Commission communication on the social dimension of monetary union, they have outperformed themselves. Here's why.

Behind social language.....

At first glance, the communication does say the right things. It acknowledges that the system of European economic governance has been strengthened but that the "work is not yet complete" and that "developing the social dimension is an essential part of this process". It continues by defining the social dimension of EMU as "the ability of economic governance mechanisms to identify, take into account and address problematic developments and challenges related to employment and social policies".

The latter quote indeed goes to the heart of the problem. Over the past few years, Europe has rapidly built a powerful system of 'economic governance' with economic regulations such as the 'six pack' and the 'two pack', a new Stability Treaty and, last but not least, direct interventions from the Troika in financially distressed countries.

This system of economic governance functions as a sort of bulldozer sweeping away all social institutions, in particular wage formation and collective bargaining mechanisms. The key challenge is therefore to rebalance this process and put limits to the powers and interventions of economic governance by seriously strengthening the social pillar of Europe.

...hides the ugly face of Economic Governance

However, a closer reading of the communication reveals that the Commission's text is ambiguous. Every paragraph containing 'social' language is systematically accompanied by ideas and wording taken directly from economic governance's conceptual framework.

It starts when the catastrophic figures on unemployment and social exclusion are being quoted. We have over 26 million unemployed in Europe and poverty is on the rise but still the communication manages to argue that "progress has been made". The following sentence makes it clear exactly what the Commission means when it talks about 'progress': 'Progress' is "the reinforcement of the EU's economic governance".

In other words, while austerity and deregulation have unleashed a social disaster upon major parts of Europe, the Commission in its social dimension communication rejoices in the fact that the system of economic governance – a system which has even stricter austerity and tougher deregulation at its heart and is therefore likely to cause even more social disaster – has been strengthened! This is a major contradiction and a point of view that is out of place in a communication from the Commission's social directorate.

Things get even worse when the Commission – in the communication's conclusions – bluntly states that "a well functioning monetary union requires flexible markets". This statement defies all imagination. In several member states, trade unions and workers are now being confronted with a European system of economic governance questioning key workers' rights such as the right to collective bargaining, the right to a decent wage, and the right to a stable job. Interventions even go as far as cutting minimum wages and allowing bogus trade unions to undermine collective bargaining by representative social partners. And what is the Commission's social communication reply? That markets, and this includes the labour market as well, have to be flexible! One cannot avoid the impression that now the entire Commission has simply given up on workers' rights and that, in answering the question whether to save the single currency or workers' rights, has chosen the former.

Reviving political support for Competitiveness Contracts

A 'Machiavelli' reply to the analysis above is to say that if some lip service in favour of flexible labour markets is necessary to obtain action in the social field and get a social indicator scoreboard, then so be it.

However, the social dimension communication does not merely limit itself to paying this sort of lip service. It also intends to strengthen the system of economic governance even further by digging up former proposals of an “ex ante coordination of major structural reforms” and a “Convergence and Competitiveness instrument”. These concepts were already launched more than a year ago by the three European presidents (of the Council, the ECB and the Commission). They are basically about extending the structural adjustment programs that have been imposed on the Troika countries, to the rest of Europe. In these proposals, individual member states would sign binding contracts with the Commission by which the member state accepts to implement those structural reforms the Commission and the Council formulate each year in the European Semester’s country specific recommendations. In practice, these country specific recommendations can be about freezing minimum wages, decentralising collective bargaining systems or cutting job protection. In return for signing such a contract and implementing these reforms, the Commission would grant additional financial support to the member state.

In the wording of the social dimension communication, such a construction “mirrors the principle of combining more responsibility with more solidarity”. In plain language, however, this is about abusing European integration and the European budget to push forward the neoliberal model of unfettered markets. Member states pursuing this model and trampling over workers’ rights and their wages get additional financial support. Those who, resist such social deregulation get nothing and are left on their own.

The perversity of this construction should be stressed. It implies that member states, through European budgets, finance the promotion of deregulatory reform in other member states. These same reforms then increase competitive downwards pressure on the wages and working conditions of other member states, including those that have provided the finance to promote all of this.

Thus far, member states in the European Council have refused these proposals, partly because they do not want to transfer even more competence on economic and social matters to the Commission. And with financial turmoil on hold because of the ECB’s promise ‘to do anything it takes’, market pressure on member states to engage in all sorts of constructions in the hope of gaining market credibility has also abated, at least for the moment. It would therefore be highly cynical if, in the name of the social dimension, these competitiveness contracts were to re appear on the discussion table of the European Council and be approved.

A too high price to be paid for a discussion on a European unemployment benefit system

Finally, what about the idea of a European unemployment benefit system? The communication presents things as if these ‘competitiveness contracts’ are a first initial step leading, in the long run, to a common fiscal capacity, in other words to a European unemployment benefit system.

In other words, ‘competitiveness contracts’ can be seen as the price to be paid to launch the idea of a European unemployment benefit system. This, however, is an expensive price to pay. Indeed, the discussion on this European unemployment benefit system is organised in such a way that it is actually a nonstarter. Indeed, besides referring to the ‘long term’, the social dimension Communication makes it perfectly clear that Europe has no competence on these matters and that therefore a (inconceivable) Treaty change is required.

Conclusion

In the media, the social dimension Communication is presented as a way to put social concerns at the heart of economic governance. However, a closer analysis reveals that the usual agenda of unfettered (labour) markets, including policy proposals to develop even more economic instruments to push through this flexibility agenda, is what’s really hiding behind it. It’s even as if major parts of this Communication have actually been written by DG ECFIN and not by DG Employment and Social Affairs. Rebalancing the economic pillar of Europe with a social dimension is urgent and necessary but, apart from proposing a social indicator scoreboard to be used for analytical purposes mainly, the social dimension Communication unfortunately fails to do so.