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The European Social Model Adrift

Europe, Social Cohesion and the Economic Crisis

Edited by **Serena Romano** • **Gabriella Punziano**

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Chapter 1

Introduction: The Remains of the European Social Contract

Serena Romano and Gabriella Punziano

The origin of the term 'crisis' has its roots in ancient Greece, where the word 'κρίνω' was mainly used to indicate the act of *separating*, *discerning* or, in a figurative sense, the overall process of *deciding*. Quite ironically, and perhaps unintentionally, the use we make today of the word 'crisis' has much more in common with its Greek original meanings than one might expect. Crises are often understood as turning points, even watersheds, produced by important transformations in politics, economics and society, and thus marking a profound shift, or separation, from one era to another. At the same time, crises are generally only overcome by means of important *decisions* concerning what is the best strategy to adopt in a given critical circumstance.

There is no doubt that the Global Recession that hit Europe in 2008 was a crisis. It marked the end of the prevailing blind faith in financial markets, the beginning of a new age of 'permanent austerity' (Pierson, 2002) in most advanced economies and possibly, as this book intends to discuss, the ultimate disruption of the past European inclusive model of social cohesion and solidarity. It also required a great deal of effort on the part of those involved in the decision-making process, especially, although not exclusively, in those countries where the initial global financial crunch was followed by a profound sovereign debt crisis that, in some cases, could only be surmounted with the help of international loans and commitment to strict austerity measures. It goes without saying that the scope of fiscal pressure exerted upon some European countries dealing with bail-out requirements only added to the challenging times Europe has undergone over the last six years. The combination of growth and social cohesion became increasingly demanding and required momentous political decisions. Six years since the international crisis hit Europe, the present book intends to contribute to the discussion over the 'status' of the European Social Model and its transformation – if not complete erosion.

Far from being exhausted, the debate around the social impact of the crisis is gaining new momentum. The news just emerging that austerity measures introduced in Greece have produced 'a violation of human rights' (FIDH/HLHR, 2014) demonstrates how timely and significant the topic of this book is.

This volume was initially conceived with a central objective in mind. The main purpose in collecting material concerning social cohesion and Europe in

the aftermath of the 2007–2008 crisis was to re-open the debate on an alleged European version of social solidarity (or a European social contract) and to answer the following question: is the European model of social cohesion really 'dead'? And, if this is the case, what is the role of the economic crisis? As a consequence, a predominant objective in our work is to look at the main dynamics of change that affect social cohesion vis-à-vis the most recent transformations which have occurred in Europe, first and foremost the economic crisis and its most direct consequences (austerity programmes, among others), and to discuss whether, and to what extent, social cohesion still represents a common feature of European countries or not, if indeed it ever has.

In this book social cohesion will be discussed from different perspectives but with a special emphasis on the current role of *social solidarity* and *social protection* in the light of ongoing austerity measures introduced in most European countries.

Nevertheless, this work is not intended as a comprehensive analysis of social protection reforms during the economic crisis. We have rather endeavoured to provide a multidisciplinary background in order to explore the most topical issues regarding social cohesion and social protection in Europe and their main dynamics of change.

Therefore, in this volume we have attempted to answer a number of topical questions, such as: what happened to the European Social Model? Is the European archetype of social cohesion in danger? Is it being fragmented or is it being revamped? What are the implications of the most recent events/transformations for social cohesion, social inclusion and inequality? Can one still refer to a distinctive European typology of social cohesion? How have EU countries responded to economic constraints and with what consequences for living conditions, solidarity and social cohesion in general?

A further underlying element in this book is the role played by the economic crisis. The discussion presented in each chapter contributes to the understanding of whether the fragmentation (or renewal) of the European social contract is only attributable to the financial situation or if a more general trend towards the erosion of social cohesion is in progress. While governments advocating public reforms and austerity measures continue to legitimise their decisions by referring to financial constraints, it is also true that many of the transformations discussed in this book began long before the economic crisis started. By looking at the specific dynamics of change, each chapter of this book can also be used to 'test' the very idea that the origin of the new wave of welfare retrenchment is to be found in the financial crisis.

There is an important premise that we shall adopt from the start in this book: that the relationships between social cohesion in Europe and the economic crisis may be understood on at least two different macro-levels, one being the policy-making aspect of social cohesion and the other one being social cohesion (and its discussed fragmentation) as an outcome.

The first level at which the economic crisis is accelerating the transformation of the former European model of social cohesion is in the sphere of *policy-making*. There is a strong argument for stating that, as an effect of increasing fiscal and political constraints, most European countries had to profoundly reconfigure their orientations towards public and social policy. Although there is wide consensus that a reconfiguration of the welfare state – if not a new 'Silver Age' of permanent austerity (Taylor-Gooby, 2002) – has been in progress in most capitalist democracies for at least three decades (Kuhnle, 2000; Palier, 2010; Bonoli and Natali, 2012; Hemerijck, 2012), the recent introduction of a new wave of severe austerity programmes throughout Europe is proof of an exacerbation of this general trend (Farnsworth and Irving, 2011; Matsaganis, 2012; Taylor-Gooby, 2012; Karger, 2014; Dukelow and Considine, 2014; Pavolini et al., 2015). This level of analysis has to do with the effects of the crisis on social protection, or rather, its effects on a European model of social protection (Hermann, 2014).

However, not only do austerity programmes re-shape social protection policy-making but they also add to the purely economic effects of the crisis, with evident implications on the transformation of what would be generally referred to as a distinctive European form of *social cohesion* and *solidarity*. As an example, the economic crisis and, more specifically, the austerity measures that are introduced to tackle it, is increasingly causing a deterioration in the living conditions of the working class, not to mention those of individuals excluded from the labour market, for whom the ongoing restrictions on social and economic rights generally result in even deeper material deprivation (De Agostini et al., 2010; Bush et al., 2013; Jenkins et al., 2013; Ridge, 2013; Chzhen, 2014; Matsaganis and Leventi, 2014). These dynamics constitute a second outstanding level at which the economic crisis is affecting the former type of social cohesion in Europe and this is worth investigating more profoundly, as this study does, than has been done so far in the literature. This second level of analysis concerns the effects that policy-making change has on social cohesion and solidarity. Together, these two levels of analysis may help us discuss to what extent the post-war European social contract has come to an end as an effect of the crisis. Our main argument is that the combination of economic crisis and austerity measures is putting the former European social contract under constant pressure, if not in severe jeopardy. In fact, such a 'double effect' of the crisis is used in our book as a principal point of departure for discussing the very disintegration of the European model of social cohesion.

From the Social Contract to the European Social Model

Most theoretical discussions regarding the notion of a 'social contract' draw upon a formal distinction between its classical and modern conceptualisations (Boucher and Kelly, 2003; Paz-Fuchs, 2008). Early social contract theories, such as those formulated by Hobbes, Locke and Rousseau, are essentially concerned

with the overall establishment of *power* and *sovereignty* as social constructions that are created 'by social contract' between man and the state. By contrast, it is argued, modern and contemporary theorisations of the social contract, such as the one formulated by Rawls (1971) put a much greater emphasis on the *rights* and *obligations* that derive from the definition of such conventions. However, even early social contract philosophers showed, to some extent, a certain interest in the main obligations of governments towards their citizens. Rousseau ([1775] 2011, p. 135, emphasis added), for example, assigned a salient role to the contractual obligations of the state towards the welfare of the individual, by stating that:

> Individual *welfare* is so closely linked to the public confederation that … this convention would be dissolved by right if just one citizen within the state were to perish who could have been saved … and if a single court case were to be lost because of an obvious injustice.
>
> In effect, is not the commitment of the body of the nation to provide for the maintenance of the humblest of its members with as much care as for that of all the others?

Even if Rousseau wrote far before the emergence of the welfare state as an institution, a certain interest in the role of the state in providing for the well-being of the population and, quite surprisingly, in *protecting* those in need, can be found in his writings. Such a modern concern for what we would today refer to as the 'social inclusion' responsibilities of the state might qualify Rousseau as a key precursor of modern and contemporary social citizenship studies.

His idea that governments are responsible and obliged by contract to provide for the well-being of the whole population, in fact, places his studies in direct continuity with contemporary accounts of social and economic rights, first and foremost with those formulated by T.H. Marshall (2000 [1950], pp. 39–40), according to whom:

> Social integration … and the diminution of inequality … have in part been met by incorporating social rights in the status of citizenship and thus creating a universal right to real income which is not proportionate to the market value of the claimant. … Social rights in their modern form imply an invasion of contract by status, the subordination of market price to social rights, the replacement of the free bargain by the declaration of rights.

During the second part of the twentieth century, the very idea of the social contract has been increasingly understood and explained by looking at the obligations of the modern state towards social security. This trend is especially associated with the development of social protection institutions in Europe, where the provision of (quasi) universal access to social and economic rights guaranteed by the welfare state became more and more acknowledged as a specific trait of European

countries: social citizenship became the flagship of the 'implicit' European post-war social contract (Korpi, 2003, p. 595).

Despite progressive transformations in the European post-war models of social citizenship (such as those produced by market forces) (Korpi, 1989; Esping-Andersen, 1990; Alber, 2006), the strong relationship between state interventions and social cohesion as a general *objective* of European societies was preserved and even more emphasised by scholars over the last century (Hannequart, 1992; Ferrera, 2010; Vanderbrouke et al., 2013). In fact, most social, political and economic studies conducted over the last two decades have relied on the alleged existence of a specific model of economic and social cohesion characterising most (Central, Northern and Western) European countries, generally referred to as the European Social Model.

Social Cohesion and the European Social Model

In referring to the transformations of the European model of social cohesion and solidarity we should consider two distinctive, apparently opposing, conceptual and historical developments that have contributed to the definition of the current debate on Social Europe. The first one concerns the Europeanisation process (i.e., the integration of EU member states into an economic and monetary union – Radaelli, 2004) and the emergence of a 'European social dimension' discourse (Paasi, 2001). The debate on a European Social Model has been especially promoted by European Union institutions and its existence has become a central theme in the European Commission political agenda. The second process is related to the development of the 'social cohesion' discourse supported by international monetary and economic institutions.

The concept of social cohesion was first used by Emile Durkheim in 1893 (1984, p. 119) in describing the general attitude of human societies towards social solidarity, characterised by the fact that:

> Not only do fellow-citizens like one another, seeking one another out in preference to foreigners, but they love their country. They wish for it what they would wish for themselves, they care that it should be lasting and prosperous, because without it a whole area of their psychological life would fail to function smoothly.

While the notion of social cohesion has become widely discussed and re-conceptualised in sociological and political studies over the last century (Mann, 1970; Berger-Schmitt, 2002; Friedkin, 2004; Chan et al., 2006; Jenson, 2010), its most recent reformulation only appeared in the contemporary political debate during the 1980s, when the OECD, the World Bank and the IMF began to promote the idea that economic growth should be combined with overall social cohesion objectives.

Such an approach to social cohesion has been frequently criticised as a 'softer' neoliberal commitment towards social inclusion and as a way to:

> treat equality as only one value among several and [... to] mark a clear shift away from efforts to achieve social justice via the active promotion of equitable outcomes. (Jenson, 1998, p. 5)

Social cohesion, solidarity and social protection, however, have also been gradually merged in the debate on the social dimension of Europe; eventually even EU institutions (European Committee for Social Cohesion, 2004, p. 3) started referring to social cohesion as:

> the capacity of a society to ensure the welfare of all its members, minimising disparities and avoiding polarisation.

At the same time, these concepts started being referred to as the predominant characteristics of a European Social Model. Two major views regarding an European model of social cohesion and solidarity can be identified. Authors advocating the existence of a European Social Model generally maintain that the European process of economic integration has been paralleled, over the years, by a similar process occurring in the social sphere, eventually (and gradually) resulting in the establishment of a 'Social Europe' (Hemerijck, 2002; Albers et al., 2006; Threlfall, 2007). 'Democracy and individual rights, free collective bargaining, the market economy, equality of opportunity for all and social welfare and solidarity' (EU Commission, 1994, p. 2) and, in more general terms, the combination of economic growth and social integration are generally indicated as the main trademarks of the European Social Model (for a comprehensive discussion of the European Social Model refer to Chapter 2 by Francisco Jorge Rodríguez Gonzálvez). The distinctive model of social solidarity found in European countries (Baldwin, 1990), it is frequently argued, represents the 'added value' of Europe (Spidla, 2006, p. 114). It stands as a major element of protection for European populations against the social risks deriving from the market economy: poverty, social exclusion, marginalisation and social inequality (Jepsen and Serrano Pascual, 2006). Even more importantly, such features would represent a crucial aspect in differentiating the particular European paradigm from any other economic and social model, first and foremost from the liberal capitalist model of North America. A second group of scholars contests this approach and maintains that there is no such thing as one European Social Model. Such an objection is especially evident in the domain of social policy, where 'diversity' is the rule (Scharpf, 2002; Alber, 2006; Montanari et al., 2008; Alber and Gilbert, 2010). In social policy studies, even the idea of a prospective convergence of different European welfare regimes (i.e., the Europeanisation of social protection) towards a common model of social protection still *provokes* much critical *debate among scholars* (Clasen and Siegel, 2007).

Opponents of the European Social Model idea generally contest the existence of a distinctive typology of European solidarity by arguing, for example, that in terms of social protection systems there is much more variation *within* European nations than *between* Europe and North America (Aber, 2006). Most observers, however, only partly reject the idea of a distinctive European social dimension by admitting that the existence of a European paradigm of solidarity can be accepted, but only if understood in 'normative' terms (Atkinson, 2002; Featherstone and Radealli, 2003): i.e., as an overall *objective* of European countries to be achieved by means of a gradual process of harmonisation and integration: that is by translating general values into specific targets or policies to be implemented at a domestic level.

While the transposition of European values onto the European Social Agenda has been gaining momentum at an EU level over the years the very idea of a European version of social solidarity has become increasingly less debated. At the same time even those promoting the idea of the existence of a European Social Model began to acknowledge that a profound transformation (Streeck, 1999; Hemerijck, 2002; Salais, 2006), if not 'deconstruction' (Jepsen and Serrano Pascual, 2005) of that paradigm was in progress. Many scholars lament the lack of a common European social policy platform that could counteract the progressive erosion of national autonomy in the political and economic spheres and attributed the fragmentation of the social dimension of Europe to the 'sclerotic' development of a European process of integration in the social sphere (Rhodes, 1998, p. 36). Conversely, other commentators argue that the fragmentation of social cohesion in Europe stems precisely from the economic, political and social processes of Europeanisation and from the need for EU member states to comply with a number of supranational requirements (Andersen and van Kempen, 2001). The EU-related emphasis on the decentralisation of public policies, for example, is frequently indicated as one of the main determinants of the strong disintegration of social protection policy-making at the national level (Geddens, 2013; De la Porte, Pochet and Room, 2001; De Vries, 2000). Rather than promoting social cohesion, the devolution of welfare programmes at the sub-national level has resulted in new geographical inequalities across Europe, substituting the formal rural–urban social and economic gap (Ferrera, 2005): in the absence of national (let alone European) obligations regarding economic and social rights, access to social protection for European citizens has become increasingly linked to the local management of public policies (including the financial resources available at municipal level and the specific eligibility rules that regulate admissibility to social benefits) with evident implications for the social protection and well-being of individuals.

There is No Alternative?

Regardless of the whole European social integration process (if not project), however, over the last few years the European Social Model has been increasingly

discarded as an idea, at least in its literal sense, while a new emphasis has begun to be assigned to the notion of the 'social contract' and, from a political perspective, on harmonisation as prospective objectives of the future Social Europe (Falkner, 2005). To be sure, from the second part of the 1990s it became increasingly more evident that it was the whole former *social contract*, or the social compromise, upon which Europe had been reconstructed after the two world wars that was in danger. The scale of the aforementioned transformation was such that several scholars started to theorise on the emergence (or, to say the least, the need) of a new European social contract (Rhodes, 1998; Esping-Andersen, 2002; Saraceno, 2002; Korpi and Palme, 2003). The question of whether intensifying globalisation and international competitiveness have reduced the capacity of nation states to adequately safeguard their populations with the same amounts and levels of social protection and solidarity as before (Deacon, 2000; Yeates, 2002; Hemerijck, 2006; Sapir, 2006) or, conversely, have produced a 'compensation effect' resulting in the *expansion* of the welfare state (Leibrecht et al., 2011, p. 550; Meinhard and Potrafke, 2012) is still open to debate. However, there is wide consensus that several major transformations occurring in the social and economic sphere completely altered both the social demand and the social risks experienced in post-industrial European countries (Esping-Andersen, 1999; Taylor-Gooby, 2004; Armingeon and Bonoli, 2007; van der Veen et al., 2012; Ranci et al., 2014).

A recent implication of the international economic crisis of 2008 for social cohesion and social protection is the progressive erosion of what remains of Social Europe. The introduction of severe austerity programmes in Europe is being increasingly coupled with massive cuts in the social sphere, generally legitimised by governments with the argument that the former type of social solidarity is no longer sustainable under the present circumstances. The repertoire of public discourses urging a downsizing of social spending incredibly echoes the Thatcherian motto 'There is no alternative'.

The debate on the survival of the European social contract is by no means exclusively speculative. In fact, the new wave of retrenchment in Europe is proving to have severe implications not only for social cohesion and solidarity as notions or as political projects, but also for the living conditions of European populations. One of the implications of the transformations in progress is that European welfare states have become less and less equipped to deal with the consequences of the economic crisis, leaving vulnerable citizens at the mercy of economic strain, unemployment and diminishing social rights. What is even more worrisome is the fact that, as a consequence of the economic crisis and its remarkable effects on people, the institutional erosion of public policies promoting social protection is being paralleled by the fragmentation of informal networks of social cohesion (Bertin, 2012; Gallie, 2013; Saraceno, 2013). It goes without saying that this has only added to the vulnerable situation of low-income groups experiencing the effects of the crisis.

As a consequence, in almost every EU member state poverty has grown significantly over the last five years. Figures on Europe during the years of the

crisis show that a remarkable increase in the proportion of people at risk of poverty and social exclusion has been recorded even in countries such as Luxemburg and Sweden (EUROSTAT data for 2014).

At the same time, the good performance recorded by a small group of nations in *improving* the living conditions of their citizens despite the economic crisis (Jenkins et al., 2013) calls into question the idea that the European social contract is definitely adrift. The different pathway followed by those countries suggests that there might be an alternative. It indicates that the possibility that the European social contract is not completely dead but is undergoing a complex process of renovation should be discussed further. Surprisingly enough, the group of 'good performers' does not only include those countries traditionally referred to as the 'hard core' of a European model of social cohesion but also a number of Central and Eastern nations (such as Poland and, to a lesser degree, Slovakia), generally indicated as 'extraneous' to the model of solidarity characterising the 'Old Europe'. This data casts new doubts on the argument that the European Social Model is enshrined in the social and economic models of Western European countries and calls for further discussion on the transformations of European models of social cohesion in general. Some authors, for example, have recently contested the very idea of the erosion of welfare states as the main reason for the current situation by arguing that the welfare state may still act as a 'crisis manager' or as the central element in the protection of its populations against the consequences of the crisis (Castle, 2010; Starke et al., 2013).

Outline of the Book

The book is divided into three different parts. The first section makes a *conceptual analysis* of social cohesion in Europe and its main features. Chapter 2 by Francisco Jorge Rodríguez Gonzálvez looks at the European Social Model by describing to what extent the current European model(s) of social cohesion is the result of long-term forces. The author discusses this topic by describing the polarisation of two models of social cohesion: a liberal or market model emphasising the individual and advocating a reduced role of the state in favour of private enterprise and a community model that relies on a number of organisations representing different interests that are supported or created by the state. In Chapter 3 Enrica Morlicchio outlines the spatial and territorial roots of social cohesion and illustrates how different neighbourhoods with different levels of social cohesion may have different resources which could benefit those living in poverty. Her chapter provides a historical description of different forms of socio-spatial organisations (the ghetto and the hyperghetto, among others) and their transformation up to the recent crisis.

The second part of the volume discusses the transformation of social cohesion from the perspective of the different *policy responses* to the crisis provided by case studies of individual countries. This section provides a background for

the understanding of the most recent innovations in public and social policy, as derived from the challenges introduced by economic crisis and austerity. Chapter 4 by Peter Dorey, for example, draws upon the response of the UK government to the crisis in terms of public policy reforms and illustrates how the priority of deficit reduction over other public policy objectives, such as social cohesion and social inclusion, has gone hand in hand with a negative sentiment towards the 'least deserving' sections of British society.

Chapter 5 by Marco Arlotti focuses on long-term care for dependent elderly people in Italy during recent years, also in the wake of the economic crisis and the austerity measures implemented in this domain. The strong privatisation of care for dependent elderly people characteristic of the Italian case is framed not only within a missed recalibration of the welfare system, but also according to a retrenchment process based on a growing shift of responsibilities and costs from the National Health Service to the social care sector and families with dependent elderly members. In Chapter 6 Klimczuk and Klimczuk-Kochańska discuss the effects of the crisis from the perspective of outplacement mechanisms introduced by the Polish government as a way to adapt to labour market transformations that occurred during the crisis.

Chapter 7 by Simone Scarpa describes recent welfare reforms in Sweden, with a specific focus on those concerning the income maintenance system, on both the tax and benefit sides. This case study sets out to assess whether the implementation of these reforms produced new patterns of inequality between those who benefited (the 'insiders') and those who did not (the 'outsiders').

The third part of the book is devoted to the analysis of social cohesion in times of crisis from a *comparative* perspective. This section begins with Chapter 8 by Serena Romano and her description of the diverse ethics of austerity in the region generally referred to as 'the weak link' of Europe. Focusing on Italy, Greece, Romania and Hungary, the chapter provides a comparative analysis of the main normative principles of redistribution introduced during the crisis by means of public policy reforms.

The contribution of Glenn M.E. Duerr in Chapter 9 offers a comparative study centred on the European Economic crisis and rising secessionism. The study investigates the role of the recent financial downturn in Europe in influencing the rise of secessionist demands in Scotland, Flanders and Catalonia. It also assesses the European Social Model, noting both strengths and weaknesses, which have contributed to the emerging political cleavages in these three cases. Chapter 10 by Gabriella Punziano deals with the emergence of new space of autonomy for local governments involved in social cohesion policy-making. It draws upon a network analysis of local actors and their response activities designed to tackle the economic crisis by summarising the main results obtained from a cross-country survey conducted in Italy (Milan and Naples), Germany (Berlin and Monaco), France (Rouen), Spain (Barcelona and Vigo) and the United Kingdom (London and Liverpool). Chapter 11 by Theodoros Papadopoulos and Antonios Roumpakis examines the socio-economic crisis in the South European periphery in the light

of the ongoing decline of the European Social Model. The chapter discusses how recent institutional innovations in European economic governance undermine the European Social Model by reframing member states' wage-setting and collective bargaining institutions as downwardly adjustable variables in promoting or restoring member states' economic 'competitiveness'. Chapter 12, by Marta C.N. Simões, Adelaide Duarte and João Sousa Andrade, discusses the possibility that the austerity measures implemented in the European periphery countries, and in particular in Portugal, may not only hamper short-term economic recovery but also compromise long-run macroeconomic performance. Moreover, it shows that social spending can be an important expansionary fiscal policy instrument that alleviates the downturn in output in the short-term. In the concluding chapter Serena Romano addresses the main issue of this book: whether the European Social Model, and in more general terms, the European approach to social solidarity and social cohesion is being fragmented, eroded or is simply being renovated. The main findings of the book are used as a background for further discussion on the future of the European social contract.

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