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European Union Social Policy in a Globalising Context

In this talk, I first describe the development of the EU social dimension and the origins of the present EU Social Inclusion process. From this brief historical account, we can see that progress has been uneven, but there has been a degree of continuity in the basic ideas underlying the development of EU social policy: (i) the linking of social policies and economic policies, and (ii) a role for the EU as well as the Member States in the social sphere. In particular, right from the start, social policy was seen as facilitating the necessary structural changes in European economies. This is relevant to the 2000 Lisbon Agenda, when it was decided that the EU should adopt the strategic goal of becoming the most competitive and dynamic knowledge-based economy with more and better jobs and greater social cohesion. This was noteworthy in that it was a formal announcement of the intention of the EU to engage in “system competition” with the US. But it was also remarkable because “social cohesion” appeared in the same sentence as “competitive economy”. The promotion of social inclusion within the overall strategy of the EU has been taken forward through the open method of co-ordination. In substantive terms, the extent of social exclusion in Europe has been documented using the set of European social indicators agreed at the Laeken European Council in December 2001. These show that, even if Europe performs better than the US on indicators such as risk of poverty, there is considerable diversity across Member States. This means that there is considerable scope for the least well-performing Member States to improve their performance, and the Social Inclusion process is designed to help bring this about. Will the process however have scope to operate in a globalising world?

The second part of the talk considers the nature of the challenge to the European system of social protection, both national and EU-wide, and the argument that the pressures of globalisation threaten its continuation. The main thrust of my argument is that we have choices: Europe does not have to copy the United States. If the argument is that Europe’s welfare state has too high a tax cost, then we have to

consider which elements of the government budget should be cut. Social protection is a large item, but it is not the only variable in the equation. If the argument is that social protection has adverse effects on international competitiveness, then we have to consider other factors that also influence trading performance. There are alternatives. For example, given the constraints of euro membership, I believe that we will see a revival of incomes policies designed to deal with situations where labour costs move out of line. Moreover, experience suggests that these incomes policies will only work if they include a social dimension.

The existence of choices for Europe means that we have to re-examine our objectives, and this is the subject of the third part of my talk. There has recently been a review of the Lisbon process, but there has been little discussion of the underlying objectives. We seem to have accepted, in an unquestioning way, the view of system competition embedded in the process. In concrete terms, why has the EU adopted an employment target? Two main answers can be given. The first is that increased employment means lower unemployment, and that Europe has an unacceptably high level of unemployment. In terms of system competition, the US is scarred by inequality, Europe is scarred by unemployment. But this means that reducing *unemployment* should be the target, not increasing employment. The second answer is that employment is instrumental – it is a means to an end. Employment is, for example, seen as a route out of poverty or as a means of social integration. But in this case we need to spell out both the final objective and the mechanism by which employment can achieve the objective. This enriches the analysis. For example, it leads, I suggest, to taking a life-cycle perspective, within which there is a role for “children mainstreaming”.

The political rhetoric is all too often that Europe has no alternative. I have tried to argue that the Europe does have choices and that we should therefore debate both what we are seeking to achieve and the best way by which our goals may be achieved.