

The EU and the welfare state: on a crash course or stronger together?

Social policy subject to fiscal discipline

Decision-making in the European Union is considerably far from the daily life of EU citizens. However, the recent news about Brexit has probably revealed to many people the complexity of the legal web that binds the member states to the Union. In principle, the division of competences within the EU, i.e. who has the authority to regulate on a specific matter, has left social policy up to the regulation of the member states. However, it is not self-evident that the Union has not influenced the development of the welfare state in its member countries.

Throughout the history of the European Union, social policy has been subordinate to economic policy and the construction of the single market. The European legislation in social policy has been developed, for instance, for the purpose of safeguarding the free mobility of workers. However, the rules of the European Union's economic and fiscal policy are reflected throughout our societies. In the European Semester, i.e. the EU's coordination framework for the economic and fiscal policy, the budgets of the member states are subjected to monitoring by the Union. As a result social policy is examined at the EU level through the lens of fiscal discipline and budget deficits.

According to researchers, the European Semester penetrates the remit of the member states – namely the activities of the welfare state and the labour market – more strongly than previous processes. Indeed, the compelling nature of the process and centralised efforts to impose structural reforms have received considerable criticism.

Increasing emphasis on social issues in the EU

On the other hand, there has been increasing emphasis on social issues in the European Semester, and the process offers a new channel for defending the EU's social objectives for various actors. For instance, unemployment is not anymore addressed in relation to budgetary balance but it is perceived also from the perspective of social wellbeing. Similarly, poverty is highlighted in the discussions on human capital and the profitability of social investments instead of something merely mentioned as a consequence of the economic crisis.

The country-specific recommendations issued to the member states as a result of this development currently include more social objectives for reducing poverty and social exclusion, improving the availability of health and social care, and promoting the inclusion of minorities.

The change has been supported by the previous Commission's commitment to developing the EU's social dimension. The introduction of the European Pillar of Social Rights has brought visibility to the idea that investing in health and welfare makes sense from an economic and fiscal policy viewpoint in the long run. There is emerging consensus that social and economic objectives are not necessarily conflicting.

The economy of wellbeing – back to the roots?

This is also the core idea in the concept of the economy of wellbeing, which is one of the main themes of Finland's Presidency of the Council of the EU. While there are probably many ways to define economy of wellbeing, any of the definitions are likely to emphasize interdependency of wellbeing and economic prosperity.

In this conceptual frame, investments in wellbeing can be perceived as a prerequisite for socially and economically sustainable development instead of seeing social expenditures only as expenses. This is slightly reminiscent of a Finnish classic text on public policy, Pekka Kuusi's "1960s social policy", making the trend far from new.

As a result of the transformation of the world of work, there is new demand for the concept of the economy of wellbeing. In the uncertain labour market of tomorrow, sufficient social security may provide the safety net required to ensure success; it enables people to take risks, create new things, and engage in entrepreneurship without prejudice.

The EU partly struggles with the idea of setting the promotion of wellbeing as the primary societal goal and returning economic growth to a subservient position, as the Union is essentially founded on the development of a joint economic area. On the other hand, the idea that the Union works for the promotion of wellbeing through the very task of accelerating economic growth was already present early in the history of the European community.

All of this seems to make a lot of sense, but perhaps this idea was lost somewhere along the way, and economic growth surpassed all other endeavours. The economic crisis may actually have opened an important window for a change in thinking. The European Union was created to guarantee peace and prosperity, hence the idea of the EU as an agent for social policy does not seem too far-fetched.



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Reference:

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