

The EU and social inequalities: challenges and perspectives

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ECONOMIC AND SOCIAL INEQUALITIES: CAUSES, IMPLICATIONS AND REMEDIES

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The EU's impact on inequalities:

Positive/direct

- gender, minorities, immigrants (civic inequality and its economic implications)
- regions (territorial inequalities in PPS per capita)

Negative/indirect

- labour markets (occupations, sectors, capital-labour relations (social inequality, i.e. income and wealth))

Jason Beckfield (Chicago)

“The recent rise in income inequality within Western European societies is partly explained by European integration. As Western European states have grown more deeply integrated into the regional polity of the EU, and as national markets have opened to more intense regional competition, income inequality has risen. This relationship between regional integration and income inequality appears net of statistical controls for other factors ... including economic development, welfare retrenchment, union decline, unemployment, corporatism and ..globalization”

Some causal mechanisms:

Market making (“negative integration”)

- increases wage competition
- undermines collective rights (unions)
- shifts the balance of powers to the employers’ advantage

Market correcting (“positive integration”)

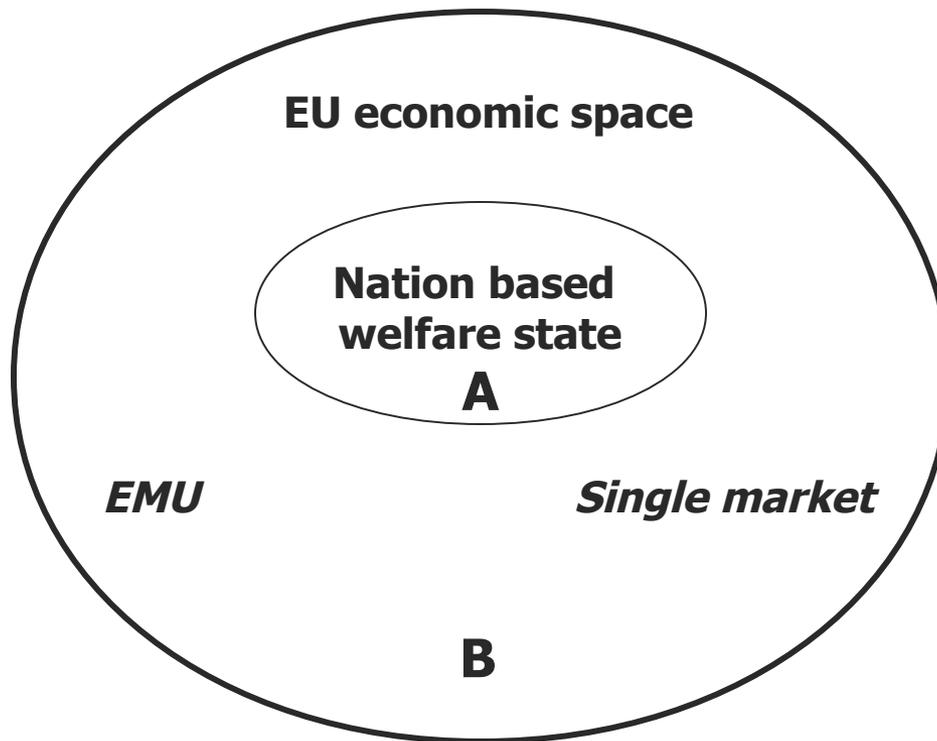
- difficult at the EU level;
- increasingly constrained at the national level by market compatibility requirements on the regulation and finance of social transfers and public services
- monetary and fiscal rules make it difficult to buffer adverse economic shocks

Four diagnostic arguments:

1. the EU's negative impact on social inequality is amplified by a faulty institutional architecture and by "naïve biases" in favour of openness and competition, which undermine the foundations of nation-based welfare states
2. the EU attracts more blame than it deserves for social problems that originate and could be solved at the national level
3. the combination of 1 and 2 subtracts growing doses of legitimation from the EU as a polity-in-the-making, thus feeding anti-integration sentiments
4. the debt and euro crisis and its social impact constitutes a serious challenge for the whole integration project

1. The EU's negative impact on social inequality (insecurity) is amplified by

.. a faulty institutional architecture and by “naïve biases” in favour of openness and competition



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- Single market: does it have to impinge so aggressively on national employment and wage-setting regimes? Does it have to disrupt national practices in the organization of public services?

→ Needed: some protective rules of space A from EU law interference and new social complements to the internal market

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- EMU: presence of a monetary union without a (mini) fiscal union → perverse economic and social effects; weak EMU governance
 - Common policy agenda for structural reforms: too loose, insufficient incentives
 - ***Needed: strengthen the economic governance, including the implementation of the EU2020 strategy***
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2. The EU attracts more blame than it deserves for social problems that originate and that could be solved at the national level

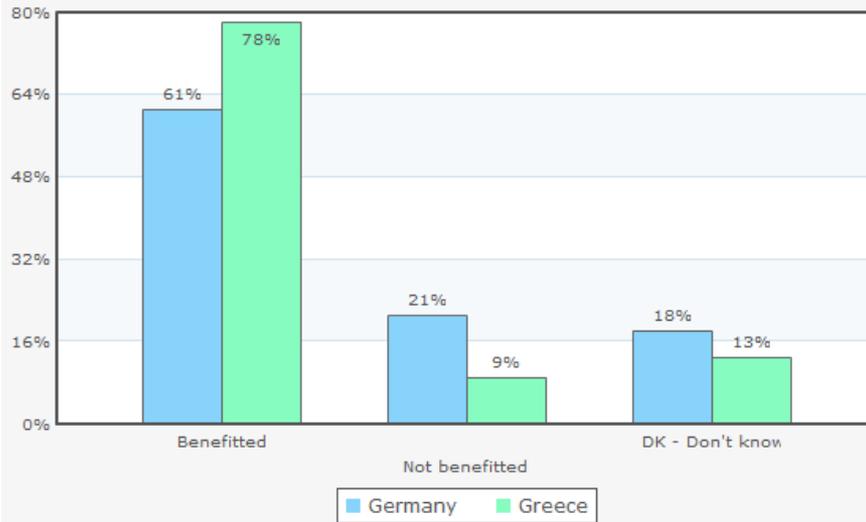
- **“Blame shift game”**: EU used by national politicians as a scapegoat for justifying and pushing through tough reforms that are needed for domestic reasons
- **“Credit claiming failure”**: EU does not communicate its social agenda and refrains from openly recommending its objectives when speaking with Member states and public opinions

→ MORE BLAME, LESS CREDIT

3. The combination of “excessive opening” and “excessive blame” subtracts growing doses of legitimation from the EU as a polity-in-the-making, thus feeding anti-integration sentiments

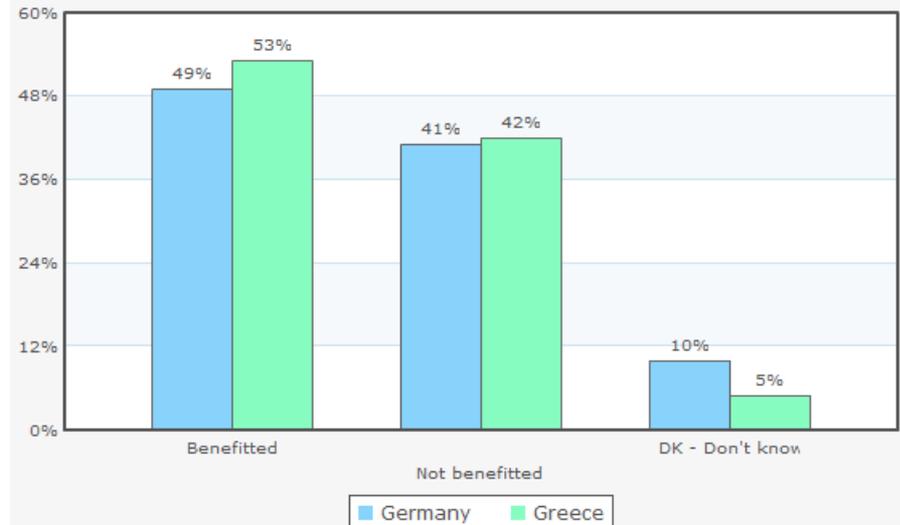
Taking everything into consideration, would you say that (your country) has on balance benefited or not from being a member of the European Community (Common Market)?

11/1990



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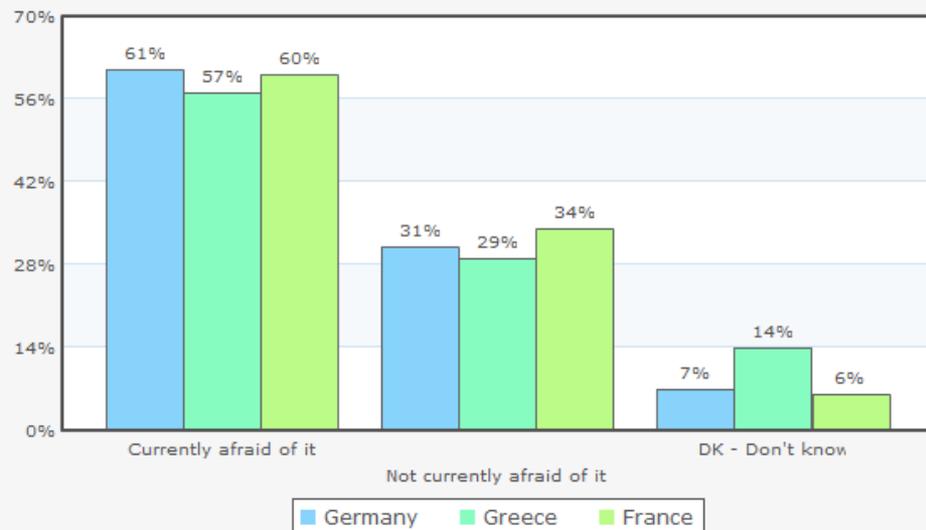
11/2010



Regarding the building of Europe, the European Union, some people may have fears. Here is a list of things which some people say they are afraid of. For each one, please tell me if you - personally - are current afraid of it, or not?

The loss of social benefits

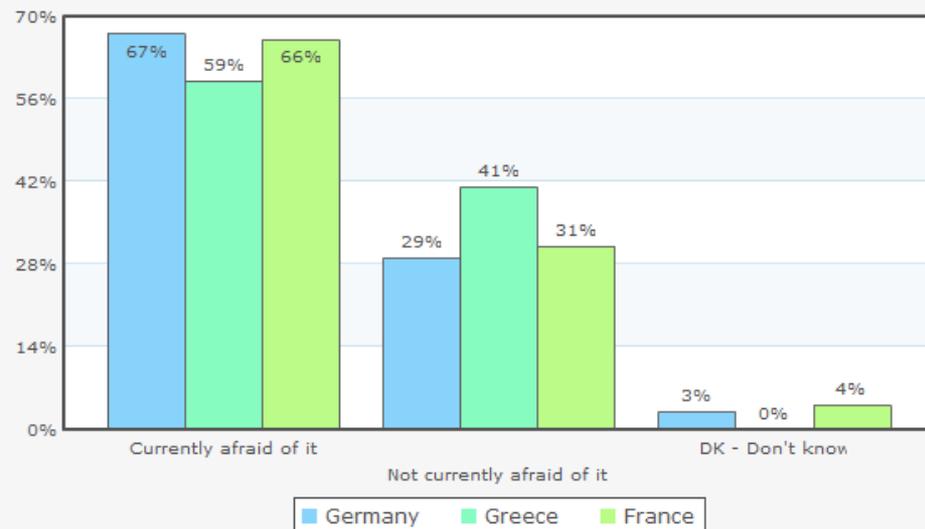
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The loss of social benefits

04/2006



4. The debt and euro crisis and its social impact constitutes a serious challenge for the whole integration project.

Crisis:

- “cuts” and sacrifices in peripheral countries → more insecurity
- public resentment in core countries → less readiness to “share”

Transfer Union paradox

1. Voters of creditor MS perceive the “bail-out” merely as a cost, ignoring the benefits gained by them through EMU, the responsibilities of their banks and the relevance of EMU survival for them
2. Voters of debtor MS perceive the “bail-out” essentially in terms of “sacrifices imposed by outside forces”, ignoring the national origins of fiscal failure and largely blaming foreign banks and speculation

ZERO-SUM POLITICS → “ALONE IS BETTER”

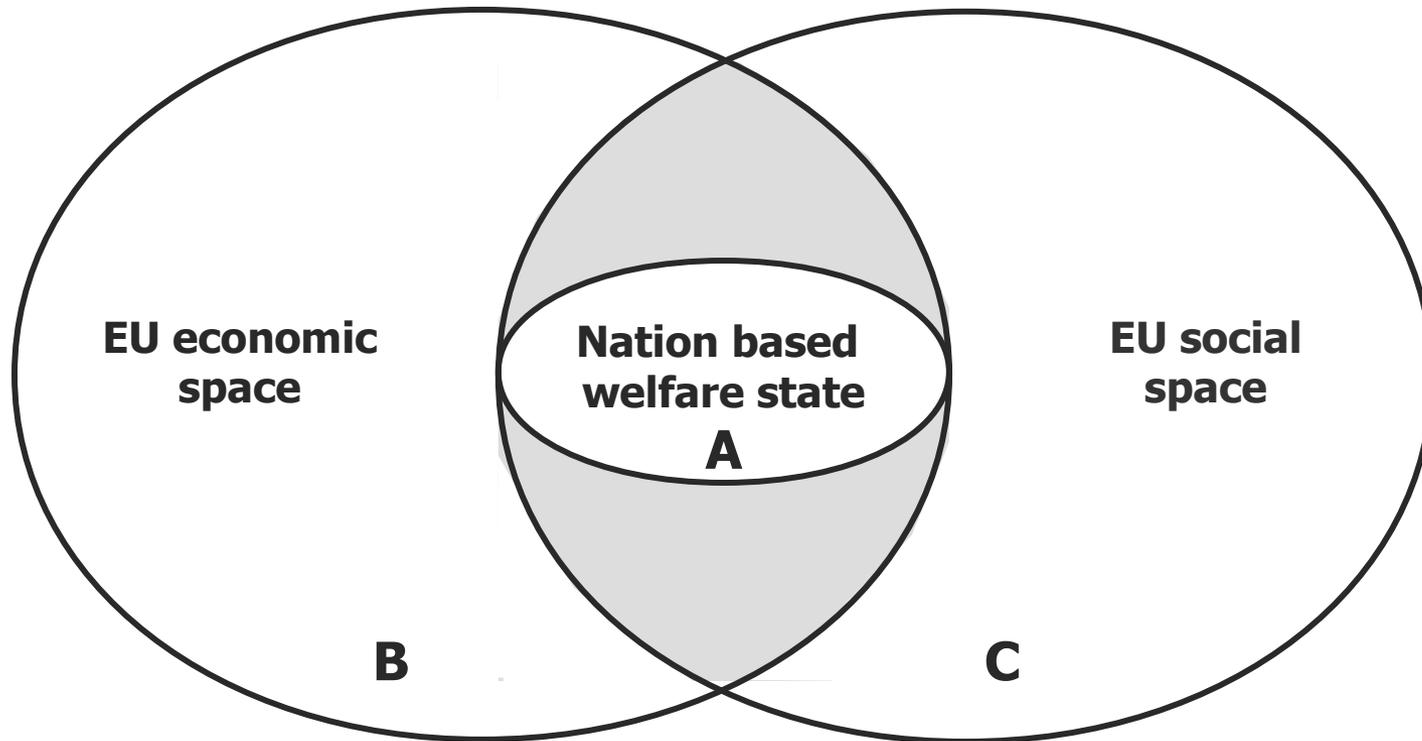
Possible solutions:

1. fix the faulty institutional architecture
 2. fix the debt and euro-crisis
 3. through the combination of 1 and 2, address the zero-sum politics challenge (“blame shift” game, the “credit claiming failure” and the “transfer union paradox”)
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1. Fix the faulty institutional architecture

- ***Reform space B***: Monti report on the internal market, recommending measures for an “appropriate reconciliation” between economic and social objectives
 - ***Expand a new “social space”*** within the EU, programmatically aimed at addressing the social impact of economic integration
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The nesting of social protection in the EU



Elements for Space C

- Charter of Fundamental Rights
 - Anti-Discrimination “regime”
 - Hard laws on social and employment standards
 - Open coordination for employment and social inclusion
 - EU2020 (should be strengthened)
 - Lisbon Treaty: “social clause”, “social protocol”
 - A supra-national, pan-European interpersonal redistributive scheme (e.g. a child demogrant)?
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2. Fix the debt and euro-crisis

Create a mini-fiscal Union:

- Permanent European Stability Mechanism leading to a true Euro-zone Treasury (not the ECB) with strengthened powers on national policies that contrast with the European interest
 - Banking Resolution Fund, backed by a proper EU-level banking supervisory authority
 - Eurobonds
 - Common labour market policies? (e.g. a pan-European contributive unemployment insurance system?)
 - An EU “system of national welfare states”?
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3. Address the zero-sum politics challenge (“blame shift” game, the “credit claiming failure” and the “transfer union paradox”)

Reconfigure the politics of EU economic and social policy

- More vigorous and effective communicative discourse on “Social Europe”
 - integration is not only about markets, growth and stability, but about furthering the “life chances” of Europeans: freedom and security, options and solidarities: the European Way of Life
 - Monitor and evaluate not only economic performance but also social performance
(EU Treasury Minister + a European Social Minister?) → claim more credit and contrast blame shift
 - Don’t move down the intergovernmental path (governance through the Council) but revitalize the Community method (governance through Commission, Parliament and stakeholders consultation)
 - Address the democratic deficit to bring the EU closer to citizens: e.g. election of EC President by national parliaments
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The new nesting of social protection in the EU

