



Social Policy in the EU – Reform Barometer 2016

Social Inclusion Monitor Europe

Preface

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Is there a ‘European Social Model’ in Europe?¹ Or is there none? Or just not yet? Or only in a few EU member states? Where are we on the path towards more – or occasionally less – social inclusion? Is Europe, under mutually reinforcing crises, actual or pending, growing together or falling apart? Where do we see converging forces within the eurozone or the EU-28, and where are the diverging ones? Or is Europe actually growing together and falling apart at the same time? And, if so, in which areas of policymaking?

The history of the European Union involves the transition from the coal-and-steel community via a common market (EEC) to the economic union of the single market (SEM), before moving to a currency union (EMU), which is now widely perceived as being incomplete and flawed. This gap has necessitated further steps, now underway, towards a fiscal union. Clearly, the next logical step in the EU’s evolution would be moves towards a ‘social union’, which so far hardly exists as an intellectual concept or even as a political project, let alone as an institutional, legal and procedural blueprint. While some would see evolution towards a social union as desirable and even imperative, others would view it as unsustainable and not even preferable given the sheer heterogeneity of needs and preferences in Europe.

Having a robust public debate about either a new institutional construct or simply the state of social cohesion in Europe is a vital prerequisite for gaining a better overview of reform actions undertaken at the national level. This would identify current trends and best practices, and provide pointers to the design of good European governance, answering such questions as: What should be decided and what implemented at which level of legislature, government or administration? How should the undisputed guiding principle of subsidiarity be redefined under changes in multi-level governance across Europe?

While statistical evidence is readily available, we need to establish a better base for policy coordination while simultaneously learning from each other in backing such convergence measures as the European Semester and other mechanisms for upward convergence. The EU and its members states have been hit by a plethora of crises: the lasting impact of the global financial crash; the chronic but aggravated fiscal crisis in most member states; geopolitical and refugee crises; and, last but not least, the rise of right-wing populism and extremism. If we are to overcome such a deep crisis, we must follow the famous maxim that ‘social justice must not only be done, but be seen to be done’.

Obvious deficiencies in fairness and social justice can be and often are triggers for what are largely political crises. This is supported by current findings that rapidly increasing social inequality and the dissolution of the middle class, which is viewed as embodying successful social inclusion in the postwar period, are seen as the single most important challenges today. Significantly, the salience of this issue is shared widely across the entire political spectrum, from (far) left to (far) right. It is thus high time to refocus on the EU’s social dimension.

¹ For an extensive discussion on the ‘European Social Model’, see Bernd Marin (ed.) (2015). *The Future of Welfare in a Global Europe*. Farnham: Ashgate Publishing, Ltd.

The prevalent political response to the 2008 crisis in the EU member states has been to implement austerity policies that, in some critical cases, have impaired social inclusion and led to a gradual dismantling of (parts of) the welfare state. This has been accompanied by a general decline in the living standards of the entire population in crisis countries. Several instruments measure the status of social inclusion across Europe, with the Social Justice Index (SJI) being one prominent example. These tools show that the high degree of divergence among the member states goes beyond just levels of average income to also include levels of fairness and justice. Member states also diverge considerably in terms of their capacity to create inclusive societies.

However, information on how and how effectively European governments address social challenges is rather scant and highly fragmented. Available data focuses on either specific aspects of social policy (e.g. welfare provision) or specific policy areas (e.g. labour market policies), and they often also display significant time lags between data collection and publication.

The Bertelsmann Stiftung, the European Bureau for Policy Consulting and Social Research Vienna, and the Economic Policy Centre (WPZ) of the University of St. Gallen have joined forces and set up this Reform Barometer to fill this gap. It is one of the two pillars of the Social Inclusion Monitor (SIM) Europe, a new instrument for monitoring social policy in the EU-28. Together with the SJI, the Reform Barometer contributes to fostering a truly inclusive society by providing evidence-based analyses. While the SJI report reveals social policy outcomes, the Reform Barometer produces a qualitative evaluation of reform activity in the EU-28.

For this purpose, the Reform Barometer collects, aggregates and evaluates data on the reform need, activity and quality related to social inclusion across the EU. For this year's edition, 3,600 experts from across Europe were invited, and 1,058 of them actively participated in a comprehensive online survey in spring 2016. They were asked to report governmental responses to challenges in six specific areas (or 'dimensions') of social inclusion – Poverty Prevention, Equitable Education, Labour Market Access, Social Cohesion and Non-discrimination, Health and Intergenerational Justice – between July 2014 and January 2016, as well as to assess the extent and effectiveness of reform efforts.

The results show that the efforts towards and performance in social inclusion varies widely among the member states, and that there are ample opportunities for laggards to catch up as well as for leading countries to make further progress towards a truly inclusive society. This report is designed to contribute to an evidence-based debate on the future of social inclusion and, by implication, to the future of welfare sustainability and the European Social Model in an outward-looking, global-minded Europe.

Note to readers: This comprehensive report contains such complex 'thick descriptions' and analyses of highly differentiated empirical findings that a simple (or simplistic) overall 'big picture' is a challenge. Europe is simply too diverse. While this is in the very nature of our data-driven, bottom-up and empirically grounded approach, we have still tried to extract a number of recurrent core findings as leitmotiv: government struggles with implementing educational reforms, integrating foreigners and reducing economic inequality; a persistent North-South divide within the EU (i.e. economic divergence mirrored in social divergence); the predominant needs to improve the situation of younger generations and adopt policies to integrate refugees; and the mixed

reform performance of member states, which partly corresponds with, but partly contradicts frequently used a priori assumptions and typologies.

We note, *inter alia*, the strong efforts of South-eastern countries (e.g. Bulgaria, Croatia and Romania) to catch up as well as the more general phenomenon of ‘latecomers’ holding top ranks with high levels of reform activity and quality. EU membership seems to have been a catalyst for reform in these countries. Expert opinion, however, ranks Denmark in the bottom third of the overall reform performance rankings, with the UK surprisingly ranked at the bottom. Ireland has been rated at the top, ahead of countries in Eastern and Central Europe, in efforts to improve its labour market performance since 2008. The reduction of income and wealth inequalities is rated as being the greatest need in the five largest member states.

Social inclusion does not rest on economic development alone. Countries can be poor and inclusive, or rich and divided. Poverty Prevention emerges as the dimension with the highest reform quality, and the Equitable Education one with the lowest reform activity. Malta and Romania, for example, have the best results in the latter dimension, while Bulgaria and Italy have the best reform performance (being a composite measure combining reform activity and reform quality) in the Social Cohesion and Non-discrimination dimension.

The Reform Barometer is a ‘first-of-its-kind’ instrument in that it uses an extensive expert survey to gain a holistic overview of recent social policy reforms in the EU, and to make comparisons possible both between countries and different policy objectives. Moreover, this report presents the first issue of the Reform Barometer with fully fledged data analysis. For forthcoming editions, we intend to continuously improve the quality and coverage of this instrument. We therefore welcome feedback on its usefulness and limitations as well as suggestions on how it can become more valuable.



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