EUROPA PERSPECTIVES ON THE EU SINGLE MARKET

Social Policy and EU Polity-building through Crises and Beyond

Anna Kyriazi,
Joan Miró, Marcello Natili
and Stefano Ronchi

ROUTLEDGE

Social Policy and EU Polity-building through Crises and Beyond

This volume sets out to explain the conditions that have favoured the expansion of the European social dimension during the turbulent decade of 2010–2020, when Europe was confronting strong countervailing pressures, including the euro crisis, the refugee crisis and the COVID-19 pandemic.

The study begins by diagnosing a widespread, although slow-burning, crisis across the European Union (EU) resulting from the cumulation of social problems and the systemic tension between EU market integration on the one hand and nationally bounded welfare states and the other. Eight in-depth case studies analyse the political dynamics behind a variety of EU social initiatives aimed at addressing the consequences of free movement of workers, youth unemployment, poverty, eroding wages, environment and climate change, and the COVID-19 pandemic. To identify the specific drivers of EU social policymaking empirically, the authors have reconstructed the struggles over concrete policy proposals as they unfolded in the European multilevel setting.

The volume introduces a novel analytical framework for interpreting the transformation of the EU social dimension in times of crisis, when some degree of social co-ordination becomes crucial to bonding deeply different (welfare) states together. This in-depth study offers an invaluable analysis for researchers, academics and professionals interested in the functioning of the European polity.

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Europa Perspectives on the EU Single Market

The EU Single Market series, edited by Christian Schweiger, examines the key challenges for and the future perspectives of the European Union Single Market under the fundamentally altered parameters which have emerged in the aftermath of the global financial crisis, the eurozone sovereign debt crisis and the United Kingdom's decision to leave the EU (Brexit). Contributions to the series analyse changes in the Single Market and eurozone governance architecture, in the national varieties of capitalism, as well as the multiple levels of the deepening internal political and economic differentiation, especially potential alterations to the political and economic parameters of the Single Market. The series can comprise authored monographs and jointly edited collections which fall into these categories, but are not expected to be restricted to any of these issues, and volumes may encompass both regional and country-specific studies in the wider context of the subject area.

Christian Schweiger is Visiting Professor at the Chair for Comparative European Governance Systems in the Institute for Political Science at Chemnitz University of Technology in Germany. His research concentrates on the comparative study of political systems, economies and welfare states of the member states of the European Union (particularly the UK, Germany and transformation in the CEE countries), the political economy of the EU Single Market, economic globalization and transatlantic relations. His most recent publications include the monograph Exploring the EU's Legitimacy Crisis: The Dark Heart of Europe (Edward Elgar, 2016) and the jointly edited collections Core-periphery Relations in the European Union: Power and conflict in a dualist political economy (Routledge, 2016, with José M. Magone and Brigid Laffan) and Central and Eastern Europe in the EU: Challenges and Perspectives Under Crisis Conditions (Routledge 2018, with Anna Visvizi).

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This book is the result of about four years of research, during which the guidance of Maurizio Ferrera proved fundamental. Throughout the process, he played a crucial role in assembling the pieces of a complex puzzle and directing us toward interpretative keys that we may have otherwise overlooked. We are sincerely grateful to Maurizio for his invaluable support and for the big opportunity he provided us with when he invited us to join the SOLID project. We are also very grateful to all the members of SOLID who have journeyed with us: Hanspeter Kriesi, Waltraud Schelkle, Argyrios

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Milan, 10 April 2024
Anna, Joan, Marcello and Stefano

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1 Introduction

Beyond the social crisis of Europe?

1 Situating the study

The decade 2010–2020 was a tough one for the European Union (EU), beginning with the euro crisis and ending with the COVID-19 pandemic. National social protection institutions, which had long been a matter of pride for European citizens and a crucial source of legitimacy for the political elites, were put under severe stress and, in many cases, turned out to be inadequate in responding to new challenges. Against this backdrop, the EU began to be seen by some as the cause of, rather than the solution to, these problems. Nevertheless, the deep economic, political and social crisis of the EU coincided with remarkable institutional transformations. On the one hand, during the euro crisis, the economic governance of the Economic and Monetary Union (EMU) was strengthened with a view to keeping Member States' public finances under stricter control (Laffan and Schlosser 2016). On the other hand, despite the priority given to fiscal consolidation (Taylor-Gooby et al. 2017; Petmesidou and Guillén 2017), relevant steps were taken towards deepening the social dimension of the EU (de la Porte and Natali 2018; de la Porte and Jensen 2021; Miró et al. 2023; Vesan et al. 2021). New European social policy measures were adopted, from the Youth Guarantee, through the new rules for the posting of workers, to various policy actions taken to add substance to the 2017 European Pillar of Social Rights. At the same time, social objectives gradually acquired greater relevance in the scope of the European Semester (Zeitlin and Vanhercke 2018). Moreover, while posing unprecedented social and economic challenges, the COVID-19 pandemic opened a window of opportunity to build cross-national solidarity and to enhance the political sustainability of the EU (e.g. Bertin et al. 2021). In the aftermath of the COVID crisis, new socially oriented measures were then launched, with the adoption of the Recovery and Resilience Facility (RRF) in 2020 transforming EU socio-economic governance.

This book sets out to explain the conditions that favoured the expansion of the European social dimension in the face of strong countervailing pressures. The literature is in fact divided on the prospects for a so-called 'Social Europe'. Several contributions highlight the presence of significant political and institutional barriers to the deepening of the social dimension of the EU

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in the shadow of market integration (Ferrera 2005; Leibfried and Pierson 1995; Obinger et al. 2005; Scharpf 2002). Some have gone as far as to diagnose the end of Social Europe (Crespy and Menz 2015; Graziano and Hartlapp 2019; Streeck 2019). By contrast, an alternative stream of scholarship tends to overemphasize the social policies promoted, in particular, by the European Commission, blending policy analysis with more normative considerations (see, for example, Keune and Pochet 2023; Vandenbroucke, Barnard and De Baere 2017; Vesan, Corti and Sabato 2021).

This book takes a different approach, both in theoretical and empirical terms. As regards theory, it draws on the 'state-building school' of political development (Flora et al. 1999), an approach to the study of polity formation that has its origin in the seminal work of Stein Rokkan, and which has recently been extended to study the politics of Social Europe (Ferrera 2005, 2019; Martinsen and Vollaard 2014; Miró et al. 2023) and of EU integration more broadly (Bartolini 2005; Vollaard 2014; Ferrera et al. 2024a). Building on this literature, we introduce a novel analytical framework for interpreting the transformation of the EU social dimension in times of crisis (Chapter 2). The 'polity perspective' directs attention to social policymaking as part of a larger project of polity building (Ferrera 2019). We argue that EU social policymaking hinges on a constant rebalancing act between the well-established and 'thick' national systems of social protection, EU-induced pressures for market integration and EU-level attempts at social re-embedding in a larger supranational polity. Our argument is that the choice between inertia and European social policy expansion has broader implications for the EU polity. While we are not the first to recognize a link between the erosion of social rights and declining support for the EU (Copeland 2022; Dotti Sani and Magistro 2016; Heidenreich 2022; Palier, Rovny and Rovny 2018), we see policies and the politics that produce them as having even more profound polity implications. We argue that the EU social dimension has the potential to serve as a complement to market integration and a counterweight to its excesses, 'bonding' the Member States and their citizens together through mechanisms of social sharing. We further note that any such tendencies operate in a context whereby previously uncontested EU affairs have become, starting in the 1990s, increasingly salient, controversial and polarizing in national public spheres (De Wilde 2011; Zürn 2016) in a process known as 'EU politicization' – a context in which, therefore, the progress of EU social bonding may become particularly relevant for shoring up the political stability of the compound EU polity (Ferrera and Burelli 2019).

To identify the specific drivers of EU social policymaking empirically, we reconstruct the struggles over concrete policy proposals as they unfolded in the European multilevel setting. More specifically, the book seeks to uncover the mechanisms that contributed to turning crisis into opportunity for the expansion of EU social policy during the turbulent decade of 2010–2020. The bulk of empirical contributions on the development of Social Europe in the last decade have emphasized the political agency of the European

Commission (Carella and Graziano 2022; Copeland 2022; Vesan, Corti and Sabato 2021; Vesan and Pansardi 2021). Instead, without neglecting the latter's central institutional role, we take a multi-actor perspective on European social politics. To wit, we focus on how national political events percolated into the EU arena, on conflicts in the Council and the coalition-making process between Member States' governments within it, as well as political parties and interest groups interacting in transnational arenas. We expect that EU social policy expansion hinges on demand-side pressures from diverse political actors and organized interests, supply-side mobilization, political entrepreneurship, and the forging of coalitions that span the major territorial and ideological fault lines of Social Europe (see Chapter 2).

Against this background, the following research questions guide the empirical chapters:

- What was the impact of social crisis dynamics on EU social politics?
- What kind of political coalitions drive EU social policy outputs? Can we detect realignment of territorial and ideological divides over the social dimension in the compound EU polity?
- What institutional configurations between national welfare states and EU socio-economic governance have emerged in the last decade and what are their likely developments?

The book addresses these questions through eight in-depth case studies (see section 4 on 'Research design and methodology' below). Each empirical chapter investigates a policy episode that refers to the political debate and policymaking process emerging in the wake of a policy proposal, typically put forth by executive actors as a response to a given manifestation of the social crisis. Our argument is that each policy proposal embodies a particular understanding of the EU as a polity – and of its nested relationships with the Member States.

Before delving into the politics of EU social policy and its wider implications for the integration project, this introductory chapter starts by, first, delineating the social crisis of Europe: how its incubation and escalation were reflected in deteriorating social indicators (section 2), and how they were perceived by European citizens (section 3). Following this, section 4 outlines the research design and methodology utilized in the empirical chapters; and section 5 concludes with an overview of the book.

2 The social crisis of Europe: gauging the symptoms

The 'social crisis of Europe' (SCE) has its roots in the long-standing socio-economic transformations associated with deindustrialization, automation, globalization and EU market integration, population ageing and the feminization of employment (Armingeon and Bonoli 2006; Esping-Andersen 1999; Ferrera et al. 2024b). In a context characterized by the growing costs of established welfare programmes and tighter financial constraints (Pierson 2001) – especially in the

EMU framework (Hemerijck 2012; Pavolini et al. 2015) – these slow but relentless transformations brought about an increasing 'commodification' of life in the EU. Individuals and families increasingly depended on market performance to maintain acceptable standards of living, not least due to a gradual erosion of welfare states' protective capacity. The cumulation of social problems and the systemic tension between EU market integration and nationally bounded welfare states increased levels of material threat, though the slow-moving temporal structure and geographic dispersal of the social crisis largely inhibited the full-scale politicization of a lingering social crisis.

The persistency of poverty in the EU despite employment growth is a good indicator of the gradual unfolding of the SCE. In the 2000s, the Lisbon Strategy for Growth and Cohesion committed the Member States to the ambitious aim of making Europe 'the most competitive and dynamic knowledge-based economy in the world' by sustaining 'economic growth with more and better jobs and greater social cohesion' (European Council 2000). As shown in Figure 1.1, a sustained growth of employment followed. Between 2001 and 2022 the employment rate in the EU27 increased by 8.6 percentage points (p.p.), from 61.2 per cent to 69.8 per cent. Although significant differences exist both in intensity and in the level of employment achieved, this significant growth affected all EU countries (Figure 1.1) – from Italy (+ 6.7 p.p.) to Germany (+ 11.2 p.p.), and from Spain (+ 6.8 p.p.) to the Netherlands (+ 7.3 p.p.) and Poland (+ 17.6 p.p.), just to mention a few examples.

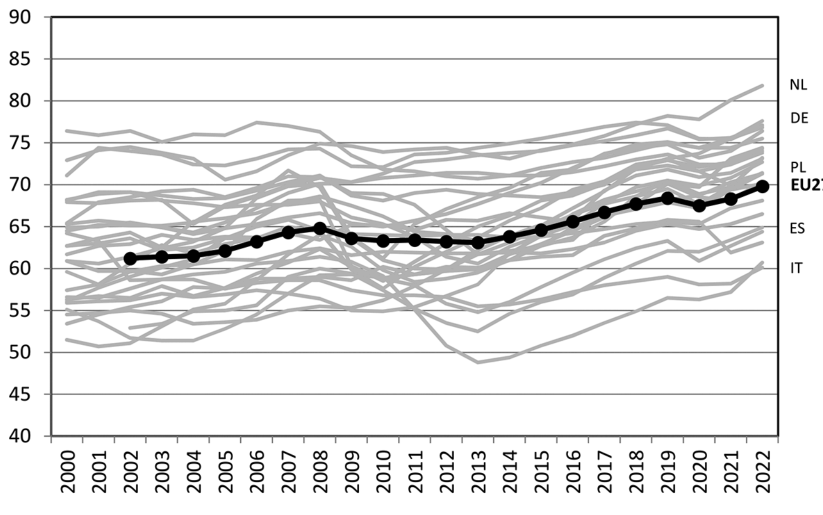

Figure 1.1 Employment rates in the EU (2000–2022): EU27 average and selected countries

Source: Eurostat online database, accessed 20 March 2024; employment rates (per cent) over the labour force aged from 15 to 65 [lfsa_ergan].

This notable growth in employment, however, was not matched by a decrease in poverty and improved social standards (Cantillon 2011; Gábos et al. 2024). Figure 1.2 outlines how relative poverty[1] stagnated or even increased, with hikes in some Member States after the Great Recession. In fact, poverty remained constantly high in the EU, even in periods of economic and employment growth (Cantillon and Vandenbroucke 2014). On average across the EU27, poverty reached its peak in 2016, with 17.5 per cent of the population at risk of poverty. Relevantly, this is not only a socially[2] but also a geographically unbalanced phenomenon, being a persistent problem especially in some central and eastern European Member States (most notably the Baltic countries, Romania and Bulgaria), while it is also sizeable in southern Europe (Figure 1.2). The picture gets even worse if we focus on European citizens experiencing situations of extreme vulnerability. Most notably, poverty, material deprivation and social exclusion increased among 'jobless households' (households with a scant attachment to the labour market, usually composed of low-skilled individuals), which did not benefit from the employment growth of the Lisbon years (Cantillon and Vandenbroucke 2014; for more detail on this see Chapter 5, Figure 5.1).

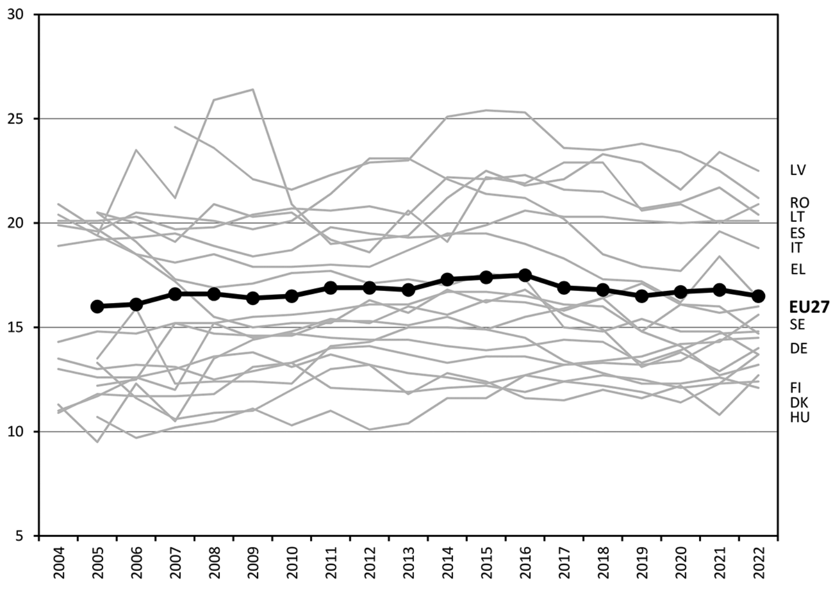

Figure 1.2 Share of population at risk of poverty (2004–2022): EU27 average and selected EU countries

Source: Eurostat online database, accessed 13 September 2023; at-risk-of-poverty rate by poverty threshold (60 per cent of median equivalized income), age and sex – EU-SILC and ECHP surveys [ILC_LI02].

The mismatch between employment growth and persistent poverty is also connected to increasing work precariousness. Since the 1990s, a common remedy to the back-then persistently high unemployment in continental and southern Europe was found in the deregulation and flexibilization of employment contracts (OECD 1994; Boeri and Garibaldi 2009). To the extent that social protection did not suffice to stem the recommodification implied by work flexibilization, employment precariousness became a distinctive problem of western Europe (Emmenegger et al. 2012; Prosser 2016). The rise in part-time employment and temporary contracts predates the financial and the euro crisis, and, with the exception of involuntary part time, it seems to have evolved largely independently from them. In this sense, the increase in precarious work followed a gradual 'erosive' pattern, connected to the long-term transformation of labour markets, the weaker social guarantees usually provided to non-standard as compared to standard workers and the highly socially stratified welfare loss associated with it (Kalleberg and Vallas 2017).[3] Labour market deregulation indeed often translates into deteriorating wages for (low-skilled) temporary workers, with higher risks of being frequently unemployed and depending on family support (Lohmann and Marx 2018; Natili and Negri 2022). In this regard, Figure 1.3 shows that, on average, the increase in poverty over the last 15 years has been much more marked for temporary workers than for those with a permanent 'standard' job.

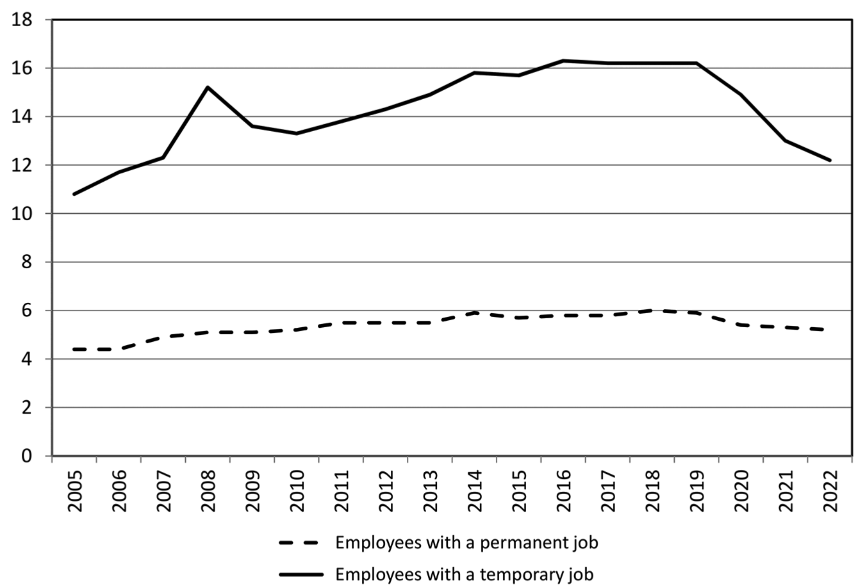

Figure 1.3 At-risk-of-poverty rate among employees with temporary job contracts (2003–2022): EU27 average
Source: In-work at-risk-of-poverty rate by type of contract – EU-SILC survey [ilc_iw05].

The outbreak of the global financial crisis in the late 2000s contributed to making the SCE more manifest and visible. The euro crisis struck soon after: in 2009, when international markets lost confidence in the solvency of Greece and other highly indebted Eurozone members, debt-based growth models crumbled, while unemployment and inequalities exploded. In 2012 and 2013, negative GDP growth rates were recorded on average in the EU27 and in the euro area.[4] In this context, in the early 2010s the gradual worsening of social conditions in the EU swiftly accelerated. During the euro crisis years, many European citizens – especially vulnerable social groups – experienced a substantial deterioration of their welfare (Cantillon and Vandenbroucke 2014). Social malaise was particularly marked in southern European Member States, due to weaker budgetary footings and less robust welfare systems. Inequalities rose not only within the Member States but also *among* them, halting convergence between the 'core' (northern and western countries) and the 'periphery' (southern and eastern Europe) of the EU (Heidenreich 2022; Palier et al. 2018).[5]

Overall, the SCE intensified in two ways – on the one hand, through locally or temporally concentrated focusing events, which in some cases also predated the *decennium horribilis* of the euro crisis (for example, a plant closure provoked by a delocalization, or the adoption of a specific piece of legislation or the eastern enlargement, which brought lower-standard labour markets within the EU economic space). With hindsight, such manifestations could be seen as 'sinkholes', i.e. as early symptoms of a greater escalation of the social crisis. On the other hand, the SCE manifested itself in the form of social 'aftershocks' of the economic downturns that followed one another from the late 2000s (Hemerijck et al. 2009; see also the next chapter) – first and foremost, the global financial crisis and the COVID-19 pandemic.

The evolution of unemployment rates, sketched out in Figure 1.4, is a good demonstration of how a *longue durée* lingering social issue easily escalated into a more acute manifestation of the SCE as an 'aftershock' of the financial crisis. In 2008, the aggregated unemployment rate for the EU27 had reached a low point (6.8 per cent of the labour force). However, it increased sharply after the onset of the global financial crisis, and, following a mild recovery in 2011, it remained very high during the mid-2010s (reaching a peak of 11.2 per cent across the EU27 in 2013), taking a decade to return to the 2008 level. The COVID-19 pandemic led to a slight increase in unemployment between 2020 and 2021, which was followed by a much faster recovery than before.

Needless to say, unemployment rates did not increase everywhere with the same intensity. The marked asymmetry in the unemployment shocks between the Member States (grey lines in Figure 1.4) reflects well a defining feature of the SCE. Disaggregating the overall trend illuminates a very uneven spatial distribution of problem pressures across the EU. The problem of unemployment predated the economic crisis in the southern Member States, which, together with France, have long been characterized by chronically low

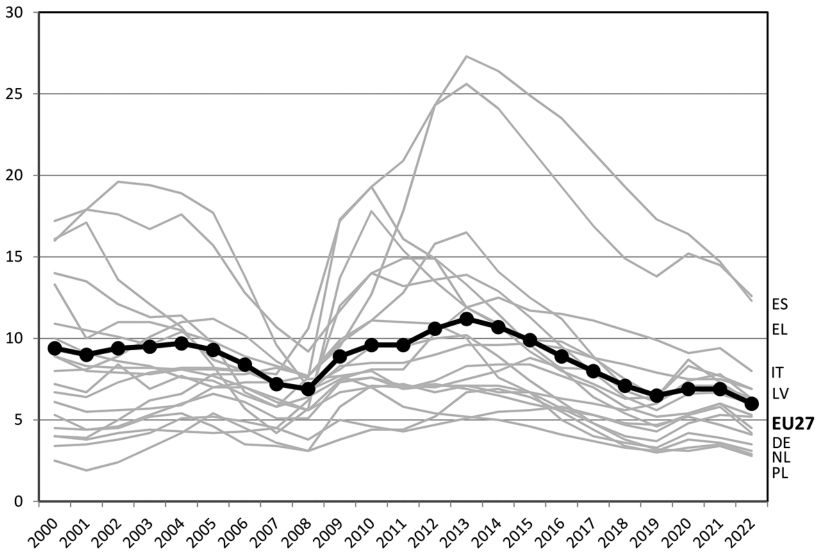

Figure 1.4 Unemployment rates for people aged 20–65, 2000–2022: EU27 average and selected EU countries

Source: Eurostat online database, accessed 13 September 2023; unemployment by sex and age (1992–2020) – annual data [UNE_RT_A_H]; for 2021–22: Unemployment by sex and age – annual data [une_rt_a].

employment levels (Hemerijck and Ronchi 2023): in 2008 only Cyprus and (marginally) Italy had an unemployment rate lower than the EU average.[6] All southern European countries saw a large increase in unemployment during the crisis, and a very sluggish improvement in the second half of the 2010s. The negative record was reached in 2013 by Greece (27.3 per cent of the labour force unemployed), closely followed by Spain (25.6 per cent), while in the same year only 5.2 per cent of the German labour force was unemployed.[7] In the case of youth unemployment, another long-standing Achilles heel of European labour markets (Caporale and Gil-Alana 2014), the gap between the southern and continental/northern Member States was even more pronounced (from 2012 to 2014 youth unemployment in Greece and Spain exceeded 50 per cent).

The indicators shown so far depict a general deterioration of the social situation that was well under way even before the SCE reached its peak in early 2010. Based on this trend, one may naturally point the finger at the retrenchment of public welfare programmes, that started after the heyday of the neoliberal critiques of the welfare state back in the 1980s. However, the story is more complicated than it seems at first sight. Overall, social spending in EU Member States has not decreased; despite austerity reforms, it has actually seen a modest increase on average in the past two decades or so –

though not everywhere and not to the same extent (Bartels 2023: ch. 3). However, this slight increase in social spending has been mainly driven by so-called 'old' social risks, which are mostly connected with population ageing (think of spending on pensions and healthcare, which together make up about three quarters of the total social expenditure in the EU).[8] On the other hand, newly emerging social needs remained largely unmet, especially in less inclusive welfare states of EU peripheral countries. Moreover, to the extent that established social programmes were not adequately upgraded to match the changing configuration of social risks, an increasing number of citizens slipped through the mesh of extant welfare systems – think, for example, of precarious workers not entitled to adequate social insurance. Furthermore, continuity in spending in a period of increasing social needs may hide retrenchment,[9] which has materialized in the gradual decrease of the generosity and coverage of social welfare benefits (Allan and Scruggs 2004; Otto and Van Oorschot 2019; Sowula et al. 2023).

In any event, at a time of fiscal consolidation, the increasing costs of established social programmes have made it hard for the bulk of European governments to expand new branches of welfare for addressing 'new' social risks connected, for example, to employment precariousness, changing skill requirements, work–family reconciliation needs on the side of an increased number of dual-earner households, and so forth (Esping-Andersen 1999; Bonoli 2007). As mentioned above, new social needs typical of today's knowledge-based European economies have thus remained largely unmet (Ferrera et al. 2024b). The mismatch between growing social needs and the limits of extant welfare programmes became stark at the peak of the SCE. With the onset of the euro crisis, social spending per potential welfare recipient (i.e. 'needs-adjusted' spending – for example, spending on unemployment benefits over the number of unemployed people) decreased considerably (Ronchi 2018). Furthermore, the gap in per capita social expenditure in real terms between 'core' EU countries and southern Europe has widened substantially after 30 years of convergence (Natili and Jessoula 2022), meaning that the protective ability of the welfare state declined precisely where it was most needed. If European welfare states did not completely fall prey to retrenchment, in the years of austerity following the euro crisis their eroding effectiveness contributed to unveiling the SCE and its territorial connotation.

3 The social crisis of Europe in the eyes of European citizens

How did European citizens react to the social crisis? Tober and Busemayer (2022) argue that European integration constrains governments' ability to invest in social issues while at the same time increasing popular demand for social spending. Subjective assessments of well-being indeed showcase a general preoccupation with social issues among European citizens. While attitudes vary across countries, negative valuations of social conditions are present even in countries whose objective indicators would not necessarily warrant deep worries. To begin with, Figure 1.5 exploits public opinion data from a survey conducted in 2019 (Donati et al. 2021), at the end of the EU's *decennium horribilis*, and shows some insight into the individual experience of unemployment and insolvency in 10 EU countries.[10]

The exposure to such risks appeared greater in southern European countries (for example, more than half of the Greek and Spanish samples had experienced unemployment), but it was also relevant in Finland and in the two eastern countries included in the survey, namely Hungary and Poland.

Figure 1.6, conversely, reports the percentage of respondents who think that unemployment and poverty were the most important issues facing their country/the EU in an original survey realized in the context of the ERC SOLID project conducted in July 2021. The very high percentages in southern European countries (Greece, Portugal, Spain and Italy) and in Finland stand out, though unemployment and poverty seem to be salient issues in most surveyed countries, with some notable exceptions (Poland and the Netherlands). It is also noteworthy that respondents perceived these problems as predominantly national, and much less so as European. This seems to suggest that the SCE was experienced in a similar way in a number of Member States but was not necessarily perceived as a common EU crisis.

The SOLID survey also allows us to put the SCE in a comparative perspective with other crises experienced by the EU since the 2000s.

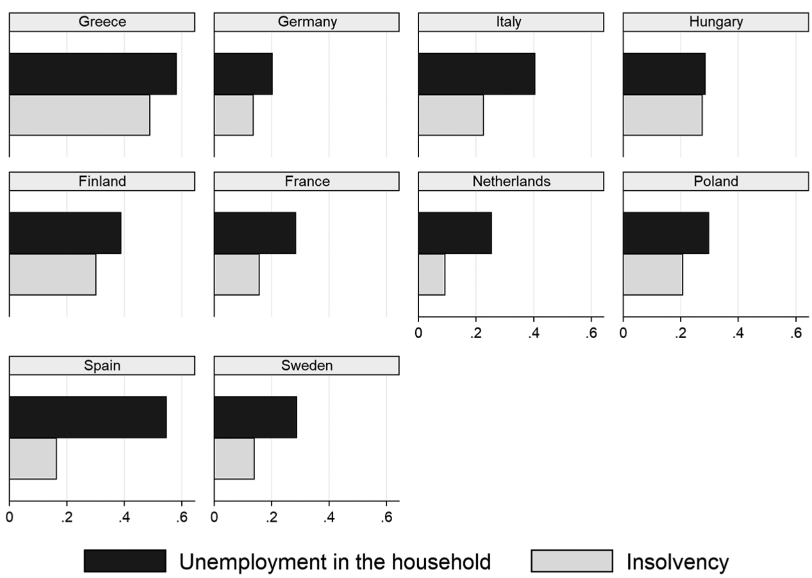

Figure 1.5 Proportion of individuals from 10 European countries who experienced unemployment and insolvency in the two years prior to the interview
Source: RescEU mass survey 2019 (Donati, Pellegata and Visconti 2021).

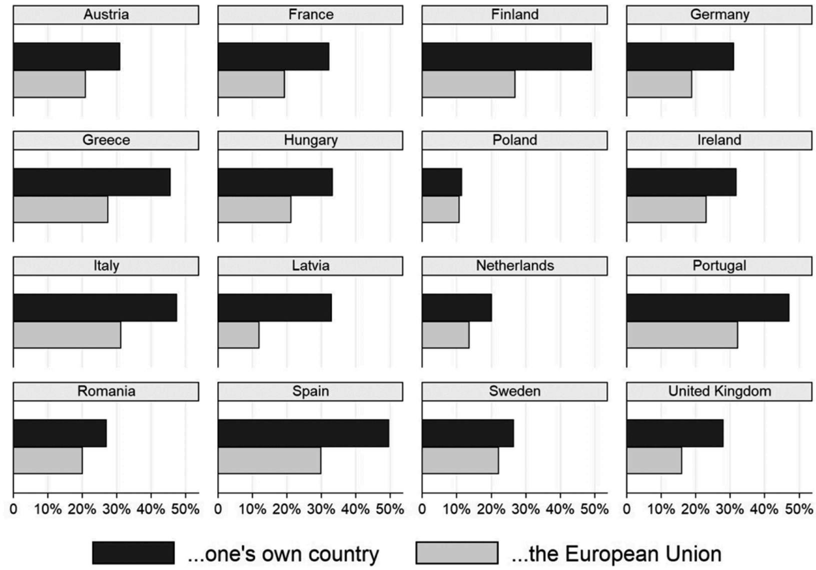

Figure 1.6 Percentage of individuals from 16 European countries who saw the increase in unemployment or poverty as the most important issue facing their own country/the European Union
Source: SOLID general survey 2021, first wave.

Respondents were asked to state what had been, according to them, 'the most serious threat to the survival of the European Union', and to choose between 'Financial and economic issues in some European countries, 2010–2012', 'Refugee flows to Europe, 2015–2016', 'The UK leaving the European Union (Brexit), 2016–2020' and 'Poverty and unemployment in the decade 2010–2019'. Figure 1.7 indicates that Europeans were more aware of the SCE than is generally assumed. Due to its erosive pattern, the SCE was arguably less visible than more acute shocks – think, for example, of the high salience of the refugee and the COVID crisis (Bojar and Kriesi 2023); moreover, it was experienced to different extents by different countries. Nevertheless, about 20 per cent of respondents throughout the 16 countries included in the survey recognized the social crisis as a 'most serious threat to the survival of the EU' (more than Brexit, and a little less than the euro crisis).

Figure 1.8 looks at country differences in this respect. The pattern that emerges is the expected one: people were most worried about rising poverty and unemployment (i.e. the exact wording used in the survey question to hint at the 'social crisis') as well as the euro crisis in southern Europe and in part of the east, while the social crisis was less of a priority in the other countries, down to the lowest share displayed by the UK, where Brexit obviously took the lion's share of the public debate.

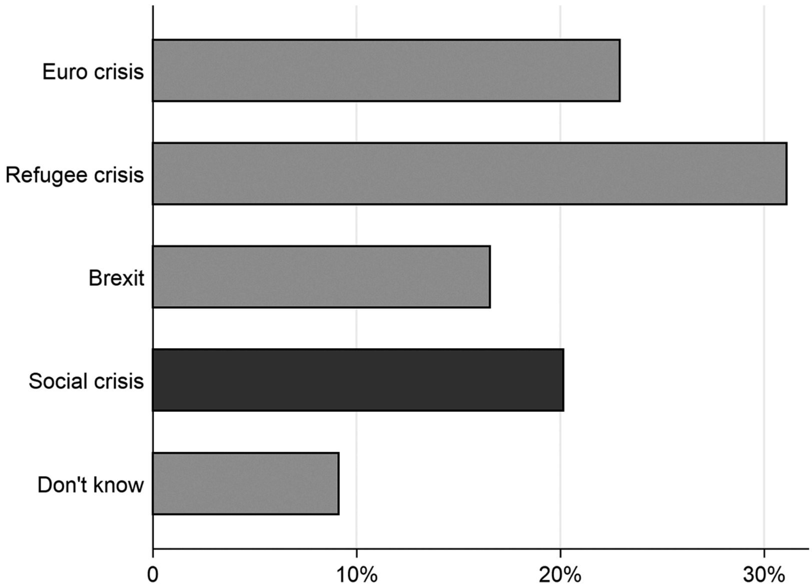

Figure 1.7 Percentages of individuals who considered the euro crisis, the refugee crisis, Brexit or the social crisis the most important challenge for the European Union: average across 16 European countries
Source: SOLID general survey 2021, first wave.

If, on the one hand, European citizens recognize the social crisis, on the other they would also like the European Union to tackle it. Figure 1.9, again based on original data gathered in 2021, shows that, on average, almost 70 per cent of the respondents from 15 different European countries would like 'the European Union to take on a more active role in the area of social welfare, poverty and unemployment'. Tellingly, agreement with this statement is higher than that regarding other public policy areas as important as environmental and energy policy, public health, immigration and asylum, international defence and diplomacy, and fiscal policy and public debt. As suggested by previous research (for example, Genschel and Hemerijck 2018; Ferrera and Burelli 2019), therefore, popular support for so-called 'Social Europe' appears higher than is generally assumed. Certainly, the extent of this support changes widely across Member States. And citizens' (as well as Member State governments') views about the role of the EU also vary depending on the specific social policy area that is at stake (Eick et al. 2023). As we illustrate in the following sections, the empirical chapters of the book will uncover the heterogeneity of countries' positions vis-à-vis EU intervention in diverse social domains.

To summarize, the social crisis that hit Europe in the 2010s was a peculiar type of crisis, which weakened social cohesion *within* and *among* EU

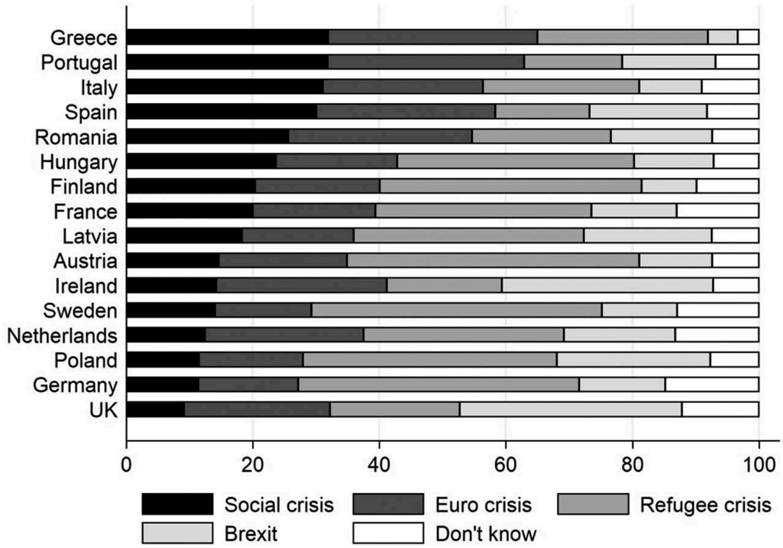

Figure 1.8 Relative weights that individuals attributed to the euro crisis, the refugee crisis, Brexit and the social crisis in 16 European countries
Source: SOLID general survey 2021, first wave.

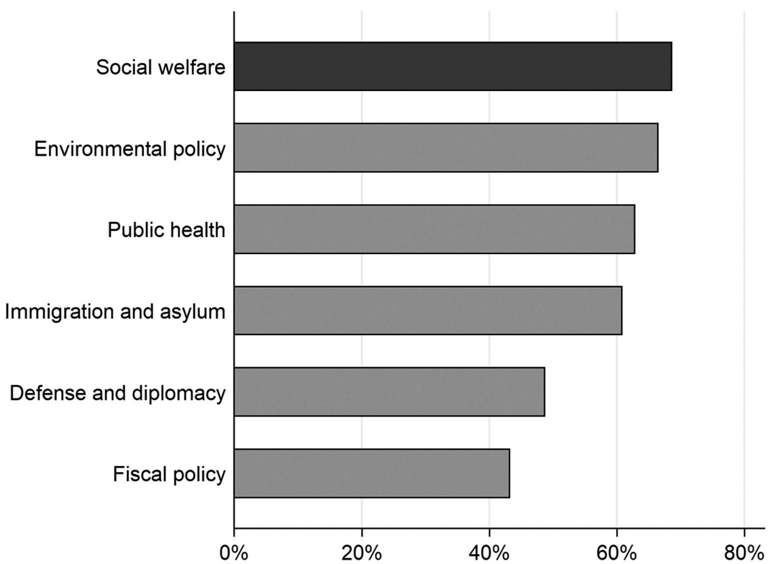

Figure 1.9 Percentages of individuals who would like the EU to take a more active role in different policy domains: average across 15 European countries
Source: SOLID general survey 2021, first wave. This question was not asked in the UK.

countries. As we will discuss in greater depth in the next chapter, its slow-burning nature and its territorial unevenness affected EU social policy-making by constraining the possibility of EU social policy expansion. Nonetheless, by bringing to the fore pre-existing social issues, different manifestations of the social crisis opened windows of opportunity for reform, which could or could not be exploited by given coalitions of political actors to bring forward social policy change in the heterogeneous institutional contexts of the Member States and at the EU level. As we explain in detail in the next chapter, the tensions, trade-offs and (sometimes strange-bedfellow) alliances resulting from this dynamic constitute a central analytical concern of this book.

4 Research design and methodology

This book engages with policies that seek to address pressing social problems, risks and inequalities across the EU. Our analytical emphasis remains squarely on politics. By identifying the politics that produce the expansion of protections for the vulnerable members of our societies we shed light on the mechanisms that can contribute to shoring up the political foundations of the European integration project in challenging times. Building on the insight that the politicization of the debate over European integration led to the emergence of new political divides (Hooghe and Marks 2009), we detail empirically the political dynamics behind EU social policy. The aim is to unveil the conditions that led to the deepening of Social Europe in particularly sensitive policy domains.

We have included in our analysis some of the most important social and employment policy initiatives taken at EU level between the late 2000s and early 2020s. These initiatives tackle a wide array of social problems, ranging from (youth) unemployment to the social rights of intra-EU posted workers, poverty, delocalization, the social implications of the clean energy transition and EU social governance in the COVID-19 pandemic. Within these domains, nonetheless, we maintain a focus on the world of work. Employment policies have long been central in the EU social dimension, given the very nature of market integration (Crespy 2022: ch. 4). The 'four freedoms' basically blur the boundaries between Member States' labour markets, starting from employment policies, yet encroaching upon the social domain more widely (unemployment-related social risks and needs). Therefore, while the policies we analyse seek to tackle problems primarily related to labour market risks, their effects can go beyond this, touching on a variety of social needs.

Our analytical window extends from the late 2000s to the early 2020s. This time span allows us not only to assess short- and medium-term political dynamics within the policy episodes and case studies but also to put the latter into the longer-term context of the temporal evolution of EU social policy more generally (Howlett and Cashore 2009; Pierson 2004). The analytical window reaches back to the tail end of a relative decline in EU social policy provision during the Barroso years, includes the EU's purported social turn after that, and stretches to the period of post-COVID recovery, which evidently triggered significant changes in the EU's architecture of economic governance. The common analytical focus of the case studies and their variation in terms of social policy subfields and of policy output facilitates cross-case contrasting assessments aimed at singling out the factors that favour or hinder the expansion of the European social dimension in challenging times.

All but one of the cases we engage with are instances of social policy *expansion*. The exception is the proposal for a Minimum Income Framework Directive, which was not adopted despite broad advocacy and popular support for it. As such, it constitutes a key negative case study hinting at some of the conditions that may be present, but nonetheless insufficient to push social policy initiatives forward. Additionally, our positive cases of social policy expansion also vary, at lower levels of analytical abstraction, in terms of the extent of said expansion, with some having been more far-reaching and ambitious than others. Moreover, the eight case studies examined in the individual chapters exploit different types of variation (see Gerring 2016: 138). Four enlist primarily within-case evidence, focusing on the detailed reconstruction of a single policy proposal; while this also includes tracing the policymaking process that led to the inception of these proposals and to their eventual adoption; nonetheless the time span is relatively short, typically limited to the time needed to pass legislation at EU level. Two chapters exploit longitudinal variation by including material about the evolution of policies over a long period of time (drawing on the analytical toolkit of historical institutionalism – see, for example, Thelen and Mahoney 2015) in order to reconstruct developmental trajectories that comprise (often repeated) attempts at reform. A further two chapters employ, instead, cross-case analysis by providing careful comparisons between different Member States or between proximate policies (see Table 1.1). Overall, this design provides ample variation and allows us to discern different pathways toward the (partial) expansion of social policy.

All empirical chapters comprise a formal policy analysis component in which they evaluate (1) what aspects of the social crisis the examined instrument was devised to address and (2) the extent to which it does so effectively. This evaluative element is important because increased legislative activity in the social field by the EU does not necessarily mean successful policy implementation (Copeland 2020). Nevertheless, the main focus in all chapters is on the political dynamics that have driven the evolution of the policymaking process. To render our case studies comparable and to systematize findings, we loosely follow a policy cycle approach (see Jann and Wegrich 2017), distinguishing between the phase of agenda setting (especially important given that the social crisis in its erosive manifestation is difficult to politicize: Chapter 2) and policy formulation, followed by the analysis of the politics of policymaking proper.

Table 1.1 Empirical chapters of the book

Chapter	*Case study*	*Policy subfield/ problem*	*Research design/type of analysis*
3.	European Globalization Adjustment Fund	delocalization/trade adjustment	Longitudinal (2006–2021)
4.	Youth Guarantee	youth unemployment	Longitudinal (2010–2022)
5.	European Framework Directive on Minimum Income	poverty/social exclusion	Within-case (negative)
6.	Revision of the Posted Workers Directive	fair labour mobility/ workers' rights	Within-case
7.	European Minimum Wage Directive	wage setting/collective bargaining	Within-case (2019–2022)
8.	European Green Deal Just Transition Components	socio-economic impact of decarbonization	Cross-case/policy comparison (Just Transition Fund and Social Climate Fund)
9.	Temporary Support to Mitigate Unemployment Risks in an Emergency (SURE)	employment protection/job retention	Within-case (2020–2022)
10.	Recovery and Resilience Plans (RRPs) in Southern Europe	European social governance	Cross-case/country comparison (Italy and Spain)

The book overall relies on three complementary sets of evidence. First, we utilize documents (minutes, reports, proposals, opinions), including voting records in the relevant institutions. Pertinent documents related to EU legislative initiatives allow us to reconstruct, inter alia, the differences between the initial proposal and the final version, as well as actors' (shifting) positions, the main contentious issues, and so on.

Second, we integrate content analysis of media coverage of the policymaking process, utilizing reporting on the policymaking process in quality newspapers such as the *Financial Times*, as well as the niche press on European affairs (*Euractiv, EU Observer* and *Agence Europe*). Mass media data are widely used in social science research in general and in the analysis of policymaking in particular (see, for example, Bojar et al. 2023) and allow us to capture the subset of the policy process that plays out in front of the general public. This type of evidence complements information from our other data sources, e.g. with regard to the positions actors take on a certain policy process and their coalition dynamics.

To illustrate the use of media data with perhaps the most extreme example, Chapter 6 on the revision of the Posted Workers Directive relies heavily on newspaper reporting to reconstruct the executive-level interactions in which the policy proposal was discussed and negotiated. Since many of these meetings occurred outside of the 'proper' EU institutional venues (i.e. the Council of the EU or Coreper), they have left no paper trail for us to locate and analyse from official EU sources. Additionally, media data provide information about the ways in which participants express their views, i.e. not only the positions they take but also how they justify these positions and/or frame the overall problem.

Elite interviews were the third major source we used; these were conducted with individuals who have been involved in, or have closely followed, one or more policy episodes relevant for our analysis. These data are crucial for shedding light on the components of the policymaking process that remain sheltered from public view (see Aberbach and Rockman 2002). We conducted 63 semi-structured in-depth interviews (listed in the Appendix), primarily with individuals affiliated with EU institutions, political parties, think tanks, trade unions, NGOs, etc., active in the EU arena. We drafted an initial list of potential interviewees based on the documents and newspaper articles analysed, and subsequently we recruited further participants via snowball sampling (Parker et al. 2019). All interviews were conducted online and lasted between 30 and 90 minutes. Our informants provided invaluable data, allowing us to appreciate the dynamics of the policy processes, to confirm or disconfirm our assumptions and more generally to obtain pieces of information that otherwise we would have had limited access to.

5 Overview of the book

The book is structured in two parts: two introductory chapters and one concluding chapter bookend eight empirical chapters. The present chapter (Chapter 1) has set the stage by providing an empirical assessment of the SCE, reviewing our analytical approach and main arguments, and presenting the research design and the type of data used. The next chapter (Chapter 2) discusses in detail the theoretical-conceptual core of the book. It begins by once again examining the SCE, this time putting it in analytical rather than purely empirical terms. It then presents a 'polity perspective' on Social Europe, conceptualizing the latter as the 'bonding dimension' of the EU as a forming polity (Ferrera et al. 2024a). The chapter diagnoses the gradual emergence of a multilevel social space but also highlights the ambiguity and volatility of advancing social sharing beyond the national 'container'. This is followed by a detailed conceptualization of social politics in the EU, organized around the configuration of demand-side and supply-side dynamics, followed by the presentation of two main expectations regarding the way in which social crisis-driven reforms ensued in this political context.

Chapters 3–10 present detailed studies on Eurosocial crisis politics and policymaking, arranged in chronological order. Chapters 3 and 4 on the

European Globalization Adjustment Fund (EGF) and the Youth Guarantee (YG) respectively, reach back to the mid-to-late 2000s, i.e. the era preceding the economic crisis. They both adopt a longitudinal perspective, analysing what explains not only the initial adoption of these instruments (the YG in particular having to face several hurdles and reversals before its institutionalization) but also their subsequent evolution and survival or revival in the post-COVID era. Chapters 5, 6 and 7 present two case studies of successful social policy expansion and one failure. The European Framework Directive on Minimum Income (Chapter 5) sought to respond to pressing social concerns and was supported by a number of civil society organizations and EU policy networks. Yet, it was gradually abandoned in favour of a non-binding and less detailed recommendation attesting to the fact that advocacy from organized interests is insufficient for the expansion of social policy at EU level, unless it garners broader political backing. By contrast, the successful passage of the amended Posted Workers Directive (Chapter 6) and the adoption of the European Minimum Wage Directive (Chapter 7) epitomize how deep-seated institutional differences and entrenched territorial conflicts in the EU (between west and east and north and the rest, respectively) can be overcome. Both chapters highlight the significance of national-level developments, with Chapter 6 focusing on the French government's activism in pushing for reform, and Chapter 7 pointing to the importance of the formation of pro-minimum wage coalitions in key Member States as a major condition for change.

Chapter 8 brings into focus one of the most unyielding social issues of our times: how to ensure the 'greening' of the EU's economies in the face of the existential threat posed by climate change, while also making sure that this transition is socially fair. The chapter compares the two main instruments taken at EU level whose explicit aim is to address some of the adverse social externalities of decarbonization, the Just Transition Fund (JTF) and the Social Climate Fund (SCF). We argue that the adoption of both instruments is explained largely with the same side-payment logic that has traditionally infused EU redistributive politics, with this compensation being more important in political than in economic (functional) terms.

Chapters 9 and 10 look at the EU's reaction to the unprecedented shock that was the COVID-19 pandemic. The so-called temporary Support to Mitigate Unemployment Risks in an Emergency (SURE) analysed in Chapter 9 is without doubt the swiftest and least controversial of all policy instruments included in the book. The chapter focuses on the conditions that have led to such a puzzling consensus, including the symmetric nature of the pandemic, the design of the policy so as to pre-empt major conflict and the temporary nature of the instrument. Even so, discussions about turning SURE into a permanent mechanism showcase the tendency of Eurosocial policies to not only persist but also to gradually expand from crisis to crisis (as illustrated also by the EGF, the YG and the JTF-SCF pair). Finally, Chapter 10 invites us to consider how EU economic and social governance has been transformed in the wake of the pandemic. The chapter takes an approach that is both broader and narrower than that taken by previous ones. On the one hand, instead of a specific policy instrument, the chapter focuses on the Recovery and Resilience Facility (RRF) adopted in 2020, which constitutes a coordination mechanism aimed at shaping Member States' reform trajectories writ large. On the other hand, the chapter homes in on two country cases, Italy and Spain, whose welfare states have needed profound reform to comply with EU goals, and which have been subjected to restrictive welfare reforms during the euro crisis. It outlines how the introduction of the Next Generation EU, yielding EU resources to accompany structural reforms with much needed investment (also) in the social sphere, has provided a friendlier framework for Italy and Spain to draft a modernizing strategy for their welfare states compared to the past.

The final chapter of the book (Chapter 11) undertakes a comparative assessment of the commonalities and differences across our cases in the light of the theoretical insights we discuss in the next chapter, seeking to provide answers to our initial questions.

The erosive and asymmetrical nature of the SCE has posed obstacles to robust interventions against it, as it generates problem pressures that are objectively substantial but gradual, cumulative and diffuse, so that they do not easily take centre stage in policymaking agendas. These traits are not entirely immutable or insurmountable, however: they constrain action, but they still allow room for manoeuvre. Our chapters show that addressing the social crisis manifestations has been more feasible when they have arisen in relation to another crisis (a 'social aftershock') such as the COVID pandemic. Even in the absence of such a shock, EU responses to the SCE were possible. In the latter case, policy actions were often motivated by a political rather than a purely functional rationale, that of guaranteeing the overall legitimacy of the polity, but also in some cases as compensation for EU initiatives in other areas. Transnational coalitions of interest groups and the demands coming from political groups in the European Parliament have also successfully propelled social initiatives forward.

Making it onto the agenda does not, of course, guarantee policy adoption. Indeed, criss-crossing divides characterizing the Eurosocial field complicate the formation of sufficient majorities for passing social legislation. Our chapters point to various, partly overlapping mechanisms to achieve this: overcoming the fragmentation of the left on social issues at the supranational level; 'uploading' of national political dynamics to the European level by national political elites who seek to respond to electoral competition at home; and European elites' efforts to counteract Eurosceptic polity contestation by promoting social programs or funds to legitimize the EU. The final form of Eurosocial policies arises from complex negotiations, compromises and bargains, which is why they are often underfinanced and provide only partial solutions to the SCE outlined in this chapter; however, they also create important precedents and opportunities of piecemeal expansion over time.

Despite the weak constitutional footing of the social dimension of the integration project, overall, our case studies highlight the turn towards the establishment of European redistributive instruments that has taken place in the last 15 years. However, even as social regulation was reinvigorated and novel EU-level social policy capacities were built, the (social) polity's centre remains weak (Alexander-Shaw et al. 2023). Not only does the success of 'Social Europe' rest on Member States' willingness to cooperate, but also, presently, social policy still remains secondary compared to the economic pillar of the integration project. Whether the expansion of EU social policies described in the chapters of this book will provide some degree of social 'bonding' to ensure the cohesion and long-term stability of the EU polity remains to be seen.

Notes

1 According to the Eurostat definition, relative poverty is the share of the total population whose equivalized disposable income is below 60 per cent of the national median equivalized disposable income after social transfers.
2 The risk of poverty or social exclusion is unevenly distributed across socio-demographic groups: in 2022 it was, on average, higher for women than for men (22.7 per cent compared with 20.4 per cent); in 2019, it was 31.5 per cent for foreign-born people and much lower for nationals (19.5 per cent).
3 To get an idea of the socio-demographic diversity in the exposure to work precariousness, suffice it to say that, in 2019, 29.9 per cent of employed women were working part-time in the EU27, against 8.4 per cent of men; 20.1 per cent of foreign-born workers had a temporary contract, while the average among the total population was 15 per cent.
4 Eurostat online database (real GDP growth rate), accessed 11 September 2023.
5 Certainly, social conditions overall improved in some eastern Member States, in line with a longer-term and more general process of catching up with the higher socio-economic standards of western Europe.
6 Even though unemployment rates decreased in the mid-2000s, employment levels remained consistently below the EU average in southern Europe as well as in France (Hemerijck and Ronchi 2023).
7 Eurostat Labour Market Statistics (percentage of unemployed among population aged 20–64 in the labour force), accessed 11 September 2023.
8 Eurostat ESSPROS online database, accessed 13 September 2023.
9 This institutional mechanism is commonly referred to as 'policy drift' (Hacker 2004).
10 More precisely, the survey examined whether in the last two years each respondent or another member of their household had experienced a continuous period of unemployment, or an inability to meet the deadline for paying bills (utilities, taxes, mortgage, loans, etc.).

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2 Understanding crisis social politics and policymaking in the EU

1 Introduction

This book aims to investigate the dynamics of what we have described in the first chapter as the 'social crisis of Europe' (SCE). We maintain that this is a peculiar type of crisis because, rather than necessarily taking the form of an exogenous shock leading to rapid policy responses, it is best captured by the image of an erosive process that negatively affects the nature and distribution of socio-economic risks and needs, leading to increased inequalities across European citizens and countries. Building on Pierson (2004), we may capture its main features by emphasizing its long-term slow-moving causes (trade liberalization, globalization, deindustrialization, socio-demographic changes, labour market deregulation, etc.) and its incremental and cumulative effects. But as the euro and the COVID-19 crisis taught us, the SCE may also have an 'aftershock' pattern: sudden deterioration of social conditions in the wake of a primary 'external' shock. This definition allows us to emphasize a feature that is frequently under-rated in the burgeoning literature on crises and the European integration process (e.g. Zeitlin et al. 2019): the underlying structural, long-term processes with dramatic social consequences that (may) have contributed to the onset of other crises; and the impact of such processes on the structuring of political conflict in Europe and on the European integration process.

The SCE displays, in fact, a somewhat paradoxical property. If many scholars have argued that Europe is witnessing a 'polycrisis' (Zeitlin et al. 2019), most of the empirical work focuses on the 'euro crisis', Brexit, the refugee or COVID-19 crises, and only a few of them explicitly mention the existence of a social crisis, not least due to its contested recognition in the public discourse. At the same time, social questions are part and parcel of the functional and political pressures in all other crises, and EU social policies constitute a relevant component of crisis policymaking, either as co-solutions to the primary crisis or as free-standing solutions to the underlying social crisis. As a matter of fact, despite the priority given to fiscal consolidation, the decade 2013–2023 also coincided with progress in European social policy. Certainly, the enduring imbalance between the economic and social objectives of the EU was not tilted in favour of the latter (Maricut and Puetter

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2018). Nevertheless, at the supranational level, relevant steps were made towards deepening the social dimension of the EU (Huguenot-Noël and Corti 2023; Kilpatrick 2023). As we anticipated in the previous chapter, new legislative interventions expanded the breadth of binding social regulations (the revised Posted Workers Directive, the Work and Life Balance Directive, the directive for Adequate Minimum Wages, the proposed Platform Workers Directive) and innovative European social policy instruments were adopted (e.g. the Youth Guarantee, the European Pillar of Social Rights, the Child Guarantee, the Just Transition Fund and the Social Climate Fund), while the European Semester showed signs of 'socialization' (Vesan et al. 2021; Zeitlin and Vanhercke 2018). Finally, the crisis initiated by the spread of the COVID-19 virus posed severe challenges on multiple fronts, but at the same time opened a new window of opportunity to build cross-national solidarity, as revealed by the adoption of SURE and of the RRF.

The overwhelming emphasis on fiscal consolidation in the period under consideration has made scholars focus mainly on explaining the demise of Social Europe (Crespy and Menz 2015; Graziano and Hartlapp 2019) rather than social policy expansion in the EU. The latter is additionally puzzling given that the political science literature has frequently emphasized the presence of relevant political and institutional barriers to the introduction of Euro-social initiatives (Ferrera 2005, 2017; Leibfried and Pierson 1995; Obinger et al. 2005; Scharpf 2002). This book sets out to examine how and why the expansion of the social dimension of the EU occurred, despite strong countervailing pressures, and what this has meant for the process of EU polity building.

This chapter sets the scene for the empirical part of the book by providing the general context and introducing the key concepts that will guide our analysis. The following section introduces the notion of the SCE. Section 3 situates the book within contemporary theoretical debates over the European integration process, underlying our intellectual debt to the so-called 'state building' school. The fourth section focuses on the structuring of political conflicts in the EU, outlining how intertwined territorial and partisan dynamics shape EU social politics. The final section introduces our analytical framework for explaining change in EU social policy.

2 Putting the social crisis of the EU into context: an erosive crisis with asymmetrical manifestations

As we detailed in the first chapter, between 2010 and 2020 the social conditions of the European population deteriorated, although to different extents between and within countries. Such variations in the distribution of socio-economic vulnerabilities reveal the unfolding of a peculiar process in the EU: on the one hand, new labour market divides (between insiders and outsiders, winners and losers of globalization and/or of automation and the technological revolution) and growing social risks for specific social groups characterize the social situation in all Member States (Emmenegger et al. 2012; Kurer 2020). On the other hand, labour opportunities and social standards in 'core' and 'peripheral' countries drifted apart. Heidenreich (2016) termed this process of rising inequality between both social groups and country groups 'double dualization' (see also Natili et al. 2023a; Palier et al. 2018). In this situation, fiscal stability and market conformity become the top priority at the European level, putting national welfare systems, particularly but not exclusively in the European 'periphery', under stress (Matsaganis and Leventi 2017; Pavolini et al. 2015). This resulted in a relevant share of the European population facing harsh social problems, while existing national welfare arrangements (and the EU) were not able to protect them sufficiently.

The SCE did not come out of the blue. Rather, it originated from a number of long-standing factors (see Chapter 1). To begin with, in terms of functional socio-economic pressures, EU welfare states underwent endogenous social transformations linked to the socio-demographic revolution (Esping-Andersen 1999), the gradual shift to a predominantly service-based economy (Pierson 2001) and the flexibilization of labour markets (Taylor-Gooby 2004). At the same time, global political economy trends entailed international trade liberalization, increased financialization and rapid technological innovation (Beramendi et al. 2015; Iversen and Soskice 2019). Institutional elements also acted as a driver of the SCE: scholars have long-ago outlined the resilience (the 'immovable' nature) of core social protection institutions (Esping-Andersen 1996; Pierson 2001), leaving limited space for welfare adaptation and coverage for emerging new social risks (Bonoli 2005, Esping-Andersen 1999; Ferrera et al. 2000). This has contributed to a growing mismatch between new social problems and old policy solutions.

Relevantly for our purposes, the EU was implied in this process, as it exerted 'destructuring pressures on domestic arrangements' (Ferrera 2005). European integration was initially designed to complement nationally bounded welfare states, contributing to upwards convergence of social standards (Milward 1992). Over time, however, this equilibrium started to crumble in the wake of free movement provisions, competition law, the completion of the single market and the establishment of the EMU (Ferrera 2005; Ferrera et al. 2024b: ch. 6; Scharpf 2002). The adoption of the Stability and Growth Pact (SGP) in 1997, moreover, considerably constrained the fiscal space available to national governments and further inhibited recourse to Keynesian-style demand management.

It is in this context that the SCE originated. In fact, the increase in inequality and the deterioration of the social situation in Europe between 2010 and 2020 was not only a consequence of the euro crisis; rather, the latter accelerated existing dynamics, exacerbating longer-term socio-economic, institutional and polity-specific frailties. In other words, the root causes of the social crisis were already there when the euro crisis broke and made them apparent in the form of 'social aftershocks', especially in the southern periphery of the EU (Hemerijck 2012; see Chapter 1). In this sense, the euro crisis brought to the fore a number of social issues (poverty, youth unemployment, work insecurity, etc.) that existed already (albeit in a generally dormant form) in many EU countries that had failed to adjust their welfare provision to *longue durée* socio-economic transformations. In sum, the social crisis of Europe has been a slow-moving phenomenon, characterized by incremental escalation until the outbreak of the economic crisis and its consequences in the EMU.

Despite being more difficult to notice than abrupt and more visible shocks such as the refugee crisis or the COVID-19 pandemic, the SCE has manifested itself through varying symptoms, along a continuum ranging from sudden and concentrated phenomena to the incremental intensification of social vulnerability. These 'symptoms' have appeared at different times, in different places, forms and intensities. What they all have in common is that the joint effect of the drivers outlined above produced a substantial worsening of people's living conditions and life chances, in combination with a lack of efficacy of established social policies.

The main analytical insight we want to stress here is that the erosion mode of the social crisis, i.e. its generally slow-burning temporal structure, delimits the ensuing crisis politics and policymaking. Social demands rarely become manifest and get politicized in the context of such an erosion crisis pattern (Seabrook et al. 2020). Gradual changes such as the erosion of social rights can indeed be hard to detect and thus hardly trigger direct reactions on the part of voters, political parties and the media. In this sense, the SCE resembles what Boin and colleagues called a 'creeping crisis' (Boin et al. 2021). The peculiar temporal structure of the SCE does not only shape the agenda-setting process – i.e. when and how an issue gets on the policy agenda. By influencing actors' perceptions about the urgency of responses, it also places constraints on the interactions between different actors, and on the range of policy options they see as viable or appropriate (Pierson 2004; Seabrook et al. 2020). In erosive processes, crisis detection and its political construction constitute a particularly delicate phase; when political pressures around a particular issue are absent or weak, policy responses may be lacking despite the presence of lingering (yet not acute) functional problems (Seabrook et al. 2020; see also Boin et al. 2021).

Another analytical dimension that is crucial for our interpretation of the SCE is the spatial distribution of crisis manifestations. The EU is a compound polity formed by Member States with profoundly different economic, social and institutional configurations. Thus, even when they share a common origin (e.g. a financial crash), crises may not hit all the Member States to the same extent. Following Ferrara and Kriesi (2022), we consider crisis manifestations to be *asymmetric* if the burden of adjustment is unequally distributed among the Member States, whereas they are *symmetric* if they are (reasonably) evenly distributed across Member States. The SCE has had an asymmetric character, as it impacted peripheral Member States more deeply than core Member States. This aspect, together with the temporal structure of the social crisis, is likely to channel political dynamics into given patterns: a symmetric crisis tends to be more conducive to solidaristic solutions at the EU level, as different Member States may see themselves as being similarly affected by functional pressures, while the opposite is true for an asymmetric one (Ferrara and Kriesi 2022).

In sum, the peculiar erosive and asymmetric nature of the SCE contributes to structuring the political interactions and policymaking processes in EU social politics. Additionally, the way the latter plays out also depends on the multilevel institutional structure of the EU polity and on the complex constellation of conflicts that underlies its social dimension. It is to these aspects that we now turn.

3 A polity perspective on Social Europe

We situate our analysis of the SCE in relation to the so-called 'state-building school' of political development (Flora et al. 1999), a Rokkanian research tradition that has recently been developed to study the politics of Social Europe (Ferrera 2005, 2017, 2019; Martinsen and Vollard 2014; Miró et al. 2023) and of EU integration more broadly (Bartolini 2005; Ferrera et al. 2024a; Vollaard 2014).

A central analytical insight of this research tradition is that there are three constitutive elements of all polities, including the EU polity, the so-called 'three Bs': bounding (boundaries), binding (authority) and bonding (solidarity) (Ferrera 2005; Ferrera et al. 2024a). A polity implies (1) external boundaries that demarcate its territory, (2) internal political structures that produce binding decisions in the space demarcated by the borders and (3) loyalty-creating sharing resources and bonds that elicit and sustain collective identities.

These three elements are interrelated, and a delicate equilibrium is required to guarantee the proper functioning of the polity. Under this perspective, organized solidarity and social sharing (also) perform a crucial political function, as they are fundamental for the overall stability and maintenance of the polity (Ferrera et al. 2021; Miró 2022). As Vandenbroucke (2019: 6) puts it, 'a political authority cannot survive without the diffuse support of the people belonging to its jurisdiction', and, arguably, some sort of social bonding is a means to this end.

The national (welfare) state was able to guarantee such a delicate equilibrium (Flora et al. 1999). Indeed, the creation of nationally-organized welfare states in Europe throughout the twentieth century provided not only an effective way to protect from the social problems created by the development of capitalism, but also it generated we-feelings and shared solidarities that played a key role in upholding diffuse support for the national state (Flora and Heidenheimer, 1981; Flora et al. 1999; Ferrera 2005) and nation-building (Meuleman et al. 2020). But how could such forms of mutual support be institutionalized, and solidarity be organized at the European level? The very presence of national welfare states – i.e. social sharing 'within' the nation state container – seems to make any type of genuine Europeanization of welfare extremely unlikely (Scharpf 2002). The polity perspective, rather than opening up the possibility of EU social policy expansion, seems to imply that any transfer of substantial authority over social policy from the national to the supranational level is implausible – and indeed so goes the 'impossibility theorem' as formulated by Rokkan himself (Ferrera 2019).

The evolution of the 'bonding' dimension of the European polity has indeed been 'ambiguous and volatile'[1] (Ferrera et al. 2024a: 10). Originally, it relied on national social protection systems, under the expectation that the process of European integration would promote the upward economic convergence necessary to guarantee the social bonds within the EU. However, over time, the impossibility of proceeding on parallel tracks – market making at the EU level, market correcting at the national level – became evident as the former had destructuring effects on the national social protection arrangements, particularly through the negative integration provisions promoted by an increasingly activist Court of Justice of the European Union (CJEU) (Ferrera 2005; Scharpf 2002).

To alleviate the mounting tension between European integration and national welfare states, several initiatives were deployed to shape a distinctive social dimension of the integration process. Given the difficulties of promoting EU-level social policy instruments, these initiatives mainly had a regulatory (instead of distributive or redistributive) nature, aiming at avoiding the distortion of competition because of different social standards (Miró et al. 2023). In this sense, EU social regulation was primarily aimed at flanking the single market project rather than social fairness aims per se (Crespy 2022: 71–72). As such, initiatives in this period included, in particular, the social security coordination regime and a number of directives that have obliged Member States to introduce new social rights or standards on issues such as occupational health and safety, equal opportunity and non-discrimination (de la Porte and Madama 2022). Moreover, after the Treaty of Amsterdam (1997), European institutions adopted a new role in the realm of social policies, i.e. that of 'setting common objectives to guide the policies of the Member States in order to allow the coexistence of the various national welfare systems and to make them progress in mutual harmony' (art. 137).

As a result of these developments, a multilevel 'social space' emerged in the EU, characterized by: (a) supranational social interventions (binding regulatory standards, cohesion funds, spending programmes such as the Fund for European Aid to the Most Deprived, aspirational protocols and charters, etc.); (b) the European social governance, elaborating a specific social policy agenda and promoting convergence among domestic welfare systems through soft law and the socio-economic governance architecture to coordinate national policies – i.e. the European Semester; and (c) national welfare states, often complemented by subnational social systems.

Within these institutional arrangements, bonds of solidarity are relatively *thin*, with the national welfare state remaining the main space of collective loyalty. Not only did this key feature of the emerging EU polity prove functionally unstable but it also created a number of political problems, failing to ensure the much-needed equilibrium between binding, bounding and bonding and making the EU polity 'crisis-prone'. Within this institutional setting, Social Europe remained almost 'invisible' to European citizens (Natili et al. 2023b). At the same time, one of the flipsides of this invisibilization, when not deterioration, of Social Europe was that, starting in the 1990s, the previously uncontested process of European integration became increasingly salient, controversial and polarizing in national public spheres (Zürn 2016), a process known as 'EU politicization': EU policies transitioned from being tacitly accepted by European electorates towards becoming debated and contested. This implied a move away from the elite politics that had dominated the first four decades of the integration process, and the entrance of mass politics in EU affairs. In post-functionalist theory, this relatively new 'constraining dissensus' has the potential to act as a structural constraint affecting EU governance by limiting the room for manoeuvre of EU actors and producing downward pressure on the level and scope of integration (Hooghe and Marks 2009).

Despite the relevance of bonding for the overall stability of the European polity, it is rather difficult for a social issue to become politicized at the European level, due to the structural, erosive characteristics of the SCE outlined in the previous section, and the 'multi-level institutionalization' of organized solidarity in the EU polity (welfare benefits and services are mainly provided nationally). However, for the same reason, *when* a social issue is politicized up to the EU level, this can lead to forms of contestation whose focus can go beyond the given policy solution at stake. The politicization of EU social policy can escalate into contestation of (or support for) the same EU institutional design, which concerns the allocation of responsibility to the EU in tackling social issues in the first place and can go as far as questioning the nature, purpose and future of integration more generally (cf. de Wilde and Trenz 2012).

It is in this light that polity maintenance becomes crucial when the scope of the EU social dimension is at stake. The concept of 'polity maintenance' – introduced by Ferrera (2017) and further elaborated by Ferrera et al. (2021) – denotes the elaboration and deployment of values and symbols that justify policy choices, and at the same time reinforce the collective identities and diffuse trust that underpin the stability of a polity. As such, polity maintenance does not necessarily imply depoliticization (although the pacification of conflicts can be part of it), but rather political elites harnessing EU politicization in a constructive (from the viewpoint of the polity) manner. In the context of Social Europe, this can be done by pursuing and framing EU social initiatives in such a way that they stem the negative spillovers generated by market integration or shore up national welfare states in the face of emerging social risks or urgencies that they struggle to address.

4 Social politics and political conflicts in the EU polity

One of the main claims of this book is that EU social politics has significantly changed in the wake of the escalating manifestations of the SCE in the last 15 years. The social crisis affected political constituencies to diverse extents in countries with different welfare configurations; in general, however, old coalitional patterns were destabilized, and new parties emerged. Overall, EU social matters became more exposed to politicization. How did these dynamics affect EU social politics? Did new coalitions emerge in terms of political demand for EU social policy and supply thereof? How, if at all, did territorial and ideological divides realign? These questions take us to the core of our analytical framework, which looks at actors' struggles over alternative social policy solutions taking place in the complex European institutional setting. The remainder of this section discusses how a *demand* for social policy expansion may emerge and interplay with *supply-side* political dynamics in the EU's multilevel setting.

4.1 Demand-side dynamics

As we anticipated in the previous sections, social demands rarely get politicized in the context of a slow-burning erosive crisis pattern. In addition, politicization is uncommon in the case of EU social policy because welfare provision takes place at the national level. As a matter of fact, citizens and political actors would first look at their domestic social protection system to demand policy intervention or to criticize governments' inability to respond to pressing social issues. At the same time, the interaction between national welfare legacies and the European social dimension may also pave the way for the politicization of cross-national social issues and supranational policy responses. Countries with highly institutionalized and effective social programmes may be less likely to push for EU-level social initiatives in possibly overlapping policy domains, with a view to defending their own national prerogatives. In fact, they may oppose the expansion of the EU social dimension, or try to depoliticize such policy debates, possibly being afraid that EU intervention could compromise established national welfare schemes (Burgoon 2009; Gerhards et al. 2019).

A similar mechanism is emphasized in the literature on federalism and the welfare state, which essentially argues that the consolidation of welfare programmes at the state level constitutes an impediment to the introduction of programmes at the central level – a mechanism known as 'policy pre-emption' (Obinger et al. 2005). By contrast, however, political representatives of Member States with weaker social policy legacies may be more supportive of the EU intervention, which can be seen as an opportunity to strengthen national welfare programmes. At the national level, in fact, the politicization of EU social action plausibly arises when welfare institutions are not adequate to cope with mounting structural pressures. From this perspective, Member States' governments are the first source of demand for a more (or less) Social Europe, which they can substantiate in the Council or, more indirectly, by putting pressure on the Commission. In this case, national interest is likely to drive demands coming from (groups of) Member States. Relevantly, not only governments but also political parties and organized interests from one or more countries can channel (domestic) social demands in the European Parliament.

It is also possible that Euro-social demands emerge from (transnational) interest groups. Research on national welfare states has long shown that organized interest groups, most typically left-wing unions, are crucial in pushing for welfare expansion (Esping-Andersen 1990; Korpi 1983). Organized interests can bring social demands to the fore even in the case of social risks that have otherwise politically weak and fragmented constituencies, as in the case of poverty and of the various new social needs associated with the emergence of post-industrial labour markets and changing family structures (Bonoli 2005; Natili 2018). At the same time, we have empirically observed the emergence in the last decade of transnational actors articulating specific 'Euro-social' demands, as in the case of networks such as the Social Platform and the European Anti-Poverty Network (EAPN), as well as the increasing mobilization on EU-wide objectives on the side of the European Trade Union Confederation (ETUC) (Mathers et al. 2017).

While the role of social partners in national welfare reform dynamics is established, less is known about the role played by organized interests in the EU arena. Scholars traditionally emphasized the presence of relevant barriers to the emergence of actors articulating a demand for EU social intervention. In a multilevel polity, the dispersion of authority diminishes the size of political interests and undermines their unity and the coherence of their strategy, thus making the formation of powerful welfare alliances more difficult (Obinger et al. 2005; Scharpf 1988). Furthermore, pro-welfare actors, and in particular trade unions, are deeply rooted in national collective bargaining systems and, as a general rule, have an organizational interest in securing their positions in the national arena (Boeri et al. 2001; Busemeyer et al. 2008).

In sum, transnational demands for a Social Europe are emerging alongside pressures coming from single governments or groups of Member States (national and cross-national demands, respectively).

4.2 Supply-side dynamics

To investigate dynamics on the supply side in the EU, we need to first briefly recall the EU's unique institutional set-up. There are three main institutions involved in EU legislation, each of them following a distinct political logic: the European Commission, which formally promotes the interests of the Union as a whole, with its members appointed by national governments; the Council of the European Union, which represents the governments of the individual member countries; and finally, the European Parliament, which represents the EU's citizens and is directly elected by them. In the ordinary legislative procedure (OLP) (which is usually used on social policy initiatives), the Commission proposes new laws, and the Parliament and Council adopt them in the course of up to three 'readings'. Voting rules during the OLP are crucial because they set the parameters of coalition dynamics among the participants. While in the EP normally a simple majority is enough to adopt a proposal at first reading, the voting rule in the Council is qualified majority voting (QMV), requiring a proposal to be supported by at least 55% of the Member States representing 65% of the total EU population. Conversely, a blocking minority is reached when at least four Council members representing more than 35% of the EU population oppose the proposal. The political science literature has frequently emphasized how the fragmentation of European political institutions inflates the number of actors involved in the policymaking process, leading to what Fritz Scharpf (1988) famously labelled the 'joint decision trap'. This often results in a stalemate or suboptimal, residual policy outcomes (see also Jones et al. 2016).

With regard to the role of the Commission, a sizeable literature on Social Europe has emphasized its 'entrepreneurial' role, which allowed well-entrenched political barriers to be overcome, promoting the introduction of new social policy frameworks (Carella and Graziano 2022; Copeland 2022; de la Porte and Natali 2018; Vesan et al. 2021; Vesan and Pansardi 2021). In a similar vein, but from a more critical viewpoint, others have identified the Commission – more specifically the Barroso Commission – as a sort of liberalizing social policy entrepreneur (Crespy and Menz 2015; Graziano and Hartlapp 2019). Importantly however, the Commission's policy agenda is influenced by supranational and (cross-)national public opinion and civil society pressures, as well as by delicate intergovernmental equilibria. In other words, the strength and the cohesiveness of the political demand crucially contribute to framing the social policy agenda of the European Commission. This is particularly relevant at a time when greater exposure to politicization has made the Commission more responsive to publicly salient issues (Rauh 2016, 2019), and the process for the election of the President of the EC has become more closely intertwined with party politics in the European Parliament (Christiansen 2018).

Against such a backdrop, several puzzles emerge, including the agency of the Commission in both proposing EU social policies and orchestrating broader support for them in the relevant political fora. The puzzles extend well beyond the role of the Commission to the more general question of what makes it possible to find an agreement and overcome various veto points in the EP and, especially, in the Council.

We argue that two mechanisms may contribute to responding to these questions. First, many scholars from the post-functionalist tradition emphasize that the emergence of anti-EU challenger parties may inhibit (social) policymaking at the supranational level. When Eurosceptic parties are on the rise in the Member States, EU policymakers may avoid taking the risk of engaging in potentially divisive policy domains, which may directly be (or have already been) politicized in a polity-undermining fashion in their respective national arenas (Hooghe and Marks 2009; Statham and Trenz 2013). On the other hand, however, the growing electoral success of Eurosceptic forces may trigger a positive reaction on the part of the EU, thus favouring supranational (social) policy expansion as a response to otherwise potentially disruptive politicization – the so-called 'enabling dissensus' hypothesis (Bressanelli et al. 2020).

To better understand why this should be the case in social policy, we have to take a step back and elaborate more on the possible strategic responses to politicization (Rauh 2019; Schimmelfennig 2020). As we know from research on the politics of austerity, policymakers pursuing unpopular retrenchment resort to various blame-avoidance strategies in order to minimize potential electoral loss. According to Pierson (1994), one of these strategies is 'compensation', that is, when a government expands given (social) programmes to offer some form of political compensation for the retrenchment of other programmes. In the case of EU politicization, the strategic responses from the European institutions may follow a mechanism that we call 'polity-oriented compensation'; that is, the expansion of the European social dimension (at the EU level or, indirectly, by supporting the expansion of selected social programmes in Member States) can be used to offer some degree of political compensation to citizens or Member States that are negatively affected by unintended consequences of EU integration or, in any event, of prior EU actions. For example, the social actions taken by the EU after the euro crisis could have been a reaction to its political backlash, i.e. aimed at compensating the losers of EU-backed austerity in a sort of 'Bismarckian-style' attempt at legitimizing the EU or, at least, at keeping dissensus (Euroscepticism) under control.

The other mechanism that could contribute to the expansion of the European social dimension has to do with the multidimensionality of political conflicts in the EU. According to Ferrera (2017), in the decade 2010–2020, the tension that exists between the economic and social dimensions of the EU escalated into four lines of conflict, which have a compound territorial and ideological nature. It is through this analytical lens that we interpret the formation of a coalition of actors around concrete EU social policy proposals. To begin with, territorial conflict lines can become particularly consequential, as was the case for the clash between supporters and opponents of fiscal stability and cross-national transfers – creditors versus debtors in the context of the euro crisis (Matthijs and McNamara 2015). Territorial conflicts can also unfold between high-wage EU countries with more generous welfare systems and low-welfare countries with less generous welfare systems (typically, between 'old' and 'new' or between western Member States and central and eastern ones). These dynamics have become particularly relevant since the early 2000s, when the eastern enlargement brought globalization dynamics within the borders of the EU (Ferrera 2017), making the free movement of EU workers particularly contentious in receiving states, where concerns about 'social dumping' and 'welfare tourism' flared up.

At the same time, the partisan-ideological dimension is also relevant, especially so in the field of social policy. When it comes to the long-lasting tension between the economic and social dimensions of the EU (Scharpf 2002), political actors and their constituencies are divided between supporters of the market-making and market-correcting priorities of the EU – i.e. the traditional left–right divide in economic matters. More recently, in the era of 'constraining dissensus', another normative-ideological line of conflict has emerged between supporters of the EU (Europhiles) and its opponents, defenders of national sovereignty (Eurosceptics). The so-defined 'integration-demarcation' divide has been recognized as an increasingly salient and constitutive dimension of EU politics (Grande and Hutter 2016; Kriesi et al. 2008), which is likely to reverberate in EU social politics (Ferrera 2017).

To turn this multi-dimensionality into an enabler of social policy expansion, given that the market-correcting aim of Social Europe goes along with the traditional stance of the left, the left–right line of conflict arguably has to subsume the other lines of conflict to pave the way for the formation of a winning coalition supporting EU social initiatives (see also Natili and Ronchi 2023). In other words, it is not sufficient for left-wing actors to be in the majority in the European Parliament or in the Council. In order to concretize EU-level social policy expansion, such actors likely have to find an agreement on top of territorial differences. Therefore, a crucial endeavour of this book is to inspect how different lines of conflict interact and possibly 'align' in the social policymaking process at the European level, across different social policy fields and over time.

5 An analytical framework for understanding EU social policy expansion

In order to make sense of the transformation of the European social dimension in the last decade, we focus mainly on two analytical aspects capturing EU social politics. First, we look at social policymaking in the EU through a historical institutionalist lens that puts 'politics in time' (Pierson 2004). To wit, we hypothesize that European welfare states faced a peculiar type of crisis, which we depicted as an 'erosive' process shaping European social policymaking. We start from the observation that, for several different reasons, European welfare states are increasingly less able to respond efficiently to social risks, particularly in some European countries. As explained in the second section, the erosive nature of the SCE constrained the possibility of the expansion of EU-level social policy. Nonetheless, by bringing to the fore pre-existing social issues, different manifestations of the social crisis opened up windows of opportunity for reform, through which supranational social politics could unfold.

Second, we examine how the functioning of the EU multilevel polity affects and is affected by the structure of political conflicts in the EU. In the

EU polity, the way bonds of solidarity are institutionalized is historically new, as it relies on the regulation of national welfare states and on a very limited set of supranational interventions, which tend to be 'invisible' to EU citizens (Natili et al. 2023a). This contributes to making the EU political system crisis-prone, becoming the object of politicization dynamics. At the same time, from a state-building perspective, the emergence of such dynamics also incentivizes efforts at (re-)stabilization, opening up opportunity structures for the rearrangement of Member States' interests and the overcoming of territorial vetoes, spurring Member States to work together or, at least, to try to attenuate distributional conflicts. A situation that threatens the stability of the EU polity can, on the one hand, push actors who oppose Euro-social initiatives in normal times to reorient their preferences towards solidaristic policies (Ferrera et al. 2021; Miró 2022). On the other hand, proponents of such policies may find the pre-existing structural constraints relaxed and their mobilization capacity boosted in moments of crisis (Capoccia 2015). In such a situation, institutional and political actors (primarily the Commission, but also relevant parties or interest groups) can have more room to design a policy package that is able to reconcile different interests and visions.

In particular, on the demand side, various constellations of actors may contribute to the politicization of social issues by aggregating and organizing social claims up to the EU level. National governments may also contribute to fostering and/or hindering the emergence of specific Euro-social proposals. Whether these proposals then make it or not to the EU social policy agenda depends on whether they are taken up by political/institutional actors on the supply side, or whether, by contrast, they are sidelined. When speaking of EU *multilevel* social politics we thus consider policy actions undertaken in different arenas, which often interact with one another: the Member State level; the EU level, formed by the purely supranational actions of the European Commission and/or by cross-national interactions between governments (the intergovernmental arena) and/or EU-wide organized interests; and the transnational level, which refers to interactions between actors from different Member States, which, however, transcend national borders, like, for example, those between organized interests from different countries or issue-specific transnational networks.

Figure 2.1 outlines the analytical framework we use to break down social policymaking in the EU into its causal factors. To some extent, all the manifestations of the European social crisis share the same background conditions, which are typical of an erosion-type phenomenon in that both their causes and their consequences unfold over a long period of time (Pierson 2004); that is, they originated in the context of the slow-burning process of social and economic change whereby social demands and actual welfare provision do not always match in European welfare states, whose boundaries are, in turn, increasingly blurred by the EU integration process. This 'institutional misfit' varies between countries, insofar as not all Member States are sufficiently well equipped to cope with new social risks (Häusermann 2012; Hemerijck 2012) and are thus likely to have different views towards the intervention of the EU in social policy matters (Burgoon 2009; Eick et al. 2023; Gerhards et al. 2019).

Against this backdrop, different manifestations of the social crisis emerged, characterized by varying temporal and spatial traits. Central to our analysis, different configurations of interests can be activated by crisis manifestations in conjunction with given institutional configurations of Social Europe (i.e. different patterns of interaction between national welfare legacies and EU intervention in different social policy domains). These configurations are a potential subject for *politicization* for actors on the demand and/or supply side in multilevel EU social politics. The dynamics originating at the crossroads between demand and supply, in turn, shape policy change in the social dimension of the EU. Although we are mainly interested in studying factors and mechanisms explaining social policy expansion in the EU polity, we take as a benchmark an alternative policy scenario, namely when EU social policy proposals fail to be adopted (i.e. new proposals made onto the EU agenda, are discussed within EU institutions but in the end they are not approved).

Last, we argue that the combination of different patterns of social politics and policy outputs has varying implications for the EU *qua* polity. Our research endeavour is aimed at understanding whether the changes in European social politics and policy in the 2013–2023 decade contributed to the transformation of the EU (social) polity, and if so, how. The main question thus becomes the following: what are the *polity* implications of the revival of

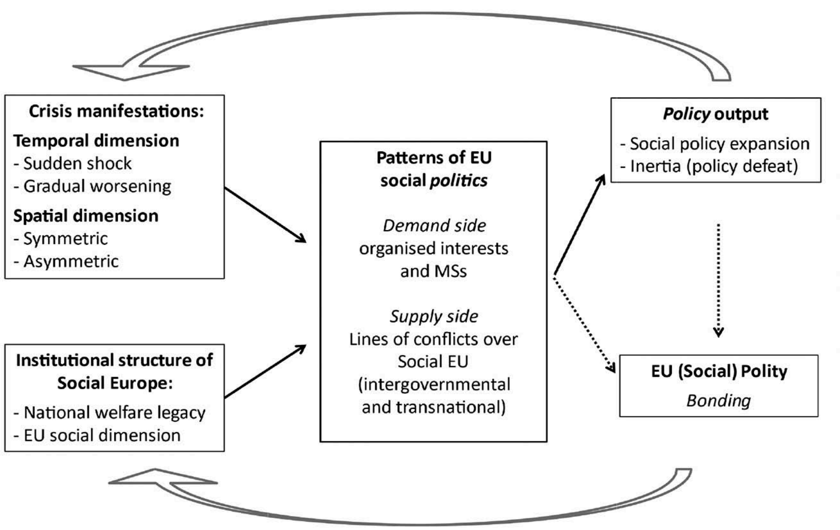

Figure 2.1 The analytical framework: crisis social politics and policymaking in the EU

Social Europe detailed in this book? This implies, first, assessing whether – and if so, how – the EU multilevel social space described above was transformed, along with the reconfiguration of task allocation between the EU and the Member States in the social domain; and second, gauging the extent to which the European social dimension has served as a complement to market integration and a counterweight to its excesses, 'bonding' the Member States together through (a minimum of) social sharing, so as to bolster the political stability of the EU polity in the making.

Note

1 Scholars within the so-called 'polity perspective' tend indeed to emphasize that the EU is a novel and peculiar political system since the way it combines the three Bs is historically new (Ferrera et al. 2024a: 1). In particular, the EU polity is 'compound', since it is a decentralized and fragmented political system, resting on a very diverse membership. Moreover, it builds on deeply institutionalized political entities, which have resulted from the long-term process of nation-state building, where the welfare state had a key role (Ferrera 2005). As a consequence, in the EU, polity boundaries are porous, authority is dispersed since its executive centre is politically weak, and bonds of solidarity tend to be thin, as the national welfare state is the main locus of loyalty building.

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3 Between social protection and polity maintenance

A political history of the European Globalization Adjustment Fund

1 Introduction

Corporate restructuring processes have long become a permanent feature of European labour markets. No longer just occurring during periods of economic crisis but throughout all phases of the business cycle, plant closures, worker displacement and collective redundancies are today almost ongoing and impacting upon all kinds of sectors. This has led some scholars to speak about the 'permanence of restructuring' (Bruggeman 2008) in post-Fordist societies. In the EU context, this socio-economic upheaval has been associated with socio-political turmoil: regional industrial decline is highly correlated with populist, Euroscepticist and anti-globalization attitudes (Dijkstra et al. 2018).

At the December 2005 European Council, heads of state and governments of the EU decided to create the European Globalization Adjustment Fund (EGF) to cope with some of the challenges involved in industrial restructuring processes. Operational since 2007, the EGF's original aim was to provide funding for re-employment initiatives for workers who had been made redundant as a result of major shifts in world trade patterns – these shifts being defined as offshoring of EU industries to non-EU countries, a substantial increase in the number of imports into the EU and a rapid decline of the EU's world market share in a given sector (EU 2006). As such, the EGF was instituted as a means of reconciling the benefits of international economic opening with the adverse effects that trade liberalization may have on the employment of some sectors.

This chapter reconstructs and explains the institutional evolution of the EGF from its establishment in 2006 until its last reform in 2021. It starts from the assumption that the EGF's original institution and later maintenance constitute an unlikely case of EU 'positive integration' (Scharpf 1999) in the social policy field. As the following section explains, the existence of the EGF has never reached consensus within EU institutions. This is not surprising since EU-wide redistributive schemes, unlike regulatory policies, constitute contested issues due to Member States' sensitivity about their contributions to the EU budget. However, in spite of this, not only has the EGF endured mounting political opposition and diverse implementation

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problems, but it has incrementally widened its scope of intervention, acquiring in its most recent reform a substantially larger policy function than originally envisaged. For this reason, the EGF represents a particularly interesting case for considering the limits and possibilities of the EU taking on a greater role in social protection and employment policy.

The chapter aims to complement existing policy briefs on the EGF (Cernat and Mustilli 2018; Claeys and Sapir 2018; Colon 2018) by reconstructing its political history and shedding light on its explanatory drivers. Analytically, the chapter draws on a historical institutionalist grammar, while methodologically it uses process tracing informed by a number of sources: primary documents, systematic analysis of news media data, and media reports and four interviews with key political and bureaucratic actors conducted during 2021.[1]

The chapter is organized as follows. The second section reviews the institutional development and functioning of the EGF between 2004, the year in which it was first devised, and 2020, the year in which the last reform of the EGF was approved. The third section addresses the two main issues that have animated the debates on the EGF, namely its EU added value and its political visibility. Section 4 accounts for the institutional resilience of the EGF, highlighting the ways in which it illuminates the wider politics of Social Europe. Overall, the chapter argues that, despite the fund's limited effectiveness as both a labour market activation policy and anti-protectionist political instrument, the establishment and subsequent expansion of the EGF has been informed by a strategic logic on behalf of the Commission which, from a polity-building perspective, has made sustained efforts to preserve and enhance the fund's competences.

2 Institutional development

2.1 Genesis of the EGF

The original idea for an EU-level trade adjustment fund similar to the USA's Trade Adjustment Assistance (TAA) programme originated in policy debates prompted by the European Trade Commissioner between 1999 and 2004, Pascal Lamy, and his doctrine of 'managed globalization' or 'globalization under control' (Lamy 2004). In contrast to the Anglo-Saxon style, of 'unregulated globalization', Lamy's doctrine emphasized the idea that 'globalization had to be tamed in order to be palatable to European citizens', implying by this 'the building of strong institutions applying to the largest possible number of countries covering the widest possible number of issues' (Abdelal and Meunier 2010: 356). One of the key proposals floated by Lamy was the establishment of an EU fund aimed at supporting employees affected by collective redundancies linked to trade-induced shocks. The proposal was put forward by the Prodi Commission in its budgetary policy proposals for the EU's Financial Perspective 2007–2013. Subsequently, it was taken up by

President Barroso and, mainly thanks to the political backup of France's President Jacques Chirac (*EU Observer* 2005; *The Guardian* 2005), taken on by Prime Minister Tony Blair when the UK assumed the presidency of the Council of the EU in July 2005 (Interview 28). A key policy entrepreneur in the development of the ideational grounds of the EGF was Professor Loukas Tsoukalis, then Special Adviser to the President of the European Commission (see Tsoukalis 2005).

The Commission's argumentation behind the establishment of the EGF was articulated on the basis of four interrelated arguments. The first argument, which was economic in nature, arose from the recognition that, although the overall results of trade liberalization are positive, some actors may be adversely affected, leading to job losses and adjustment costs (European Commission 2006a). Hence, to fully seize the benefits of market opening, the process of reallocation of labour from less competitive sectors to more competitive ones needs to be supported by active labour market policies. Second, for the Commission, the legal competences of the EU to address this problem emanated from the recognition that, although employment policy is mainly a national competence, trade policy is an EU competence, so the labour market consequences of market opening must be addressed by the EU (European Commission 2015b).

Furthermore, two other arguments, more political in nature, were also raised. On the one hand, the Commission came to argue that instituting the EGF was important not only to ensure the employability of redundant workers but also to prevent the emergence of protectionist attitudes among them. As pointed out by the Commission in its 2006 Communication on trade policy, 'the negative effects of trade opening can be sharply felt in particular sectors or regions and can feed political opposition to open trade' (European Commission 2006b: 5). As such, the EGF was projected, in the words of the Commission President Barroso, as a solidarity mechanism 'to respond appropriately and effectively to the adverse impact of market opening' (European Commission 2006c). On the other hand, the fourth argument maintained that, in political terms, an added value of the EGF would be to make European solidarity mechanisms more visible in those parts of western Europe that had benefited less from the structural and cohesion funds (since those were most affected by deindustrialization) (Tsoukalis 2006).

In contrast to these views, a range of actors opposed the proposal for an EU-funded trade adjustment fund. Some Member States, particularly Germany and Denmark, worried that the proposal could fuel moral hazard dynamics: by cushioning the impacts of market integration, it could discourage the implementation of (painful) structural reforms, thereby increasing the vulnerability to new trade-induced shocks and eventually resulting in increased demands for EU transfers (*Euractiv* 2005). Other Member States, including Sweden (ibid.), were more concerned with the subsidiarity problem involved in the fund's proposal, arguing that labour market policy was a national competence. In turn, the main employer associations, as well as some conservative MEPs (European Parliament 2006), opposed the creation of the new fund on the basis of its allegedly anti-globalization world view. Eurochambres stated that

> [the EGF] sends the wrong signal to European entrepreneurs. Globalization should be presented and perceived as an opportunity for Europe to generate growth and to create jobs in future-oriented sectors. Instead, this Fund may give the impression that we can protect Europe from the rest of the world, which we cannot.
>
> (Abruzzini 2006)

In a similar vein, BusinessEurope emphasized the need 'to make sure that the EGF is not wrongly used as a substitute for necessary reforms of labour markets in Member States' (BusinessEurope 2008). At the other end, the European Trade Union Confederation (ETUC) and the European Parliament's (EP) group of the United European Left (UEL), were concerned that the EGF would be too small to be effective, while its eligibility criteria too restrictive to reach small countries and small and medium-sized enterprises (SMEs) (European Parliament 2006). Paradoxically, still others feared that the EGF would lead to the creation of a costly EU-wide social safety net (*EU Observer* 2005).

Despite these oppositions, the EGF was eventually approved in December 2006. It is plausible to hypothesize that approval was facilitated by the French and Dutch 'No' votes to the European Constitution, which had seriously problematized the notion of a purely market-driven approach to EU integration (Interview 28; Deutsche Welle 2005).

2.2 The 2007 original format

Being operational since January 2007, the EGF's original aim was to provide financial support to workers made redundant as a result of structural changes in world trade patterns that provoked serious disruption in employment. In the 2006 Directive, 'serious disruption' of employment was defined as restructuring events in a single company (and its suppliers and downstream producers) involving at least 1,000 redundancies in a single company over a period of four months; or alternatively, at least 1,000 redundancies over a period of nine months, in several SMEs located in one region or two adjacent regions with a population of up to 3 million (EU 2006). The annual budget attributed to the new fund was EUR500 million. For the period 2007–2013, Member States had to co-fund 50% of the programmes.

Given that the EGF operates outside the seven-year EU budget known as the Multiannual Financial Framework (MFF), the resolution of each application (which has to be submitted by a Member State and positively assessed by the Commission) for funding requires the ratification by the Council and the European Parliament. This relatively long procedure has been recurrently criticized by several actors. However, it is a fact that the EGF has been kept outside the MFF, on the basis of Article 175(3) of the TFEU, which allows it to maintain its 'emergency relief' fund characteristics: if the EGF was to remain within the MFF ceiling, it would have to operate under a fixed budget, thereby constraining its emergency-driven contingent activation.

The Regulation of the fund specifically prohibited spending EGF funding on 'passive social protection measures' (EU 2006: 2). The EGF must finance active labour market policies (ALMPs) that form part of a package of personalized services aimed at reintegrating unemployed workers into the labour market: job-seeking assistance, outplacement assistance, aid for self-employment, entrepreneurship promotion, tailor-made training, job search allowances, mobility allowances and measures to encourage in particular disadvantaged or older workers to return to the labour market. The EGF's was therefore in line with the Lisbon Strategy's 'flexicurity' approach to unemployment, which understood that, while corporate restructuring was a driver of competitiveness increases, it's the social repercussions need to be cushioned while the 'battle for skills' addressed (European Commission 2007). As such, the EGF's rationale placed the emphasis on adjustment and human capital formation rather than compensation.

2.3 Layering and conversion dynamics: 2009–2020

The post-2007 evolution of the EGF has consisted in successive processes of incremental change through layering, i.e. through 'the active sponsorship of amendments, addition, or revisions to an existing set of institutions' (Streeck and Thelen 2005: 25). As pointed out, to be eligible for EGF funding, applications submitted by Member States must meet a set of criteria. The disputes over the redefinition of these criteria provide the main thread structuring this layering process throughout the history of the EGF.

Already in the first revision of the fund that begun in 2008, the Commission warned that the 1,000 redundant workers' threshold was excessively high. In consequence, in the mid-term revision of the fund (2009), the threshold was lowered to 500 redundancies. In addition, the EU's co-financing rate was increased from the initial 50% to 65%, while the period of assistance for the redundant workers was extended from 12 to 24 months. Furthermore, the 2009 reform also introduced a temporary derogation that provided a second eligibility criterion, namely for redundancies proven to be a direct result of the Great Recession (EU 2009). This derogation would encompass applications submitted between May 2009 and December 2011. This modification was introduced through an amendment presented by the Irish MEP Colm Burke, who was concerned that 1,900 workers made redundant as a result of the closure of a Dell factory in Ireland were not able to request EGF funding, since the plant's delocalization was not outside of the EU, but in Poland. Instead of changing the norm that ruled out assistance to collective redundancies triggered by intra-EU delocalizations, a crisis criterion was introduced. In the following years this clause would prove ambiguous enough to extend the range of motives justifying EGF intervention well beyond the originally trade-related situations.

The Fund encountered staunch opposition in the context of the negotiations on the 2014–2020 MFF that started in 2012. A group of ten countries, including net budget contributors to the budget (the UK, Germany, Sweden, Finland, the Netherlands, Austria and Denmark), as well as eastern European Member States that had not used the fund (Estonia, Hungary and the Czech Republic) questioned the continuity of the EGF (*Euractiv* 2013), with some of them (including the UK and Germany: Interview 23) asking for its suppression. In addition, in 2013 the European Court of Auditors published a report asserting that the EGF delivered 'only limited EU added value to redundant workers' (European Court of Auditors 2013). Despite finding that the EGF offered 'personalized and well-coordinated' activation measures to 'nearly all eligible workers', the Court of Auditors underlined two main weaknesses of the fund: (1) that the approval procedure was too long for an emergency fund, consequently having a 'deterring effect' on its use; and (2) that nearly 33% of the payments represented income support, which 'would have been paid by the Member States anyway'. As a result, the Court of Auditors recommended scrapping the fund and integrating its functions within the European Social Fund (ESF). In this period, the EGF also encountered among its critics one of its intellectual fathers, Loukas Tsoukalis, according to whom the EGF had proven 'completely ineffectual'; 'the kind of symbolic gesture that European leaders often resort to, and later ends up like an empty shell' (Tsoukalis 2011: 22).

In contrast, the Commission wanted to extend the EGF's scope in three directions: to include farmers left unemployed by 'a new market situation resulting from the conclusion by the [European] Union of trade agreements affecting agricultural products'; to include self-employed people, temporary workers and workers with fixed-term contracts affected by wider collective redundancies; and to include young people outside employment, education or training (NEET) from regions affected by plant closures. The first of these proposals, which was solicited by France in anticipation of the effects of the trade deal that by then the EU was negotiating with MERCOSUR[2] (Interview 23), was rejected by the European Parliament's agriculture committee. The other two Commission proposals, on the other hand, were included in the 2014–2020 EGF. However, the co-financing rate was lowered to 60%, and the annual cap of its funding capacity was reduced from €500 million to €150 million. However, this reduction should be considered in the light of the fact that the annual expenditures had never reached the new proposed cap during the 2007–2013 period (see Section 3.2).

Furthermore, the 'crisis clause' that had been implemented in 2009 and suspended in 2012 was reintroduced for the new 2014–2020 period. During this period, with the recession having ended by 2013, the 'crisis clause' was used by the Commission – in accordance with the Council and the Parliament – as a flexible mechanism justifying EGF interventions in a wide typology of restructuring events (see European Commission 2018a: 78). As such, rather than layering, the dynamic introduced by this reform is better captured by the notion of 'conversion', i.e. the formal maintenance of existing institutional rules despite their reinterpretation and enactment in new ways. Conversion is driven by 'actors who actively exploit the inherent ambiguities of institutions' (Mahoney and Thelen 2010: 17) and thus 'allows reformers to pursue important substantive changes even in the face of formidable obstacles to a more direct form of institutional reengineering' (Hacker et al. 2015: 185).

Eventually, in the 2013 Council voting on the renewal of the EGF for the 2014–2020 period, only Germany and the UK voted against. However, Germany implicitly agreed on the preservation of the fund by not seeking to construct a blocking coalition (Interview 28). In this preservation, as the then Commissioner for Employment László Andor explains, alongside the position of France, the leadership of the Irish presidency also played a crucial role:

> The Irish Presidency was key. [...] Because for the Irish model, the EGF is very important. They were big users. Italy was also. [...] Under these adjustments it was possible to build necessary support and at the end of the day the Germans shifted, they discussed it with the French. I visited Berlin once for this, and for Germany it was not a big issue, it was more a symbolic issue, and they gave me their compromise.

2.4 2020: a substantial reform

Mahoney and Thelen (2010: 16) observe that 'different from displacement, layering does not introduce wholly new institutions or rules, but rather involves amendments, revisions, or additions to existing ones. Such layering can, however, bring substantial change if amendments alter the logic of the institution'. The 2020 reform of the EGF makes sense against the background of this second dynamic.

When the Commission kicked off the legislative process for the renewal of the EGF for the 2021–2027 period, it had already observed that

> [i]n the light of changes in how globalization works, the increasing interconnectedness of world economies and increasing development of global value chains are likely to further increase the relevance of the globalization criterion but will also make it harder to substantiate it. Considering the difficulties in evidencing applications, it is clear that the EGF could be mobilized far quicker if the background analyses currently required to argue for either the globalization or the crisis criterion weren't necessary (which would be the case if all major restructuring

> events were eligible). The EGF would then correspond better to its function as an emergency relief instrument' [European Commission 2018a: 79]. Accordingly, in May 2018 the Commission submitted a proposal to reform the EGF with the aim of substantially enhancing its coverage to workers made redundant as a consequence of automation, digitalization or decarbonization, as well as to rename it 'Fund for Transition' [European Commission 2018b]. Previously, upon the request of Irish authorities, in 2019, an amendment to the EGF's regulation had been accepted to include support for workers affected by Brexit.
>
> (EU 2019)

The Commission's proposal, marginally amended, was approved by the plenary of the EP with a 93% proportion of favourable votes (only some Eurosceptic right-wing German, Finnish and Czech MEPs voted against the proposal). In the Council, this time the Commission's proposals were shared not only by the traditional upholders of the EGF but also by some of its traditional opponents. For instance, the German authorities also called for the EGF to be maintained while expanding its scope to include dismissals resulting from automation and digitalization (Puccio 2019: 3). In turn, eastern Member States that had made little or no use of the EGF, such as the Czech Republic, as well as net contributors to the EU budget such as Austria and Denmark, agreed from the beginning of the negotiations to the renewal of the fund for the 2021–2027 period (Puccio 2019).

After two years of inter-institutional negotiations, the Council and the European Parliament provisionally agreed on renewing the EGF for the 2021–2027 period in December 2020 (Council of the European Union 2020). In the final Council voting, three Member States voted against the renewal of the EGF: Hungary and Latvia, who had never applied to the fund, and Sweden. The agreement contained eight main novelties:

1. A broader scope of application, which now goes beyond globalization-related challenges and economic recessions. The new Regulation presents a more general objective – to offer assistance in the case of major restructuring events – and contains a non-exhaustive list of causes for the resulting redundancies, including changes in the composition of the internal market, decarbonization, automation and digitalization (EU 2021).
2. Upon an amendment introduced by the EP, the threshold to be eligible to apply for funding decreased from 500 to 200 dismissed workers.
3. A childcare allowance for child carers to access when taking part in training or looking for a job.
4. A co-financing rate aligned with the highest ESF+ co-financing rate of the Member State concerned, in order to avoid competition between funds. However, the co-financing rate cannot be lower than 60%.
5. For the first time, an increase in funding capacity, with the annual ceiling of available resources per year established at €186 million; however,

despite the increase, the EP and the Commission had proposed higher ceilings. For instance, in May 2020, the Commission proposed that the maximum annual amount should be increased to €386 million.

6 Responding to criticisms that the impact of the EGF could not be proven, the introduction of a monitoring system. This requires beneficiary Member States to submit data on the employment status of beneficiaries a year after the funding was granted.
7 Redundant workers will be able to apply for a one-time investment of €22,000 to start their own business or for employee takeovers.
8 Last but not least, a new name for the EGF: the 'European Globalization Fund for Displaced Workers'.

With regard to the mobilization procedure, which different Member States had called to be modified during the legislative process, whilst the Commission's proposal provided for a simplified and quicker mobilization procedure, during the interinstitutional negotiations co-legislators agreed to retain the current mobilization procedure.

Overall, a substantially different policy instrument – with different aims and rationale – came to fruition with the 2020 reform. In the current EGF, interventions are no longer exclusively linked to globalization but cover any restructuring event of a company, sector or region. This makes the EGF more accessible, a kind of permanent emergency tool to mitigate the negative effects of several of the challenges of twenty-first century labour markets. However, the slow but gradual transformation of the EGF from a pure trade adjustment fund into a safety net potentially covering all numerically sizeable collective redundancies had already started with its 2009 reform and the subsequent reinterpretation of its rules of application undertaken by the Commission and concerned Member States.

3 Has the EGF delivered?

3.1 Policy performance

Between 2007 and December 2020, the Commission received 169 successful applications for assistance amounting to 661,038,044 million euros from 21 Member States and covering 181,184 redundant workers. The average contribution per assisted worker was therefore 3,648 euros. The average annual EGF contribution was around €47 million, less than a third of what could be utilized. European institutions have only rejected one application (coming from Bulgaria). However, on 18 occasions a request was withdrawn by the applicant Member State for technical reasons (for example, a link with globalization deemed insufficiently demonstrated following discussions with the European Commission). In terms of sectors, the automotive industry represents the largest share of applications (14.79%), followed by textiles (11.24%), electronics (10.65%) and machinery manufacturing (10.06%). The services sector represents 13.02% of the applications.[3] In terms of Member States, the country that has received the most funding is France (15.14% of the total EGF disbursement), followed by Ireland (10.31%), Italy (10.30%) and Denmark (9.63%) (see Figure 3.1). The UK, Latvia, Cyprus, Croatia, Hungary, Luxembourg and Slovakia have never applied to the fund.[4] In fact, as Figure 3.1 shows, eastern European countries apply much less frequently for EGF assistance.[5]

An impact assessment of the EGF programme requires at least three questions to be answered. First, what proportion of the restructuring events that occurred between 2007 and 2020, particularly as a consequence of globalization, received EGF assistance? Second, how well were the workers assisted by the EGF in re-entering the labour market, particularly compared to workers who lost their jobs for similar reasons but did not receive EGF help? Third, what is the EU added value of EGF programmes?

Answering the first question is difficult, as acknowledged by the Commission itself (European Commission 2015a). To grasp an overall perspective on the capacity of the EGF to cushion globalization-induced collective redundancies, here we draw from the Eurofound database on large-scale (involving at least 100 job losses) restructuring events in the EU. The Eurofound registered 11,480 large-scale restructuring events in the EU between 2007 and 2020, involving 5,345,021 workers. This figure is much larger than the 181,184 workers assisted by the EGF. However, if we only focus on restructuring events provoked by delocalizations to non-EU countries registered by the ERM, these amounted to 584 between 2007 and 2020, involving 166,932 workers. As such, the capacity of the EGF to provide financial assistance to

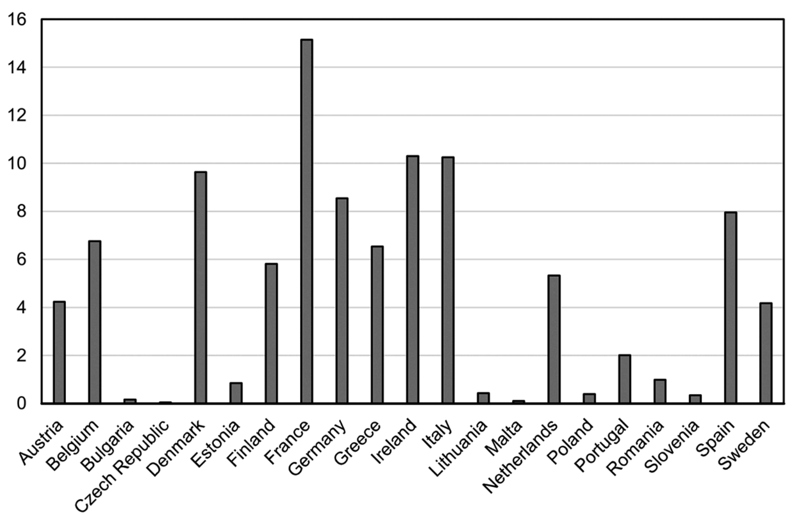

Figure 3.1 Distribution (in percentages) of EGF funding per country, 2007–2020
Source: Authors' own elaboration based on EGF official data.

any type of large collective redundancy in Europe, as set by the 2020 reform, is very limited, while covering only those (large) collective redundancies linked to globalization remains feasible.[6]

The average re-employment rate of the EGF-financed programmes, calculated as the number of workers reintegrated into the labour market at the end of the fund's assistance divided by the total number of beneficiaries, was, according to the Commission's estimates, 49% for the 2007–2013 period (European Commission 2015a) and 65% for the 2015–2017 period (European Commission 2018a). Although these figures are based on a sample of cases self-selected by the national authorities, they are in line with data from the German Federal Ministry of Labour, which situates the re-employment rate of EGF programmes in Germany at 69% (BMAS 2017). However, it is important to note that the re-employment rate varies considerably, from 23% in the case of the closure of the ArcelorMittal facility in Belgium to 88% in the case of the German Aleo Solar facility closure (European Commission 2018a: 11).

Finally, in terms of EU added value, the Commission's data from a public consultation report from national stakeholders involved in the management of the EGF indicated that 42% of the respondents agreed that the fund's support improved national support schemes, while a quarter of the respondents disagreed (and another quarter of the respondents held a neutral opinion on this question) (European Commission 2016). In its 2018 assessment of the EGF, the Commission concluded that 'no displacement effects were observed at case level […] there is a clear sign of the complementarity and additionality of EGF measures' (European Commission 2018a). Indeed, this complementarity constitutes one of the keys to the success of the fund: even in instances where EGF measures are similar to those already existing in national schemes, the additional EU resources are used to increase the number and variety of services offered to dismissed workers. At the same time, this nesting between instruments decreases the visibility of the EGF's actions, an issue that is assessed in the next section.

3.2 Political assessment

Obtaining political visibility has always been an aspiration of the EGF. Article 9 of Regulation 1927/2006 settling the EGF establishes that

> the Member States shall provide information on and publicize the funded actions. The information shall be addressed to the workers concerned, local and regional authorities, social partners, the media and the wider public. It shall highlight the role of the Community and ensure that the contribution from the EGF is visible.
>
> (EU 2006)

The centrality of this concern was confirmed during the negotiations for the 2021–2027 MFF, when the Commission rebutted the repeated suggestions by different stakeholders to merge the EGF and the ESF by arguing that 'the EGF's very specific objectives, high political visibility and budgetary flexibility would be lost if it were to be merged with the ESF+'.[7] Importantly, therefore, when upholding the EGF, the Commission refers not only to its policy outcomes but also to the 'visibility of the EGF assistance' (European Commission 2015b: 64).

However, assessments of the political salience of the EGF have also come across important limitations. In its 2018 mid-term evaluation of the fund, the Commission (European Commission 2018a) did not engage in any analysis of this dimension. The EGF's visibility is evaluated by Claeys and Sapir (2018) by checking whether its interventions are included in the ERM database on news reports on restructuring events. They conclude that 'single-firm EGF cases are, in most cases, highly visible'. However, the ERM database only registers – in an unsystematic way – whether restructuring events appear in the media, but not whether the EGF appeared in the news about these events. Furthermore, the ERM database does not register restructuring events affecting clusters of SMEs located in a single region (which have also been beneficiaries of EGF assistance). Contrary to the above authors, Cernat and Mustilli (2018) contend that the EGF has 'little political visibility'; these authors, however, do not perform any empirical analysis of the fund's visibility.

To study this question, this chapter presents a content analysis of the newspaper coverage of the 20 largest plant closures in the manufacturing sector in four Member States in which the EGF has intervened. These four countries, selected according to the authors' linguistic capacities, are Belgium, Germany, Ireland and Spain. The features of the selected plant closures are presented in Table 3.1.

The dataset of news has been gathered using the Factiva database on newspapers (the biggest of this kind). Using the search string formed by the name of the restructuring company, plus the name of the city (or region, in cases in which the restructuring process affects different companies in a single region) where the company was located, plus European Union/EU and EGF, and selecting that news categorized by Factiva in eight categories associated with industrial restructuring,[8] a database has been formed with the news on each plant closure that appeared in two national or regional newspapers. For each event, the two newspapers with the most news on it were selected. The time span of the news search extends from three months before the announcement date of the plant closure to one year after the application for EGF assistance is issued by the Member State (which normally occurs when the collective redundancies have already taken place).

Two questions guide the content analysis: Is European integration linked to industrial restructuring events in the public debate? Are the EGF interventions visible in mass media reports on plant closures? Table 3.2 presents the results of the analysis. In the first place, they show low salience of EU integration in the media coverage of industrial restructuring events: although

Table 3.1 The 20 largest plant closures in four selected EU countries between 2007 and 2020

Company	*Announcement date*	*Application date*	*Cause*	*Number of lay-offs*	*City/region (country)*	*Newspapers*
BenQ	02/10/2006	16/7/2007	Delocalization	3,303	München, Kamp-Lintfort, Bocholt (Germany)	*Süddeutsche Zeitung, DAPD*
Delphi	11/04/2006	08/10/2007	Delocalization	1,600	Puerto Real – Cádiz (Spain)	*El Mundo, EFE*
Catalonian textile sector	28/02/2008	29/12/2008	Trade shifts	1,100	Catalonia (Spain)	*European Press, Expansión*
Nokia	15/01/2008	6/02/2009	Delocalization	1,316	Bochum (Germany)	*Süddeutsche Zeitung, DAPD*
Oost-West Vlaanderen Textiel	01/01/2007	5/5/2009	Trade shifts	1,568	Belgium	*Agentschap Belga, Trends*
Dell	08/01/2009	29/06/2009	Delocalization	1,900	Limerick (Ireland)	*Irish Times, Irish Examiner*
Waterford Crystal	31/10/2007	7/8/2009	Delocalization	598	Waterford (Ireland)	*Irish Times, Waterford News & Star*
Karmann	20/2/2009	13/8/2009	Crisis	1,793	Osnabrück (Germany)	*Nordwest-Zeitung, DAPD*
Ceramics – Valencian Country	25/9/2008	2/9/2009	Crisis	1,600	Castelló (Spain)	*Las Provincias, El Periódico*
SR Technics	12/2/2009	9/10/2009	Crisis	850	Dublin (Ireland)	*Irish Independent, Fingal Independent*

Company	*Announcement date*	*Application date*	*Cause*	*Number of lay-offs*	*City/region (country)*	*Newspapers*
Lear	14/1/2010	23/7/2010	Crisis	515	Roquetes – Baix Ebre (Spain)	*Europa Press, EFE*
Opel (General Motors)	21/1/2010	20/12/2010	Crisis	2,834	Antwerp (Belgium)	*Agentschap Belga, Trends*
Manroland	19/01/2012	4/5/2012	Crisis	2,103	Augsburg, Offenbach, Plauen (Germany)	*Süddeutsche Zeitung, DAPD*
Andersen	6/9/2013	16/05/2014	Crisis	276	Rathkeale – Limerick (Ireland)	*Irish Times, Sunday Business Post*
ArcelorMittal	24/1/2013	22/7/2014	Trade shifts	910	Seraing – Liège (Belgium)	*Agence Belga, Trends*
Lufthansa Technik	20/12/2013	19/9/2014	Crisis	450	Rathcoole – Dublin (Ireland)	*Irish Times, Irish Examiner*
Adam Opel	1/10/2014	26/2/2015	Crisis	2,692	Bochum (Germany)	*Süddeutsche Zeitung, AFX*
Ford	24/10/2012	23/12/2013	Delocalization	4,300	Genk (Belgium)	*Agentschap Belga, Trends*
Caterpillar	02/09/2016	18/12/2017	Delocalization	2,101	Gosselies (Belgium)	*La Libre Belgique, Agence Belga*
Galician shipbuilding sector	23/5/2019	13/05/2020	Trade shifts	960	Galicia (Spain)	*EFE, Europa Press*

these events are widely reported by the newspapers, and although most of them – as shown in Table 3.1 – were directly caused by delocalizations to EU or non-EU countries (and therefore potentially linked to the trade liberalization policy promoted by the EU since the late 1980s), the EU is rarely mentioned in these debates and even less often criticized. As such, our findings show little trade-induced politicization or 'anti-globalization backlash' against the EU.

At the same time, the EGF's visibility in the industrial restructuring debates in which it intervenes is also marginal. Although, except for German plant closures, the fund's assistance is reported by newspapers at some point during the restructuring processes, this often only happens once: usually when the European Parliament and the Council give the green light to the financial aid. The exception in this aspect is the closure of a Dell facility in Ireland in 2009, in which the different steps implied in the granting of EGF assistance were closely reported. Through a qualitative reading of the data, we identify in this case a higher (and positive) public engagement with the

Table 3.2 Newspaper coverage of industrial restructuring events in the EU

Company	*Total news*	*News mentioning the EU*	*News mentioning the EGF*
BenQ	441	19	0
Delphi	832	88	7
Catalonian textile sector	30	4	3
Nokia	50	4	0
Oost and West Vlaanderen Textiles	12	2	1
Dell	140	27	16
Waterford Crystal	83	11	1
Karmann	85	0	0
Ceramics – Valencian Country	206	9	4
SR Technics	91	19	4
Lear Automotive	152	2	2
Opel (General Motors)	506	8	4
Manroland	111	1	0
Andersen	5	0	0
ArcelorMittal	114	5	2
Lufthansa Technik	24	1	1
Adam Opel	29	0	0
Ford	748	15	8
Caterpillar	378	16	14
Galician shipbuilding sector	145	15	9

EGF by the Irish authorities (MEPs, national government, local authorities, reindustrialization task force), the Irish Trade Union Confederation (ICTU) and the non-unionized Dell workers (who, after finalizing their EGF programme, created the Dell Redundant Workers Association with the aim, among other things, of helping redundant workers from other companies to apply for EGF assistance). Notwithstanding, the case of Dell remains the exception, since in both absolute and relative numbers the newspapers' coverage of EGF operations shows low public visibility.

4 From description to explanation: discussion and conclusions

Two conclusions emerge from the assessments of the previous section: first, the EGF's policy reach and EU-added value are difficult to gauge but, with the available information, they seem limited; second, its policy actions enjoy low political visibility in national public spheres. Indeed, as Section 2 has explained, the EGF's critics (mainly concentrated in northern and eastern Europe) have periodically questioned the prolongation of the trade adjustment fund on the basis of these facts. Nevertheless, in each successive reform process, the EGF has prevailed, widening, in fact, its policy reach. How can we explain this tortuous, tough resilient trajectory, and what does it tell us about the broader politics of EU integration in the social policy field?

In debates on EU redistributive policies, national self-interest tends to carry an important explanatory value in understanding actors' positions. In the case of the EGF, the main defenders of the fund (Ireland and southern European countries, particularly France) have indeed traditionally been its main beneficiaries (see Figure 3.1). However, among the main beneficiaries of the fund one also finds some of its leading critics, such as Denmark, Sweden and Germany. As of December 2020, among the seven Member States never to have applied for EGF support (see above), only the UK and Estonia had consistently opposed the fund's existence. As such, national self-interest alone does not explain positions on the EGF.

An alternative interpretative element might be provided by what some authors have defined as the 'side payment' logic traditionally explaining the expansion of EU social policy, according to which a mixture of symbolism and compensating measures to integrative steps of the internal market accounts for key steps in the development of Social Europe (Thielemann 2005). However, this logic does not seem to explain the institution and later renovations of the EGF: while it is certainly the case that the EGF's policy capacity has remained small, the fund's original institution and later consolidation have not corresponded to concrete market integration steps.

It is the contention of this chapter that the institution, maintenance and expansion of the EGF are primarily explained by the policy advocacy and political obstinacy of the European Commission. The Commission's championship of the EGF has not only involved the steering of the negotiations between the European Parliament and the Council during the successive legislative processes of renewal of the fund. Equally importantly, it has also consisted in building support for the EGF in its day-to-day practice (Interview 33) – on the one hand, through articulating an institutionalized network of contacts with national officials in Public Employment Services charged with the management of EGF assistance, who have in turn influenced higher political echelons in Member States; and on the other, through the cultivation of support among interest groups, chiefly transnational trade unions such as the ETUC and IndustriAll, through consultation processes and other activities. As a result, the Commission has created an 'instrument constituency' (Simons and Voss 2018) within the EU's architecture of governance that has not only nurtured demand for the fund but also animated its institutional development.

The history of the EGF reinforces previous findings in the literature that underscore the key role that the European Commission's policy entrepreneurship plays in developing the social dimension of the EU (Vesan et al. 2021), and which ultimately resonates with the neofunctionalist notion of 'cultivated spillover' (Haas 1968): of how supranational institutions act as strategic advocates on behalf of functional linkage and deeper integration. What our study adds to this literature is an explanation of how this task emanates from a deeply strategic and forward-looking perspective on behalf of the Commission: while not denying the problem-solving vocation of the EGF, our study reveals how this policy instrument contains an element of 'supply-push' (Simons and Voss 2018: 14). To a certain extent, the EGF has been construed by the Commission to provide a 'productive illusion' (Voß 2007) of EU agency in the field of corporate restructuring and thus orientate future proposals to expand EU capacities in it. In the words of Ferrera et al. (2021), one could say that the EGF emerges from a polity-building rather than policy-focused perspective.

In this sense, acknowledging the wide discrepancy between these ambitions and the budget available to it (the EU social budget represented 0.3% of total public social expenditure in the EU for the period 2014–2020) and taking incrementalism as a prevailing political condition has proved key in the EGF development. Indeed, processes of layering and conversion often develop when policy entrepreneurs lack the capacity to push for policy change, so that they work instead within the existing institutional settlement by adding new rules alongside old ones (Mahoney and Thelen 2010: 17), or alternatively maintain the existing rules but modify their application (Hacker et al. 2015). While defenders of the status quo may be able to deter third-order policy innovations, they are often less able to prevent the introduction of smaller modifications that at a later point might trigger more substantial shifts.

In any case, when it comes to assessing whether the EGF contributes to shifting responsibilities from the national to the European level with regard to social protection, further research is needed to better understand how the different levels involved in the ALMP programmes operate and what coalitions emerge that could gradually push for shifts of responsibilities. Further research is also needed to better comprehend, beyond the focus on concrete cases, what contextual factors and best practices can favour more effective deployments of EGF assistance. Finally, greater academic and political attention might also be devoted to analysing policy innovations that could move the EU beyond the focus on post-corporate restructuring adjustment towards integrating anticipation and governance questions in its policy mix to manage deindustrialization.

Notes

1 A list of the interviews is provided in the Appendix.
2 Negotiations on the EU–MERCOSUR trade deal are still ongoing in 2024.
3 Author's elaboration based on latest EGF statistics.
4 The UK was the only Member State that did not designate a national coordinator for the EGF. This policy was maintained by both Conservative and Labour governments (ironically in the latter case, given that the EGF had been created under Tony Blair's European Council presidency).
5 The main reason behind the low number of applications to the EGF by eastern European Member States relates to the fact that these low-income Member States could finance (similar) policies with a far more convenient co-financing rate with the ESF+. The reform of the EGF for the 2021–2027 period corrects this situation by aligning the EGF co-financing rate with the highest ESF+ co-financing rate in each country.
6 However, drawing a conclusive assessment of the percentage of trade-induced restructuring events that are covered by the EGF on the basis of the ERM database is a sloppy exercise, since the EGF and the ERM do not share a unified taxonomy to classify the causes of collective redundancies.
7 The ESF+ refers to a set of multi-annual spending programmes aimed at responding to long-term development needs and support catching up within the EU. As such, they do not comprise measures tailored to the individual needs like the EGF but target the wider workforce and growth model of a region.
8 These eight Factiva categories are: labour/personnel, facility closures, capacity/facilities, lay-offs/redundancies, general labour issues, employee training, labour disputes and employee benefits.

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4 The Youth Guarantee

The gradual institutionalization of a residual EU social policy

1 Introduction

Youth unemployment (YU) and precariousness constitute severe and long-term structural problems of European labour markets (Caporale and Gil-alana 2014). The euro crisis accelerated existing dynamics and contributed to making things worse (Boeri and Jimeno 2016; Marques and Salavisa 2017), leading Mario Draghi to famously declare that '[t]he European social model has already gone, when we see the youth unemployment rates prevailing in some countries' (*Wall Street Journal*, 2/24/2012).

It is thus no surprise that youth unemployment moved to front and centre in public debates and on agendas. In many Member States, functional and political turbulence initially unfolded at the domestic level. However, the rise of YU spurred new attention on the part of European institutions, and in the early 2010s, youth-specific proposals were launched in the European Parliament and by the European Commission (Lahusen et al. 2013). Conflict and polarization of opinions emerged around these proposals, and no consensus was found on a coordinated supranational response to the youth employment crisis, leading to the decision to keep responses at the domestic level. In other words, after the emergence of a coalition of actors requiring an EU response to the youth crisis there followed a decision not to respond at the supranational level and to depoliticize the issue.

The European Union's strong involvement in responding to the financial and sovereign debt crisis and in prompting fiscal consolidation and structural reforms, with severe employment implications, shifted attention once again to the supranational level. As functional problems continued to increase, a debate reappeared in the supranational arena, and the European Union intensified its action to promote the employment of young people (Marques and Hörisch 2019). Consensus over a supranational response was finally reached: in April 2013, the Council approved the Commission's proposal for a Recommendation on Establishing a Youth Guarantee (YG), and in July 2013, the Council adopted the Youth Employment Initiative (YEI) (Andor and Veselý 2018). The latter can be seen as one of the first supranational responses – albeit of a limited functional scope – to explicit and direct policy

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demands for EU action in the social sphere. As such, this initiative is particularly puzzling: in the period of 2008–2011, why was no agreement achieved on a supranational initiative, whereas this was the case in 2012–2014?

Over time, this European social policy programme gradually strengthened. Furthermore, in response to the onset of the COVID-19 crisis, in October 2020 the so-called 'Reinforced Youth Guarantee' was adopted. This leads to a further question, why was this programme reinforced, and how did it become a relevant component of the EU strategy to react against the economic and social consequences of the COVID-19 crisis?

Based on content analysis of news media and official documents, this chapter reconstructs the multilevel politics of youth unemployment between 2008 and 2020. By doing so, first we are able to describe how pressures and contestations moved from the national to the supranational political arena and how political actors behaved strategically in the peculiar institutional setting given by the European polity, thereby uncovering novel forms of actor interactions and arena shifts. Second, our reconstruction allows us to single out the main conflict lines and patterns of alignment among the actors, while also outlining the importance of the European Trade Union Confederation (ETUC) and the Party of European Socialists (PES) subsuming internal territorial conflicts. Third, and finally, we can understand the reasons behind the response of the EU through the Youth Guarantee and the Youth Employment Initiative.

The chapter is structured as follows. The next section delineates the socio-economic and institutional contexts, as well as the main contents of the EU Youth Guarantee. The third section illustrates, first, the policymaking process in the first phase (2008–2011) and the 'decision not to' intervene at the supranational level; then, the second phase (2012–2014) in which multilevel political dynamics led to the introduction of the YG and the YEI; and third, the context in which the decision to 'reinforce' the YG was made. The fifth section interprets these puzzling trajectories, while the sixth section concludes.

2 From the 'youth insecurity crisis' to the 'Reinforced Youth Guarantee'

2.1 Background: the gradual insurgence of youth job insecurity in Europe

In Europe, young people suffer multiple labour market disadvantages (Caporale and Gil-alana 2014; Marques and Salavisa 2017). Since the early 2000s, unemployment and the diffusion of atypical precarious work have constantly been higher among younger cohorts than in the general adult population (Table 4.1). Furthermore, YU has always been significantly higher on average in Europe than in the US or Canada (OECD statistics). With the onset of the Great Recession, however, the situation rapidly worsened: between 2007 and 2013, the youth unemployment rate significantly rose in the EU-28 (+ 50.6 p.p.) and in all European countries, with the only, relevant, exception of Germany (Figure 4.1). While in 2007 around 4.2 million individuals below the age of 25 were unemployed, in 2013 there were 5.6 million, meaning that in six years the youth unemployment rate expanded from 15.5% to 25.5%.

Profound territorial differences marked this trajectory (Figure 4.1). Indeed, throughout the period, the youth employment rate was higher in southern and eastern Europe than in Nordic and continental Europe. With the onset of the Great Recession, it increased significantly in these geographical areas and Ireland, aggravating an already unfavourable situation (Dietrich and Möller 2016). Also, in Nordic countries, although it was generally less diffused, YU rose quite significantly between 2007 and 2013.[1] Overall, countries in Continental Europe performed comparatively well on this front. Nevertheless, it is important to note that there is an important divergence within this group: while francophone countries (France and Belgium) suffered comparatively high levels of YU, Germany and Austria had low unemployment rates throughout the period, and the situation did not appear to worsen between 2007 and 2013.

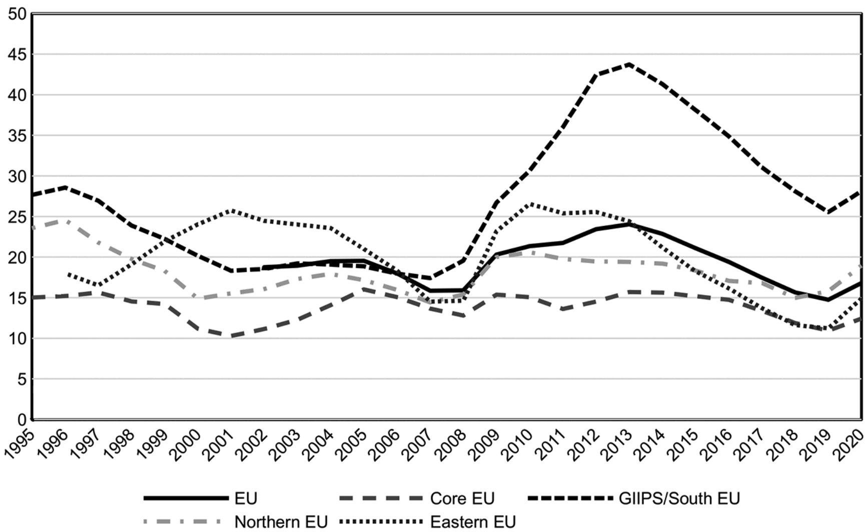

Figure 4.1 Youth unemployment trends, 1995–2020: EU average and groups of countries

Note: *Core EU* = Belgium, Germany, France, Luxembourg, the Netherlands, Austria; *GIIPS/South EU* = Greece, Ireland, Italy, Portugal, Spain, Malta, Cyprus; *Eastern EU* = Bulgaria, Czech Republic, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia, Slovakia; *Northern EU* = Denmark, Finland, Sweden; EU = average EU-27 (2007–2013), average EU-28 (2013–2020).
Source: Eurostat – EU-SILC survey [lfsa_urgan].

Table 4.1 Unemployment, temporary employment and in-work poverty rates among young (15–24) and adult (20–64) populations, 2010–2020 (average), EU-27 countries

Country	*Unemployment*		*Temporary employment*		*In-work poverty*	
	Youth (%)	*Adult (%)*	*Youth (%)*	*Adult (%)*	*Youth (%)*	*Adult (%)*
EU-27	20.6	9.0	46.4	11.9	12.3	9.3
Belgium	19.5	7.1	36.7	7.4	5.5	4.6
Bulgaria	20.9	8.6	10.8	3.8	11.4	8.9
Czech Republic	12.9	4.7	25.6	7.0	2.6	3.8
Denmark	13.3	6.0	27.1	7.9	22.0	5.7
Germany	7.5	4.6	51.4	10.1	12.1	8.8
Estonia	17.2	8.1	11.9	2.8	11.7	9.4
Ireland	21.1	9.8	31.8	7.3	7.2	5.1
Greece	45.0	21.0	22.1	7.5	15.8	12.6
Spain	44.2	19.6	62.2	20.7	17.3	12.1
France	24.2	9.0	53.8	12.5	10.8	7.5
Croatia	33.6	12.1	48.2	14.1	6.5	5.7
Italy	34.4	10.4	48.8	10.9	14.1	11.4
Cyprus	25.7	10.9	24.7	13.2	9.9	7.9
Latvia	20.8	11.3	8.6	3.5	7.3	8.9
Lithuania	20.3	10.5	7.3	1.8	9.1	9.1
Luxembourg	17.6	5.4	35.0	7.0	12.8	11.1
Hungary	18.1	6.8	19.4	7.9	7.4	7.7
Malta	11.5	4.7	16.2	5.7	4.2	6.0
Netherlands	10.2	4.9	48.7	13.9	8.1	5.3
Austria	10.5	5.4	33.9	5.4	9.1	7.7
Poland	19.4	7.0	58.3	20.0	11.0	10.5
Portugal	28.6	11.5	58.2	17.6	10.9	10.3
Romania	20.7	5.9	3.0	1.0	29.7	17.5
Slovenia	15.1	7.5	59.9	13.2	5.9	6.0
Slovakia	25.7	10.4	20.1	6.5	4.2	5.9
Finland	19.9	7.5	40.6	12.4	6.8	3.4
Sweden	21.5	6.7	53.6	13.0	17.1	7.5

Source: Eurostat – EU-SILC survey [une_rt_a, lfsi_pt_a_h, ilc_iw01].

The labour market situation for young people is also endangered by particularly high levels of temporary and precarious employment, a situation also characterizing countries with a solid labour market such as Sweden and Germany (Table 4.1). Also, looking at inactivity and discouragement among the younger generations through the 'neither in employment nor in education' (NEET) indicator (Figure 4.2), it emerges that Europe performs comparatively worst compared to other well-developed economies such as the USA and Canada (OECD statistical database). Moreover, territorial disparities are also relevant on this front, as youth inactivity is particularly worrisome in Ireland, and in southern and some eastern countries.[2] In the latter groups of countries, the growth of the NEET rate between 2008 and 2013 was impressive.

Youth employment insecurity and 'inactivity' are thus not new in the EU, but the Great Recession contributed to their rapid increase. Significantly, the countries that were most affected by youth unemployment *before* the Great Recession tended to display the highest increase during the economic crisis (with one exception, namely Ireland). This seems to suggest that the youth employment crisis was slow-moving, characterized by an incremental intensification of youth employment insecurity until the onset of the economic crisis, which contributed to reaching a critical level (*threshold effect*), triggering major socio-economic changes.

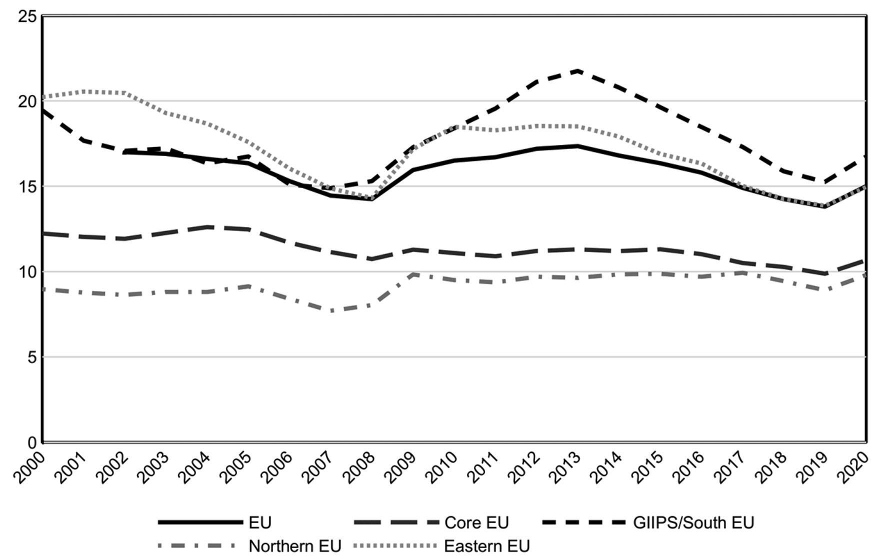

Figure 4.2 NEET trends 1995–2020: EU average and groups of countries
Note: *Core EU* = Belgium, Germany, France, Luxembourg, the Netherlands, Austria; *GIIPS/South EU* = Greece, Ireland, Italy, Portugal, Spain, Malta, Cyprus; *Eastern EU* = Bulgaria, Czech Republic, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia, Slovakia; *Northern EU* = Denmark, Finland, Sweden; EU = average EU-27 (2007–2013), average EU-28 (2013–2020).
Source: Eurostat – EU-SILC survey [edat_lfse_20].

2.2 Pre-existing policy framework: local national 'innovations' and weak policy pre-emption

As youth employment insecurity is a long-standing issue in Europe, it is not entirely surprising that back in 1998, when the European Council launched the European Employment Strategy, it was already included among the major problems affecting the European labour market. From that moment, promoting youth employability through 'activation' and investment in human capital, along with increasing mobility within Europeanizing labour markets, became reference points for the European labour market policies (see also European Council 2001). The latter mainly consisted in the diffusion of new policy ideas and principles, the provision of general orientation and goals, and the introduction of indicators to quantify and monitor young people at the EU level (Burroni and Keune 2011; Crespo and Serrano Pascual 2004). Accordingly, the 'European Youth Pact', adopted by the Council in 2005, promoted general objectives built on a life course perspective of learning and skills development, an expansion of investment in human capital, adaptation of an education and training system, and also measures facilitating the reconciliation of working and family life.

The policy consequences of these initiatives depended very much, however, on domestic political actors' interests and strategies (Graziano 2011). It is indeed at this level where we should shift to locate policy innovations in this policy field. Back in the 1980s, a new approach to labour market policies specifically devoted to young people had already emerged in the Nordic countries, which have been pioneers in the implementation of active labour market policies (Bonoli 2013). These new pioneering initiatives, despite relevant differences, targeted specifically people aged below 25, providing them with a wide range of activation measures tailored to the particular needs of young participants. Sweden introduced the first Youth Guarantee in 1984, Norway established a similar programme in 1993, and Denmark and Finland did the same in 1996 (Escudero and López Mourelo 2017). Outside the Nordic region, other countries embarked on similar programmes in the 2000s, most notably the UK, and later Austria and the Netherlands (Escudero and López Mourelo 2017).

Despite the relevance of these experiences, it is important to emphasize that this policy field was much less institutionalized than 'core' welfare areas, such as pensions or unemployment benefits. Relevant countries such as Germany and France, despite having youth employment programs, had still, in 2010, never implemented measures similar to the YG. Moreover, 'youth' labour market policies – and in particular those providing activating and enabling services – were substantially underdeveloped in southern and eastern Europe (Bonoli 2013). Indeed, many emphasized that the peculiar nature of labour and welfare arrangements in these geographical areas, and most notably a particularly segmented labour market coupled with low expenditure on ALMPs and in general on social investment services, contributed to the unfolding of the youth job insecurity crisis in the European periphery (Boeri and Jimeno 2016; Marques and Hörisch 2019).

2.3 The Youth Guarantee

The April 2013 Council Recommendation on establishing a Youth Guarantee recommends that Member States 'ensure that all young people under the age of 25 years receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education'. The simple idea behind the YG is thus that the first months and years after leaving school are a very formative period, influencing young peoples' entire lives, and therefore it is important to ensure that they do not remain outside employment, education or training for too long. As such, the YG entails two major challenges to national welfare systems (Bussi and Geyer 2013: 9): the first is the term *guarantee*, which entails a right supported by the EU (see also Ferrera et al. 2021); and the second is the short time frame within which it is stipulated that an action should be taken, namely four months.

The YG requires Member States to adopt implementation plans, but the latter are not formally obliged to do so. However, specific budget lines, notably the Youth Employment Initiative (see Section 3.2) and earmarked funding from the European Social Fund, were opened to encourage national implementation, totalling €12.7 billion for the period 2014–2020 (Tamesberger and Bacher 2020). The adoption of the YEI therefore goes beyond 'normal' EU policymaking, introducing not only a specific youth policy initiative but also a new dedicated EU fund to favour its implementation, thus going beyond the 'regulation' approach characterizing the EU approach to social policy. Also, for this reason, some even consider the YG 'the most ambitious employment policies ever launched by the EU' (Andor and Veselý 2018: 4).

At the same time, most scholars emphasized that the resources devoted to the YG were too meagre to respond efficiently to the YU crisis (Escudero and López Mourelo 2017; Marques and Hörisch 2019). Others criticize its continuity with the traditional 'supply-side' orientation of EU employment policies (Lahusen et al. 2013), not tackling the fact that many young people are trapped in 'precarious' and low-quality job contracts. The so-called 'Reinforced Youth Guarantee', adopted in October 2020 (Section 3.4), addresses the former concern only, guaranteeing additional resources (up to €22 billion for the 2020–2027 period; Anderson and Heins 2021) and extending the scope of the scheme to cover young people under the age of 30 instead of 25.

3 The EU Youth Guarantee: the policymaking process

3.1 The outbreak of the youth employment crisis and the European Union's 'decision not to' respond (2008–2011)

To respond to the rapid increase in youth unemployment outlined above, in 2009 the Czech Republic presidency of the Council tried to include an employment plan in the EU agenda and officially declared its decision to organize two extraordinary meetings of heads of state and government, the first on the economic dimension of the crisis and the second on its social dimension.[3] Among the four objectives of this second event were adjusting and increasing competences required for market needs and facilitating access to employment for the young. The Party of the European Socialists and the European Trade Union Confederation reacted very positively to the Czech proposal of an employment summit.

The call for the employment summit, however, led to an increasing polarization of positions and conflict expansion. At the mid-March EU Spring Summit, the Job Summit, originally scheduled with the full participation of all EU leaders, was downgraded to a lower-level 'troika meeting' of the current Czech and future Swedish and Spanish EU presidencies, the European Commission and the social partners. This unexpected 'turnabout' was triggered by the French President Sarkozy, who feared that the job summit would prompt unrealistic hopes that the EU would not be able to address satisfactorily, thereby increasing the risk of social unrest across Europe (see the *Irish Times*, 14/4/2009; *Euractiv*, 25/3/2009). It should be noted that the French President was already being challenged at home in the same period over his failure to respond to the employment crisis and feared protests and strikes more than others. Britain and especially Germany – which were never really keen on the idea of a job summit – quickly supported the decision of the French President, noting that most policy tools used to meet the problem of unemployment should rest with national governments rather than the EU.

This decision was not welcomed by the EC or by the president of the Eurogroup Claude Juncker, who used harsh words against the European leaders for underestimating the 'explosive nature' of the situation due to the 'approaching social and employment crisis' (*Agence Europe*, 6/5/2009). Trade unions and the social NGOs made similar, very critical declarations over the decision to downgrade the job summit. Finally, in the European Parliament, this decision gave rise to a number of spats between the EPP-ED and the PSE, with the latter group officially demanding that the Czech Prime Minister take steps to maintain the initial format and ambitions (*Agence Europe*, 26/3/2009; *Euractiv*, 25/3/2009). Despite these reactions, the job summit was downgraded. To voice its opposition against this outcome and the disappointing results of the downgraded summit, the ETUC officially refused to sign at the conclusion of the meeting.

Despite the downgrading, the 'defeated' proposal to have a supranational response to the social crisis remained on the agenda, and its supporting coalition began to delineate perhaps more modest but also more concrete plans. The overall rise in unemployment rates among young people contributed to putting this issue, in particular, on the EU agenda. In March 2009, the ETUC urged the Commission and the Council to launch a 'New Social Deal', including 'the guarantee to young people of training and jobs'. In April 2009, the EC presented a communication entitled 'An EU Strategy for Youth – Investing and Empowering'. The EP went further, openly criticizing MSs for not taking enough policy initiatives in this policy field and approving the proposal of the ETUC supported by the European Socialist Party to introduce a Youth Guarantee (European Parliament 2009). In detail, the 'guarantee' concept – that is, Member States' commitment to providing unemployed young people with a work or training opportunity within four months of becoming unemployed or leaving education – is a defining characteristic of the YG and represents a novelty in European social policymaking as, arguably for the first time, it implied a shift from general and vague orientation to the promotion of an EU-wide specific policy measure (Lahusen et al. 2013).

The new Commissioner for Employment and Social Affairs, Laszlo Andor – one of the few socialists in the Barroso Commission, appointed in February 2010 – called for the measure within the European executive. Albeit timidly, this initiative started to be supported by some Member States. In particular, Spain, Hungary and Belgium during their EU presidencies helped to generate a broader consensus about the need to draft a more consistent strategy to combat youth unemployment, contributing to the launch of an EC recommendation ('Youth on the Move') and to the Council resolution 'on the active inclusion of young people: combating unemployment and poverty' (May 2010). However, supranational social responses continued to facilitate conflict expansion and a polarization of opinion. Indeed, reservations emerged as soon as more specific and binding measures were debated, particularly those transcending the pre-established paths, such as the ETUC and PSE proposal to introduce a Youth Guarantee (Lahusen et al. 2013). Proposals to introduce such an instrument were repeated throughout 2011 – particularly by the European Commission, the European Parliament and the European Youth Forum – although, in practice, they did not lead to the desired result (Lahusen et al. 2013), not least because they were rejected by some countries, most importantly the United Kingdom, Sweden, Denmark and Germany.

To sum up, in this first phase, no supranational response to the youth crisis was introduced, and some actors fought to maintain the solution in the hands of the national governments. France, Italy and Spain launched 'emergency youth employment plans', and similar programmes were introduced in countries less affected by the rise of youth unemployment, such as the Netherlands, the United Kingdom and Switzerland.

It is important to emphasize that in this phase, national governments were mainly deemed responsible for failing to respond to the youth employment crisis, particularly in the most affected countries. Governments in France, Greece, Spain and Italy were contested for their failure to respond to the 'youth employment insecurity crisis'. In contrast to national governments, in this phase the EU remained relatively insulated from contestation. The ETUC attempted to orchestrate a bottom-up transnational mobilization – the first 'European days of action' in May 2009 – demanding a supranational response against the social crisis. However, this effort to target the EU as the institution responsible for the social crisis had limited success (Crespy 2016). Only towards the end of this phase were there also some signs of increasing criticism of the European Union for failing to address the youth employment crisis. In Spain, the Indignados protesters directed their criticism initially at Spain's two main political parties and the country's high level of youth unemployment, but with the passing of time, protests took on an anti-Brussels flavour. A (small) contingent of Indignados even undertook to march to Brussels. Although this march was considered a semi-failure, since participation at the transnational level was low and the media attention scant (Crespy 2016), hundreds of thousands took to the streets of Madrid and Barcelona to show their support for the initiative, and representatives of this movement were able to meet with high-ranking officials from the Commission (Interview 23). Similarly, in Ireland, the Occupy movement in Dublin organized protests against austerity reforms and the 'Ballyhea Says No' movement from March 2011 onwards and performed a 'no bailout march' every Sunday (Crespy 2016).

3.2 The introduction of the Youth Guarantee (2012–2014)

Not surprisingly, the decision not to respond to the youth employment crisis did not put an end to protest and mobilization in the most affected countries. Along with strong involvement in prompting fiscal consolidation and structural reforms by the EU, it contributed to explicitly targeting the EU among those responsible for the situation. After late 2011, protests and contestation increasingly had a transnational character, targeting also the European Union. General strikes against austerity were organized in Belgium – not coincidentally on the same day as a European Council meeting – for the first time after 19 years, as well as in Italy, Greece, Portugal and Spain. In Greece, riots and protests accompanied the visits of both Barroso and Merkel. On 14 November 2012, the most successful strikes organized by the ETUC took place; known as the third 'European Day for Action and Solidarity', it was made up of general strikes in Portugal, Spain and Italy (in the latter country only for 4 hours), as well as strikes and demonstrations in Greece, the Netherlands, Austria, Belgium, the Czech Republic and Slovenia.

In parallel, in the most affected countries, the salience of youth unemployment increased significantly in this phase. In France, with youth unemployment reaching its historical record, Sarkozy adopted a new emergency plan in January 2012 – three months before the election – by launching the 'zero-contribution' scheme for very small enterprises (fewer than 10 employees), which exempted them from any charge in exchange for hiring a young person under the age of 26. Youth policy was also one of the flagship proposals of the electoral campaign of his main opponent, the socialist François Hollande, who proposed the introduction of a new 'generation contract' and the creation of 150,000 'jobs for the future'. Unlike the recipes of Sarkozy, the focus of the new proposals was job quality and against the precariousness of youth labour market conditions. Relevantly, the electoral campaign of the candidate of the Socialist Party also focused on the European Union, criticizing the Growth and Stability Pact promoted by Sarkozy and demanding greater European investment in several fields, including youth unemployment.

In Ireland, youth unemployment also reached its historical record in 2012 (30.8%) – + 17.3 p.p. compared to 2008 – and started to be identified in the media as a 'social emergency'. Interestingly, in this phase, the new coalition government of Fine Gael (conservative) and the Labour Party (junior coalition party) began to look to the European level to find a solution to the issue. A new programme, called 'Pathways to Work', was introduced in February 2012. This measure had many similarities to the YG discussed at the supranational level, and obtaining additional EU funding to finance such an instrument became one of the main goals of the government. In particular, after the 31 May referendum allowing the government to ratify the so-called 'Fiscal Compact', the Irish government started to actively demand an intervention to solve the job situation of European youth. In September 2012, the Irish government officially declared that Ireland's EU presidency would be mainly devoted to helping jobless young people, a position reiterated during the Irish presidency between January and June 2013. Interestingly, opposition parties and social movements also targeted both the government and richer European countries for their failure to build alliances at the EU level to respond to the 'emergency' situation of young people (see *Irish Examiner*, 10/4/2012 and 24/5/2012).

The policy trajectory was not so different in the other country most heavily affected by the rise of youth unemployment, namely Spain (+37.4 p.p. from 2007 to 2013). In 2012, the new conservative government led by Mariano Rajoy introduced a contested labour market reform, which also intervened on 'flexibility in entry', reducing employment protection for young people. The PSOE strongly criticized the reform, backed by trade unions that declared a general strike against this reform. The Rajoy government then introduced reforms specifically devoted to the employment of young people, further increasing the number of employment contracts for young people that included reductions in social security payments for companies and investing resources in training and the PES. As in Ireland, Spain looked to the EU level to finance such initiatives. Since 2012, the Rajoy government has been one of the first to openly back the YG proposal, demanding that the Commission intervene against youth unemployment to back its effort to guarantee budgetary stability. Quite interestingly, in Spain, a convergence between the PP government and the PSOE in opposition to these issues emerged, with both parties converging and actively advocating at the supranational level 'a youth emergency plan' (*El Pais*, 15/6/2012).

Finally, as youth unemployment reached 35.4% (+14.9 p.p. compared to 2007), the 'lost generation' debate finally reached the front page of the newspapers in Italy. The technocratic Monti government, in particular, framed the Italian debate. In April 2012, the so-called 'Fornero labour market reform' was introduced, and the PM explained that the 'the aim of labour reform is to improve the employment of young people, which is the aim of all government economic policy right now'. The results of the political elections in February 2013 (see below) further accentuated these dynamics: in spring 2013, the new government led by the centre-left Enrico Letta urged Europe 'to act to end the scourge of youth unemployment' (*Financial Times*, 23/6/2013) – thus explicitly stating that supranational action was needed to solve a 'domestic' social problem.

Indeed, during the elections held in this period there were important signs of an increasing disaffection of the electorate with the European integration process. The most important electoral protest against the 'austerity medicine' came from Greece, with the unexpected rise of SYRIZA in the 2012 elections. In France, notwithstanding the success of François Hollande, the most surprising result of the election was the unprecedented success of the Front Nationale in terms of both presidential and parliamentary results, which saw the party re-enter the Assemblée Nationale for the first time since 1988. Notably, in this election the FN was better represented across young people than it had ever been before (Hewlett 2012). Telling are the ideas of Marine Le Pen for solving the youth employment crisis: in March 2013, when asked about the growing youth unemployment rates in France, she replied that they were the result of the 'disastrous economic model imposed by the European Union' and she called for a 'referendum on the end of the European Union' (*Agence France-Presse*, 12/3/2013). Similarly, the 2013 election radically changed the political landscape in Italy. The party system witnessed the unexpected rise of a populist catch-all party, the 5 Star Movement (M5S), which became the leading Italian party in terms of votes, although it was slightly outnumbered by both the centre-left and the centre-right coalitions. During the electoral campaign, the M5S leader, Beppe Grillo, was the fiercest critic of the EU, which he described as the real government that was imposing austerity on Italians, while the euro was held responsible, along with the corrupt political class, for many of Italy's economic woes (cf. Baldini 2014). It is worth noting that the M5S become the most popular party in 2013 among the youngest cohort (Baldini 2014: 487), thus suggesting that young people's precarious employment was far from unimportant in this election. The electoral success of new 'anti-mainstream' challenger parties would later be confirmed in Spain. Here, the party system overhaul was brought about by the rise of Podemos, founded in the aftermath of the 15-M Movement protests described above and obtaining 20.7% of votes in the 2015 political election.

Against the background of rising functional pressures and increasing politicization of youth unemployment, the pro-supranational intervention coalition 'struck back' between 2012 and 2014, not least thanks to the more detailed plan elaborated in the previous phase. In the European social partners' Work Programme for 2012–2014, the ETUC reiterated the urgent need to solve the youth unemployment crisis, pledging to make negotiating a framework of actions on employment for young people a priority. Relevantly, this proposal was also backed by northern trade unions (*Financial Times*, 9/1/2012) – in contrast, for example, to proposals to introduce an EU-wide minimum wage and/or an unemployment benefit scheme that spurred territorial conflicts within the European labour movement. On 9 February 2012, the Party of the European Socialists (PES) released a report on youth unemployment, putting forward the proposals for a binding Europe-wide youth guarantee for young people up to the age of 25 to be put in place by 2013 and ring-fencing of €10 billion of EU structural funding to tackle youth unemployment.

Commissioner Andor was then more effective in putting the Youth Guarantee on the table. In December 2012, the Commission adopted a recommendation to Member States to introduce a 'Youth Guarantee', thus moving from a general orientation to the introduction of a specific policy initiative as suggested by the European Parliament in 2010.

A guarantee of specific funds to implement this initiative also required an agreement in the Council of Ministers, the European Parliament and the European Council. Polarization of positions over the financing of the YG emerged once again and became part of the broader conflicts over the 2014/2021 multi-annual financial framework. In a nutshell, while the EP required a greater budget to reduce disparities between core and peripheral countries and, in the words of the President of the EP, the German Martin Shultz, a greater investment to solve 'the tragedy of youth unemployment', there was a clear split in the intergovernmental institutions between the UK and northern countries that were pushing for a reduction in the overall EU budget and France, backed by southern European governments, demanding a 'pro-growth' European budget and specific funds for youth unemployment.

In this phase, however, Germany, a traditional supporter of the fiscally conservative coalition, backed a proposal to introduce a measure to fight youth unemployment. In the end, an agreement over the EU budget was found within the Council: the overall EU budget was reduced but specific funds were devoted to the YG. Accordingly, the February Council of Social Affairs Ministers gave a nod to the launch of the Youth Employment Initiative – that is, the introduction of specific funds of around five billion euros to facilitate the implementation of the Youth Guarantee in the countries most affected by youth unemployment – while the European Council in March approved the Commission's proposal for establishing the Youth Guarantee.

For the first time, even if the total amount was not particularly consistent, specific funds were devoted to the implementation of a European social programme. The agreement over the YEI needed, however, the final green light of the June European Council. In the following months, the European Commission and national leaders intensified their action to respond 'visibly' to the youth crisis. In April 2013, Germany signed an agreement with Spain with the specific aim of fighting youth unemployment; a similar agreement was signed on 22 May 2013 between the German finance minister and Portugal's Vítor Gaspar. At the end of May, France and Germany launched a 'New Deal for Europe' on the front pages of the most relevant national newspapers to help counteract soaring unemployment in southern Europe. In June, a similar meeting was held in Rome hosted by the Italian government, with Spain also participating. Angela Merkel also invited all EU labour ministers to Berlin on 3 July to discuss methods and strategies to improve the labour market situation of young people – and a similar meeting also took place in November in Paris.

France, Germany and Italy, along with Ireland and Spain, were not the only actors pushing for a guarantee of an agreement on the YEI. In June 2013 the ETUC organized a new 'transnational' action, the so-called 'Tours of Capital': between 15 and 27 June 2013, the secretary of the European labour organization met with the presidents and/or prime ministers of France, Latvia, Spain Austria and Italy to discuss the urgent need for a European recovery and investment plan and to secure support for the YEI.

Finally, in July 2013, a Council meeting specifically devoted to youth unemployment took place. Despite efforts on the part of the British government to maintain the initial agreement of the February Council, the European Council in July 2013 adopted the Youth Employment Initiative (YEI), providing a greater budget than originally envisaged, 6.4 billion euros, to encourage national implementation. As should be noted, the EU response not only addressed bottom-up pressures but also tackled the problem of between-country solidarity, as criteria for access to this fund have clear (territorial) redistributive implications. Indeed, only regions with more than 25% of YU or in which it rose by more than 30% in 2012 could access this fund. This implies, for example, that no German state could access this fund, and only a few regions in Belgium, while all Spanish regions could do so.

3.3 The Reinforced Youth Guarantee

After a slow start, in the period 2014–2020 the Youth Guarantee become a well-established policy implemented in all European Member States (Andor and Veselý 2018), though concerns remained over its effectiveness in reaching all young vulnerable people and in reducing precarious work (Anderson and Heins 2021; Escudero and López Mourelo 2017). Also, in 2017, European institutions confirmed the YG as a right in the EPSR.

Against this backdrop, while remaining 'in the background', not constituting a priority for any national or European political actor, the YG stayed on the EU agenda. In the action programme for 2019–2023 approved in Vienna, the ETUC confirmed its commitment to 'fighting for the funds needed for effective implementation of the YG' and 'for the inclusion of young workers up to 30 years to increase the scope of the YG' (ETUC 2019: 64). Also, the new Commissioner Ursula von der Leyen, in her programmatic speech to the EP in January 2020, outlined that she would maintain the instrument, and even increase the budget available for its implementation. That said, the issue had very low salience in this period, not least because no actors voiced any concerns against this instrument, not even BusinessEurope.

The COVID-19 crisis, and the fear that lockdown measures may have (again) disproportionate effects on youth labour markets (Anderson and Heins 2021), contributed to putting the issue once again high on the table. On 1 July 2020, the Commission put forward a proposal for a Council Recommendation to reinvigorate the Youth Guarantee (European Commission 2020), enlarging its scope to include young people aged between 24 and 30 and promising at least €22 billion spending on youth employment measures under the Next Generation EU and long-term EU budget. In contrast to the past, no major conflict emerged on the re-enforcement of the YG. The only (slightly) critical voices came from the ETUC and the European Youth Forum, who, while welcoming the initiative, denounced the absence of binding quality standards for offers in the framework of the YG that would allow the precarity among EU young people to be reduced.

4 Explaining the gradual institutionalization of the Youth Guarantee

The previous sections outlined the peculiar trajectory of contestation over rising youth unemployment in the European Union. With the onset of the Great Recession, youth unemployment rose significantly, particularly in those countries already characterized by higher-than-average rates. In these countries, youth unemployment became an increasingly contentious issue between 2009 and 2011, and over time government developed an interest in a European intervention providing resources to respond to this challenge. In the supranational arena, proposals for an EU initiative to respond to this issue also emerged (i.e. the Youth Guarantee) due to two intertwined factors. On the one hand, both the Party of the European Socialists and the ETUC were able to 'internalize' territorial conflicts and behave as unitary actors, supporting in both periods the introduction of a pan-European response. On the other hand, Commissioner Andor tried throughout the period under consideration to include a youth plan in the European agenda (Interview 23).

Yet no agreement among MSs was reached in the first phase, and the 'competence' remained in the hands of national governments. To understand this failure, the empirical reconstruction suggests looking at the interaction between the national and supranational arenas: the initial decision 'not to respond' and depoliticize the issue was also spurred by the limited interest towards this initiative in some 'creditor' countries, including Germany, but also by the French President Sarkozy. If so, what has changed in the second phase to allow the introduction of a supranational initiative to respond to the youth unemployment crisis?

In the course of 2012, mounting transnational protests and the results of several elections showed an increase in the dissatisfaction of (southern)

European citizens with their national governments and the European Union, particularly among young people. Furthermore, political parties challenging the European integration process began to have unprecedented electoral successes, particularly in those countries most affected by youth job insecurity. Awareness spread among key political actors that youth unemployment was becoming a problem for the political feasibility of the European integration process. Commissioner Andor was one of the first to explicitly recognize that 'soaring youth unemployment is a tragedy for Europe', and President Barroso defined it for the first time as 'a social emergency'. Even more relevantly, a similar awareness emerged among German political leaders. In June 2012, the German Foreign Affairs Ministers released parallel interviews in the main southern European newspapers, underlining that 'youth unemployment is the biggest driver of extremism. We have to fight populism and nationalism by offering young people prospects for the future' (see *El Mundo*, 6/6/2012; see also *Corriere della Sera*, 22/6/2012 and *Le Figaro*, 22/6/2012). Angela Merkel's speeches in the same period were very similar to the above, and she even argued that fighting youth unemployment was her 'main duty', as it is an 'imperative condition for young people to see Europe as their homeland' (*Corriere della Sera*, 27/1/2013; on a similar note, see *Associated Press*, 19/1/2013).

The 2013 Italian general election, characterized by the poor electoral result for Mario Monti and the surge of the 5SM, further accentuated these dynamics. In the European Council following this election, Claude Juncker reiterated that he did not exclude the risk of a social revolt, and similar declarations were made by the German SPD leader in the EP, Martin Shultz (*Corriere della Sera*, 15/3/2013). In May 2013, on the occasion of a well-publicized Franco-German meeting to tackle the scourge of youth unemployment, the German Finance Minister Schäuble declared that youth unemployment 'is not a Portuguese problem. It's not a German problem. It's a European problem. Failure to win the battle against youth unemployment could tear Europe apart'.[4]

These declarations seem to indicate that, for many European *and* German political actors, a supranational response to the youth employment crisis responded to bottom-up contestation. The political, rather than functional, importance of the initiative was well described by Achim Dercks of the Association of German Chambers of Industry and Commerce: 'I don't think much will come of it (i.e. the Youth Guarantee), but it sends a signal that it's being taken care of, it's important and it's the right thing to do' (*Agence-France Presse*, 1/7/2013).

The second element to be taken into consideration is that at the time that awareness was spreading of citizens' dissatisfaction with the EU, some actors were advocating the introduction of the Youth Guarantee, which became the concrete proposal on the table. In this phase, PES requests became more detailed and specific, while the ETUC mobilized both in Brussels and in several European capitals on this issue. The victory of Hollande – a key leader of the PES – in the 2012 French presidential election constituted in this regard a turning point, as it contributed to making the position of 'pro-market-correcting' actors stronger. Sarkozy and Hollande had very different recipes for solving youth unemployment, both at the national and at the supranational level. Furthermore, the adoption of the Youth Employment Initiative served a double purpose for the newly elected French President in showing to his electorate that he was changing the direction of both youth labour market policies *and* of European policies, two of his most relevant electoral pledges during the presidential campaign. The organizing in November 2013 of a European Conference on Youth Employment in Paris to emphasize and publicly communicate that a European Youth Guarantee would be put in place within two years is revealing in this regard. This initiative, as well as the declarations of the French President in this period, show that there was a strategic effort behind this move to act in the European arena as a response to the French national electorate, revealing the interdependence between national and supranational political dynamics.

Third, at the same time, it should also be borne in mind that the 'vertical' territorial conflict that so often characterized EU social policymaking was hardly relevant in this episode. No countries or political actors openly contested the role of the EU in youth employment policies. The limited national 'institutional stickiness' of this policy field, combined with a policy architecture allowing for certain 'freedom' in policy implementation, clearly contributed to this outcome. Overall, once the conflict between debtors and creditors over this issue had been 'solved', the YG became less and less contentious, allowing the gradual institutionalization of an EU social policy.

5 Conclusions

If the YG encapsulates some of the traditional guiding principles of EU (soft) labour and social policies and, in particular, a focus on 'activation' and investment in human capital and on the youth employment situation, the social guarantee concept and the provision of new specific funds to finance the initiative constitute important institutional innovations concerning 'Social Europe', going beyond the social regulation approach and introducing a specific EU 'redistributive' social policy. Notwithstanding the relevance of such an institutional innovation, many experts have underlined the weaknesses of this response, emphasizing its under-financing with respect to the challenge posed by the number of young unemployed in the different countries (Escudero and López Mourelo 2017) and that it does not tackle efficiently the issue of the spread of low-quality, temporary and low-paid jobs among young people.

This chapter has emphasized the political nature of the European response, which was not a technocratic response to a functional problem. The unfolding of the YU crisis displays a peculiar multilevel pattern, with contestation pressures and actors 'moving' in different arenas, from the national to the supranational back to the national and then again escalating to the European arena. To respond to new problems and pressures stemming from the social crisis, actors moved strategically within the multilevel institutional framework constituted by the European Union polity. On this front, a focus on youth unemployment allows emphasis to be placed on the enduring relevance of the traditional left–right cleavage as well as its interaction and reciprocal influence on the 'creditor–debtor' conflict. The ETUC mobilization as well as the PSE's specific proposals were crucial for the adoption of the YG. At the same time, the coalition of 'creditor' countries was very active on this front and was able to prevent a supranational response in the first phase. In the second phase, the (relative) centre-left 'turn' with the election of François Hollande in France and, to a more limited extent, the nomination of Enrico Letta in Italy, facilitated the introduction of a supranational initiative, the YG. The supporting coalition could also count on 'debtor' countries, such as Spain and Ireland, independently of government colour. In this regard, however, the 'defection' of Germany from the creditor front and its support for the YEI – which we interpret as a 'polity oriented policy compensation' on the part of the hegemon – was clearly the crucial element, allowing the 'leftist' and 'debtor' coalition to obtain the launch of the YEI. This reconstruction thus confirms that in European social policymaking, these two lines of conflict partly intersected and overlapped with each other, creating complex policy dilemmas and mounting political turbulence (Ferrera 2017) while also opening up opportunities for experimentation with novel coalitional dynamics.

This chapter has also considered the emergence of a bottom-up contestation and transnational mobilization to be crucial for understanding why the Commission proposed and finally Germany agreed to introducing the YG. Beginning in 2012, the youth employment crisis increasingly became a polity crisis, with vociferous actors campaigning against the European Union and building their success (also) on the discontent of a generation over deteriorating labour market opportunities (Zagórski et al. 2021). This conflict was on redistributive rather than identity issues, with Brussels depicted as the 'uncaring' actor risking unravelling the European social fabric. The introduction of the Youth Guarantee can thus be best understood as the result of the intertwining of partisanship and polity preserving logic.

Notes

1 Moreover, in Sweden and Finland, unemployment among young people was significantly higher than that among the general population.
2 Most notably Romania and Bulgaria.
3 Declaration of the Czech Prime Minister Topolanek, Joint Parliamentary Meeting, 17 February 2009 (EP, 17 February 2009).
4 Cited on Euractiv.com, 5/28/2013. On the 'New Deal for Europe' Franco-German initiative, see *Le Monde*, 28/5/2013.

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5 A case of EU social policy failure

The European Framework Directive on Minimum Income

1 Introduction

Despite notable achievements in the area of employment growth, during the last two decades poverty trends in the EU have been disappointing (Chapter 1; Cantillon and Vandenbroucke 2014). Poverty rates have stagnated and, in some Member States, they even increased in the years following the global financial crisis. In the face of changing labour market dynamics – bound to mega-trends such as the green and digital transitions, but also to the diffusion of non-standard employment – national systems of social assistance strive to provide social protection to the most vulnerable households. National minimum income schemes are insufficient to eradicate poverty in the bulk of EU Member States (Almeida et al. 2022; Frazer and Marlier 2015; Natili 2020; Social Protection Committee and DG EMPL 2022), and their protective capacity in terms of coverage and generosity has deteriorated overall since the 1990s (Akarçeşme et al. 2023; Gábos and Tomka 2022; Nelson 2008; Marchal et al. 2016).

The EU has long recognized the importance of the fight against poverty and has taken action in this field since the early 1990s. Nevertheless, EU intervention in the domain of minimum income protection has always fallen under the soft-law approach. Non-binding recommendations and the open method of coordination on social inclusion, at best, helped foster the discourse over the need to introduce or reinforce minimum income guarantees in countries whose welfare states were lacking in this respect (Ferrera et al. 2002; Marx and Nelson 2013). However, EU calls for upgrading national minimum income schemes remained largely unheard and, in any event, upward convergence did not materialize (Copeland and Daly 2012; Gábos and Tomka 2022; Marchal et al. 2016). After the outbreak of the global financial crisis, and with the establishment of Europe 2020 targets, EU anti-poverty strategies gained new momentum (Jessoula and Madama 2018; Shahini et al. 2022). In particular, the European Anti-Poverty Network (EAPN) put forward a proposal for a legally binding European Framework Directive on minimum income, around which an advocacy coalition formed.[1] Moreover, in 2017, principle 14 of the European Pillar of Social Rights (EPSR) set out an institutional platform for EU-level action in the field of minimum income protection – a policy objective whose urgency further

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increased in the wake of the COVID crisis (Shahini et al. 2022). Despite this window of opportunity, however, no binding directive on the matter was ever adopted, nor considered, by the Commission, which instead put forward a proposal for a (non-binding) Council recommendation on adequate minimum income (European Commission 2022), which was formally adopted on 30 January 2023. The recommendation was seen as an inadequate solution by all stakeholders who had called for the directive. Tellingly, as early as March 2023, the European Parliament (EP) passed a Resolution urging the Commission to reconsider a directive on the matter.

This chapter addresses the question as to why, despite high problem pressure and the emergence of a relatively broad support coalition, the EU did not take a legally binding action in the field of minimum income protection. Contrary to what happened to the European Directive on Minimum Wage and, to some extent, in the case of SURE and the (reinforced) Youth Guarantee (Chapters 7, 9 and 4, respectively), in the case of minimum income protection the Commission decided not to innovate much. Instead, it stuck to the well-trodden path of soft-law coordination, without attempting a U-turn in anti-poverty policy. In the words of Shahini et al. (2022: 5, emphasis added), 'despite legal feasibility and increased salience of the poverty issue during the pandemic, neither *political* conditions nor timing seem to be favourable for [legally] binding EU's actions in this key policy field'. From this perspective, this chapter analyses the politics of a policy failure in EU social policymaking. By building on the book's analytical framework and on comparative insights from other empirical chapters, the following sections seek to single out the distinctive political factors that hindered EU social policy advancement in this policy domain. They do that by carefully reconstructing the policy process through secondary sources, quality newspapers, opinion papers, reports and press releases from relevant stakeholders, triangulated with evidence from five interviews with privileged observers.

Before delving into the analysis of the political dynamics, the next section delineates the socio-economic background and the policy contexts with regard to poverty and EU anti-poverty measures since the 1990s. The third section retraces the policymaking process up to the adoption of the 2023 Council recommendation on adequate minimum income and the ensuing EP Resolution calling for a framework directive. The fourth section highlights the key factors that impeded the adoption of a framework directive on minimum income. The last section wraps up and concludes.

2 Persistent poverty and weak policy responses in the EU

2.1 Poverty trends and the erosion of the protective capacity of social assistance

The socio-economic circumstances that prompted the EU to take action against poverty are outlined in the same Council recommendation of 30

January 2023: 'despite progress achieved in the reduction of poverty and social exclusion in the Union in the last decade, in 2021 over 95.4 million people [representing 21.7 per cent of the EU population] still remained at risk of poverty or social exclusion'; the situation regarding the 'increase in the poverty risk for people living in (quasi) jobless households and a worsening in poverty in many Member States, accompanied by a decline in the impact of social transfers on poverty reduction' raised particular concerns (European Council 2023: C 41/3).

Poverty has actually been a persistent problem in the EU. While it is true that, overall, the number of people at risk of poverty or social exclusion slightly declined between 2008 (the baseline year of the Europe 2020 poverty-reduction targets) and the outbreak of the COVID-19 pandemic, this decline was mostly driven by the catch-up process of eastern European new Member States (especially Poland, Romania, Latvia and Bulgaria), which more than offset increases in southern Member States but also in Nordic countries such as the Netherlands and Denmark (Akarçeşme et al. 2023; EMCO and SPC 2019). Moreover, in the mid-2010s, poverty reached peak levels in those Member States that had been most severely hit by the Great Recession (see Chapter 1). In those years, relative poverty rose very fast and surpassed 20 per cent (i.e. more than one fifth of the population living in households with an income below 60 per cent of the national equivalized median income) in the Baltic countries, Bulgaria, Greece, Spain, Italy and Romania. More generally, as highlighted in Chapter 1, the growth of employment rates over the last three decades has not been matched by the wished-for reduction in poverty rates. This puzzling trend was noticed by social policy experts, particularly during the years of the Lisbon Strategy (2000–2010), when, despite a notable increase in employment, EU Member States fell short of meeting poverty-reduction targets (Cantillon 2011; Cantillon and Vandenbroucke 2014; Social Protection Committee 2009).

A closer look at poverty dynamics reveals that the persistence of poverty was mostly driven by its striking rise among (quasi-)jobless households (Akarçeşme et al. 2023; Cantillon and Vandenbroucke 2014).[2] On the one hand, the majority of vulnerable individuals (with, on average, low qualifications) remained distant from the labour market or, in any case, could not find jobs that were stable and paid enough to escape social exclusion (see also Chapter 1); on the other hand, social protection did not suffice to lift them out of poverty. Figure 5.1 shows that the at-risk-of-poverty rate for not employed people rose in virtually all Member States over the last 15 years. The EU27 average has constantly remained over 30 per cent since 2013.

One of the reasons behind the rise in poverty among the non-employed population (and quasi-jobless households in general) can be attributed to the diminishing effectiveness of key anti-poverty policies, namely minimum income schemes, across the Member States. By minimum income schemes (MISs) we refer to non-contributory and means-tested social assistance programmes providing income support to the poor or, more precisely, to

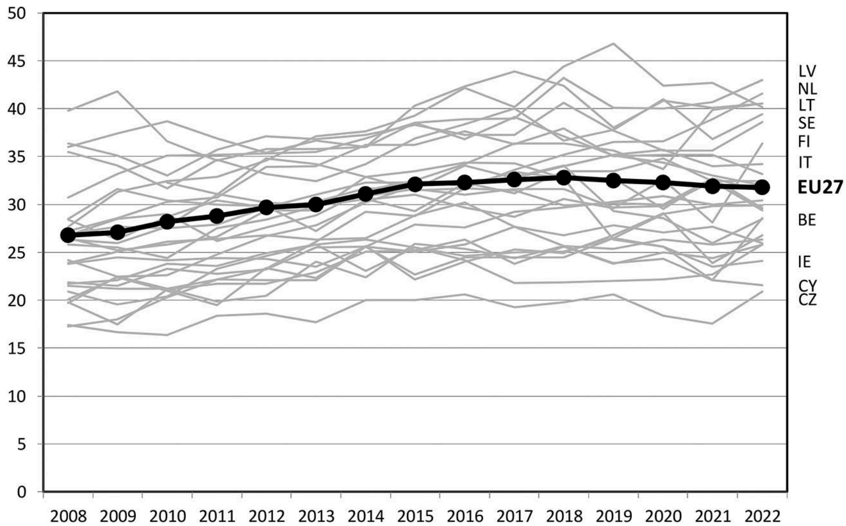

Figure 5.1 At-risk-of-poverty rate for not employed persons across the EU
Note: Number of not employed people aged 18–65 living in households with an income below the 60 per cent of median equivalized income after social transfers.
Source: Eurostat – EU-SILC and ECHP surveys [ilc_li04].

households (or individuals) whose income falls below a given threshold set by law. MISs are last-resort safety nets that are activated when all other benefits (for example, unemployment insurance) have expired or in the case of people who are not entitled to other welfare transfers. They consist of a monetary transfer conditional on the willingness to accept a job offer or participation in training programmes and/or job counselling aimed at reintegrating into the labour market those beneficiaries who are able to work. While MISs vary significantly across EU countries in terms of benefit generosity, coverage, and the strictness and quality of work activation measures (Natili 2020; Social Protection Committee and DG EMPL 2022), all EU Member States have some form of such a scheme in place. The last two countries to introduce an MIS in their welfare systems were Greece and Italy in 2017 and 2018, respectively.

In the vast majority of EU Member States MISs have consistently proven insufficient to lift people out of poverty. Benefit levels are in fact typically set below the poverty threshold, defined as 60 per cent of national median equivalized income (Almeida et al. 2022; Frazer and Marlier 2015; Social Protection Committee and DG EMPL 2022). Furthermore, as Figure 5.2 shows, the generosity of minimum income schemes (measured by the net income of benefits expressed as a percentage of each country's median disposable income) has declined over the past two decades (see also Akarçeşme

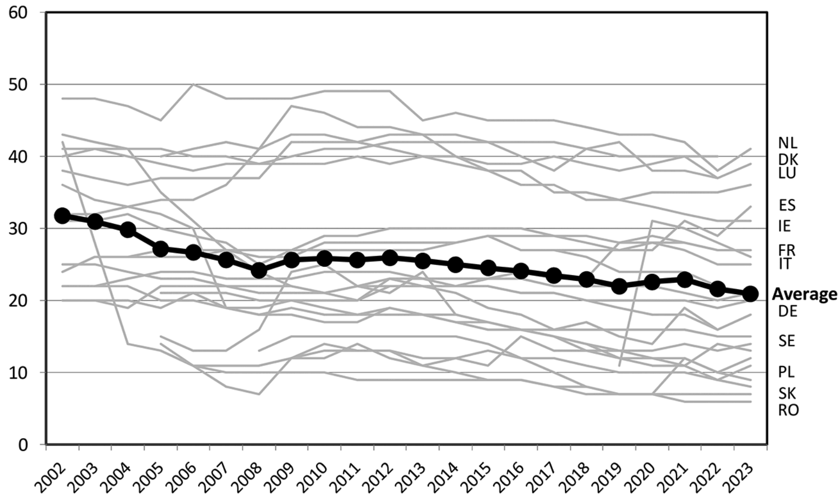

Figure 5.2 Net income of minimum income benefit recipients in 25 EU countries (and average value), expressed as percentage of countries' median disposable income

Note: Net income calculated for a jobless household without children.

Source: OECD Benefits, Taxes and Wages Statistics – Adequacy of Guaranteed Minimum Income Benefits.

et al. 2023; EMCO and SPC 2019; Gábos and Tomka 2022; Nelson 2008; Marchal et al. 2016). On average, across the 25 EU countries included in the OECD Statistics on the Adequacy of Minimum Income Benefits, the net income of benefit recipients decreased from 32 per cent of median disposable income in 2002 to 21 per cent in 2023.

In light of this context, combating poverty has long featured on the social agenda of the EU. The following subsection outlines the policy measures taken in this direction since the early 1990s.

2.2 EU anti-poverty strategies: small incremental steps since the 1990s

Social assistance policies have traditionally been left in the hands of the Member States, with limited competence transferred to the EU (Ferrera 2005). This notwithstanding, in recent decades the EU has made small incremental steps towards mainstreaming the fight against poverty and social exclusion. The most important steps were taken in the early 1990s. While the Maastricht Treaty marked a leap forward with regard to the economic dimension of the integration project, paving the way for the eventual introduction of the euro, in 1992 two Council recommendations underlined the importance of fostering upward convergence of social minima alongside economic growth. Council Recommendation 92/441/EEC on 'common criteria concerning sufficient resources and social assistance in the social protection systems' encouraged the adoption of minimum income schemes or 'functionally equivalent' measures in all Member States, to be achieved through 'the systematic exchange of information and experiences and the continuous evaluation of the national provisions adopted' (European Council 1992). A second Recommendation, 92/442/EEC, stressed further the centrality of the convergence towards common social objectives rather than a policy-harmonization strategy. According to Vandenbroucke and his colleagues (2012), this implied an intellectual shift in the focus of EU actions from the input- (a-priori policy orientation) to an output-oriented approach, based on the development and monitoring of common policy objectives and characterized by soft-law coordination combined with benchmarking and horizontal pressure among countries (see also Ferrera et al. 2002). This output-based approach was then consolidated in the years of the Lisbon Strategy, when the Open Method of Coordination (OMC) on Poverty and Social Inclusion was launched to foster convergence in light of the ambitious yet vague goal of 'eradicating poverty' (European Council 2000).

In 2000, the same year the Lisbon Strategy was launched, the need to implement measures to combat poverty and social exclusion was reiterated in the Charter of Fundamental Rights of the EU, which gained legal value with the entry into force of the Treaty of Lisbon in 2009. Moreover, in 2007, the Treaty on the Functioning of the European Union (TFEU) absorbed the Protocol on Social Policy that was originally attached to the Treaty of Maastricht in 1992. The Protocol, in turn based on the 1989 Community Charter of Fundamental Social Rights of Workers, laid the foundations for an augmented involvement of Community institutions in social policy. Building on the Protocol, the TFEU, which absorbs the provisions of the Protocol, dedicates the entire Title X to social policies. As Article 151 states,

> The Union and the Member States […] shall have as their objectives the promotion of employment, improved living and working conditions, […] proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion.

The 'fight against social exclusion' is explicitly mentioned in Article 153(j) of the TFEU, which has in fact provided the legal basis of the Council Recommendation on Adequate Minimum Income adopted in 2023.

Following the outbreak of the global financial crisis of 2007–2008, the imperative of fighting poverty came back with renewed urgency. The Commission Recommendation of 3 October 2008 on the active inclusion of individuals excluded from the labour market revived the fundamental ideas included in Recommendation 441 of 1992 (European Commission 2008). In 2010, the new overarching 'Europe 2020' strategy was launched, aimed at bringing the fight against poverty and social exclusion to the core of the EU agenda. Europe 2020 set the more realistic and defined target of lifting at least 20 million people out of poverty and social exclusion by 2020, and it sought to strengthen the link between economic and social governance in the European Semester (Jessoula and Madama 2018).

Europe 2020, together with the increased poverty in peripheral Member States described in the previous subsection, paved the way for a series of more specific EU initiatives in the field of anti-poverty policies. The most significant – and politically contentious – was the European Parliament Resolution of 20 October 2010, which emphasized that minimum income schemes should be part of a strategic approach to social cohesion and added for the first time objective criteria for the recognition of the adequacy of minimum income schemes, which should be set 'at a level equivalent to at least 60% of median income in the Member State concerned' (European Parliament 2010). It was with the 2010 Parliament Resolution that a fracture explicitly emerged in the EP for the first time between groups supporting a binding directive on minimum income and those instead opposing the idea. Before the final draft of the Resolution reached the plenary, in June 2010 the EP's Committee on Employment and Social Affairs (EMPL) rejected an amendment calling on the European Commission to propose a framework directive on minimum income. The amendment's rejection led the S&D group (Progressive Alliance of Socialists and Democrats) to abstain during the vote on the report, which was passed by 23 to 5, with 14 abstentions. The idea of a framework directive was opposed in particular by the centre-right, as testified by the stance taken by the shadow rapporteur for the EPP, Licia Ronzulli (Italy), who underlined the importance of the subsidiarity principle, and a preference for 'strategies that have as an objective the promotion of social inclusion and the boosting of active employment as an instrument to help those people in our societies who are the most at risk' (*Agence Europe* 2010).

The idea of a framework directive did not fade away in 2010. On the contrary, as we illustrate in the next section, a broad advocacy coalition emerged in its support, which succeeded in keeping anti-poverty issues relatively high on the Commission's social agenda for more than a decade without, however, eventually achieving its political goal.

3 The Framework Directive on adequate minimum income: chronicle of a policy failure

3.1 Putting the minimum income directive on the agenda

As mentioned above, the decade 2010–2020 was a turbulent one for the social dimension of the EU. After the Great Recession, when austerity seemed the only game left in town, poverty increased particularly in eastern and southern Member States. If the gradual erosion of the protective capacity of social assistance described in Section 2.1 had long been under the radar, at the peak of the economic crisis the rise of poverty and social exclusion hit the headlines in some crisis-ridden countries. The 'humanitarian crisis' rhetoric used in the 2015 Greek electoral campaign by the anti-austerity Syriza was perhaps the most visible sign of politicization of the poverty issue – a phenomenon that remained, however, confined to southern Europe (Bosco and Verney 2016; Matsaganis 2020).

In this context, alongside the divisive debate in the EP on the opportunity for a directive on adequate minimum income, the initiative was taken by EU civil society organizations. In 2010, the European Anti-Poverty Network (EAPN) drafted a detailed proposal for a directive on adequate minimum income, suggesting a legal basis thereof and common criteria concerning adequacy (further elaborated in subsequent documents), as well as highlighting the socio-economic rationale as identified by academic research, the importance of a non-regression clause (i.e., the prohibition for Member States to use the EU legislation as an argument to lower their own provisions when the latter's standards exceed the level imposed by a framework directive), and the link with active inclusion (EAPN 2010). Prior to issuing the proposal, the EAPN sent a letter to the Commission President Barroso, with a view to contributing to putting social issues at the centre of the Commission's Europe 2020 strategy, and started to campaign for an EU directive on adequate MIS (EAPN 2009). The proposal by the EAPN elicited a response from the Commissioner for Employment, Social Affairs and Inclusion, László Andor, who, however, cast doubts on the effective political feasibility of the project. In his words, '[the] proposal [was] of great interest to [him]', who agreed entirely with the key goal at stake, given that 'sixteen per cent of the European population living under the poverty threshold [was] unacceptable'. However, Andor recognized that, although 'the European Year against Poverty in 2010 could have been the right time', '[the Commission] was not receiving enough support from the other institutions' (Europolitics 2010).

While non-governmental organizations (NGOs) involved in social and anti-poverty matters (on top of the EAPN, also the Social Platform, Eurodiaconia and Caritas) took the lead in the debate on the need for a European binding framework for adequate minimum incomes (Interviews 54 and 55; Shahini et al. 2022), the call was soon supported by EU workers' representatives. In 2013, the EESC also issued an opinion on the opportunity to adopt a framework directive and establish an integrated European strategy to combat poverty and social exclusion (EESC 2013). At its 2015 Congress held in Paris, the European Trade Union Conference (ETUC) explicitly endorsed the idea of the framework directive (ETUC 2015) – a position that it then reconfirmed in 2020 (ETUC 2020). Despite the heterogeneity of its affiliates, the call for an EU framework directive on minimum income did not turn out to be particularly contentious within the ETUC (Interview 55). Certainly, however, in the agenda of European unions the debate over minimum income was overshadowed by other issues, such as the Minimum Wage Directive, which resulted in being more divisive among affiliates from diverse Member States and institutional systems (see Chapter 7; Interview 55).

After the establishment of the Juncker Commission, the focus on anti-poverty and, more generally, social issues experienced further momentum (Vesan et al. 2021). The President of the European Commission, in his first speech to the European Parliament in 2014, spoke of a Europe with a 'triple A' rating on social issues, declaring his intention to place them at the centre of the agenda. The most significant initiative in this regard was the adoption of the European Pillar of Social Rights (EPSR) in 2017. The EPSR includes an explicit, albeit generic, reference to minimum income policies. The 14th of the 20 key principles states that 'everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market'. Virtually all interviewees concurred that the EPSR served as a crucial compass in directing the lobbying efforts of NGOs and in keeping EU minimum income high on the Commission's agenda (Interviews 5, 9, 36 and 55). During the consultations on the EPSR launched by the Commission in 2016, the EAPN reinvigorated its call for a framework directive (EAPN 2016).

In 2017, the issue was again taken up by the Committee on Employment and Social Affairs of the EP. The Italian rapporteur Laura Agea (Italy's Five Star Movement,[3] Europe of Freedom and Direct Democracy group (EFDD)) put forward a motion for an EP Resolution on 'minimum income policies as a tool for fighting poverty', which basically reiterated the position of the 2010 Resolution and, by making explicit reference to the EAPN proposal, called on the Commission and the Member States 'to evaluate the manner and the means of providing an adequate minimum income in all Member States' (European Parliament 2017). The Committee approved the motion with 36 votes in favour, 7 against and 4 abstentions. The Committee members from the left and centre-left groups, together with the Greens, the EFDD and one Greek member of Identity and Democracy, voted unanimously in favour of the motion. ALDE and the EPP were divided (the abstentions came from Polish and Hungarian representatives of the EPP in the Committee), and the delegates of European Conservatives and Reformists and Europe of Nations and Freedom voted against. The Resolution was finally adopted by the EP on 24 October 2017.

Upon assuming office in December 2019, the Von der Leyen Commission presented an Action Plan to put meat on the bones of the EPSR. The Action Plan included initiatives such as the Child Guarantee, a legal framework for minimum wages, an unemployment benefit reinsurance scheme and an initiative on minimum income (Von der Leyen 2019). These ambitions materialized in 2021 with the publication of the Action Plan outlining the implementation of EPSR principles and delineating three primary targets to be achieved by 2030, including the new anti-poverty target of 'reducing the number of individuals at risk of poverty or social exclusion by at least 15 million by 2030, including a minimum of 5 million children' (European Commission 2021).

In view of the hearings in the new Commission regarding the framework of the EPSR Action Plan, supranational stakeholders, notably the Social Platform, the EAPN, Caritas Europa, Eurodiaconia and the ETUC, joined their efforts with the aim of elevating the importance of the minimum income dossier on the agenda (Shahini et al. 2022). Specifically, in a joint statement they called for a framework directive ensuring adherence to three key policy design criteria: accessibility, adequacy and enabling capacity (Caritas Europa et al. 2020). While the EESC also adopted an opinion calling for a European framework directive on minimum income, overall, the social partners' front was far less united than that of social NGOs. The Workers' Group was largely in favour of the opinion, but the EESC's Employers' Group was starkly opposed to the idea of a directive. On 24 February 2019, the Chairman of the Employers' Group, Jacek Krawczyk, issued the following statement: 'The Employers' Group fully shares the EESC's view that the fight against poverty is a necessity. However, for us, the instrument proposed in the notice is not the right one.' A counter-opinion promoted by Krawczyk on behalf of the employers received the support of nearly 40 per cent of EESC members, proving, in his words, that 'the Committee [was] divided on how to achieve the […] objective of poverty reduction' (*Agence Europe* 2019).

3.2 A missed window of opportunity: towards the 2023 Recommendation

The outbreak of the COVID-19 pandemic in 2020, with its disastrous social consequences, drew attention to the importance of protecting the most vulnerable European citizens from poverty and social exclusion, and increased the functional pressures for a fast adoption of the EPSR Action Plan (Shahini et al. 2022). In this sense, the pandemic provided a window of opportunity for pushing forward the minimum income directive proposal (Interviews 5 and 9). The urgency of the matter was noticed by the Council under the German presidency, which adopted in October 2020 the Conclusions on 'Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond', inviting the Member States and the EC to increase the attention paid to minimum income protection with regard to the European Semester, cross-national exchange of best practices, and of EU funds to promote social inclusion and labour market participation. The Conclusions were then endorsed by the EP (Shahini et al. 2022).

Meanwhile, social NGOs continued to advocate a binding framework. To this end, the EAPN sent a letter to the new EU Commissioner for Jobs and Social Rights, Nicolas Schmit. Moreover, in June it published a position paper as an input for the EC Consultations on the Action Plan, calling on a hard-law solution both in the field of minimum income and minimum wage regulation (EAPN 2020), and issued an 'Expert study on a binding EU framework on adequate national minimum income schemes' to back up its policy and advocacy work towards a binding EU-level legal instrument (Van Lancker et al. 2020). The Social Platform's position was also clearly outlined in the position paper supporting 'An EU framework directive on adequate minimum income' (Social Platform 2020).

This time, the governments of three Member States – Spain, Portugal and Italy – joined the call of social NGOs for a binding framework on minimum income. The proposal was defended by Portugal's Minister of Labour, Solidarity and Social Security, Ana Mendes Godinho, the Vice President of the Government of Spain, Minister of Social Rights and Agenda 2030, Pablo Iglesias, and the Minister of Labour and Social Policies of Italy, Nunzia Catalfo, in a joint letter published on 8 May 2020 in the newspaper *Público*. The three ministers stressed that they supported 'the approach that had been taken to this crisis [i.e. the pandemic], which is based on the fact that nobody is left behind and that it pays particular attention to the most vulnerable groups' (LUSA 2020).[4] Although less vocal than southern countries, both the German government and German unions were also in favour of a binding directive (Benz 2019; Shahini et al. 2022; Interview 9)

In October 2020, the von der Leyen Commission launched its proposal for a Directive on Minimum Wages (see Chapter 7). Following this, a group of experts close to the EAPN stressed the importance of combining 'minimum wages with other social-protection measures, to ensure adequate income protection for all and tackle poverty and social exclusion effectively' (Aranguiz et al. 2020), and the social NGOs published the joint statement mentioned in the previous subsection (Caritas Europa et al. 2020), which received broad support from nearly 30 social NGOs, a number of representatives of academia and 45 MEPs (24 from the Greens, 12 from S&D, 7 from GUE, and 2 EPP members). This notwithstanding, among some key stakeholders the awareness began to grow that it would be challenging for the Commission to simultaneously push forward a binding directive on minimum income alongside that on minimum wages, for which it had already embarked on a difficult political path (Interviews 9 and 36).

Indeed, despite the problem pressure exacerbated by the pandemic and the numerous calls for a Framework Directive, on 4 March 2021 the Commission issued the Action Plan for the EPSR, which included the commitment to 'propose a Council Recommendation on minimum income in 2022 to effectively support and complement the policies of Member States' (European Commission 2021). The idea of a binding framework was dropped; in fact, despite the strong advocacy from socially-oriented NGOs, it was never really considered by the Commission, which wanted to be sure to propose something that was politically feasible in the eyes of the Member States and of centrist and right-wing MEPs who were sceptical of the idea (Interview 36;

Shahini et al. 2022). The reaction of the EAPN came only one day later, 'strongly regretting' that 'the Action Plan [did] not include a Framework Directive on Minimum Income, as a binding EU legislative proposal' (EAPN 2021: 3). In June 2021, at the Porto Social Summit, the question was raised again when Kira Marie Peter-Hansen (Greens, Denmark) denounced the fact that the Commission and Member States were not really equipping themselves with the necessary instruments to fight poverty and called for the presentation of a directive on minimum income (*Agence Europe* 2021).

On 29 September 2022, the Commission presented a proposal for a recommendation for adequate minimum income schemes (European Commission 2022). This immediately triggered a bitter reaction from NGOs and some MEPs. The Belgian MEP Sara Matthieu (Greens/EFA) said that 'so far, non-binding instruments have failed to keep people in the EU out of poverty' and stressed the need for an 'EU Directive as soon as possible'. Peter Verhaeghe, policy officer at Caritas Europa, lamented the ineffectiveness of a recommendation, as, in his view, EU countries agree with it 'as long as there is no obligation for them to implement it' (*Euractiv* 2022a). Overall, stakeholders' reactions to the Council proposal reflected the 'usual' positions generally found at the crossroads of ideological and territorial conflicts in the EU (see Chapter 2).[5] With regard to social partners, Swedish, Finnish and Danish unions insisted on the subsidiarity principle, agreeing with the proposal of a recommendation that would not result in being too intrusive vis-à-vis their national welfare systems. Along similar lines, BusinessEurope (and many national employers' associations) argued that MISs are best designed at the national level due to the specificities of national context. Non-Nordic unions, instead, were generally in favour.

3.3 The final (dis-)agreement

The Council Recommendation on adequate minimum income ensuring active inclusion was formally adopted on 30 January 2023. It set out guidelines for Member States to reform their minimum income schemes with a view to making them more effective, in terms of both poverty alleviation and labour market integration of those who can work. Member States are recommended to: improve the adequacy of income support so as to achieve the adequate level of income support by 31 December 2030 at the latest; improve the coverage and take-up of minimum income; improve access to labour markets; improve access to enabling and essential services; promote individualized support; and increase the effectiveness of governance of social safety nets at EU, national, regional and local level, as well as monitoring and reporting mechanisms.

Although the Recommendation highlights once again the importance of minimum income protection and points out essential steps to take to improve their inclusiveness, it does not break with the soft-law approaches, which have proved ineffective in raising the living conditions of people living in poverty and in boosting upward convergence ever since the recommendations of 1992 (Almeida et al. 2022; Nelson 2008). It was precisely the discontent with the inefficacy of soft-law coordination that brought experts and social NGOs to call for a more resolute EU minimum income framework from the early 2010s (EAPN 2010; Vandenbroucke et al. 2012). Specifically, on top of the non-binding nature of the measure, the following shortcomings have been pointed out by social NGOs: the absence of a strong rights-based approach and of automatic indexation of minimum income benefits (which is particularly problematic in times of high inflation), and the vagueness with regard to the coordination and integration of minimum income support and adequate social services provision (see, for example, Eurodiaconia 2023).

Indeed, the 2023 Recommendation was immediately perceived as a policy failure by advocates of a binding directive. Already before the official adoption of the Recommendation, the EP's EMPL Committee had called for a stronger commitment to minimum income protection, and approved a motion for a resolution that considered that an 'EU directive on adequate minimum income would help to further improve the accessibility, adequacy and favourable aspects of minimum income schemes in order to promote upward social convergence' (*Agence Europe* 2023). On 15 March 2023, less than two months after the Council issued the Recommendation, the Resolution was finally adopted by the EP. The latter called on Member States to ensure that national minimum income schemes are set above poverty thresholds and urged the Commission to (re)consider a directive in that respect (European Parliament 2023). Needless to say, this new call for a directive was widely supported by civil society organizations. However, it remained controversial within the EP: while broad support came from the Greens, the Left and the S&D, several centrist and right-wing deputies opposed the initiative, which was nevertheless passed by 336 votes to 174, with 121 abstentions.

The reaction of Commissioner Schmit to the Parliament's call confirmed, once again, the difficult political viability of a hard-law solution. Schmit declared: 'My first idea, when we dealt with it, was indeed to consider a directive. Unfortunately, the Treaty does not give us much room and is not written to intervene in the social policies of the Member States.' And he added that the most 'essential' issue remains 'the political will of the Member States and at EU level to say that poverty is a scandal and that we want to tackle this problem'.

4 Conclusion: explaining the policy failure in EU minimum income policy

The Council Recommendation on adequate minimum income ensuring active inclusion was broadly seen as a policy (or, rather, political) failure in the field of EU anti-poverty strategies. Contrary to what happened in virtually all other policy episodes investigated in this book, EU social policy in this domain was not really expanded. Problem pressure (persistent poverty in the

EU, with peaks in crisis-ridden countries in the 2010s and increased urgency during the pandemic), the emergence of a support coalition (formed by social NGOs, policy experts, as well as the left, the S&D and the Greens in the EP) and the presence of a concrete proposal for a directive (EAPN 2010; Van Lancker et al. 2020) did not suffice to pave the way for the adoption of a binding EU framework on minimum income protection. A story seen before, first in the early 1990s and then in 2010, came back again. The declarations of Commissioner Andor in 2010 and of Nicolas Schmit in 2023 are indeed very similar: if 'the Commission was not receiving enough support from the other institutions' for pushing forward the EAPN proposal for a Framework Directive on minimum income in 2010, the same was true when the 2023 Council Recommendation was launched despite Schmit's sympathy for a directive on the matter, which however was not tabled by the Commission due to a lack of 'political will of the Member States and at EU level to say that poverty is a scandal and that we want to tackle this problem' (see Section 3). Overall, no adequate response to the 'social crisis' came from the EU in relation to the fight against poverty and for a minimum income policy. Why was this the case?

A first explanation may lead back to the spatial-temporal configuration of the poverty issue. The persistence of poverty in the EU, and its gradual increase, has been a slow-burning process, which has hardly gained high salience in the media or drawn the attention of policymakers. When poverty increased, moreover, it did so in an asymmetric fashion: problem pressure grew consistently only in crisis-ridden countries. As we postulated in Chapter 2, these two factors made it hard for poverty and EU minimum income policy to reach the agenda of the EU. However, the constant and strong advocacy by civil society organizations (social NGOs) helped circumvent this obstacle. Moreover, the 'asymmetry' of the poverty problem across the EU was to some extent attenuated during the COVID pandemic, when, albeit temporarily, the risk of social exclusion worsened and become more visible in many, if not all countries. Overall, the failure of the Framework Directive on Minimum Income was not determined by structural conditions such as the spatial-temporal configuration of the question at stake. The same can be said for institutional hurdles with regard to the heterogeneity of minimum income protection policies across the Member States. Even though the same, if not even more, heterogeneity can be observed as regards minimum wage regulation, as we will see in Chapter 7, this did not prevent the Commission from pushing forward a binding directive on adequate minimum wages.

A key factor, therefore, could lie in the lack of interest in EU minimum income policy on the part of key Member States such as Germany and France, which were in fact crucial in the EU minimum wage debate (Chapter 7). However, this aspect does not seem to fully explain the policy failure illustrated in this chapter. The German government and trade unions actually supported the idea of a binding directive on minimum income (Benz 2019; Shahini et al. 2022) and did not put the brakes on the initiative of the

Commission in this regard. Certainly, however, the position of the French government was much more lukewarm. When the Council presented its proposal for a Recommendation, the French Minister of Solidarity, Jean-Christophe Combe, said that the idea of a European minimum income was not a good one given the different living standards across the bloc (*Euractiv* 2022b).

Another, perhaps more relevant factor that halted the advancement of the EU social dimension in anti-poverty policy was the presence of an unresolved ideological divide in the EP. Throughout the period analysed in this chapter, political support for the Framework Directive on Minimum Income came from the Greens, the S&D and the Left. By contrast, the EPP was deeply divided, with MEPs from many countries opposing the idea both in defence of the subsidiarity principle and national social policy prerogatives, and due to a general preference for work activation rather than income support measures (Shahini et al. 2022; see also the quote by the EPP's Lidia Ronzulli in Section 2.2). Similarly, right-wing and centre-right groups, such as the ECR, the ID and Renew Europe, opposed the idea of a binding directive (Shahini et al. 2022). The failure to broaden the support coalition beyond the left of the political spectrum, together with the political priority taken by the Minimum Wage Directive (Chapter 7), made it impossible for the partisan-ideological dimension of the conflict behind Social Europe to subsume the territorial dimension (see Chapter 2), in which divides remained stark. For different reasons, Nordic countries (especially Denmark, Sweden and Finland), as well as some central and eastern European Member States (first and foremost Hungary and Poland), oppose a binding framework on minimum income. The former, despite the non-regression clause, fear that too much EU interference would lower high national standards (Interviews 5 and 9; see also Chapter 7). The latter countries, which have generally less generous MISs, are concerned that implementing a compulsory EU framework would increase the fiscal burden required to expand their national schemes (Shahini et al. 2022).

Above all, the lack of a broad political and territorial consensus over EU anti-poverty policy prevented the Commission from taking a more effective, binding action in that field. On the other hand, EU employment and social policy strategies have traditionally leaned towards work-centred measures rather than out-of-work income compensation (see also Chapter 9), among which, despite the activation measures attached to national MISs and mentioned in the 2023 Recommendation, minimum income protection is the example par excellence. This long-standing preference for employment-centred actions may have also partly driven the choice of the Commission to stick to the well-trodden path of a soft-law approach in minimum income protection. As the other empirical chapters show, EU social policy expansion in recent decades in fact were in regard to policy actions that are more directly connected to employment, that is, work activation and retraining (the EU Global Adjustment Fund and the Youth Guarantee), job retention

(SURE) or wage-setting dynamics (Posted Workers and the EU Minimum Wage Directive). This does not mean that no shift towards a binding framework in minimum income protection will ever happen in the EU. Despite Commissioner Schmit's words of resignation that the adoption of a directive on minimum income 'will not happen' under this Commission (Agence Europe 2023), social NGOs do not see the 2023 Recommendation as an 'end point' but rather as a starting point to keep pushing for a binding framework for upgrading minimum income (Interview 54).

Notes

1 A directive is legally binding in that it sets out a goal that EU Member States must achieve, although it is up to them to devise their own laws on how to reach these goals. A recommendation suggests a line of action without imposing any legal obligation on those to whom it is addressed.
2 With quasi-jobless households we refer to a benchmark commonly used by Eurostat – households 'with very low work intensity' – with reference to households where the adults work less than 20 per cent of their potential.
3 Laura Agea explicitly linked the motion to a flagship campaign that his party, the Five Star Movement, was pursuing for the introduction of an MIS in Italy (Agea 2018).
4 In May 2020, the same month as the letter in support of the EU Framework Directive on adequate minimum income, the Spanish government introduced a national minimum guarantee scheme, the *Ingreso Mínimo Vital*, to complement pre-existing highly heterogeneous regional schemes.
5 Actors' reactions to the Council Recommendation proposal on EU Minimum Income are available here: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13294-Recommendation-on-minimum-income/feedback_en?p_id=28962629 (accessed 5 January 2024).

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6 Social policy expansion in the field of intra-EU labour mobility

The revision of the Directive on the Posting of Workers

1 Introduction

In March 2016, the Juncker Commission proposed the revision of the set of rules guiding the intra-EU posting of workers. The Amending Directive triggered an intense and protracted conflict, even though posting affects a small proportion of workers overall (0.7% of the EU labour force at the time). Posted workers are individuals who are sent by their employer to carry out a service in another Member State for a limited period. Unlike conventional labour mobility, posting is meant to be short term and does not entail integration in the receiving state's labour market, as posted workers continue to work for their employer based in the country of origin. While posting was also controversial beforehand, it became especially contested after the EU's eastern enlargement in the 2000s. This sharply increased inequality among the Member States of the EU, inducing a surge in east-to-west labour migration, including postings. Contradictions stemming from free competition among firms that were required to respect very different labour standards led to complaints in states on the receiving end of postings that cheap eastern European labour undercut local wages and amounted to 'social dumping'.

The Commission's attempts to reconcile market freedoms, on the one hand, and fundamental social rights, on the other, had been ineffective until the passage of the amending proposal in 2018, which tilted the scale decisively towards the latter. An earlier attempt by the Barroso Commission, the Enforcement Directive, was already more limited in scope as it aimed to combat fraudulent practices and was watered down before it was adopted (Corti 2022). The revision of the rules of intra-EU posting announced by the Juncker Commission in March 2016 came up against strong and coordinated opposition from Member States who were net senders of posted workers. This coalition, backed also by large employers' associations, had the Visegrád 4 (V4) countries (Czechia, Hungary, Poland, Slovakia) at its centre. In the view of these critics, what the Commission had at heart was not fairness but protectionism, favouring rich core countries at the expense of weaker post-Communist economies that needed all means at their disposal to 'catch

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up' with the West. The opposing coalition eventually broke down, and a final version of the Commission's proposal was adopted in 2018, with some modifications but nevertheless retaining the original outlook.

While it was not without limitations, the Amending Directive corrected 'a glaring policy failure at the heart of the EU project' (Vallas 2019) and was interpreted as nothing less than a 'sea change to the previous approach' (Picard and Pochet 2018: 1). This makes the reversal achieved by the 2018 Amendment a crucial case study for the politics of Social Europe. This chapter asks what the drivers of this change were and what they tell us more broadly about the expansion of the EU social dimension in a highly contested field. To date, posting has been addressed mainly by industrial relations scholars (e.g. Hassel et al. 2016; Meardi 2007; Wagner 2015) or from a legal point of view (e.g. Fromage and Kreilinger 2017; Martinsen 2015). Studies examining the EU politics of posting also exist but focus on earlier rounds of legislative activity (e.g., Crespy and Gajewska 2010; Lindstrom 2010; Miklin 2009), with the exception of Corti (2022), who examines posting from a longitudinal perspective, i.e. including in his discussion the politics of the Enforcement Directive and the Monti II regulation (dealing with the right to take collective action; see below). By contrast, this chapter offers a detailed reconstruction of the policymaking process that led to the adoption of the Amending Directive by systematically tracing developments in various decision-making arenas, including transnational organizing and bargaining between a selected set of Member State executives. To do so, the chapter draws on various sources, comprising interviews with actors involved in the policymaking process and newspaper coverage, as well as EU documents and voting records of the European Parliament (EP) and the Council of the EU.

2 Posting and the failures of intra-EU mobility

2.1 Background

In the context of freedom of movement of people, Member States cannot discriminate between EU citizens, who take up work under the same conditions as natives (Schmidt et al. 2018). However, postings occur in the context of service mobility, meaning that posted workers formally remain mainly under the sending country's regime, with some aspects of their employment relationship also falling under the receiving state regime (Arnholtz and Lillie 2019; Cremers 2016). Companies established in countries with lower wages and social security contributions gain a competitive advantage in the single market, seeking to fill labour market demand and shortages in economically more developed core Member States, whose workers enjoy higher labour standards and social protection (Mussche et al. 2018). This form of 'competition posting' (Lens et al. 2022) is characteristic of low-value chain sectors (construction, agriculture, road transport) attracting the bulk of political contention.

The worry is that posting has erosive effects on the labour market of receiving states, by potentially pushing local wages and labour standards downwards. At the same time, posting is seen as beneficial in sending states, whose companies are more competitive in the EU market, and whose workers still earn better wages than they would back home. Despite this potential, as a form of (hyper-)mobile and (hyper-)flexible labour, posting provides a fertile ground for exploitative and fraudulent practices (Arnholtz and Lillie 2019). Other challenges related to posting include the organizational obstacles facing unions in developing transnational cooperation to call for posted workers' rights, as well as the difficulty of labour inspectorates handling complex cases and enforcing rules across borders (e.g. Seeliger and Wagner 2020).

The appropriate balance between protecting social rights and enabling market freedoms in the field of posting has been controversial since the early days of EU integration, but it became paramount in the aftermath of the EU's eastern enlargement (Comte 2019), primarily because of the large wage differentials between the new and old Member States. This also means that posting affects EU Member States in an asymmetric way and that it is concentrated both geographically and in terms of economic sector: postings in the EU overwhelmingly occur from east to west, especially those that tend to concentrate in low-value chain sectors. This is crucial because while net receiving countries like the Netherlands, France, Austria and Belgium also

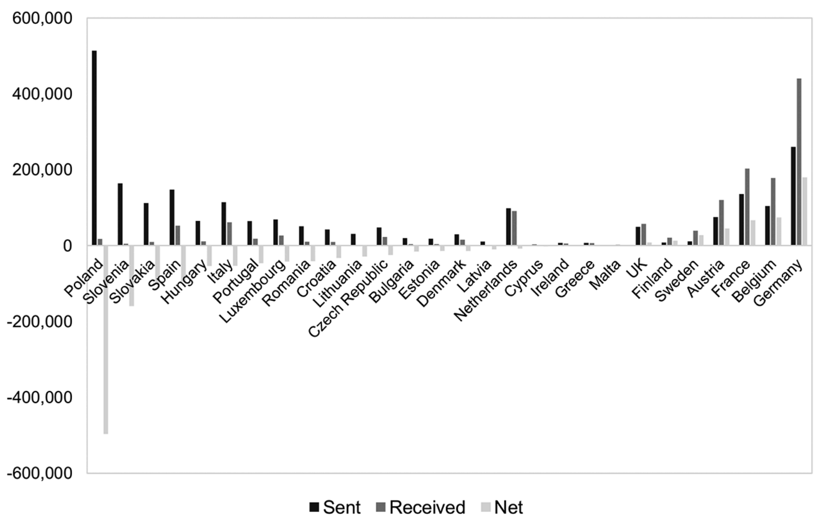

Figure 6.1 Estimated number of posted workers in EU member states, sent, received and net, 2016

Source: Own elaboration based on European Parliament: http://www.europarl.europa.eu/infographic/posted-workers/index_en.html#overview.

post a considerable number of workers themselves (as shown in Figure 6.1), these postings typically occur in high-value chain sectors and tend to be of a shorter duration (European Commission 2016b).

The effects of posting in terms of how the associated social risks (for posted workers) play out, as well as any labour market impacts on receiving states, have a slow-moving temporal pattern, which is expected to make failures and disfunctions less salient and therefore less likely to be decisively addressed. Indeed, the policy framework on posting set in the 1990s remained unchanged for two decades. In the radically changed post-eastern enlargement period, this resulted in a policy drift. When the Juncker Commission drew its plans for the 'targeted' amendment of the posted workers directive, the volume of posting had been increasing, feeding into the perception that it was time to review the rules. Indeed, as can be seen in Figure 6.2, posting continued to grow as the Amending Directive was debated as well as after its adoption. The upward trend reversed in 2020 and postings further decreased in 2021, not least due to restrictions on mobility in the context of the COVID-19 outbreak. Apart from the gradual accumulation of contradictions, several focusing events propelled posting onto the political agenda in some Member States over the years, such as certain rulings of the Court of Justice of the EU (CJEU) and the debate related to the Constitutional treaty in the early 2000s. The next section discusses these events in more detail.

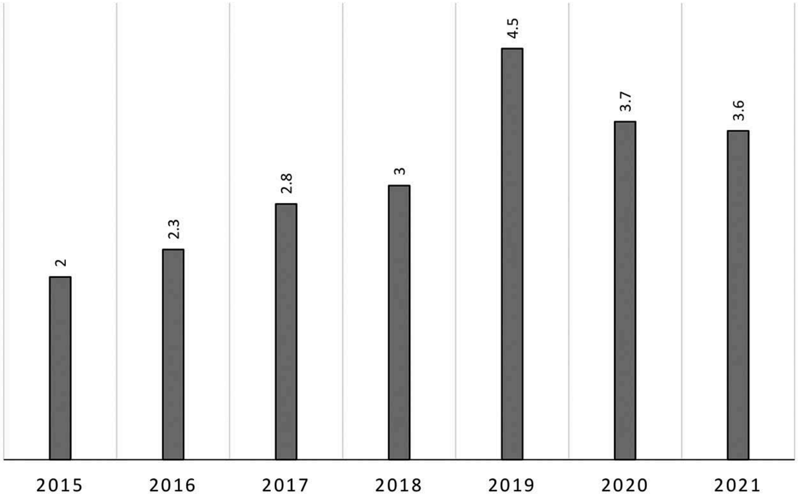

Figure 6.2 Number of intra-EU postings in millions, 2015–2021
Source: Own elaboration based on the Commission's annual reports on Labour Mobility.

2.2 Pre-existing policy framework

The 1996 Posting of Workers Directive (PWD) has addressed intra-EU posting of workers, stating that companies posting workers needed to comply with the laws of the host states (*Lex Loci Laboris*). The Directive specified some core rights, including a minimum rate of pay, minimum work and rest periods, minimum annual leave, health, safety and hygiene at work, equal treatment of men and women, and the conditions of temporary agency hires (Andor 2020). Social security contributions would continue to be paid in the sending countries, conferring a competitive advantage to firms operating in low-wage/low-welfare Member States. Since the PWD did not recognize locally agreed domestic agreements, this clashed with industrial relations systems based on autonomous collective bargaining (typical in the Nordic countries). Other major issues that created legal uncertainty included the lack of clarity regarding the duration of posting (it was meant to be temporary but with no clear upper limit), whether minimum rates of pay also included various allowances, paid leave, travel expenses, etc., and the degree to which companies posting workers were genuine or whether they were established in a country with lower wages and social standards only to post workers abroad (so-called 'letterbox companies') (Corti 2022).

In the context of the EU's eastern enlargement, posting became especially controversial around several focusing events. A major backlash broke out in 2004 in relation to a proposal by then Internal Market Commissioner Fritz Bolkestein. Aiming to facilitate the free movement of service providers, the now infamous Bolkestein Directive sought to allow them to operate under the regulation of their home country (*Lex Loci Domicilii*), albeit only on a temporary basis. The proposal was met with furious opposition in several countries. In France, the politicization of the rules of posting contributed to the rejection of the Constitutional Treaty in the 2005 referendum (Böröcz and Sarkar 2017). Next, in a series of decisions taken by the CJEU between 2007 and 2008 (Laval, Viking, Rüffert and Commission v. Luxembourg), the court consistently defended market freedoms against national social policy (Martinsen 2015). The issue took a back seat during the euro crisis, with the second Barroso Commission picking it up in March 2012 due to political pressure coming from trade unions and left-wing party groups (Interview 20). A plan regarding the right to collective action in the context of free movement provisions (the so-called 'Monti II regulation') drew criticism and was eventually withdrawn (Corti 2022). The Barroso Commission successfully passed a new instrument, the 2014 Enforcement Directive, which sought to close loopholes and combat fraudulent practices in posting but which did not challenge the main parameters of the extant rules (Corti 2022). There was a widespread sense that the issue had remained unresolved (Interview 30) when the incoming Juncker Commission decided to take ambitious steps to address it conclusively.

2.3 The Amending Directive

The issue of posting found a strong advocate in the new Commission President, whose political guidelines stated that '[i]n our Union, the same work at the same place should be remunerated in the same manner' (Juncker 2014). Variations of this one-liner were often repeated during the policymaking process and were also echoed in the interviews conducted for this chapter, showing its resonance and effectiveness. The Amending Directive proposed in March 2016 introduced several key changes. It replaced the reference to workers' 'pay' with that of 'remuneration', which was to explicitly include 'all the elements […] rendered mandatory by national law' such as bonuses and allowances. It extended the rules set by domestic collective agreements to posted workers. In terms of the duration of posting, it was proposed that after 24 months (if favourable to the posted worker), the labour conditions of the receiving state would apply to posted workers. Furthermore, agencies posting workers came under the control of the legislation of the host state, while Member States were also allowed to introduce legislation requiring subcontractors to offer their workers the same pay as the main contractor (European Commission 2016a).

The Commission's argumentation focused on the need to achieve fairness and social justice for workers, as well as making the more right-leaning case for the need to 'level the playing field', i.e. ensuring fair competition between service providers across the EU. Evidently, the Commission's framing sought to gather the broadest support possible, not only from the most likely proponents but also from conservatives and liberals as well as sending states. In her address to the EP presenting the proposal, then Commissioner for Employment, Social Affairs, Skills and Labour Mobility, Marianne Thyssen, stated:

> I want to be very clear about my political view. We need more posting in Europe, not less. There are now about 1.9 million postings per year, a steep increase but still less than 1% of our workforce. There is potential for more and the Commission will continue to push for removing barriers to cross-border service provision, as stated in our internal market strategy. But, whilst pushing for more cross-border service provision and for more posting, we should also make sure that the system is organized in a fair way – fair for workers and fair for businesses.
>
> (Posting of workers (debate), Tuesday 8 March 2016, Strasbourg)

3 The policymaking process

3.1 Agenda setting

The revision of the rules of posting was announced in 2015 as part of the Commission's Labour Mobility Package. The socially oriented revision of the rules of posting fitted well with the programme of the incoming Juncker Commission, which famously sought to achieve a 'triple A' for the EU on social issues (as opposed to only in the financial or economic sense). Furthermore, as already mentioned, the volume of posting was projected to increase just as intra-EU mobility was becoming ever more salient and contested in some western European Member States. A different aspect of the political context at the time provided further impetus for change: namely, a strong social-democratic presence in the Council, which under the leadership of the Luxembourgish and Dutch presidencies created a 'massive united front to push the debate beyond the red line; that is, revising the directive in a way to change also the remuneration principle' (Interview 23).

Even in the preparatory phase of the legislation, during the mandatory consultation with stakeholders, Commissioner Marianne Thyssen received letters from two groups of countries: one signed by the labour ministers of Austria, Belgium, France, Germany, Luxembourg, the Netherlands and Sweden, inviting stricter rules, and one signed by the labour ministers of Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia, arguing that the existing framework was adequate (Fromage and Kreilinger 2017: 147). Thus, the camps of support and opposition had been set, even before the Amending Directive was officially published. The proposal was subject to the ordinary legislative procedure, i.e. joint adoption by the EP and the Council of the EU (where for a proposal to pass, a qualified majority must be reached).

3.2 Actors' starting positions

The clearest lines of conflict in the field of posting run between employers and workers and between eastern and western Member States. Looking at the signatories of the two letters addressing Thyssen, they were obviously divided along territorial lines, with those on the receiving end of posting supporting the amendment and those on the sending end opposing it. Having said this, especially at the outset, the conflict configuration related to posting was more complex than a neat territorial division. Further zooming into actors' positions at the outset of the policymaking process, we note that the distinction between the various Member States was actually threefold, setting apart those favouring a stricter version of the posting rules (enthusiastic supporters), those opposing them and bystander countries. The latter were mainly composed of southern European Member States, which nonetheless gravitated towards the Commission's draft. At the same time, the looming Brexit process had removed one of the most ardent defenders of market freedoms in the EU, namely the UK, which for the most part stayed on the sidelines of the debate.

Nonetheless, functional pressures and/or economic interests alone do not fully explain actors' initial positions. Most conspicuously, in purely numerical terms, Germany should have taken a more active role in spearheading the supporting coalition as the highest net receiver of posted workers by far, but as we shall see, this was, instead, led by France. Indeed, the interests of the largest German businesses were well served by the pre-existing policy framework. This may have prompted Chancellor Merkel to take a less activist role in the debate, though the German government was nonetheless a firm supporter of the amendment. Domestic politicization of labour mobility and pressure coming from the far right is another important condition to consider: all the enthusiastic supporters of the Commission's proposal came from Member States with a considerable presence of far-right populist challengers.

On the other side of the division, vocal opposition came from eastern European governments that are, on the whole, net senders of posted workers. Noticeable too is the staunch opposition even from leaders of countries from which the overall volume of posting is minuscule (e.g. Estonia, the Czech Republic). Part of this may be to do with the concentrated nature of posting in some sectors, whereby small volumes could still translate into meaningful benefits. But beyond that, the 'attack' on posting was seen by eastern Europeans as something that went beyond this one narrow policy field: an action towards the destabilization of the assumption that one of the major advantages of these countries' EU membership derived from their competitive wages (Interview 19). From this vantage point, demonstrating intra-regional solidarity came to play a more important role than objective conditions.

A second dividing line runs through political ideology, as posting brings into conflict market-making versus market-correcting logics. In general, proponents of the proposal fell on the left side of the political spectrum, and opponents on the right. However, if one looks at the signatories of the two letters addressed to Marianne Thyssen, the pattern is already somewhat more complicated. On the one hand, seven of the eight signatories of the supporting letter were affiliated with (centre-)left parties, while the only exception was the Belgian minister who came from the Christian Democratic and Flemish Party. More perplexingly, six of the ministers opposing the reopening of the rules of posting were from (centre-)left parties (Bulgaria, the Czech Republic, Estonia, Lithuania, Romania, Slovakia) and only three were (centre-)right (Hungary, Latvia, Poland). So, at the level of ministers, state origin trumped ideological colour in CEE. Turning to the positions of the European political party groups, we see that the S&D, the Greens/EFA and the GUE-NGL supported stricter rules for posting. The main question within this camp was whether the Commission's proposal was ambitious enough or whether it could be pushed further. Even though at the outset there was dissent among the S&D's eastern European delegations (Interview 30), a major intra-party controversy among S&D MEPs did not play out publicly. Moving towards the centre and the right side of the political spectrum, the ALDE and EPP leadership both supported the proposal, despite their generally pro-business and pro-free market attitude. The justification was that the status quo ante was flawed, not only because it had been producing inequalities among workers but also because it tilted the playing field between service providers. Indeed, the EPP's starting position was cautiously supportive:

> The Commission announced the publication of the Labour Mobility Package, including a targeted revision of the PWD. We insist that if this process starts, it should only touch upon the necessary unsolved elements in order to ensure a just treatment of workers and a level playing field for business. A revised Directive must continue to facilitate the freedom to provide services. Any proposed measures must be clear, proportionate, non-discriminatory and justified and respect the different wage-setting mechanisms in the Member States.
>
> (EPP 2016)

There were some internal disagreements in this camp as well, and these were more intense than on the left. Several MEPs from eastern European delegations spoke out against the revision and even voted against it at the final vote (see following sections). On the far right, the ECR and the EFDD were opposed, while the ENF advocated abstention. This line-up suggests a relatively neat division on the integration–demarcation line, alongside the traditional left–right cleavage.

The positions of the social partners were clear-cut at the outset and remained stable over time. The two organizations representing industry and employers' organizations and workers at the European level, i.e. the Confederation of European Business (BusinessEurope) and the European Trade Union Confederation (ETUC), were against and in favour, respectively. Despite the potential of disunity in the labour movement along territorial lines (e.g. because posting can align peripheral workers' interests with the interests of employers) it remained cohesive (Furåker and Larsson 2020; Interview 20). The same cannot be said for employers' associations, where there was a split between large companies, which often employed posted workers themselves, and SMEs, which faced more intense competition (in destination countries) or labour shortages (in countries of origin) (Interview 18).

The balance of power between the two coalitions was on the side of the supporters of the Commission's proposal. However, a blocking minority in the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) configuration of the Council was not beyond the realm of possibility, and there was also a chance of watering down the proposal during the negotiations.

3.3 Announcement and escalation

The immediate reactions to the Commission's proposal were as expected: the ETUC, as well as some MEPs from the S&D and GUE/NGL, claimed that the proposal did not go far enough, while BusinessEurope and the Polish and Hungarian governments maintained that it was unnecessary, harmful, and that they were strongly opposed to it. As is standard practice, the Commission's proposal was sent to national parliaments for scrutiny, and it was soon to encounter unexpectedly robust opposition: by early May 2016, 14 parliamentary chambers from 11 EU Member States (Romania, Czechia, Poland, Lithuania, Denmark, Croatia, Latvia, Bulgaria, Hungary, Estonia and Slovakia) had submitted so-called 'reasoned opinions' related to the protocol of subsidiarity, declaring themselves to be against it.[1] This triggered a so-called 'yellow card procedure', sending the proposal back to the Commission for a subsidiarity review, though in fact, many of the reasoned opinions seemed to be motivated by general opposition to Juncker's social agenda (Fromage and Kreilinger 2017; Interview 6). Eventually, in June 2016, the Commission maintained its proposal, providing detailed responses to the reasoned opinions.

In parallel, the subsidiarity review was met with escalation on the supporting side of the proposal as well: in July 2016, then French Prime Minister Manuel Valls decided to up the pressure by threatening to stop applying the directive if the changes achieved at the EU level were deemed to be not far-reaching enough (*Euractiv* 2016). On 12 October 2016, a meeting took place between the labour ministers of France and Poland. According to media reports, the former handed the latter a Warsaw address listing 19 different companies (presumably as evidence for fraud related to letterbox companies), as well as showing photographs of the 'hovels' in which Polish workers in France lived (BBC 2016). This meeting foreshadowed a key pattern that characterized the entire policy episode, namely the great number of interactions between high-ranking executive officials of Member States directly negotiating the policy. Between June 2016 and December 2017 at least ten bilateral/multilateral meetings took place between Member State executives, i.e. Member State's heads of state or government and/or ministers, where the issue of posting featured on the agenda (Kyriazi 2023).

In the meantime, the file was assigned to the Employment and Social Affairs (EMPL) parliamentary committee, and Elisabeth Morin-Chartier (EPP, France) and Agnes Jongerius (S&D, the Netherlands) were appointed as co-rapporteurs to the file. Having two rapporteurs on the same file is rare, and posting was in fact one of the first files on which this arrangement was tested (Interview 34). This can be taken as an indication of the exceedingly high stakes attached to this proposal. The rapporteurs published a draft report in December 2016 in which they advised, inter alia, extending the legal basis (from the free movement of services to workers' rights), to consider the rights granted by the PWD to posted workers as a minimum floor rather than a maximum ceiling, and also to extend the PWD to temporary agency workers (see also Corti 2022). In the same month, supporting opinions were received from the two advisory bodies of the EU, the European Economic and Social Committee and the Committee of the Regions. In early 2017, the first debate on posting was held in the EP plenary, which went in the expected way, apart from some eastern European MEPs speaking up against the position of their own party groups, including Agnieszka Kozłowska-Rajewicz (EPP, Poland) and Michaela Šojdrová (EPP, Czech Republic). Subsequently, more than 500 amendments were submitted on the two rapporteurs' draft report, and the debate continued in the EMPL Committee.

The negotiations in the EPSCO proceeded at a slow pace. The list of contentious issues was long and included the duration of posting, the concept of remuneration and whether the changes should apply to the road transport sector. There was no breakthrough during the Slovak and Maltese Council presidencies, though the positions started to converge on some issues. In the last meeting held under the Maltese presidency on 31 May 2017, the French minister, with support from Germany, submitted a bold proposal, which included reducing the duration of posting from 24 to 12 months, a shorter transposition time, and keeping the road transport sector in the Directive.

This reflected domestic developments in France, where the presidential campaign was in full swing by that point. The manifesto of the Front National had already taken aim at posting, proposing to create a tax for companies employing foreign workers (Euractiv 2017a). The Republicans (LR) also referred to posting in their manifesto, pledging to 'renegotiate the European Posted Workers Directive to put an end to social dumping and to ensure fairness among all European workers. When working in France, wages and expenses must be French' (Les Républicains 2017: 9). In March 2017, the situation escalated even further when some French regions introduced the so-called 'Molière' clause as part of their legislation on public tenders. The clause established a requirement for workers providing services to speak French and was deemed by the Commission to be in breach of EU public procurement law as well as of the PWD (*Euractiv* 2017b). Between the two rounds of the presidential elections in early May 2017, the surging candidate, Emmanuel Macron, declared that he was determined to review the EU law on posting (*Reuters* 2017). Following his win, he made posting a key element of his early policy agenda.

In parallel, on 11 May 2017, the V4 released a joint statement regarding the revision of the PWD in which they rejected the substance of the amendment and asked for more consensual decision-making at EU level. Interestingly, the V4 governments, which were generally viewed as Eurosceptic, framed their opposition to the revision of the PWD as going against the very principles of EU integration. Their statement read: 'Ultimately, we aim to safeguard freedom to provide services as enshrined in the Treaties against protectionist practices infringing fundamental rules of the internal market' (Visegrád Group 2017).

Following a heated verbal exchange between Macron and some of the V4 leadership, on 23 June 2017 the French President met the heads of state and government of the V4 on the sidelines of an EU summit, but the meeting did not lead to any tangible outcomes. Polish Prime Minister Beata Szydło subsequently met with Spanish Prime Minister Mariano Rajoy, who appeared to side with her on the PWD, motivated by a key issue, namely the inclusion of the transport sector in the amendment. This was soon followed by a highly publicized tour undertaken by Macron of several eastern European countries with the stated aim of convincing hitherto recalcitrant leaders to support the revision of the rules of posting (Kyriazi 2023). Conspicuously absent from Macron's contacts were the Hungarian and Polish governments, even though he met with their traditional allies in the region, including the Austrian, Slovak, Czech, Romanian and Bulgarian heads of state and government. Macron's negotiation campaign, conducted in part under the watchful eyes of the public, and in part behind closed doors, blended symbolic-communicative and substantive elements (Kyriazi 2023). The Austrian right-wing Chancellor needed little convincing on the matter of posting, but the rest of the leaders had attached themselves more firmly to the opposing coalition. We may never learn what kinds of concessions Macron offered them, but some of the issues that came up during his visits have been permanently on these countries' agendas, including the refugee quota system, which the Czech government had staunchly opposed, and Schengen membership in the case of Bulgaria and Romania. Certainly, all of them were eager to be associated with the freshly elected Macron, especially amidst speculation regarding an emergent 'two-speed Europe' in the aftermath of Brexit. But at the same time, the conflict between the Polish and French governments escalated to an unprecedented level, leading to a minor diplomatic spat between the two. This phase of intense intergovernmental contacts ended with Macron's own visit to Spain.

In his State of the Union address delivered on 13 September 2017, Jean-Claude Juncker confirmed that the Commission would press ahead with the revision of the PWD, but he also sought to pacify the unusually intense conflict. A key element of this was the establishment of a European Labour Authority (ELA). Based in Bratislava, the ELA is tasked with enforcing the rules on intra-EU labour mobility and coordination of social security. It facilitates communication and the exchange of information, carries out joint inspections, assesses risks, supports Member States' capacity building and their tackling of undeclared work and mediates disputes between the Member States. Apart from its substantive role, the proposal to establish the ELA also had a symbolic dimension: it signalled that the Commission was turning the page on legislation and refocusing attention on enforcing the rules (Interview 19).

3.4 The road to the final agreement

On 16 October 2017, the Parliament's EMPL Committee adopted the co-rapporteurs' report. This preceded by a few days a key vote in the EPSCO on 23 October 2017, when the general approach was approved after long negotiations in an exceptionally heated meeting. Compromise was reached with regard to the issues of remuneration (set by the receiving state), the duration of posting (12 months, automatically extended by six months), collective agreements (universally applicable agreements were to be extended to posted workers), temporary agency workers (to be treated equally with local workers), the transposition period (3 years plus 1 year before the application, later reduced to 2 years) and road transport (to be addressed in sector-specific legislation).

While the signatories of the letter sent to Thyssen opposing the reopening of the legislation were both left- and right wing, the ministers voting against the proposal on this occasion came without exception from the (centre-)right: Hungary, Poland, Lithuania and Latvia. The ministers who switched their positions were therefore over-represented on the left (Czechia, Estonia, Slovakia, Romania), with the Bulgarian minister being the only exception: in a noteworthy reversal, the right-wing minister was now supporting the proposal, which his left-wing predecessor had opposed. On the supporting side, there had been no change in the initial positions or the political affiliations of the ministers, except for the new French labour minister, now Muriel Pénicaud from the centre-right La République En Marche, who was an ardent supporter of stricter rules for posting just like her left-wing predecessor.

From then on, the pace of policymaking accelerated substantively. Eight trilogue meetings took place between the EP, the Council and the Commission. A provisional settlement was reached in March 2018. The agreed text was adopted at first reading at the EP's plenary session in late May 2018 (70% for, 23% against and 8% abstained). A closer look at the EP Parliament votes reveals that, with some exceptions, the Member States that were the most vocal participants in the policymaking process were also among the most divided at the end: vote cohesion among the Hungarian delegation was the second lowest, reaching only 30%; the rate was 50% in the case of Poland, while the French did only slightly better with 54% (Hix et al. 2022). As shown by Figure 6.3, the S&D along with the Greens presented a united front, voting with no exceptions in favour of the Amending Directive. The EPP and ALDE, conversely, were divided, as a considerable number of MEPs rebelled against the recommendation, voting down the Amending Directive.

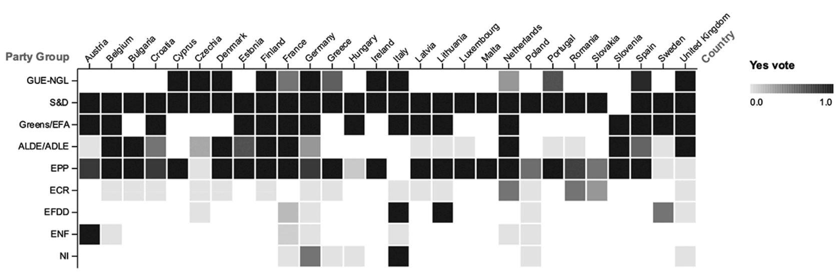

Figure 6.3 Proportion of 'yes' votes out of the total number of votes cast by party group and member state of MEP, EP plenary session 29 May 2018

Note: A value of 1 (darkest colour) means all of the MEPs of the party group from a specific member state voted in favour of the directive.

Source: Own representation based on Hix et al. 2022.

On 21 June 2018, the EPSCO also passed the final form of the Amending Directive, this time with a large majority: 22 Member States voted in favour and only two against, Hungary and Poland; while Croatia, Latvia, Lithuania and the UK abstained. Even after the legislative process had finished, on 4 October 2018, the Hungarian and Polish governments challenged the Amending Directive before the CJEU to no avail.

In its formal contents, the Amending Directive has been an important step towards the expansion of the social dimension in the highly contested policy field of intra-EU posting. This said, while the reform better aligns the working conditions of posted workers with those of local workers who perform similar activities, especially as regards 'remuneration', it is less effective when it comes to collective bargaining (Rocca 2019). At the political level, however, the passage of the Amending Directive sent a strong signal of the Juncker Commission's determination to push through a socially oriented agenda and to definitively solve the issue of posting that had troubled EU politics intermittently for decades.

4 Analysing the main features of the policymaking process

This chapter finds that the policy process of the Amending Directive was structured by a territorial conflict and was driven by the Member State governments. First, the disagreement over posting was the most intense in the EPSCO, where legislation remained stuck for a long time and where labour ministers held acrimonious debates. This led to quite cumbersome arrangements, such as the 12+6-month formula regarding the duration of posting, which is a political rather than a practical solution, but which was key in achieving the necessary compromise. The decision to take the transport sector out of the PWD and to deal with it in sector-specific legislation was also key for the resolution, even though it only postponed and did not solve the issue (Interview 30). Executive actors were very involved from the start, as the letters submitted to Commissioner Thyssen in the consultation phase and the yellow card triggered by national parliaments (whereby in most cases governments activated their parliamentary majorities) also indicate.

Second, at some point in the process, direct negotiations between a select set of governments became the engine of policymaking. This chapter has listed several meetings conducted between high-ranking government officials, drawing media attention. They were strategically used to influence the debate, although, especially regarding Macron's campaign, it could be argued that it may have actually been counterproductive and an unnecessary escalation. Clearly, the issue of posting, already highly politicized in domestic French politics, fitted well with Macron's European ambitions, while at the same time allowing him to take the wind out of the sails of his domestic rivals.

Third, territorial divisions also infiltrated the parliamentary arena, though predominantly in the case of the EPP and ALDE. The conservative/liberal mainstream endorsed the Commission's proposal because they perceived the status quo ante as being severely flawed, not only in terms of social injustice for workers but also to ensure 'a level playing field' for companies. Additionally, for western leaders on the right, support for workers' social rights conveniently overlapped with reorganizing the rules of a form of worker mobility in a more restrictive direction. Political considerations, and especially containing the populist challenge, were also clearly part of this. Hence, western (centre-)right-wing and liberal politicians were able to endorse a socially sensitive agenda at the EU level, which nonetheless did not challenge free market ideology and market liberalization projects at home. On the flip side, the success of the left in convincing the eastern European delegations was hard won, forged in a series of debates and meetings where the issue was repeatedly discussed (Interview 30). A particularly important aspect in this was convincing the MEPs that the revision was not aimed at attacking eastern European migrant workers, but an attempt to protect their interests (Interview 34).

Another important feature of the policy episode was that in several instances discourse and actions explicitly challenged the EU polity as such. This began with the subsidiarity review triggered by the parliamentary chambers of 11 Member States, which openly called into question the appropriateness of EU-level action in the matter. The threats to unilaterally suspend the application of EU law and the introduction of the so-called 'Molière' clause in France were a second key challenge to the EU's competence. The arguments and justifications used by actors in the debate were a third indication. Remarkably, both opponents and supporters claimed to be defending the foundational values and principles of the EU: as a project of economic integration versus as a project of solidarity building as well as framing the legislation in existential terms. The French labour minister in the Hollande cabinet offered the following insight into this way of reasoning: 'We want to implement these changes as soon as possible, for political reasons as well. Our citizens must have the feeling that the EU protects them against disloyal competition. Europe will not survive without a social dimension' (BBC 2016). Later on, Emmanuel Macron referred to the extant system of posting as a 'betrayal of European spirit' (*Agence France-Presse* 2017), while Beata Szydło accused him of 'trying to dismantle one of the pillars of the EU' (*Financial Times* 2017). Such statements were also made by other high-ranking government officials from Poland and France as well as occasionally other Member States.

In this context, the Commission performed a delicate balancing act between pacifying the intergovernmental conflict and also harnessing it to the benefit of its legislation. To begin with, having formulated a socially ambitious proposal, the Commission actively sought to build broad consensus for it. It prioritized reaching out to the eastern countries, to think of concessions and to try to enlarge the base of compromise on some key details. The Juncker Commission's announcement of the establishment of the

ELA and concessions granted in other policy fields were also part of the mix that helped dismantle the eastern European coalition that had opposed the Amending Directive.

5 Conclusion

The rules of intra-EU posting remained essentially unchanged after 1996[2] even though the context had been radically transformed after the eastern enlargement. A series of initiatives aimed at addressing deficiencies in posting were launched in the 2010s: the Enforcement Directive and the (withdrawn) Monti Regulation announced in 2014, and the proposal for a European Labour Authority and the Mobility Packages released in 2017–2018. The Amending Directive, proposed in March 2016, was arguably the centrepiece of this legislative bundle, propelled onto the agenda by a combination of functional and political pressures. The slow-moving temporal structure of the policy problem of posting, i.e. the gradual and diffuse accumulation of failures, inhibited meaningful engagement with the issue for a long time, while its uneven geographic distribution, i.e. the vast imbalance between sending and receiving states, exacerbated the conflict once the issue had been picked up.

There is not a single factor that can be held up as fully explaining the passage of the socially oriented amendment of the PWD. To put it simply, we can say that the final compromise was the result of the entrepreneurship of political leaders in key states, themselves pressured by domestic politicization of labour and service mobility in the broader context of the Brexit referendum, combined with the Commission's balancing efforts. This policy episode was characterized by a large number of direct contacts between executives of key Member States, some of them highly publicized, others taking place behind the scenes. We also detect intense and polarized conflict spilling over from the policy to the polity writ large, revealing diverging conceptions of the nature of the integration project itself. In the final assessment, the Amending Directive tilted the balance between market freedoms and social rights towards the latter. Supporters of the proposal clearly thought that this kind of legislation takes the wind out of populists' sails. The final compromise pleased both centre-left and centre-right parties by reinforcing social rights (a typical demand of the former) and levelling the playing field for companies (a typical demand of the latter). However, despite the Commission's clear intention to not steamroll over a vocal minority of eastern Member States, this was only partly achieved.

In terms of the structure of the political conflict, this chapter has found the territorial dimension to be predominant. This said, the most consistent opponents of the proposal came from the political right, while left-wing participants proved more persuadable. By the end of the policy process, the internal split within the right crystallized around a double territorial-cum-ideological division, with only demarcationist eastern European governments remaining opposed until the end.

Notes

1 As per the Lisbon Treaty, when the EU does not have exclusive competence, national parliaments can control whether EU legislative proposals respect the principle of subsidiarity.
2 The 2004 Citizenship Directive is an exception, but this essentially synthesized and consolidated previous directives and regulations.

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7 The European Minimum Wage Directive

Territorial dynamics and the gradual structuring of partisan conflicts in the EU polity

1 Introduction

In her first State of the Union Address, the new President of the European Commission (EC) Ursula von der Leyen, a distinguished member of the European People's Party, announced that 'the Commission [was to] put forward a legal proposal to support Member States to set up a framework for minimum wages' (Von der Leyen 2020). A proposal for a directive on adequate minimum wages in Europe was then launched in October 2020 (European Commission 2020) and finally approved by the European Parliament (EP) and the Council in September/October 2022, despite the bitter reaction of Nordic Member States as well as Hungary and Poland. The directive constituted a paradigmatic shift in the EU's intervention on wage-setting issues (Schulten and Müller 2021). This is particularly true if we put the EMW into the multidimensional political context of the EU. Following the EU's eastern enlargement in the early 2000s, harsh territorial conflicts prevented proposals over an EMW regulation to gain momentum, due to the heterogeneity of national wage-setting and collective bargaining arrangements, uncertain EU competence on the matter, and widespread scepticism not only on the part of conservative parties and business organizations but also among trade unions (Busemayer et al. 2008; Seeliger 2018). Furthermore, the proposal for an EMW directive came after a decade of austerity and internal devaluation in the EU (Johnston and Regan 2016), and from a leader whose political family had long been sceptical towards state intervention (let alone EU intervention) in minimum wage regulation.

The social activism of the EU Commission in this field was indeed the subject of harsh contestation, not least because it touched the very sensitive question of social partners' role in wage setting, which differs widely across Member States. This chapter sets out to investigate the multilevel political dynamics that made it possible to arrive at the launch of the EMW directive and its watershed approval. It identifies the coalitions of actors that brought the issue of minimum wage regulation into the EU arena as well as the ideological and territorial conflicts that, rooted in national institutional traditions, shaped the path towards the adoption of the directive. We study the

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politics of the EMW by relying on an in-depth qualitative analysis of the political process informed by a number of sources: EU and social partners' documents and reports, systematic analysis of news media data, and 14 interviews with key political and bureaucratic actors.

The picture that emerges is one of a complex interplay between ideological conflicts and territorial divides over the thorny issue of EMW coordination, which encroaches upon widely different national wage-setting and collective bargaining traditions. The political path of the EMW directive unveils the increasingly blurring boundaries between domestic and EU (social) politics, whereby dynamics originated in the former arena escalated up to the European social agenda. Left-wing parties brought the question of the EMW to the table, after having politicized minimum wage regulation in the national arena of some key Member States (most notably Germany, where the national minimum wage was first introduced in 2015). Trade unions in the bulk of the countries shifted away from the traditional defence of collective bargaining prerogatives and supported the proposal of an EMW in the face of a decline in membership and an increasing number of low-paid jobs among less unionized precarious workers. Against this backdrop, politics dominated in the run-up to the 2019 European elections and in the campaign for the presidency of the Commission. As the centre-right candidate, von der Leyen jumped on the EMW bandwagon to broaden her support and finally launched the directive in October 2020. Territorial divisions emerged that distinguished themselves from those observed for the Amending Directive for Posted Workers (see Chapter 6). In the eastern periphery of the EU, ideological divides mattered more than territorial 'comparative advantage' rationales, with left-wing parties and unions generally supporting the EMW directive, and right-wing Eurosceptic parties opposing the EU initiative until the very end. The proposal, however, has spawned a bitter reaction from both unions and parties (notwithstanding their colour) in the Nordic countries. In particular, Denmark and Sweden harshly opposed the adoption of the EMW directive, struggling to defend the specificities of the Nordic wage-setting model against any interference from the EU.

The next section delineates the socio-economic and institutional contexts, as well as the main contents of the EMW directive. The third section retraces the policy debates by highlighting the coalitions of actors that put the EMW issue on the agenda and promoted or opposed it at different stages of the process. The fourth section explains the adoption of the EMW, while the fifth concludes by elaborating on the main analytical takeaways for the book.

2 From a crisis situation to the proposal of an EMW directive

2.1 Background: eroding wages, increasing in-work poverty

The debate over the minimum wage coordination in the EU has gained momentum as a consequence of the worsening of the social conditions in

Europe after the Great Recession. Certainly, the increase in in-work poverty leads back to longer-term erosive trends that predate the global financial crisis. In the same EMW proposal, the Commission notes:

> In recent decades, low wages have not kept up with other wages in many Member States. Structural trends reshaping labour markets such as globalization, digitalization and the rise in non-standard forms of work, especially in the service sector, have led to an increased job polarization resulting in turn in an increasing share of low-paid and low-skilled occupations and have contributed to an erosion of traditional collective bargaining structures. This has led to more in-work poverty and wage inequality.
>
> (European Commission 2020: 1)

However, it was with the financial crisis and, more specifically, with the outbreak of the EU sovereign debt crisis that the situation worsened considerably in many Member States. Figure 7.1 shows the trends of in-work poverty across groups of EU countries. The most dramatic situation concerned southern Europe and Ireland, where high levels of in-work poverty had already reached a peak in 2016. The eastern periphery experienced by and large the same trend. Arguably more surprisingly, core European countries also witnessed a gradual increase in in-work poverty from the early 2000s. Record-low levels of in-work poverty were, by contrast, observed in northern Europe. On average, however, in-work poverty substantially increased across the EU from 2010. It is in this context, and after almost a decade of austerity-driven reforms, that the EU proposed a directive explicitly geared towards ensuring 'a decent living for workers, help[ing] sustain domestic demand, strengthen[ing] incentives to work, and reduce[ing] in-work poverty and inequality at the lower end of the wage distribution' (European Commission 2020: 2)

The second consideration that moved the Commission towards the proposal of an EWM directive was the persistent inadequacy of national minimum wage standards. Figure 7.2 shows the levels of national statutory minimum wages as compared to mean (Graph A) and median (B) national wages. While the thresholds generally used for assessing the 'adequacy' of national minimum wages are generally set at 60% of the gross median wage and/or 50% of the gross average, it is clear that in virtually all Member States, minimum wage levels fall below these targets. Looking at the change between levels in 2000 and in 2020, we see that minimum wages have risen in peripheral countries, albeit starting from very low levels. By contrast, they decreased in France, Belgium, the Netherlands and Ireland.

A crucial factor that contributed to the rise of in-work poverty and minimum wage inadequacy was the rise of non-standard forms of work, which is the locus of the labour market where workers are more likely to slip away from the guarantees offered by collective bargaining, thus leading to the

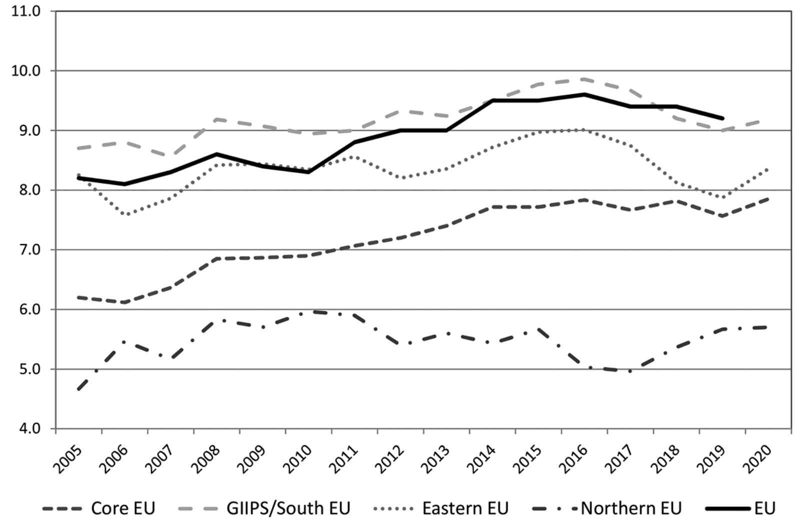

Figure 7.1 In-work poverty trends 2005–2020: EU average and groups of countries

Note: Core EU = Belgium, Germany, France, Luxembourg, the Netherlands, Austria; GIIPS/Southern EU = Greece, Ireland, Italy, Portugal, Spain, Malta, Cyprus; Eastern EU = Bulgaria, Czech Republic, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia, Slovakia; Northern EU = Denmark, Finland, Sweden; EU = average EU-27 (2007–2013), average EU-28 (2013–2020).
Source: Eurostat – EU-SILC survey [ilc_iw01].

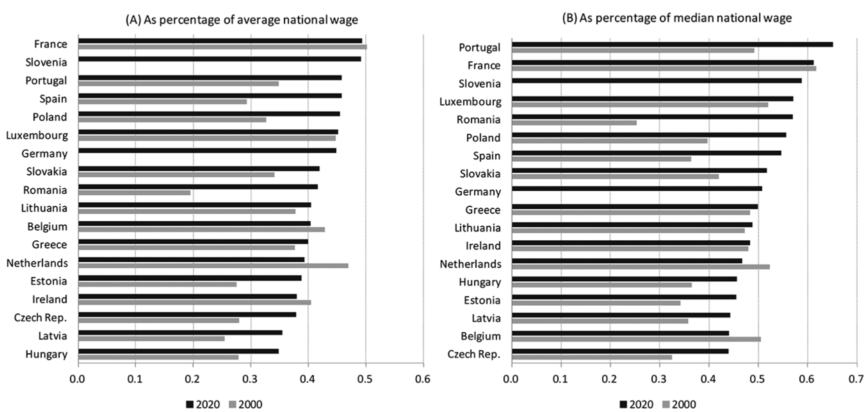

Figure 7.2 Statutory national minimum wages as percentage of (A) average national minimum wage and (B) median national minimum wage, in 2020 and in 2000

Source: OECD Earnings Database.

proliferation of low-paid jobs. In light of this, institutional differences in wage-setting and collective bargaining systems across the EU deserve more elaboration.

2.2 Pre-existing policy framework: institutional diversities and fragile EU legal basis

In the EU, minimum wage regulation has traditionally been a national prerogative. Also, for this reason, wage-setting systems differ widely across EU Member States, and so does the role of trade unions and collective bargaining. Table 7.1 reports the main indicators in grasping the diversity of such institutional traits: the presence or lack of a statutory minimum wage, union membership, collective agreements' coverage and the mechanism for their extension. In the first place, while 21 Member States have some sort of statutory minimum wage, six countries do not (Austria, Cyprus, Denmark, Finland, Italy and Sweden). In these six countries, sectoral minimum wages are set through collective agreements; in the other Member States, statutory minimum wages are sometimes complemented by more or less comprehensive collective bargaining coverage (Table 7.1). The coverage of collective agreement is in fact crucial in systems that do not have a statutory minimum wage. It is no surprise that in countries where this is the case, unions tend to favour a switch to a general statutory minimum wage when they face a decline in membership (which is in fact declining in virtually all Member States: see the 'union density' columns in Table 7.1) and, most importantly, when the coverage of collective agreements decreases (Schulten 2014). A telling example in this regard is Germany, which introduced a statutory minimum wage in 2015, departing from a collective bargaining-based regime whose efficacy was undermined by the declining capacity of sectoral agreements to cover an increasing number of non-standard workers (Mabbett 2016).

The last institutional characteristic of minimum wage systems concerns the mechanisms for the extension of collective agreements, which are used to different extents across countries. The most evident exception in this regard consists of those countries with no statutory minimum wage and where it is not possible to extend collective agreement to companies and workers that are not directly covered (Cyprus, Sweden and Denmark). This is a distinguishing trait especially in Denmark and Sweden, where the so-called 'Nordic Model' rests on encompassing union membership and collective bargaining coverage, and minimum wages are set by social partners through sectoral agreements without any interference from the state.[1]

On top on the vast heterogeneity in national wage-setting institutions, another factor that had long made the EU refrain from directly intervening in minimum wage matters was the uncertainty of the legal basis for such an action. The EMW directive finds its basis in Article 153 of the TFEU, which, however, strongly limits the scope of intervention. While wages are part of

Table 7.1 The relevance of statutory minimum wages, unions and collective agreements to the wage-setting systems of EU-27 countries

Country	*Statutory minimum wage (in 2019)*	*Union density*		*Collective bargaining coverage (adjusted)*		*Extension of collective agreements (in 2019)*
		*2000**	*2019**	*2000**	*2019**	
Austria	*No*	36.9	26.3	98	98	(Quasi-)automatic
Belgium	Yes	56.6	49.1	96	96	(Quasi-)automatic
Bulgaria	Yes	27.3	15.3	36.4	27.8	Exceptional
Croatia	Yes		20.80		52.7	Exceptional
Cyprus	*No*	65.1	43.3	65.1	43.3	*No*
Czech Rep.	Yes	27.2	11.4	42.4	34.7	Exceptional
Denmark	*No*	74.5	67	85.1	82	*No*
Estonia	Yes	14	6.00	14.5	6.1	Exceptional
Finland	*No*	74.2	58.80	85	88.8	(Quasi-)automatic
France	Yes	10.8	10.8	93.4	98	(Quasi-)automatic
Germany	Yes	24.6	16.30	67.8	54	Exceptional
Greece	Yes	24.9	19.00	100	14.2	Common
Hungary	Yes	23.8	8.30	38.4	21.8	Exceptional
Ireland	Yes	35.9	25.10	44.2	34	Exceptional
Italy	*No*	34.8	32.50	100	100	(Quasi-)automatic
Latvia	Yes	21	11.60	34.2	27.1	Exceptional
Lithuania	Yes	18.5	7.40	12.5	7.9	Exceptional
Luxembourg	Yes	43.2	28.20	60	56.9	Common
Malta	Yes	63.1	42.90	56.6	50.1	*No*

Country	*Statutory minimum wage (in 2019)*	*Union density*		*Collective bargaining coverage (adjusted)*		*Extension of collective agreements (in 2019)*
Netherlands	Yes	22.3	15.40	81.7	75.6	Common
Poland	Yes	23.5	13.40	25	13.4	*No*
Portugal	Yes	20.5	15.30	78.3	73.6	(Quasi-)automatic
Romania	Yes	45.4	21.40	100	15	Exceptional
Slovakia	Yes	34.2	11.30	52	24.4	Exceptional
Slovenia	Yes	44.2	23.80	100	78.6	Common
Spain	Yes	17.5	12.50	84.8	80.1	(Quasi-)automatic
Sweden	*No*	81	65.20	87.7	87.7	*No*

Source: OECD and AIAS (2021).

Note: Union density = Proportion of employees who are members of a trade union among all employees; Adjusted collective bargaining coverage rate = Number of employees covered by collective (wage) agreements in force as a proportion of all employees with the right to bargain, defined as the proportion of employees who are not excluded from collective bargaining; Extension of collective agreements refers to mandatory extension of collective agreements to non-organized employers (or a functional equivalent). * = We used data for the closest available year when data for the year 2000 or 2019 were not available.

'working conditions', which are among the areas in which Article 153 allows the EU to complement the activities of Member States in setting social standards, an explicit exception to the EU's social competence is that 'the provisions of [Article 153] shall not apply to pay' (Aranguiz and Garben 2019: 1). It was on this slippery slope that the EC initially proposed relatively general guidelines for minimum wages in the EU.

2.3 The Directive on Adequate Minimum Wages in the European Union

The European Commission published its proposal for a directive on adequate minimum wages in the EU on 28 October 2020. Given its fragile legal basis, the proposal does not oblige Member States to set minimum wages by law and does not set the level of minimum wages or a common minimum wage level. Instead, in line with the subsidiarity principle, the Commission's proposal sets a *framework* for minimum standards, with a view to respecting and reflecting Member States' competences and social partners' autonomy and contractual freedom in the field of wages.

The directive is structured around three main axes:

a The promotion of procedures for setting and updating effective minimum wages for those workers entitled to a minimum wage under national law. The suggested minimum decency threshold for the adequacy of minimum wages is 60% of the gross median wage and 50% of the gross average wage for full-time workers (the so-called 'double threshold');
b The strengthening of collective bargaining as the main instrument for ensuring fair wages and working conditions. Countries where collective bargaining covers less than 80% of workers are called upon to establish an action plan to promote it;
c Guaranteeing the effectiveness of the system and monitoring by, first, adopting measures to ensure that the social partners are effectively involved in the setting and updating of statutory minimum wages, and, second, through the establishment of a mechanism for monitoring the coverage and adequacy of minimum wages.

Overall, the main aim is to ensure that minimum wages are set at an adequate level, and that each worker can earn a decent living in the EU.[2] When launching the proposal, the EC also emphasized other rationales behind its adoption. Among them, the EC explicitly argued that 'when set at adequate levels, minimum wages do not only have a positive social impact but also bring *wider economic benefits* as they reduce wage inequality, help sustain domestic demand and strengthen incentives to work'. In a nutshell, in contrast to the aftermath of the 2008 financial crisis, adequate minimum wages and strong collective bargaining are no longer viewed as impediments to 'flexibility' and 'competitiveness' but instead as preconditions of inclusive growth in Europe (Schulten and Müller 2021). That said, scholars also emphasize that the directive is rather vague regarding instruments to strengthen collective bargaining, and more generally the operative clauses are 'worded carefully to respect both the social policy competences of Member States and the primacy of social partners in industrial relations' (Haapanala et al. 2023: 423).

3 European Minimum Wage Directive: the policymaking process

After early calls for EU minimum wage coordination in the 1990s and 2000s (Schulten 2008), the debate around the opportunity for minimum wage standards across Europe was first revived a decade ago in the wake of the sovereign debt crisis. Figure 7.3 shows how the salience of the EMW-related debate varied from 2010 to 2020, based on our database of relevant policy actions extracted from the international press. The figure differentiates between actions centred on the EMW as the main issue (dark-grey shaded area) and actions where the issue of the EMW was raised in relation to the posting of workers (grey) or to other EU social issues (light grey).[3] Overall, three peaks of salience emerged. The first two followed the 2014 EP election

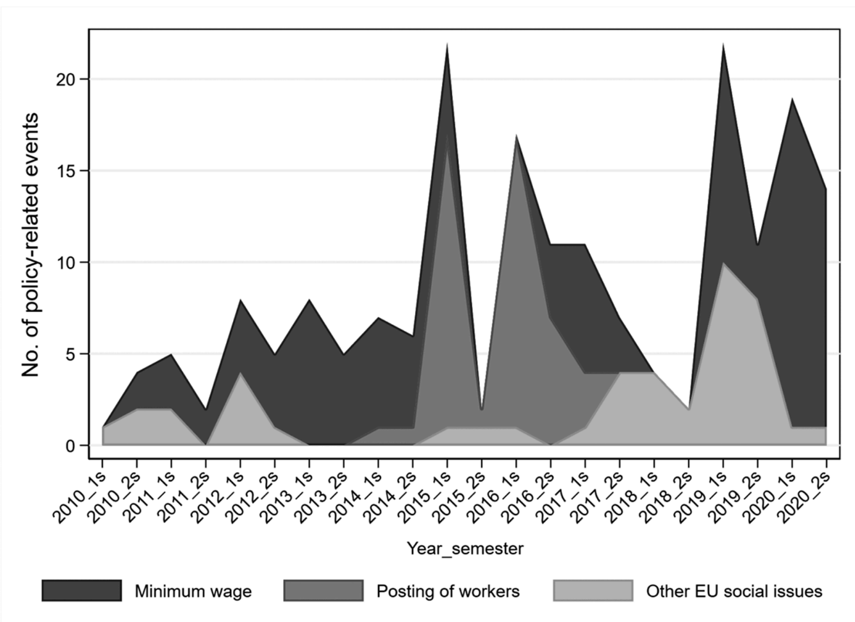

Figure 7.3 Salience of the European minimum wage debate: cumulated frequencies of relevant policy events by semester, 2010–2020. The EMW as a main issue and as a side issue in the context of posted workers and other EU social issues

and were dominated by issues related to the posting of workers, in the first half of 2015 and then again in 2016. The third peak began with the 2019 EP election and was instead focused specifically on the EMW, as it coincided with the proposal and discussion of the EU Minimum Wage Directive. In the remainder of this chapter, we keep Figure 7.1 as a reference for the reconstruction of the policy process.

3.1 Agenda setting: developments in the EU arena

The idea of developing a European minimum wage framework has long sparked lively discussions. Especially after the eastern enlargement in the early 2000s, a few proposals emerged for the introduction of a European minimum wage (EMW), aimed at reducing the risk of social dumping. Indeed, France's Parti Socialiste called for the introduction of a 'salaire minimum européen' in its manifesto for the 2004 elections to the European Parliament (EP) (Garabiol-Furet 2005). However, these proposals were not supported either by all Social Democrats (S&D) or by the ETUC, thus remaining almost irrelevant.

After the outbreak of the global financial crisis, the EMW proposal was first raised in the EP in 2010 by the group of the Left (European United Left/ Nordic Green Left – GUE-NGL) in the context of the debate over Europe 2020 employment guidelines. French Socialists were also very sympathetic to the idea, which took a more concrete shape in November 2011 with the adoption of the report of 'the European Platform against poverty and social exclusion' by Frédéric Daerden (S&D, Belgium). The EP called on the Commission to draft a legislative initiative to this end, suggesting a minimum wage equivalent to at least 60% of the average income of each Member State throughout the EU. The Barroso Commission's reception of the proposal was, however, quite cold (Interview 27). While including a reference to systems establishing 'decent and sustainable wages' in its employment package, the EC avoided very carefully addressing the issue consistently. Overall, the EMW remained not very salient in the EU arena (Figure 7.3).

The EMW proposal began to reach a larger audience *after* the introduction of a national statutory minimum wage in Germany in 2014. This reform implied that Europe's engine – Germany – was no longer among the countries defining minimum wages through collective bargaining. Relevantly, this was a flagship reform of the centre-left Social Democrats (SPD), who made it a condition for entering a 'grand coalition' with Chancellor Angela Merkel's conservatives after the 2013 political election (Mabbett 2016). This shift in German domestic politics was soon reflected in the EU arena. The SPD vice-president in the German Bundestag, Axel Schäfer, for example, immediately backed the French Socialists' call for an EMW, arguing that 'a law [was] necessary because the unions [were] not strong enough in Europe' (Euractiv 2013). The French proposal was also praised by S&D MEPs from Belgium and Romania.

In the campaign for the 2014 EP election, which included the proposal of Spitzenkandidaten for the Commission presidency, the left consolidated issue ownership on the EMW. Martin Schulz, the President of the EP and chosen candidate for the EC presidency on the Social Democratic side, promised to campaign for an EMW for tackling social dumping. On the other hand, the centre-right did not remain silent on the EMW. Although the European People's Party (EPP) was, and remained, divided on the issue, which was better seen as a question of national sovereignty, its Spitzenkandidat Jean-Claude Juncker declared its support for a legal minimum wage throughout the EU.

After 2014, in the years of the Juncker Commission, the issue of social dumping and the negotiations for the amendment of the Posted Workers Directive took centre stage (Chapter 6; see Figure 7.3 above for issue salience). The minimum wage entered the debate 'from the back door', that is, with reference to the application of national MW regulation to seconded workers (mainly in the transport sector). In early 2015, a group of MEPs raised concerns about Belgian and French minimum wage provisions that penalized drivers who spent the night in their lorries; the application to foreign drivers of the newly adopted minimum wage in Germany was expected to have further repercussions in the sector. Soon, a fault line emerged between western Member States (particularly France and Germany), who wanted to extend national MW provisions to seconded workers with a view to stemming social dumping, and (mainly) eastern Member States, which defended their right to enjoy their competitive advantage in the name of the free movement of services and goods granted by the single market. Representatives of Poland, Slovakia, the Czech Republic, Hungary, Romania, Bulgaria, Slovenia, Croatia, Lithuania, Estonia, Spain, Ireland, Portugal and Greece met members of the directorates responsible for transport and the internal market to urge the suspension of the new German rules. Employers' organizations in the transport and haulage industry sided with this bloc, while the European Transport Workers' Federation published a legal note in favour of applying the German minimum wage. After opening infringement procedures against Germany and France, the EC finally took legal action against Germany, stating that 'whilst fully supporting the introduction of a minimum wage in Germany', [it] believed that the application of the Minimum Wage Act to all transport operations touching German territory was restricting 'the freedom to provide services and the free movement of goods in a disproportionate manner'. Therefore, the Commission urged 'more proportionate measures' to safeguard the balance between the social protection of workers and the movement of services and goods (*Financial Times* 2015).

The controversy on the MW in the highly mobile transport sector heated up European politics to the extent that, bolstered by the left and centre-left groups, the EP passed with a wide majority the resolution presented by the rapporteur Guillaume Balas (S&D, France) to promote measures tackling social dumping, including the recommendation that all EU Member States should have a minimum wage equivalent to at least 60% of the national average wage. In the face of the persisting territorial tensions between western and eastern Member States, however, the final revision of the Posted Workers Directive did not include any direct reference to the 'minimum wage', which was substituted by a less contentious mention of the need to guarantee, during posting, the application of the rules on pay applicable to local workers that are necessary for the protection of workers (see Chapter 6).

The issue of the EMW had nevertheless been politicized well beyond the scope of the Posted Workers Directive revision, whereby, after the case raised by France and Germany, national and EU-level social politics had become deeply intertwined. In the words of Jutta Steinruck (S&D, Germany), 'France and Germany had no other option than to act at national level since the European Commission [was] taking no action against unfair social practices' (*Agence Europe* 2016). Subsequently, although the public salience of the EMW declined in this phase (Figure 7.1), the issue did not disappear from the European political arena. Under the joint pressure of France and Germany, in March 2017, during a ministerial meeting in Paris, France, Luxembourg, Malta, Sweden, Austria, Germany, Portugal, Italy, the Czech Republic, the Netherlands and Slovakia gave their support to the 'gradual' phasing in of the principle of a minimum wage in the European Pillar of Social Rights.[4]

It is thus no surprise that, beneath the debate in the EU arena, in early 2017 the issue of an EMW framework entered the national political debate in France and Germany. In France, during the electoral campaign for the 2017 presidential elections, En Marche, the new political group supporting the candidacy of Emmanuel Macron, began to campaign for more European integration and insisted on the need for a more Social Europe to complement – and rescue – the European project. Specifically, Macron supported a set of social rights to be codified at the EU level, including a minimum wage adapted to each country, arguing that the common currency would not survive otherwise. A similar approach was also promoted – though with less emphasis – on the Socialist side, with the Socialist candidate Hamon similarly calling for the adoption of an EMW. Once elected, in one of his first appearances in the European political arena at the Social Summit held in November 2017, Emmanuel Macron moved his pawns to pave the way for a political agreement on a European minimum wage policy (*Agence Europe* 2017; Interviews 25, 34).

Also in Germany, Social Europe and the specific issue of the EMW entered the national political debate, particularly after the September 2017 political election. During the electoral campaign, the SPD leader Martin Schulz had called for a single eurozone budget and an EU-level minimum wage, in line with the proposal that Social Democrats had supported in the EP. As his party finally agreed to talks with Angela Merkel on the formation of a new government, Schulz called for EU Member States to commit to a 'United States of Europe' by 2025, setting out an ambitious European reform agenda, echoing explicitly several demands made by France's President

Macron, including a European framework for a minimum wage 'that ends social dumping' (*Financial Times* 2017).

After initial scepticism, in January 2018, Merkel struck a preliminary deal with the SPD, explicitly welcoming some of Schulz's (and Macron's) blueprints for EU integration. In particular, the coalition agreement between the Christian Democrats (CDU, CSU) and Social Democrats (SPD) in Germany for the remaining legislative period up to 2021 following the 2017 elections explicitly claimed:

> We want to develop a framework for minimum wage regulations and for national minimum income schemes in EU countries. Those who consistently fight against wage dumping and social inequalities in economically weaker countries in Europe will also protect the welfare state and the social market economy in Germany.
>
> (Benz 2019: 26)

Indeed, while in the previous grand coalition deal, in 2013, there was hardly any reference to Europe (the big issue back then was the *national* minimum wage), in the 2017 agreement Europe became an extremely relevant issue. Accordingly, the EC President Jean-Claude Juncker welcomed 'a significant, positive, constructive, forward-looking contribution to the European policy debate' (EU Observer 2018).

The effects of the French and German governments' support for an increased role for the EU in regulating minimum wages became visible at the beginning of the electoral campaign for the renewal of the EP. Left-wing forces in France and Germany bet heavily on a European wage initiative to mobilize their voters. More generally, the demand for the introduction of an EMW was well emphasized in the three manifestos of the left, centre-left and green parties competing for the EU election. Interestingly, key socialist figures from eastern countries – such as the Slovakian Prime Minister Peter Pellegrini and various left-wing MEPs from Bulgaria and Hungary – also campaigned in favour of this measure. Under the impetus of Macron, the liberals also adopted this measure as a key measure in their election campaign, because, to quote President Macron:

> Europe, where social security has been created, must establish for each worker, from east to west and from north to south, a social shield guaranteeing him the same remuneration at the same workplace and a European minimum wage, adapted to each country and discussed each year.
>
> (*Agence Europe* 2019)

To sum up, during the 2019 elections for the EP, the EMW became one of the key programmatic points of EU leftist and green parties, and had been openly supported by the French President Macron and also by the German Chancellor Angela Merkel.

Along with this support coalition, opponents of this initiative also emerged. Perhaps surprisingly, in this phase it was not eastern actors that were afraid of losing their main competitive advantage nor actors aiming to defend the specificity of their social model that opposed the proposal. Rather, the German Spitzenkandidat of the EPP Manfred Weber warned against 'European centralism' on the minimum wage, emphasizing the need for subsidiarity in this policy field. Beyond the EPP, in the electoral campaign, nationalist and sovereigntist parties vocally opposed the EMW proposal.

The political debate within political groups in the EP became particularly relevant after the Council designated President of the Commission von der Leyen, who needed to secure a political majority around her person. In order to win over sceptics in the socialist, green and liberal camps, Mrs von der Leyen presented a 24-page 'policy framework' that was big on environmental issues, social policy and gender equality, and that pledged several ideas cherished by the S&D, including the EMW. The latter proposal was particularly important to gain support from the main centre-left parties in the EP (Interview 23, Interview 34), including the Five Star Movement (FSM). This support is far from irrelevant, because in the crucial parliamentary vote, von der Leyen received only nine votes more than the minimum needed to obtain a majority. Against this backdrop, once nominated, von der Leyen immediately set the introduction of a legal instrument ensuring a fair minimum wage for all EU workers as a priority that would shape the working programme of the European Commission over the next five years (Von der Leyen 2020).

3.2 Announcement and escalation

As mentioned earlier, the new Commission led by Ursula von der Leyen called for a regulation of the EMW soon after her nomination in late 2019. The new Commissioner for Employment, Social Affairs and Inclusion, the Socialist Nicolas Schmit, initiated in January 2020 a consultation process with the social partners on the drafting of an EU commission initiative. From the beginning, the EC clearly highlighted that the objective was by no means to decide on a uniform statutory minimum wage for the EU, but rather a directive that could establish prerequisites for national minimum wages, while also protecting and promoting collectively agreed minimum wages (Wixforth and Hochscheidt 2021).

Despite this, the debate over the EMW immediately became contentious (Figure 7.3), as the EC initiative was soon followed by the emergence of opponents. In particular, governments and social partners in Nordic countries repeatedly expressed their concern that a one-size-fits-all plan could undermine their national models and collective bargaining systems (Interview 21, Interview 24). Despite efforts on the part of the Commission to reassure Nordic countries that the proposal would 'respect the traditions, the cultures and the national systems' and would not 'undermine in any way' the functioning of countries where salaries are regulated through collective bargaining (*Euractiv* 2019; Interview 22, Interview 25), the Danish, Swedish and (initially) the Finnish governments openly opposed the initiative of the Commission. The Danish employment minister declared: '[T]here is no doubt that the Danish government is doing everything in its power to ensure that models like the Nordic ones are not challenged by EU regulation' (*The Guardian* 2020). Overall, in these countries, a consensus emerged among all relevant political parties on the relevance of opposing this EU initiative, leading some trade union leaders to evoke the spectre of DKexit. In January 2021 the Swedish Parliament and in February 2021 the Danish Parliament submitted reasoned opinions against the proposal. Moreover, Nordic social partners, and in particular Nordic trade union confederations, took a very firm position against the proposal of the EC on the grounds that it was contrary to the treaties and it risked undermining their national social model (Interview 21, Interview 24).

Despite the opposition of its Nordic members, the European Trade Union Confederation (ETUC) praised the initiative of the European Commission. Following an intense debate, members of the ETUC endorsed a call for a European directive with 85% of the votes in favour. Eastern European trade unions supported the initiative, which they saw as an opportunity to strengthen their bargaining power in the face of two decades of weakening of the labour movement in the east (Interview 26, Interview 27, Interview 32). The ETUC, while stressing that an EU initiative in this policy field was needed and thus welcome, also highlighted a number of 'red lines' that could not be crossed, and in particular: that the directive, first, should strengthen collective bargaining institutions and, second, that Member States should be required to ensure that statutory minimum wages gradually reach a level of at least 60% of the national full-time median wage. On the other hand, European employers' associations, and in particular BusinessEurope (BE), opposed the EU intervention. BE went as far as to define it as 'a recipe for disaster', arguing that 'the proposal on minimum wages [was] completely against the letter and spirit of the EU treaty on pay and collective bargaining, which are for good reasons the competence of Member States and social partners in line with the principle of subsidiarity' (BusinessEurope 2020).

The onset of the COVID-19 pandemic slowed down the policymaking process but did not stop it completely. In this respect, the Franco-German alliance on the renewed agreement on EU-level initiatives to respond to the COVID crisis was decisive. On 18 May 2020, in the midst of the pandemic, a joint Franco-German declaration referred to the need to 'strengthen the EU's economic and industrial resilience and sovereignty', also emphasizing the need to build a pan-European framework for minimum wage regulation. In this context, the EC accelerated its works on the EMW initiative. In June 2020, the Commission launched the second-phase consultation of social partners on possible EU action addressing the challenges related to fair minimum wages. During this process, very similar positions to the first phase emerged, with European trade unions generally in favour of the initiative, while highlighting some controversial points related to the need to ensure adequate wages and to defend the role of trade unions in collective bargaining, and employers expressing their doubts on a European intervention in this policy domain. However, at this point, the EC, under joint pressure from the EP and big 'core' countries of the EU, was determined to act. On 16 September 2020, in her first State of the Union address, President von der Leyen repeated her pledge to present a legal instrument to ensure a fair minimum wage for all workers in the EU. Finally, in October 2020, the Commission launched its proposal for a 'Directive of the European Parliament and of the Council on Adequate Minimum Wages in the European Union' (European Commission 2020).

3.3 The road towards the final agreement

The decision to launch such a proposal was groundbreaking, as for the first time the EC had initiated a legislative action to ensure fair minimum wages and to strengthen collective bargaining in Europe. However, before being adopted, the draft directive on the EMW had to be approved (and amended) by the European Parliament and the Council of the EU.

Interestingly, very different dynamics took place in these two arenas (Interview 22, Interview 23, Interview 32). Overall, the EP initially considered the EC proposal to be *too timid* (Interview 23, Interview 29, Interview 30, Interview 34) and prepared amendments making it more ambitious with respect to the definition of 'adequate' minimum wage values, the promotion of collective bargaining, and the inclusion of taxes and social security benefits in the setting of statutory minimum wages (Interview 29, Interview 32). On 6 April 2021, the EMPL Committee submitted a draft report (rapporteurs Denis Radtke [EPP, Germany] and Agnes Jongerius [S&D, the Netherlands]) that suggested that Member States should establish an action plan setting out a precise timetable and concrete measures to ensure respect for the right to collective bargaining and to promote and progressively increase collective bargaining coverage to at least 90% (instead of 70% as in the EC proposal). Furthermore, any salary below an indicative reference value of 60% of the gross median salary and 50% of the gross average salary was considered 'insufficient' in this report. Relevantly, the opposition of the 'Identity and Democracy' parliamentary group of Nordic MEPs and of right-wing MEPs from eastern Europe emerged during these discussions (Interview 29, Interview 32), but it remained a minority in the EP. Overall, the bulk of political groups in the EP in fact voted in support of the final version of the directive in the plenary session of 14 September 2022 (Figure 7.4).

By contrast, the negotiations were harsh in the Council, due to the combined opposition of Nordic countries (and in particular, Sweden and Denmark) and of countries ruled by radical right parties (Hungary and Poland) (Interview 23, Interview 31, Interview 32). The Portuguese presidency sent in

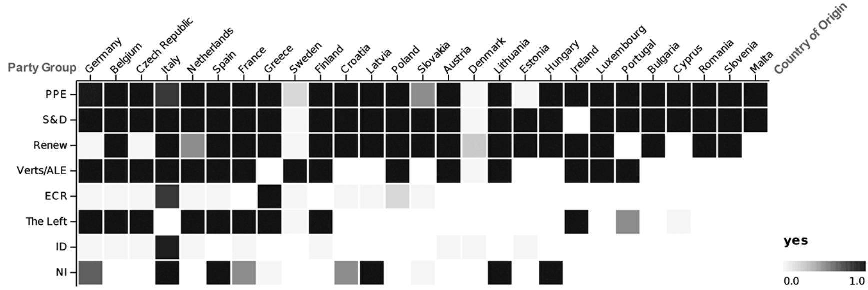

Figure 7.4 Proportion of 'yes' votes cast by MEPs by party group and Member State of origin; EP plenary session 14 September 2022

Note: A value of 1 (black) means all of the MEPs of the party group from a specific Member State voted in favour of the directive. A value of 0 (white) captures all of the MEPs of the party group from a specific Member State voting against the directive or the absence of MEPs from a specific Member State in that party group (for example, there are no MEPs from Croatia in 'The Left' political group).

April a new proposal to the national delegations to move the negotiations forward. Nine Member States (Denmark, Sweden, Poland, Hungary, the Netherlands, Austria, Ireland, Greece and Malta) expressed their wish for the Council to opt for non-binding recommendations instead of a directive. Efforts to reach an agreement also failed during the Slovenian presidency, as the text continued to generate opposition in the EU Council, with seven Member States (Austria, Denmark, Estonia, Hungary, Poland, Malta and Sweden) still calling for a recommendation. The coalition of core and peripheral countries – which included the 'big voters', i.e. Germany and France, but also Italy and Spain – pressed consistently for the adoption of a binding initiative (Interview 26, Interview 27, Interview 32, Interview 35). To overcome the concerns of smaller Member States ruled by conservative governments, some of the dispositions included in the EMW proposal were watered down, particularly regarding the adequacy threshold for statutory minimum wages (Interview 35, Interview 53). As the negotiation progressed, the defence of national systems remained the prerogative of the Nordic and eastern 'demarcationist' governments (Interview 35, Interview 53). These countries opposed the EU initiative on (slightly) different grounds: while Nordic countries were against any intervention that could undermine their social model, Hungary and Poland were generally sceptical because they wanted to maintain their national sovereignty. In December 2021, an agreement on a mandate for the negotiations on the EMW framework was finally reached – only Denmark and Hungary voted against it. An informal agreement between the co-legislators on a compromise text for the EMW directive was then reached in June 2022, formally endorsed by the EP on 14 September and by the Council on 4 October 2022.

4 The multilevel and multidimensional politics of the European minimum wage

Decreasing wages and increasing poverty rates among workers have affected Europe for decades (Figure 7.1), due to the 'erosion' of the protective ability of existing social and labour market institutions, even in countries with a tradition of 'strong' collective bargaining institutions such as the Netherlands (Oude Nijhuis 2023). Yet for a long time this was not recognized as a European problem, which would necessitate a more active role of EU institutions in the face of globalization and the decreasing ability of national labour market institutions to protect the (entire) workforce. Only recently, with the adoption of the EPSR and the new von der Leyen commission taking office, has the issue officially entered the agenda of the European Union.

How should we view such relevant change? Our reconstruction reveals, first, how electoral and coalition dynamics at the national and at the European level shaped the policymaking process. Most notably, some national political events percolated into the European arena and contributed to the outcome described above. In particular, the decision of the SPD in Germany to make the introduction of the *European* minimum wage one of the defining measures of its agenda in the *national* coalition government with the CDU had relevant effects on the European political arena, where similar dynamics were soon reflected. In France, a country where since the mid-2000s the issue of social dumping has been a significant hindrance to the process of European integration, Macron, in his election campaign for the national presidency, proposed a *European* response – the regulation of the MW at the EU level – to this highly politicized issue. In other words, here too, a dynamic of national electoral competition encroached upon the decision-making process at the European level. This suggests the emergence of peculiar 'multilevel' political dynamics behind the adoption of this Euro-social initiative, which cannot be considered exclusively national or supranational.

'Euro-electoral politics' – i.e. the electoral campaigns for the EP and EC Spitzenkandidaten – also needs to be taken into consideration to explain such relevant change. In our reading, as for von der Leyen to be appointed it was necessary to have on board the approval of the S&D and of other centre-left-leaning forces, the key electoral proposal of these parties – the EMW Directive – became part of the agenda of the new Commission. This also allows us to stress the fundamental impetus given by European S&Ds to this initiative. Initially promoted mainly by the French Socialists, with the adoption of the minimum wage in Germany, support for this initiative gradually grew within this European party, finally also including eastern and southern European affiliates – not least due to the long-lasting effect of the sovereign-debt crisis on workers in the European peripheries. In other words, despite the opposition of the Nordics, a clear majority emerged within the European centre-left, which supported EU-wide regulation of minimum wages to the extent that it made it the key proposal prior to the 2014 parliamentary elections, and even more so in the 2019 elections. Other forces of the progressive camp, including the greens and the parties to the left of the S&D, also supported this proposal. Once these political actors were able to put the issue on the European agenda, and despite the persistent opposition of Nordic affiliates, the European trade union movement joined the support coalition, overcoming barriers that had seemed insurmountable in the past. In other words, contrary to what happened in the case of the minimum income directive proposal (Chapter 5), actors in favour of market regulation were able to subsume harsh territorial divides on the EMW under a shared 'ideological' dimension.

While 'pro-market' conservative parties, and in particular the EPP, had to come to terms with this initiative, the only party family that systematically opposed it was Identity and Democracy – i.e. the grouping of nationalist, right-wing populist and Eurosceptic national parties – whose members opposed the initiative both at the national level and in the European political arena. Thus, the integration–demarcation line of conflict also contributed to shaping the policymaking pattern in this policy field (see Chapter 2). As a matter of fact, opposition coming from eastern Europe – i.e. from the Hungarian and Polish governments – is rooted in this ideological ground more than in an interest-based perspective that values low salaries as a crucial competitive advantage for eastern economies (Interview 23).

Finally, this chapter also outlines how long-standing national welfare legacies constrain the options available to authorities at the European level. In countries where minimum wages were set through collective bargaining – notably the Nordic ones, Italy, Austria and, until 2015, also Germany – the governments and social partners were historically critical of the notion of an EMW, which could endanger established social arrangements and policymaking patterns, while perhaps also prescribing wage levels lower than the current ones (Eldring and Alsos 2012; Seeliger 2018). The argument of Nordic social partners and governments against this EU initiative goes exactly along the same lines – though it sometimes encroaches upon more Eurosceptic, demarcationist views. Yet, our findings provide a more dynamic perspective on the role of national policy legacies in shaping EU social initiatives. Both in Austria and in Italy, negotiations within the ETUC and with the Commission allowed initial concerns over an EU-wide regulation of minimum wages to be overcome. Once it was established that the EC proposal was aimed at strengthening the role of collective bargaining, trade unions and governments in these countries sided with supporters of the directive. Furthermore, as stressed above, the groundbreaking change in the crucial national political arena – i.e. the adoption of a national statutory minimum wage in Germany – was a decisive trigger for the European initiative. The latter evidence allows us to suggest that, at least in this case, the multilevel institutional setting of Social Europe constituted an 'institutional wedge' ultimately contributing to the adoption of a Euro-social initiative.[5]

5 Conclusions

This chapter has shown that the policy process behind the directive on adequate minimum wages in the EU, proposed in October 2020 by the EC, was structured along ideological conflict(s) and was mainly driven by the gradual emergence of pro-MW coalitions in key Member States. In our reading, the triggering event was the introduction of a statutory minimum wage in Germany. Immediately after the domestic political and policy shift, the German Social Democrats joined the French Socialists in proposing a European initiative to regulate minimum wages. Against this backdrop, in a context characterized by the long-standing dynamics of workers' impoverishment both in core and peripheral European countries, the launch of the EMW became the key electoral proposal of the European Social Democrats and of the other progressive forces in the EP. As such, it became part of the agenda of the new von der Leyen Commission. However, as the EC officially launched the EMW proposal, strong opponents emerged. The most vocal opposition came from Nordic countries, which were aiming to defend their national social model against the 'intrusiveness' of the EU. The strange bedfellows of Scandinavian countries are nationalist *demarcationist* forces, and in particular the radical right-wing governments in Hungary and Poland.

It is worth noting that both coalitions – the one in favour and the one against the EMW – directly associated this directive with the very essence of the European polity. On the one side, the spectre of EU *disintegration* was raised against the proposal. In an interview with *Bloomberg*, the Danish Employment Minister Peter Hummelgaard Thomsen said that sovereignty over labour laws has always been a condition of EU membership for Denmark, since the labour unions agreed to EU membership based on an assumption 'that handing over authority to the EU would not endanger the Danish labour market model' (*Bloomberg* 2021). The Danish government thus foreshadowed the possibility of leaving the EU if this proposal was adopted by the Council. On the supporting side, however, it is argued that the EMW would guarantee the *survival* of the polity, since, by bolstering European workers' social rights, it would perform a crucial 'polity maintenance' function. France's President Macron warns that 'Europe has never been in so much danger', as it risks being perceived as a 'soulless market' unless the Member States support the introduction of a 'social shield for all workers, guaranteeing the same pay for the same work, and an EU minimum wage, appropriate to each country, negotiated collectively every year'. On a similar note, in the CDU-CSU-SPD 2018 coalition agreement it was stated that 'those who consistently fight against wage dumping and social inequalities in economically weaker countries in Europe will also protect the welfare state and the social market economy in Germany', thus equating the progress of the EU social market economy with that of Germany. In other words, governments in key Member States (i.e. Germany and France) mobilized 'positively' on this dimension, arguing that Social Europe was fundamental to preserve (also) their national (social) polity.

Notes

1 Finland shares a similar system, with the difference being that collective agreements are generally extended.
2 The Commission's proposal is based on the fundamental assumption that 'in the majority of Member States with national statutory minimum wages, minimum wages are too low vis-à-vis other wages or to provide a decent living' (European Commission 2020).
3 As we will outline below, the EMW was not always discussed with reference to the opportunity to introduce a directive on that matter; the issue often emerged in the scope of broader debates over the 'social dimension' of the EU and, notably, when political tensions over social dumping escalated in the context of the revision of the Posted Workers Directive (see Chapter 6 in this book).
4 The European Pillar of Social Rights, launched in 2017 by the Juncker Commission, includes a point on workers' right to fair wages, which reads: 'Workers have the right to fair wages that provide for a decent standard of living. Adequate minimum wages shall be ensured, in a way that provides for the satisfaction of the needs of the worker and his/her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. In-work poverty shall be prevented. All wages shall be set in a transparent and predictable way according to national practices and respecting the autonomy of the social partners.'
5 The notion of an institutional wedge, which Ferrera (1993) introduced, refers to an accidental or partial change in the institutional configuration, which has unintended consequences and might modify the structure of constraints and opportunities in which political actors move, opening up new spaces of action and the possibility of institutional change.

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8 Compensating for the net-zero transition

The politics of establishing the Just Transition Fund and Social Climate Fund

1 Introduction

The years 2018–2020 were critical in the race to mitigate climate change: the emergence of a massive transnational protest movement, led by Fridays for Future, coupled with the increasingly visible daily effects of rising temperatures and the swelling recurrence of climate disasters, significantly raised the salience of climate change in the public sphere of many western societies (Kalatzi Pantera et al. 2023; Kyriazi and Miró 2023). Climate issues gained centrality in the agendas of mainstream political parties (Schwörer 2024) and public institutions (Tooze 2021), creating a momentum for deep policy change.

In the EU, the von der Leyen Commission (2019–2024) adopted in 2019 the European Green Deal (EGD), a reform agenda aimed at reducing greenhouse gas emissions in the EU by 55 per cent by 2030 compared to 1990 levels, and to achieve climate neutrality (i.e. no net emissions of greenhouse gases (GHGs)) by 2050. By early 2024, the EGD had been translated into 33 policies – including the phase-out of internal combustion engines by 2035, the introduction of a carbon border tariff, or subsidies to produce electric cars – and into €600 billion from the Next Generation EU (NGEU) plan and the 2021–2027 Multiannual Financial Framework (MFF) to finance these initiatives.

One of the EGD's building blocks is the so-called 'Just Transition' framework. 'Just Transition' is a notion originally developed within the ranks of the trade union world to underline the detrimental consequences that some decarbonization policies have for workers and social inequalities, and the concomitant need for policy measures that soften them (Mandelli et al. 2023). In Europe, the European Trade Union Confederation (ETUC) has supported the idea of a just transition since the early 2000s, contributing to its elaboration and diffusion in the EU institutions (see, for example, ETUC 2016, 2021; see also Interview 2). The EU, in its turn, has operationalized the notion of a just transition in the EGD through a patchwork of initiatives: the Council recommendation on ensuring a just transition, integrated in the European Semester, provides a toolbox for Member States to manage the

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employment effects of a net-zero transition (Council of the EU 2022); the European Skills Agenda for Sustainable Competitiveness, Social Fairness and Resilience is aimed at equipping the workforce with the necessary skills for the green transition; the Energy Poverty Observatory, established in 2019, provides a forum to exchange best practices to tackle energy poverty; and the Modernization Fund, established in 2018, aims to provide, for the 2021–2030 period, close to €57 billion for 13 low-income Member States to support investment in energy efficiency, energy connectivity and sources of renewables.

Nonetheless, the two core just transition instruments that have been established by the EU as part of the EGD are the Just Transition Fund (JTF) and the Social Climate Fund (SCF), agreed in 2021 and 2023 respectively. They are both redistributive mechanisms that contain important social policy elements, though not only that. While the JTF has a regional perspective, focused on supporting the transition of fossil fuel-dependent regions through industrial policy and social investment, the SCF is a targeted instrument aimed at helping vulnerable households, microbusinesses and transport users to finance investments in energy efficiency and renewables.

Drawing on policy documents, media reporting and 14 elite interviews (see the Appendix), this chapter analyses the design of the SCF and the JTF and explains the politics of their establishment. With regard to the policy processes that led to the creation of both instruments, we show that they were driven by the imperative to ensure the buy-in of numerous reluctant stakeholders to the EGD's implementation. At the same time, however, the existing literature on the design of both instruments agrees that they fall far short of having sufficient financial firepower to secure the social ambitions that their promoters set for them (Borowiecki et al. 2023: 49; Crespy and Munta 2023). How can we make sense of this paradox? Why did reluctant stakeholders agree to policies that they know are insufficient to meet their demands? Is this another instance of the 'failing forward hypothesis' (Jones et al. 2016) shaping intergovernmental negotiations in the post-Maastricht era?

This chapter argues that the final design of the JTF and the SCF is not only explained by the lowest-common-denominator logic shaping intergovernmental agreements in the EU, though this has indeed been a crucial factor. The reality of just transition policies in the EU is not purely a matter of intergovernmental negotiations, nor of economic principles or interest-group politics. Rather, it is a complex tug of war between environmental ambitions, the 'backlash' politics that are born out of them and the politics of redistribution in a 'compound polity' (Ferrera et al. 2023) of national welfare states. More specifically, the JTF and the SCF represent instances of the 'side-payment logic' that was identified four decades ago by Peter Lange (1993; see also Carrubba 1997; Thielemann 2005) as a key driver of European integration in social policy: the expansion of the so-called 'social dimension' of the integration project is dependent on progress in other, arguably more important areas. Importantly, however, this expansion tends to come as a political, rather than economic, compensation for those Member States that are reluctant to accept integration in these other areas; as a consequence, it tends to leave largely unmet the functional necessities that motivated them in the first place. Lange (1993: 23) saw the 'political logic' of the side payments as more significant than the economic one because 'even if the size of the transfers is not commensurate with the full costs of the policy changes, the governments gain political credibility and can war off immediate opposition' by claiming that they extracted compensatory payments.

Informed by this logic, the establishment of the JTF was linked to the approval of the 2021 European Climate Law, which wrote into law the goal for Europe to become climate-neutral by 2050; in turn, the SCF's approval was linked to the reform of the EU-ETS (Emissions Trading System), the EU's carbon emission trading scheme that started in 2005 but was significantly expanded and strengthened in 2023. To make both policies possible, we point towards a final crucial element: the role of 'policy entrepreneur' (Mintrom 2000) played by the European Commission in relation to the making and breaking of coalitions: in both policy processes, the Commission was able to secure the support of heterogeneous groups of actors, including disarticulating the opposition of eastern European Member States to ambitious climate action.

The chapter is organized as follows. Section 2 introduces the restructuring pressures entailed by the net-zero transition in the EU context and how they shape the politics of decarbonization. Sections 3 and 4 analyse the policy-making processes leading to the establishment of the JTF and the SCF, paying particular attention to the fault lines that shaped them and the logic of the compromises that were made. In Section 5 we present our argument in detail by reconnecting the strengths and limitations of the EU's just transition agenda to the political dynamics that underline it.

2 Employment and social repercussions of decarbonizing the EU

The transition to net zero is a costly endeavour. In the EU, it is calculated that up to €40 trillion must be invested by 2050 to decarbonize the economy (equivalent to circa 10 per cent of the current EU GDP) (Institut Rousseau 2024). Although eye-catching, a big chunk of this investment can come from reallocating current expenditure that is detrimental to the reduction of greenhouse emissions: in 2022 alone, the EU spent close to €5 trillion on importing fossil fuels (Institut Rousseau 2024).

The EGD rests on the premise that the amount of investment involved in the green transition will translate into a Keynesian demand boost and thereby into employment gains. However, at the same time, the transition will also involve surging energy prices and relative price changes, which will translate into accelerated obsolescence of existing capital stock, especially in the energy, transportation, manufacturing and building sectors. This will imply an adverse supply shock. Overall, at the aggregate level, most macroeconomic models do not show significant effects on aggregate output and employment (European Commission 2020b; D'Aprile et al. 2020; Vandeplas et al. 2022). According to the models used by the European Commission (2020b: 84–85), the effects on total employment in the EU as a whole vary from −0.26 per cent (about 494,000 jobs lost) to +0.45 per cent (848,077 jobs gained) in 2030 under a 55 per cent level of GHG reductions ambition. A crucial variable impacting upon these models is the use of carbon revenues, with the most effective deployment, in terms of employment gains, being the financing of the reduction of labour taxation for low-skilled workers (European Commission 2020b: 85).

Despite limited aggregate effects, all models indicate challenging shifts in the sectoral composition of employment, which underscore the importance of distributional effects of decarbonization. There will be 'winners' and 'losers' from the net-zero transition. Employment gains are expected in electricity supply, construction (which will benefit from a renovation wave) and manufacturing, particularly of equipment goods (due to the increased production of energy-efficient and renewable technologies) (Eurofound 2019; European Commission 2020b). For other sectors, such as market services and agriculture, the outcome will depend upon the policy mix. In contrast, employment losses will be concentrated in fossil fuels extraction and processing. For example, under the 55 per cent emissions reduction scenario, employment in the coal sector is expected to decline by about 50 per cent by 2030 (that is, a drop to around 65,000 jobs) (European Commission 2020b: 86).

While these figures are not consequential in terms of total employment, they do imply severe impacts for some regions and local communities, particularly those specializing in carbon-intensive industries. Many of these regions developed around an industry that provided them with steady and well-paid employment and a sense of community, and therefore they might perceive the net-zero transition as a threat to their identity. But the net-zero transition is also challenging for poor and rural regions more generally, not only because they specialize less in knowledge-based activities that tend to pollute less (Driscoll 2024), but also because their fiscal capacity to invest in the transition is lower. In fact, if they are forced to invest in these policies, investment in other sectors might be crowded out, reducing the potential for long-run growth. The net-zero transition thus has the potential to accentuate regional divergences within the EU: while northern Europe and the Alpine area have the highest levels of readiness for the green transition, the southern regions of Italy, Spain and Greece, the regions along the EU's eastern border (from Latvia to Bulgaria), and the mining areas of Slovakia, Hungary and Czechia face the greatest employment and development challenges (Maucorps et al. 2023: 108).

As for the impact across occupational levels, both CEDEFOP (2021) and Eurofound (2019) expect the net-zero transition to favour job creation for all skill groups, but especially for low- and medium-educated employees. In terms of labour market performance, the greatest challenge posed by the green transition is to tackle frictions resulting from potential mismatches between the demand for, and supply of, 'green' skills, a mismatch compounded by the regional shifts in employment mentioned previously. The reskilling challenge is gigantic: McKinsey forecasts that up to 18 million workers will need retraining to meet the demands of the transition (D'Aprile et al. 2020), which will require significant investment in education and vocational training systems.

Offsetting such a positive impact on the demand for low-skilled labour, climate mitigation policies have in general regressive distributive implications across income groups. Decarbonization of the economy relies primarily on carbon pricing. The pricing can be explicit (taxation and cap-and-trade systems) or implicit (regulation), but the aim is the same: to increase the relative prices of fossil fuels and their associated products in order to nudge consumption towards greener technologies. This passes on the costs of the transition to private actors, including consumers. The upshot, however, is regressive, as these costs will be higher as a percentage of income for low-income earners than for high-income individuals (Boyce 2019).

Such distributive implications constitute key drivers of opposition to climate policy action (Schaffer 2024), even nurturing large-scale protests such as the Gilets Jaunes movement in France in 2019 (Driscoll 2023) and the farmers' protests throughout the EU in 2024. They are also behind the persistent reluctance of industrial trade unions to adopt climate mitigation policies (Thomas 2021). The concentrated effects of climate action upon specific economic sectors, as well as its regressive implications, disproportionally affecting both low-income individuals and peripheral regions, nurture polarization which, when compounded by the urban–rural and educational divides that have been building up across western societies over the last few decades (Tatham and Peters 2023), can make decarbonizing initiatives politically costly (Maestre-Andrés et al. 2019). In fact, research shows that while solid majorities exist across western societies in favour of climate policy, the levels of support fall when people are confronted with its costs (Colantone et al. 2024). This is one of the key aspects shaping the politics of climate mitigation: while the benefits of taking climate action are diffused and reaped in the long term, its costs are targeted and immediate.

Given the wide disparities when it comes to the territorial distribution of these costs, social support for climate action is also uneven across Member States: for instance, while up to 82 per cent of citizens surveyed in Denmark think that fighting climate change 'can have positive outcomes for citizens in the EU', this number is reduced to 48 per cent in Estonia (the EU average being 62 per cent) (European Commission 2021b).

National executives' positions on EU climate action depend not only on how much support green policies enjoy in their societies, but also on their investment capacity and the degree to which their economic models rely on EU assistance. Economically more developed Member States are generally likely to support the expansion of green initiatives but still be reluctant to pay for EU-level compensation. Conversely, governments with weaker budgetary footings, mainly in the EU's eastern and southern peripheries, are more reluctant to endorse the climate agenda but are inclined to demand EU-level financial transfers to support it. In fact, territorial conflict lines, usually following the east–west divide, seem to shape European climate policy more than in other policy fields (Toshkov 2017).

Research shows that introducing compensatory schemes alongside climate policies can placate these oppositions (Carattini et al. 2019). Commonly referred to as 'carbon dividends' (Boyce 2019), the idea behind these policies is simple: to channel to citizens, via tax rebates, income payments or other mechanisms, the revenue obtained from carbon pricing. Indeed, this was the original intention behind the European Union's SCF, to which we will devote the following sections.

3 The Just Transition Fund: expanding its scope while narrowing its resources

In December 2019, the European Council endorsed the objective of achieving a climate-neutral EU by 2050. This was translated in March 2020 to the European Commission's legislative proposal for a European Climate Law, which set up a legally binding target of net-zero greenhouse emissions by 2050 and empowered the Commission to adopt delegated acts setting out a trajectory to reach the target.

The Conclusions of the December 2019 European Council were agreed by all the Member States except one: Poland. Poland had already been the most outspoken opponent of EU climate policies in the previous decade. It opposed the 2010 and 2018 revisions of the EU-ETS, heading a coalition of central and eastern European (CEE) countries that was able to water down the stringency of the schemes (Ćetković and Buzogány 2019; Skjærseth 2018). The reasons behind the opposition of the six CEE countries (Poland, Hungary, Slovakia, the Czech Republic, Bulgaria and Romania) to climate action relate to the dependence of their energy sectors on coal and natural gas. The most extreme case of this industrial energy mix is Poland, which is the only country in the EU that is set to experience net job losses as a result of decarbonization (Eurofound 2019). In 2022, 79 per cent of the electricity consumption of the country came from fossil fuels, as compared to 39 per cent in the EU27.[1] Of this 79 per cent, close to 80 per cent comes from indigenous coal, mostly produced in the Upper Silesia region. While in the EU27 annual emissions of carbon dioxide from coal, measured in tonnes per person, are 1.59, in Poland this figure rises to 4.40.[2] Consequently, the climate position of Polish governments from both the left and the right has been strongly influenced by the preferences of domestic vested interests, chief among them being miners' trade unions and cross-sectoral business associations with strong connections to the government (Zuk et al. 2021). Further complicating matters, the recent illiberal trend that has gained traction in some CEE countries in the last decade has exacerbated the opposition to climate action by framing it as a part of the 'culture wars' that populist politicians of the region have been fuelling. In Poland, for instance, decarbonization imperatives were usually framed by the Law and Justice government as an external infringement upon national sovereignty (Zuk et al. 2021).

It was in response to these oppositions to decarbonization that the idea of compensating the most affected regions emerged. Already in the Conclusions of the December 2019 European Council, EU leaders had emphasized 'the need to put in place an enabling framework that benefits all Member States and encompasses adequate instruments, incentives, support and investments to ensure a cost-effective, just, as well as socially balanced and fair transition' (European Council 2019: 1). The first concrete proposal for a fund to finance the mitigation of the painful impacts of the green transition was floated by an influential conservative MEP and former Prime Minister of Poland, Jerzy Buzek (EPP), in preparation for the impending negotiations of the EU's budget for the 2021–2027 period. Buzek, who was a key policy entrepreneur during this initial phase (Interview 1, Interview 3) intended the fund to concentrate on coal regions and therefore to be a targeted measure for eastern and central European states. Later on, in 2018, the European Parliament, in its interim report on the negotiations on the 2021–2027 MFF, called for the introduction of a specific allocation (€4.8 billion) for a new 'Just Energy Transition Fund' to address socio-economic impacts on workers adversely affected by the transition from coal and carbon dependence (European Parliament 2018). Both proposals advocated the creation of a transition fund targeted to benefit coal-dependent regions in eastern and central Europe. However, the then Commissioner for Employment and Social Affairs, Marianne Thyssen, resisted the idea of creating a separate fund and advocated using existing programmes (i.e. the European Social Fund Plus and the European Globalisation Adjustment Fund) to tackle it (Kyriazi and Miró 2023).

Only when pressures to adopt the climate neutrality goal for 2050 intensified did the decisive impetus for a stand-alone financial instrument solidify. The Polish government, joined by a handful of other eastern Member States lagging in their energy transitions, signalled that they would only sign off to the EU's climate targets in exchange for financial assistance. Demonstrating the resolve of this coalition, the European Council meeting held in June 2019 failed to agree on a landmark climate strategy for 2050, as the leaders of Poland, the Czech Republic, Estonia and Hungary continued to oppose it while calling for the establishment of a 'compensation mechanism' (*Euractiv* 2019a).

Even though in public statements Frans Timmermans, Executive Vice-President of the EGD, promised a 'three-digit' number for the JTF (*Euractiv* 2019b), these assurances fell short of convincing the Polish government, which eventually opted out of the EU's 2050 neutrality target in the European Council meeting of December 2019. Nonetheless, after lengthy negotiations at prime ministerial level, all other EU Member States supported the target. While public reaction to the Polish opt-out remained level-headed, this was no doubt received with considerable consternation (i.e. as a transparent attempt to extract more money). French president Emmanuel Macron cautioned that Poland should not receive funds if its government did not pledge to meet the EU's climate goals beforehand (*Euractiv* 2019c). The idea of making access to the JTF formally conditional upon committing to the EU's climate objectives (see below) arose in this context.

The discussion over the future JTF became enmeshed with the negotiations over the 2021–2027 MFF. A group of western Member States (France, Germany, Italy and Spain) agreed on the need to establish a just transition financial instrument but pushed for extending the eligibility criteria from only the low-income, coal-dependent eastern states to include regions facing high transition costs in all EU countries. As Polish actors who had championed the original proposal came to realize that a broader pool of potential beneficiaries would mean less money for each individual region, they pushed for an even larger JTF. They were joined by a wide and heterogeneous coalition of 'strange bedfellows' mobilizing for a generous JTF, which included environmental NGOs, energy companies (e.g. Wind Europe) and energy business associations (e.g. Euracoal), workers' unions, and left-wing political groups (Kyriazi and Miró 2023). Nevertheless, a sizeable JTF meant an increase in the EU budget, which was facing intense opposition from net contributor countries, especially the so-called 'Frugal Four' (Austria, Denmark, the Netherlands and Sweden) and Finland. These northern countries were not against stepping up climate action – quite the contrary: being part (except Austria) of the Green Growth Group, active since 2013, they had been pressuring to intensify climate stabilization efforts at the EU level (*Euractiv* 2018; Green Growth Group 2013). But at the same time, the Frugals were reluctant to establish new EU-level redistributive instruments, not only due to budgetary concerns but also to subsidiarity concerns. Finally, other western Member States facing fewer energy-based transition problems (mainly Spain and Portugal) perceived the original JTF proposal as being too narrow in its scope because it did not cover polluting industries (agriculture, plastics production) beyond the fossil-related ones.

In January 2020, the Commission tabled the official proposal for regulation of the JTF (European Commission 2020a). The proposal equipped the JTF with a budget of €7.5 billion in the 2021–2027 MFF, complemented by the ERDF, the ESF+ and national co-financing. The allocation method ensured a concentration of funding in regions with the biggest transition-related challenges. The scope of the fund covered investments aimed at a wide range of activities, from economic diversification and reconversion to decontamination of sites and targeted support for workers. Disbursement of funds was going to be based on the preparation of 'territorial just transition plans' by the Member States, together with the authorities of the territories concerned and the relevant partners. In addition, the JTF was proposed as part of the wider Just Transition Mechanism (JTM) package, which included two further instruments. A dedicated scheme (InvestEU) to provide budgetary guarantees to cover projects for energy and transport infrastructure (including gas infrastructure) and decarbonization projects, and a Public Sector Loan Facility with the European Investment Bank aimed to mobilize additional green investments for the regions concerned.

The COVID-19 pandemic in the spring of 2020 reshaped the debate on the MFF and the JTF. Experience of previous economic crises, such as the 2009–2012 euro crisis, suggested that environmental policy may be set aside in order to deal with the shocks (Pollex and Lenschow 2020: 21). Nevertheless, the Commission used the EU's response to COVID-19 to reinforce the EGD (Ferrera et al. 2024: 108). The Commission amended its JTF proposal in May 2020, increasing its budget from €7.5 to €40 billion.

Despite welcoming the Commission's proposals, the 'unlikely coalition of strange bedfellows' kept pressuring for a larger financial envelope. For instance, the European Parliament called for increasing the co-financing rate to 85 per cent, with transfers from the ERDF and ESF+ on a voluntary basis. The Parliament also proposed a green rewarding mechanism for Member States reducing their GHG emissions faster, as well as an extension of the scope of the activities supported by the fund, to include, among other things, investments in childcare, education or elderly care facilities. This reflected more profound differences in the social objectives held by the different actors: the 'grand coalition' majority in the EP saw in the JTF not only a compensation measure to bring laggards aboard the EU's climate agenda, but also a means of advancing broader social policy goals that could alleviate a range of transition-related social consequences. At the same time, the EP backed a derogation from excluding investments in natural gas under certain conditions. The final proposal to be negotiated with the Council generated significant opposition: in the plenary vote, 417 MEPs voted in favour, 141 against and 138 abstained. Support came from the EPP, the S&D and Renew, while the Greens/EFA were mostly against it. Most Eurosceptic MEPs on the right (ECR, ID) and left (GUE/NGL) either abstained or opposed the proposal. Broken down by country affiliation, a majority of Danish MEPs from across the political spectrum was against the proposal, and considerable opposition came from France, Poland, the Netherlands, Belgium and Germany. Twenty-three of the Polish MEPs who voted in favour were from the EPP and the Socialists, with votes against coming from the ECR.

The issue on the financing of natural gas infrastructure through the JTF became very contentious. While the Commission and the Council agreed to exclude gas projects from the JTF, a majority in the EP was calling for them to be eligible, considering natural gas a 'bridge technology' for the transition. Environmentalist NGOs denounced this position in the strongest possible terms, while some floated the suspicion that it was the result of 'gas lobby' influence (Interview 4; *Euractiv* 2020a).

Apart from the inclusion of natural gas and the financial volume of the instrument, two further aspects were contentious. First, as the Polish government continued to drag its feet on the European Climate Law, calls for conditionality such as the one articulated by France's President Macron became more explicit (Euractiv 2020b). Second, some net contributors to the MFF (France, the Netherlands, Austria, Denmark and Luxembourg) were also concerned about the successful realization of decarbonization measures given the weak implementation record of EU recommendations in eastern and southern Europe. As a response, in June 2020 the Commission proposed the launch of the Just Transition Platform to assist Member States with drafting their Territorial Just Transition Plans and to ensure that the funds would be used correctly.

The inter-institutional negotiations on the JTM concluded with a final agreement on 9 December 2020 (Council of the EU 2021a). Broadly speaking, the features of the final design are more in line with the priorities of the western and northern Member States. In relation to the size of the fund, the agreement came close to the Frugals' position, settling the JTF budget at €17.5 billion (€7.5 billion from the MFF and €10 billion from the NGEU), while the total amount of financing to be mobilized under the JTM is €55 billion. As regards conditionality, JTF funding is linked to Member States committed to the 2050 net-zero target, with only 50 per cent of the national allocation available to countries that fail to do so. In addition, the two-step conditionality-based governance mechanism proposed by the Commission was also adopted, i.e. pre-allocation of the funds followed by detailed Territorial Just Transition Plans to be approved by the Commission. In regard to the other quarrelsome issue of the energy mix, investments related to natural gas and nuclear energy were excluded from the JTF, though natural gas investments were declared eligible for ERDF funding, which was being negotiated in parallel with the JTF (Interview 16). The compromise text also included the Green Rewarding Mechanism proposed by the European Parliament.

Also more in line with the concerns of western Member States, JTF funding is allocated according to several criteria that balance social and environmental indicators: the level of employment in the mining of coal and lignite, the regional production of oil shale and peat, the level of employment in carbon-intensive manufacturing, and national GNI per capita (European Union 2021). This allocation method should ensure, in accordance with the Regulation, that 'the distribution of funds is sufficiently concentrated on Member States where the challenges are most important, while offering a meaningful support to all Member States'. According to the initial calculus of the Council, Poland (20 per cent of the total fund) and Germany (12.9 per cent) are the two main beneficiaries of the fund.

Also more in line with the concerns of some western Member States and the European Parliament, the range of activities that can be funded under the JTF include a wider scope than initially proposed by the Commission. In the final agreement, the eligibility scope was broadened to finance: (1) upskilling and reskilling of workers; (2) job-search assistance for jobseekers; (3) investments in SMEs (including startups) that lead to economic diversification and reconversion; (4) investments in research and innovation that foster the transfer of advanced green technologies; (5) investments in digitalization; (6) investments in the deployment of green infrastructure; (7) investments in land restoration and the decontamination of sites; and (8) investments in education, social inclusion, and childcare and elderly care facilities in transitioning regions. Assigning so many tasks to a single instrument might prove problematic, since it risks dispersing limited funds due to the diversity of the aims pursued. According to the OECD (2023), the JTM would be more effective if it concentrated its available resources on policies with the greatest impact on worker reallocation, such as training, job placement and mobility programmes. However, this feature of the design of the JTF stems from the messy coalitional politics that made its approval possible. And indeed, in the final vote in the European Parliament, the proposed Regulation significantly reduced the opposition to it: 615 for, 35 against and 46 abstentions, with opposition coming only from the Eurosceptic right.

4 The Social Climate Fund: inching closer to the just transition

Like the JTF, the SCF initiative was propelled onto the agenda as a social complement to EU green legislation, in this case the 2023 revision of the EU Emissions Trading System Directive (EU-ETS), which was in turn part of the ‘Fit for 55’ package. Despite many limitations, the EU-ETS is the most effective cap-and-trade system in the world (Cullenward and Victor 2021). First introduced in 2005, it was revised in 2008, 2013 and 2021. Emissions trading schemes like the EU-ETS set a limit on the amount of carbon emissions permitted by an economic sector to meet previously defined climate stabilization goals. By selling a limited number of permits to private companies, a specific quantity of greenhouse gases is allowed to be discharged over a specified period of time. Polluters are required to hold permits in an amount equal to their emissions, and they can sell or buy these permits from other polluters. Therefore, although letting the market figure out the price of emissions, cap-and-trade schemes translate into progressive increases in the price of fossil fuels and carbon-related activities.

Given these transparent impacts upon energy prices, one of the main setbacks of cap-and-trade schemes is the political resistance from private actors, which has historically undermined their effective implementation (Cullenward and Victor 2021). During the 2018 revision of the EU-ETS, lobbying efforts by business associations, and also by some industrial trade unions such as IndustriAll, successfully reduced the stringency of the scheme by ensuring a wide pool of allowances, which depressed CO_2 prices for many years (Thomas 2021). These were also the initial reactions when the

Commission announced the plan to reform the EU-ETS in 2023, with countries from southern and eastern Europe raising concerns about the political feasibility of the initiative. Policymakers did not hide the fact that their concerns were influenced by the long shadow of the Gilets Jaunes movement: for instance, the chairman of the European Parliament's environment committee, Pascal Canfin, initially warned against the reform, saying it was 'politically suicidal' (*Euractiv* 2021a).

The negotiations over the ETS revision started in 2021 and were agreed in 2023, introducing three main novelties (European Union 2023): first, a reduction in the quantity of allowances; second, the elimination of free allowances (both elements implying greater scarcity of permits and thereby raising prices); and third, an extension to the maritime, road transport and building sectors, which will increase energy bills for companies and consumers.

Anticipating political resistance to this reform, the Commission called for a proportion (25 per cent) of additional EU-ETS revenues to be spent on a financial compensation scheme called the 'SCF'. In the original proposal tabled in July 2021 (as well as in its final form), the SCF was a highly targeted instrument, narrowly aimed at compensating 'vulnerable households, vulnerable micro-enterprises and vulnerable transport users' for the price increases stemming from the new EU-ETS (European Commission 2021a: 2). The final Regulation states that the 'overall amount of the SCF [...] should reflect the level of decarbonization ambition from the inclusion of greenhouse gas emissions from buildings, road transport and additional sectors within the scope' of the EU-ETS (European Union 2023: 3). In the first proposal, this was translated into a financial envelope for the 2025–32 period of €72.2 billion. According to both the proposal and the final regulation, the SCF is dedicated to financing two types of action: temporary direct income support and investments to reduce reliance on fossil fuels through the increased energy efficiency of buildings and the decarbonization of heating of buildings; and investments to improve access to clean energy transport (especially in rural and remote areas). Like the JTF, to access funding, Member States would have to submit Social Climate Plans to be approved by the Commission and would be required to co-finance at least 50 per cent of the proposed measures. Frans Timmermans committed to the SCF regulation entering into force at the same time as the deadline for the transposition of the revised ETS directive. Nevertheless, civil society actors were mostly critical of the Commission's plans (e.g. ETUC 2021), opposing the extension of the EU's carbon markets, and/or requiring stricter social and climate conditionalities (E3G).

In the Council of Ministers, the lines of contention during the policy process were almost the same as those of the JTF's negotiations, broadly splitting net beneficiaries and net contributors to the EU budget (Interview 62, Interview 63). On the one hand, a group of western and northern Member States (chiefly the Frugals and Germany), while pushing for a stronger EU-ETS, disputed the necessity of another fund on top of the JTF and Cohesion

Policy (see Council of the EU 2021b). During the negotiations, the Nordic governments (Denmark, Finland and Sweden) submitted a joint statement to the Council of the EU in which they argued that '[w]hile we agree with the need to address any negative effects of the ETS2 on the most vulnerable, we do remain critical of the size and support of direct incomes in the SCF' (*Agence Europe* 2022b). On the other side were most governments from eastern Europe that were wary of the reform of the EU-ETS and demanded more generosity for the SCF (Estonia, Romania, Bulgaria, Slovakia, Hungary, the Czech Republic and Lithuania), while the Polish government advocated adopting an SCF that would be completely disconnected from the ETS revision (*Euractiv* 2021c; *Agence Europe* 2022a). Southern European Member States called for both a stronger EU-ETS and a generous SCF (*Financial Times* 2021), a position around which, albeit deviously, most CEE governments would progressively coalesce. Nevertheless, the ministers of Poland and Estonia eventually voted against the Council's guidelines on the inter-institutional negotiations of the dossier. Importantly, while the proposal for regulation of the SCF was subject to the ordinary legislative procedure, approval of the EU-ETS (i.e. the adoption of a new own resource for the Union) requires unanimity in the Council.

In the EP, the grand coalition formed by the EPP, Renew and the S&D were the main defenders of the SCF (*Euractiv* 2022). Prior to that, in a series of own-initiative resolutions, the EP had brought attention in particular to the threats of 'transport poverty' and 'energy poverty', two concepts that were lifted into the final Regulation. When the idea of the ETS reform was floated, MEPs from the Left, Greens, the majority of Renew and a large part of the S&D had been very reluctant to endorse the ETS extension because they considered it socially regressive, and, while overall supportive of the Commission's initiative, nonetheless there were 'pockets of discontent' present too in the EPP (*Euractiv* 2021b). The SCF file was referred to the ENVI Committee and to the Committee for Employment and Social Affairs (EMPL). Party groups reportedly clashed over the broader ETS reform: the EPP insisted on putting a carbon price on emissions from transport and buildings; the Socialists and Greens warned this would push up consumers' energy bills and required larger compensation (*Euractiv* 2022). The link between the new SCF and the ETS-2 system was also disputed, especially by left-wing MEPs. This echoed what the EESC and other progressive actors (e.g. Defard 2021) had been suggesting, along with the Polish government, namely not extending the EU's carbon markets but nonetheless retaining the SCF as a general instrument accompanying the green transition targeting vulnerable citizens. This idea was soundly rejected, as without the ETS revision the SCF would have no reason to exist (Interview 60). On 22 June 2022, the EP plenary adopted the amendments to the Commission's proposal once again with a large majority: 479 votes in favor, 103 against and 48 abstentions. The bulk of the opposition came from the ECR, ID and NI groups (88 of the 103 'no' votes and 30 of the 48 abstentions). Looking at the votes by country, as in the case of the JTF, the Danish delegation was most opposed overall, followed by Poland. In the latter case, all ECR delegates voted against; the rest (from the EPP, Renew, Greens/EFA and the S&D) voted in favor. As PiS representatives belong to the ECR, this suggests that, more than ideological conflict, a government–opposition pattern prevailed. As for the country affiliations of other MEPs opposing the report, this was somewhat different than for the JTF, with most opposition now coming from Finland, Czechia and the Netherlands, while a large proportion of Hungarian MEPs abstained.

Council–Parliament negotiations were conducted in parallel with the broader EU-ETS file, concluding on 18 December 2022. The final text settled the financial volume of the SCF at a lower level than the Commission's proposal: up to a maximum of €65 billion (depending on the carbon price) for the period 2026–2032, with an additional 25 per cent co-financed by the Member States. As in the case of the JTF, the end result is an instrument whose efficiency is impaired by its reduced financial size. A ceiling of 37.5 per cent would apply to the share of temporary direct income support financed under national social climate plans. According to the final allocation criteria agreed, Poland will receive the largest share of SCF funding at 17.60 per cent, followed by France (11.19 per cent), Italy (10.81 per cent), Spain (10.52 per cent) and Romania (9.25 per cent). Other central and eastern European countries, including the Czech Republic (2.4 per cent), Hungary (4.33 per cent) and Slovakia (2.35 per cent), will also benefit substantially from this funding, despite their smaller populations. However, in the Council, Poland continued to oppose the regulation, explaining in a statement that 'making the creation of the Social Climate Fund conditional on the introduction of solutions that place an additional burden on households, thereby increasing and deepening poverty, is inappropriate' (Council of the EU 2023). In the final Council vote, the Finnish government voted against, while Poland and Belgium abstained. In the EP plenary session, the agreement passed with a very comfortable majority, with 521 in favour, 75 against and 43 abstentions. Opposition, as with the JTF, came mainly from the Eurosceptic right. Broken down by country affiliation, most opposed were MEPs from Finland and Denmark, while a large proportion of Polish MEPs (belonging to the ECR) abstained.

5 The political dynamics shaping the EU's agenda: overview and conclusion

EU climate action gained momentum in 2019 with the launch of the European Green Deal, which is aimed at achieving climate neutrality by 2050. Central to this endeavour is the concept of a 'just transition', which was mainly, though not only, operationalized through the establishment of two redistributive instruments, the JTF and the SCF. This chapter has interrogated the conditions of possibility for the adoption of these two tools.

Our analysis shows how the JTF's and SCF's adoption reflected a side-payment logic that has long characterized EU (social) politics (Lange 1993):

while in the 1990s Social Europe was largely a by-product of the market domain, in the last decade social policy measures have accompanied integration in other areas, such as climate and energy policy in relation to the JTF and SCS. In other words, the adoption of these instruments has been instrumental in ensuring consensus for important EU green legislation by bringing climate-laggard governments on board. In this sense, although both instruments contribute to strengthening the social dimension of the integration project, they do not depart from the well-established paradigm of understanding Social Europe as a complement to other integration steps.

The adoption of the JTF and SCF could not, however, be taken for granted. Several actors, anxious about budgetary, subsidiarity and nationalist concerns, sought to sever the link between the green agenda and the Just Transition Framework, while the ambitions contained in the EGD itself were disputed in eastern Europe, particularly in Poland. Southern European governments generally support green initiatives, but they still mobilized for as large a social component as possible. To craft a political strategy to navigate these tensions, the entrepreneurship of the Commission was crucial.

In drafting and seeing these initiatives through, the Commission responded in part to diffuse societal pressures (protests, public opinion) and in part to the demands of a climate activist coalition formed by civil society actors, such as trade unions and environmental NGOs, a centrist majority within the European Parliament and governments of peripheral, especially eastern European, Member States (Kyriazi and Miró 2023). As with the broader EGD (Domorenok and Graziano 2023), the centrist grand coalition of the 2019-2024 European Parliament has played a critical role in propelling the EU's eco-social agenda, supporting the Commission in the task of consolidating the new policy objectives that tackle both decarbonization and its potential social fallout.

The final design of the funds reflects this actor constellation: its limited (insufficient) financial firepower will not be able to cover most of the social dislocations provoked by decarbonization, but the hard opposition of the so-called 'Frugals' to a wider MFF limited the space for a just transition. At the same time, the excessive diversity of policy aims attached to the instruments, while potentially deleterious for its functioning, was a condition to sustain the heterogeneous coalition pushing for the funds. The multilevel politics of the EU's compound polity are reflected in the multi-tasking character of the JTF. Ultimately, both the JTF and the SCF will have to be complemented by domestic policy measures.

Notes

1 https://ourworldindata.org/grapher/elec-mix-bar?country=POL~OWID_EU27.
2 https://ourworldindata.org/explorers/co2?facet=none&country=OWID_EU27~POL&Gas+or+Warming=CO%E2%82%82&Accounting=Territorial&Fuel+or+Land+Use+Change=Coal&Count=Per+capita.

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9 EU employment policy detour to job protection

Explaining the swift adoption of SURE during the COVID-19 crisis

1 Introduction

Since 2008, the economic and the euro crises have had dramatic consequences for European labour markets. As Chapter 1 showed, to different extents across Member States, low-paid jobs and (youth) unemployment increased in the bulk of the EU, and so did citizens' material deprivation and insecurity, thus providing a breeding ground for populism and Euroscepticism. However, until late 2012, European institutions failed to recognize – let alone solve – the mounting social crisis (see Chapters 2 and 4). Later, the EU took policy initiatives that were aimed at boosting employment through fostering people's human capital and employability, such as the Social Investment Package and the Youth Guarantee (2013). After 2014, the focus of EU social and employment policy moved to enhancing social protection, epitomized by the debate over the European Benefit Reinsurance Scheme and the adoption of the European Pillar of Social Rights. Nevertheless, the EU remained ill equipped with regard to counter-cyclical measures that can promptly respond to negative shocks. Conversely, the COVID-19 pandemic hitting Europe in early 2020 ushered in a significant change to the previous approach in this field in terms of both the swiftness of the EU's response and (somewhat less so) its innovation. The focus of EU social initiatives, which had shifted from work activation to social protection in the 2010s, moved this time from unemployment protection to the protection of jobs.

One of the earliest tools devised to respond to the social repercussions of the pandemic was SURE – the temporary Support to mitigate Unemployment Risks in an Emergency. The new instrument was announced by the President of the European Commission Ursula von der Leyen and then swiftly adopted in April 2020, less than two months after the COVID-19 outbreak in the north of Italy – the first European region to be hit by the pandemic. SURE consists of a temporary measure to support the national job-retention schemes of Member States in dire fiscal straits through back-to-back loans. Specifically, it takes the form of unconditional loans granted with favourable terms by the EU to countries that face sudden increases in public expenditure for the preservation of employment. Its objective is to

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shore up various kinds of short-time work, furlough schemes or wage subsidies so as 'to help Member States protect jobs and thus employees and self-employed against the risk of unemployment and loss of income' (European Commission 2020c: 2). SURE came at a time when short-time work (STW) schemes were being rediscovered in the face of large-scale lockdowns. On top of representing a considerable effort towards inter-state fiscal redistribution – which anticipated the much broader Next Generation EU (NGEU) plan – it is the first EU programme explicitly concerning demand-side 'passive' labour market policies.

The rapid adoption of SURE was not a given, even in the context of the great shock exerted by the pandemic. In fact, the reinsurance of unemployment benefit and STW systems alike had the potential to awaken the conflict of all conflicts in the EU, i.e. that between supporters of fiscal transfers and advocates of fiscal discipline. SURE contains a de facto risk-sharing element, which raises concerns over moral hazard among Member States that are net contributors to the EU budget. Indeed, the largest beneficiaries of SURE are two groups: highly indebted countries mostly from southern Europe (because of SURE's lower yields) and small local debt markets, mainly located in central and eastern European (CEE) countries (because of the longer maturity of bonds) (Corti and Huguenot-Noël 2023). At the same time, some of the richest EU Member States have not used (and never intended to use) SURE, namely Austria, France, Germany, the Netherlands, Sweden, Finland, Denmark and Luxembourg. Even though SURE benefits peripheral and mostly southern European states, this begs the question as to why core countries did not oppose it. This is especially so in the case of the 'Frugals' (fiscally conservative Member States in the 'core' and northern EU), which were very keen on digging their heels in against the elements of fiscal solidarity and cross-country redistribution, included, for example, in the NGEU recovery plan (Ferrera et al. 2021). For that matter, while France and Germany, in line with their welfare traditions, relied massively on STW, the Nordics were distanced from southern Europe not only by their fiscal stance but also by their different institutional legacy, which translated into a preference for unemployment benefit (out-of-work income compensation for laid-off workers) over STW (job retention through subsidizing business) (Ebbinghaus and Lehner 2022 – see the next section).

How was this predicament overcome? A recent contribution has stressed that the policy design of SURE was justified by the opportunistic response of the Commission, which devised it in a way that would minimize opposition from the Member States while also exploiting the emergency context of the pandemic (Corti and Huguenot-Noël 2023). While this effectively explains how the policy design came about, we shift the focus beyond the policy formulation stage in an attempt to delve deeper into the long-standing territorial, ideological and institutional conflicts that exist beneath many euro-social initiatives (Ferrera 2017; Jessoula and Madama 2018; Chapter 2). In doing this, we seek to understand why, in the face of such divides, SURE was selected as an instrument to boost cross-EU solidarity. A further aim of this chapter is to draw broader conclusions regarding the kinds of coalitions of Member States and/or political groups that propel social policies forward 'in hard times'.

The next section discusses the various turns in European employment strategies until the recent rediscovery of job retention schemes in the Member States during the COVID-19 pandemic. Section 3 reconstructs the policy-making process of SURE, starting with the Commission proposal, through mapping actor positions, to the success of SURE once it had been adopted. Based on this, the fourth section singles out the main explanatory factors behind the rapid adoption of SURE. The last section concludes by highlighting the broader implications of our findings for research on the politics of euro-social initiatives.

2 Policy background: the convoluted route towards the adoption of SURE

2.1 EU employment strategies from job creation to job protection, through unemployment reinsurance

EU employment policy has followed a strange trajectory over the last 25 years. Since its inception in 1997, the European Employment Strategy has been built around the shared objective of creating 'more and better jobs' throughout the EU. Social protection was seen as a productive factor, and labour market policies as a crucial bridge between economic and social policy (de la Porte and Natali 2018). The pursuit of job creation was accompanied by an emphasis on supply-side measures. The attention on labour market flexibilization was gradually complemented by the endorsement of a more proactive 'social investment' approach – that is, the promotion of public investment in human capital (education and training throughout the life course) and of work–life balance policies to boost (female) labour market participation. The social investment discourse – initiated by intellectual entrepreneurs and backed by the Commission (Esping-Andersen et al. 2002) – permeated the Lisbon Strategy for Growth and Cohesion (2000–2010).[1] Overall, until the aftermath of the Great Recession, EU employment policies followed a logic of 'supply-side Keynesianism' (Bremer and McDaniel 2020).

After the Great Recession, the social investment momentum was temporarily boosted by the launch of several EU policy initiatives under the Barroso Commission, such as the Social Investment Package and the Youth Guarantee, to fight youth unemployment (Mailand 2021). From the mid-2010s, however, when the social consequences of the economic crisis and austerity had become apparent in the peripheries of the EU (Vandenbroucke et al. 2013), more attention was paid to social protection. This shift towards demand-side income compensation and macroeconomic stabilization was evidenced by the inclusion of principles regarding minimum wage and income guarantees, as well as unemployment compensation, in the European Pillar of Social Rights (Vesan et al. 2021). Against this backdrop, a debate emerged over the opportunity to introduce some sort of European unemployment reinsurance scheme (EURS) to support Member States' unemployment benefit systems while acting as an EU- (or Eurozone-)wide automatic stabilizer in case of economic downturns (Dullien 2013; Andor et al. 2014; Beblavý et al. 2015; European Commission 2017).

The concept of a European scheme for unemployment reinsurance made its first appearance in the 1970s, brought to the fore in the debate over Monetary Union. The idea of a fiscal capacity for the euro area was seen as an instrument of stabilization and redistribution. At the peak of the euro crisis, this idea came back and started to take shape as a concrete proposal, first under the aegis of the former Commissioner for Employment, Social Affairs and Inclusion, László Andor, and then endorsed by the Juncker Commission (Corti 2022). Since then, the Commission has worked on a number of proposals to reinsure national unemployment schemes in case of macroeconomic shocks, as a means to ultimately boost EU fiscal capacity and resilience to economic crises (Corti and Huguenot-Noël 2023). In May 2018, within the proposals for the 2021–2027 multiannual financial framework (MFF), the Juncker Commission presented a regulation on the establishment of a European Investment Stabilization Function (EISF). The latter envisaged support for Member States hit by an asymmetric shock and/or increase in the unemployment rate, through back-to-back loans and interest rate subsidies.

The debate over an EU unemployment reinsurance instrument was revived with the European elections of May 2019. In their electoral programmes, the Greens and the S&D included the creation of an EURS. On 10 October 2019, the European Parliament voted on an amendment to the resolution on Social and Employment Policy in the Eurozone, which called on the Commission to present a proposal for an EURS 'to protect citizens and reduce the pressure on public finances during external shocks' (European Parliament 2019). The European Commission's 2020 Work Programme published in January 2020 announced the intention to put forward a proposal for a European Unemployment Reinsurance Scheme (European Commission 2020a). When the COVID-19 pandemic started in February/March 2020, however, the EURS was not picked up as a policy response to the crisis, and it is still on hold today. At a time when Member States were extensively resorting to job retention schemes to cushion the negative consequences of the pandemic and lockdown measures for their labour markets, the focus of EU employment policy shifted once again, this time from unemployment protection to the protection of jobs.

2.2 Job retention schemes in EU Member States: twice rediscovered

Job retention schemes (JRSs) are programmes aimed at preventing job destruction in times of economic downturn, typically through subsidies for employers and workers in companies undergoing a crisis. While alleviating companies' labour costs and helping them to retain their skilled workforce, at the same time JRSs provide workers with some form of income compensation for forgone earnings. Recent studies have by and large converged over a threefold categorization of JRSs (Müller et al. 2022; see also Eurofound 2021; OECD 2021; Drahokoupil and Müller 2021):

1. Short-time work (STW) schemes are probably the best-known type (think, for example, of the German *Kurzarbeit* or the Italian *Cassa integrazione*) and consist of financial support for firms for paying employees' wages for the hours *not* worked, with no activation or re-employment measures necessarily attached.
2. Wage subsidy schemes provide financial support for hours worked regardless of whether the working time is reduced (although they can also be used to top up the earnings of workers on reduced hours, as in the case of the Dutch Emergency Bridging Measure (*Noodmatregel Overbrugging Werkgelegenheid*, NOW); the objective is to preserve employment by subsidizing companies' wage bills.
3. Furlough schemes are instead paid directly to workers for the period of partial or full working time suspension, as in the case of the *Corona werkloosheid/chômage* in Belgium; as such, although they enable companies to reduce their wage bill through temporary layoffs, they follow a logic that is closer to unemployment insurance, and they are sometimes interpreted as a bridge to re-employment.

JRSs, and in particular STW schemes, were utilized extensively in the aftermath of the Great Recession to mitigate the surge in unemployment (Eurofound 2010; Chung and Thewissen 2011; Sacchi et al. 2011). According to a study by the Commission, approximately 12 Member States had established STW arrangements prior to the global financial crisis, and nine countries set one up in response to the downturn (Arpaia et al. 2010). JRSs were rediscovered after the outbreak of COVID-19 in Europe. The pandemic triggered a crisis of an unforeseen nature: in March/April 2020 in particular, most non-essential businesses were affected by lockdown measures and resorted – when possible – to remote work, while movements outside the home and leisure activities were severely limited. In the face of this supply *and* demand shock, labour hoarding strategies became central in governments' emergency measures (Ebbinghaus and Lehner 2022). All EU Member States established some kind of JRS during the pandemic, and many existing schemes were expanded (Müller et al, 2022).[2] The reliance on JRSs during the COVID-19 crisis exceeded by far that from the Great Recession years. As noted by Ebbinghaus and Lehner (2022: 52),

> [i]n April 2020, following the sweeping reduction of economic activities due to strict containment measures, 42 million people in the European

> Union were subject to STW arrangements, equivalent to one in five employees […]. By contrast, during the Great Recession of 2008/2009 a then 'record-breaking' 1.5 million employees were on short-time work across the European Union.

JRSs proved effective in cushioning the effects of the COVID-19 crisis on employment: contrary to what happened in the US, where STW is uncommon, Europe experienced no rapid surge in unemployment during the first wave of the pandemic (Ebbinghaus and Lehner 2022; Eichhorst et al. 2020). Furthermore, although this was possibly also due to a shift to inactivity of many previously job-seeking unemployed people, the rise in unemployment following the COVID-19 outbreak was lower than the record-high peaks recorded in the years of the Great Recession and the euro crisis (Figure 9.1).

Moreover, JRSs proved to be not particularly divisive politically, as they brought together the interests of business and workers by offering support to both at a time when the economy was largely shut down due to government-imposed public health measures (cf. Ebbinghaus and Lehner 2022). In other words, JRSs provided some degree of (temporary) decommodification to workers on reduced working time, although they did it with a view to securing full-time commodification (and a smoother recovery to companies) after the public health emergency ended (Wiggan and Grover 2022). Whether also at the EU level SURE watered down ideological divides by pleasing both right- and left-wing political actors (EP groups and, most importantly,

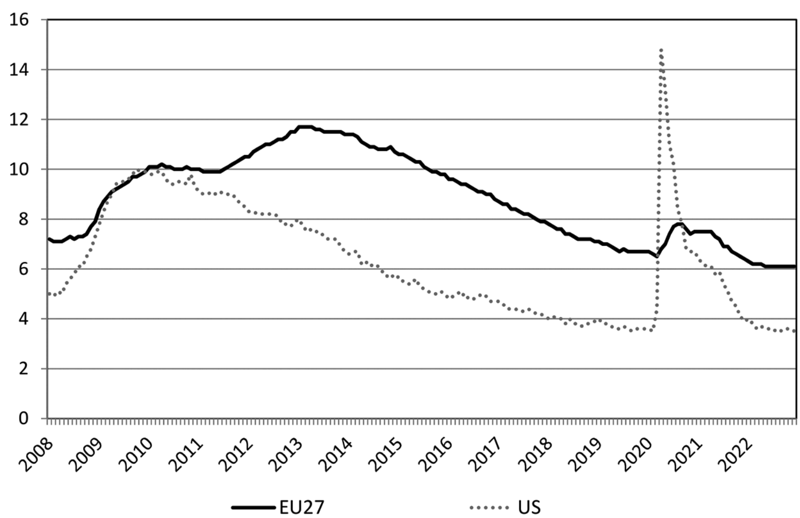

Figure 9.1 Seasonally adjusted unemployment rates for the EU27 and the US, January 2008–December 2022
Source: Eurostat (online data code: une_rt_m).

Member States' governments and their oppositions) is an empirical question that we will address in the remainder of this chapter.

Although the use of JRSs was common to all Member States, variation arises with respect to the extent and the way in which different governments' labour hoarding strategies were deployed. First of all, the coverage and generosity of JRSs varied widely across countries (Ebbinghaus and Lehner 2022; Eurofound 2021), and so did government spending on such programmes. Figure 9.2 shows the amount of resources devoted to JRSs by various European countries and also highlights the prevailing type of JRS deployed (furlough scheme, STW or wage subsidy, following the definitions given above), and the fiscal weight of SURE funds utilized by each country. The latter aspects deserve further attention, as they give an idea of the interest that different Member States could or could not have had in promoting SURE – an EU action for supporting a national JRS. We will discuss the details of SURE and its use by Member States in Section 3.4. Here, we briefly outline the national job-retention strategies deployed by different groups of countries.

The work by Ebbinghaus and Lehner (2022) is particularly useful for mapping European governments' responses to the employment shock during the pandemic. First of all, while Continental, Mediterranean and Nordic welfare states mostly relied on and expanded existing policy instruments, most liberal market economies and CEE countries set up a new JRS, and often introduced ad hoc wage subsidies (see also OECD 2020). In Continental and Mediterranean countries, job retention was pursued by supporting businesses rather than replacing the incomes of the unemployed, mostly through STW or furlough schemes (Figure 9.2). An exception was the Netherlands, where new tax-based assistance schemes were introduced rather

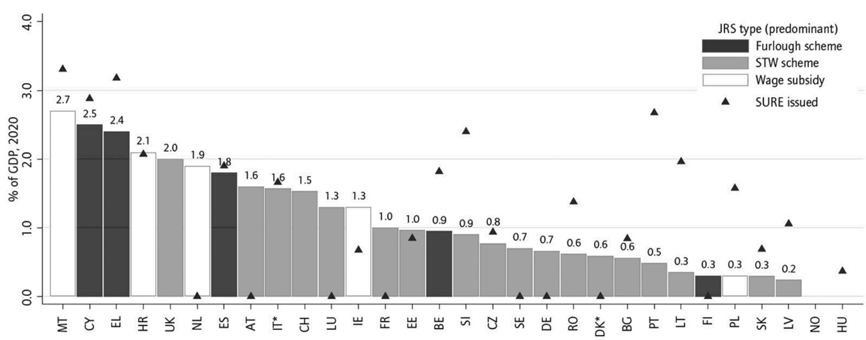

Figure 9.2 Spending on job-retention schemes and SURE issued, 2020 (% of GDP)
Note: Denmark: STW spending only (not available for the furlough scheme); Italy: spending for March–October 2020. No spending figures available for Norway and Hungary.
Source: Drahokoupil and Müller (2021: 18), based on ETUI survey of job retention schemes.

than solely sticking to insurance-based STW (see also Cantillon et al. 2021). Perhaps surprisingly, liberal welfare states – in particular the UK – promoted a labour hoarding strategy based on generous support for both businesses and workers. In Nordic countries, by contrast, generous unemployment benefits played a relatively more important role than JRSs in buffering the social impact of the pandemic. Certainly, STW and wage subsidies were part of the crisis response in Sweden and Denmark; however, although wage replacement rates for workers were high, relatively low wage bill subsidies made job retention less attractive to employers than layoffs (OECD 2020). Lastly, CEE countries were those that could count less on a pre-existing tradition of JRSs: in order to cushion the negative impact of the crisis on employment, they swiftly introduced a number of (comparatively less generous) STW schemes and subsidies.

3 The policymaking process

3.1 The Commission's proposal

As we mentioned in Section 2.1, SURE did not come out of the blue but rather constituted a 'detour' from the EURS policy debate during the emergency caused by the pandemic. Already in 2019, working groups from DG ECFIN, DG EMPL and SECGEN had been tasked with developing a proposal for an EURS by the end of 2020 (Corti and Huguenot-Noël 2023). However, the outbreak of the COVID-19 pandemic altered this plan. In March 2020, Executive Vice-President Valdis Dombrovskis stated that, as a response to the pandemic crisis, the EU might need 'to accelerate the creation of a European Unemployment Benefit Reinsurance Scheme' (European Parliament 2022). In its Communication from 13 March 2020 on a coordinated economic response to the COVID-19 outbreak, the European Commission included a section on measures to alleviate the employment impact on workers and sectors (European Commission 2020b). The SURE proposal was announced and officially presented in early April. SURE was meant as the 'emergency operationalization' of the EURS and was specifically designed to respond immediately to the challenges presented by the COVID-19 pandemic (European Commission 2020c: 3). As such, it complemented Member States' efforts to protect employees and the self-employed from the risk of unemployment and loss of income.

The proposed regulation was to allow the Commission to provide financial support worth up to €100 billion to a Member State that 'is experiencing, or is seriously threatened with, a severe economic disturbance caused by the COVID-19 outbreak for the financing of short time work or similar measures aimed to protect employees and self-employed' (European Commission 2020c: 10). To that end, the regulation empowers the Commission to issue bonds in capital markets, backed by guarantees to be given by the EU Member States. The type and characteristics of JSRs to be included in the

SURE framework were intentionally left broad, so as to cover as many national schemes as possible (Corti and Huguenot-Noël 2023).

The governance of the scheme involves both the European Commission and the Council at different levels, with the Commission taking the main responsibility. After receiving the request, the Commission consults the Member State to assess the increase in expenditure and define the terms of the loan. On this basis, the Commission submits a proposal for a decision to provide financial assistance, on which the Council decides by adopting an implementing act. A loan agreement between the beneficiary Member State and the Commission details the characteristics of the loan, including all the elements listed in Article 220(5) of the EU's Financial Regulation. A very limited role is foreseen for the European Parliament: it is only informed of the Commission's reports on the use of financial assistance and continuation of the exceptional occurrences that justify its application. To finance the instrument, the Commission has been issuing social bonds. The Social Bond Framework is meant to provide investors in these bonds with confidence that the funds mobilized will serve a truly social objective.

3.2 Actors' starting positions

Potentially, job-retention policies bring together the interests of labour and business, of left- and right-wing political actors. On the one hand, employers opt for STW arrangements instead of dismissals due to a business support logic (i.e. when the former substantively lower their labour costs), while, on the other hand, employees and the unions organizing them are motivated by a labour support logic when STW schemes are more generous than unemployment benefits (Ebbinghaus and Lehner 2022). Because of the chosen legal basis, Parliament was not involved in the legislative procedure of SURE. Specifically, the Commission's proposal referred to Article 122 of the TFEU, and the procedures established for the setting up and utilization of the national guarantees were inspired by the Regulation on financial rules applicable to the general budget of the Union, especially its Title X. This procedure had the expected effect of speeding up the adoption and implementation of SURE. It also shifted the negotiations to the intergovernmental arena.

Policies such as SURE pit supporters of fiscal transfers against the advocates of fiscal discipline. The latter oppose an increase to the EU budget and advocate tight fiscal policies based on the Stability and Growth Pact and the mutualization of debt (including Eurobonds and, during the pandemic, Coronabonds). During the COVID crisis, the main representatives of this position were the so-called 'Frugal Four' (Austria, Denmark, the Netherlands and Sweden). Even though, as is well known, German governments had taken very similar positions to the Frugals in the 2010s, nonetheless, during the pandemic there was a change of heart in this respect, not only regarding SURE but also more broadly the EU's entire recovery package (Ferrera et al. 2021). Certainly, this shift has had many causes; from our specific policy perspective, however, what stands out is the long-standing tradition and successful implementation of STW schemes in Germany (Brenke et al. 2013), which, together with the more generalized shift towards fiscal solidarity, possibly made German leaders sympathetic to the idea of having an EU programme to foster STW schemes across the Member States. In other words, SURE was seen as a way for some western European governments to 'export' their social model in the EU (Interview 23).

3.3 The road to SURE

In the words of Ursula von der Leyen, the Commission's proposal for SURE represented 'European solidarity in action', as it was introducing an instrument that would 'save millions of jobs during the crisis and allow us to quickly restart Europe's economic engine afterwards' (*Euractiv* 2020a). The immediate reaction to the measure was generally positive. Italian high-ranking politicians (ANSA 2020), the German Chancellor, ETUC (*Euractiv* 2020b) and the professional association SMEunited, all offered praise (*Agence Europe* 2020a). A joint statement by employers' organizations (including BusinessEurope) – meant as an input for the Michel cabinet – was less enthusiastic about SURE per se. At the same time, it also urged Member States to establish STW schemes or similar measures to prevent unemployment, and enterprises to make full use of the same schemes in order to avoid dismissals as much as possible (BusinessEurope et al. 2020). However, concerns were also being raised in the EP along partisan lines. The EPP applauded SURE as an adequate measure, but left-wing party groups were more critical, questioning the choice to provide loans rather than subsidies, as well as the low quality of the potentially subsidized jobs (*Agence Europe* 2020a). At the same time, the *Financial Times* reported that '[s]ome northern member states remain[ed] suspicious of the plan, given their traditional opposition to new European projects aimed at transferring budgetary resources elsewhere', even though it did not specifically name the executives opposing it (*Financial Times* 2020). Subsequent press coverage and participant accounts suggest that the Dutch government was the most critical of all (see also Corti and Huguenot-Noël 2023). While the governments of the Netherlands and Italy came into conflict over the conditionality related to the ESM (Tesche 2020), SURE seems to have confronted mainly the governments of the Netherlands and Spain. In this case, the former required guarantees that SURE would remain temporary, while the latter accused the Netherlands of seeking to 'torpedo' the EURS in advance (remember that this was originally scheduled for 2020 but was eventually put on hold) (*Euractiv* 2020c).

On 9 April 2020 the Eurogroup reached an agreement on a three-pronged 540 billion euro corona package: for euro area countries via the ESM, for companies through the European Investment Bank and for workers via the European Commission's new instrument, SURE. The Commissioner for Jobs and Social Rights, Nicolas Schmit, confirmed on 21 April that SURE would not replace the plan for a permanent unemployment reinsurance system, which, he claimed, was under way (*Agence Europe* 2020b). The language of the press release by the Eurogroup was meant to clarify SURE's limits: that it would primarily support the efforts to protect workers and jobs, while respecting the national competences in the field of social security systems, and that it would apply to 'some health-related measures' (Council of the EU 2020). The press release also stated that the Member States' position on this emergency instrument did not prejudge the position on future proposals related to unemployment benefit reinsurance and that access to the instrument would be discontinued once the COVID-19 emergency had passed (ibid.). An important additional detail was ironed out by the Croatian Council presidency in April, namely that SURE would expire on 31 December 2022 (*Agence Europe* 2020c). While Article 122 left open the possibility of extending the period of availability should pandemic-related disturbances continue, assistance under SURE ceased to be available on the predefined date (European Commission 2023).

According to Corti and Huguenot-Noël (2023), members of the Council interviewed by them – including those advocating the most 'radical' alternatives – emphasized the relatively consensual nature of the negotiations (this was confirmed in our interviews as well: Interview 56, Interview 57, Interview 58, Interview 59). Nonetheless, there was some disagreement over given policy details. The Dutch government demanded that the instrument be specifically targeted at healthcare needs rather than mere job-related issues; it also feared that creating an instrument solely aimed at employment-related measures would resemble too much an EURS. For this reason, the scope of the programme was extended to include health-related measures at the workplace. Additionally, the Finnish government proposed adding as a precondition respect for the rule of law and EU values (a suggestion that did not survive). The Council reached a political agreement on SURE on 5 May 2020 and the regulation was formally adopted by written procedure on 19 May, entering into force the next day. By any comparable standard, this was an extremely swift implementation process.

3.4 Policy outcomes

We found press reports in the summer of 2020 of some Member States requesting SURE funds (Spain, Italy, Romania – the latter in October). Next, attention turned to plans for bond issuance and the exceptionally successful fundraising that followed. By the end of August 2021, more than €94 billion had already been granted to Member States. In total, 19 out of 27 EU states have received SURE support to date. Seven recipient Member States (Belgium, Cyprus, Greece, Hungary, Latvia, Lithuania and Malta) requested additional assistance of €3.7 billion in March 2021, while Hungary requested top-up support of €147 million in December 2021. Italy, Spain and Poland received the biggest share of financial support in absolute terms (almost €60 billion), while the three largest recipients of SURE aid in relation to the size of their economy were Malta, Greece and Cyprus (Müller et al. 2022). Figure 9.3 shows the funds per capita received by Member States that applied to the programme. Overall, southern European countries, Belgium and Ireland benefited the most from SURE, while CEE countries – which, however, had less generous JRSs in place (see Section 2.2) – received relatively less financial support. The countries that have not applied for funding are Denmark, Finland, Sweden, Germany, Austria, France, the Netherlands and Luxembourg – notably northern and Continental EU members. Given the favourable financial position of all of these countries, they were able to finance their own, comparatively generous job-retention schemes (European Commission 2023: 24).

By 2020, SURE had already supported approximately 22.5 million workers and 8.5 million self-employed who were on JRSs – i.e. more than a quarter of all employees in the 19 recipient countries. Overall, by allowing more financial means to Member States for maintaining and strengthening national JRSs, SURE effectively helped contain the increase in unemployment (European Commission 2023: 24). The final report of the Commission from June 2023 on the implementation of SURE finds that national labour market measures supported by it are estimated to have reduced unemployment by almost 1.5 million people. But there is also a huge difference in the way that

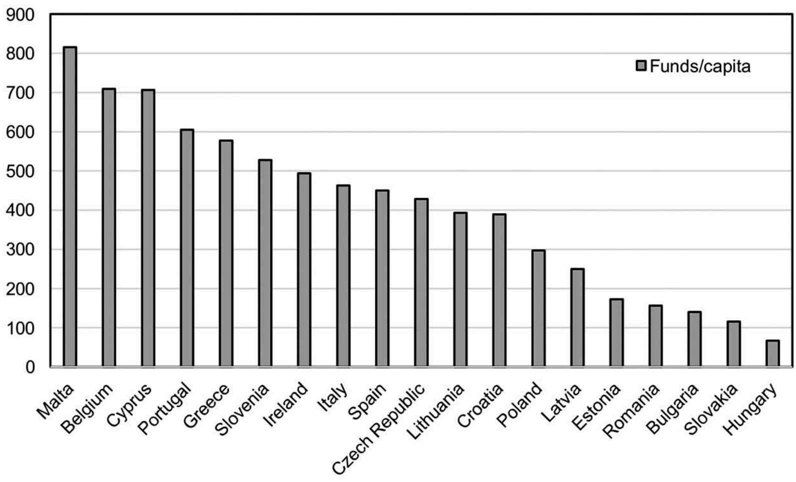

Figure 9.3 Total amount of support disbursed under SURE (€) as of March 2022; funds per capita

Note: Austria, France, Germany, the Netherlands, Sweden, Finland, Denmark and Luxembourg did not apply for funding from the SURE programme.

Source: Own elaboration based on European Commission (2023: 9) and Eurostat (tsp00001) as of January 2021.

the funds were absorbed. Once again, in general, it seems that this was predominantly to the benefit of southern Europe.

In the wake of the second pandemic wave hitting Europe, the idea was floated that the scope of SURE should also be extended. Since its adoption, the voices of actors suggesting making SURE permanent have been amplified (see, for example, the brief by Corti and Alcidi [2021]). Whether SURE will pave the way for a fully fledged European unemployment reinsurance scheme is a widely debated topic in European policy circles (Vandenbroucke et al. 2020). At the same time, analysts have noted that the added value of SURE is relatively small compared to the enormous fallout caused by the pandemic. As László Andor put it bluntly, ‘the macroeconomic effect of SURE will not be robust’ (Andor 2020: 141). However, he also described SURE as a ‘bold and innovative move’ (Andor 2020: 139), pointing out that the biggest novelty lies in having taken this step in the first place. On the flipside, even though SURE has been discontinued, the original proposal for an EURS is currently ‘on hold’, which suggests that in the end, SURE may not have been a stepping stone to a permanent policy after all.

4 Analysing the main features of the policymaking process

As foreshadowed in the introduction of this chapter, the main puzzle SURE presents is its swift and relatively uncontroversial adoption despite its politically explosive potential. How can this be explained? We concur with Corti and Huguenot-Noël (2023) that the Commission’s entrepreneurship, and in particular its strategic thinking, played an important role in containing the politicization of SURE. Commission officials designed the policy proposal anticipating actors’ positions, the end result being an offer that few would refuse in the context of the pandemic (Corti and Huguenot-Noël 2023). Even so, despite the generally positive political mood vis-à-vis SURE, consensus still had to be engineered. The policy details were ironed out in the Council of Ministers on issues such as the content of measures, the nature of the guarantee required for the EU to raise funds and the way effective use of the funds would be monitored (Corti and Huguenot-Noël 2023). Additional adjustments that stand out as especially important include: the insistence on its temporary nature, its scope (no income support for the unemployed, shifting away from a fully-fledged EURS), and the fact that it provides loans rather than transfers. Relatedly, the chosen legal basis ensured a lack of protracted bargaining by excluding one of the angles of the legislative triangle – the EP – given the urgency of the issue and the need for the policy instrument to be adopted rapidly in order to be concretely useful for national JRS systems under stress. While the strategic foresight of the Commission was certainly important, it still leaves one to wonder: if the Commission’s predictions and anticipations of actors’ positions are so accurate, why is it that some of its (crisis) policies are nonetheless much more contentious, and some even end up watered down or failing? It does not explain either why a fund for supporting national job-retention schemes, instead of other possible policies, was added to the EU's immediate pandemic response in the first place.

We want to suggest that SURE can only be properly understood as part of the specific mix of the corona package, which consisted of three safety nets: for euro area countries, for companies and for workers. While SURE did not assume an explicit stabilization function, this nonetheless implied that it was meant as a compensation for southern European countries and especially hard-hit Italy, whose government was utterly against using the ESM after the bad experience from the euro crisis a decade before (Jones 2021). This time around, unconditional financial support for national JRSs featured prominently in the EU's crisis response as opposed to a different component. Indeed, an important element of SURE was that it did not impose any conditions on the design of national JRSs.

Relatedly, euro-social initiatives are generally politically fragile since they encroach upon country-specific welfare traditions that are deeply rooted in national vested interests and constituencies. In some cases, Member States oppose EU intervention in national social policy matters, especially when there are well-established and effective welfare traditions in place (see, for example, Chapter 7 on the European Minimum Wage). On the other hand, countries may be prone to support euro-social initiatives that follow their own institutional traditions. This was perhaps the case with France and, even more so, Germany when it came to granting a fast approval of SURE even though neither country actually used SURE. On top of a general shift towards EU-solidaristic stances during the COVID crisis, leaders in core EU countries may have favoured SURE as it de facto promoted JRSs – a policy that was consolidated within their own welfare boundaries – throughout the EU. Finally, JRSs are also politically both more palatable and an easier sell for 'frugal' governments, because they subsidize employment rather than unemployment (Interview 56), which alleviates to some extent preoccupations with moral hazard.

This logic extends to the nature of the pandemic itself, which was another enabling factor for the passage of SURE. It created an extraordinary pressure on policymakers by having a huge impact on the world of work. While in contexts such as the US a high degree of labour market volatility is taken for granted, in the EU, sudden mass layoffs are expected to have very different, disruptive political implications (Interview 56). However, this argument has to be qualified, too: the critical situation in and of itself does not necessarily create the conditions for its own appropriate response, as the experience with the Great Recession a decade ago makes clear. This had comparable (actually, as Figure 9.1 demonstrates, even more dire) labour market impacts, which the Member States were left to handle alone, without a 'second line of defence'. The catalyst, then, we want to suggest, is not crisis per se but rather the epistemic construction of the pandemic as a symmetric, exogenous shock for which no one could be blamed (cf. Ferrara and Kriesi

2022; Matthijs and McNamara 2015; Leitão 2021; Interview 58; Interview 59). Unlike with the asymmetric impact of the Great Recession, during the pandemic, this time all Member States faced similar concerns, even though the actual social and economic effects were, in the end, quite different across countries (Moreira and Hick 2021). Strikingly, numerous Member States did not even use SURE, including its vocal advocates, which underscores the importance of notions of fairness and solidarity on which this EU programme ultimately rests.

5 Conclusions

The story of SURE is one of both continuity and change. For starters, the economic crisis that preceded the pandemic by a decade provided a negative blueprint for SURE, i.e. a template on how *not* to handle dramatic crisis-induced labour market impacts. This time around, critical pressures led to more ambitious and faster coordinated automatic stabilization, to prevent unemployment from exploding again in a very asymmetrical fashion. At the same time, the rapidity with which SURE was adopted should not obscure the fact that it was the product of decades-long elaboration of policy ideas that were available to be picked up during the pandemic, resulting in devising and deploying SURE. In other words, if, on the one hand, it consisted of a rapid emergency response to an unforeseen and abrupt symmetric shock – the pandemic and national governments' lockdown policies – on the other hand, the process leading to SURE was actually embedded in a debate on policy solutions that had already slowly matured during the course of the previous crisis, that is, in the (asymmetric) aftershocks of the euro crisis. But the idea floated by progressive political forces, i.e. that SURE should become a stepping stone for a permanent EURS, seems highly implausible at this time. The political window of opportunity that opened around the time of the 2019 elections causing the von der Leyen Commission to include an EURS in its agenda has now closed, with the EU entering a new electoral cycle dominated by different policy priorities. SURE's main legacy seems to have been, instead, to have served as a test run for what was to become the Next Generation EU package, the EU's €800 billion temporary instrument of recovery from the pandemic. The latter is far larger in its scope and financed partly by grants (see Chapter 10). However, like SURE, it is also temporary, and it also relies on loans (alongside grants).

To put this into the analytical terms of the book's framework (Chapter 2), SURE has been successful in dealing with the shock-type manifestation of the social crisis, although, mostly due to its temporary nature, it has had little if any effect on the underlying erosive processes. Rather, it showed how the EU can effectively step in and cushion acute social shocks by providing financial support for national welfare states in specific policy areas and at moments of crisis when the latter alone would otherwise struggle to deal with surging socio-economic needs (see Miró et al. 2024).

Notes

1 According to Berghman and Okma (2002: 338), the mutual learning process between the Commission and the epistemic community exposed ‘the blurring of the borderline between the worlds of academia and politics’, with academic experts who became de facto non-accountable political advisors: ‘While documents prepared by experts carry the weight of academic contributions, the discussion during the conferences focused on political steps of implementation’.

2 According to the analysis by Ebbinghaus and Lehner (2022: 54), 14 EU countries relied on pre-existing JRSs (though often improving their conditions), nine introduced new schemes and three did both.

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10 Eroding or supporting national welfare states?

European social governance after the introduction of the Recovery and Resilience Facility

1 Introduction

The adoption of the Next Generation EU (NGEU) programme, with as its centrepiece an instrument that offers grants and loans to support reforms and investments in the EU Member States – the Recovery and Resilience Facility (RRF), transformed EU socio-economic governance. A burgeoning literature examines the consequences of such changes for the social dimension of the European integration process (D'Erman and Verdun 2022; Martinsen and Goetz 2022; Miró et al. 2023). This chapter contributes to this discussion, by embedding it in a wider reflection on the two-decade-long evolution of the ever-expanding European social governance toolbox and its ability to support national welfare states. While the previous chapters of this book focus either on EU-level social policy instruments or on the EU (social) regulation of the Single European Market, here we study an EU-level governance instrument that steers national-level social policy reforms.

We investigate the transformative potential of the RRF in social policy reform in Italy and Spain. The combination of structural weaknesses of the welfare states of these two countries (Natili and Jessoula 2022), together with the peculiarities of their low-competitive growth models (Burroni et al. 2020) and the difficulties of their political systems (particularly of Italy) in enacting solid reforms (Molina and Rhodes 2007; see also Hopkin 2015), made the Social Crisis of Europe (SCE) particularly cogent in these two countries. They therefore represent challenging cases testing the EU's capacity to induce welfare-enhancing structural reforms. In the aftermath of the euro crisis, EU involvement in domestic sovereignty and the subsequent introduction of restrictive welfare reforms was particularly conflictual in southern European countries (Pavolini et al. 2015; Pérez and Matsaganis 2019). Although EU pressures attenuated from 2013 onwards (Miró 2021), national governments in southern Europe have often found themselves facing contradictory pressures to enhance fiscal discipline and to expand social investment (Branco et al. 2019). In this chapter, by investigating the consequences in terms of social policies of the introduction of the RRF in Italy and Spain, we assess whether the EU's approach to social and employment policy reform

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experienced a paradigmatic transformation away from the neoliberal recipes that dominated the management of the euro crisis, and, more generally, whether the EU shifted from being a driver of the social crisis to a potential shield against it.

To do so, we look at both post-2020 policy reform trajectories as well as the evolving EU governance mechanisms through which these reforms have been enacted. One of the key propositions of this book is that the EU providing a positive institutional framework for the implementation of effective social policies is fundamental to guarantee the proper functioning of the EU polity, and especially to ensure the loyalty of the Member States. From this perspective, the transformation of the EU's socio-economic governance regime implied by the RRF, with the new availability of fiscal funds to support social policies, might also alter the authority relationships between national and EU institutions. In particular, we aim to assess whether, in the context of the European Semester, the RRF modifies, on the one hand, Member States' room for manoeuvre, and, on the other, the Commission's and the Council's influencing capacity in the social policy domain.

Empirically, the chapter relies on the systematic comparison of the drafting and implementation of the social policy sections of the Italian and Spanish National Recovery and Resilience Plans (NRRPs), which are the country-specific programmatic documents guiding the implementation of the RRF. We then zoom in on the policy transformations in two relevant social policy fields, namely childcare and active labour market policies, which were severely underdeveloped in southern Europe until the 2000s and in which the EU had historically asked the governments of Italy and Spain to do more. Qualitative evidence is drawn from a variety of sources: documentary analysis of legislative and policy documents, press reports from national quality newspapers, secondary sources, and 16 semi-structured interviews with institutional actors and stakeholders both at the supranational and national level (see Appendix).

Our findings reveal that the availability of additional EU funding clearly facilitated expansion of the traditionally underdeveloped sector of the Italian and Spanish welfare state. In contrast to the previous decade, EU institutions were able to push for social investment reforms and investments, though in Spain domestic political dynamics also led to expansion in traditional compensatory measures. That said, we also find that a governance structure that implied a strong centralization and tight time pressure on national and local administrations hampered a more effective implementation, while also creating some form of resistance on the part of subnational actors.

The chapter is structured as follows. The next section assesses the critical status of the welfare state in southern Europe and delves into how EU governance contributed to its late trajectory. It also introduces the main novelties brought about by the RRF. The third section focuses on how the Italian and Spanish governments drafted their NRRPs and the main innovations they contain in the social policy domain. The fourth section delves into the reconstruction of the policy trajectories in the childcare and active labour market policy domains, while the fifth concludes by elaborating on the main takeaways for the book.

2 Policy background

2.1 Southern European welfare states in crisis

It is widely accepted in the literature that southern European welfare states constitute a distinctive cluster characterized by accentuated functional and distributive distortions in Bismarckian social insurance programmes, comparatively underdeveloped care and social services, and a faulty and fragmented last resort safety net (Ferrera 2010). The relevance of the (extended) family as a welfare and income provider for its members partially countervailed the weaknesses of this model, penalizing, however, women's autonomy and employment opportunities.

Against this backdrop, the 1990s and 2000s witnessed substantial efforts to modernize both labour markets and social protection schemes, with Greece, Portugal and Spain entering into an accelerated process of welfare state expansion towards the EU average – with Italy in fact overtaking the European average in terms of expenditure. The financial and the sovereign debt crisis dramatically halted this process (Pavolini et al. 2015). Even though each country was exposed to different external pressures and had to face challenges of different magnitudes, all four southern European countries took similar directions, introducing reforms leading to welfare state retrenchment across all social policy fields, those addressing 'old' social risks (pensions, unemployment and healthcare) and new social risks as well (social services, reconciliation policies and minimum income benefits) (León and Pavolini 2015).

The overall outcome was that the gap in per capita social expenditure between the average EU15 figure and the four southern European countries widened after 30 years of convergence. In 2015, Portugal and Greece spent only around 65 per cent of the EU27 average social expenditure per capita. In Italy, per capita social expenditure in purchasing power standard fell almost 12 per cent below the EU15 average. Hence, in 2018, the 'big spender' among Mediterranean countries devoted 28 per cent fewer resources in real terms to its welfare system than Germany, a gap that has almost tripled in less than a decade (Natili and Jessoula 2022).

Briefly, the social protection systems of southern European countries, which already had comparative weaknesses, emerged from the Great Recession with broken bones. In the mid-2010s, four major imbalances characterized southern European welfare regimes in a comparative perspective (Natili and Jessoula 2022): a lower than European average level of social expenditure in real terms; a cash transfer bias resulting in low expenditure on 'social investment' services; comparatively underdeveloped needs-based minimum income protection; and an acute labour market segmentation that, combined with the welfare features mentioned above, left a significant number of workers with little or no protection from the social protection system.

2.2 EU social governance and southern Europe

Such policy trajectories of the southern European welfare states in the aftermath of the euro crisis led many scholars to focus on how EU governance contributed to welfare state retrenchment and labour market deregulation (Bulfone and Tassinari 2021; Pavolini et al. 2015). Taking a broader temporal perspective, however, research on how European integration affected domestic welfare policies in southern Europe provides more nuanced findings, while also emphasizing a certain degree of variation between Italy (and Greece) and Iberian countries. In the early 2000s, EU soft-governance mechanisms were considered to be among the main factors contributing to the recalibration of the southern European welfare model, particularly in Spain and Portugal (Luque and Guillén 2021). Also in Italy, where such mechanisms were less effective, European pressures were seen as necessary conditions for institutional adaptation (Ferrera and Gualmini 2004), chiefly by focusing the minds of (some) domestic actors on new social risks (Jessoula and Alti 2010). Only more recently was it recognized that soft mechanisms and 'cognitive' resources, while certainly relevant to diagnosing the main limits of social interventions, were less cogent than fiscal constraints in shaping the direction of social policy change in Mediterranean countries (Natili and Jessoula 2019).

Other studies on the impact of EU soft-coordination processes are generally not encouraging regarding their capacity to steer social policy reforms. Since 2011, the main instrument of socio-economic governance has been the European Semester, which integrates in a single planning process the coordination of fiscal (on the basis of the Stability and Growth Pact (SGP)), social and employment policies (among a growing number of other policy areas such as energy, industrial policy and public administration). The Semester as a coordinative framework is built on an approach that emphasizes problem solving and policy learning through peer review, deliberation, soft incentives, experimentation and, in the case of excessive imbalances, progressively stringent corrective measures recommended by the Commission. Within the European Semester, the key instruments are the Country-Specific Recommendations (CSRs). Through CSRs, EU institutions recommend how a country should reform its welfare and economic systems. The translation of these recommendations into national policy is, however, ultimately in the hands of national governments, and existing research shows that compliance with the CSRs has been modest, although with significant variation across countries and time (Di Mascio et al. 2020; Eihmanis 2018; Guardiancich and Guidi 2022). Overall, the literature perceives the pre-2020 European Semester as 'a mechanism that confronts national actors with a

European way of thinking about policy issues that increases the political costs of non-action' (Bokhorst 2022: 113; Verdun and Zeitlin 2018), or in other words, more as a signalling device of desirable reforms rather than as a stringent enforcer of these reforms.

In the Italian case, there is evidence that the government tended to comply only formally with European prescriptions (Domorenok and Guardiancich 2022). Similarly, studies focusing on the implementation of EU structural funds show that Italy trailed behind most EU Member States in terms of both planned and actual spending (Domorenok and Guardiancich 2022), mainly due to insufficient administrative capacity. Also, Spain's historically weak record in absorbing cohesion funds (Darvas 2020) and in complying with EU policy prescriptions (Börzel 2021: 30) cast doubt on the state's capacity to exploit the full potential of the RRF. However, in the implementation of the Semester's social policy recommendations, Al-Kadi and Clauwaert (2019) show that Spain has performed above the EU average. In this sense, despite the wide similarities between both countries, past experience suggests that European inputs may be more effective in Spain than in Italy.

2.3 The establishment of the Recovery and Resilience Facility

Barely having had time to repair the social aftershocks of the Great Recession, the EU was confronted in 2020 with another massive shock: the COVID-19 pandemic. In response to its dramatic consequences, European welfare states deployed a wide range of measures to cope with the health emergency and guarantee social protection. At the same time, however massive the measures taken were, the pandemic crisis created visible and acute gaps in European welfare systems. And although national governments were at the forefront of the social response to the pandemic dislocation, the crisis also underlined how EU fiscal solidarity was needed for welfare states to buffer the shock. In dealing with the COVID-19 crisis, the Commission and the Council stepped back from austerity and drove substantially different policy debates in Member States (Ladi and Tsarouhas 2020).

On 21 July 2020, the European Council reached an agreement on a new Multiannual Financial Framework (MFF) and an associated €750 billion 'crisis recovery fund' called the 'Next Generation EU' that would raise the total financial firepower of the EU to €1.85 trillion (the equivalent of 2 per cent of the EU's gross national income) for the 2021–2027 period. The NGEU represented the first occasion that the Member States agreed to a form of joint issuance of European debt. While there are important caveats to calling the NGEU the 'antechamber of a European fiscal federal solution' (De Costa Cabral 2021), since the instrument is a one-off measure, it nevertheless constitutes a significant leap in European integration: for the first time the Union would run a fiscal deficit to finance a distinct redistributive mechanism.

Existing literature has devoted great efforts to understanding how this path-breaking innovation was possible. There is agreement on the catalytic role that the COVID-19 crisis, and its threatening ramifications for the unity of the Single European Market, had in opening a window of opportunity for reform (Ferrera et al. 2021); in this regard, according to Ferrara and Kriesi (2022), the symmetrical and exogenous character of the COVID-19 shock facilitated a common EU approach. Others have stressed the role of policy learning, i.e. how EU elites had learned from the failures that undermined the EU's management of the euro crisis (Armingeon et al. 2022; Ladi and Tsarouhas 2020). And still others focus attention on the preferences of national governments: the crucial change of position of Germany, historically opposed to any form of fiscal integration (Waas and Rittberger 2023); the threatening discourses coming from southern Europe, particularly Italy, Spain and France, which were wary of the potential disintegrative dynamics unleashed by the crisis (Miró 2022); and the essential institutional leadership provided by the Commission when putting forward viable negotiation packages (Smeets and Beach 2023).

The key components of the NGEU are the Recovery and Resilience Facility (RRF), which, endowed with resources of €672.5 billion (including 312.5 billion in grants and 360 billion in loans), serves to finance national investments and reforms, and React-EU, which has an envelope of €47.5 billion to top up cohesion funds. This chapter focuses on the functioning of the RRF. Access to RRF funding by Member States is neither easy nor unconditional. A coherent reform and investment strategy, outlined in so-called 'National Recovery and Resilience Plans' (NRRPs), is required for Member States to qualify for funding. These plans must address a 'significant subset' of the European Semester's country-specific recommendations received by the Member States in the 2019 and 2020 cycles, as well as EU-wide policy priorities. The Regulation on the RRF sets out six pillars that NRRPs must address: (1) green transition; (2) digital transformation; (3) smart and inclusive growth, including jobs, productivity and competitiveness; (4) social and territorial cohesion; (5) health, and economic, social and institutional resilience; and (6) education and skills (European Union 2021). Member States should also explain how their NRRPs contribute to fulfilling the European Pillar of Social Rights (European Union 2021: 5). All spending must end in December 2026. The rules confine spending to investments, i.e. spending is allowed on the initial training of a workforce but not on permanent salaries. Nor should investments and reforms create future current liabilities, 'unless in duly justified cases' (European Union 2021: Article 5(1)). This is a kind of 'golden rule' restriction on the NRRPs.

The RRF is implemented through the pre-existing European Semester. The 'performance-based logic' of the RRF (European Commission 2021: 7) means that the transfer of grants and loans to the Member States depends on the achievement of results by reference to precisely defined milestones and targets (and these are defined in the NRRPs). In other words, disbursements will be paid out to Member States based on the Commission's and Council's positive assessments.

3 The Recovery and Resilience Plans in Italy and Spain

3.1 The drafting of the Recovery and Resilience Plans in Italy and Spain

The drafting of the NRRPs was shaped by an extremely tight schedule. The political agreement on the NGEU package had been sealed by the European Council on 19 July 2020, and the draft regulation was tabled by the European Commission in September 2020. All was up and running by October 2020, even though the RRF only entered into force in February 2021. Member States were required to submit draft NRRPs by October 2020, well before the Regulation had been approved. These time constraints had important consequences in terms of governance and decision-making (Miró et al. 2023).

The Italian and Spanish executives started elaborating their NRRPs shortly after the July 2020 agreement. In Italy, in June 2020 the Conte II government had already begun to collect proposals to relaunch the economy after the pandemic, inviting international organizations and civil society organizations to a three-day event called 'Stati Generali'. Relevantly, this was the first and last attempt to include stakeholders. With very tight deadlines ahead, decision-making became highly centralized, particularly in the design of the NRRP (Interview 40). The formulation of the Spanish NRRP was also characterized by the dominance of the central government. Both the Spanish Autonomous Communities and the Spanish Parliament were sidelined during the drafting process.

A first document was produced in Italy in September 2020 and shortly afterwards in Spain. In October a close consultation process between EU and national officials started. The reform areas, as well as the timetable for the reforms, were defined under the close supervision of the Commission (Interview 49). Nonetheless, the Member States had room for manoeuvre in setting the agenda (Interviews 37, 38, 41 and 42). This was confirmed by officials in both countries (Interviews 46, 47, 48 and 51). In Spain, a large number of the measures included in the Spanish plan came from the coalition agreement signed between the UP and the PSOE in December 2019 (PSOE and UP 2019). Also, the Italian government under Prime Minister Conte clearly took the initiative, at least regarding the 'investment' side of the plan. In both countries, governments were therefore eager to take the initiative, as the NRRP was perceived, at least initially, as a historic opportunity.

The content of the plans and how they would be implemented was then the subject of intense discussion between national governments and EU institutions. The Commission indeed objected to the Italian government over the first draft of the Italian plan because it focused on investments only and too little on reforms (Interviews 40 and 41). Over time – and in particular with the appointment of a new government under Mario Draghi – the number of reforms included in the Italian plan increased significantly. Moreover, not all proposals of the Italian executive made it into the final version of the NRRP: the introduction of a statutory minimum wage and the reform of the Short-Time Work scheme to protect precarious workers were discussed as part of the very first draft, but they were eventually left out. Commission officials objected that they would create significant ongoing expenditures, which was against the rules. Conveniently, the new Draghi government had different political priorities, so there was a mutual agreement between the new government and the Commission on excluding these issues from the plan (Miró et al. 2023).

In Spain, two components of the NRRP became a source of friction between the Commission and the government: the pension and the labour market reform (Interview 51). In the end, the Commission intervened publicly in an intra-coalition dispute to ensure that the proposals of the more moderate wing of the government succeeded (Miró et al. 2023). Nevertheless, the Spanish plan is more ambitious in addressing some of the main weaknesses of the welfare state model both in Italy and Spain, including labour market segmentation and related dualization.

To sum up, two main issues characterized the drafting of the plans. On the one side, the governments were able to pre-empt having their agenda set by the Commission. Yet, the EU scrutinized the plan and insisted on adding reforms , especially in Italy. Open conflict was, however, carefully avoided, and EU negotiators, while not consensus seeking, acknowledged that the governance method does not allow for notoriously contested reforms. On the other hand, the extreme emergency conditions under which the establishment of the RRF happened implied the sidelining of domestic stakeholders and parliaments. Once the plans had been approved by the Council in the first trimester of 2021, the supervision of their implementation was the responsibility of the Commission in the framework of the European Semester. However, the Council also retained a monitoring role, since it can request and decide on the suspension of payments if the reforms contained in the NRRPs are not implemented (European Union 2021). The extent to which the Commission and the Council would use such a reinforced monitoring power in the context of the Semester remains, as the next sections will show, an open question.

3.2 The social dimension of the recovery plans in Italy and Spain

In line with the RRF's Regulation (European Union 2021), the overall goals of the plans in Italy and Spain are in line with aims such as reviving growth in a 'socially inclusive' way. The way to achieve these goals, however, partly differs (Petmesidou et al. 2023). In Italy, low work intensity, stagnating wages and acute labour market segmentation – among the most acute pressing issues in this country (Tassinari 2022) – are not addressed in the final version of the plan. The NRRP focuses mainly on the underdevelopment of social investment services, and the main policy initiatives followed an 'uncontroversial but expansive' rationale (Corti and Vesan 2023): different ministries proposed projects they had had in their drawers for decades but could not launch because of tight budget constraints. The main areas were expanding childcare facilities, developing active labour market policies, hardware for healthcare and housing development. The 'golden rule' constraint of the RRF biases reforms against the financing of personal services and in favour of hardware, such as hospitals, school buildings or one-off training measures for staff. Even so, in line with the social paradigm change at the EU level (Natali 2022), the plan manages to support social investment reforms financially by retraining existing staff, facilitating re-regulation and spending on transitional investments.

By contrast, at the centre of the Spanish NRRP there are reforms in more traditional policy fields, such as pensions, poverty and re-regulation of the labour market. The 2021 labour reform reduces the scope of temporal contracts, restores sector-wide collective agreements for specific wage-setting aspects (although not for employment conditions) and reinstates the principle that collective agreements last for more than a year. The 2023 pension reform increases the sustainability of the system by increasing the social contributions of the highest earners. Despite this overall focus on 'traditional' social compensation instruments, the plan also includes a plethora of social investment measures: reform of the vocational training system; modernization and digitalization of public employment services; investment in education; measures for the care system and social housing; and more performance-based financing of education and research institutions. The Spanish NRRP has therefore both a protective and a social investment orientation while the Italian plan has only the latter, a divergence that reflects the different party coalitions supporting the two governments (Branco et al. 2024). This underlines the persisting importance of domestic policy priorities and suggests that the EU's framework, built in response to the COVID-19 pandemic, while promoting social investment reforms, also allows for expansion of traditional social compensation measures.

4 The crucial cases of active labour market policies and childcare in Italy and Spain

To provide a more comprehensive assessment of the ability of the RRF to support the Italian and the Spanish welfare states, we focus on the long-term policy trajectories of active labour market and childcare policies. These are particularly suited to investigating the ability of the RRF to support national welfare states, as well as to illustrating issues related to the governance relationship between the EU and Member States. Childcare, employment services and professional training are among the typical examples of Social

Investment policies, policy domains severely underdeveloped in southern European welfare states due to their characteristic cash transfer biases (Bonoli 2013; Natili and Jessoula 2022). Social Investment refers to a policy paradigm that seeks to (re)focus social policy from *ex-post* compensation to *ex-ante* capacitation, or, in other words, that is focused on promoting employment participation by enhancing human capital formation rather than passive income smoothing (Hemerijck and Ronchi 2021). Over the last decade, this paradigm has gained traction among EU policymaking circles: in 2013 a 'Social Investment package' was adopted, although it struggled to be integrated in the European Semester. The Commission harnessed the opportunity provided by the RRF-linked post-pandemic recovery strategy to push for a focus on Social Investment-oriented priorities: in the 2020 diagnosis of Europe's post-pandemic recovery needs, the Commission argued that social policy should be decisive to 'revitalize' the economy and enhance Europe's growth potential (European Commission 2020). As such, Social Investment-related fields are domains in which the EU demanded that governments in Italy and Spain constantly do more (see Table 10.1) in the pre-pandemic years, asking for greater investment and improvement in the coordination among different institutional levels and actors.

When it comes to social investment, despite similar starting points, Italy and Spain had very different reform track records between the mid-1990s

Table 10.1 Country-specific recommendations in the social domain in Italy and Spain, 2013–2020

Country-specific recommendations in the social domain	*Italy*	*Spain*
Strengthen ALMPs and public employment services	2013, 2014, 2015, 2016, 2017, 2018, 2019	2013, 2014, 2015, 2016, 2017, 2019
Improve the provision of long-term care	2013, 2019	2016
Improve the provision of services for children	2013, 2014, 2018, 2019	2015, 2016, 2017
Improve social assistance minimum income schemes	2013, 2014, 2015, 2016	2014, 2015, 2016, 2017, 2018, 2019, 2020
Improve family benefits	2014, 2018	2013, 2015, 2016, 2017, 2018, 2019, 2020
Improve unemployment benefits	2014, 2020	2020
Reduce labour market segmentation		2014, 2018, 2019
Decentralize collective bargaining	2015, 2017	2015

Source: Authors' elaboration on EU Commission official documents.

and 2008, with Spain being more active than Italy in promoting reforms (Léon and Pavolini 2014; Natili and Jessoula 2019). However, Table 10.1 shows that in later years the euro crisis and subsequent austerity-driven welfare reforms bit in both countries, and also Spain was increasingly reminded of the need to conduct more social investment, especially in three areas (minimum income, family benefits and active labour market policies).

4.1 Active labour market policies in Italy and Spain

Overall, when weighted for the unemployment rate, both Italy and Spain have lower levels of ALMP expenditure than the other EU countries (Giuliani and Raspanti 2022). Moreover, the bulk of spending on active policies has traditionally been focused on employment incentives, while spending on public employment services (PESs) and training is well below the European average.

Between 2010 and 2020, both countries introduced reforms aimed at promoting upskilling and employment support. Informed by a 'workfarist' (Spies-Butcher 2020) philosophy, the 2012 Rajoy labour market reform (RD Law 3/2012) attempted to strengthen activation and stipulated the requirement for unemployment benefit claimants to sign a 'Personal Employment Agreement'. In the same direction, in December 2014, the Spanish government also adopted the so-called 'Employment Activation Programme'. In Italy, a comprehensive reform of the Italian ALMP system was envisaged in the 2015 'Jobs Act'. But the reform, designed under the auspices of EU institutions (Sacchi and Roh 2016), was poorly financed in its 'activating' component (Tassinari 2022: 443). An 'Extraordinary Plan for the Strengthening of Public Employment Services (PESs)' was then introduced in 2019, following the introduction of the Citizenship Income.[1] Overall, in both countries, despite the important legislative innovations, expenditure for enhancing human capital and workers' competencies through training remained extremely poor both before and after the crisis (Burroni et al. 2019 38), so public employment services could hardly be considered effective in supporting job searches and placement, and territorial disparities remained vast.

When the RRF fund became available, finally, significant investments in ALMPs were undertaken in both countries. Italy dedicated a total of €6.66 billion to its labour market policies, almost entirely for activating and strengthening PESs. In detail, the 'National Programme for the Guarantee of Workers' Employability' was adopted, investing €4.4 billion for the three-year period 2021–2023, with the aim of integrating into the ALMP system all individuals either unemployed or at risk of unemployment and providing them with tailor-made services. A 'National Plan for New Skills' has also been approved, through the establishment of common training standards for unemployed people registered with employment centres, and the strengthening of the vocational training system, promoting a territorial network of education, training and work services through public-private partnerships (Corti and Ruiz 2023). The Public Employment Service Strengthening Plan 2021–2023 builds on the existing 2019 measure mentioned above but guarantees an adequate envelope of €0.6 billion for its implementation. The measure includes infrastructure investments, the development of regional labour market observatories and interoperability between regional and national information systems, as well as training activities for centre operators. All in all, these measures were already present in previous legislative initiatives, but with the RRF they are finally adequately financed.

In the Spanish resilience and recovery plan, active labour market policies are less central, with labour market desegmentation being the main focus of government intervention (Guillén et al. 2022; Miró et al. 2023). The key reforms contained in the plan include the modernization of the ALMP, the review of subsidies and bonuses for labour hiring, and the modernization and improved efficiency of the PESs, in particular investing in digitalization (European Commission 2024). Key measures also include the new Spanish Employment Activation Strategy, which builds on the existing Royal Legislative Decree 3/2015, and the 2021–2027 Action Plan to tackle youth unemployment connected with the EU Youth Guarantee Plus. Both measures build on existing measures but guarantee adequate investment. Investments to upskill and reskill workers (€2.1 billion) and to modernize vocational training are also relevant. The NRRP also promises to reform the system of hiring incentives – one of the weaker points of the labour market, as stressed in earlier CSRs – by developing individual pathways for counselling and promoting adult learning.

4.2 Childcare policies in Italy and Spain

The trajectory of childcare policies is to some extent similar. Both countries have been traditionally characterized by persistent familism in the provision of care to countervail limited public investment (Ferrera 2010). Between the mid-1990s and mid-2010s, childcare underwent an expansionary trajectory in Spain only (León et al. 2021). As a result, since the mid-2010s the Spanish coverage rate has been above the Lisbon target while the Italian one remains one of the lowest in Europe. Also importantly, in both countries regional governments hold key competences in this policy field.

Figures 10.1 and 10.2 clearly indicate that in Spain the turn towards greater investment in childcare took place well before the Great Recession. During the euro crisis, however, child services were also drastically retrenched (Natili and Jessoula 2019). In Italy, despite some promising initiatives being launched in the late 1990s and 2000s, they remained poorly financed and had limited impact. The creation of a single integrated system of ECEC services that formally guarantees equal educational opportunities to all children under three years of age and envisages the extension of the educational offer to 33 per cent coverage of potential users (75 per cent territorial

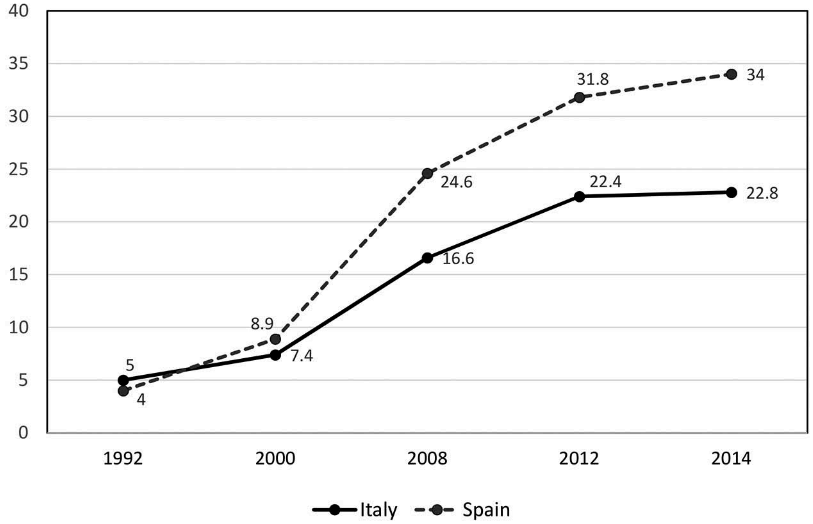

Figure 10.1 Coverage rate of childcare in Italy and Spain, selected years
Source: Sorrenti 2020: 12.

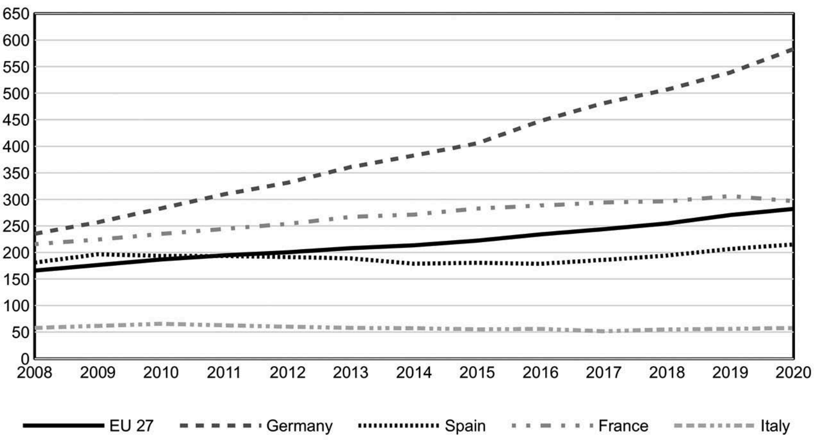

Figure 10.2 Expenditure for childcare per capita in purchasing power standard, 2008–2020, selected countries
Source: Authors' elaboration on Eurostat data.

coverage of municipalities) took place much later, with Legislative Decree no. 65 of 13 April 2017. Unfortunately, without proper financing, from 2017 until 2021 there were few improvements in the implementation of what the reform prescribed, and in particular no real increase in coverage rates in childcare services for infants aged 0–3.

Overall, data confirm that, despite good intentions and ambitious legislative proposals, childcare was not very developed in these countries, particularly in Italy. In 2020, the percentage of Italian children under the age of three in formal early childhood education and care (ECEC) services (26 per cent) was 10 percentage points lower than the EU28 average. Thus, it is not surprising that EU pressures to expand childcare were strongest in Italy, as country-specific recommendations on this specific topic were launched in 2013, 2014, 2018 and 2019. Nonetheless, Spain – where the coverage rate in 2020 was 41 per cent, higher than the EU28 average – was the object of attention, as in both 2016 and 2017 the EU contested the lack of adequate, affordable and quality childcare. One of the main problems affecting childcare provision in both countries is territorial heterogeneity – in Spain, public coverage runs from 10 per cent in the Canary Islands to 28.8 per cent in the Basque Country, while in Italy it runs from 3 per cent in Calabria to 29 per cent in Emilia Romagna.

Also in childcare, very important innovations took place in both countries with the NRRPs. In Italy, the Plan for nurseries and preschools and early childhood education and care services was launched. It aims to invest €4.6 billion in ECEC services with the goal of creating 228,000 new ECEC places over the 2021–2026 period. In order to emphasize the magnitude of what the Plan proposes for ECEC, it should be borne in mind that the creation of 228,000 ECEC places in Italy means practically doubling public provision in this policy field, reaching or getting close to a 33 per cent coverage rate for children aged under three. Moreover, the criteria for distributing resources across the Italian regions take into consideration existing imbalances, so that the regions lagging behind are expected to have the biggest increase in the number of public places (European Commission 2024). In August 2023, the new Meloni government, in the context of the revision of the Plan to include a *Re-Power EU* section, reduced the number of new places to 150,480. The government deemed it necessary, on the one hand, because of the increase in the cost of raw materials, and on the other, because it did not receive the green light from the Commission in considering competing with the target new places obtained through safety measures and the use of 'multipurpose centres' (Natali et al. 2023). That said, the investment for childcare remains highly significant for the Italian context.

Again, the Spanish plan invests overall fewer resources in childcare, but notably a €677 million investment in childcare as part of component 11 of 'Modernization and digitization of the education system, including early education for children aged 0–3'. The objective of the investment is to provide *affordabl*e public places for children in areas with higher risks of poverty or social exclusion and rural areas, especially for the 1–2 year-old age group. €519 million has been allocated to cover the infrastructure costs to create 65,382 new publicly owned places for children aged 0–3 (European Commission 2024). The plan focuses in particular on supporting the Autonomous Communities currently with the lowest coverage, such as the Balearic Islands, Castile and León, the Canary Islands and Murcia.

4.3 The implementation of the RRFs in Italy and Spain: a focus on ALMPs and childcare

Implementation of the RRF sheds light on potentialities but also relevant drawbacks of the emerging EU socio-economic governance. Truth be told, the implementation of ALMP measures is progressing well both in Italy and Spain, and all milestones and targets associated with ALMP measures planned to date are either fulfilled or completed (European Commission 2024). By the end of January 2024, 2,070,745 people had been included in a programme associated with GOL in Italy (ANPAL 2024). Also in Spain, milestones and targets have so far been fulfilled (European Commission 2024), including the implementation of the Modernization Plan of Vocational Training (*Plan de Modernización de la FP*), which involved, up until May 2023, the accreditation of professional skills of more than 540,000 people, and the launch of 304 applied technology classrooms and 444 entrepreneurship classrooms. That said, the regional administrative capacity is hampering a smoother implementation of the measures, particularly in certain regions, as there is high territorial heterogeneity in the ability to hire new much-needed personnel (Corti and Ruiz 2023) and regarding the IT infrastructure and digitalization levels of public employment services (Sacchi and Scarano 2023). Implementation problems are particularly evident in childcare, where not all the municipalities were able to respect the targets (European Commission 2024; Natali et al. 2023). In Italy, where the main actors in charge of delivering the plans are municipalities, they struggled with presenting projects on time, particularly those in the south. This is partially due to an inability to cope with the high costs of running the infrastructures (personnel, for example). As emphasized above, one problem is that RRF funds can be used for the initial training of a workforce but not for permanent salaries of training staff; reforms should not create future current liabilities, 'unless in duly justified cases' (European Union 2021: Article 5(1)). This 'golden rule' restriction on the NRRPs hampers progress in activation and improved employment services, which in both countries are characterized by chronic understaffing. This is likely to limit the ability to spend on policies relevant for meeting the objective of economic and social resilience.

In Italy, the government introduced some additional funds from the national budget to cover these costs and also allowed municipalities to deviate from internal stability pacts, yet this did not entirely solve the problem, as many local actors feared the long-term implications of these additional costs

(Corti et al. 2022). Another problem is that municipalities do not have the competences necessary to participate in the complex governance process required by RRF fundings. Decades of under-investment in public administration personnel and in their competence – particularly at the local level (Di Mascio and Natalini 2023) – clearly did not facilitate a smooth implementation of the plans. Furthermore, a very limited time frame and complex administrative requirements to participate in different public tenders, as well as all the obligations to comply with milestones and targets, constitute a significant obstacle for many small-sized municipalities, particularly in the least economically developed regions (Natali et al. 2023). Thus, most of the demand comes from northern regions, or areas that already have a good offering of childcare services. Also, in Spain, similar problems are emerging (European Commission 2024) – although the main subjects in the implementation are the Autonomous Communities, which resent the fact that, despite having competence in this specific topic, were not involved in the drafting of the plan. Autonomous Communities are particularly worried about having to assume from 2024 onwards the running costs of the new post created in childcare services (Corti et al. 2022). In other words, in both countries, subnational actors have doubts regarding the future financial sustainability of these programmes.

5 The Recovery and Resilience Plans in Italy and Spain: what kind of transformation in the social domain?

With the adoption of the RRF, the EU's socio-economic governance framework, articulated around the European Semester, was provided with the opportunity to increase its leverage upon Member States' reform trajectories in a way not seen before. This chapter has analysed the extent to which this opportunity has been harnessed by the European Commission, and whether, in doing so, the EU recovery strategy triggered changes in policy priorities that strengthen national social protection systems.

In relation to the authority relationships developed in the process of implementing the RRF, our empirical analysis has shown that, while the post-2020 European Semester has moved away from soft recommendations to harder requirements, the latter are still not purely hard law: the drafting of the NRRPs in Spain and Italy was a negotiated process between the national executives and the Commission, with the hierarchy of the Council also impinging upon the process.

On the substantive policy side in turn, the RRF clearly represented a move away from the austerity-based conditionality of the euro crisis years. More specifically, the direction of ideational change in social policy reform at the EU level is towards a social investment-based paradigm. This transition had already started with the Juncker Commission, but the weak capacity of the pre-RRF Semester to bring about reforms hampered this process. The RRF thus provided an opportunity to the Commission to solidify this shift.

The Italian and Spanish NRRPs reflect this development. Their reforms in the social policy domain show a clear emphasis on social investment (Guillén et al. 2022). Nonetheless, different social policy choices are also possible under the new framework, as epitomized by the Spanish plan in particular: the Sanchez government was able to include reforms aimed at re-regulating the labour market and guaranteeing social safety through more generous income benefits. In the social policy field, reforms in the end were almost always uncontroversial in terms of content, not least because they had been bilaterally negotiated between the concerned Member State and the Commission in a context in which both actors were interested in a swift implementation of the RRF.

Our in-depth analysis of the reforms' trajectories in the active labour market and childcare fields in Italy and Spain reveals, despite some divergences, important similarities. First, before the onset of the COVID-19 pandemic crisis, in these policy fields important reforms were introduced in both countries, with the overall aim being to strengthen policy capacities in these policy fields, thus providing a different account to the frequently heard narratives of southern European countries as a sort of 'frozen landscape'. However, and second, these reforms were not followed by adequate investments, so their results were quite modest – with the exception of the relevant expansion of childcare provision in Spain. The RRF apparently responded to the latter problem, providing significant resources so that investments could follow reforms. The governments' priorities were largely accepted as regards investment priorities, while concomitant reforms were more controversial or the Commission demanded more ambition. All this was helped by the largely consensual goals of social investment, a centrist policy stance that can be agreed across the party-political spectrum, which were long overdue but unaffordable in these crisis-ridden countries hit hardest by the pandemic (Miró et al. 2023).

All in all, in both countries, the possibility of tailoring spending on their social needs was vital for a process that was not frictionless but ultimately borne by the will to make it work. A few problems are, however, emerging in the implementation of the plans in both countries, and these are also related to the governance structure. The complex administrative requirements and tight timing of project realization, which are revealing gaps in administrative capacity, particularly in some local contexts, are also due to decades of low investment in the quality of public administration. But such implementation problems are also related to the drawbacks of not providing adequate voice to relevant institutional actors. As several commentators have noticed, the new RRF facility facilitated a strong centralization of the policymaking process (Bokhorst and Corti 2023; Miró et al. 2023), and the parliaments, social partners and subnational authorities were barely involved in the drafting of the plans. The availability of additional funding encouraged social partners and subnational actors to acquiesce, not least because the need to strengthen ALMPs and childcare services had been agreed in previous reforms in both countries. Nonetheless, some local authorities are resisting the implementation of the plan.

To sum up, additional EU funding guaranteed a high commitment to the policy process around recovery funding in both countries, which, despite some obstruction, is guaranteeing reforms and policy change. But the acquiescence of relevant stakeholders cannot be taken for granted during the implementation process. This suggests that the close monitoring of national reforms and investments through fiscal governance envisaged in the new economic governance rules of the Revised Stability and Growth Pact, without additional funding as in the RRF model, is likely to encounter severe ownership and implementation problems in the Member States.

Note

1 Although the name suggests a universal unconditional basic income, the Italian Citizenship Income (Law no. 4 of April 2019) is a minimum income scheme: a monetary benefit targeted at poor households and conditional on participation in job-search activities. For further details, see Jessoula and Natili (2020).

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11 Conclusions

Comparative insights into the politics of the social crisis of Europe

1 Introduction

Social policy has never been central to the European integration project. Back in the 1950s, the European Economic Community (EEC) was conceived as a way of bringing together the economies of a club of liberal democracies in the Old Continent, which were eager to move on after the devastation of World War Two. While the emerging polity focused its endeavour on market integration (arguably with great success), social policy remained in the hands of the national welfare states. As long as the latter lived their heyday in the *Trente Glorieuses* of economic and welfare growth, this configuration worked well. However, starting from the 1970s, what was actually a fragile equilibrium started to crumble under the pressure of multiple global transformations. Welfare reforms in the bulk of Member States began to lag behind the mounting socio-economic change, thus translating into a gradual 'erosion' of welfare states' protective capacity. As we underlined in Chapter 2, what we term the 'social crisis of Europe' (SCE) did not stem only from exogenous dynamics. It was also driven endogenously by the progress of market integration, which blurred the boundaries of national welfare states and put strong destructuring pressures on them. Although, since the 1980s, social destructuring had been tentatively tamed through the development of the EU social dimension, the latter did not keep up with the pace of market integration.

The (partly EU-induced) lingering SCE, however, went largely unnoticed. Its erosive, slow-burning temporal pattern and its territorially asymmetric configuration have long inhibited the full recognition of the social crisis and therefore EU policy action to tackle it. At least, this was the case until recent times. In fact, the situation changed starting from the late 2000s. More than a decade of economic and social erosion unveiled the long-standing tensions between the economic and the social facets of the integration project and exacerbated social problems and inequality within and among Member States (Chapter 1). What had long been a lingering yet latent crisis became more manifest. As the case studies included in this volume have shown, this happened mainly in two ways. In the first place, the SCE became apparent in the social aftershocks that followed more abrupt crises, from the global financial crisis and the euro crisis to the COVID-19 pandemic and its

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unprecedented socio-economic consequences. Then again, even before the beginning of the *decennium horribilis* that started with the euro crisis, the SCE manifested in various symptoms – scattered focusing events that increased the perception of urgency among policymakers.

The escalation of the SCE opened windows of opportunity for the expansion of the European social dimension. Previous research has stressed the existence of many structural, institutional and territorial hurdles to the development of EU social policy (Chapter 2). The case studies of this book show how these obstacles are not immutable nor entirely insurmountable. Over the last 15 years, perhaps at the peak of the SCE, EU-level social policy expansion has become much more common than one may have expected. While classical integration theories explain supranational delegation as a consequence of rising functional interdependencies, and the newer state-building literature emphasizes the key role of security threats (Kelemen and McNamara 2022), the so-called 'polity perspective' (Ferrera et al. 2024) foregrounds the key role played by citizens' expectations of effective social security, and the importance of 'bonding' the members of a compound polity together through some degree of risk sharing (Chapter 2). The intensification of market integration since the 1990s, and even more so the escalation of social dislocation over the last 15 years, have endangered expectations of high social security among European citizens, thus fuelling demands for compensatory social interventions on the part of the EU. These might not necessarily be fulfilled, but their political relevance in terms of legitimacy is key to the EU polity's stability.

We are not alone in arguing that EU interventionism in the social domain has increased in recent times (Keune and Pochet 2023; Kilpatrick, 2023; Vandenbroucke, Barnard and De Baere 2017; Vesan and Corti 2022; Vesan, Corti and Sabato 2021; Zeitlin and Vanhercke 2018). What we do add is a comprehensive analysis, across social policy areas and time, of the political dynamics that brought about the emergence of constellations of actors that, to diverse extents, proved capable of breaking through the inertia that has long characterized the social dimension of the EU. Why and how has the expansion of EU social policy taken place in the context of the SCE? Throughout the book we have attempted to shed light on the political mechanisms that underlie this process. This chapter takes stock of the findings from the eight empirical chapters in a comparative fashion, with a view to highlighting some lessons about the multilevel dynamics of EU social politics, as well as possible implications for the EU polity in the making.

2 The crisis of Social Europe and agenda setting

2.1 Overcoming gradualism and asymmetry

Our case studies outlined the existence of an erosive process that affected the nature and distribution of socio-economic risks in Europe, gradually leading to what we termed the Social Crisis of Europe (SCE). Deindustrialization, poverty, (youth) unemployment, precariousness and climate change-related risks structurally affected European societies well before the euro crisis, and the national welfare state proved less and less effective in responding to these problems, not only in the crisis-ridden peripheries but also in core EMU countries. While Chapter 1 showed that European populations acknowledged more readily the existence of a social crisis in Europe, our empirical reconstructions outlined the fact that the full recognition of the urgency of these issues was contested at the national as well as at the EU level. Arguably, the SCE has by and large remained largely unrecognized and declared only occasionally. Against this backdrop, the first question we need to pose is: what has inhibited the (full) politicization of the SCE even in the face of mounting social problems and the deterioration of people's living conditions?

As a first, general explanation we have pointed out the particular features of the SCE: its asymmetric spatial distribution and slow-moving (erosive) temporal pattern. Taken together, these features influence EU-level social policymaking, including whether certain issues are problematized as matters of (EU) intervention or fail to do so. More specifically, they hinder robust responses even in the face of significant functional pressures. First, the gradual temporal progression of the SCE makes it difficult to inject a sense of urgency in the policy process, typically leading to 'business as usual' and incremental responses. It is perhaps ironic that this erosive pattern is due to the residual institutional resources that have averted a wholesale breakdown of the European welfare state, but not its gradual deterioration. Arguably, this temporal pattern has posed the most direct obstacle to tackling the SCE in its free-standing, erosive form. Social problems, such as rising levels of youth unemployment and the intra-EU core–periphery divergence of social standards, constitute diffuse pressures that most policymakers as a rule do not perceive as a matter for urgent EU intervention. Furthermore, our chapters outlined how, even when social issues were recognized by policymakers as deserving further attention, the first reaction in the EU institutional setting is seeking solutions at the national level.

That said, our chapters have shown that urgency can be injected, leading to eventually addressing erosive social problems. Keeping with the metaphor of erosion, the emergence of a 'sinkhole' or, more plausibly, a series of 'sinkholes' – say, a sequence of plant relocations (European Globalization Adjustment Fund) or of judicial decisions (Posted Workers Directive) – constitute focusing events that draw EU lawmakers' attention to a certain problem. Policymakers could also autonomously decide to lift an issue onto the agenda, even though our case studies show that this rarely happens automatically but rather comes as a response to the mobilization of policy initiators. Overall, while confirming that erosive processes are hard to respond to, in this book we have depicted institutional and political mechanisms counteracting the incentives to adopt policy inertia typical of this sort of 'creeping' crisis (Boin et al. 2021). But more relevantly, another shock-type crisis can lend urgency to the latent SCE. In this case, the SCE takes the form of a ‘social aftershock’. EU social policy initiatives have indeed expanded as a response to the financial crisis (YG) and the COVID-19 pandemic (SURE and RRF). In fact, the social strand is central to all crises, and these cannot be understood or addressed adequately without paying attention to it. At the same time, shocks bring into focus underlying social problems in a more clear-cut way, drawing policymakers’ attention to these issues either autonomously or as a response to collective mobilization.

Second, we hypothesized that because the SCE has an asymmetric impact across the EU, this not only makes the pan-European solidarity needed to address it difficult to achieve, but it also inhibits seeing it as a common European crisis in the first place (see Kriesi et al. 2021, though they advance a slightly different argument; see also Ferrara and Kriesi 2022). Our chapters confirm that ‘social imbalances’ are very pronounced, as peripheral Member States are generally more crisis-prone than core Member States to begin with and/or possess fewer resources with which to address a crisis they may face. These disparities mean that the manifestations of the SCE do not spontaneously emerge as *common* problems to be tackled by joint action but rather as problems that each Member State should deal with on its own. Asymmetry, however, is a matter of degree as well as of political construction. On the one hand, when asymmetries are less pronounced, i.e. when particular social problems are shared by the bulk of Member States, this opens the way for the expansion of social policy. The case of the EMW is instructive in this regard: because long-standing dynamics of workers’ impoverishment were present both across core and peripheral European countries, the general context was in the end more favourable for an ambitious policy reform (Chapter 7). The same is true for EU policy initiatives that followed the COVID crisis, whose social impact was felt – albeit to varying extents – throughout Europe.

That said, our case studies demonstrate that asymmetry is not necessarily a negative impetus but that it can also be conducive to adopting solidaristic policies. For example, the climate crisis is, at a high level of abstraction, a symmetric crisis, hitting all Member States of the EU (indeed, all states in the world) and requiring decisive action to tackle it. However, the greening of the EU’s economy that comes as a response to the climate crisis impacts some countries/regions/social classes more negatively than others. It is, in fact, the recognition of the social and territorial unevenness of the green transition’s social repercussions that propelled rather than inhibited the expansion of EU policy responses (Chapter 8). Because of such differential endowments that inhere in the social field and that are bound to create asymmetries, an additional crisis characteristic should be considered as an explanatory factor: namely, the origin of the crisis, i.e. whether it is (seen as) primarily endogenous or exogenous. The question of exogeneity/endogeneity resonates with notions of deservingness, which have been shown to be enormously influential in (collective and individual) judgments about legitimate receivers of solidarity (Clasen 2022; Heermann et al. 2023; van Oorschot 2006). Returning to the example of eco-social initiatives, even though some Member States are much more reliant on fossil fuels than others, it is difficult to place blame on them for this historic dependence, as it is hard to blame workers employed in polluting economic sectors or consumers who use relatively affordable fossil fuels for heating and transportation. Furthermore, as the case of SURE demonstrates (Chapter 9), more than symmetry, it was the exogeneity of the pandemic and the difficulty of placing blame on one country, or set of countries, that was conducive to social policy expansion.

To sum up, supporters of the Eurosocial agenda face an uphill battle when it comes to addressing the SCE, and part of this is due to the inbuilt features of the crisis. Yet these characteristics have proved to be, to some extent, mutable, or in any event not insurmountable. In this book's empirical chapters, we have documented instances of important action addressing some manifestations of the SCE. In other words, while crisis features define some of the parameters of the policy process and constrain action, they still leave ample room for it.

2.2 Breaking policy inertia: how social initiatives are propelled to the EU agenda

When looking at EU social policymaking in various policy fields in the long crisis decade, a surprising regularity emerges: while EU social initiatives are generally rare, and in normal times it takes a long time before social proposals enter the agenda of EU institutions, in crisis times EU-level social interventions become more frequent. In the conceptual language of this book, the social crisis is more easily tackled when it manifests as a *social aftershock* of another crisis. For instance, despite the fact that EU institutions were well aware from at least the early 1990s that youth unemployment constituted a severe structural problem of European labour markets, the Youth Guarantee entered the agenda of the European Commission only after its dramatic spike in the aftermath of the financial crisis, which led in turn to the explicit recognition of the emergence of a 'social crisis' by the then Commissioner for Employment and Social Affairs László Andor, due to rising youth unemployment (Chapter 4). The COVID-19 pandemic also contributed to making social problems more visible and joint EU action more probable, as the cases of SURE and the NGEU demonstrate. A sudden deterioration of social conditions in the wake of a primary shock (the euro crisis in the case of the former, and the COVID-19 crisis in the latter examples) altered the dynamics of incremental and cumulative effects that generally characterize the politics of the social crisis of Europe. The onset of crises – and their recognition as such – constitutes thus a clear mechanism facilitating a step forward in the bonding dimension of the EU polity. In such instances, policies are typically initiated by the Commission, which not only seeks to fulfil its institutional role as agenda setter but also to reinfuse legitimacy into the shaken European edifice.

When no visible social aftershock emerged, the Commission was generally less responsive and able – or willing – to recognize the social crisis. Nevertheless, it still advanced a number of key initiatives even in the absence of such shocks. A key characteristic of these initiatives is that they reflect a political rather than a purely functional rationale. The EGF was an early precursor of this logic: it was born as an attempt to placate some of the negative externalities of market integration to aid the latter's political and social acceptability in the face of potentially very disruptive implications of unchecked regional industrial decline. Two decades later, the Commission's proposals for the JTF and the SCF reflected the same logic of compensation even more starkly. As we have shown in Chapter 8, the two eco-social policies stemmed from the recognition that decarbonizing initiatives are not only socially painful but also politically costly; they were therefore devised as side payments to accompany the EU's major green legislative initiatives, bringing sceptics on board. Finally, the revision of the Posted Workers Directive also originated in the incoming Juncker Commission's attempt to fend off the growing anti-EU populist backlash. After the eastern enlargement, intra-EU posting was very politicized in western Member States, most notably France, where complaints of 'social dumping' from eastern Europe had become a particularly damaging issue for pro-EU forces. These cases are consistent with a line of research arguing that the Commission has become more responsive over time to publicly salient issues (Rauh 2016, 2019).

Another group of agenda-setting mechanisms falls under the rubric of pressure politics. In the absence of a social aftershock pattern, i.e. in pure erosive processes in particular, constructing a non-conflictual consensus about the existence of a fully-fledged European social crisis (manifestation) with dramatic (if not immediate) consequences is a non-trivial exercise – an exercise that requires overcoming deep-seated ideological and territorial differences, and adopting path-breaking (both institutionally and cognitively) solutions. In such cases, the emergence of purely 'European' political actors and dynamics has contributed to overcoming polity inertia in two distinct ways. On the one hand, in some cases, *transnational coalitions of interest groups* formed and were able to promote specific proposals that were later taken up by the Commission. As we saw in Chapter 4, the proposal for a Youth Guarantee emerged initially within the European Trade Union Confederation (ETUC) in the immediate aftermath of the financial crisis. A coalition of social NGOs particularly active in Brussels – the European Anti-Poverty Network (EAPN), Social Platform, Caritas Europa and others – drafted and promoted the first proposal to introduce a framework directive in the field of minimum income protection (Chapter 5; see also Shahini et al. 2022), which was then strongly supported by the ETUC and advocated within EU institutions by the German government. A cross-sectoral coalition of Brussels-based labour unions and environmental NGOs was also important in the elaboration of the concept of just transition (Jessoula and Mandelli 2022), which entered the EU's policy agenda in the late 2010s due to significant mobilizations by diverse societal actors, chief among them social movements (Chapter 8; see also Kyriazi and Miró 2023). While many documented the difficulties of building 'social' coalitions in compound polities – due to heterogeneous interests and the institutional incentives to act at the national level (Obinger et al. 2005) – this volume provides evidence of the increasing relevance of various coalitions of actors that, in overcoming national borders, were able to politicize a social issue against the background of an erosive pattern, actively campaigned for Eurosocial initiatives and subsequently pressured supranational institutions to adopt them.

On the other hand, *euro-electoral politics*, i.e. demands coming from political groups in the European Parliament, have successfully drawn the Commission's attention to Eurosocial initiatives. In 2019, in order for her to be successfully nominated as Commission president, Ursula von der Leyen needed the support of the S&D and the Greens/European Free Alliance (EFA), which greatly contributed to the social and green turn of her Commission. As a result, key electoral proposals of left-of-centre parties and party groups – a minimum wage directive and the just transition – became part of the agenda (Biedenkopf et al. 2022; Natili and Ronchi 2023; Kyriazi and Miró 2023). The relevance of proposals stemming from the European Parliament also relates to the ability of progressive actors – both parties and trade unions – to internalize territorial conflicts (see also Corti 2022). It is also interesting to note that this political structuring process and the (partial and case-specific) overcoming of territorial conflicts resulted from the recognition of the erosion of the protective capacity of national welfare institutions by certain political actors in countries where the left was traditionally 'Eurosceptic' (see also Natili and Ronchi 2023). This suggests that partisanship may have a particularly relevant role in responding to the erosive process – in line with an understanding of erosion as a type of crisis where the political construction of the urgency of the issue at stake matters a great deal. Taken together, these distinct dynamics reveal signs of a gradual structuring of a (multilevel) EU political system (see next section).

Contrary to our initial expectations (Chapter 2), Member States rarely proposed the adoption of a supranational social initiative. This was mainly the case with the adoption of the Recovery and Resilience Fund, initially proposed by the Spanish government (Chapter 10). In the other cases, at best, Member States endorsed existing proposals and struggled to make them more concrete. For example, representatives of the governments of Italy, Spain and Portugal also wrote a letter in support of the introduction of a binding framework for minimum income guarantees in the EU, on which, as mentioned above, the policy initiatives had been taken by social NGOs like the EAPN. However, the strong endorsement from those three Member States' governments did not suffice to push through the proposal: as seen in Chapter 5, a much less ambitious recommendation was preferred by the Commission and the Council over a framework directive on minimum income. While in the agenda-setting phases Member States may have taken a back seat, in the ensuing policymaking process they came front and centre, as the next section discusses in more detail.

3 The making of coalitions for Social Europe: the politics of social initiatives in the EU polity

Our reconstruction of the policy episodes outlines how, after a social proposal enters the agenda of EU institutions, this is followed by the formation of coalitions supporting or opposing a given initiative. To begin with, class-based interests play an important role in the social policy field at both the EU and the national levels. Our studies indeed demonstrate the key function of progressive actors in elaborating and promoting policy ideas (just transition, European unemployment benefit) and pushing for change. This is best revealed by the stark juxtaposition that emerged between the European labour movement and employers' associations: while the ETUC is always, in all our policy episodes, in the supporting coalition of Eurosocial initiatives, the opposite is true for BusinessEurope. At the same time, we should also note that while robust support from the left is an important precondition for passing most Eurosocial initiatives, the mainstream right has also frequently sided with the Eurosocial agenda. The most consistent opposition comes from the Eurosceptic fringes, especially on the far right.

In terms of territorial fault lines, the dynamics on the surface suggest that EU social crisis management is shaped by relatively stable coalitions of Member States, as an emerging literature would have made us expect (Buti and Fabbrini 2022; Fabbrini 2022; de la Porte and Jensen 2021; Schramm, Krotz and De Witte 2022; Truchlewski et al. 2023). Southern European countries are in the supportive coalition for expanding the bonding dimension of the European polity – hardly a surprise, given that they are net beneficiaries of EU (social) expenditure, and it is in these countries where the social crisis was most visible. France, Portugal, Spain and Italy pressed for the adoption of the Youth Guarantee, a framework Directive on Minimum Income and the Directive on Adequate Minimum Wages, as well as the adoption of the Next Generation EU. France acted frequently as a leader in the construction of transnational coalitions for a more social Europe – and the revision of the Posted Workers Directive is a case in point in this regard. On the opposing side, the so-called Visegrád 4 countries (the Czech Republic, Hungary, Poland and Slovakia) and the so-called Frugal 4 Member States (Austria, Denmark, the Netherlands and Sweden) have often opposed EU intervention in the social field, albeit for different reasons and depending on the policy proposal at hand. Specifically, most eastern countries were supportive of the adoption of the EMW, and the introduction of the JTF and the SCF was promoted by a strange bedfellows' coalition of environmentalist NGOs, labour unions and a Polish-led coalition of peripheral countries. Nordic countries – supportive of fiscally prudent EU policies and very keen to maintain their national competences over social and labour market issues – are generally sceptical of Eurosocial initiatives but were in favour of the revision of the Posted Workers Directive, SURE and, despite an initial scepticism, in the end did not oppose the adoption and gradual reinforcement of the Youth Guarantee, the JTF and the SCF.

That said, a closer look reveals that the 'making and breaking' of coalitions for a more Social Europe (Kyriazi 2023) is a dynamic process in which actors' positions are not frozen. The question, then, concerns what factors make it possible to find an agreement and convince initial opponents to switch position, or at least to acquiesce to EU social policy expansion. There is not a single factor that explains this outcome. Our case studies point to the importance of four distinct (but overlapping) mechanisms that emerge over and above idiosyncratic and case-specific explanations.

To begin with the somewhat obvious point, the final form of the Eurosocial initiatives we have studied here emerged through several rounds of 'messy' negotiations involving mutual concessions and bargaining over policy details within and among the EU's legislative triangle (Commission, Parliament and Council). As we have already mentioned, in the Council a divide between Member States that are net contributors and net receivers of the EU budget dominates when policies involve redistribution. One important way in which 'Frugal' states' governments have been brought on board such initiatives is by having previously limited their generosity, typically by reducing their size, as in the case of the JTF/SCF. In the case of SURE, even in the face of immense pressure created by the pandemic, a small opposition insisted on making the instrument temporary as a condition for its adoption. Another example for the logic of compromises that allows majorities to form is the revision of the PWD, where the legislators decided to 'kick the can down the road' by taking out the highly contentious chunk of transport mobility from the policy proposal and deciding to deal with it in a separate, sector-specific legislation. This mode of decision-making has important implications for the final form of Eurosocial policies, which often end up being underfinanced and provide only partial solutions to the problems they seek to address precisely because they originate from complex coalitional politics. On the flipside, once established, Eurosocial policies create important precedents (the PWD, SURE and the RRF have all been evaluated as transformative) and path dependencies leading to their incremental expansion over time (EGF, YG).

Second, returning to the point of class politics, we find that the *gradual structuring of a left–right divide* at the EU level proved relevant for forging majorities over EU social policy expansion. Both the Youth Guarantee in the early 2010s and later the European Minimum Wage directive proposals were supported by the entire Party of European Socialists (PES), which played an important role in adopting these initiatives. In our reconstruction of the adoption of the Youth Guarantee and the amended Posted Workers Directive, we documented shifting preferences in governments' position over social proposals because of a change in the partisan colour of government. Left-of-centre actors presented themselves as united in their support of the Youth Guarantee, the JTF and the SCF. In two other cases, namely the Minimum Wage Directive and the recommendation on minimum income, the opposition of the Nordic left remained vocal and visible, but the 'continental' left, in countries such as Germany and the Netherlands, gradually moved towards the support of EU intervention in labour and social policy matters, so that, in the end, both the Party of European Socialists and the ETUC were consistently supportive of these initiatives. In the case of the amended Posted Workers Directive, internal discussions within the S&D party group convinced MEPs from eastern European states about the merits of the amendment. While it is well known that multiple territorial – and institutional – conflicts make it more arduous to have a united left front on social issues at the supranational level (Ferrera 2017), these initiatives outline the potential of the structuring of a left–right line of political competition for the expansion of social policy initiatives at the EU level.

A third mechanism that motivates support for, or opposition to, diverse EU social policy initiatives is the *'uploading' of national political dynamics to the European level*. By this, we mean policymaking patterns whereby national political dynamics percolate into the European arena, thereby contributing to broadening the consensus over social policy expansion at the EU level. In the case of the revised Posted Workers Directive, in France, the then presidential candidate Emmanuel Macron made the revision of EU law on posting a key electoral claim and then actively mobilized to build support for the initiative, leading to high-level executive bargaining as a mode of policymaking (Chapter 6). These dynamics also played a crucial role in the case of the European Minimum Wage Directive, with Emmanuel Macron proposing in his election campaign for the national presidency a European response to the highly politicized issue of 'social dumping', i.e. the regulation of the minimum wage at the EU level (Chapter 7). Furthermore, the decision of the SPD in Germany to make the introduction of the European minimum wage one of the defining measures of its agenda in the national coalition government with the CDU, had relevant effects on the European political arena, where similar dynamics were soon reflected. In other words, here too, a dynamic of national electoral competition encroached upon the decision-making process at the European level. This suggests the emergence of particular 'multilevel' political dynamics behind the adoption of this Eurosocial initiative, which cannot be considered exclusively national or supranational, but rather typical of a compound polity such as the EU. Again, in line with this mechanism, the proposal of an EU action on minimum incomes was proactively supported, for example, by MEPs from the Italian Five Star Movement alongside the party's campaign for the introduction of a minimum income scheme in Italy (the *Reddito di cittadinanza*), which was a flagship proposal of the party in the national electoral arena (see Chapter 5). Chapter 9 on SURE teaches a similar lesson which has, however, more to do with the 'uploading' of countries' own institutional traditions than political dynamics proper. Some governments (including those of France and Germany) promoted a fast approval of SURE, even though they never intended to apply for it. By doing that, on the one hand, they showed signs of cross-national solidarity at a time of deep crisis; on the other, they supported the recognition and empowerment throughout the EU of a policy (short-time work schemes) that was well established within their welfare systems. But it is Germany's position over the bonding dimension of the EU that, beyond often being the needle in the balance in complex negotiations, was particularly subject to change. Our case studies reveal that, albeit initially against most initiatives, at the end of the day the various German governments supported all the successful EU social initiatives of the last decade. In one case – the proposed Directive on Minimum Income – Germany even took the leading role, pressuring other Member States to obtain the introduction of a directive, although with limited success.

A fourth explanation for this more dynamic account of supranational policymaking in the last decade is the logic of *polity-oriented policy compensation*. By this we mean the use of EU social programmes or funds to legitimize the EU or, at least, to keep dissensus under control. This logic explains why certain initiatives make it to the EU agenda in the first place (as we have hinted at in the previous section), but it also plays a role in the overall policymaking process. The EGF, JTF, SCF and YG are particularly good examples in this regard, as none of them can be strictly understood as a technocratic response to a functional problem. The EGF was pushed forward by EU policy entrepreneurs after the fiasco of constitutional referendums in the 2000s (Chapter 3). Prominent members of the (conservative) German government recognized that 'failure to win the battle against youth unemployment could tear Europe apart', thus shifting position and supporting the adoption of the YG. In the absence of an outright threat to the survival of the EGD agenda raised by a coalition of eastern European Member States, as well as the memories of the anti-system Gilets Jaunes protests, the SCF and the JTF would most likely not have been established. These cases are particularly interesting because they also show that, to prevent the contestation of the whole European integration process, EU social initiatives were supported not only by progressive elites but also by prominent conservative politicians. They also contribute to explaining why the social aftershock manifestation of the social crisis made the swift adoption of EU social initiatives much more likely, facilitating the recognition of an existential threat for the EU. More specifically, our empirical reconstructions reveal that crises raise the need to (re)legitimize the EU in hard times through social compensation for citizens and welfare states under stress. This is the political function that EU social policy initiatives take up, on top of their social function, and which is important for understanding their adoption (Miró et al. 2023). A case in point is that SURE entered into the EU political agenda very swiftly and without controversy in the face of the pandemic, as a (partial) corrective to its poor initial management and in order to avoid future national politicization (Chapter 9). The idea is that some modicum of EU social policy is necessary as political compensation for national welfare states and citizens against the externalities of market integration. On the flipside, this relegates the social dimension to a secondary role, lagging behind 'more important' (market-building) policy areas, eventually limiting polity building, as we discuss in the next section.

4 The polity implications of the revival of Social Europe

The challenges that Social Europe has faced since the late 2000s have been enormous. While not commensurate with the scale of the challenges, the responses given by the EU have been relevant not only in terms of their impact on living standards and national welfare states but also in terms of how they have altered the very foundations of the EU as a polity. Discussions on EU (social) policy tend to develop in the shadow of competing narratives of the EU as a political community, or different polity models (Miró 2022). In other words, given that the EU is a polity in the making, each policy design embodies a particular understanding of the key elements of the EU as a polity: each reform builds on a particular narrative of what kind of binding authority the EU enjoys over its constituent parts, what kind of collective bonds elicit loyalty to its system and how its boundaries define the Union against the outside (Miró 2022).

If the nature and aims of European integration are contested, even more so are those of the EU in the social policy domain (Hawley 2023). For some, Social Europe means a normative aspiration towards the development, albeit in the long run, of some kind of welfare state at the EU level. For others, in contrast, Social Europe should be limited to providing flanking measures to the 'core businesses' of European integration, namely market integration through the Single Market project. And for still others, who have in recent years developed the notion of a European Social Union (Vandenbroucke et al. 2017), the social dimension of the integration project implies, or should imply, a 'holding environment' for national 'welfare states to prosper in the single market and the currency union' (Hemerijck 2019: 272).

Two analytical dimensions need to be considered when analysing the polity implications of the multiple social policy innovations that have been implemented in the last 15 years. A first axis of structuration concerns the task allocation between the EU and the Member States when formulating and providing social protection (Claassen et al. 2019). Traditionally, EU-level social policy has been limited by the weak constitutional footing of this policy domain in the EU's treaty-based architecture: while under Article 153 of the TFEU social policy remains a national competence in which the EU plays a coordinative role, Article 156 defines a very specific set of areas in which competences are shared. In addition, the principles of subsidiarity, conferral and proportionality further constrain supranational action. Not unlike other core state powers (Genschel and Jachtenfuchs 2016), the implication of this institutional architecture has been that, instead of financing or directly providing social policy measures, the EU's role in the domain has been one of regulating specific policy areas such as gender equality and safety at work and of coordinating national policies via 'soft law' measures such as the Open Method of Coordination and the European Semester (Majone 1993; Miró et al. 2023). Regulation constitutes a distinctive mode of state intervention in the economy that consists in the establishment of rules, procedures and standards to guide or constrain the behaviour of private and public actors. The goal is to create the framework conditions that allow for the smooth function of the regulated activities (Majone 1997). The idea of regulation is the opposite of direct state intervention in the economy with distributive or redistributive purposes. A major reason behind the centrality of regulatory activities in the EU is that they do not require public expenditure, and therefore they do not have transparent redistributive implications.

This weak constitutional footing of the social dimension of the integration project has been further weakened by the vigorous pace at which market and monetary integration took place after the Single European Act (1986). The resulting 'constitutional imbalance between the market and the social' (Garben 2017) that was consolidated in the 1990s reflected to a large extent a political economy model built upon ordoliberal and neoliberal premises, and as such, it was functional to an austerity-oriented, market-based paradigm of integration in which social and labour standards became adjustment variables in the face of competitive challenges (Degryse et al. 2013). Despite its non-binding nature, however, the adoption of the European Pillar of Social Rights (2017), embodying a right-based understanding of European social citizenship (Vesan and Pansardi 2021), promoted a relevant change in this respect. A turn towards more extensive social regulation followed (Kilpatrick 2023), as expressed by the adoption of the Transparent and Predictable Working Conditions Directive (2019/1152/EU), the Work-life Balance Directive (2019/1158/EU) and especially the Adequate Minimum Wage Directive (2022/2041/EU) and the Platform Workers Directive (Council of the EU 2024), leading (also) critical commentators to argue that the EU finally came to adopt initiatives to 'decommodify' labour (Maccarrone et al. 2022). Besides its primary focus on expanding regulatory activities, the EU also contributed to the funding of social initiatives in the Member States through the cohesion policy (now grouped under the European Structural and Investment Funds). However, despite being very important for some specific poor regions, the cohesion policy, on average, never represented more than 0.2 per cent of the EU's annual GDP.

In this sense, a key contribution of our case studies is to highlight the turn towards the establishment of positive instruments of redistribution that has taken place in the last decade. Specifically, they showed how, over the last 15 years, the Union has established a series of new instruments associated with specific EU funds in the social policy domain that go beyond the setting of common standards that define the regulatory approach. The most important (in financial terms) of them is the RRF adopted in 2020 in response to the COVID-19 crisis, but the EGF, the Youth Guarantee, SURE, the JTF and the SCF all constitute new expenditure capacities at the EU level.

Three features are present in these new instruments. First, they are informed by a 'buffering logic' according to which the rationale of EU social policy interventions is mainly aimed at supporting stressed Member States in tasks that they have problems accomplishing instead of substituting already established social services (Miró et al. 2023). Either by softening the social consequences of decarbonization, handling the fallout of trade liberalization or dealing with skyrocketing income loss in the midst of a global pandemic, the EU's role has emerged as a reinsurance mechanism extending social protection to risks not covered, or only partially covered, by most of the national welfare states. Second, these instruments imply the redistribution of resources across the Member States, so that they are more clearly visible from the peripheries rather than from core European countries. Redistribution, the *sancta sanctorum* of the national welfare state, is usually considered to be dependent on the existence of strong (national) collective identities. As such, it has traditionally been, and remains today, a highly contested question at the EU level. Finally, in third place, these innovations have transformed the role of the EU from mainly determining a set of social standards for the Member States to acting directly as a 'provider of social protection' (Claassen et al. 2019). Although in each of these new instruments the Member States retain a gatekeeping function when it comes to implementing the programmes (the Commission does not 'spend the money itself'), it is the EU that both defines the rationale of the policies and provides the funding to implement it. The correlate of this development has been the increasing use of conditionality-based governance structures to manage the relationships between the EU and national levels, including in the social policy domain (Donati 2023).

Buffering mechanisms, however, have their limitations: as outlined in the different chapters, all of these policy instruments tend to be either under-financed or temporary, providing only partial responses to the challenges ahead. Nevertheless, the introduction of these new instruments is far from irrelevant because, once established, buffering mechanisms create path dependencies that serve as stepping stones for extending the buffering logic. This tendency is noticeable in the expansion of the EGF, the return of the YG during the COVID-19 pandemic, the debate over a potentially permanent SURE and the complementing of the JTF with a new buffering mechanism, the SCF, which is not only much larger in size than its predecessor but is also aimed at compensating the losers in the green transition through direct income support alongside activation measures (as noted above for intensified social regulations, this could also constitute a source of decommodification for European citizens).

Overall, from a polity perspective, it is important to underline that neither the (re)turn of social regulation nor the innovative build-up of EU-level social policy capacities just described leads to an (entirely) new allocation of tasks: the EU (social) polity remains characterized by a *weak centre* (Alexander-Shaw et al. 2023), so that the effectiveness of 'Social Europe' rests strongly on the cooperation of Member States. This echoes, for instance, the dynamics characterizing the implementation of Recovery and Resilience Plans in Italy and Spain (Chapter 10).

A second analytical dimension for understanding the polity implications of EU social policy expansion concerns the debates about which model of capitalist development is best suited for the future of Europe. In this regard, our analysis has shown that, far from a simple contest between a 'free trade' and a social-democratic Europe, the multiple lines of conflict traversing the EU multilevel polity complicate any parsimonious reading of the politics of Social Europe as a clash between two different models of capitalism. As stated in the previous section, the political structuring of a left–right (as well as labour–capital) cleavage was fundamental in some cases for the adoption of Eurosocial policies, whereby, especially at the stage of agenda setting, left-wing actors brought forward social issues and policy proposals. However, even when the impulse from the left was crucial, the functional–political cleavage did not erase territorial and institutional divides in a highly heterogeneous EU. For example, while in the European Minimum Wage debate the social-democratic governments of Scandinavia opposed stronger regulation on the basis of sovereignty concerns, the just transition initiatives debated in the context of the European Green Deal would not have been approved without the support from (mostly) right-wing governments from eastern Europe. Be that as it may, as a matter of fact, it is possible to discern, in the 15-year period examined in the book, an evolution from a Barroso Commission (2004–2014) mainly concerned with competitiveness and (after the euro crisis) fiscal consolidation to a Juncker Commission (2014–2019) rhetorically committed to reducing inequalities within and across Member States and to a von der Leyen Commission (2019–2024) that has in fact placed public investment and the strengthening of EU social regulation at the centre of the EU integration paradigm.

However, one should not overemphasize this set of recent changes: while the von der Leyen Commission launched regulatory interventions aimed at guaranteeing a social floor in the labour market and made available new public investment funds, the socially blind logic of the early response to the Great Recession was resurrected in the negotiation of the 2024 SGP reform, which left untouched all previous constraints. At the same time, many of the new expenditure policies, particularly the JTF and SCF, are evidently underfinanced, despite their very ambitious declared policy aims. Generally, while previous chapters found empirical evidence of an overall expansion of EU social policy, doubts emerge as to whether the latter could efficiently respond to the erosion of social welfare described at the beginning of this book. In this sense, as of 2024, social policy remains a second-order priority when compared to the economic pillar of the integration project, directed mainly at softening rather than addressing the root causes of what in this book we have called the 'crisis of Social Europe'. This is why it remains to be seen whether the expansion of EU social policies described in this book will provide for the 'modicum of bonding' needed for a polity to be politically cohesive and thus stable in the long term.

5 Conclusion

The polity approach adopted in this book underlines how the limited institutionalization of social sharing in the EU contributed to wearing down the delicate equilibrium needed to guarantee the political stability of the EU. While bonding rests on a logic of closure on the basis of well-defined nation states, European integration, at least to the extent that it is dominated by the project of market integration, builds on opening (Ferrera 2005). In the last four decades, the tensions between these two logics have fuelled, in conjunction with other processes such as globalization and skill-biased technological change, a progressive erosion of social protection in Europe driven by the encroachment of the market logic upon the solidarity sphere. More recently, however, EU-level attempts at social re-embedding in a larger supranational polity eventually took place. EU-level social responses have stemmed not only from a social policy rationality concerned with deteriorating living standards but also from the political necessity perceived by EU elites to safeguard a certain degree of legitimacy for the EU. That social policy interventions have come to play such a political role does not come as a great surprise if one looks at the history of the development of the welfare state: the welfare state is one of the most important instruments of legitimation in capitalist societies, historically enjoying a key role in the process of nation and state formation (Banting 1995). This book has tried to identify and account for this logic in relation to the development of Social Europe.

This perspective also makes it possible to grasp that such a polity maintenance logic emerged in a context in which 'functional' – and in particular, partisan – conflicts that cut across territoriality retain a growing relevance in the EU. The state-building literature emphasizes that the progressive replacement of territorial cleavages with functional divides contributes to polity formation (Caramani 2015, 2024). In this book we show that these dynamics also lead to the introduction of new EU social policy initiatives. Our analytical lens thus contributed to explaining how and why the expansion of the social dimension of the EU occurred, although we are well aware that it will be the task of future research to provide a wider empirical basis for this argument. At the same time, a focus on policy implementation at the Member State level rather than solely on policy adoption would provide a more comprehensive understanding of governance dynamics. While policy adoption marks a crucial step in the policymaking process, its success ultimately hinges on effective implementation in practice (Zhelyazkova et al. 2016).

Our approach also highlights how some specific properties of the EU compound polity – in particular its weak centre due to limited binding authority and diverse membership (Alexander-Shaw et al. 2023) – shape the very nature of EU social policymaking, contributing to the emergence of a specific logic, that we named ‘buffering logic’, to support stressed national welfare states in tasks they would otherwise be unable to accomplish (Miró et al. 2023). Beyond the social, in recent decades multiple crises have shaped the EU policymaking process, contributing to the emergence of specific patterns of EU contestation and supranational responses. An innovative research agenda could be forged by examining the common social disruptions experienced across major EU crises rather than isolating each crisis separately. Moreover, it would be important to examine the cumulative impact of multiple crises on social cohesion in the EU to understand the interplay between various challenges and their impact on cross-national and transnational solidarity. But the polity approach could also provide fresh insights into understanding potentially new modes of integration in different policy fields.

Finally, this book holds implications beyond the (EU) social and political domain for a more general ‘politics of erosion’. Focusing on the temporal structure of a certain phenomenon makes it possible to test and generalize insights across cases along this dimension (see Pierson 2004). Future research could investigate the extent to which the mechanisms that we have identified for overcoming policy inertia in the case of SCE also apply to other policy areas, particularly in situations where gradual structural changes elude the attention of the public and/or policymakers.

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Appendix

List of interviews

Number	*Role and organization*	*Date*
1	Policy Advisor, Euracoal	24/03/21
2	Policy Advisor for climate, European Trade Union Confederation	31/03/21
3	Senior Policy Coordinator, Climate Action Network Europe	31/03/21
4	European Commission Official	13/04/21
5	Caritas Europa	13/04/21
6	Policy Officer, European Commission	16/04/21
7	National Expert, European Economic and Social Committee, Section for Economic and Monetary Union and Economic and Social Cohesion	19/04/21
8	Advisor to President Jean-Claude Juncker (formerly), European Commission	21/04/21
9	EU Minimum Income Expert, formerly EAPN	21/04/21
10	Parliamentary Assistant to MEP (S&D, Portugal)	23/04/21
11	European Commission Official	27/04/21
12	Head of Cabinet of Commissioner Marianne Thyssen (formerly), European Commission	28/04/21
13	Counsellor (formerly), Permanent Representation of the Republic of Poland to the European Union in Brussels	06/05/21
14	Counsellor (formerly), Permanent Representation of Denmark to the European Union in Brussels	12/05/21
15	Activist, Fridays For Future (Milan)	14/05/21
16	Attachée cohesion policy (formerly), Permanent Representation of the Federal Republic of Germany to the European Union in Brussels	17/05/21
17	Attachée cohesion policy Permanent Representation of the Federal Republic of Germany to the European Union in Brussels	17/05/21

Number	Role and organization	Date
18	Secretary General (formerly), European Builders Confederation; alternate Member (formerly), European Economic and Social Committee	21/05/21
19	Director for Labour Mobility, European Commission, Directorate General for Employment, Social Affairs and Inclusion	26/05/21
20	Policy Advisor (formerly), European Trade Union Confederation	09/06/21
21	Danish unionist, EU Director at Dansk Metal	23/09/21
22	Deputy Head of Unit Strategic, Legal and Inter-institutional coordination, DG-EMPL	29/09/21
23	EU Commissioner for Employment, Social Affairs and Inclusion (formerly)	05/10/21
24	Swedish unionist, Swedish Municipal Workers' Union (Kommunal)	06/10/21
25	Legal expert at DG-EMPL	07/10/21
26	Italian unionist, EU delegate at ETUC from CGIL	08/10/21
27	French unionist, EU delegate at ETUC from CGT	15/10/21
28	Special Adviser to the President of the European Commission José Barroso	27/10/21
29	Italian Member of the European Parliament, S&D	02/11/21
30	Dutch Member of the European Parliament, Rapporteur on the proposal on the adequate minimum wages in the European Union	02/11/21
31	German unionist, DGB and ETUC	05/11/21
32	Italian unionist, CGIL and ETUC	12/11/21
33	Communications Officer for the EGF	25/11/21
34	Political Advisor for party group in the European Parliament	10/12/21
35	Permanent Representation of the Republic of Slovenia in the European Council	04/02/22
36	European Commission, DG-EMPL Officer	18/02/22
37	European Commission, SG Recover	25/03/22
38	European Commission, SG Recover	28/04/22
39	European Semester Officer (Italy), European Commission	03/05/22
40	Italian Government, Ministry of Economy and Finance	11/05/22
41	European Commission, ESO (Italy) and DG ECFIN	12/05/22
42	European Commission, ESO (Italy) and DG ECFIN	12/05/22
43	Spanish Parliament, Joint Committee for the EU	16/05/22
44	European Commission, ESO (Spain)	24/05/22
45	Italian trade union (CGIL)	25/05/22

Number	*Role and organization*	*Date*
46	Spanish Government, Labour Ministry	27/05/22
47	Spanish Government, Labour Ministry	27/05/22
48	Spanish Government, Labour Ministry	27/05/22
49	Spanish Government, Ministry of Social Rights	30/05/22
50	Italian Government, Ministry of Social and Labour Policies	06/06/22
51	Spanish Government, Ministry of Finance	13/06/22
52	Italian Government, Ministry of Labour and Social Policies	29/09/22
53	Senior Researcher, European Trade Union Institute	09/11/22
54	Social Platform	04/07/23
55	ETUI Member	13/07/23
56	European Commission Official	21/09/23
57	EU Officer	25/09/23
58	European Commission Officer	06/10/23
59	European Commission Officer	06/10/23
60	European Commission Official	15/11/23
61	European Commission Official, Directorate-General for Climate Action	17/11/23
62	Political administrator in Ecofin responsible for cohesion policy (formerly)	27/11/23
63	Policy Officer, DG-EMPL	23/02/24

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