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Chapter 2

Two decades of change in Europe: post-crisis social policymaking in the EU

Amy Verdun and Valerie D'Erman

Introduction

The European Union's contextualization of 'social policy' is contained within the realm of employment and social affairs. As such, social policymaking is fundamentally intertwined with the employment opportunities and prospects for people living and working in the Member States (Cram 1993, 1997; Hantrais 2007; Daly 2019). This understanding of social policy – which emphatically links social rights to education, training and labour market opportunities – is partly the result of the mixed competences of the EU in this area, with Member States responsible for most archetypal social welfare policies such as providing social assistance, unemployment benefits, pensions, health care and education. The EU, by contrast, is mostly involved in those dimensions of social policy that have an impact on the functioning of the single market, namely in the realm of employment (Gold 1993; Rhodes 2010). These dimensions include health and safety at work, coordination of social security systems, and the rights of mobile workers within a mobile labour market, all of which were driven first by the push for market integration and later by the need to build a common foundation to support the free movement of workers in an expanding single market (Falkner 1998; Anderson 2015).

Whereas this broad division of competences between the national and EU levels largely left the more visible applications of social policy – i.e. those to do with direct benefits or services – with Member States, the interaction between domestic and supranational levels of competence became increasingly fuzzy with the onset of deeper integration triggered by EMU (Economic and Monetary Union). National fiscal policies, which critically highlight taxation and spending decisions, have come under increased scrutiny as the EU has developed new forms of economic governance in the aftermath of the financial crisis (Verdun 2015; Chang 2016). The new era of EU economic governance sees supranational institutions (European Commission, Council of the EU and European Council, European Central Bank) being given increased powers of scrutiny and the ability to make recommendations on national budgets, as well as to issue stricter warnings and penalties to EMU members in breach of the debt and deficit levels set by the Stability and Growth Pact (SGP) (Savage and Verdun 2016; Savage and Howarth 2018). The effects of EMU are thus indirect but potent: while supranational prescriptions for national budgetary decisions have the purpose of maintaining the stability of the euro, domestic political debates on how to achieve compliance with SGP criteria almost always involve deliberations over where public spending should

be reduced, with social welfare policies a frequent source of contestation (Heipertz and Verdun 2010; Blyth 2013; Schiek 2013).¹

The scope of the EU's social policy was initially strictly limited (Collins 1975). The designers of European integration, largely concerned with post-war reconstruction, assumed that social progress and steady increases in the standard of living could be achieved through supranational economic cooperation (Vandenbroucke and Vanhercke 2004). Article 2 of the Treaty establishing the European Economic Community (EEC) saw social policy as a by-product of economic integration with its twin purposes of maintaining a level playing field for employers and avoiding social dumping. The decisions taken within the EEC set in motion institutional precedents for the social dimension in European integration that have since proven difficult to adjust (Falkner 2013). The assumption was that economic growth would lead to social cohesion, with regulations at Community level spurring harmonization of social policies concerning working conditions for the purpose of establishing a cohesive labour market. At the same time, the tangible tools of direct social benefit payments and benefit conditions were to be left firmly under domestic control. This approach to social policy-making has essentially stayed the course over the years, with the result that EU governance has amassed a sizable set of regulations and directives, while Member States continue to display a great deal of variance, both in terms of welfare state systems and the application of EU social legislation (Hemerijck 2002; Scharpf 2002).

However, since the introduction of the euro as the Eurozone's single currency and the 1999 establishment of a single monetary policy governed by the European Central Bank (ECB), the incomplete federal character of the EU as a governing polity has become increasingly apparent.² This is largely the result of the 'asymmetrical' nature of EMU (Verdun 1996, 2000, 2003, 2013a), where monetary policy is the competence of the supranational level, while fiscal policy remains the competence of Member States, and where economic policies are fuzzily positioned between the two. The inherent tension of this asymmetry came to the fore during and after the financial crisis. Eurozone governments, while entirely responsible for fiscal policy decisions on taxation, public spending and welfare state benefits, have no control over monetary policy, leading to contestation over whose expertise has the most weight in decisions surrounding domestic debt and deficit levels. ECB recommendations for financial austerity frequently clash with domestic needs for higher levels of public spending on social programmes. In this sense, it is reasonable to suggest that monetary policy has certainly become one of the more visible, and politicized, areas interconnecting the two dimensions of economic and social policy (Scharpf 2009).

1. Even in the years prior to the financial crisis, the SGP and its excessive deficit procedure were a major source of contention (see Heipertz and Verdun 2004).
2. The federal character of the EU has been long-debated by scholars and politicians: while some assert that the EU's scope of policymaking and the clear partitioning of responsibilities between community and national levels is essentially a federal design in an unconventional political form (Burgess 2000; Kelemen 2003; Verdun 2016), others argue that the Member States are still legal states within the international state system and that the EU does not hold exclusive competence over key policy areas (such as security and defence) normally the purview of central government in a federation. As such, the labelling of the EU as 'federal' is less accurate and more political in its characterization of what the EU is than what it ought to be (Burgess 2000; Kelemen 2003; Verdun 2016).

The evolution of social policy within the context of European integration has been examined by scholars through various theoretical lenses. A neo-functionalist perspective, which holds that the pressures of existing successful integration efforts encourage spillover into other areas, argues that developments in the EU social dimension are largely the product of necessity, as social issues become increasingly difficult to avoid in a single market (Leibfried and Pierson 1992; Jensen 2000). An intergovernmentalist approach, by contrast, identifies the national level as the locus for social policy decision-making, making developments at supranational level the product of deliberate bargaining and negotiation rather than the result of spillover. This perspective is fundamentally at odds with the neo-functionalist tenet that integration could develop into a fully-fledged European federation – or, a full-blown EU welfare state (Cram 1993; Streeck 1995; Graziano and Hartlapp 2019). In addition, EU social policy has been portrayed as only partially understood through those two lenses, with a need to supplement them by a cognitive dimension (Falkner 1998) – something that, among others, the founding fathers of neofunctionalism had already advocated (Haas 1964; Lindberg and Scheingold 1970).

Taking this into account, EU social policy is also the result of new ideas gaining prominence in international issue areas. In the realm of EU social policy, social partnership – the treaty-based institutionalized cooperation between peak EU associations of unions and businesses – is a critical component. Further institutionalised under the Delors Commission, European social dialogue now encompasses a tripartite dialogue involving public authorities as well as a bipartite dialogue between employers and trade unions at both sectoral and cross-industry levels (for a critical discussion of the state of play of European social dialogue, see Tricart, this volume). These dialogues are backed by a treaty-based competence to adopt agreements which are then given binding effect via legislation on or relating to industrial relations, but have little instrumental effect to date on issues pertaining to more general social protection at supranational level (Ferrera 2003). In the EU context, social policy is penetrating national areas of competence through ‘new modes of governance’, which include steering instruments (such as the Open Method of Coordination (OMC), which relies on the sharing of best practices and the diffusion of knowledge through the systematic publication and evaluation of policy results) and interpretative and decisional instruments which can be generalized as a form of quasi-legal setting of benchmarks without legally-binding force (de la Porte and Pochet 2002; Jacobsson 2004; Trubek and Trubek 2005; Dawson 2009; MacRae and Wood 2018).

To some extent, many scholars view EU social policy as lacking progress, whether because European integration is dominated by market-based incentives, because of the institutional limitations of EU governance with its divided and mixed competences, or because assessments compare (even if unwittingly) the EU’s social *acquis* with established welfare states (Cram 1994; de la Porte *et al.* 2001; Daly 2006; Daly 2012; Vanhercke *et al.* 2017). In addition, persistent criticism of the EU’s technocratic character (Radaelli 1999) and perceived democratic deficits (Schmitter 2000; Hurrelmann 2018) have at times reinforced political arguments among different stakeholders as to whether the supranational level even ought to be considered the appropriate forum for assessing developments in the social realm and applying solutions (Crum 2015). In addition

to analyses of the strengths and weaknesses of EU governance on the development of supranational social policies and regulations pertaining to the social dimension, other factors influencing social policy development include issues common to many parts of the world: demographic change (falling birth rates, aging populations, greater migration), labour market changes (a decline in manufacturing jobs, an increase in service jobs, and the digitalization of the economy), and changes in industrial relations (union membership going down throughout the industrialized world). All of these factors simultaneously underscore the need for comprehensive social policies while exacerbating the economic pressures undermining them.

Particular to the EU in the past twenty years, various kinds of ‘crises’ have impacted the durability and character of European integration. A wealth of literature expounds on the oft-quoted Jean Monnet statement that Europe will be forged in response to crisis, whether because a crisis presents a political window of opportunity for building upon existing mechanisms of integration or because of the shared view that a supranational structure offers a viable solution to the risk at hand (D’Erman and Verdun 2018). In particular, work on specific events labelled as crises illustrates the social constructions at work at both national and supranational levels in shaping the perception of risk (whether environmental, economic, political, security, etc.) and its potential impact on EU Member States. This body of work includes not just the more recent sovereign debt crisis resulting from the 2007 global financial crisis and the migrant crisis which reached its height in 2015 (D’Erman and Verdun 2018; Fabbrini 2016), but also the earlier ‘Empty Chair Crisis’ of 1965, or the crisis of the failed Constitutional Treaty of 2005 (Ludlow 1999; De Witte 2005).

Bringing the ‘crisis’ context into the discussion on ‘Social Europe’, the remainder of this chapter outlines the effects of recent crises on the institutional landscape of social policymaking in the EU with a view to highlighting how the social domain is simultaneously intertwined with, and subservient to, the forces of EU economic governance. Section 1 provides an overview of social policymaking in the EU. This includes a synopsis of the major institutions and players in the social domain as well as a discussion of the impact of the Eurozone crisis on social policy issues and its role in shaping the institutional decision-making landscape within European governance. Section 2 offers a summary of more recent changes to EU economic governance for the purpose of illustrating how the social domain is situated in the institutional framework. Section 3 discusses challenges to Social Europe, including the multi-fold crises facing the EU. The conclusion offers tentative prescriptions on how the social profile of the EU might be better leveraged in the existing institutional framework.

1. Social policymaking in the EU: key steps and debates

The origins and evolution of social policy at European level are rooted in the notion of market correction, as illustrated by the following three examples of treaty articles. First, Article 2 of the 1957 Treaty establishing the European Economic Community, or the Treaty of Rome, framed the goal of ‘social progress’ as a by-product of economic policies – both in the sense of the need to reduce barriers to economic integration,

and in the sense of market growth facilitating higher standards of living. The concrete measures that resulted from the EEC Treaty in the field of social policy dealt only with avoiding social dumping caused by disparate national labour standards, and promoting the free movement of workers and non-discrimination measures (Hoskyns 1996).³ While Member States retained control of their domestic welfare state policies, the European level was assigned responsibility for coordinating and harmonizing workforce-related incompatibilities for the sake of market integration (Collins 1975; see also Cornelissen and De Wispelaere, this volume, for a discussion of 60 years of social security coordination). Second, the Jacques Delors Commission produced the 1989 Social Charter and the 1992 Agreement on Social Policy, both of which were annexed to the Protocol on Social Policy of the 1992 Maastricht Treaty that came into force in November 1993. These developments marked the first instances of social policy being pursued independently of economic integration. Moreover, although the Social Charter initially remained non-binding, its incorporation into the Maastricht Treaty gave social policy a stronger legal foundation (MacRae and Wood 2018). Third, the Lisbon Treaty as it came into force in 2009 extended the EU's social dimension in scope and objectives, though it still assigned jurisdiction for most policies to Member States. The Treaty (see Article 6) gave the Charter of Fundamental Rights the legal backing needed to ensure that social rights are upheld by national judges and established the requirement for EU policies and activities to correspond with the overarching goals of high employment, the guarantee of adequate social protection, social inclusion and high levels of training, education, and health (TFEU 2007). Examples of directives proposed by the social partners in their treaty-based roles include (but are not limited to) directives on working-time, equal pay for equal work, non-discrimination of workers, workplace health and safety requirements, parental leave, and the right to the information and consultation of workers (MacRae 2010; Bekker 2014; Dawson 2015).

More recently, the Juncker Commission proposed the European Pillar of Social Rights in April 2017, a non-binding framework of 20 principles related to effective rights for citizens in the areas of equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. Proclaimed by the European Council and the European Parliament in November 2017, the stated aim of the Pillar was to put the discussion on the future of Social Europe at the centre of the Commission's broader White Paper on the Future of Europe with a view to developing a cohesive collective response to the transformation of European societies and the worlds of work (European Commission 2018). Nevertheless, the motivation for the Pillar is still within the paradigm of economic growth: 'The social dimension of the EMU is seen as a technicality much more than as a founding value and principle of the European Union, in particular when it comes to achieving social progress, full employment and a high level of protection. The Commission's words are clear: the Pillar is an economic necessity (and not a political or social imperative!)' (Lörcher and Schömann 2016: 6).

While the core institutions play a key role in designing and legislating on the EU's social dimension – i.e. where directives and enforcement reinforce the policy at hand

3. See also Guerrina (this volume), who refers to the market rationalities for integrating the principle of equality in European law.

– much of its non-legislative side is handled by societal players and within frameworks of steering instruments (Senden 2005). The Commission, Council, and Parliament, as well as the committees and groups embedded within each of the institutions dealing with social affairs and employment, are all key players in proposing and formulating policies, along with the national and regional governments of EU Member States. The Court of Justice of the EU has also played a significant role in clarifying and enforcing social legislation (Leibfried 2010; see also Garben, this volume; Cornelissen and De Wispelaere, this volume), as seen in the fields of non-discrimination (Conant 2002; Cichowski 2009), labour law (Ashiagbor 2001), the mobility of social rights such as health insurance and pensions (Greer 2008), and the rights of employees and employers for cross-border collective action (Feenstra 2017). However, the field of social policy has brought to the fore other modes of governance to address issues for which the EU either does not have direct competence or is not directly involved (Tömmel and Verdun 2008). Embedded at both EU and Member State levels, the social partners, comprising unions (or other groups representing employees) and business or employer organizations and associations, have both sector-specific and cross-sectoral characteristics. The Treaty of Maastricht established a strong procedural role for the EU-level social partners through the formalization of EU-level social dialogue, a role utilized by the social partners to advance issues and further build a strong social policy community (Falkner 1998; for a critical appraisal of EU social dialogue, see Tricart, this volume).

The somewhat indirect approach towards developing the social dimension in support of the larger project of European integration has instigated important forms of soft governance, which advance social policy developments through benchmarking and best practice mechanisms. These include the OMC and its predecessor, the European Employment Strategy (EES), the effectiveness of both of which is unclear as they rely on systems of self-reporting and ‘naming and shaming’ (Pochet 2005; Zeitlin 2010; de la Porte and Pochet 2012; Copeland and ter Haar 2013). Though the contribution of social dialogue and the OMC towards inserting the social dimension into economic policymaking is important and cannot be understated, the utility of such approaches is arguably undermined by the lack of formal mechanisms for monitoring and enforcing many issues. As such, social policy integration has often been labelled a ‘laggard’, due to the fact that issues not directly related to employment or labour markets are still largely in the competence of Member States (Falkner 1998: 198; Anderson 2015).

The sovereign debt crisis of EMU members which emerged in late 2008 in the wake of the 2007 global financial crisis led to European politicians and policymakers focusing their attention on economic stability and crisis management. The crisis caused increasing levels of unemployment, poverty, and social exclusion (Schimmelfennig 2018), leading to mounting pressure on social spending in several countries. The crisis thus became, albeit indirectly, a secondary crisis of social policy. The EU faced a twofold challenge: *did the crisis present an opportunity to embark on a more ambitious goal for Social Europe, with more comprehensive integration and development of social welfare policies across the community? Or did the crisis necessitate a stark re-evaluation and restructuring of the Eurozone with an eye to maintaining economic competitiveness and financial stability in a competitive global market?* Some research has identified the crisis as not only having been negative about the prospect of developing a stronger Social

Europe, but also in having downgraded the existing level of social rights for workers and citizens (Crespy 2015; Crespy and Menz 2015a, 2015b, 2015c; de la Porte and Heins 2016; for a different view, see Bekker 2014). Others point to pre-existing flagship initiatives as helping to derail the possibility of a progressive post-crisis embracing of Social Europe because non-legislative instruments, such as Europe 2020, were already in place and could easily be incorporated into new coordinating mechanisms aimed at strengthening EU economic governance (Armstrong 2012). One prominent example (cf. Chung *et al.* 2012) was the issue of youth employment in increasingly flexible labour markets, where the authors found that the supply-driven policies of the Europe 2020 strategy served the purpose of meeting the EU's job-creating measures but had little impact on the high levels of social exclusion experienced by youth trying to find first-time or long-term employment in an economic climate of reduced state support.

Taken together, a general assessment of the scholarly work on the post-crisis nature of the EU's social dimension reflects a longstanding concern in the literature that EMU would lead to social dumping and a race to the bottom in social welfare standards (Verdun 2000). The immediate austerity-driven policy mandates prescribed to Member States receiving bailouts reinforced this concern, as well as a broader perception of the EU's 'neoliberal' agenda (Blyth 2013; Verdun 2013b). To date, studies analysing the role of EMU in potentially supporting or undermining the social dimension of the EU focus mostly on the prescriptions made within the new coordinating mechanism of the European Semester (discussed in Section 2 below) and are nuanced in their findings. This body of research does *not* show that the EU and its institutions are imposing a more market-oriented approach in an undifferentiated manner on all Member States. Indeed, many recommendations entail structural reforms related to social spending levels and social inclusion goals. At the same time, this research also does not find any newer emphasis or ambition at the supranational level to seize the opportunity for a strong commitment to the EU's social dimension (Crespy and Vanheuverzwijn 2019; Estathiou and Wolff 2018; D'Erman *et al.* 2019; Haas *et al.* 2020).

2. The institutional architecture of the EU after 20 years of EMU

Broadly speaking, the institutional architecture of the EU has undergone significant changes in the past 20 years (Enderlein and Verdun 2010; Verdun 2018; Howarth and Verdun 2019). This contribution concentrates solely on regime changes related to EMU and the Eurozone at large, illustrating how developments in the realm of economic integration necessarily impact the character of the EU's social domain. While there are numerous possibilities for analysis in this respect, we outline here the development of the European Stability Mechanism (ESM), the European Semester (ES), and the respective roles of the Directorate Generals (DGs) for Economic and Financial Affairs (ECFIN) and Employment, Social Affairs and Inclusion (EMPL). These three facets of the current institutional architecture of the EU offer insight into how the role of social policymaking in the EU is secondary or subservient to the still dominant economic paradigm.

In 2010, the European Council approved an emergency financial assistance package for those Eurozone Member States in financial difficulties. Called the European Financial Stability Facility (EFSF), this special-purpose vehicle was initially designed as a temporary mechanism against the background of a potential Greek default and was modelled on the financial support programme known as the Greek Loan Facility agreed in May 2010 (Verdun 2015). In 2011, the European Stability Mechanism (ESM) was introduced as a permanent institution to replace the EFSF while continuing to provide financial assistance to Member States. Firmly positioned outside the EU treaties, this intergovernmental treaty was ratified by Eurozone Member States in 2012 as a permanent firewall, where necessary providing bailouts to Eurozone members. The ESM reflects the consistent EU history of players taking piecemeal steps to deeper integration in response to crisis. It also reflects the ability of Member States to reach consensus on strategic yet contentious issues while still maintaining intergovernmental authority. The ESM institutionalizes the competence of national governments for financial decisions, rather than delegating competence to the Commission or other supranational institutions. Similar in style to the juxtaposition of a single monetary policy being delegated to the supranational level while fiscal policies remain firmly entrenched at domestic level, the development of the ESM reflects the same twin forces of deeper integration and strengthened national competence over public finances. For the purposes of the EU's social dimension, this style of response to crisis, where divergent preferences lead to lowest common denominator solutions maintaining the probability of future crises – what Jones *et al.* (2016) describe as a process of ‘failing forward’ – has important implications for explaining the development of social policies, particularly when considering the social aspect of labour (e.g., non-discrimination, working time, health and safety) versus other forms of social protections (e.g., healthcare, old-age pensions).

The European Semester, instead, in its overarching orientation, bears a certain resemblance to the use of OMC and best-practice benchmarking in its effort to better coordinate fiscal and economic practices among Member States (Verdun and Zeitlin 2018). Formalized in 2011 as a key component of the Europe 2020 strategy, the Semester is a coordinating mechanism used to provide regular macro-economic, budgetary and structural policy recommendations to Member States. It also incorporates tools to monitor responses to recommendations. While the Semester's tools and monitoring capacity are arguably more developed (a central example here being the annual Country-specific Recommendations (CSRs) issued by the Commission to Member States and ultimately adopted by the Council of the EU)⁴ than the ‘soft law’ approach inherent in the OMC, the two mechanisms are similar in their emphasis on prescription and in their distance from direct authority. Such regulatory approaches highlight the use of national contexts in responding to recommendations for a uniform scheme of adoption (de Búrca and Scott 2006). While the fiscal and economic prescriptions are undoubtedly the Semester's dominant ones, the CSRs also include prescriptions for social policies, for instance for pensions, healthcare, unemployment support, active labour market policies, childcare, education, long-term care, and increased protections for the most vulnerable.

4. This includes tools related to the Macroeconomic Imbalance Procedure: *inter alia* alert mechanisms, scoreboards, and the Excessive Deficit Procedure with its possibility to levy sanctions or fines.

Whether the Semester is an example of a ‘socialised’ macro-economic tool (Zeitlin and Vanhercke 2018) or simply an example of economic integration by stealth (Schmidt 2016) is up for debate. Aside from this debate, the emphasis in both the Semester and the OMC on voluntary national reporting and self-directed accountability to an EU-level perception of best practices is such that the design of the Semester seemingly institutionalizes the EU’s less prescriptive approach to social policy regulation, even in such sensitive areas as healthcare (Dawson 2015). This emphasis on voluntary self-reporting also highlights EU efforts to combat a public or political perception of the Semester as being overly centralized and bureaucratic through stressing its ‘ownership’ by Member States (Vanheuverzwijn and Crespy 2018). However, early research on the European Semester and the prescriptive CSRs suggests that, despite the breadth of policy recommendations and the attention paid to the social dimension, in most cases it is the recommendations on the budgetary policies of Member States that carry the most weight (Copeland and Daly 2018). This offers a further avenue of comparison for the above discussion on recent crises affecting the EU. The call for communal action instigated by Member States in response to the financial crisis differed enormously from the more self-protectionist responses to the migrant crisis (Schimmelfennig 2018). While it might be overly simplistic to state that these responses are simply the product of the pressures inherent to a global capitalist system, it remains a worthwhile observation that the migrant crisis did not compel the same volume and urgency of reactions at either the national or supranational level that the euro sovereign debt crisis did.

A third assessment of the impact of the EU’s institutional architecture on the social domain is the composition and status of various DGs within the European Commission. The notion of certain policy portfolios being considered more important than others is familiar practice within Member States themselves. Comparing the changes in DGs – particularly in the contrast between ECFIN and EMPL – over the past 20 years underscores the impact of the EU’s institutional behaviour on the abilities of decision-makers to make social affairs more visible. Both ECFIN and EMPL gained surveillance capacities during and after the sovereign debt crisis; moreover, both were assigned more staff, revamped their organizational structures and deepened their horizontal and vertical coordination efforts with other DGs (Savage and Verdun 2016). Looking at the *amount* of change and growth, one might conclude that EMPL gained more in terms of its growth in enhanced surveillance responsibilities (*ibid.*). While true in quantity, the substantive changes in capacity point to an intentional redesign of EMPL (along with other DGs) undertaken in support of the overarching macroeconomic coordinating procedures within the European Semester; i.e. while the volume of changes in EMPL is notable, the bulk of these changes sought to make EMPL more relevant for and compatible with macroeconomic objectives. ECFIN remains the preeminent Commission department for Eurozone oversight, budgetary affairs and economic stability, and as such was centrally positioned to expand surveillance activities in response to crisis. The initiation of the European Semester presented EMPL with country desks tasked with the monitoring and surveillance of all matters relating to employment and social affairs (Savage and Verdun 2016). The core motivation for this change was, however, to address the financial crisis and establish systems to prevent (or at least better manage) future economic instability.

3. Ongoing challenges to 'Social Europe'

While social policy has always been at the nexus of EU policies and developments, events of the past ten years have spurred a large amount of work on the character of particular crises, their effects on EU policies and Member State compliance, and the ideological underpinnings of European integration (Börzel 2016; Dinan *et al.* 2016; Vandebroucke *et al.* 2017). These events include the financial crisis, the migrant crisis, Brexit and the rise of nationalist sentiment in many Member States. Below, we offer a quick summary of each event with a view to outlining the challenges – and, in some cases, the opportunities – for the EU's existing social policy framework.

The global financial crisis that began in 2007–2008 and quickly developed into a sovereign debt crisis in many EU Member States is arguably one of the more visible and important large-scale events influencing the existing institutional framework of the EU's social dimension. That this crisis had that kind of effect was in part due to the longstanding emphasis on economic integration as one of the founding pillars of the European Community, to a very large extent due to the specific features of the single market and the consequences of EMU. Once the effects of the financial crisis hit EU countries, the entire Eurozone was at risk. It quickly became apparent that the supranational level – despite the authority and leadership of the ECB and the reality of a common monetary policy – did not have ready-made tools to tackle the crisis, or even to stop its contagion. Instead, the Member States collectively, via the Council of the EU (along with the ECB and the IMF), initiated stopgap measures to prevent the short-term bankruptcy of Member States, Greece in particular. The ECB reverted to monetary easing and to declaring that it would do 'whatever it takes' to support the euro (Verdun 2015). In the longer term, the EU developed new tools at the supranational level which, while not fundamentally tackling the asymmetry of EMU, at least provided more comprehensive coordinating mechanisms to prevent a recurrence of the more severe financial imbalances that left the Eurozone so vulnerable in 2007. In its own way, the EU expanded the role of supranational economic coordination somewhat with the development of the European Semester, the European Stability Mechanism and the Banking Union (Bauer and Becker 2014; Savage and Verdun 2016).

The effects of the sovereign debt crisis on social policy were threefold. First, the austerity measures prescribed by the troika of decision-makers triggered public and political reactions against the perceived economic dominance and technocratic character of Eurozone governance. Prescribed for those countries subject to an Economic Adjustment Programme, these measures saw a retrenchment of social protections, along with sharp drops in employment rates which were particularly severe in Greece and Spain. The ability of the EU level to prescribe the quality of domestic public spending (which in some cases involved the prescription of austerity) through financial rescue packages, and the willingness of Member States to attempt to enact them, underscores the shared perception of the importance of maintaining the credibility of the euro (and, by proxy, the key role of economic integration), even at the cost of key domestic social welfare benefits. Second, at the same time that austerity measures were taking place, the EU initiated the European Semester (ES) as a coordinating mechanism monitoring the economies of EU Member States. Indeed, the ES now also monitors national spending on social policies

(see Graziano and Polverari, this volume). This spending includes contributions to pensions and healthcare as well as measures addressing social inclusion. The third result of the Eurozone's financial instability is most visible when contrasting it with the migrant crisis: the collective response of EU members was, in hindsight, relatively quick and unified, recognizing the dangers of the crisis and displaying a willingness to respond through community measures (Lavenex 2018; Schimmelfennig 2018).

The influx of refugees from the Middle East via the Mediterranean and overland gained a crisis label when the sheer numbers entering the EU in 2015 reflected a 100-800% increase in asylum applications over the previous year (Eurostat 2016). The free movement of people within the Schengen Area meant that those entering the EU were free to move on from the country of asylum processing. Perceptions of crisis, the labelling of 'migrants' versus 'refugees' and potential responses to the situation varied enormously among Member States. Some EU countries were more welcoming to refugees and migrants than others, à la Chancellor Merkel's *Wir schaffen das* statement in 2015 (Mushaben 2017), some were in support of the Commission's proposal to introduce a quota system for redistributing the high numbers of asylum-seekers, while others were quick to respond with the re-instatement of national border protections. These varied reactions exemplify the inextricable linkage between economic and humanitarian concerns, and the politicization of multiple perspectives on potential responses to these concerns.

Put simplistically, one perspective on the migrant crisis highlighted the economic cost to Member States of accommodating the high volume of migrants (Poddar 2016). This reality put domestic social policies at the forefront of any argumentation about the cost and benefit of hosting migrants (especially asylum-seekers), particularly in states such as Greece where public spending had already been heavily retrenched due to austerity measures. The political argument related to this line of thinking was that taking in refugees put a strain on welfare state services, reinforcing the notion of social protections and social services being a national competence. By contrast, some Member States recognized the advantages of gaining a supply of young workers to help tackle the growing shortages of labour at home, while a more humanitarian perspective indirectly attended to social policy by highlighting the concept of basic social responsibility and social conditions for people on European soil. Another effect of the migrant crisis indirectly related to the EU's social domain has been the spurring of nationalist political debate, either via identity politics or via anti-EU sentiment as a result of the proposed quota system.

To what degree the rise of nationalist politics and populist strategies constitutes a crisis, as opposed to a short-lived electoral trend, remains unclear (Copeland 2015; Müller 2016; Zielonka 2017). Whatever the case, a notable feature of many present-day nationalist and far-right political parties in EU Member States is their upholding of a strong welfare state. In contrast to the more conventional centre-right conservative parties, many nationalist far-right parties have aggressively pursued platforms promising enhanced social benefits and rejecting austerity measures, while frequently

declaring that welfare state deliverables should only be given to those 'belonging' to the country.⁵

Irrespective of the devastation it might produce in the short and medium term, Brexit – which at the time of writing remains unrealized – could produce opportunities both for the UK and the EU (Cini and Verdun 2018). The longstanding role of the UK as the eurosceptic Member State – as evidenced for instance by the social policy opt-out in the period between the 1992 Treaty of Maastricht and the 1997 Treaty of Amsterdam as well as its rejection of the single currency – served as a useful shield for other countries which resisted political integration while applauding heightened economic integration. Often considered a crisis, the Brexit vote might be more aptly portrayed as a shock, as the 2016 referendum provided the first major blow to enlargement in the history of post-war European integration (Cini and Verdun 2018). Depending on the timing and conditions of the UK's ultimate exit, opportunities for changes in the style and substance of supranational governance could arguably result. With regard to social policy, where the UK long offered consistent resistance to EU regulations on working time and other areas of governance related to employment and social affairs, Brexit possibly holds relevance for the possibilities for political negotiation after the UK's divorce from the EU (Hantrais *et al.* 2019). At the very least, Brexit has served to highlight the social roots of political discontent with the EU (Clegg 2017). Going forward, if Brexit does finally take place, it may also have unforeseen implications for social policy developments in the EU, the EU Member States and the UK (Hantrais 2019). In fact, at the time of writing, there are early reports⁶ that a Conservative government, despite promises, might downgrade social standards in the UK soon after leaving the EU (*Financial Times* 2019).

Taken together, the above events are each frequently labelled as 'crises' but might be more accurately portrayed historically as 'critical junctures'⁷ for the wider direction and scope of European integration at large (Natali and Vanhercke 2013; D'Erman and Verdun 2018). In the context of the EU's social dimension, which has largely encompassed only those policies most relevant to the single market (i.e. those touched upon by factors affecting the free movement of labour), these critical junctures highlight the association of 'social' with 'political' for many EU players. This was particularly visible in the aftermath of the sovereign debt crisis, where the question of public social spending became politicized with discussions of austerity measures, but is also relevant for the debates surrounding the acceptance and integration of migrants and the far-right nationalist projection of what constitutes a social community. It has raised the question of what kind of union the EU ought to become, as well as making the question of social investment feature more prominently in academic writing on European integration (Vandenbroucke *et al.* 2011; European Commission 2013; de la Porte and Natali 2018). EU-level responses to

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5. Research on the idea of 'welfare state chauvinism' is relevant here; for example, see Finnsdottir and Hallgrimsdottir (2019) on the Danish People's Party, the Norwegian Progress Party and the Swedish Democrats.
 6. One of these reports is a leaked paper entitled 'Update to EPSG on level playing field negotiations', which, according to the *Financial Times*, states that the UK 'was open to significant divergence' (*Financial Times* 2019).
 7. This term comes from the historical institutionalist approach to political development. Political stakeholders are embedded in institutionalist paths as a product of historical circumstances and the notion of increasing returns. Crucial moments, whether unexpected or foreseen, can sometimes serve to point institutional paths in unintended directions (Pierson 2000).

crises were all (to some degree) designed as piecemeal tools in response to the most salient aspects of different crises. The lack of political integration, whether due to the non-existence of financial union, a lack of shared perceptions on the question of asylum-seekers or the lack of a cohesive understanding of the position of social policies within the EU's regulatory scope of authority, has important implications for the development of the social domain in the overall institutional architecture of the EU.

Conclusion

The past 20 years have brought new challenges for social policy and policymaking in an EU still dominated by economic considerations. EMU, the expansion of the Eurozone and the sovereign debt crisis have accelerated the formation of new institutional structures both reinforcing some areas of existing intergovernmental architecture and creating new competences at supranational level. However, these developments did not include a fuller experiment with a European Social Model – even though this had been expected and advocated by scholars, unions and policymakers concerned about the EU's weak social footprint (see among many Verdun 2000; Magnusson and Stråth 2001; Martin and Ross 2004; Jepsen and Serrano Pascual 2005; Vandembroucke 2013; Schiek 2013). Especially given the very visible effects of the financial crisis and austerity measures on unemployment levels and public services in those EMU Member States hardest hit by the sovereign debt crisis, some of these advocates were hoping for more forceful action on the part of the EU to invest in and further develop the European Social Model. However, the new institutional frameworks set up during the crisis, notably the European Semester's surveillance and prescription procedures, necessarily brought more areas of social policy to the fore, particularly those to do with social inclusion, labour market participation and the adequacy of social protection benefits. These changes were largely made for the purpose of maintaining the strength of the EU single market and asserting financial credibility to global markets. By contrast, the migrant crisis of 2015 did not spur a similar set of institutional changes to the same degree, nor did it significantly raise the profile of social inclusion within the Commission or other decision-making bodies. Other recent challenges to the EU, such as Brexit and rising nationalist sentiment in political debates, are set to have a mixed impact on the social dimension of EU decision-making, as the degree to which either challenge might portend deeper discussion is intertwined with the tensions inherent in the EU's style of governance. If the UK does indeed leave the EU, then a historically strong opposing voice will leave the Union as well. This situation may make it easier to conjure up social packages acceptable to all.

Prospects for the EU's social dimension depend, as always, on the political negotiations and developments underlying integration (Bailey 2017). As welfare state policies vary widely between Member States, proposals for deeper integration in the social realm (for example, a 'European Social Union') require deliberate political action (Ferrera 2018; Hemerijck 2018). Despite the advocacy and utility of a social dialogue between EU-level social partners in supporting the social dimension of policymaking, the sovereign debt crisis resulted in new mechanisms designed for financial stability but without corresponding growth in status or responsibility for social partnership (Pochet and

Degryse 2013). The origins and evolution of EU social policy demonstrate that economic integration has frequently, if not always, been the motivation behind successful policy developments – with the emphasis on harmonizing employment opportunities and labour markets across the single market. It might be reasonable to suggest that prospects for the EU's social dimension are currently dependent on the future course of EMU, Eurozone integration and the outcome of Brexit. A change in political leadership opens the door to a change in the political agenda and a stronger commitment to achieving some daring goals. The EU has typically required leadership from the Franco-German tandem as well as from the European Commission. Crisis response mechanisms have illustrated that the need to maintain the financial stability of the single currency may necessarily lead to structural policies (including social policies) in Member States focused more on deeper economic integration. The social dimension of EMU has thus always been, and continues to be to this day, an important driver of the future course of social policy. The next years will prove to be important for what kind of EU the polity wishes to become and whether this vision will include more or less Social Europe. For those of us keen to see Europe's Social Union further developed, we hope that, as the EU enters a new legislature, with a new Commission, a new Parliament and a French leader willing to push forward a strong integrationist agenda, Social Europe initiatives may develop faster and further in the years to come.

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