European Social Models between Globalisation and Europeanisation

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The main “flaw” of orthodox approach is that empirically, inside the EU, we do not observe the “violent migration” neither of firm nor of citizens-workers that it need in order to let the whole system operate as it predicts.

The original point drawn by this analysis is consistent with the heterodox approach arguing that pressures to European welfare system came principally from the globalisation-project that using the myth of competitiveness give to political (national) leaders a powerful tool in order to deal neoliberal reforms of social models by imputing responsibility to external constraints without losing consent or, at least, limiting the political costs of their actions.
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1. Introduction

The dimension of welfare state (and its “interference”) into the economic system is a very sensitive theme in European integration also because of the emphasis given to the competitiveness goal assigned to EU.

With respect to this issue variegated preferences are observed between states. Thus, this situation may be interpreted alternatively as a resource or as a threat to further integration into this field.

The prevalent opinion is that the more the EU go ahead with the integration process the more the model of welfare should be close to the “neo-liberal” prescription of “minimal state”, following the globalisation general tendency.

Moreover, in light of the veto power of EU Member States in theme of policy details related to the integration process (for example labour market regulation, tax harmonisation and social policy), the positive integration are likely to yield to negative integration toward something approximating a lowest-common-denominator level.

1 According to (Knill and Lehmkuhl, 1999) the two terms, positive and negative integration, are here used with the following means: (i) positive integration refers to the situation in which member states have to bring domestic arrangements into line with a European model which is implicit in the supranational policy decision. In this case the EU acts using market-shaping policies. Hence, the EU positively prescribes the adoption of a
Obviously, European integration and Globalisation are strictly related process, but at this regard an interesting phenomenon often arises: the pressures attributed to globalisation in many national contexts are just as frequently attributed to the process of European integration in others. Why does it happen? Political leaders have really different conceptions of the causality process? Or, they use alternatively the two concepts in order to achieve consent in the easier way (given national preferences or in a broader way national contexts)?

With this in mind, this paper aims to analyse some aspects of the relationship between the European integration’s process and the worldwide globalisation process. In particular I will focus (i) on the impact of such phenomena on “European social model” and (ii) on how the two phenomena influence each other.

Indeed, it is evident that globalisation and European integration are becoming “synonymous”, within the domestic arena, in order to justify pressures for welfare reforms and fiscal restraint. Nevertheless, it is evident also that they refers to different phenomena, even if related in such a way.

In terms of narrative both concepts are used to support (claims for) transformation of the active welfare state into a residual or conditional welfare support (Hay 2000). What is still ambiguous is the “deep structure” of this process: to what extent this narrative is reflected in the institutional architecture of European Social Model?

One crucial point at this regard is that motivation (or “myth”) about welfare provision, inside the European integration process, are based on (contribution to) social inclusion instead of the main stream explanation in terms of economic externalities.

This is, perhaps, a subtle way to change the criteria used to assess the welfare state effectiveness and extension. By shifting the main objective (from externalities correction to social inclusion) a new method of evaluation and justification arises: the one based on human capital formation, labour market flexibility, and general speaking, the main criterion to assess the whole welfare system became (national) competitiveness.

Hence, if competitiveness is the main concern, there is no place for manoeuvres that drives into a deeply social integration conflicting to the competitiveness itself. “[The] rapid
change in the global economy creates both opportunities and threats. The opportunities will fall to those able to respond quickly [in term of competitiveness]. This will sometimes require the political courage to take action that hurts [equity] in the short term, but pays off in the long run” (Sapir 2005).

Thus, in what follow I will try to answer to some relevant questions on this regard: globalisation and European integration are really equivalent variable of explanation of pressures on European Social Model? Are the (prospected) neoliberal model the only way “feasible? What kind of forces are driving the processes?

The paper is organized as follow. Section 2 introduces a sort of taxonomy regarding the main terms of discussion that sometimes are treated in a not well focused way. Section 3 presents a review of European Social Model(s). In section 4 both a main stream (i.e. in terms of structural-globalisation) and an heterodox approach to this issue (in terms of globalisation-project) is introduced. The latter using ideas about globalisation and competitiveness rather than the globalisation per se as (partially) alternative explanation of pressures and change regarding these model(s). Some comments and concluding remarks are presented in section 5.

2. Concepts definition

Globalisation, European integration and social model (to limit the list to three main point of this paper) are elusive terms due to the different means in which they are used in different analysis. Nevertheless, a clear concept definition is a crucial point in comparative political science: if concept are not well defined the whole analysis might be developed in a confusing way by mean of an elusive language. What we risk to lose using concepts that do not specify the level of analysis is the difference between genus and species (Sartori 1970; Radaelli 2000).

With this in mind, in this section I introduce some issues on concept definition. In particular, four concept are analysed: Europeanisation, European integration, Globalisation, and European Social Model. The discussion on the concept of Europeanisation and European integration is based principally on Radaelli’s paper about “concept definition and substantive change” (Radaelli 2000); some point on the globalisation mean is drawn from
Europeanisation.

As I said before, this concept is used with different means.

(Lawton 1999) suggests that “Europeanization is the de jure transfer of sovereignty to the EU level, and distinguishes this concept from ‘Europeification’, that is, the de facto sharing of power between national governments and the EU”(Lawton 1999).

(Börzel 1999) defines “Europeanization as a process by which domestic policy areas become increasingly subject to European policy-making”.

Caporaso, Green-Cowles and Risse (cited in (Radaelli 2000)) define “Europeanization as the emergence and development at the European level of distinct structures of governance, that is, of political, legal, and social institutions associated with political problem-solving that formalize interactions among the actors, and of policy networks specializing in the creation of authoritative rules”.

(Ladrech 1994 ) defines Europanisation as “Incremental process re-orienting the direction and shape of politics to the degree that EC political and economic dynamics become part of the organizational logic of national politics and policy-making”.

Thus, each definition stress one particular point of the phenomenon (respectively transfer of competencies and poling of power, “intrusion” into the domestic arena by EU, network with wide latitude, process).

The definition that I will use in this paper is suggested by Radaelli: “Processes of (a) construction (b)diffusion and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, ‘ways of doing things’ and shared beliefs and norms which are first defined and consolidated in the making of EU decisions and then incorporated in the logic of domestic discourse, identities, political structures and public policies” (Radaelli 2000). According to its author: “[t]his definition stresses the importance of change in the logic of political behavior […] [that] changes through a process leading to the institutionalization in the domestic political system (at the national and-or subnational levels) of discourses, cognitive maps, normative frameworks and styles coming from the EU. […] [T]he definition does not mention organizations. By contrast, it accommodates
both organizations and individuals. It is sufficiently broad to cover the major interests of political scientists, such as political structure, public policy, identities and the cognitive dimension of politics. It can be applied both to EU member states and to other countries” (Radaelli 2000). Figure 1 shows the Mechanism of Europeanisation.

![Mechanism of Europeanisation]

It is worth to underline that Europeanisation and European Integration are not synonymous. In general, theories of integration address the question ‘why do different countries join forces and build up supranational institutions’? It should be clear that European integration is necessary condition to Europeanisation. “But the latter concept belongs to the ontological stage of research, that is, the understanding of a process in which countries pool sovereignty, whereas the former is post-ontological, being concerned with what happens once EU institutions are in place and produce their effects” (Radaelli 2000). In brief, we can say that theories of integration are concerned in the issue whether European integration strengthens the state (inter-governmentalism), weakens it, or triggers ‘multi-level governance’ dynamics.
Globalisation.

“The scientific study [about some aspect of] globalisation should begin with the recognition that globalisation is a contested concept” (Gills 2000). At this regard, (Scholte 2000) has argued that at least five (set of) definition of globalisation can be found in literature: (i) globalisation as internationalisation; (ii) globalisation as liberalisation; (iii) globalisation as westernization or modernization; (iv) globalisation as universalisation; (v) globalisation as deterritorialisation.

Globalisation as internationalisation. In this sense globalisation describes cross-border relations between countries. It refers to the growth in international exchange and interdependence. By means of growing flows of trade and capital investments there is the possibility of moving from an inter-national economy to a “globalised” economy in which “distinct national economies are subsumed and rearticulated into the system by international processes and transactions” (Scholte 2000).

Globalisation as liberalisation. It refers to “a processes of removing government-imposed restrictions on movements between countries in order to create an open, borderless world economy” (Scholte 2000).

Globalisation as universalisation. In this sense globalisation is the process of spreading various objects and experiences across the world. Diffusion of technology belong to this meaning.

Globalisation as westernization or modernization. According to this sense, globalisation refers to the dynamic whereby the social structures of modernity (capitalism, rationalism, industrialism, etc.) are spread the world over, usually destroying pre-existent cultures and local self-determination in the process.

Globalisation as deterritorialisation (or as the spread of supratterritoriality). Here globalisation is the “intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice-versa” (Held 1999). In this mean globalisation focus on network relations.

“One reason why there is so much confusion and contention about the meaning of globalisation is that it is both a political ideology and a long-term structural process [...]” (Chase-Dunn and Gills 2003). What is suggested in order to achieve a simpler theoretical
framework is to distinguish between (i) \textit{structural globalisation} and the (ii) \textit{globalisation project}.

The former refers to “the expansion and intensification of large-scale interaction network relative to more local interaction” (Tilly 1995); the second refers to “a specific political ideology that glorifies the efficiency of markets and privately held firms in order to attack labour unions, entitlements and other institutions that have protected the incomes of the workers” (McMichael 2000). Figure 2 shows a possible “measure” of globalisation proposed by (Sapir 2005).

![Figure 2- Share of Developing Countries in Developed Countries’ Imports of Manufactured Products, Excluding Intra-EU Trade, 1963–2003 (%). Source: (Sapir 2005)](image)

\textbf{European Social Model.}

The concept of “social model” has been widely deployed in literature. In its broader sense European Social Model refers to a certain commonalities in the institutional architecture of national capitalism in the European context throughout the post-war period, characterised by extensive social protection, encompassing and legally sanctioned labour market institutions and the resolution of social conflict by consensual and democratic means (J. Grahl and P. Teague 1997).

More recent developments in literature identified a different conceptualisation of European Social Model that emphasize a distinctive trans-national dimension. This approach is “often associated with such claims in the argument that social provision at the
national level has been hollowed out, with responsibility and institutional capacity increasingly displaced, to the transactional level” (Hay, Watson et al. 1999).

At the end of this section should be clear that using the same terms referring to different concept lead the analysis toward different ways of thinking and, in turn, toward different result. In what follow I will specify in which of introduced senses I am using each term especially when the “distortion” to the analysis appears evident.

3. The four European Social Models.

In this section I introduce a short description of European Social Models (Nordic, Anglo-Saxon, Continental, Mediterranean) with respect both to institutional architecture and performance (especially in terms of equity and efficiency) based on Sapir’s paper, but before starting with the explanation one should note that “there are so many differences between national welfare state systems that the very notions of ‘European model’ or ‘social Europe’ are rather dubious” (Sapir 2005).

Nordic model (Denmark, Finland and Sweden, plus the Netherlands). This system is characterised by the highest levels of social protection expenditures and universal welfare provision. We observe extensive fiscal intervention in labour markets based on a variety of ‘active’ policy instruments. The presence of strong labour unions ensure highly compressed wage structures.

Anglo-Saxon countries (Ireland and the United Kingdom). This system is characterised by relatively large social assistance of the last resort. Cash transfers are primarily oriented to people in working age. Activation measures are important as well as schemes conditioning access to benefits to regular employment. On the labour market side, this model is characterized by a mixture of weak unions, comparatively wide and increasing wage dispersion and relatively high incidence of low-pay employment.

Continental model (Austria, Belgium, France, Germany and Luxembourg). This model rely extensively on insurance-based, non-employment benefits and old-age pensions. Although their membership is on the decline, unions remain strong.
Mediterranean model (Greece, Italy, Portugal and Spain). Within this model social spending is concentrated on old-age pensions and allow for a high segmentation of entitlements and status. This social welfare systems typically draw on employment protection and early retirement provisions to exempt segments of the working age population from participation in the labour market. The wage structure is, at least in the formal sector, covered by collective bargaining and strongly compressed.

“It is worth stating at the outset that obviously there are not only wide differences between these four models but also within each of them” (Sapir 2006).

(Boeri 2002) compares the performance of the four models in terms of three objectives of social policies: reduction of income inequality and poverty; protection against uninsurable labour market risk; reward to labour market participation.

A detailed review of its conclusion goes beyond this paper’s purpose. What I propose is an intuitive approach in terms of overall performance in a bi-dimensional space: efficiency and equity. Figure 3 focuses on a particular issue concerning employment rate and probability of escaping poverty.

Figure 3: Employment Rates and Probability of Escaping Poverty in European Social Systems

while figure 4 shows relative position of each system in the bi-dimensional space cited above

Source: Sapir (2006)
According to result shown in figure 3 and 4 we can say that: (i) the Mediterranean model, characterised by relatively low levels of employment and high risk of poverty, provides neither equity nor efficiency; (ii) the Anglo-Saxon model and the Continental one show a trade-off between equity and efficiency; (iii) the Nordic Model seems to be the best performing combining both equity and efficiency.

4. Globalisation, Europeanisation and (the pressures for reform of the) European social Models

As Sapir pointed out “[…] the global economy of the twenty-first century is characterized by rapid changes which create both threats and opportunities. The greatest challenge for the European economy is to become sufficiently flexible so as both to avail itself of opportunities and surmount threats. This requires, above all, reforming labour market and social policies. Failure to do so would not only deny Europe the opportunities of globalisation but could even jeopardize two of its crucial policies – the single market and monetary union. These policies could in fact facilitate Europe’s ability to meet the challenge of globalisation, but only if labour market and social policies are adequately reformed”(Sapir 2005).

Hence, the main point of this mainstream analysis, even if expressed (perhaps) in a subtle way is that globalisation represent the independent variable that drives inexorably the European social model toward the neoliberal model characterised by “minimal-residual state”.

As (Chase-Dunn and Gills 2003) wrote “[t]his neoliberal political ideology emerged as Reaganism-Thatcherism in the 1970s and then spread to almost all state-level and international institutions as the “Washington Consensus.” The ideological hegemony of
neoliberalism was bolstered by new developments in information technology that were used to justify privatization, deregulation, streamlining and downsizing of organizations across the world. Neoliberalism replaced an earlier dominant paradigm – Keynesian national development – that focused state policies on the development of industrial capabilities in the context of institutions that were designed to increase the purchasing power of workers. Neoliberals adopted several of the tactics and some of the ideological principles of the 1968 New Left – the attack on bureaucracies, direct action protests, and support for selected opposition movements in the noncore” (Chase-Dunn and Gills 2003).

Within the EU, the discourse about globalisation-liberalisation and to some extent globalisation-westernization (see section 2), from the very beginning assumed the form of concerns about competitiveness. Indeed, “as source of perceived economic imperative, the notion of competitiveness predate those of globalisation […]. [Moreover,] certainly seem as though the discourse of competitiveness had acted as a precursor to that of globalisation, serving as it did to introduce and popularise open economy assumption into popular discussion of the operation of the international economy ”(Hay, Watson et al. 1999). See figure 5 about the diffusion of the discourse of competitiveness.

**Figure 5-The Diffusion of the Discourse of Competitiveness.**

Source(Hay, Watson et al. 1999).

Within the narrative of (neoliberal idea of) globalization as inexorable phenomenon, different pressures affect the European Social model. How this pressures acts?
In short, one could argue that the perceived cost of capital flight in an era of heightened capital mobility, create the need to ensure a competitive corporate taxation regime, in order to prevent an hemorrhaging of invested capital. This lead to a regulatory undercutting, seeking to compete in terms of incentives to capital: the race to the bottom. This *race to the bottom*, in turn, reduce revenue available for welfare policy and thus create conditions for a minimal provisioning of social expenditure and labour protection in general. Within this framework, welfare is seen as a competitive burden on the economy.

Yet, it should be noted that this arguments are controversial and a countertendency also arises: the need to protect labour market and the social sphere from the worst excesses of unfettered market competition is the main counter-factor. Another factor is based on firms: investors’ confidence depend on (not only on taxation regime but also on) perceived political stability and social harmony, increased by equity oriented policy.

The arguments summarized above, regarding the effects of globalisation on social models, might be exhaustive if the EU was clearly an open-system. Nevertheless, as (Wallace 2000) wrote “one result of the extensive process of Europeanisation has been to produce a quite high degree of self-sufficiency and self-absorption in Europe” (Wallace 2000). Hence, it may be asserted that “Europeanisation is sufficiently deeply embedded to act as a filter for globalisation”(Wallace 2000). This means that we have to study in a separate way the impact of Europeanisation on welfare system.

One crucial point here is to assess whether the social policy fall (and to what extent) under the national control or if is a deeply Europeanized field. According to (Pisani-Ferry and Hagen 2002) both labour market regulation and fiscal policy (the main instrument of welfare policy) fall under *national level*. Figure 6 shows in an intuitive way this argument.

![Figure 6-Assignment of economic policies in the EU System](source: Pisani-Ferry and von Hagen (2002).)
Obviously, it does not imply that at the European level there are not pressures on the Social Model. They still exists and are very strong.

The European Single Market, for example, requires comprehensive social regulation. Furthermore, the process of enlargement and the nature of existing regional inequalities require considerable redistributive activity.

However, effective veto power of MS is used in order to maintain the outcome at the lowest-common-denominator level. Additionally, the EMU’s deregulatory and deflationary bias coordinated to the independent European monetary policy result corrosive of national wage-bargaining regimes.

Considerations introduced above lead the analysis to the national level. What kind of pressure challenge the European Social Models at the domestic level?

In brief, it might be argued that, also at this level, social welfare system face two contrasting tendencies. On one hand, considerations based on efficiency of market provision (including the perceived “crowding out” phenomenon) are a strong threat to extended social welfare system. Furthermore, growing social inequality might represent a cause of taxpayers revolt\(^2\). On the other hand, we have to consider that (i) potential contribution to human capital formation, (ii) social “insurance”- in term of share of risk - contribution to social stability in a time of rising labour market insecurity, (iii) demographic change leading to escalating demand for social provision of public goods and (iv) escalating costs of the satisfaction of health care demand would lead the whole system undoubtedly to extend social policy provision.

From the analysis reported in this section, and particularly from the consideration that social policy falls principally in the national field of competencies, it is worth to note that neither the globalisation nor the Europeanisation per se, even if both process play an important role on this issue, should be invoked principally to explain this kind of neoliberal pressures on welfare state. “[F]or example, [it] seems […] that firms do not invest in low social wage countries unless other factors like infrastructure and worker productivity justify such investments (Knodgen 1979). High social wage countries like Germany continue to attract foreign investments precisely because of the advantages they offer in terms of superior infrastructure and high worker productivity”(Majone 1993).

\(^2\) Because the more the wealth become “polarized” the more we move far from the veil of ignorance that represents the best condition to set a fair welfare system (see Rawls, 1971)
Furthermore, “because of linguistic and cultural barriers, and an increasing standard of Living even in the poorer regions of the Community[the phenomenon of welfare magnets\(^3\)] is not likely to become a problem in Europe” (Majone 1993).

In conclusion, since the two main arguments of the orthodox explanation (i.e. capital and labour perfect mobility) are empirically “weak”, I would argue that all this pressures come principally from ideas about globalisation (or globalisation-project in terms of section 2) that, using the myth of competitiveness, give to political (national) leaders a powerful tool in order to deal neoliberal reforms in this very sensitive field by imputing the responsibility to external constraints without losing consent (or at least limiting the lost of consent). For example, avoiding responsibility for costs coming from the fact that “labour market reform may increase unemployment before they lower it”(Sapir 2005).

The rejection of the EU constitution (which for most was a result of its extreme neoliberal economic character) might be seen as another example of political cost related to reforms of Social model that political leaders would avoid.

6. Conclusions

In recent years from many parts have been argued that a neoliberal reform of the European social models is necessary in order to meet the challenge that comes from globalisation. This happen even if factors claiming for a more extended social welfare system are generated just from the globalisation process itself. Yet, the European system is enough “close” to be able to respond in an autonomous way. Moreover, since the social policy falls principally into the national field, neither the globalisation nor the Europeanisation per se should be invoked as unique cause to explain this kind of neoliberal pressure on welfare state: “it appears that fears of an erosion of the national welfare state as a consequence of European integration are exaggerated” (Majone 1993).

Hence, I would agree with the heterodox approach arguing that all this pressures come principally from the globalisation-project that using the myth of competitiveness give to political (national) leaders a powerful tool in order to deal neoliberal reforms of social models by imputing the responsibility to external constraints in order to do not support the political cost of their actions (on similar opinion (Hay, Watson et al. 1999)).

\(^3\) states with comparatively high benefits that attract the poor
References


