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# The Europeanization of welfare
# Paradigm shifts and social policy reforms*

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# THE EUROPEANIZATION OF WELFARE

## Paradigm shifts and social policy reforms

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Abstract:

*The process of Europeanization implies a confluence of resources and outputs by the EU member states. This is mainly due to both structural economic harmonisation and institutional system-building. This paper deals with welfare developments in the European social model in contemporary times. After identifying major changes affecting European countries both functionally and territorially, EU initiatives in social policy-making are reviewed. New policies aimed at co-ordinating employment and social policies at the European level (OMC) have tried to offer perspectives for reconciling the dichotomies between the economic and the social and the national and the European. Hence, while a paradigm shift in macro-economic policies has allowed for monetary centralisation and a growing matching of EU internal 'open' markets, the quest for the decentralisation of welfare programmes has also aimed at meeting demands for territorial subsidiarity. Reforms related to the emergence of new social risks (NSR) may provide EU institutions with initiatives for making social policy reforms coherent with the new economic policy orientations, while also respecting national diversity. Speculative observations on whether there is convergence in social policy paradigms in European countries are carried out in the conclusion of the paper.*

### 1. Introduction: concepts and premises

The unfolding of structures of governance at a supranational European level is taking place by means of formalising interactions between the members of the European Union. These interactions affect mainly to actors and policy networks traditionally confined to operate in nation-state arenas. An emerging EU new layer of supra-national government and an inter-national and infra-national political concurrence are processes well under way. As a political framework, the European Union is a compound of policy processes, and Europeanization implies that national, regional and local policies are to be shaped by considerations beyond the mere centrality of the member states. However, multi-level governance in Europe is often under criticism as it is not centralised and vertically hierarchical.

Since the EU level has become more relevant, an increasing number of studies have turned their attention on the possible impacts of the development of EU institutions and policies on national policies.[1] In broad terms, Europeanization can be referred as a

[1] These studies look at possible Europeanization of national policies. Radaelli argues that, “the concept of Europeanization refers to a set of processes through which the EU political, social and economic dynamics become part of the logic of domestic discourse, identities, political structures and public policies.” (2000:4)

process which relates to all three economic, political and social domains. It comprises countries sharing a somewhat common historical development and embracing values of democracy and human rights of an egalitarian nature. However, the concept is far from being precise and clear-cut. It is multi-semantic and subject to various degrees of understandings and interpretations. Europeanization is not a static concept, but a rather dynamic idea to found expression in the erosion of state sovereignty and the gradual development of common institutions in Europe (e.g. Agreement of Schengen, Court of Justice, Euro currency).[2]

However, the constitution of the United States of Europe cannot be regarded as the compelling end-result of the process of Europeanization. The neo-functionalist school of thought has generally adopted the view that universal progress requires a kind of integration, which is made equal to cultural assimilation and single identity formation, along the lines of the American 'melting-pot' experience. Often this approach is coupled with the view that 'command-and-control' policy provision is quintessential for securing organised solidarity and the maintenance of re-distributive welfare. Alternatively, pluralists envisage that European rules can only be achieved and successfully accommodated by taking into account both history and cultural diversity within the mosaic of peoples in the Old Continent. In both approaches the principles of democratic accountability and territorial subsidiarity are crucial although not always shared in the same degree and scope.

Despite the diversity of its institutional forms and manifestations, the European social model can be identified as one based upon collective solidarity and being the result of patterns of social conflict and cooperation in contemporary times. During the XX century the rise of the welfare state --a European 'invention'-- allowed to provide for the basic needs of 'the people', through the provision of income security, health care, housing, and education. There is a widespread belief that the 'European social model' is something that provides collective unity and identity to most of EU countries as contrasting other systems where individualisation is a distinctive tenet for welfare provision (e.g. USA). The articulation of 'floors' or 'nets' of legal rights and material resources for citizens to participate actively in society can be seen as a common primary concern of the European countries. Accordingly, the fight against poverty and social exclusion plays a central role in the European social model. However, and viewed from below, such a European social model appears much more diverse as a kaleidoscope of sediments and peculiarities, although sharing a common perspective on social risks coverage and the promotion of social citizenship (Flora, 1993; Ferrera, 1996b; Scharpf, 2002).

Is the European social model today based upon the same cognitive and normative principles of several decades ago? Have the views of actors been substantially modified on the role of the European welfare states? Is there a growing convergence or divergence among national welfare approaches to reform? Can we expect the development of supranational European institutions for social policy-making and a further Europeanization of national welfare policies? These are questions regarding both

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[2] Cowles, Caporaso and Risse claim that Europeanization is characterised by "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 European rules" (2001:3).

functional and territorial aegis of social life which need to be scrutinised in order to lend evidence to claims of paradigm shifts. The latter are considered to be the catalysts of both of any significant mutation within the model of social Europe.

In general terms, paradigms suggest new methodological procedures for collecting empirical evidence, new problems for solution and sometimes, but not necessarily, explain phenomena which other paradigms are unable to elucidate. In policy terms, a paradigm is concerned with the manner political and social actors approach key issues and how to resolve them. Paradigms, value systems and *réferentiels* provide normative and cognitive elements which shape principles and actions adopted by actors within the same frame (Kuhn, 1970; Hall, 1993; Jobert & Muller, 1987; Surel, 2000)

This paper deals with the European context of reforms in the institutions of welfare, as well as with new approaches in the discourses of leaders and actors in order to substantiate claims that shifts in welfare arrangements merely correlate changes in economic policies (i.e. from Keynesianism to Monetarism). Thus, a special attention is addressed to the question whether welfare development has become a mere surrogate of economic ideas, interests and institutions.

Changes in policy-making are to be associated with recent socio-economic transitions, which have given rise to new social risks dealing primarily with family and labour market changes and welfare state reform. The impact of EU policies in this area of new social risks (NSR) is not insignificant, and contrasts its rather limited capacity to intervene in policy areas where the member states feel they must keep under national control (e.g. old-age pensions or health care system) (Palier, 2003).

As regards the 'traditional' core dimension of social protection, the initiatives of sub-state layers of government in areas of policy-making closer to citizens' perceptions (e.g. 'safety net' programmes) have gained in relevance and have been promoted by the EU institutions. Cultural and identity considerations are factors to be taken into account, but decentralising demands are also grounded on claims for policy innovation and a more effective management of welfare programmes (Moreno, 2003).

The first part of this paper will analyse main welfare developments in EU countries and welfare regimes and will identify major changes in the functional and territorial dimensions of the European social model. The second part examines the role of the EU as instigator of social policy reform. The third part deals with the apparently intractable economic-social and national-EU dichotomies. In the conclusion we summarise findings and offer some speculative observations on whether there is a convergence in social policy paradigms between countries and between actors.

## 2. Continuity and change in European welfare development

During the *trentes glorieuses*, or 'Golden Age' of welfare capitalism (1945-75), West European systems of social protection were based upon the assumption of full employment and on the complementary role developed by the family, and, in particular, of women's unpaid work within households (Lewis, 1997, 2001). A combination of social policies, Keynesianism, Taylorism and female segregation facilitated a sustained economic growth and the generalisation of a type of 'affluent worker'. The outcome of these factors put into play translated into two main types: the Keynes-Beveridge and the

Keynes-Bismarck welfare state. In both cases governments managed economies with a relatively high degree of autonomy. They were able to provide social provision for needs which market and family did not meet. The tax consequences of such provision were legitimated upon political coalitions of working and middle class groups (Flora, 1986/87).

The effects of the oil crises in 1973-74 and 1978-79 revealed the increasing openness and interdependence of European economies, and altered a scenario of prosperity and abundant stable male employment. Nevertheless, the Golden Age' evolved into a Silver Age of the welfare state showing limitations but also a high degree of resilience in resisting pressures of a diverse nature (Taylor-Gooby, 2002).

During the 1980s and 1990s, a neo-liberal ideological offensive challenged the tenets and legitimacy upon which welfare states had previously developed. Its discourse elaborated on the effects that processes of globalization of the economy and industrial transformations had had on the national labour markets. In parallel, deep structural modifications had taken place as a consequence of the ageing of population, the increasing participation of women in the formal labour market, and the re-arrangements occurred within households as producers and distributors of welfare. In sum, fiscal crises and the erosion of the ideological consensus which gave way to the 'Mid-century Compromise'[3] had conditioned the recasting of welfare states in Europe (Ferrera & Rhodes, 2000).

Similar concerns and approaches by EU countries do not necessarily translate into similar decisions and outputs by member states. During the 'Golden Age, the case for pension reforms in Sweden and the UK illustrated how diverse policies reflected the different capabilities for action by national actors and advocacy coalitions (Sabatier, 1998). Let us remember that after a long controversy in the UK, the Conservative Government implemented in 1958 a public supplementary scheme. However, employees were able --on voluntary bases-- to 'contract out' from it into non-public funds. This was the preamble for Thatcher's promotion of virtual privatisation of supplementary pensions during the 1980s (Bonoli, 2000; Myles & Pierson, 2001). In the Swedish case, instead, the Social-democratic Government was able in 1959 to implement the ATP scheme permitting supplementary benefits to workers on top of the basic universal pension. This second tier provision remained a public responsibility (Heclo, 1974; Esping Andersen, 1985).

Some 50 years after disparities in pension provision remain, although a clear convergence of policy criteria is noticeable in response to similar demographic pressures. As a result of rising life-expectancy and lower birth rates, the proportion of the EU population aged 65 and over rose from 13 to 17 per cent between 1980 and 2000 and is expected to rise to 27 per cent by 2040.[4] For public expenditure on pensions to be under control the implementation of similar measures have generalised in Europe, such as those taking into account longer working biographies and applying actuarial criteria

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[3] By which there was a compromise between a primary framework of property ownership and social rights in advanced industrial countries representative of welfare capitalism. This mutual concession made feasible the institutionalisation of conflicts latent between capitalist inequalities and equalities derived from mass citizenship (Crouch, 1999).

[4] The proportion of working age (15 to 64) increased slightly from 65 to 67 per cent in the earlier period but is expected to fall to 58 per cent in the latter (CEC, 2002).

for the calculation of pension benefits. Following the recommendations not only of IMF, the World Bank and OECD, but also of EU institutions, the most common feature for pension policy reform is the implementation of schemes pursuing private pensions as supplements to state pensions (CEC, 1997). Extensive second pillars of private provision and strong encouragement for complementary private schemes clearly indicate a shared objective to be achieved: pension cost containment and sustainability. Certainly, the UK continues to be the 'outlier' as the state second-pillar has been dramatically weakened while private alternatives have been further developed. Arguably, the UK case may be the most radical example of the process of pension reform in Europe. Private pension scandals and problems faced by future British pensioners may be also indicative of the limits for reforms in this policy area which, nevertheless, are well underway throughout Europe. Let us also remember that attitude surveys conclude that public pensions are one of the major programmes enjoying highest legitimacy throughout Europe (Ferrera, 1993; Kaase & Newton, 1996; Svallfors & Taylor-Gooby 1999; van Oorschot, 2000).

Despite common approaches, any future scenario for the EU involvement in the area of policies regarding social protection must take into account the present situation of welfare peculiarities, which will increase with the enlargement to Eastern Europe (CEC, 2003). A succinct review of the diverse welfare arrangements and institutional configurations within EU-15 should therefore be clarifying in this respect. To accomplish such a task we refer to the 'regime approach', which has established itself as a useful methodological tool for analysing the diversity of welfare states in the European Union (Esping-Andersen, 1990, 1999).

The 'regime approach' put forward the idea that welfare systems are characterised by a particular constellation of economic political and social arrangements. The 'regime approach' has proved to be very persuasive in linking together a wide range of elements that are considered to influence welfare outcomes. However, on establishing patterns of fixed interaction a certain assumption of continuity tends to prevail over that of change. As a consequence, it is implicitly assumed that a particular welfare state will tend to sustain interests and arrangements identified within the three main categories. These are very succinctly described as regards the EU context:

(a) *The corporatist Continental* is organized on the basis of occupational categories and is designed much less to reduce inequality than to maintain status. It is characterised by a concerted action between employers and trade unions, and is financed by contributions made by them. Welfare policies by state institutions uphold this arrangement, which is organised through social insurance. There is a sharp distinction between labour market 'insiders' and 'outsiders'. The universality of coverage is therefore dependent on the achievement and maintenance of full employment.

(b) *The liberal Anglo-Saxon* was initially patterned by its commitment to universality in the case of the UK (Beveridge Report). Focussed on poverty alleviation it is financed by taxes and incorporates residual means-tested services and flat-rate benefits. It has pursued a radical shift toward market principles, involving deregulation of the labour market, wage flexibility and containment in social expenditure. A low level of de-commodification of individuals implies a large measure of dependence by citizens on the market to ensure their primary income and social protection.

(c) *The social-democratic Nordic* is premised on the combination of solidaristic ideas with growth and full employment, and the minimisation of family dependence. It is financed by taxes, characterised by the principle of universality, and favouring the public provision of free services rather than cash transfers. The main aim of this type of welfare state is to ensure the equality and homogeneity of social groups within an all-embracing middle class.

These three types of systems associate a specific institutional configuration with a 'founding' doctrine: social insurance schemes with the protection of specific occupational categories; residual benefits with the primacy of the market and the need to combat poverty; universal benefits with the quest for equality. They are designed to have a different impact in terms of the quality of social rights, social structures and the structure of the labour market.

To the well-known three-fold categorisation of welfare regimes, a fourth 'familialistic' South-European or Mediterranean category can be delimited (Ferrera, 1996a; Rhodes, 1996; Moreno 2000).[5] In broad terms, similar social-demographic trends, economic constraints and patterns of public policy can be observed in all four South European countries (Castles, 1998; Morlino, 1998; Guillén & Matsaganis, 2000).

Beyond the discussion on both parsimony and variance reduction in the classification of welfare regimes, a general confluence in the level of social expenditure[6] and in the need to implement reforms among EU countries are clearly visible. Despite institutional specificities, the adaptation of the European labour markets to global competition has undoubtedly induced such a convergence more evident within each regime. After the implementation of the Euro currency and the establishment of the Stability Pact, a paramount concern by the European countries to contain public expenditure has further intensified (as the case of pension reforms clearly illustrates). The politics of welfare retrenchment have translated in most cases in a common approach for the containment of public expenditure, although social spending as share of GDP have maintained their levels during the last decades in most European welfare states.

A degree of convergence in output and outcomes produced by the European welfare states is undeniable if one compares the present situation with that thirty years ago. Comparisons based on any of the main variables generally used in welfare studies (social expenditure, level of benefits or service coverage) are very illustrative (Ferrera & Rhodes, 2000; Kunhle, 2000; Castles, 2001; Taylor-Gooby, 2001; Esping-Andersen *et al*., 2002).

Undoubtedly, welfare regime diversity persists. The EU pursuit of the Open Method of Co-ordination (analysed further below) recognizes and acquiesces in these differences. Nevertheless, national developments evolve --albeit gradually-- in a direction towards a similar approach for social policy reforms. As a consequence, we are witnessing how a

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[5] The discussion revolves around the contention whether the Mediterranean type of welfare is simply lagging behind those of the 'continental' model of social insurance to which they belong (Katrougalos, 1996). Or else, whether it is a mere 'Latin rim' characterised by a rudimentary level of social provision and institutional development (Leibfried, 1992; Gough, 1996).

[6] The difference between the welfare regime with the highest social spending in 1984 (Continental) and the average of the Mediterranean countries was 9.4 per percentage points. This figure was reduced in 1997 to 7.4 between the highest spender Nordic regime and the South European countries (Castles, 2001).

reduction in the traditionally high protecting intensity of welfare benefits, together with a hardening of the criteria of access and eligibility to welfare entitlements, has taken place in Continental Europe.[7] The 2003 reforms in Germany have been strongly induced by the need to get public finances under control in the light of the long-term spending effects of reunification. The social democratic Nordic welfare states have reduced about 10% of the generous benefit amounts, although in a very equitable manner across the board of welfare provision. Trends in Southern Europe have run in a somewhat opposite direction, where reforms have pointed towards a generalisation --and even universalisation-- of benefits and services (e.g. education, health, non-contributory pensions). In the case of Britain, welfare reforms have put an emphasis in workfare and deserving benefits in trying to avoid universal 'dependent' welfare. Such a course of action has implicitly adopted the philosophy of the 'contributory principle', although a transfer of responsibilities from the state public to the profit-making private sector is the underlying trend making the British welfare state more residual and liberal.

In order to identify reforms and paradigm changes in EU countries, our following analyses single out key developments in the two main dimensions of political life: the functional and the territorial, following Stein Rokkan's 'model of Europe' (Flora *et al.*, 1999). Such changes show the ambivalent and even contradictory nature of the process of Europeanization. Firstly, we will briefly examine how new economic policies have allowed for monetary centralisation and a growing harmonisation of single-market policies. Secondly, we will focus succinctly on the quest for policy decentralisation, which points at a political re-distribution of powers in multi-tiered Europe.

*Single and open market*

In functional terms, EU countries have embraced new economic policies of a similar nature. Those countries which attempted to exercise their nominal state sovereignty against the tide of the new economic policies where heavily penalised. Failure of the programmes for indicative planning implemented by the first Mitterrand Government in the early 1980s illustrated the 'persuasiveness' of the new economic neo-classical and supply-side paradigm embraced by neighbouring and competing countries.[8] This episode illustrated that national economic 'sovereign' manoeuvring to put forward previous Keynesian demand-side approaches was very limited (Camilleri & Falk, 1992; Schmidt, 1995; Strange, 1995).

During the 1990s, European policies aimed at deepening European economic integration with the implementation of the single market and the preparation of the single currency. At the same time, EU institutions safeguarded and promoted policies to preserve 'open' market competition. All EU countries accepted a profound shift in their

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[7] Or "updating recalibration" according to the expression used by Pierson. This author refers to "rationalizing recalibration" in the case of Nordic welfare (2001: 455).

[8] French Governments after the Second World War put into action plans for economic growth. These were to be implemented in a hierarchical manner by the powerful French public sector, and were 'indicative' of the industrial priorities to be taken by private businesses. The model worked satisfactorily in the post-war period allowing the French economy to perform at a good level. Right after the Socialist victory in the 1981 General Election, the Mauroy Government attempted a different path away from the policies of economic austerity followed by the neighbouring European countries. Not long after their initial implementation French economic policies suffered a Copernican turn and were to align themselves with the course of action taken by the rest of the central European economies.

economic policy views, by means of accepting a limited national debt and securing sound public finances, as well as keeping a low rate of inflation which implied wage moderation and a stabilisation of the level of social contributions. Further to the allegations for the need of changes in EU economies, the globalisation discourse was also used for attempt to modify pacts of solidarity at the national level (Palier & Sykes 2001; Taylor-Gooby, 2001).

Shifts in national economic policies were largely adopted departing from the view that one of the paramount functions of the typical Keynesian welfare state was to implement social policies in order to favour consumption and growth. In the midst of fiscal crises, the erosion of the post-war ideological consensus gave way to an increasingly unstable corporatist compromise between logic of capitalism and welfare solidarity.[9] The new economic paradigm, along the lines of a Schumpetarian workfare state which regards market freedom as essential to economic success, aimed at strengthening the competitiveness of national economies and subordinated welfare policy to the demands of flexibility (Jessop, 1994; Taylor-Gooby, 2003). Changes and policy reforms were justified by most governments as required in order to meet the Maastricht criteria. In this way, EU political, social and economic dynamics became a part of domestic political discourse and public policies in the welfare state field, making it evident that the process of welfare state reforms were, at least partially, Europeanised (Scharpf, 1996; Radaelli, 2000).

As a consequence of the economic paradigm shift, and in parallel to technological changes in the post-Fordist economy, major repercussions have affected welfare states in Europe. For instance, long-term employment has diminished dramatically, a process which has usually translated into job insecurity for large groups employees. With the extension of the criteria for 'open' market competition stimulated by economic globalisation, subsequent de-regulation and market flexibility have allowed for the emergence of new social risks. These are associated with the transition to a post-industrial (Fordist) society, and are mainly four-fold related to: (1) higher participation of women in the formal labour market; (2) the increase of the frail and dependent elderly people; (3) the rise of social exclusion for those workers with poor education; and (4) the expansion of private services and the de-regulation of public benefits and services. As a consequence, vulnerable groups are likely to experience new needs in areas such as: (a) balancing paid work and family responsibilities (especially childcare), being called on for care for a frail elderly relative, or becoming frail and lacking family support; (b) lacking the skills necessary to gain access to an adequately paid and secure job, or having skills and training that become obsolete and being unable to upgrade them through life-long learning; and (c) using private provision that supplies an insecure or inadequate pension or unsatisfactory services (Bonoli, 2002; Taylor-Gooby, 2004).

The answer to the question on whether new social risks would induce new welfare re-arrangements and how they would reconcile with old 'core' commitments for social provision is still to be articulated by European actors at the various contexts of

[9] The 'O'Goffe's tale' makes reference to the theses of O'Connor (1973), Gough (1979) and Offe (1984) that an insuperable contradiction for the maintenance of the solidaristic welfare state was due to both processes of legitimising the capitalist system and the erosion of the mechanisms of capitalist accumulation.

European governance. Up until now, new social risks do not seem to make up for a new paradigm of welfare, but they ought to be regarded as a modification which is to generate new political discourses putting into test those economic reforms favouring the introduction of more flexibility and de-regulation into the European social model.

*Multi-level governance*

The principle of subsidiarity enshrined in the Treaty of European Union of 1992 (Maastricht Treaty) provides for decisions to be taken supranationally only if local, regional or national levels cannot perform better. In other words, the preferred locus for decision-making is as decentralised and closer to the citizen as possible. Political elites of the EU member states, reluctant to further the process of European institutionalisation and to lose their national power bases, interpreted the subsidiarity principle as a safeguard for the preservation of traditional national sovereignty and, consequently, the powers to intervene centrally. They have been keen to place the bottom-line of subsidiarity at the national level of the member states not further below (Van Hecke, 2003; Moreno & McEwen, 2004).

Welfare provision has remained largely as a national centrally-run function, mainly as regards compulsory contributory schemes of social insurance. In a European and global perspective, however, the harmonisation of economic development has gone hand in hand with the decentralization of political institutions and the regionalisation of welfare development. Sub-state layers of government have found in the principle of European subsidiarity a renewed impulse for the running of public affairs, and new opportunities for policy experimentation. Beyond this analytical framework, however, the role of sub-state territories has been largely neglected. In 2001, the White Paper on European Governance (CEC, 2001) stated that the national governments were not involving the local and regional 'players' appropriately in the preparation of their positions on EU policies and, consequently, were not facilitating democratic accountability at those levels of government. Illustrative of this lack of political impulse is the case of the 'partner regions'.[10]

In 2002, about half of the EU-15 regions were 'partner regions', or regions with legislative powers (almost in half of the member states). Many of them have been very active in developing welfare programmes with a clear vocation for 'policy innovation'.[11] With the forthcoming enlargement of the EU a considerable number of small nations would gain status as full member states in contrast with large sub-state

[10] In 2001, there were 'partner regions' in Finland (the Åland Islands), Belgium (3 regions, 3 communities), Germany (16 *Länder*), Austria (9 *Länder*), Spain (17 *Comunidades Autónomas*), Portugal (2 autonomous regions), Italy (20 *regioni* and 2 autonomous provinces), and the United Kingdom (3 parliaments, or regional assemblies). They were regarded as not being genuinely accountable to their own citizens (Committee of the Regions, 2002).

[11] That is the case, for example, of the Spanish *Comunidades Autónomas*. In 1988, the Basque Government announced the implementation of a regional *Plan de Lucha contra la Pobreza* ('Programme against Poverty'). This innovative policy sparked off a regional mimesis, or 'demonstration effect', on the part of the other 16 Spanish *Comunidades Autónomas*. By the end of 1990s, all Spanish mesogovernments had implemented regional programmes of minimum income guaranteed, which combine means-tested cash benefits with policies of social insertion (primarily employment promotion and vocation training schemes) (Arriba & Moreno, 2004).

regions without ‘sovereign’ powers.[12] This will create a situation in which entities with a few thousand inhabitants are entitled to be in EU institutions with voting powers,[13] whereas historic regions with several million inhabitants, which make a major contribution to the economic dynamism of the Union and to the funding of its budget would still be unrecognised by the European treaties (European Parliament, 2002).

As a result of within-state variations, often reflected in different party systems, channels of elites’ representation or interests’ articulation, decentralisation has become a major embedding factor in contemporary political life in Europe. Decentralisation in some countries (e.g. Belgium, Italy or Spain) is affecting the very ‘core’ of traditional social policies. In these countries, health care, for instance, has been decentralised allowing the establishment of regional systems of health provision.

EU institutions, particularly the Commission and the Parliament, have encouraged multilateral co-operation on the assumption that national states will be less ‘sovereign’ than they have been up until now. However, the recent failure by the representatives of the EU national governments to approve the European Constitution in December 2003 seems to corroborate the intergovernmentalist theory that the EU is little more than a forum for bargain between the member states, and that the national governments are the paramount political actors in the process of Europeanization.

Such a state-centric view is subject to several qualifications, among which the following can be summarised: (a) Short-term interests put forward by the national governments often have long-term unintended and unanticipated institutional consequences; (b) The density of the EU policy-making and the partial autonomy of EU institutions allowed for decisions to expand beyond member-state control; (c) Institutional inertia, sunk costs and risings costs of ‘non-Europe’ greatly reduce the overriding capacity of national governments to reverse the process of Europeanization (Pierson, 1996).

At the supranational level, EU institutions can develop initiatives and take actions as a result of ‘spillovers’ from the process of macro-economic reforms framed by the Maastricht Treaty and the Stability Pact. Member states increasingly need to adjust their political ‘sovereignty’ in welfare matters to the requirements of the single market. Furthermore, social cohesion has become a common goal to be accomplished and preserved in all member states.[14] In our next section we turn our attention to those developments in social policy-making which have had EU institutions as main inductors or promoters.

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[12] These would be the cases of Cyprus, Estonia, Latvia, Lithuania, Malta, and Slovenia, with populations of 750,000; 1,370,000, 1,375,000; 2,375,000, 391,000 and 2,000,000 inhabitants, respectively. Such populations make a sharp contrast with some ‘partner regions’ as North Rhine Westphalia (17 million), Lombardy (9 million) or Andalusia (7,5 million).

[13] Each one having a minister and a right to vote in every formation of the Council, one Commissioner, a quota of Commission staff, and members of the European Parliament. These were some of the entitlements of full member states prior the constitutional reforms proposed by the European Convention and which failed to be approved by the European summit in December 2003.

[14] The reference to social cohesion has been included in the Single European Act (as the article number 130a already indicates), and there is a chapter on social policy (art. 117- 122) which calls upon the member states to cooperate for the improvement of working and living conditions (art. 117).

## 3. EU, an instigator for social policy reform

Welfare state research has often concentrated in analysing national social spending rather than historical processes, institutions and organisational relations (Flora & Alber, 1981; Baldwin, 1990, Esping-Andersen, 1993; Palier, 2001). Moreover, an emphasis in political economy has tended to play down other crucial issues related to cultural patterns or institutional peculiarities in welfare arrangements within each regime of social policy provision. A common element in most of studies on European welfare is their state-centred approach. Despite their epistemological and methodological differences, most schools of thought have nevertheless focussed in national arenas as the sole contexts of analysis for welfare research. Save some exceptions, the European level has persistently been neglected (Palier, 2003).

As a result, welfare state studies have not paid much attention to European developments. The Europe Union has been generally absent because, apparently, it has appeared to not be part of the welfare state 'problem', and because it has lacked of powers and resources or has been incompetent and unable to impose any uniform solution to reform national welfare states. Recent research on national welfare state changes seem to justify the neglect of Europe: welfare state reforms are based on national policies, where the European level seems to play a minor, if no, role. But these assumptions need deep qualification, at least as refers commonalities within each welfare regime. Some analyses have convincingly shown that the European welfare regimes do not seem to share the same vulnerabilities when they face the new global and European impacts, simply due to different institutional arrangements (e.g. financing of social spending) (Scharpf & Schmidt, 2000).

All things considered, the role of the EU in inducing changes in social policy provision, and in the re-casting of the European welfare states has greatly grown in importance. It operates alongside the ambivalent process of the declining sovereignty of EU's member states in both *de jure* (legal authority) and *de facto* (sovereign capacity) terms. Such a state decline runs in parallel with the requirements imposed by the Court of Justice and the European Commission for the consolidation of EU's 'open' internal market and the so-called four freedoms (of capitals, goods, services and workers). As a consequence, national social policies have become increasingly embedded in a framework of 'hard' and 'soft' EU dispositions. Arguably, the European welfare states have transformed into *semi*-sovereign entities with a pro-market bias and increasingly shaped by the rulings of the European Court (Leibfried & Pierson, 1995; Pierson, 1996).

If it is true that dimensions of social protection, such as the health care system or family policies show a degree of dissimilarities between EU countries, the same cannot be said as regards old age pension or employment policies, where common approaches have been progressively adopted by most member states facing reforms with a similar range of options and little degree of variance. Other areas which appear to be 'peripheral' in the development of the welfare state, such as gender equal opportunities, health and safety regulations, or poverty and social inclusion programmes, have been progressively harmonised on the initiatives of the European institutions.

Among the various factors affecting this observable trend towards 'unity' in social policy provision developed by the European member states, macro-structural constraints such as external social dumping, industrial relocation and financial globalization are to be accounted for. But institutional inputs are also of the foremost importance, particularly those related to European law and European Court of Justice's jurisprudence. This is the result, to a great extent, of the orientation of EU economic actions towards regulatory policies rather than re-distributive ones, which in many cases have remained within member-state 'sovereignty' (Majone, 1993).

Let us remember, for instance, that article 2 of the EC Treaty provides the EC legislator with the competence to harmonise provisions of the national systems of social security in order to secure the freedom of movement of workers. Accordingly, the impact of European law on social security matters is growing in importance and has a potential of far-reaching consequences. Consequently, the Social Charter on the right of workers, as well as the agreement on social policy of the Maastricht Treaty and its inclusion in the Amsterdam Treaty as a separate chapter on social policy, have meant significant steps in such a harmonising direction.

In particular, decisions taken by the European Court's have been significant in advancing the general process of the Europeanization of welfare. The expansion of EU regulations --and especially Court rulings-- can be regarded as gradually limiting: (1) the national control over beneficiaries, (2) the spatial control over consumption, (3) the exclusivity of coverage on their own territory; (4) the control over access to the status of benefit producer, and (5) the control over administrative case adjudication. As a consequence of these processes, European welfare states have witnessed an increasing erosion of their external boundaries and of their capacity to control them (Ferrera, 2003).

Two rulings by the European Court concerning core competences of the national welfare state can illustrate up to which extent judicial inputs are 'Europeanising' social policy-making. In the 1993 Poucet-Pistre case[15], the Court ruled that citizens cannot abandon their compulsory national insurance systems on the basis of Europe's freedom of service. The ruling upheld the compulsory nature of the national systems of public insurance and the principle of re-distributive solidarity among the diverse income groups and age groups integrated within them. According to this ruling the principles of obligatory social insurance and public monopoly do conform to the four freedoms enshrined in the European Treaty.

The decision of 1998 on the Kohll and the Decker[16] cases constituted a turning point in the juridical concept of the relation between EU law and national health insurance laws. The Court ruled that, in the absence of harmonisation at the EU level, each member state could determine the conditions concerning the right and duty to be insured with a social security scheme, as well as for the establishment of the conditions for entitlement to benefits. Nevertheless, and this was the crucial aspect of the Court's decision,

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[15] These two French citizens appealed to the European Court after having been denied their expressed option of paying their social contributions to a private scheme instead of the compulsory social insurance. The ruling established that such a national requirement did not infringe the provisions of the Treaty regarding either the provisions of the freedom of services and on the abuse of dominant position.

[16] Mr. Kohll, a Luxembourg citizen, had requested the authorisation for dental treatment of his daughter in Germany (Trier). Mr. Decker, also a Luxembourg citizen, had solicited the reimbursement of spectacles with corrective lenses he had purchased in Belgium. In both cases, national social security administrations rejected both claims. Kohll and Decker appealed subsequently to the European Court of Justice.

national member states should comply with European law when exercising their powers to organise their social security systems, and should reimburse the costs involved. In this sense, the Kohll and Dekker rulings constitute important judicial decisions for the neutralization of territoriality conditions in EU health care systems (Kötter, 1999; Pennings, 2001).

These decisions ought not to be seen as irreversible steps in the direction of dismantling or seriously endangering the grounds of European national welfare states. Doubts have been cast on the 'effectiveness' of such rulings in areas of national 'exclusive' competence. Let us not forget that, on the allegation that the financial implications of the Kohll and the Decker rulings could undermine the balance of the national systems of social security, the Court also held the view that the reimbursement of costs at a flat-rate, or in accordance with the tariff of the established in the country of origin, should have no effect on the financial balance of each national social security system. However, these sentences set a legal precedent which is not to be underestimated as they take, first and foremost, a European vision of welfare matters. The 'watchdog' role of the Court on gender policies during the last twenty years and its 'women-friendly' interpretations of Article 119 concerning equal treatment of female workers has had an enduring impact in European welfare and labour relations.

Not surprisingly, the institutional inputs produced by the Court's jurisprudence have so far been uncontested by member states. Consequently, decisions and rulings by the Court have enjoyed a high degree of legitimacy *vis-à-vis* national interests defended by the national governments. At the root of such attitude lies the acceptance not only that political life in Europe depends on the rule of law, but the conviction that human rights and values of an egalitarian nature form the very basis on which is founded the political unity of all EU countries. Indeed, the extension on fundamental rights and the accomplishment of the first written European Constitution has recently galvanised political debate. General legislation of this kind would advance further the general process of Europeanization and would eventually strengthen the European social model.

In parallel, other strategy of policy intervention has taken place encouraged by EU institutions: the 'Open Method of Co-ordination' (OMC), which is spreading this strategy to more and more policy fields. Its principal aim is to organise a learning process about how to cope with the common challenges in a co-ordinated way while also respecting national diversity. The main institutional ingredients of the OMC are common guidelines, national action plans, peer reviews, joint evaluation reports and recommendations. While facilitating an agenda to policy actors, the combination of those ingredients encourages initiatives and a degree of experimentation (Ferrera *et al*., 2002; Palier, 2003).

The role of the European bodies in advancing such a new form of intervention for harmonising national approaches and policies has been the most serious attempt for a EU involvement in social-policy making, particularly in the field of social exclusion. In recent times, EU institutions have tried to influence the general intellectual process aimed at re-designing social policy. Influencing national ideas in welfare policies has become one of the main targets of the EU, through the Luxembourg process launched in 1997 and concerning employment policies, and through the Lisbon process initiated in 2000 and concerning pension and social exclusion. It is expected that health care will be included in the next years to come.

With the Luxembourg process, the European bodies have created a new form of intervention which is less aimed at harmonising institutions or legislation than at bringing into line ideas, visions, conceptions, knowledge and norms of action, in order to have policy goals converging towards ‘a common political vision of social protection in the European Union’. But concrete targets have been also set for making the OMC an effective tool of policy-making. Already in 1999 the Commission released a document soon before the inception of the single currency in which it renewed the commitment of the European Union ‘to deepen the existing cooperation on the European level’. Four main aims were proposed as crucial for the articulation of a concerted strategy: (a) to promote social inclusion; (b) to make work pay and provide secure income; (c) to make pensions safe and pensions schemes sustainable; and (d) to ensure high quality and financial viability of health care (CEC, 1999).

As regards the Luxembourg process, the Lisbon Council of March 2000, all EU member states undertook the commitment to increase employment rates (as a ratio of the total employed population and the active working population between 15 and 64 years) up to a minimum of 70 per cent by 2010. In the Stockholm Council of March 2001, a similar agreement was adopted regarding employment rates of the population between 55 and 64 years (to achieve at least 50 per cent by 2010).[17]

Concerning the fight against poverty and social exclusion, the Nice Council of December 2000 formalised the launching of the process initiated in the Lisbon Summit. A Joint inclusion report in November 2001 aimed at enhancing the effectiveness and efficiency of member states’ policies to promote social inclusion by stimulating the collaboration between policy-makers, social partners, NGOs, scientists and excluded people themselves. Subsequently, National Action Plans of Social Inclusion were adopted in all 15 member states for 5-year period until the end of 2006. It remains to be seen whether the expected aims are fulfilled satisfactorily. In some European welfare regimes its impact during the first phase of implementation is undeniable if only for the mobilization of actors and governmental bodies (Matsaganis *et al.*, 2003; Ferrera, 2004).

This new form of European intervention remains ‘soft’ and ‘nation-state friendly’, both aspects facilitating the achievement of coordinated decisions between member states. However, from the territorial perspective the demarcation of internal responsibilities among the local, regional and central layers of governments constitutes a major challenge if claims for decentralisation and subsidiarity are to be accomplished. In European countries with a federal or regional structure, decentralisation of social assistance and services has had much greater impact than privatisation in the last decades. Moreover, in some of them the central government can be regarded as the one playing a subsidiary role with respect to the regions in matters of social welfare, which remain as a primary responsibility of the mesogovernments. From the EU angle, the long-standing opposition remains between the primacies of the national versus the European loci of decision-making (Moreno, 2003; Palier, 2003).

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[17] This employment rate not only seeks to extend working lives of the employees but also postpone the ‘real’ retirement age of the employed population. In the Barcelona Council of March 2002, for instance, Italy undertook the commitment of raising five years such a *de facto* retirement age by the year 2010.

As regards the functional dimension in pensions or in the fight against poverty and social exclusion, OMC can be regarded as a contingent compromise which emerged from a competition between economic and social actors in Europe. Implicitly it aims at solving the main problem of European welfare states regarding European economic integration: the Keynesian versus the supply-side approaches. Let us turn to examine those apparently intractable economic-social and national-European dichotomies in the final section of our paper.

## 4. Economic-social and national-EU dichotomies

So far the process of Europeanization has induced a context in which it is increasingly problematical for member states to manage the social pressures that they confront entirely on their own. Macro-economic policies are now decided at the European level while social policies are still --formally-- decided at the national. Economic policies are now based on a neo-classical, supply-side approach, whereas national social policies are still linked with neo-Keynesian, demand-side approaches.

Most EU social policy-making has generally followed from EU economic integration and commitments to a fair competitive arena and equal treatment of citizens. Europeans have traditionally been treated more as workers and less as holders of social rights. New policies aimed at co-ordinating employment and social policies at the European level (OMC) have tried to offer perspectives for reconciling the dichotomies between the economic and the social and the European and the national. In such a context between global pressures and domestic structures, the EU can act as a catalyst, a filter which both enables new reforms and re-orients the European 'social model.' (Palier, 2003; Larsen & Taylor-Gooby, 2004).

During the national debates on the adoption of the Maastricht Treaty, a lot of European governments discovered that Europeanization was not always perceived by their citizens as a 'win-win' process. They often saw the economic constraints and not the social advantages of European integration. In these circumstances, some European actors tried to promote a more social Europe, aimed at favouring full employment in a period of economic recession (1992-1993). Policy actors who shared a concern to keep the European tradition of welfare provision also turned to the EU to promote their social priorities (Begg & Bergham, 2002).

Under the leadership of Jacques Delors, the Commission produced two important documents: the Green Paper on the European Social Policy and the White Paper on Growth, Competitiveness and Employment (CEC 1993a/b). There was an attempt to link European macro-economic policy with welfare reforms geared towards rising employment levels. In the Essen Summit in 1994, the Council established five different axes around which convergence of national employment policies were articulated: (1) the improvement of employment opportunities; (2) the increase of the employment intensity of growth; (3) the development of active labour market policies; (3) the targeting of measures to re-activate the long-term unemployed; and (4) the reduction of non-wage labour costs to encourage employers to hire low-skilled workers (Delaporte & Pochet, 2002).

Already in 1992, the General Directorate in charge with employment and social affairs (called DGV before the Commission reform) promoted two recommendations on social protection adopted by the European council in 1992. The first recommendation concerned sufficient resources and social assistance in social protection systems[18]. The second recommendation proposed a convergence of social protection objectives and policies[19], aimed at 'improving and modernising national social protection systems'. This recommendation started to promote the decrease of 'social burdens' (social contributions) on firms, proposed to render social protection more employment-friendly, and switch from a passive to an active social policy framework. As for employment policies, the idea of using the classic European method of integration was given up in favour of a softer way of proceeding, attempting to elaborate common objectives for different national policies. However, until 1997, no real efforts were made either at the European or at the national level to follow these new lines. It was only the deepening of the competition over welfare issues between 'economically-oriented' actors and 'socially-oriented' European actors that accelerated the pace towards an increased involvement of European institutions in social policies.[20]

The story of the competition between DGII, in charge of economic and financial affairs, and DGV within the European Commission reflects the growing dichotomy between macro-economic policies implemented at the EU level and the European social model. When reading the suggestions of DGII on employment and social policies, one can recognise the approaches that have been developed at the international global level by either the World Bank or OECD (Palier & Viossat; 2001; Trubeck & Mosher, 2003).

Those are proposals for a purely neo-liberal world, where solution are always market-driven and the role of the state having to be as minimal as possible. If these solutions could perhaps be implemented in the liberal welfare regimes[21], it appeared to be too brutal for the European tradition (as DGV and many members states felt). It then necessitated some reformulation and compromise so as to be adapted to the European social model. Therefore, each time the European Council has adopted a text on either employment or social policies, it is based on an ambiguous trade off between economic and social orientation: 'flexicurity' has become the buzz word in employment policies, the pension should be both financially sustainable and adequate (as high level as possible, but corresponding to each one's contribution). In health care, the slogans are high level of access and quality combined with financial viability.

Thus, the general orientation given to social policy guidelines elaborated at the European level is to reconcile economic growth with social concerns. As it was phrased under the Portuguese presidency, the aim of the UE is to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic

[18] Council recommendation of 24 June 1992 (92/441/CEE), OJ L245 of 26 August 1992.

[19] Council recommendation of 27 July 1992 (92/442/CEE), OJ L245 of 26 August 1992.

[20] Economically-oriented actors correspond to the ex-DGII (economic and finance affairs), different lobbies of insurers, bankers, employers and the Economic Policy Committee. Socially-oriented actors correspond to the ex-DGV (employment and social affairs), and later the Employment Committee, and the Social Protection Committee. The two terms correspond to the vocabulary used by the actors themselves (at least within interviews) and has been used in different researches. See Mandin (2001) and Delaporte & Pochet (2002).

[21] According to Pierson (1994), nothing radical could be expected to be developed within this liberal regime, although reforms in the United Kingdom welfare state have certainly gone further in allowing the extension of private profit-making and a parallel restraining of state spending.

growth with more and better jobs and greater social cohesion Economic. The rhetoric here is to show that economic growth and social cohesion are mutually reinforcing and making congruent the economic-social dichotomy.

If on the content level, a reconciliation between economic and social seems more based on a modernisation and an improvement of the European social model than on a reformulation of economic policies, on the governance side, the difficulty is to combine a common approach with the acknowledgement of national sovereignty. Let us not forget that the working out of the OMC is, after all, an attempt to combine European orientation with national 'sovereignty'. Here the second critical factor of the territoriality in the Europeanization of welfare is of a crucial importance and has not been 'clarified' at the same rate as the functional ones.

The national-EU dichotomy has come to the fore of the political discussions after the failure for the approval of the European Constitution in the Brussels Summit of December 2003. Such a fiasco has provided the intergovernmentalist view with renewed plausibility, as has made evident that crucial decisions still rest with the member states and have national governments as the decisive actors at EU level. However, there is also an infra-national debate on whether national governments, and especially those of the most populated EU countries, can maintain a 'command-and-control' approach in dealing with matters affecting emerging sub-state actors and small-sized member states.

In fact, on embracing neoliberal market values, many national governments have put limits to their own domestic 'sovereign' powers. The reduction of international tariffs and barriers to trade and the development of international economic frameworks and security and defence organisations may have strengthened sub-state actors and small nations by reducing the perceived costs of self-government (Keating & McGarry, 2001). Inasmuch as globalisation affects the autonomy of the national state, it has also limited its capacity to accommodate territorial minorities within the state. Increasingly, mesogovernments and local authorities do not require the rationalising intervention of central bureaucracies and elites. European regions can also point to the additional economic and political security offered by the European Union, which represents a framework within which the exercise of autonomy under the principle of territorial subsidiarity would be further exercised (Moreno & McEwen, 2004).

The management of sub-state welfare systems emerging as a consequence of decentralisation may necessitate an intensification of intergovernmental multi-tier relations. Such relations need not be confined to the national state, however. Within the European Union, for example, there is increasing co-operation between sub-state regions across states. The European Commission has also promoted regional development, and EU structural funds have opened up new development opportunities and additional resources to sub-state regions within decentralised systems. But political accommodation between national and regional interests is by no means easy.

Debates on the so-called 'subsidiarity watchdog' are illustrative of the difficulties in articulating national and regional aspirations and interests. Both layers of governments have been engaged in a dispute as whether an additional referral procedure before the entry into force of a European legislative measure --which would conflict with the powers vested on each tier of government-- was to be introduced. As a result of this referral procedure initiated by the Council, the Commission, the Parliament, a qualified minority of member states or a significant minority of the ‘partner regions’ of the Union, the application of the relevant measure would be suspended and eventually put before the European Court for decision upon *ultra vires*. Such measures of constitutional design are of the outmost importance in the re-structuring of welfare arrangements.

Streamlining open methods of coordination, as has so far been the case of the national action plans on employment and social inclusion, may lead to the working out of tripartite contracts. These governmental agreements, objective-based and drawn up by Commission, member states and regions, are but one for of intergovernmental policy collaborations in which all partners concerned could participate in the three phases of the policy process; planning of measures, decision-making and programme monitoring.

Particularly as regards new social risks the role of EU institutions is also crucial from the territorial perspective. Potentialities for policy innovation by the regions ought not to be regarded as leading inevitably to a growth in territorial disparities. As a matter of fact benchmarking practices and the ‘demonstration effect’ may provoke greater equalisation in policy output by sub-state institutions. Likewise, they ought to advance the fundamental principle of democratic accountability in the process of Europeanization.

## 5. Conclusion

Is there welfare convergence in policy paradigms between EU countries and between actors in member states? This question can be formulated two-fold as regards both functional and territorial dimensions. In both cases, and save important case qualifications, the answer is affirmative as can be deducted from our previous analyses. The summary of such findings can be reproduced as follows:

(a) <u>Functionally</u>. There is an economic-social dichotomy which manifest itself in the discourse uses of the globalisation discourses so that pacts of solidarity at the national level can be modified. In general, EU countries have embraced new economic policies of a similar nature. EU institutions have safeguarded and promoted policies to preserve ‘open’ market competition. As a consequence, welfare policies have faced a progressive adaptation to the demands of deregulation and flexibility. Changes and policy reforms were justified by most governments as required in order to meet the Maastricht criteria.

Subsequently, EU countries have seen the rise of new social risks associated with the transition to a post-industrial (Fordist) society, which are mainly four-fold related to: (1) higher participation of women in the formal labour market; (2) the increase of the frail and dependent elderly people; (3) the rise of social exclusion for those workers with poor education; and (4) the expansion of private services and the de-regulation of public benefits and services.

Based upon evidence collected in diverse European countries, groups and actors are experiencing a situation which confronts analogous needs in areas such as: (a) balancing paid work and family responsibilities (especially childcare), being called on for care for a frail elderly relative, or becoming frail and lacking family support; (b) lacking the skills necessary to gain access to an adequately paid and secure job, or having skills and training that become obsolete and being unable to upgrade them through life-long learning; and (c) using private provision that supplies an insecure or inadequate pension or unsatisfactory services.

Recipes to meet new risks challenges are analogous in the four European welfare regimes. In general, most EU countries follow the developments carried out in the Liberal social protection system. Workfare is a main concern in corporatist France with targeted and means-tested benefits encouraging the return to work. German welfare is in a state of transition but, for instance, the general changes in labour market policy look more Anglo-Saxon. In familialistic Spain, private providers are ready to fill in the gaps of NSR areas with the gradual disappearance of the 'superwomen'. The issue which is certain to be pivotal for the future of the Nordic welfare state is whether or not allowing income inequality in order to arguably achieve higher growth and employment. In Switzerland, a non-EU European country, "modernising compromise", with elements of retrenchment in relation to "old risks" and elements of expansion concerning "new risks" is also consolidating. The UK, genuine representative of the Liberal welfare regime, has already initiated many of the reforms now taken in other European countries, and it has witnessed the extension of private services, which both increases the profit-making sector and restrains state spending (Aust & Boenker, 2004; Bonoli, 2004; Moreno, 2004; Palier & Mandin, 2004; Taylor-Gooby & Larsen, 2004; Timonen, 2004;). [22]

(b) <u>Territorially</u>. Despite recent drawbacks in the approval of the European Constitution, the process of Europeanization continues its process of system-building. Political developments, however, do not necessarily point towards a 'command-and-control' model of vertical welfare provision. In general terms, multi-level governance in Europe is far from being centralised. The poly-centric nature of Europeanization and the multi-tier structuring of European institutions do not lead to the constitution of the United States of Europe along the lines of the American experience. Rather, it confronts a gradual and necessarily 'slow' process of accommodating cultural, historical and political diversity within the Old Continent while respecting the principles of democratic accountability and territorial subsidiarity.

Consequential of their profound embedding into the development of the modern nation-state, European welfare systems are to face difficult dilemmas in their transition towards new multi-tier and multi-level configurations. At present, a fully-fledged articulation of social citizenship in the EU framework seems unrealistic despite its actual desirability (Ferrera, 2003). However, national, regional and local governments can work together with EU institutions in multilateral agreements allowing mutual collaborations in the three stages of policy process (planning, decision-making and monitoring). After all, decentralisation has also become a major embedding factor in European contemporary life.

Frameworks of solidarity as those provided by the national systems of social insurance, or increasingly those affected by European directives, will continue to play a crucial role. However, sensitive areas of citizens' concern where a more efficient policy provision is plausible by means of a more effective development of community-orientated services are increasingly important. Of a particular relevance are those

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[22] Statements reproduced in this paragraph have been taken from the findings of the WRAMSOC Project, many of which are reproduced in the chapters of the book edited by Peter Taylor-Gooby (2004).

concerned with the weaving of ‘safety nets’ to combat poverty and social exclusion and with the development of social services for young children and for the frail elderly. Such areas of social intervention appear suitable to be run by elected sub-state layers of government, which can be accountable for the implementation of means-tested programmes, and for purposes of optimising economies of scale. In this manner, the reconstruction of programmes of social citizenship may also be articulated from ‘below’.

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In general terms, while EU has been remarkably effective in developing common economic institutions, it has been much less successful in creating a common framework for European social policy. However, the indirect impact of economic policies in social policy-making is at least as important as the direct impact of measures to co-ordinate and benchmark social policies, and promotes equal treatment and labour market rights. The overall influence remains qualitatively distinct from purely market-driven liberalism. It could be argued that the process of co-ordination of macro-economic policies associated with Maastricht and the Stability Pact has created a new institutional context which guarantees the continuity of the new policies at the European level. The European Employment Strategy and the Open Method of Co-ordination can be regarded as instruments for safeguarding coherence and co-ordination of new social policies adapted to and compatible with the new economic policy orientations.

Both the European-national and the economic-social dichotomies will test the real system-building capacity of the process of EU convergence. Were any of the ‘antagonistic’ axes to prevail, the Europeanization of welfare would test at medium-term the very resilience of the European social model as we have known it up until now.

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