

Working Notes Issue 74 Editorial

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This issue of *Working Notes* is devoted to consideration of some key issues facing the European Union, in the context of the election of a new European Parliament in May 2014 and the coming into office of a new European Commission in October 2014.

In different ways, the articles in this issue point to an underlying unease and uncertainty concerning the future of the European Union, and a sense that this future is unlikely to be as envisaged or assumed during the years when EU expansion and deepening of integration were proceeding rapidly. As the contributors show, the policies of the five years of the new Parliament's lifetime will be shaped by the necessity to continue the slow and complex process of dealing with the underlying problems that came to the surface as a result of the financial crisis, including the design flaws in the euro, the on-going debt problems of many Member States, and the banking crisis. Compounding the difficulty of addressing these issues is the fact that there has been a decline in public trust and confidence in 'the European project' – in parallel with a general decline in trust in politics and

politicians at national level – and this is likely to find expression in a marked increase in the number of members of the European Parliament who are ‘sceptical’ of the current model of integration.

Several contributors draw attention to the reality of the economic and social inequality that exists not just *within* but *between* Member States of the EU. Unemployment figures and rates of poverty and deprivation for the EU as a whole conceal the sharp differences between the better-off and the poorer countries. Economic and social disparities between Member States have, of course, widened and deepened as a result of the differential impact which the economic crisis has had across Europe, and of the particular problems faced by the weaker euro zone members, bound by the rigidities of a single currency. In this context, several contributors highlight the fact that, as the process of economic integration and liberalisation of markets has gathered momentum over the last two decades, the ‘social dimension’ of the EU has been increasingly overshadowed. In place of the dream of the earlier days of the European project that the social wing could develop at the same pace as the economic wing is the reality that ‘the social’ is increasingly seen as an instrument of ‘the economic’. As one contributor, Denis Clerc, puts it: ‘... it is no longer ‘in the final analysis’ that economic considerations are decisive but ‘in the first analysis’.

The opening article in this issue highlights the fact that, despite its economic difficulties, Europe is still seen as a land of hope by people living in countries – often near neighbours – which are beset by extreme poverty, lack of opportunity and, frequently, political oppression. As a result, thousands of people attempt to enter the EU each year to claim asylum or become migrant workers. The article draws attention to the practical and ethical questions with which the EU is confronted as it responds to those who arrive at its borders, often having made life-endangering journeys. In essence, the authors question how well the EU is balancing its legitimate right to control entry to its territory with the requirements of justice, the protection of human life, and respect for the internationally established right to claim asylum. They also highlight the reality that there are significant differences between Member States in their policies and practices regarding the processing of claims for asylum – differences which in some cases reflect the difficult economic circumstances facing particular countries. Clearly, there is a long way to go before the EU has in place asylum systems that are fair, prompt and reflect common standards for all Member States.

Several of the articles in this issue of *Working Notes* remind us of the ideals which inspired the original efforts to create a unified Europe, and of the core values that have been repeatedly stated as the guiding principles of this process – including respect for human dignity and human rights, freedom, democracy, equality and solidarity. Ultimately, the policies adopted over the next five years in response to the economic, social and structural problems now facing the EU will have to be judged on the extent to which they reflect or ignore these values.

Working Notes

facts and analysis of
social and economic issues

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Forced Migration: A Challenge for European Solidarity

Eugene Quinn and David Moriarty

The carnage of asylum seekers and migrants making the perilous journey to a better life makes frequent headlines; thousands die every year in the Mediterranean alone. Far too little is done to mitigate the risks such migrants face. Poverty, vulnerability and war are rife in our times, but compassion is in short supply.¹

The founding fathers of the European Union envisioned a peaceful Europe underpinned by the core principles of human rights, democracy, social and economic solidarity. Among the many issues currently testing the commitment of the EU and its citizens to these values is the arrival into Europe of significant numbers of people who are fleeing from poverty, lack of opportunity and in many cases political oppression. The response to this forced migration gives rise to fundamental questions about the nature of the European Union, the values it purports to uphold, and whether the commitment to justice and solidarity extends beyond rhetoric to concrete action.

In a Europe beset by fiscal uncertainty, cutbacks in public services, and worrying levels of unemployment, especially among young people, few governments are willing to engage seriously with immigration and asylum issues.² For example, over the past ten years in Ireland there has been a failure to put in place an overarching immigration and protection framework, despite draft legislation passing through multiple iterations during the period in office of several administrations. In the face of ongoing economic upheaval and high unemployment, of the significant costs associated with patrolling external borders and administering asylum and immigration systems, and of the cultural challenges of absorbing large numbers of foreign nationals, it is clear that immigration, voluntary and forced, will continue to be one of the most controversial dynamics among Member States.

The EU has articulated its policy in relation to immigration and asylum in terms of ‘An Area of Justice, Freedom and Security’, based on the Tampere (1999–2004); Hague (2004–2009) and Stockholm (2010–2014) programmes. But what

does EU policy mean in reality for forced migrants and host communities? Has ‘justice’ become subject to ‘security’ in relation to the treatment of immigrants and asylum seekers, especially migrants who have travelled to bordering countries in the hope of crossing into the EU? What type of Europe is emerging: a ‘Fortress Europe’ or an ‘Opportunity Europe’?

Jesuit Refugee Service

The Jesuit Refugee Service is an international non-governmental organisation founded in 1980 whose mission is ‘to accompany, to advocate and to serve the cause of refugees and forcibly displaced persons worldwide’. JRS programmes are found in more than 50 countries, providing assistance to refugees in camps, to people displaced within their own borders, to asylum seekers in cities and forced migrants held in detention. In Europe, JRS is present in 13 EU Member States and works in a number of bordering states including Ukraine, Macedonia and Morocco.

JRS works not only with asylum seekers and refugees as defined under the Geneva Convention but with a wider group of forcibly displaced persons. The mandate of JRS is based on the definition of ‘refugee’ in Catholic social teaching³ and so extends to ‘de facto’ refugees, an expression applied to all ‘persons persecuted because of race, religion, membership of social or political groups’; to ‘the victims of armed conflicts, erroneous economic policy or natural disasters’; and, for ‘humanitarian reasons’, to internally displaced persons, that is, civilians who ‘are forcibly uprooted from their homes by the same type of violence as refugees but who do not cross national frontiers’.⁴

The remainder of this article will focus on three key challenges facing the EU in relation to forced migration: ensuring adequate protection of migrants and asylum seekers at external EU borders; ensuring that consistent and just structures and procedures for processing asylum applications are in place across Member States, and making a real commitment to admitting significant numbers of refugees under resettlement programmes.

Adequate Protection at External EU Borders

In the face of increasing numbers seeking to cross into Europe as migrants or asylum seekers, control of entry has increasingly become the focus of policy for the EU and its Member States. As a result, more and more financial and human resources are being directed at entry-control measures at Europe's borders.

Events in recent years – including tragic deaths of migrants at sea and the widespread incidence of 'pushback' of people at EU borders, which means that those attempting to gain entry have no opportunity to make a claim for asylum – highlight the need for a critical rethink of the EU's asylum and migration policies and of the management of its borders.

Despite the EU's efforts to rigorously control entry to its territory, the reality is that thousands of migrants continue to congregate in the North African states of Libya, Morocco, Algeria and Tunisia, fleeing poverty and conflict in west and central Africa, and willing to risk life and limb to find a route into Europe. The barbed-wire controlled borders of Ceuta and Melilla, two Spanish-owned enclaves on the North African Mediterranean coast, are seen by potential migrants as offering the best chances of entering the territory of the European Union. In October 2005, around 700 people charged the razor-wire security fences at Ceuta; more than 200 managed to cross the border when the fence collapsed, but several people lost their lives.⁵

In March 2014, a JRS Europe delegation met with migrants in the northern Moroccan city of Nador. Situated just 16km south of Melilla, Nador is a final point of departure for many migrants and protection-seekers who aspire to enter Europe via the Spanish enclave. For the majority, however, the EU borders will remain firmly shut. Meanwhile, significant political pressure is placed by the EU on the Moroccan authorities to keep migrants at bay.

In a policy paper issued following the March 2014 visit, JRS Europe commented:

*The European approach towards border control has shifted responsibility for the protection of those in need to lie solely in the hands of the countries at their borders, countries which at times lack the resources or willingness to provide such protection.*⁶

During its visit to Morocco, JRS Europe visited migrants hiding from the police in the Gougourou mountain forest, situated between Nador and Melilla. There they met with 80 people from Sub-Saharan Africa, including many women as well as children of all ages. These migrants were poorly equipped for living in the forest, having only flip-flops for shoes and lacking warm clothing. Some had been severely injured.

But migrants do not only try to cross highly-controlled border posts such as Ceuta and Melilla. Many choose an even more hazardous alternative – crossing by sea in dangerously overcrowded and often ill-equipped boats. Most are intercepted and turned back by naval patrols on the high seas. Tragically, many do not survive the journey. In the past two decades, almost 20,000 people are recorded as having lost their lives in an effort to reach Europe's southern borders from Africa and the Middle East. During the course of a single year, 2011, at the height of the Arab uprisings, more than 1,500 died. In October 2013, a boat carrying hundreds of migrants sank near the island of Lampedusa, Italy, resulting in the deaths of 360 people.⁷



A boat carrying African asylum seekers and migrants in the Mediterranean Sea between Africa and Italy.

© UNHCR/L. Boldrini

Overall, it can be argued that the EU's pursuit of the legitimate aim of administering systems to control who enters its territory has led to the adoption of measures which adversely affect the human rights of individuals at borders, including those seeking international protection as asylum seekers.

Reflecting on the impact of current policies and practices to control entry, and the obligation to protect fundamental human rights, the European NGO Platform on Asylum and Migration (EPAM), has stated: 'Borders are not zones of exclusion or

exception for human rights obligations'.⁸ EPAM says that 'the priority should be saving lives' and, accordingly argues: 'Clearer and more transparent rules for protection at borders and search and rescue at sea need to be adopted'.⁹

The Platform also calls for the immediate establishment of mechanisms to provide 'systematic monitoring and permanent evaluation' of what is going on at Europe's borders and says that such mechanisms should involve NGOs.¹⁰

A Fair and Just Common European Asylum System

In 2013, the EU approved the creation of a Common European Asylum System (CEAS). The process of developing CEAS had been underway since 1999, and the system is due to come into effect in 2015. The overall objective is to lay down rules which will harmonise standards across Member States. The creation of CEAS has been achieved through the development and recasting of a series of EU Directives and Regulations including:

- Asylum Procedures Directive
- Reception Conditions Directive
- Return Directive
- Qualification Directive
- Dublin Regulation
- Eurodac Regulation.

In an official statement of the aims of CEAS it is claimed that:

*The CEAS will provide better access to the asylum procedure for those who seek protection; will lead to fairer, quicker and better quality asylum decisions; will ensure that people in fear of persecution will not be returned to danger; and will provide dignified and decent conditions both for those who apply for asylum and those who are granted international protection within the EU.*¹¹

However, the reality on the ground for asylum seekers highlights the considerable distance which has to be travelled if EU Member States are to put in place the type of processes and institutions necessary to give effect to these high aspirations.

Protection Gaps: Dublin Regulation

The 'Dublin Regulation' determines which EU Member State is responsible for hearing an asylum-applicant's claim for protection and it provides for the transfer of the applicant to that State. Usually,

it is the Member State through which the applicant first enters the EU which is responsible for processing their claim.

Significant concerns have been raised about how this Regulation operates in practice. For example, arising from concerns in regard to the operation of the protection system in Greece, several Member States, including Germany, Denmark and Iceland, suspended 'Dublin transfers' to Greece. In addition, as a result of judgments handed down in national courts in Austria, France, Hungary, Italy, and Romania transfers to Greece under the Dublin Regulation for individual applicants have been suspended.¹²

In its judgment in the *M.S.S. v. Belgium and Greece* case of 21 January 2011, the European Court of Human Rights found that the transfer of an Afghan asylum-seeker from Belgium to Greece violated Article 3 of the European Convention on Human Rights due to systematic deficiencies in the Greek asylum system. It also found that an EU Member State may not assume that asylum seekers will be treated in conformity with European Convention standards in other Member States.¹³

In June 2013, JRS Europe published *Protection Interrupted*, a report based on interviews with 257 asylum seekers (in nine EU countries), who had experience of the Dublin Regulation in practice. The report showed that many applicants do not understand the system or know their rights. They are often subjected to multiple transfers and may be moved to EU Members States which provide only poor housing and basic services, leaving many homeless and destitute. People are often detained for months while states decide where to send them.¹⁴

The Dublin III Regulation, which came into force in January 2014 and is intended to improve the efficiency of the Dublin system and enhance standards, will potentially remedy some of the protection gaps identified. However, the European NGO Platform on Asylum and Migration (EPAM) has pointed out that concerns remain that '... as long as there is limited convergence in asylum policies and practice across Europe, asylum seekers subject to the Dublin system are at risk of having their rights violated'.¹⁵

Diverse Asylum Policy and Practice

The EU Commissioner for Home Affairs, Cecilia Malmström, whose area of responsibility

includes asylum issues, has stated that the greatest challenge to the CEAS is a consistent and uniform implementation at Member State level.¹⁶ JRS in Europe has found that the experience of asylum seekers across Member States differs widely in respect of border controls, reception conditions, asylum procedures, quality of decision-making, detention and return policies.

A look at the reality for asylum seekers in Ireland, Croatia and Malta illustrates the gap between the aspirations of overall EU policy and national asylum systems on the ground.

Ireland: In Ireland, more than a quarter of asylum seekers have been waiting at least five years since they first applied for asylum in the state. Their lives have been put on hold; they have not committed a crime, but many endure what they experience as an ‘indefinite sentence’ in direct provision accommodation.¹⁷

Residing for prolonged periods of time in direct provision entails significant human costs, with negative impacts on physical and mental health, family relationships and opportunities to participate in society. Of particular concern is the fact that one-third of those seeking asylum are children, many of whom will spend a substantial part of their childhood in the institutionalised environment of direct provision accommodation, with the risk of both short and long-term detrimental effects on their development.

Croatia: Asylum applicants seeking to access protection in states which have recently joined the European Union may experience particularly difficult conditions. In June 2013, JRS Europe released a report based on interviews with migrants and asylum seekers in Croatia, which became a Member State on 1 July 2013, and Macedonia, which has applied for membership. Conditions in Croatian asylum centres were found to be poor; people lacked information and waited indefinitely for a decision on their application. In Macedonia, too, applicants were living in poor conditions and had little access to legal advice. Both countries were clearly experiencing a strain on their asylum systems. In its report, JRS Europe recommended that the EU provide immediate support to bolster and improve the protection system in these two countries.

Malta: Increasingly, some EU Member States are seeking to circumvent the CEAS objective of

raising standards in their protection systems by developing readmission agreements with ‘safe’ countries of transit. In effect, these Member States are attempting to ‘outsource’ their protection obligations to non-EU states which may not have an adequately functioning protection system or a good record in respecting human rights. In July 2013, the Maltese Government planned to deport back to Libya a group of Somali asylum seekers who had arrived by boat. The plan was blocked following an application by an NGO to the European Court of Human Rights, which issued an interim injunction to prevent the deportations.

A report by JRS Malta, *Beyond Imagination* (2013), provides testimonies from asylum seekers who had arrived in Malta having spent time in Libya. While in Libya, many had experienced extreme poverty, exploitation, racist abuse, detention in appalling conditions and even torture. They lived in fear not only of the authorities but of armed militias. In the report, JRS Malta highlights the violence and political instability that now characterise Libya and takes the view that returning asylum seekers to that country would place them at real risk of ‘inhuman, cruel and degrading treatment’ and leave them unable to exercise their right to apply for asylum. It therefore recommends that Malta should not make any compulsory returns to Libya.¹⁸

‘Non-Returnable Migrants’

Of the significant numbers of asylum seekers who arrive in Europe, few are given refugee status or even a subsidiary form of protection (such as ‘leave to remain’). But it is also the case that of those who have been unsuccessful in obtaining any form of protection very few are forced to leave following the rejection of their application.¹⁹ Deportation remains a relatively rare occurrence. Enforcing return is expensive. Tracing individuals who may have gone underground is time-consuming and resource-intensive. Moreover, significant challenges are often encountered in determining the country of origin of applicants who have been unsuccessful and in arranging transfer agreements with immigration counterparts in these states. The phenomenon of non-returnable migrants has been encountered in many EU Member States.

The CEAS does not address the reality that the protection systems across Europe ultimately give rise to large numbers of unsuccessful asylum applicants – most of whom will have spent many years awaiting a final decision – who have no established right to remain but who will not

be returned. Many in this situation have found themselves destitute as they have no entitlements under national laws. The experience of non-returnable migrants living destitute in cities and towns across Europe is captured in two JRS Europe reports, *Dying Silent* (2007)²⁰ and *Living in Limbo* (2010).²¹ JRS Europe has called for the situation of forced destitute migrants to be regularised by national governments.

Election Challenge

Despite undoubted progress with the CEAS legislative process, the contention that applying for asylum in Europe is a 'lottery' still remains valid. The 2014 election of a new European Parliament provides an opportunity to focus on the concrete challenges facing the CEAS, among them the length of time which asylum procedures take, the divergent conditions across Member States, serious concerns about the operation of the Dublin Regulation and the risk of return to countries with an totally inadequate protection system and a poor human rights record.

Resettlement

'Resettlement' is the assisted transfer of refugees from a state in which they have sought protection to a state which has agreed to admit them as refugees with permanent residence status.²² Resettlement is an act of burden-sharing with the countries which host the majority of the world's refugees. Most of these countries are extremely poor and often have borders in common with the countries from which refugees have been forced to flee. In situations where local integration is not a practical option and voluntary repatriation back to the person's country of origin is not feasible, resettlement is a vital tool for offering protection to some of the world's most vulnerable refugees.

Action by the European Union in the area of resettlement has been relatively recent. However, the adoption in March 2012 of a Joint EU Resettlement Programme²³ marked a turning point and an important step towards a more substantial contribution by the EU to global resettlement efforts. The limited extent of the EU contribution to date is illustrated in the sharp difference between Europe's role in resettlement by comparison to that of the United States. In 2012, for example, the EU accepted just over 4,400 refugees under the resettlement programme of the UN High Commissioner for Refugees (UNHCR); in the same year, the US accepted over 53,000.²⁴

With the advent of the new Asylum and Migration Fund, which will support such developments from 2014 to 2020, the European Union now faces the challenge of moving beyond the rhetoric and ambition associated with the adoption of the Joint Programme to substantial practical action in regard to resettlement.

Participation in resettlement by EU Member States is on a purely voluntary basis. However, behind the adoption of the Joint Resettlement Programme was an expectation that increased coordination, and the availability of greater financial support for the reception and integration of refugees, would encourage Member States to offer more resettlement places than in the past.²⁵ While the adoption of the Joint Programme was broadly welcomed, the International Catholic Migration Commission joined other leading refugee organisations to call for concerted efforts to be made by Europe to gradually achieve the resettlement of 20,000 refugees annually by 2020 – in other words, a target nearly five times greater than the resettlement level achieved in 2012.

... the contention that applying for asylum in Europe is a 'lottery' still remains valid.

However, while the new framework allows the European Union to identify resettlement priorities and target those in greatest need,²⁶ the reality of the sheer size of contemporary migration flows and protection needs cannot but give rise to questions as to the adequacy of current policy and financial commitments in this area. The scale of the challenge is all too clearly illustrated in the demand for protection resulting from the Syrian conflict and the seriously inadequate official response to date.

The situation in Syria is widely recognised as representing the worst refugee crisis in nearly 20 years: more than 6.5 million Syrians are now internally displaced and over 2.4 million asylum seekers have registered in neighbouring countries.

In response to the crisis, many NGOs have been involved in trying to respond to the plight of the adults and children affected. The Jesuit Refugee Service, for example, has been distributing emergency relief to those in greatest need

and running educational activities to promote reconciliation and peaceful co-existence. However, the needs of the growing number of internally displaced persons and refugees cannot be met by NGOs, nor can they be met by the Syrian state and its neighbouring countries alone.

For their part, the European Union and its Member States have provided a total of €2.8 billion in humanitarian aid to Syria and its neighbouring countries.²⁷ However, in response to a UNHCR appeal to resettle 30,000 of the most vulnerable refugees from the region by the end of 2014, only ten EU Member States responded, committing to accept roughly 12,000 refugees.²⁸ Excluding Germany, the remaining 27 EU Member States have effectively pledged fewer than 3,000 resettlement places in 2014. Aside from this initiative, legal channels for accessing protection in Europe are entirely insufficient²⁹ and, as a result, 97 per cent of persons displaced by the Syrian conflict will remain either in Syria itself or in adjoining countries.

With the UNHCR anticipating resettlement needs in respect of an additional 100,000 Syrian refugees in 2015 and 2016, the European Union is now at a crossroads, with one path leading to true burden-sharing and the other to effective burden-shifting.

Conclusion

The forcible displacement of millions of people across the globe is one of the defining challenges of this century. Over recent decades, civil wars, deepening global inequality, environmental degradation and the intensity of natural disasters have forced millions to flee their homeland and seek sanctuary in other countries. In the eye of this storm are children. Forced to flee their homes, they are not just leaving behind their friends, family members and their way of life but all too often their childhood also. Children are forced to grow up too quickly in order to deal with the harsh reality of becoming a refugee.

In a message issued for the World Day of Migrants and Refugees (19 January 2014), Pope Francis emphasises that ‘migrants and refugees are not pawns on the chessboard of humanity’.³⁰ He draws attention to the link between poverty, in its various forms, and forced migration as well the many challenges facing both migrants and host countries. However, he also emphasises that migration reflects the hope among individuals and communities of creating a better future for the human family.

Pope Francis states:

*The reality of migration, given its new dimensions in our age of globalization, needs to be approached and managed in a new, equitable and effective manner; more than anything, this calls for international cooperation and a spirit of profound solidarity and compassion.*³¹

Migration and asylum are issues that inspire strong reactions, both positive and negative, among EU citizens. There is a need for the European Union to connect with its citizens on the issues presented by forced migration. These include the question of balancing security and justice in controlling external borders; the task of creating an asylum system that is fair and reflects common standards across Member States; the challenge of making a proportionate contribution to resettlement programmes. But beyond these issues are other, broader, questions concerning the ‘push’ and ‘pull’ factors driving mass migration and Europe’s role in a globalised economic system characterised by wide disparities in income, wealth and influence.

Voters in the elections to the European Parliament are therefore faced with some stark questions. Does the European Union stay true to its founding value of solidarity by offering protection to asylum seekers and vulnerable migrants and assuming an equitable share of the task of providing refuge, which is currently disproportionately borne by poorer nations? Or does the European Union respond to international refugee crises with open pockets but closed borders?

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Working Notes

facts and analysis of
social and economic issues

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Unemployment and the European Union

Rory O'Farrell

Introduction

In 2013, unemployment in Germany, at 5.3 per cent, was at its lowest level since reunification. In the same year, Spain's unemployment rate, 26.4 per cent, was at its highest level since at least the 1960s, before which reliable statistics are more difficult to come by. Austrian unemployment is also low at 4.9 per cent, and though Ireland's nearest neighbour, the UK, has unemployment of 7.6 per cent this is simply on a par with previous recessions, such as during the early to mid 1990s.¹

Given the different circumstances in different countries, unemployment is not a crisis across all of Europe. However, it can still be regarded as a European crisis. Many of the problems facing countries such as Greece, Spain, and Ireland can be seen in the context of failures in European institutions, most notably in the implementation of a single currency. That said, long-term differences in unemployment can best be explained in terms of

the differences between national economies, and though the EU has a role with regard to reducing national unemployment rates, this role is limited.

Causes of Unemployment

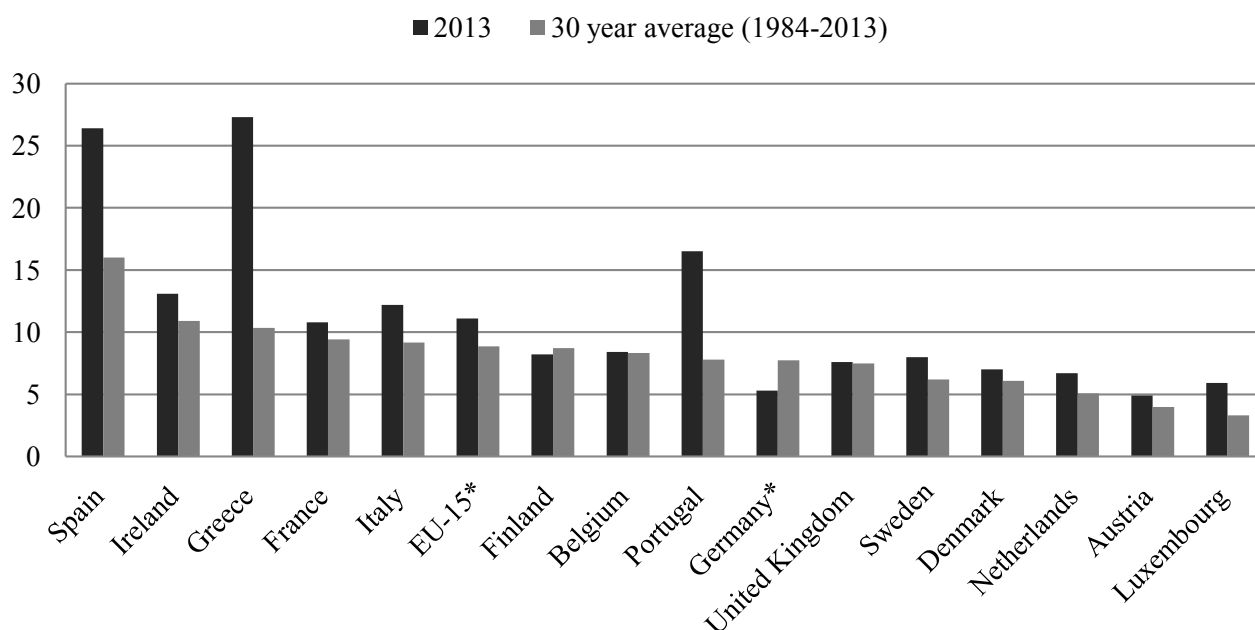
There are three main sources of unemployment: frictional unemployment; structural unemployment; and cyclical unemployment.

Frictional unemployment exists even during times of economic prosperity and occurs when people are simply 'between jobs'. This form of unemployment exists because workers must take some time to search for jobs and submit applications, and employers take time to advertise jobs and process applications.² The solution to such unemployment is largely technological and administrative, improving the efficiency by which workers can be matched with job vacancies.

Structural unemployment is long-term and persistent in nature and requires long-term

Figure 1:

Unemployment rates for EU-15



Source: AMECO Database 2014

*Data for West Germany only was used for the period 1984 to 1990.

*Member States which entered the EU from 2004 are excluded due to lack of data.

solutions. It can happen when there is a fundamental mismatch between the skills of a worker and the skills sought by employers, such as during a time of deindustrialisation. The decline of industry in areas such as the Ruhr in Germany, or the north of England, led to a persistent increase in unemployment. Solutions to this include retraining workers and attracting new industries into areas of decline by pursuing an active industrial policy.

Cyclical unemployment is more short-term in nature and is the increase in unemployment which occurs during a recession. As an economy recovers, the demand for labour increases and unemployment falls. However, there is no clear distinction as to what is the 'short-term' and what is the 'long-term'. Moreover, if short-term unemployment is allowed to fester it can become structural. Workers who are unemployed for a long period can lose their skills, become depressed, and be less attractive to employers. Therefore, tackling short-term unemployment is an important element in preventing structural unemployment.

Effects of Currency Union

As shown in Figure 1, there are long-term differences in unemployment across the EU, and given that Member States face the same EU institutions it would be unfair to blame the EU for long-run differences across countries. However, the severity of unemployment in some EU countries can be at least partly blamed on a failure of EU institutions, in particular the euro zone.

When a country has a free-floating currency (that is, the currency is not pegged to another currency) its currency tends to depreciate during a recession. This has the effect of making imports more expensive (so residents are more likely to buy domestically-produced goods than the now more expensive imports) and exports become relatively cheaper, boosting the export sector. This has the effect of boosting demand in the economy, mitigating some of the effects of the recession. During the early 1990s the Irish pound was pegged to a basket of other European currencies, but in 1993 the government of the day decided to devalue the currency. This move boosted the Irish economy and was, therefore, at least partially responsible for the subsequent falls in unemployment.³

In a currency union, such action is not possible and thus one mechanism for reducing cyclical unemployment is unavailable. In other currency unions (such as the United States) institutional

mechanisms are in place to substitute for this. Federal-level social security and other Federal spending programmes transfer money from relatively prosperous regions to those with high unemployment. This money is spent in the local economy, boosting local demand, and mitigating the effects of unemployment. By comparison, the EU budget is a fraction of that of the US, meaning there is no significant method to alleviate the increase in unemployment. In 2014, around €143 billion is budgeted for at an EU level⁴ – roughly the equivalent of one-twentieth of the US federal budget.

While EU macroeconomic policy has tended to focus on preventing major imbalances occurring, little has been put in place for when such imbalances do occur. Imbalances are inevitable given the different natures of economies across the EU, and need not be due to the policy failures of a particular government. For example, the current crisis in Ukraine could lead to gas supply issues for countries in Central and Eastern Europe, but would have a far smaller effect on Ireland. EU macroeconomic policies are focused on maintaining the stability of the euro and can help countries to continue to borrow (which offers some help in maintaining demand in a country). However, they offer little that would help mitigate the fall in employment in exchange for the loss of the option of devaluation.

The EU policy-making process aims to achieve consensus, and therefore can be slow. This leads to a focus on long-term policies to boost employment and reduce unemployment. As can be seen from Figure 1, some countries have been more successful than others at keeping unemployment low over the long-term, suggesting there is room for countries to learn from one another. However, policies and institutions to deal with unemployment over the short-term have not been pursued, and the short-term policies that do exist have arguably worsened the unemployment situation.

EU Institutions and Unemployment

There are two EU Directorate Generals (similar to government departments at a national level and overseen by a European Commissioner) which deal with matters related to unemployment: the Directorate General for Economic and Financial Affairs (commonly referred to as ECFIN) and the Directorate General for Employment, Social Affairs and Inclusion (which will be referred to as DG Employment in the remainder of this article).

Until recently, issues related to employment and unemployment were dealt with at a European level by using the ‘Open Method of Coordination’, which is intergovernmental in nature. This is a form of ‘soft law’ and so is not binding on governments. This method is based on voluntary coordination of areas that are within the competence of Member States – areas such as employment, training, education, and social protection. The European Council (which is made up of Heads of Government or State from the different Member States) sets objectives and benchmarks countries against one another. The role of DG Employment is largely limited to monitoring what is being achieved by Member States. The European Parliament has almost no role in this area.



Spain's unemployment at highest level since 1960s © iStock

As a result of the recent economic crisis, DG Economic and Financial Affairs has taken on a greater role in relation to employment. In December 2011, in response to the then serious risk of the euro zone collapsing, a series of new measures, referred to as the ‘six pack’, was introduced. The aim of these measures is to strengthen economic governance within the EU, including the ability of the EU Commission to impose penalties on Member States which do not keep to EU rules on macroeconomic policy. One element of the ‘six pack’ is the ‘Macroeconomic Imbalance Procedure’ (MIP). A total of eleven indicators are included in the MIP Scoreboard. Among these is the average rate of unemployment over the previous three years, with Members States supposed to keep this below a threshold of 10 per cent.

Twenty-six ‘auxiliary’ indicators are also monitored under the MIP. Five of these relate to employment, including the year-on-year percentage change in employment, the percentage of the population in work or actively seeking work (for ages 15–64),

the long-term unemployment rate, the youth unemployment rate, and the proportion of young people not in employment, education, or training. If imbalances persist, the ‘Excessive Imbalance Procedure’ comes into play, which can lead to fines if a Member State repeatedly fails to take agreed action to correct the imbalances.⁵ However, what these policies may be is not predetermined.

EU Employment Policies

Interlinked with the notion of unemployment is that of employment. Unemployment is usually defined as the state of being out of work yet ‘available for work’ and ‘actively seeking work’. Employment is simply having a job. Unemployment can therefore be reduced either by creating jobs, or by creating a situation by which people are not available for work or actively seeking work – for example, by introducing full-time training programmes for those out of work.

In addition, people may not be available for work due to structural reasons. For example, Ireland has a lower average rate of female participation in the labour market than the EU-15 (the 15 Member States of the EU prior to the 2004 enlargement). However, in Ireland female unemployment is lower than male unemployment despite fewer women being in employment, simply because fewer women are available for work or actively seeking work.

It is for such structural reasons that EU policy typically targets employment directly, rather than unemployment.

The broad strokes of EU policies regarding employment are set out in *Europe 2020*, which is the EU’s ten-year strategy (adopted in 2010) for economic development and growth. The Strategy aims to increase employment in the EU as a whole to 75 per cent of the working-age population (those aged 20–64). Different targets are set at national level. For example, the target for Ireland is 69 to 71 per cent, due to Ireland being in a relatively weak situation (in 2013, the employment rate in Ireland was 65.5 per cent). Although the guidelines are voluntary, they do have a real impact on how EU funds are spent.

Policies of DG Employment

The three *Europe 2020* initiatives that fall under the remit of DG Employment are ‘Youth on the Move’, ‘Agenda for new skills and jobs’, and the ‘European platform against poverty and social exclusion’.

The 'Youth on the Move' initiative helps young people to gain work experience or study abroad so as to improve their chances of finding a job. It also aims to make education and training relevant to the needs of young people and to ease the transition from education to work within countries. The 'Agenda for new skills and jobs' aims to accelerate reforms so as to improve 'flexibility and security' in the labour market, equip people with appropriate skills, and improve the quality of jobs and working conditions. The aim of the 'European platform against poverty' is to increase social and territorial cohesion throughout the EU and specifically to enable the achievement of the headline target of lifting 20 million people out of poverty and social exclusion by 2020.

The 'European Employment Strategy' is developed under the framework of the 'Open Method of Coordination'. Inspired by the overall aims and headline targets of *Europe 2020*, the Employment Strategy is based on the 'Annual Growth Survey' which sets EU priorities for the coming year, in terms of boosting growth and job creation. Of the five priorities for 2014, the fourth priority is 'tackling unemployment and the social consequences of the crisis'. However, it can be argued that this is undermined by the first priority: 'Pursuing differentiated, growth-friendly fiscal consolidation'.⁶

The European Employment Strategy involves several distinct elements. These include the development of **Employment Guidelines** – common priorities and targets for employment policies – which are proposed by the Commission and then adopted by the EU Council. As part of the Annual Growth Survey, a **Joint Employment Report** is published by the Commission (and adopted by the EU Council). This Report is based on assessing the employment situation in the EU, how Employment Guidelines have been implemented, and analysis of the draft **National Reform Programmes** prepared by national governments. The Commission issues **country specific recommendations** based on its assessment of the National Reform Programmes.

Policies of DG Economic and Financial Affairs

It is, however, the policies of DG Economic and Financial Affairs which have been dominant in terms of impact on employment, in particular the effects of policies aimed at strengthening the surveillance mechanisms in the euro zone countries. (Besides the 'six-pack', already referred

to, these include two new Regulations, the 'two-pack', which entered into force at the end of May 2013, and which increase EU surveillance of the budgets of euro zone Member States.)

Though the objective of these policies is to prevent imbalances occurring within countries (which can lead to unemployment) they do little to reduce unemployment when it occurs. In contrast to the policies of DG Employment which are largely voluntary, the policies of DG Economic and Financial Affairs are backed by the power to impose fines.

This leverage was even greater over the 'programme countries' (such as Greece, Ireland, and Portugal) that were subject to the programme of the Troika (the European Commission, the European Central Bank and the IMF). The focus of these programmes is clearly on encouraging national governments to repay debts. This focus on 'fiscal discipline' is, however, contradictory in nature, reducing demand and therefore demand in an economy. Suppressing domestic demand has the effect of suppressing prices, wages, and increasing unemployment. Similar to currency devaluation this has the effect of promoting exports; meanwhile, the fall in demand reduces imports. However, instead of money being spent on domestically produced goods it is required to be spent on reducing debt. Therefore, unemployment is viewed more as an inevitable outcome rather than an imbalance that must be overcome.

What Can be Done?

It is somewhat ironic that although the EU institutional framework plays a role in increasing relatively short-term cyclical unemployment, EU employment policy is focused on long-term structural issues. The benchmarking of countries to reduce structural unemployment is useful and should continue. However, cyclical unemployment, which is increased by the relatively new institution of the euro currency, requires a new European policy response.

The single currency is of benefit to economies, helping to promote trade and efficiency. However, it comes with the cost of removing one of the stabilisers that help to reduce unemployment in a recession. Institutions to replace this are required. Effectively, the economies of Member States in the euro zone are operating with one 'invisible hand' tied behind their backs.

Imbalances work both ways; for every deficit there is a surplus. So far, policy has focused on Member States in a current account deficit, rather than on those with a surplus (a current account surplus is the trade surplus – i.e., exports minus imports – less ‘current’ payments abroad, such as interest payments and the repatriated profits of firms). An example of the way policy is tilted in favour of those with a surplus is the fact that the Macroeconomic Imbalance Procedure Scoreboard allows Member States have a current account surplus of up to 6 per cent, but a deficit of only 4 per cent (averaged over three years).

The Commission states that ‘the large current account surplus does not raise risks similar to large deficits’.⁷ However, with a free-floating currency such a surplus would be reduced by a currency appreciating in value. Therefore, the emphasis on adjustment is placed on the country that is in a (perhaps only temporary) weaker situation. The Netherlands, for instance, was found to have an excessive current account surplus.⁸ Policies such as wage increases would reduce the surplus in countries such as the Netherlands, but also help countries such as Spain reduce their deficit (for example, if Dutch wage earners increased the number of holidays taken in Spain). A reformulation to achieve a more balanced Macroeconomic Imbalance Procedure is required.

Another proposal that can help reduce unemployment across Europe is a recovery and investment plan – a ‘Marshall Plan for Europe’, as it were.⁹ This proposal would involve increasing investment across the EU by 2 per cent of GDP per year over a ten-year period. For example, in 2013 this would be equivalent to around €260 billion, or roughly one and a half times the size of the Irish economy. This initiative (proposed by the European Trade Union Confederation) would have the effect of boosting demand (and so reducing the effects of austerity) in the short-term, and increasing the productivity of the European economy over the long-term. Such investment could also help address some of the differences in productivity between southern and northern Europe, and help reduce trade imbalances.

Finally, and perhaps the most ambitious proposal, would be the introduction of a European unemployment insurance scheme. This idea received some consideration during 2012,¹⁰ but has since been largely dropped. Such a measure would help replace the ‘invisible hand’ of the market with

an ‘automatic fiscal stabiliser’. It would mean that when a Member State’s unemployment increased it could receive money from a central European fund to finance unemployment payments; this additional funding could serve ‘as a complement or partial substitute to national unemployment insurance systems’.¹¹ This would help maintain demand and employment, mitigating the effects of recession (and making up for the inability to devalue).

Conclusion

Policies regarding unemployment remain largely the competence of national governments. This is appropriate, especially with regard to long-run structural patterns in unemployment, as it is in the interest of national governments to keep unemployment low. Low structural unemployment in one country does not lead to high unemployment in another, so there is no particular need to centralise policy to prevent ‘beggar thy neighbour’ policies. This is in contrast to other areas of EU policy, such as fisheries, whereby the actions of one Member State (such as over-fishing) can directly harm another. Voluntary benchmarking across states to see which policies best lead to sustainably low unemployment is an appropriate course of action, and is what is being done at present.

However, the current economic crisis has highlighted some of the problems of having a single currency. In particular, the inability to devalue can lead to a level of unemployment in a recession that is higher than would otherwise be the case. Rather than mitigate this, current macroeconomic policies (with their focus on austerity) are magnifying the effects of recession. National governments are caught in a vice created by an inability to devalue their currency and EU policies leading to greater austerity. In order for the euro to remain socially as well as economically sustainable, policies are required that can stabilise unemployment in countries facing a recession.

At present there are tentative signs of European economic recovery. However, while a future recession is inevitable a future unemployment crisis is not, so long as appropriate policies and institutions are put in place.

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Elections 2014: A Turning Point for the European Social Model

Robin Hanan

For many people, particularly those struggling to make ends meet, the European Parliament elections can seem very remote from the reality of their lives. It is tempting to either ignore the elections entirely or use them to make a statement about national politics or the personality of candidates.

This would be a mistake.

Over the life of the new parliament, the European Union and its Member States will face fundamental choices about what type of society and economy to build after the recession. These choices will affect everyone but, like the decisions taken during the recession and before, they will have the sharpest impact on people experiencing poverty, social exclusion and discrimination.

The Parliament

The European Parliament's importance in shaping the future of Europe comes not only from its enhanced powers (since the Lisbon Treaty, which entered into force in December 2009, the Parliament has almost equal powers with the Council of Ministers in most areas of legislation) but from the moral authority it holds as the voice of the people of Europe and as the most open and accountable of the triangle of institutions which drive the EU (Council, Commission and Parliament).

For this reason, the European Anti Poverty Network (EAPN) has been actively engaged in analysis and public debate concerning issues which it believes should be central to the new Parliament's concerns. The priority for EAPN is to encourage its members – made up of thousands of local, regional and national organisations representing and working with people affected by poverty – to engage with candidates and parties and to make sure that the eradication of poverty and the building of a more inclusive Europe are central issues in the campaign debates themselves, and in the Parliament that will emerge after the election.

The manifesto of the European Anti Poverty Network for the 2014 elections, *Electing Champions for a Social Europe*, focuses on three

issues which EAPN believes should be priorities for the new parliament:

- A Social Pact for a Social Europe;
- An effective EU Strategy to fight poverty; social exclusion, inequalities and discrimination
- Strengthened democracy and civil-society participation, including an annual hearing with people experiencing poverty in the European Parliament.¹

European Social Model

Over at least the past couple of decades, Europe's politicians, academics and commentators have agonised about the future of the 'European social model'. For people living in the EU, especially those affected by poverty, unemployment, discrimination and exclusion of one type or another, this debate is more than academic. It can mean the difference between living and existing.

The term 'European social model' is generally used to mean a commitment to social rights; redistributive mechanisms to compensate for the worst effects of inequality; universally available services such as education and health; a relatively high level of social protection, and partnership and rights in employment.

The term is often used to point up the contrast between the EU and its economic competitors such as the US, Japan or China which have developed models of competitiveness based on low costs and low taxes, with consequent low wages and low levels of services and welfare.

However, the European social model was always an aspiration, not a finished reality. On all of the social and employment measures, there was a vast difference between countries in Europe, mostly dating back to the 1930s and 1940s, before the EEC/EU was created.

The Nordic social models started as a conscious response to the great depression of the 1930s, while most European countries built their education, health and welfare systems out of the ashes of World War II. Expectations in the former

dictatorships of Southern Europe, from the 1970s, and Eastern Europe from the 1990s that contact with EU social democracies would save them from the worst ravages of US-led neoliberalism were understandable but largely unrealised.

The crisis in confidence in Europe's ability to deliver an effective and inclusive social policy is not new. While the EEC's founders clearly saw it as a political project, the Treaties built in an emphasis on integration of markets, production, and later financial services.



Candidates at EAPN Dublin constituency hustings, one of three held in the Irish EU constituencies. © EAPN Ireland

Despite the much greater reach of European competence in recent Treaty revisions, most areas of social policy, apart from those related to the workplace, are clearly outside 'EU competence'. Many Member States have resisted the involvement of their EU colleagues in what are sensitive issues to do with social welfare and public services. This is particularly true of the countries with the strongest welfare systems, who are afraid of 'harmonising downwards' and those with the weakest who are afraid of the costs of 'harmonising upwards'.

The current fundamental difference between the way the EU approaches economic policy and the way it deals with social policy is becoming harder to defend. Free movement of goods, people and, increasingly, services raises the danger that countries will be forced into a 'race to the bottom' in terms of employment, environmental and social standards and public spending in order to attract investment. This is compounded by the increasingly close alignment and European scrutiny of national budgets, particularly in the euro zone. This is not a new process – it dates back at least to the Maastricht Treaty of 1992. However, the 2012 Fiscal Compact, and policies in the 'six-pack'

agreement have increased this scrutiny. The impact of social and budgetary policy during the recession, both in Troika countries and beyond, has shown just how directly these policies affect people's lives.

The European social model of the next decade is unlikely to simply replicate welfare states of the past. It is vital, however, that we build from a set of recognised rights – including the right to an adequate income to enable full participation in society, quality services available to all, and quality employment backed up by progressive taxation and redistribution of wealth.

The May 2014 election will be the first opportunity to test public responses across the EU to the policies pursued during the recession. Social quality, services, income for the poorest and rights have generally been sacrificed in the interests of protecting those on higher incomes and in pursuit of a narrow model of competitiveness. Failure to ensure there is a strong social dimension to the concerns of the next European Parliament could lead to an even more divided Europe, with levels of poverty, unemployment, and exclusion rising.

Poverty in Europe

The latest European statistics show that in 2012 there were 125.5 million people across the EU 'at risk of poverty or social exclusion', meaning that they experienced at least one of the following – were 'at risk of poverty', defined as living on less than 60 per cent of median income of the particular Member State; were 'severely materially deprived'; or were 'living in households with very low work intensity'. The 2012 figure represented an increase of 10 million since 2009.

However, there are significant differences between the level of poverty in the EU as a whole and the situation in individual Member States. In 2012, while the overall rate of poverty and deprivation was 23.8 per cent, some countries had rates well in excess of 30 per cent (Bulgaria: 49 per cent; Romania: 42 per cent; Latvia: 37 per cent; Greece: 35 per cent) while others had rates below 20 per cent (Netherlands and the Czech Republic: both 15 per cent; Finland: 17 per cent; Sweden and Luxembourg: both 18 per cent).

Taking only the 'at risk of poverty' measure (that is having a disposable income below 60 per cent of median income) the 2012 data show that 17 per cent of the EU28 population experienced this type of poverty. Again, there were marked differences

between Member States, several having rates above 20 per cent (Greece and Romania: both 23 per cent; Spain: 22 per cent; Bulgaria and Croatia: both 21 per cent), while others had rates of between 10 and 13 per cent (Czech Republic and the Netherlands: both 10 per cent; Denmark, Slovakia and Finland: all 13 per cent).²

Furthermore, research confirms what we know from members in the EAPN: that, while there is a very great difference in incomes between, for example, Bulgaria and France, the cost of living is converging.

This implies that we need to address both relative poverty, which describes how excluded someone is from the society in which they live, and more absolute deprivation in the poorer Member States.

The growth in income poverty and other forms of deprivation in Europe in recent years reflects increased unemployment, growth in insecure, badly-paid employment, freezing or cutting of social security payments, worsening public services such as education, health and social care, and increasing problems in accessing housing that is affordable and of an adequate standard.

As far back as 2000, the Heads of Government of the European Union, meeting in Lisbon, declared that ‘poverty in the European Union is unacceptably high’ and agreed to include in the Lisbon Strategy a commitment to ‘make a decisive impact on the eradication of poverty by 2010’.

No matter how we measure it, whether in the relative terms favoured by most EU Member States or in more absolute terms, the achievement of this goal was not even approached. It was clear, even before the banking crisis of 2008, that this was the case and that the political will required to end, or even reduce, poverty was missing.

The 2010 strategy, *Europe 2020*, promised to reduce the numbers at risk of poverty by 20 million in ten years, but there are few policies or even sub-targets to make this happen.

A Social Pact for a Social Europe

We need therefore to set ambitious social objectives for the European Union and ensure that economic policies contribute to these social objectives.

In calling for a ‘social pact for a social Europe’ (in its Manifesto, *Electing Champions for a Social*

Europe), EAPN envisaged that this would involve:

- *Setting ambitious social objectives for the European Union and ensuring that economic policies contribute to these social objectives and that social rights are not subject to the follies of market freedoms.*
- *Safeguarding our social protection system independent of demographic changes.*
- *Bringing an end to the failed austerity policies with an approach based on solidarity between all the Member States.*
- *Giving priority to reducing inequality and poverty through ensuring tax justice and an end to tax havens.*
- *Supporting high universal quality social protection seen as an investment and an economic stabiliser fostering inclusive growth.*
- *Ensuring that the next revision of the European Treaties will allow for specific directives to achieve greater cooperation to protect and build high level social standards.*³

The Manifesto’s call for an end to ‘failed austerity policies’, which have been based on cutting spending on services and welfare, will have particularly resonance in Ireland.

A report by the European Parliament’s Committee on Economic and Monetary Affairs, published in February 2014, criticised aspects of the programmes implemented by the Troika – the European Central Bank (ECB), the European Commission (EC) and the International Monetary Fund (IMF) – in particular the exclusion of national parliaments from real decision-making in relation to Troika proposals, a lack of transparency and accountability and the adoption of a ‘one size fits all approach’.⁴

Given that two of the Troika members were European institutions (the ECB and EC), the lack of accountability to the European Parliament raises major questions about European governance. This issue will be just as important in the future, as new powers of fiscal governance embodied in the institutions of the European Monetary Union and the Fiscal Stability Treaty⁵ mean a requirement on EU Member States to submit their budgets to European scrutiny.

In fact, however, EU institutions are already required under Treaty provisions to take into account the promotion of social objectives. The Lisbon Treaty, in Article 9, states:

In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.

This legal requirement is also specifically referenced in the treaty sections which define the responsibilities of the European Central Bank, Economic and Monetary Union and the other economic powers of the Union.

This provision has not yet been effectively tested or utilised. Several European Parliament reports have called for its activation in areas such as economic and monetary union.

Ensuring an Adequate Minimum Income

One of the key pillars of the European social model is the commitment, in principle if not always in practice, to ensuring that everyone has the resources to participate fully in the society in which they live.

The EU needs a clear and effective strategy to achieve an upwards convergence in social standards and protection to counter the ‘race to the bottom’ in working conditions, taxation, and social spending which is a feature of globalisation.

To avoid being undercut, such social standards must be underpinned by binding European legislation; Member States which do not live up to these standards should be held as accountable as they currently are in other areas, such as trade and economic, fiscal and environmental policy.

Ensuring adequate minimum income schemes in all Member States is a cornerstone for such standards. They form the basis on which high-quality social protection schemes should be built, and serve as a benchmark for identifying adequate minimum wages.

Concretely, the immediate priority will be for the new European Parliament to champion the introduction of a Directive on Minimum Income.

The importance of *adequate* minimum income schemes is obvious: schemes that fall short of adequacy may reduce hunger and meet the most basic needs, but they trap people in ongoing poverty, leading ultimately to greater social, health and economic costs, and leaving people unable to

access opportunities to escape from poverty.

The European Commission has pointed out that well-designed, adequate and widely available income support systems are essential to supporting people to return to the labour market. The Commission report, *Employment and Social Developments in Europe 2013*, says that ‘all other things being equal, people receiving unemployment benefits have greater chances to take-up a job than non recipients’.⁶

Furthermore, welfare payments are spent almost exclusively in the local economy and are therefore one of the biggest economic stimuli available to governments. Evidence shows that EU Member States with good social welfare policies are among the most competitive and prosperous.⁷

EU Member States with good social welfare policies are among the most competitive and prosperous.

In 1992, the European Council adopted a Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems, acknowledging the right of every person to such support.⁸ Unfortunately, commitment to the implementation of this recommendation has been very limited.

However, over the past few years the issue has once more begun to gain the attention of EU authorities. In 2010, the European Parliament adopted a Resolution on the role of minimum income in combating poverty and promoting an inclusive society in Europe, and called on Member States to establish a minimum income threshold, based on relevant indicators. The Resolution stated that, to be adequate, minimum income schemes must provide at least the equivalent of 60 per cent of median income in the Member State concerned.⁹

In 2011, the Parliament adopted a further Resolution relating to the issue, calling on the Commission ‘to launch a consultation on the possibility of a legislative initiative concerning a sensible minimum income which will allow economic growth, prevent poverty and serve as a basis for people to live in dignity...’.¹⁰ The

Resolution also asked the Commission to help Member States share best practice in relation to minimum income levels.

In 2013, the European Commission, in a Communication on Social Investment (referred to as the ‘Social Investment Package’), adverted to the importance of adequate income schemes, saying: ‘The level should be high enough for a decent life and at the same time help people to be motivated and activated to work.’ The Commission stated its intention to monitor the adequacy of income supports in Member States, using for this purpose ‘reference budgets’ that will be developed jointly with members.¹¹

Two other EU institutions, the Committee of the Regions (in 2011) and the European Economic and Social Committee (in 2013) have each adopted an ‘Opinion’ backing the idea of a Framework Directive on Minimum Income.

In March 2014, Pervenche Berès, the Chairperson of the (outgoing) European Parliament’s Employment and Social Affairs Committee, expressed strong support for the idea of an EU Directive to ensure the progressive realisation of adequate minimum income schemes in every EU Member State. She described the possibility of such a Directive as ‘an exciting development that needs to be part of the discussions in the European Election campaigns and which should be brought quickly on the agenda of the newly elected Parliament.’¹²

Tackling Racism and Xenophobia

The May 2014 election may be remembered as the election where the ‘normalisation’ of xenophobia and racism in Europe is either deepened or reversed.

It is quite possible that parties opposed to the free movement of people across Europe, and prepared to discriminate against ethnic minorities and migrants in welfare, services and employment, could top the poll in several Member States in the election. Opinion polls show that parties of the far right may come first or second in the UK (UKIP), France (Front National), the Netherlands (Party for Freedom) and Denmark (DPP). This could pose a serious threat not only to the principle of free movement, which has contributed greatly to European prosperity and the rights of people to seek work, but to the very basis of the European social model.

There has always been an element of xenophobia and racism on the far right of European politics and in times of recession and increased competition for scarce jobs and resources there is the danger of this growing.

What is particularly worrying now, however, is not just the scale of support for far-right parties but the fact that their language and policies have become acceptable across a broader spectrum of politics.

It is interesting to recall that the entry of Jörg Haider’s Freedom Party into the Austrian Government in 2000 led to moves, however unsuccessful, by the rest of the EU to isolate Austria politically. The entry of similar right-wing parties to power in Hungary and Denmark in recent years has hardly been discussed.

An issue of particular concern is increasing discrimination against Roma and Sinti people, who have taken on the role of scapegoats for the recession and lack of jobs – a role ascribed also to asylum seekers and non-European immigrants. We have seen a growing marginalisation of Roma and Sinti people in terms of access to housing, employment, education and other services in Hungary, Romania, Bulgaria, Serbia, the Czech Republic and elsewhere, giving rise to increasing poverty and even destitution.

This in turn has led to increased migration, especially to Western Europe. But in the countries of destination, Roma and Sinti people often have few contacts or rights and they once again experience severe prejudice and discrimination. Attacks on Roma in France, Italy and many other Western European countries have been linked with a stoking up of fear of Eastern European migration generally.

One of the great challenges of the May 2014 election is for politicians of the centre to stand up to this fear and racism. Most are well aware of the benefits of migration to the people who migrate, to their host country and to Europe generally, but in the face of public and media claims that migration represents a threat to existing ways of life or to the sustainability of public services in host countries many politicians find it easier to let such assertions go unchallenged.

Trust and Relevance

There has long been concern about the ‘democratic deficit’ within the EU, and debate about how this

might be addressed. Meanwhile, however, this deficit has grown into a crisis of faith in political institutions and the ability of politics generally to bring about a better society. Opinion polls show trust in the European Union to be as low as 33 per cent and trust in national governments even lower, at 27 per cent.¹³ The big loser of the 2014 European Parliament elections could well be democracy itself.

The decline in trust can be attributed partly to the nature of the EU institutions, the complexity of their decision-making procedures and the reality of the compromises that have to be made to reach agreement. But it is also due to the inability or unwillingness of these institutions to acknowledge and address social issues of concern to people.

For many years, when the official European Commission opinion poll, *Eurobarometer*, sought the views of nationally representative samples of people in Member States regarding which issues the EU should give most attention to, poverty came top of the list, closely followed by unemployment – well ahead of the issues, such as ‘competitiveness’, ‘security’ or ‘terrorism’, which dominate the Council agendas.

More recently, ‘poverty’ has been removed from the list of options but unemployment now tops the list.

This points to a contradiction at the heart of the ‘European project’. The founders of the EEC and its predecessor, the European Coal and Steel Community, clearly saw their work as building a more peaceful and prosperous Europe after the disaster of two world wars. The instrument they chose was trade and later economic and fiscal integration, driven by free movement, first of goods and then of services, people and capital.

This was in clear contrast to the development since the nineteenth century of most democratic nation states, which attempted to integrate economic and social strategies and had a strong democratic element.

Social policy in the EU developed slowly because, as already noted, many Member States, for both good and bad reasons, were reluctant to allow ‘interference’ in their social policies by their neighbours. This may not be the view of all Member States, but it is strongly argued by a blocking minority led by those with the most developed and least developed social systems who,

for different reasons, fear harmonisation.

The reality of Europe today is one of growing levels of poverty, inequality and xenophobia, fuelled by the dominance in the EU and Member States of policies of competitiveness and austerity, rather than of cohesion and redistribution. In this context, democracy is in a fragile condition.

The next five years will be critical in terms of shaping a sustainable economic recovery and defending and promoting the comprehensive protection of social rights embodied in the concept of the European social model.

It is vitally important, then, that governments and opposition parties, as well as NGOs and other civil society organisations, should assert strongly that democratically elected representation is a vital part of the solution to the problems facing Europe and encourage not only active interest and engagement in the European Parliament elections but in what happens once the new Parliament begins its five years of work.

Notes

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concerning sufficient resources and social assistance in social protection systems (92/441/EEC).

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12. Speaking at an event in the European Parliament, Brussels, on 18 March 2014, to mark the presentation of findings of the European Minimum Income Network (EMIN) two-year project on ensuring an adequate minimum income scheme in all EU Members States. (<http://emin-eu.net/type/image/>)
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Working Notes

facts and analysis of
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Interview with James K. Galbraith

Jean Merckaert and Solange de Coussemaker

Jean Merckaert and Solange de Coussemaker:

You are aware that Italy, Spain and Portugal made the choice for Europe in order to distance themselves from their fascist past. Fifty years on, we are witnessing a strong rise of extremists in advance of elections. Has Europe lost its soul?

James K. Galbraith: This is a real danger. The Nazi parties prospered at a time of social collapse. Indeed, this is the situation familiar to the countries on the periphery of Europe. If Europe is to succeed in the long-term, it must take all necessary steps to confront fascist movements.

Jean Merckaert and Solange de Coussemaker:

The crisis of 2007–2008 began in the United States. But five years later the United States seems to have overcome the situation better than Europe. How can that be explained?

James K. Galbraith: From a statistical point of view, the economic outcomes are quite similar on both continents, but some differences should be noted.

In the United States, it was personal debt that posed the problem, especially mortgage loans which could not be repaid. The problem lessened over time: if someone does not repay their mortgage they lose their home and that is the end of it. In Europe, it is sovereign debt that is at issue: here, the problem will continue as long as a political solution to that has not been found. In fact, the political authorities have made the choice to prolong the debt crisis. This is because to resolve the question of public debt is also to resolve the issue of the banks. The authorities want to avoid at all costs taking such a decision, which would lead to colossal losses for the banks. The United States also prefers to keep the banks alive rather than oblige them to acknowledge their losses on mortgages.

A second difference: the social insurance system in the United States supports the incomes of the population over the entire country. There are no bankrupt states – as is the case with Greece. If a municipality goes bankrupt, as in the case of Detroit, there are laws to resolve the matter. In

Europe, the ‘automatic stabilisers’ of income tax and social security are organised country by country. In the absence of solidarity at the European level, the crisis is concentrated in those countries in which a policy of austerity is imposed – and which do not count for much in the overall European economy.

Jean Merckaert and Solange de Coussemaker:

You say that they do not wish to resolve the question of the banks. Is it that they do not wish to, or that they cannot do so?

James K. Galbraith: They do not wish to. The resolution of bank failures certainly gives rise to technical difficulties, in particular if a large bank is in question. But it is unhealthy when a government puts itself in the position of supporting its banks at all costs. When a bank has collapsed, keeping it in operation as if everything was normal is folly. It creates a licence to do anything.

It is difficult to say if there are European banks in a situation of bankruptcy today. That depends on the value of their assets. It is certain that the Cypriot banks were affected by the fall in Greek debt instruments which they had bought from German banks. Often the big banks know something that the small banks do not: it is an old story. Before the Asian crisis, the Korean banks had bought Indonesian assets from American banks. Similarly, before the crisis of 2007, Goldman Sachs had offloaded its assets that were based on American mortgages.

Jean Merckaert and Solange de Coussemaker:

Is the ‘re-appropriation’ of Europe by its citizens, conditional, in your view, on the resolution of the bank question?

James K. Galbraith: In order to function, an economy needs financial institutions that allow companies to operate, especially new enterprises and small and medium companies. But the majority of large banks, particularly in the United States, are not interested in that area any more. A different way must be found! The second problem has to do with the toxic relationship which the national banks

have with the political life of their country. It is not democracy when the bankers are in a position to dictate government policy. In countries like Greece this is very obvious. In the case of larger countries, let the historians be the judges ...

Jean Merckaert and Solange de Coussemaker:

Do European politics seem to you to be at the service of the citizens, or, on the contrary, do you get the feeling of a Europe that is playing against its own team?

James K. Galbraith: The governments of Europe have not, for a long time, stood up for the interests of the citizens of Europe. It is obvious: the Greeks do not vote in German elections ... The German Chancellor has no need of the votes of the citizens of the periphery. Mrs Merkel is accountable, politically, to only a minority of the population that she governs. She can hardly be reproached, in this situation, for taking decisions that are favourable only to the citizens of her own country.

Jean Merckaert and Solange de Coussemaker:

Does the designation 'German Europe' seem exaggerated to you?

James K. Galbraith: The German government has clearly taken the lead in Europe. The French government has shown very little independence. Will there be, in the months to come, governments from the periphery who will try to negotiate more egalitarian policies regarding the direction that Europe is taking? It would be novel if Berlin were to respect the independence of its partners! In regard its choice of particular policies, the German government has got used to making decisions in its own interests, before going on to dictate them to others. 'There is no alternative' is in the tradition of Mrs Thatcher. But Angela Merkel is a very adroit politician, not an ideologue. Every Chancellor has to deal with the objective interests of German creditors. There is also a punitive streak in the political tradition of that country, which has a destructive outcome in dealing with the 'bad pupils' of Europe. Is the fact that the concept of 'absolution' has a limited role in certain Christian traditions relevant here? I need to tread carefully in this area in a Jesuit journal!

Jean Merckaert and Solange de Coussemaker: *If Europe is to be at the service of its citizens, does this presuppose a change in the statutes of the European Central Bank (ECB)?*

James K. Galbraith: The American situation is preferable. The Federal Reserve is accountable to Congress, which retains the ultimate power to change the law. The European Parliament does not enjoy the same prerogatives *vis-à-vis* the ECB. This institution was created at a time when the prevailing ideology was monetarism – which disappeared thirty years ago in the United States. According to this view, it is the central banks which must control inflation. The reason this phase in the history of economic ideologies still endures in Europe is that the Treaty governing the ECB was written on the basis of these ideas. In practice, however, the ECB conducts itself in a manner very like the Fed. The Fed is simply more in conformity with its mandate ... doesn't Mr Draghi play with Irish and Portuguese securities to reassure the markets? In practice, the institutional deadlock affecting the ECB is much attenuated because the situation is not covered in the texts. But the scope of a central bank is limited: it has an influence on the price of sovereign debt securities, but it does not have the capacity to revitalise economies that are in crisis. For this, it would be necessary to change policies – institutional, structural, and financial – and stimulate these economies.

Jean Merckaert and Solange de Coussemaker: *In Europe, national divisions often outweigh divisions at the European level. Do you see new divisions taking shape on the European political scene?*

James K. Galbraith: Yes, the big fear is that voters will turn to the extreme right, which is always opportunistic and ready to exploit negative sentiments towards Europe, and which also engages in violence, especially toward immigrants. The risk is growing in Greece, in Great Britain, in France – in fact, everywhere to some extent. Regionalism and separatism are also forms of ethnically-driven policies.

On the economic front, problems cannot be addressed without the use of government budgets. There is profound confusion between economic and budgetary policy. Addressing deficits in the public accounts has nothing to do with social and economic stabilisation. How can this confusion be explained? Either through ignorance of economic principles, or as part of a strategy to destroy the social institutions constructed in the course of the twentieth century, institutions which have never lacked internal critics, either in Europe or in the United States.

Jean Merckaert and Solange de Coussemaker:
If it is the case that Europe is working against its own citizens, are you advocating for a return to the national level, or for a more common policy?

James K. Galbraith: I cannot claim to be objective here. A growing proportion of the European population seems to regret the decisions for unity, whether this is in France, in Great Britain, or in Germany. But in practice, in the countries on the periphery, most people consider that they have no real choice in regard to leaving, or not leaving, the European Union. Even in Greece, I do not believe that a significant proportion of the population are happy to leave and be ready to face the consequences. Siriza, the party of the left in Greece, is, incidentally, favourable towards Europe. But they know very well that the EU will not survive if it continues on its present course.

Jean Merckaert and Solange de Coussemaker:
What course do you recommend in this case?

James K. Galbraith: The Greek economist, Yannis Varoufakis, the English economist Stuart Holland – a former architect of the European Union – and I recently published *A Modest Proposal for Resolving the Crisis in the Eurozone*.²

The changes in European policy that we propose would stabilise the situation, without the need to change the treaties – because if a new treaty were put to referendum, it would certainly be rejected by the voters! Our proposition rests on four pillars: the management of public debt, a resolution of bank problems, investment, and solidarity.

We propose a mechanism to permit states to put the portion of their public debt which is below the threshold of 60 per cent of their GDP in a common fund, so as to lower the rate at which they borrow, and make the whole of the debt sustainable.

As for the banks, we do not expect a coalition of banks. That is a mirage! The resolution of bank failures is a matter of urgency. But in certain countries, especially Greece, the governing parties have put the banks and the public assets into the hands of an oligarchy. To avoid such a situation, the resolution of the Greek bank problems should be entrusted to Europe; the left wing in Greece is ready for this.

Thirdly, it is necessary to stimulate public and social investment (public services as well as

infrastructure) through the European Investment Bank.

Finally, the security of households must be ensured – for example, by a feeding programme in schools, starting with the most extreme situations. Nowadays, it is the extreme right which delivers food to the sectors most affected by the crisis! The legitimate governments must have the means to give direct support to their citizens. To finance these policies, without changing the treaties, one could use the surpluses of balances of payments between the EU Member States,³ organise systems of social insurance, or, as the German trade unions have suggested, create a global system of insurance against unemployment.

Jean Merckaert and Solange de Coussemaker:
Can Europe still provide inspiration to intellectuals in other countries?

James K. Galbraith: Without changing its ideas, no. It is not possible to govern a region in the manner of a debt management agency! The current situation is morally very difficult for Europe, and especially for France. Ever since the Revolution, France has always been guided by ideas: the rights of man, democracy, the Republic ... I am not convinced that the same applies in Germany. The European ideal is founded on social democracy, solidarity, convergence, and mutual prosperity. A Europe founded on the rights of banks, the demands of multinationals, and the banalities of economists leads nowhere. Even in these areas, Europe does not compete with China!

Jean Merckaert and Solange de Coussemaker:
What cards does Europe still have to play?

James K. Galbraith: I do not see any of much value. If I have a little hope, it comes from the attitude of resistance that can be detected, from time to time, in some countries of the periphery. I was in Athens when, during the summer of 2013, the government decided to shut down state radio and television. Without a public media, whatever its defects, a democratic political system no longer existed in Greece. For several long weeks, the professional staff continued to occupy their workplace. The trade unions guaranteed the electricity supply and the crowds were massed around the headquarters to prevent an attack by the police. This kind of social resistance shows that the spirit of community is still alive in Greece, as was also the case at certain times in Italy and Spain. I

hope the time comes when something will result from it.

Jean Merckaert and Solange de Coussemaker: *Europe has been an inspirational utopia for a whole generation. Can the peace and common values that are Europe's legacy not lead us to a different view?*

James K. Galbraith: If Europe continues on its present course, its values and ideas will not survive. At the risk of stating the obvious, democracy assumes the possibility of alternation, the option of a real change of policy. The question arose in France at the time of the election of François Mitterand in 1981. The Japanese face the same question: can one truly speak of democracy when elections change nothing?

The question arises in a more acute manner in present-day Europe, and under another form in the United States. If the defenders of European values are elected, they must really hold the reins. If they cannot change course because of some completely dogmatic institutional system, founded on ideas that the population largely rejects, that is a big problem!

But fresh ideas are emerging. The people of the peripheral countries know that this cannot continue. And even the Germans know that this should not continue. Have they any way of changing the situation? Before it can assert its leadership role in the world, Europe first has to deal with its own internal problems.

Editor's Notes

1. A concept developed in particular by the German sociologist, Ulrich Beck. (See Ulrich Beck, *German Europe*, London: Polity Press, 2013.)
2. Yanis Varoufakis, Stuart Holland, and James K. Galbraith, *A Modest Proposal for Resolving the Crisis in the Eurozone*, Version 4.0, July 2013. (<http://varoufakis.files.wordpress.com/2013/07/a-modest-proposal-for-resolving-the-eurozone-crisis-version-4-0-final1.pdf>)
3. The system for regulating cross-border payments in the European Economic Area, 'TARGET 2', is used by 23 central banks and more than 4,400 banks. (TARGET stands for 'Trans-European Automated Real-time Gross Settlement Express Transfer System'.) When, for example, a Spanish bank makes a payment in favour of a German bank, TARGET 2 debits the account of the former with the Bank of Spain, and credits that of the latter with the Bundesbank. The latter obtains as an asset a claim against the Bank of Spain. At the end of each day, the credits and debits of the national central banks are aggregated and offset, leaving each of them in a bilateral position with the European Central Bank.

Interview conducted in Paris on 22 October 2013 by Jean Merckaert and Solange de Coussemaker of the Jesuit centre, CERAS (Centre for Research and Social Action), Paris.

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Translation by Bill Toner SJ.

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Working Notes

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The Social Dimension of Europe: Withered on the Vine?

Denis Clerc

Introduction

There is obvious disenchantment among Europeans with 'Project Europe'. This is largely due to a feeling that the social dimension of the project is being sacrificed in the interests of the economic dimension, while at the same time the supposed benefits of 'free and undistorted' competition are not forthcoming.

No doubt, this is a rather sweeping judgment. But we can see that it is not totally lacking substance and that, in the matter of social policy, the European Union has indeed shifted ground since the signing of the Treaty of Amsterdam in 1997. Clearly, it is not a case of total abandonment, as is sometimes said. But successive shifts, which can be seen over a period of fifteen years, show clearly that the social dimension is now viewed by the European authorities more as a burden than as the cement that binds a shared construction.

Economic and Social, Side by Side

In spite of some hastily-drawn conclusions, the 'Common Market', as it was called in the period 1960–1970 at the launch of the European project, was not just a 'Europe for Business'. It instituted the European Economic and Social Committee, bringing together representatives of the social partners (employers and employees), and the European Social Fund, intended to improve employment opportunities. These two institutions still exist, and their rights and privileges, like their operating budget, have not ceased to grow.

Furthermore, the Treaty of Rome laid down two fundamental provisions: on the one hand, giving to workers from Member States the right to work in other Member States, as well the conditions of work and social benefits of the host country; on the other hand, stating that the health, working conditions, and the social rights of workers belonged to the area of Community action.

It has thus been possible for the Commission to rely on numerous Directives, which Member States are obliged to incorporate as national rights – on safety in mines or on ships, on protection against

noise or toxic products, on the maximum length of the working week, on collective redundancies, for example. For sure, the economic wing of the Treaty of Rome (and of the treaties which succeeded it) was clearly developed more than the social wing, but in fact both existed side by side.

A Shift in the Balance

In the 1980s, the great liberal economic shift began in Project Europe. Starting from the Single European Act (1985),¹ it moved on through the Treaty of Maastricht (1992), leading in 1998 to economic and monetary union and the single currency. The paradox attaching to this period is that this shift occurred under the leadership of Jacques Delors, whose entire strategy was aimed at developing the social wing at least at the same pace as the economic wing, so as to combine together (as he wrote in his *Mémoires*) '... the competition that stimulates, the cooperation which strengthens, and the solidarity which unites'.² So much was this the case that this period turned out to be 'the golden age' of social Europe, if one is to believe Jean-Claude Barbier.³

Jacques Delors relied on the Economic and Social Committee – 'a very good travelling companion', he wrote – to re-launch the social dialogue. The collective agreements between social partners at the European level have been taken up in the Directives of the Commission, for instance on parental leave (1996), on part-time work (1997), on information and consultation of employees (1998), and on fixed-term contracts (1999).

At the same time, the 'Community Charter of the Fundamental Social Rights of Workers' was presented at the Strasbourg Summit (December 1989). Only the United Kingdom refused to sign the Charter.

Similarly, the UK opposed the socially progressive provisions which should have been integrated into the Treaty of Maastricht – provisions relating to equality of men and women, conditions of work, information to employees, work security and social inclusion. In all these areas, it was provided that henceforth only a qualified majority (rather than

unanimity) would be needed for their adoption by the Council of Ministers. These provisions were put on the back burner in an annexed Protocol signed by eleven Member States (out of twelve at that time), before being finally integrated into the Treaty of Amsterdam in 1997, the United Kingdom having had, in the meantime, a change of government and point of view.

Overall, as Robert Salais says in *Le viol d'Europe*,

*... one can conclude today that the Social Europe launched by Delors held out before us [a model aimed at] creating, by way of social rights, the first foundations of a European political community ... but ... in fact it [the community] is restricted to trying to put in place ... a social project focused on the creation of an area of fair competition and, consequently, is always threatened by dirty tricks aimed at undermining protections.*⁴

But one can also say – in the opinion of the writer of these lines – that Delors, knowing that the economic and political context was one of unbridled liberalism, succeeded in limiting the social impact of this and thus stemmed the liberal tide. This is not the case with Delors' successors, who have been less courageous and less determined.

Role of European Court of Justice

From 1997 on, in fact, social issues were to become 'an instrument of economic competitiveness', as Michel Dévoluy puts it,⁵ and it became a question of ensuring that they did not 'hamper the dynamism of the market economy'. Surprisingly, this priority given to economic issues at the expense of social issues was affirmed not by any economic institution but by a judicial one – namely, the European Court of Justice.

The Court of Justice has played a surprising and important 'unravelling' role: surprising, because, at least in France, the judge is frequently the one who strikes down economic decisions (or, at least, determines their limits) when they do not take the social dimension sufficiently into account; important, because in a series of landmark judgments, the Court has established a jurisprudence which subordinates social issues to economic freedoms.

In the case of Schmidberger (2003), the Court of Justice held in favour of a German company whose trucks had been blocked by a demonstration

in Austria, preventing access to a bridge. The demonstration was authorised locally, without the state showing any particular concern. The Court considered that the state had implicitly tolerated a form of restriction on freedom of movement, giving rise to economic damage in the same manner as protectionism.⁶

In the case of Viking (2005) the Court held in favour of a Finnish company which, in order to reduce its costs, had laid off its Finnish sailors, registered its ships under the Estonian flag, and hired an Estonian crew: the freedom of establishment was judged more important than the collective action of the Finnish trade union.⁷

Similarly, in the judgment in the case of Laval (2007), the Court held in favour of the Latvian subsidiary of a Swedish company which had seconded Latvian workers to build a school in Sweden – at Latvian rates of pay and working conditions. Indeed, though a European Directive lays down that workers on secondment be paid in accordance with the laws of the host country, it limits this obligation to regulations imposed by law, whereas in Sweden, in the area of social rights, collective agreements predominate.⁸

In France, the Laval case is of little importance, because the essentials of the social rights of workers are fixed by law (in respect of social contributions, security, leave, conditions of employment) or by extended collective agreements having the force of law. Nevertheless, around 200,000 workers from other EU Member States are today in seconded employment by means of Hungarian, Polish or Czech agencies specialising in temporary agency work (and, in the future, Bulgarian or Romanian agencies also, since from 1 January 2014 the freedom to travel and work covers workers from these two countries). But their social security contributions are paid to their home countries, in line with the contribution scales of the latter. Now, these scales are characteristically very weak in the countries of former Eastern and Central Europe, while the net salary which is given to these workers is almost always fixed in line with the minimum point on the scale of the collective agreement of the user branch.

In Germany, in the absence of a minimum legal wage,⁹ the Laval judgment allowed the employment of workers on secondment at two or three euro an hour in sectors where difficult working conditions reduce the number of national applicants for

employment. Thus the freedom of movement of workers in the EU is having the effect of undermining the foundations of social protection in the more developed countries.

The 'Open Method of Coordination'

Other European institutions, apart from the Court of Justice, have also played a role in this relative weakening of the social dimension. Over the past decade and a half, the Open Method of Coordination (OMC) has become an increasingly important feature of the governance of the European Union.

With the OMC, the Commission is given responsibility for preparing a 'social agenda', which proposes wide strategic objectives, sometimes quantified, to be attained at a distant date (since 2010, this is the ten-year growth strategy, *Europe 2020*). Once these objectives are ratified or amended by the European Council, each Member State is invited to prepare annually a report of the means deployed to attain them, and the results which have been obtained. The mechanism is thus entirely voluntary: so it is neither a Directive, nor a Regulation nor a Decision, nor does it relate to financing. The OMC is based solely on 'benchmarking', and is a sort of 'honour roll' of inter-country comparisons of national results, with the hope that the examples of 'good practice' will have spill-over effects.

In the social domain, the result has often been a kind of competition between 'national models'. Hence the drastic reforms of pensions and of unemployment compensation which have reduced salary costs so as to improve competitiveness – one thinks of the 'Hartz' labour market reforms implemented by Chancellor Schroeder in Germany.¹⁰ The reforms in question then seem desirable also in other countries, which are recommended by the Commission to use them as their model. From now on, it is no longer 'in the final analysis' that economic considerations are decisive, but rather 'in the first analysis'. They overshadow social considerations. To quote Isabelle Terraz:

*Pretending to be unaware that the systems of social protection and labour market institutions are the result of the uniqueness of each country, of historic compromises and of different cultural models, the OMC promotes a particular social model, convinced that it is the right approach in facing the challenges of tomorrow.*¹¹

It must be stressed, however, that even if the OMC has possible negative effects, it can also revitalise certain social policies. In particular, from now on, every European objective is based on target outcomes, developed Member State by Member State. Thus, one of the principal strategic objectives of *Europe 2020* is the reduction by 20 million in the number of people in a situation of poverty or social exclusion.

Three indicators are used to measure the number of people in this situation: a monetary indicator (persons whose standard of living is below the national poverty threshold); an indicator of 'severe material deprivation' (accommodation, food, payment delays); and an indicator of 'low work intensity' (households in which adults below 60 years have worked for less than one-fifth of their time in the course of the year gone by).

In 2010, it was calculated that 117 million people in the EU lived in households where at least one of these situations obtained. In 2012, this figure exceeded 125 million, because of the financial crisis. The Social Protection Committee (one of the fora of the European Commission) follows these indicators attentively (along with those relating to retirement, health and unemployment). It draws the attention of each Member State to delays in relation to European objectives and also plays, to some extent, the role of whistle-blower.

One may hope that this role will encourage states to make additional efforts to correct certain tendencies. The same applies to another of the objectives of *Europe 2020*, namely the proportion of young people in the 18–24 age bracket who have discontinued their training prematurely. The objective is to reduce this rate from 14 per cent (the 2010 level) to 10 per cent. In their annual reports to the European Commission (that is, their National Reform Programme (NRP) reports),¹² Member States have to explain the reasons for coming closer to, or moving further away from, the targets. The Commission may then formulate recommendations, even when these objectives are not the responsibility of the Community authorities. Thus, social protection and education, which for the most part remain national prerogatives, may be 'communitised' to some extent in the process of 'multilateral surveillance'.

Conclusion

Overall, it can be seen that the social dimension is not ignored in the European project. But, as

Michel Dévoluy points out, not unreasonably, ‘the instrumentalisation of the social dimension in the interests of competitiveness weakens the European project’.

This brings with it the risk that a type of social dumping will be institutionalised at the very heart of the Union. The social dimension instead of being an integral part of economic integration – as was the case during the ‘Common Market’ period – could then actually contribute to its unravelling, with each country seeking to reduce costs and in doing so reduce the welfare state component which was the characteristic of the founding Member States. This risk has recently been heightened because of the priority given to competition and the role of the market.

‘Social Europe’ still exists, but it is tending to become weaker, for it is more and more seen as a cost, and not as an investment in people, quite the opposite of pronouncements of Jacques Delors and Michalel Dollé.¹³ The financial crisis has forced most countries – except, alas, the countries judged to have excessive public debt – to increase their expenditure on social protection in order to contain the depressive effects of the crisis. In this context, the crisis has, paradoxically, shown the importance of maintaining or of developing the welfare state. It remains to persuade the European authorities that this positive aspect also applies to people, by fostering their autonomy, their employability, and their social integration.

- 2007, *International Transport Workers' Federation and Finnish Seamen's Union v Viking Line* (Case C-438/05; [2007] ECR I-10779).
8. Judgment of the European Court of Justice of 18 December 2007, *Laval v Svenska Byggnadsarbetareförbundet* (Case C-341/05; [2008] IRLR 160).
9. On 2 April 2014, the German Government agreed to introduce a statutory minimum wage, setting this at €8.50 per hour. The minimum wage will come into effect on 1 January 2015.
10. The Hartz Reforms were implemented between 2002 and 2005 and were based on the proposals of a commission chaired by Peter Hartz. They aimed to reduce unemployment and enable the creation of new jobs through a series of measures focused on reforming the labour market and changing entitlements to unemployment payments.
11. Isabelle Terraz, ‘L’ambiguïté de la notion de modèle social européen’, in Michel Dévoluy et Gilbert Koenig (eds.), *L’Europe économique et sociale: Singularités, doutes et perspectives*, Strasbourg: Presses Universitaires de Strasbourg, 2011, p. 195.
12. ‘NRPs contain national targets relating to EU-wide headline targets and explain how governments intend to meet them and overcome obstacles to growth. They also set out what measures will be taken, when, by whom and with what budget implications.’ (http://ec.europa.eu/europe2020/documents/related-document-type/index_en.htm)
13. Jacques Delors et Michel Dollé, *Investir dans le social*, Paris: Odile Jacob, 2009.

This article was first published in French in *Revue Projet*, No. 339, April 2014. *Revue Projet* is the journal of the Jesuit centre, CERAS (Centre for Research and Social Action), Paris. (<http://www.revue-projet.com/articles/2014-04-clerc-le-social-jambe-atrophiee-de-l-europe/>)

Translation by Bill Toner SJ.

Notes

1. The term designates an overview of amendments to the Treaty of Rome aimed at implementing a ‘single market’, within which the rules would be the same for all participants, whether they be nationals or originally from other Member States, in order to increase competition.
2. Jacques Delors, *Mémoires*, Paris: Plon, 2004, p. 326.
3. Jean-Claude Barbier, *La longue marche vers l’Europe sociale*, Paris: Presses Universitaires de France, 2008, p. 83.
4. Robert Salais, *Le viol d’Europe: Enquête sur la disparition d’une idée*, Paris: Presses Universitaires de France, 2013. The citation that follows (p. 325) is the commentary, by Robert Salais, of the point of view of the attorney Poiras Maduro.
5. Michel Dévoluy et Gilbert Koenig (eds.), *L’Europe économique et sociale: Singularités, doutes et perspectives*, Strasbourg: Presses Universitaires de Strasbourg, 2011, p. 175, from which this article has drawn heavily.
6. Judgment of the European Court of Justice of 12 June 2003, *Eugen Schmidberger, Internationale Transporte und Planzüge v Republic of Austria*, (Case C112/00 Schmidberger 2003] ECR I5659).
7. Judgment of the European Court of Justice of 11 December

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Interview with Pat Cox, Former President of the European Parliament

Edmond Grace SJ

Edmond Grace: *Over the past year you have spent some considerable time in Ukraine as EU observer to the Timoshenko case. How is the EU seen in that country?*

Pat Cox: For many Ukrainians, especially the young, their idea of Europe is of modernisation, values, the rule of law – especially the fight against corruption – and opportunity. They also look to their neighbours such as Poland, with a population of 38 million, as against Ukraine's 46 million. After the collapse of the Soviet Union, Poland and Ukraine had similar rates of infant mortality, longevity and GDP per capita. Today, infant mortality in Poland is one-third of what it is in Ukraine. Longevity is 7.5 years greater and nominal GDP per capita is 3.5 times greater. From a standing start twenty-five years ago, these countries are now quite different. Measured in US dollars, Ukraine's GDP is smaller than that of Ireland, which has one tenth its population, revealing an enormous gap but also the huge unrealised development potential of the country.

Ukraine has one real advantage compared to most of its regional neighbours. The scale of mass protest in Ukraine overwhelms the potentially repressive capacity of the state and is a powerful popular check and balance. You would not get anything like the Maidan Square protests in Moscow because Putin would have suppressed it, nor in Belarus, because the President, Lukashenko, would oppress it from the very outset. The Orange Revolution was a big let-down but the Maidan protests are a sign that the spirit of the revolution is still alive in the minds of the people. I can think of no capital in Europe today where, in sub-zero temperatures for several weekends, gatherings of up to one million people would protest in favour of the idea of Europe.

Edmond Grace: *How do you explain the difference between that inspiring scenario and the disillusionment which has come about within the European Union?*

Pat Cox: Let's compare Kiev with Athens. There have also been protests there. In Kiev, the protestors

have a sense of hope. In Athens, by contrast, the feeling is one of hopelessness. There is a feeling of being locked into a system in which they have no say. The consequences have been devastating for the fabric of the economy, for the fabric of society and for the aspirations of Greece's rising generation. The current, and third, bail-out is not the end of the story, will need to be re-visited and appears to offer no hope, no obvious way out.

Ukraine and Greece remind me of an opinion poll that I read, published some years ago in *Le Monde*, which measured opinion around two poles – 'l'Europe, c'est l'espoir?' or 'l'Europe, c'est le désespoir?'. For Kiev and for Athens these two phenomena co-exist: Europe as hope for the one and hopelessness for the other.

Edmond Grace: *Could tease out that one? In Athens, in particular; but also throughout the EU the 'désespoir' is clear but how would you see the 'espoir'?*

Pat Cox: For a very long period, from the time of Schuman, Monnet, Adenauer, De Gaspari, Spaak and others, there was, in effect, a popular elite-lead model of integration in Europe. Integration was seen as vastly preferable to Europe's 'civil wars'. The European idea worked, not with the deepest engagement of the public, but with an embedded permissive consent because it was so much more attractive than the dreadful alternatives. The conditions for that consent have been diluted and this poses a political challenge. The original narrative was about reconciliation and peace, and that is now so profoundly established that, for a new generation, it is almost completely discounted. Young Europeans find it meaningless, not because they do not value peace, but because they have no memory of war – unless they are from former Yugoslavia. Any young person today of working age or college-going age has been born with all the relative freedoms which Europe has to offer.

This change is well illustrated in a story told to me by the late Bronisław Geremek, the eminent Polish intellectual and former Minister of Foreign Affairs. On the day Poland became a full member

of the Schengen Area, he drove over the border into Germany and just kept driving. This man, in his seventies, was thrilled at the wonder of having lived to be able to do such a thing, remembering a time when, on his return to Poland from his lecturing at the Sorbonne, he had to surrender his passport. It is one thing to talk to such a man who cherished such a memory. It is quite a different thing to talk to a twenty-year old Polish citizen today who can afford to buy an old second-hand car or motorbike and take off wherever he or she wishes to go, border free. In these young minds, there is no border. They are less conscious than older generations of Europeans that this freedom is a great gift of integration. It is just part of day-to-day reality, unremarked and so unremarkable.

Meanwhile, we have your questions about hope and hopelessness but also of political legitimacy – these will play out in the May 2014 elections to the European Parliament. In Britain, according to the polls, UKIP is likely to be the largest party. French opinion polls are indicating that Marine Le Pen and the Front National could well be the largest party in France. The party of Geert Wilders in the Netherlands is also tipped in some opinion polls to emerge as the biggest party there. We have the novelty and uncertainty of the Five Star Movement in Italy. There are indications from the Greek polls that the parties from the far right and the far left will out-perform the parties of the centre. In Bulgaria, Hungary and elsewhere, groups of quite extreme character will use the European elections as a platform.

Today's European Parliament is about 20 per cent Eurosceptic and this could grow to 30 per cent or more. Let's suppose that one-third of MEPs were anti-European in the sense in which the current model of integration has evolved and that they were capable of forming a coherent presence in the European Parliament: this would give them more credibility within the institution, more access to media outlets. The conventional parties, seeing their own power base eroded, would begin trimming and tacking to cover exposed political flanks.

On a more technical level, the European Parliament requires the votes of more than half the elected members to pass co-legislation by establishing qualified majorities; a simple majority for co-decision is not enough. This will be quite a challenge for pro-European centre parties if and when they have only 66 per cent of members spread among five or more groups and divided

in their outlook as between more federalist and more inter-governmentalist tendencies in assessing and addressing the way forward. This has to have implications for the nature of consensus-building and compromise.

One positive outcome could be that the Eurosceptic challenge will force the centrists of all political shades to forge a coherent political majority committed to the achievement with the next European Commission of an agreed political programme for the coming period. Other less desirable prospects could also ensue.

Those who look to solutions which call for more Europe, where desirable and necessary, will struggle to find their audience because the soil on which the seed has to be sown will be more barren than it was in the past. I think this could pose the biggest challenge.

Edmond Grace: *What do you say to those who say 'Europe is the problem'? The sceptics are saying we have too much Europe. Take, for instance, those who speak of the harmful effects of the euro on Spain, Portugal and Greece?*

Pat Cox: Every Member State remains the repository for its constitutional, institutional and political traditions, has its own sense of pride, its own history. It is easy to present Europe as an intruder in this space, even though it is the high contracting parties, the Member States themselves, whose signatures on European treaties have conferred the authority to act on the EU institutions.

The externalisation of blame on Europe, even by conventional or centrist political elites, is a self-evident truth. 'Blame it on Brussels' is not a phenomenon confined to Eurosceptics. Marine Le Pen is an interesting example of how this works. She is a good deal more subtle than her father. She has managed to reach back into a more conservative part of right-wing France in a way that her father occasionally did but could not sustain. She speaks of 'la France perdue' – of past glory awaiting its hour of renewal. The world has changed radically since nineteenth century notions of national sovereignty prevailed. Nostalgia is not a policy but it has a powerful and resonant appeal.

That part of the debate in France, which frequently chooses to blame Europe for so much, is a way of avoiding necessary introspection, a form of displacement for having serially failed to address

essential fundamental reforms at home. The French economy, which still is in many ways a very strong economy, needs modernisation; the welfare system is out of touch with demographic and financial realities and is not sustainable without reform. Yet, irrespective of who is or has been in government in recent decades, there has been a huge and constant resistance to change. There have been changes and reforms, for sure, but they have been more tinkering than radical. I think that the underlying problem in France is an accumulation of undelivered or partial reforms. This has caught up with the French political establishment. The solution will be more *franco-français* than European, in my view.

To return to the more general theme of the euro zone crisis and particularly its impact on the Mediterranean states and most especially Greece and Cyprus: the design of economic and monetary union was unable to cope with its first major crisis and useful lessons are being learnt, particularly on the need for banking union.

Yet it is clear to me, having visited those states suffering the effects of on-going austerity – with no real end in sight – that we have not been able to develop adequate collectivised European mechanisms for the exercise of willing rather than begrudging solidarity across borders. Fault lines which were latent before this crisis are now in full view – between north and south, between the creditor and debtor states, between those with staggeringly high long-term unemployment and those more contented with their current state of affairs. The methods for responding to these challenges remain essentially intergovernmentalist, answerable to twenty-eight national parliaments and national public opinions and constitutional constraints and therefore framed having regard to national interests and preferences.

All this makes it very difficult to ‘europeanise’ and collectivise the capacity to respond to the fundamental economic and social problems faced by Member States in adjustment. I think this remains a core problem. We need to validate ‘euro-realistic’ debates – not sceptical of the ideal of integration but realistic about its current limitations. In some areas, Europe may have become too intrusive in its regulatory order but in other areas it remains weak and underdeveloped. If I might bring it back to the European Parliament election, it should be possible in public discourse to be loyal to the wider ideal of European integration while at the same time being critical of some of its day-to-day

deficiencies, without lapsing into Euroscepticism.

The willingness of the new German Government – not on its own, but certainly starting with it – to embrace the European ideal will be critical. The German economy accounts for 28 per cent of the euro zone. France and Germany make up 50 per cent and will correspondingly contribute 50 per cent to any funding process aimed at reviving and sustaining the European and/or euro zone economy. There is no evidence at the moment of any emerging commitment to significant policy change. The costs of effective solidarity necessarily are high but become modest when judged against the cost of the chaos which would follow a collapse of the euro zone – or indeed the cost of a prolonged period of economic stagnation and social distress that could occur even without the collapse of the euro.

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There is another factor at work in Germany – the Federal Constitutional Court in Karlsruhe. It insists that the German taxpayer should contribute to European funds only when the relevant committees of the Bundestag have been consulted and either they or the Bundestag have voted in favour. So the German Chancellor, though powerful in the scheme of things, is not a free agent even if her analysis inclined her towards the view that more should be done, something not greatly in evidence in the measured and cautious crisis-response so far.

We are in a better place than we were a few years ago. Lessons are being learned. There are new rules emerging for bank failures which will require bondholders and depositors to pay first before imposing costs on the taxpayer and further finance from a common bank resolution fund would be available after exhausting Member State national remedies.

But I doubt if the EU would be well placed right now to face a similar crisis were it to happen again. The sum being talked about for a common resolution fund is of the order of €50 billion, to be raised over a period of ten years. Ireland paid out

€64 billion to address its admittedly chronically bad banking situation but, as a state, Ireland accounts for only about one per cent of the economic weight of the euro zone. Huge as €50 billion is, when compared to the recent Irish experience it seems inadequate to the task in hand. At the moment, it is the best available suggestion and inevitably is much better than nothing at all but should not lead to exaggerated expectations that a sustainable solution has been found.

Against a background of diverse economic interests and divergent social impacts of the crisis, the best available policy responses to the crisis risk more and more to settle for the politics of the lowest common denominator. Herein lies one of the greatest challenges and risks for the future of European integration: how to find policy tools for the policy tool kit adequate to the scale of the task.

Edmond Grace: *When you talk about the lowest common denominator – a kind of downward spiral of solidarity – to what extent do the structures which we have inherited through the Lisbon Treaty contribute to this? What needs to change? After all, things could change very quickly in one direction or another.*

Pat Cox: The biggest formal beneficiary in the text of the Lisbon Treaty was the European Parliament – gaining full co-decision with the European Council in legislative and budget-making matters. However, I believe that the biggest political change has been the establishment of the European Council as an institution of the European Union with a permanent Presidency, led by President van Rompuy. It and ECOFIN (the Council of Finance Ministers) – and in particular the euro zone part of ECOFIN – have been the drivers of the policy response to the economic and financial crisis. The Commission and, in particular, Ollie Rehn, Commissioner for Economic and Monetary Affairs and the Euro, and one of the Commission's Vice-Presidents, have gained substantial new powers of budgetary supervision and cross-national accountability. But on key elements, such as issues of solidarity and growth, decision-making remains essentially intergovernmentalist.

This intergovernmental part has, to a degree, diminished or marginalised the exclusive legislative prerogative conferred on the Commission by the EU Treaties. The Commission increasingly plays the role of policy secretariat, executing more than framing policy, and in consequence the vital

ingredient of discerning the common interest, one of its strengths in the past, is labouring under the strain of the divergent interests of Member States for whom intergovernmentalism is the policy-making method of choice. The Commission has been given new powers but more as administrator than leader. I see no imminent prospect of change or any evidence of an appetite for change among those best-placed to give a lead. I may be wrong. I hope so.

Edmond Grace: *Would it be fair to say that you see European solidarity as being, at best, on the back burner? Is it weakened?*

Pat Cox: It is not that it has weakened but rather that this part of the agenda has not strengthened in step with other elements in responding to the crisis. New budgetary and banking rules have been, or are being, designed with vigour, seeking to establish the rules of engagement for a new equilibrium but the current profound disequilibrium and asymmetry are not being addressed.

This new equilibrium is indispensable but who is going to address the glaring asymmetries today, with their grave political, economic and social consequences? Who will assist those Member States trapped in crisis now and unable unilaterally to break free? Greece has no capacity on its own to tell the 55 per cent of young Greeks aged under twenty-five with no job that they can do anything meaningful; it doesn't matter who is in government there. The state is overwhelmed. This is replicated – more or less – across the Mediterranean area. New rules are needed, but on their own they cannot provide a mechanism to get out of the asymmetric effects of the crisis.

There is no shortage of official papers on this subject but the acid test is not the volume of words but the volume of finance. One can formulate policy papers about coordinating national policies but the reality is one of massive social inequality, more and more families in poverty, growing disillusionment. Tough fiscal policy, though necessary for financial sustainability, is not the complete answer for a Member State overwhelmed by crisis and in absolute need. Speaking as someone with a strong sense of the European ideal – in no way as a sceptic – this is a profound flaw for which there must be some form of collective responsibility.

Edmond Grace: *When Ireland joined the EU there was that sense of solidarity – a generosity – from*

which we benefited. We had to do our own building up; there is no sense in pouring money in just for the sake of it, but now there seems to be nothing.

Pat Cox: Not on the scale required. I have no issue with what Europe is doing to clean up the mess. I have no issue with aiming to find a new and sustainable equilibrium, but who is addressing the asymmetric consequences of the current crisis as an indispensable part of the pathway to the new equilibrium? This element of the crisis is insufficiently addressed, in my view. This is not just about money. Greece has a dreadful public bureaucracy, it has a chaotic black economy and much needs fixing. One cannot just pour good money after bad but nor should one presume that, while fixing what is broken, addressing the underlying problems will be cost-free.

Effectively, the available, as distinct from the desirable, answer is intergovernmental. Intergovernmental answers are constrained by twenty-eight parliaments and twenty-eight public opinions and twenty-eight constitutional settlements in twenty-eight Member States. Any further Europeanisation beyond what has been agreed will require significant treaty change with a substantial additional 'slice' of Europe. In the rough and tumble of politics in the next few months one has to ask the question: 'Is this an auspicious political environment in which to plant the seed for more Europe?' It is an edgy and uneasy moment. I suspect we will muddle through – a phrase I hate, but it is accurate – and if there is no further severe external shock to our economies we may get there. If you have any belief in Europe you have a duty of optimism.

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