

**Challenges of a New Europe:
Diversity, dilemmas and directions**

Inclusion and Exclusion in Contemporary European Societies

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Europeanization as a Social Shield for Globalization

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Abstract

The paper engages with debates relating to the impact of globalization, in particular of the dominant concept of neo-liberal globalization, on reshaping the social picture of contemporary societies. It is argued that neo-liberal globalization has a significant influence on increasing unemployment, poverty, social inequalities and social or socio-economic exclusion in general. Following this scope, paper intends to examine the role of EU seeing as a sort of counterweight to neo-liberal intrusion into the social sector. EU's social engagement may be seen in many EU documents and papers that provide a base for European Social Model. The paper will try to examine whether the European Social Model is managing to deal with increased social problems and to act as a social shield to neo-liberal globalization.

The issue of social exclusion becomes hot topic in past few decades, almost parallel with the intensification of the globalization processes. Globalization, in particular in economic sphere, has affected in many significant ways the increase of social problems and growth of individuals who are being excluded from the society. For the understanding of globalization it is important to emphasize its neo-liberal component, having in mind that neo-liberal globalization is the dominant concept of globalization. The relevant literature on

globalization argues that neo-liberal globalization has a significant influence on social downfall in general.¹

Economic globalization is based on market liberalization and deregulation, which presumes decrease of state intervention and regulation of capital, goods and services flows. Some of the most obvious changes introduced by the economic globalization, liberalization and deregulation are rise of foreign investments, growth of international trade, flexibilization of work (which produces insecurity of employment), growth of service sector and changes in work structures etc. Furthermore, the pressures for reduction of state interventions go to social sphere as well. As a result, social expenditures are lower and the weak welfare state could not provide sufficient protection for deprived persons, whose number is increasing.

Even though minimized state intervention and the rule of spontaneous market forces could have impact on economic growth, as neo-liberalism claims, it certainly does not bring welfare to everyone. It is the fact that world GDP is increasing permanently and that today humankind lives in the material wealth few thousands times greater than the real needs of entire population. However, the closer look shows that wealth growth is not equally distributed. GDP per capita rose only for 300 USD in developing countries from 1975 to 1997 (from 600 USD in 1975 to 908 USD in 1997). In the same period GDP of most developed countries rose from 12.589 USD in 1975 to 19.283 in 1997 (see: Grindle, 2000:182).

The growth of global inequalities has been accelerated in the past few decades. Ten percent of the richest population owned 46,9%

¹ See for example: Beck (2003), Scholte (2000), Steger (2003), Giddens (1999), Mishra (1999), etc.

of the total world wealth in 1988, and even 50,8% in 1993. By the end of 1990ies 20% of the richest controlled 86% of the world GDP. On the contrary, 20% of the poorest owned only 1% of the world GDP (Grindle, 2000:187). Recent data shows that income of 1% of the richest people is equal to the income of the 57% of the worlds poorest (Celebrini, 2006:100).

However, differences in the wealth and income are not the only indicator of world's inequalities. There are still millions of people who live in starvation, illiteracy, and in permanent danger of epidemics, pandemics and wars. More than 137 millions of young people (15-24 years old) is illiterate, and more than 2,5 billions of people do not have the access to health services. Global perspective shows the enormous number of excluded and this issue truly becomes a global social tragedy.

Experiences of developed countries with consolidated welfare state shows the similar trend – reduction of state intervention in social sphere causes the increase of social problems and intensive social exclusion. And traditional welfare state neither has power nor abilities to cope with new risks, new forms of poverty and exclusion. It become clear that neo-liberal demand for domination of free market and its self-regulating mechanisms does not contribute to social prosperity, since the market itself does not care for socially excluded. Furthermore this concept accepts unemployment and poverty as necessary consequences of market forces.

Last few decades, since the expansion of the neo-liberal globalization started, are characterized by the social degradation in almost all societies indicated by the increase of unemployment, poverty, inequalities and social exclusion.

Since the impact of neo-liberal globalization on social sphere and welfare in general is multidimensional and complex to present here, we will in short emphasize few key aspects of neo-liberal globalization that are considered to be directly or indirectly significant for the increase in social problems.

First of all, neo-liberal globalization is primarily oriented to profit maximization, and therefore it strongly promotes the values such as free market, competition and competitiveness. Those values create a specific concept of equality where inequalities and social exclusion are accepted as necessary products of market forces and self-regulated mechanisms of market (Vidovic, 2006). That means that inequalities and social exclusion are expected results of free market where all have a right to participate equally. The society becomes dominantly determined by market forces and interrupted functioning of free market is set as a higher goal. Demands for minimum interventions of the state in all areas are stronger. In the social sphere this leads to diminishing of traditional welfare state and reduction of social expenditures. As a result, inequalities accepted as necessary on one side, and reduced role of welfare state on the other side produce the society with low systematic care for poor and excluded. Furthermore, promotion of individualism as a basic factor of market competition and individualization of responsibility leads to weakness of social solidarity. Consequently, social cohesion is lacking and significant decrease in social consensus about allocation of resources is evident. Finally, universal approach of neo-liberal globalization, which intends to apply the identical measures in each society and doesn't care for political, cultural, social and historical specificities, has not been successful in efficient reduction of social problems.

If we look at the statistical data, from the beginning of 80ies and the expansion of the neo-liberal concept of globalization, there is evident significant increase of unemployment, poverty, inequalities and social exclusion. At the same time consolidated western welfare states experienced significant decreases in social expenditures, which was the case even in highly developed and generous welfare states (for example Sweden and other Scandinavian countries). Unemployment rate rose in almost all developed countries, for example in USA it rose from 5,4% in 1979 to 9,7% in 1982, in United Kingdom from 4,5% in 1979 to 11,9% in 1983 (see Midgley, 1997:141), in Germany from less than 2% in 1960ies to more than 8% in 1985, in France from 2% in 1960ies to more than 10% in 1985, in Netherlands from less then 1% in 1960ies to 11% in 1985 (OECD).

Despite economic indicators that show significant growth in observed period, poverty becomes important problem in almost all societies, even in those highly developed. For example, there were 68 millions of people living under the poverty line (60% of national median) in European Union in 2002, which is 15% of total EU population (European Commission, 2005). Even in Sweden poverty rate Increased from 2,7% in 1991to 4,7 in 2003. Increased poverty rate and inequalities are mostly the result of decreased social expenditures (Midgley, 1997:131). Those reductions in state social expenditures are evident in almost all western developed countries.

As it was already mentioned, neo-liberal model became dominant concept of globalization. Some of authors argue that it has been highly hegemonic in contemporary world and it somehow seems

that no society could escape its' strong pressure, in particularly in social sphere.

However, one may identify certain tendencies in European Union aiming to create a social system or social model that may have provide a response to turbulences caused by neo-liberal concept. Moreover, some authors² see Europe as an important counter power, or at least a strong competitor to neo-liberalism. It is presumed that social policies on European level could provide a certain social shield for European societies.

Social issues were not very important in the early age of European Union. The discussion about social issues raise from the beginning of 80ies and during this period tendency to extend EU competence on social issues was clearly shaped.³ During the 90ies social issues become significantly important sphere in forming EU policies. At first the focus of EU social policies was employment, but afterwards it was expanded to the issues of poverty and social exclusion. These problems were recognized as a common interest of all member states.

Lisbon Council in 2000 marked the new stage in EU social engagement. Social Policy Agenda (EC, 2000) was adopted which means that certain strategy for achieving economic and social renewal was developed. EU member states committed themselves for achieving a goal set by this strategy and that is to become a most competitive economy on global level. It was emphasized, and this is of most importance, that economic growth has to be compatible to social

² See Beck 2004.

³ During the 80ies and early 90ies many documents in the field of social issues and EU competence in this field were adopted: The Charter of Fundamental Rights of Workers (1989), The Social Policy Agreement or The Social Chapter (1991), The White Paper on European Social Policy (1994), The Resolution on EU Social Policy (1994).

prosperity, providing more and better jobs and greater social inclusion and cohesion. This means that EU acknowledges contemporary globalization processes and neo-liberal tendencies, but at the same time advocate for social protection to its population. This goal should be reached through developing the strategy of European Social Model. The Barcelona European Council defined the European social model as being "based on good economic performance, a high level of social protection and education and social dialogue. An active welfare state should encourage people to work, as employment is the best guarantee against social exclusion" (European Commission). Even though it is difficult to give a precise definition of European Social Model, this term basically denotes basic common features of European social systems that were shaped in Western European countries after the Second World War. It is not a specific practical social system model comparable with the traditional national social regimes⁴, but more a certain set of aims and broad policies developed on the supranational level.

Basically, European Social Model consists of few mechanisms and instruments aimed to support the member states in their social policy making. Those instruments are:

- The **European Social Fund**. Fund represents a certain system of redistribution of resources inside the European Union. It is main financial tool through which the EU translates its strategic policy aims into action and thus directly supports the elements of European Social Model. Its' assistance is not insignificant having in mind that Fund provided almost 70 billions EUR over the

⁴ Identified by Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press

period 2000-2006. However, it is recognized that Fund does not operate with sufficient financial resources for efficient solving of all social problems.

- **Legislation.** It establishes minimum social standards and basic rights at European level, in particular in areas of equal treatment for men and women in labour market, anti-discrimination, free movement of workers, health and safety at work, labour law and working conditions.
- **Social dialogue.** This is a mechanism of encouraging social partners - employers, trade unions, EU institutions - to negotiate and find solutions to social problems.
- **The open method of coordination (OMC).** This is a key instrument of the Lisbon Strategy. It is based on coordination of the Member States' policies in the economics, employment, social protection and social inclusion areas. OMC aims to help national policies to achieve common European goals, while at the same time it is left to member states to decide on ways how to achieve it. However, it is important to point out that OMC does not presume any legal obligation or constraint.
- **Partnership.** This mechanism is used to assist in involving institutions at all levels, including civil society, into social dialogue.

Since detailed analysis of all EU documents that promote social policy and European Social Model (ESM) will exceed the limits of this paper, we will only emphasize few key features of ESM that may be identified.

European Social Model is the first social model constructed on the supranational level, since social security was traditionally ensured

inside the nation states. This model somehow aims to integrate diversities of national welfare systems which are evident in values that determine it such as democracy, social justice, social dialogue, equal opportunities for all, subsidiarity, social security and solidarity. ESM is shaped by the diversity of national policies and practices. However, it does not interrupt the national social policies and social laws directly, but merely prescribes objectives and assist the states. For example, EU member states differ in how much they invest in activating people to participate in the labour market, in the way they finance and organise their social protection systems, and in the role and structure of social dialogue.

As already mentioned, ESM is based on promotion of sustainable economic growth on one side and social cohesion and justice on the other side as complementary processes. This is important aspect where difference between European model and neo-liberal approach may be seen. It has been strongly argued that joint development of economic and social policy will ensure market competition and social development, not as contradictory, but as mutually supportive processes. That is way many authors emphasize the European experience of synchronous promotion of sustainable economic growth and social cohesion and justice as one of the main features of ESM that distinguishes it from neo-liberal model (see Jepsen and Pascual, 2005; Hamerijck, 2002). Finally, high level of bureaucracy and proposed procedures is important characteristic of ESM that significantly influences on overall social dynamics and concrete national policies and measures.

However, since European Social Model prescribes values, norms and very general goals it seems that it remains normative concept rather than a concrete practical model. It is a question whether this

mainly normatively constructed ESM may stand as a strong counter power to neo-liberal impacts?

In order to find approximate answer to that question we will take close look at the statistical data of relevant selected indicators, in particular unemployment and poverty rate. Although we are aware of differences between states for the purpose of the paper we will make broad and very general overview of selected indicators on the EU level.

Employment is one of the main strategic points in European Social Model and the expected and desired growth of employment is 70% of employed people by 2010 (EC, 2000). However, the EU employment rate grew slightly during past decade from 63%, where it stagnated for several years, to 63,3%. There is only minor improvement in employment growth and there is still underlined the urgency for attracting more people to the labour market. It is argued that EU's employment trends reflect a combination of slow employment creation and increasing labour supply, thanks in particular to the rising numbers of women entering the work force. From the middle of 90ies to 2005 unemployment rate decreased in most of the EU countries. For example, average EU-15 unemployment rate decreased from 4.9 in 1995 to 3.2 in 2006. The most acute problem is youth unemployment of 15-24 year-olds, which is 17.7 %, twice as high as the overall rate (9%). In this age group, only 36.8% have a job.

Table 1: Unemployment rate in EU

Unemployment rate - total												
Unemployed persons as a share of the total active population												
geo\time	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EU (27 countries)	:	:	:	:	8.7	8.5	8.9	8.9	9.0	8.9	8.1	7.1
EU (25 countries)	:	:	9.3	9.1	8.6	8.4	8.7	9.0	9.0	8.9	8.2	7.2
EU (15 countries)	10.1	9.8	9.3	8.6	7.7	7.2	7.6	7.9	8.0	8.1	7.7	7.0
Euro area	10.7	10.6	10.0	9.1	8.2	7.8	8.2	8.7	8.8	8.9	8.3	7.4
Euro area (15 countries)	10.6	10.5	10.0	9.2	8.3	7.8	8.2	8.6	8.8	8.8	8.2	7.4
Euro area (13 countries)	10.6	10.5	10.0	9.2	8.3	7.8	8.2	8.6	8.8	8.9	8.2	7.4
Euro area (12 countries)	10.6	10.6	10.1	9.2	8.3	7.8	8.2	8.7	8.8	8.9	8.3	7.4

Source: Eurostat

On the other side, poverty rate did not decrease. Actually, there was a slight decrease from the early 90ies till the 2000 in most of countries, but after that at-risk poverty rate slightly increased. For example, average at-risk-of-poverty rate before social transfers in EU-15 decreased from 26% in 1995 to 23% in 2000, than again increased to 26% in 2006. Risk of poverty is somewhat different after social transfers but the average rate remained almost the same in the last decade. In 2001 more than 55 million people were still facing the risk of poverty.

Table 2: Poverty rate in EU

At-risk-of-poverty rate after social transfers - total												
Share of persons with an equivalised disposable income, after social transfers, below the risk-of-poverty threshold												
geo\time	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
EU (25 countries)	:	:	:	15	16	16	16	:	15	16	16	16
EU (15 countries)	17	16	16	15	16	15	15	:	15	17	16	16
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Euro area (13 countries)	:	:	:	:	:	:	:	:	:	:	15	16
Euro area (12 countries)	17	16	16	15	15	15	15	:	15	17	15	16

Source: Eurostat

According to these data, one may identify that even though employment rate grew, poverty is not reduced at all. This could be explained by the possible growth of low-paid jobs, phenomena already known in the USA, which increases the employment rate but does not reduce poverty and social exclusion.

Furthermore, total expenditure on social protection (as % of GDP) remained practically the same over the decade (27,7 in 1995 to 27,8 in 2006). Majority of countries experienced minor increase of social expenditures. However, it is interesting that countries with highest social expenditures show a tendency to stronger decrease in social expenditures. For example, social expenditures in Sweden decreased from 36,5 in 1994 to 32 in 2005, in Netherlands from 31,4 in 1994 to 28,2 in 2005, in Finland from 33,7 in 1994 to 26,7 in 2005. Nevertheless, it is very difficult to compare the social expenditures trends between EU member states, having in mind enormous differences. For example, the expenditures on social protection per head differ from less than 1500 Euro in Romania, Lithuania, Bulgaria and Latvia to 12.946 Euro in Luxemburg or 8528 Euro in Sweden.

As one can see from the data that have been shortly presented, there are significant evidences that European Social Model is so far successful in reduction of unemployment, poverty and social exclusion, as objectives it aims. However, there are still some important advantages of European Union that may contribute to stronger EU role in social sector. EU certainly has the strength to provide social security to its citizens and to act as an important social shield in neo-liberal and globalized environment. Therefore, further investments in this field should be encouraged.

Funds and policies created on the supranational level enables redistribution of resources to poorer regions and countries, which improves the solidarity between member states and European identity. Mutual funds have a significant role in social stability so further investments and growth of funds' capital should be supported. Funds' assistance should give priority to the programs of employment, education and developmental processes.

Basic determination of European Social Model which accepts diversity of national policies and practices enables development of the "best practices" applicable in specific countries. Close cooperation between member states gives the insight in numerous of specific social policies and best practices that can be easily applied and monitored. Existing mechanisms and instruments of comparison and cooperation should be used for implementing more concrete objectives or best practices to each country.

As a supranational structure EU has a significant power in global surrounding and certainly more chances to provide social shield from neo-liberal pressures than individual state alone. However, lower level of bureaucracy would increase the ability to react promptly to new social risks in a dynamic and hectic globalized world.

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