

EMPLOYMENT RESEARCH CENTRE

Department of Sociology, Trinity College Dublin, Dublin 2, Ireland.
<http://www.tcd.ie/erc>

The End of the European Social Model – Before it began?

James Wickham

Tel: + 353 (0) 1 608 1875
Fax: +353 (0) 1 677 1300
e-mail: jwickham@tcd.ie

Abstract

The term 'European Social Model' (ESM) has now entered mainstream British and American political debate. The article suggests that within the framework of political democracy and market economy the ESM offers an alternative to the USA. The ESM involves not just the welfare state as normally defined in Anglophone social policy literature, but also employment and its regulation. Social cohesion and social inclusion can be considered as different dimensions of social solidarity: in these terms all European welfare states are different to the USA. Furthermore, European societies are defined by social and economic citizenship and a strong public space. In different ways in different countries, these are interwoven with the form of employment. While in the past the European Union and its predecessors has Europeanised these achievements of its national member states, it now appears to be undermining them.

Introduction

Until very recently, in the Anglophone world the 'European Social Model' was only discussed by a few academic experts in European social policy. Now however the debate over the European Constitution has made the term part of political commentary, although what it actually means remains unclear. In a not unrelated development, the geopolitical crisis of the early 21st century with its divisions between the USA and Europe has prompted some American authors to suggest that European and American societies are fundamentally different (e.g. Kagan, 2004). Interestingly, while Europeans seem sunk in gloom about the future of the EU, *some* American commentators look enviously on the EU as the harbinger of a better future. Their titles say it all: *The European Dream - How Europe's Vision of the Future is Quietly Eclipsing the American Dream* (Rifkin, 2004) or *The United States of Europe – from the Euro to Eurovision – the Superpower nobody talks about* (Reid, 2004). For these 'optimistic' authors one defining element of contemporary Europe is its 'social model'.

In this paper I argue that the European Social Model (ESM) is indeed one possible definition of contemporary Europe. The term identifies certain features that European societies have in common. While these features are national in origin, they have become partially interwoven with the institutions of the European Union. The ESM is also a normative term – it identifies those aspirations which can be claimed to be distinctively European, those aspirations which define what 'we' as Europeans *want*. Certainly the boundaries of this 'we' and this 'Europe' are fuzzy, for the position of the UK and the new Member States remain for the moment ambiguous. Both empirically and normatively Europe's other is the USA: the European Social Model is an account of how Europe is different to America, but also an account of how the European Dream differs from the American Dream.

The ESM can be approached in two different ways. The first part of the paper presents a particular definition of terms that are often conflated: *social cohesion* and *social inclusion*; it suggests that the European Social Model involves a particular combination of these two dimensions. The second part of the paper argues that the ESM can also be defined in terms of rights – the rights of social citizenship, economic citizenship and the right to public space. Both approaches involve not just the welfare state as conventionally understood, but also employment and its regulation. However,

if employment is constitutive of the European Social Model, it is also its Achilles Heel. The third part of the paper claims that the threat to the ESM comes not from the long-awaited and never quite occurring dismantling of the welfare state, but from changes in employment, not least those resulting from EU policy. This leads to a paradoxical conclusion: the European political elite is now destroying what makes Europe distinctive.

Cohesion, Inclusion and Welfare State Modelling

The concepts of *social cohesion* and *social inclusion* both seem to have entered English via Brussels and occur frequently in EU policy discussion. The term 'cohesion' was added into the European Treaty by the Single European Act, which enjoined the member states to develop 'cohesion' with the poorer states (Bainbridge, 1995; Gold, 1993). In this case cohesion is something to do with overcoming regional inequalities. By contrast, social exclusion seems to refer more to inequality and poverty within societies, as for example in 1994 when the Commission's White Paper on social policy referred to 'the fight against social exclusion' (European Commission, 1994). Sometimes the two are treated as synonymous, as in the Lisbon declaration, where 'social cohesion' clearly means more than just regional convergence:

'The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' *Declaration of the European Council, March 2000.*

Analytically social cohesion can be seen as being an essentially 'horizontal' issue about the forms of social solidarity and, in the broadest sense, social values. A cohesive society has high levels of mutual support or, in contemporary parlance, 'social capital' (Putnam, 2000). Social cohesion does not come with any pre-defined opposite, but with a gesture to Durkheim, the term *anomie* would seem appropriate. By contrast inclusion is a 'vertical' issue about forms of social inequality and power. The socially excluded lack access to material and cultural resources; the included share in such resources. If cohesion/anomie is not the same as inclusion/exclusion, then this generates a simple two by two table of possibilities (Figure 1). At least conceptually, societies can be cohesive or anomic, inclusive or exclusive.

However, operationalising each dimension immediately raises problems. There is a broad consensus that 'social exclusion' involves more than simply income poverty. In Townsend's famous definition those who are poor 'lack the resources to obtain the type of diet, participate in the activities and have the living conditions which are customary, or at least widely recognised or approved, in the societies to which they belong.' (Townsend, 1979: 31 quoted in Mingione 1996:8). Of course, this focuses on 'resources' rather than simply immediate income, and equally is of course relational. Nonetheless, this definition of poverty remains restricted to living standards, whereas the concept of exclusion is broader. It is more 'sociological' in that it involves questions of *connection* to the rest of society; it also carries the connotation that the excluded are in some sense 'pushed out' of society. Yet 'exclusion' too has its limits. Just as poverty is defined in relation to normal living standards, exclusion assumes that there is some broad normality of society in which

some people are prevented from participating ('the excluded'). Both notions assume a 'normal' relatively homogenous society: defining 'normal' might be possible in late 20th century Europe, but it's rather unclear what it meant even in early capitalist societies (e.g. 19th century England); as income gaps widen, it may be becoming implausible again in the USA today.

Particularly in comparative research, no one measure can take account of such complexities. A measure of income inequality is therefore not the same as a sociological concept of exclusion, but it is probably the best single starting point. Thus the vertical dimension of Figure 1 can be read as ranking societies according to a measure of income inequality (e.g. the percentage of the population below 50% of the median income).

Operationalising cohesion is also complex. There is now a well developed literature on social capital, usually understood as involving trust, social networks and social norms. At the same time at least two of these three elements are themselves multi-dimensional. Thus trust in institutions is not the same as interpersonal trust; social networks can be bonding, bridging or linking. While a recent OECD review (OECD, 2001) suggests that 'trust' can be taken as a proxy for social capital in its entirety, most authors reject this possibility (van Oorschot and Arts, 2005). A rather different approach, and one more useful for defining welfare states, is simply to consider cohesion as the opposite of the market, referring back to Esping Andersen's concept of de-commodification (Esping Andersen, 1990). Thus the horizontal dimension of Figure 1 can be read as plotting the extent to which the state ensures that income is not dependent on the market.

Figure 1 charts different societies on the two dimensions and produces an intuitively plausible clustering. Thus the Scandinavian welfare states have low levels of poverty and extensive decommodification of income. For this group most other measures of both inclusion and cohesion would have similar results. Thus virtually all measures of social equality (life chances, social mobility, education access, etc) put Scandinavian societies in an extreme position amongst market societies. Furthermore, Scandinavian societies have styles of life and living standards which are broadly accessible if not similar for all members of the society, so more 'sociological' definitions of inclusion are also appropriate. In terms of cohesion, most studies report higher levels of interpersonal trust in Scandinavia than elsewhere (e.g. OECD, 2001). A detailed analysis using European Values Survey data (van Oorschot and Arts, 2005) concludes that despite the claim put forward by third way advocates such as Giddens that the welfare state 'crowds out' social capital, the evidence is in fact the other way round: universalistic welfare states create social cohesion. A society can therefore be both inclusive *and* cohesive; it can have egalitarian styles of life and also having high levels of formal and informal mutual support. The Scandinavian social democracies with their ideas of the people's home (*folkhem*) come closest to this model.

At the other extreme societies can be exclusive and individualistic. The USA has extreme levels of economic inequality compared to other democratic market societies¹; it is also extreme in the extent to which income is market dependent. It is

¹ Interestingly, both Russia and especially China now seem to be following a model of development in which income inequalities are even more extreme.

thus in the lower left quadrant of Figure 1. Other measures of exclusion certainly point in the same direction as income poverty: the USA has extreme inequalities in access to health and education, the highest incarceration rate of any democratic society, etc. Furthermore, despite its self-image, rates of social mobility are not particularly high. If exclusion is defined as exclusion from 'normal' life styles, the problem is now that the range of income inequality is so extreme that a 'normal' lifestyle is becoming more and more difficult to define.

However, the question of cohesion is more complex. Of course the US is (in)famous for its individualism, but it is not clear whether this also means low levels of interpersonal trust and social participation. In his film *Bowling for Columbine* Michael Moore crosses the border to Canada and finds that there, unlike in the USA, normal people do not barricade themselves into their houses and do not threaten to shoot strangers. Rifkin cites survey evidence that Americans are far more likely than Canadians to believe that 'a little violence is okay' or that sometimes violence is justified in order to 'get what you want' (Rifkin, 2004: 31f). The complication is that, ever since de Tocqueville's *Democracy in America*, Americans have also been famous for their propensity to join voluntary associations, while individuals and corporations make extensive charitable donations. Putnam has claimed that the former is in massive decline, but this itself is debated in the literature; I am not aware of any evidence of a decline in American philanthropy, whether corporate or individual.

Historically however, most capitalist societies have in fact combined social exclusion with social cohesion. They have had a wide variety of living standards and economic resources, but at the same time quite extensive social solidarity. At very minimum the nation state involves ideas of commonality. Arguably Europe's feudal legacy has involved a particularly 'European' notion of the responsibilities of property (Hutton, 2002). In very general terms, European capitalist states before World War II thus combined exclusion with social cohesion. According to our more precise definitions, Continental European 'corporatist' welfare states are closer to the Scandinavia than the USA in terms of exclusion. As Esping-Andersen originally also argued, they like Scandinavian states, de-commodify income but link it to the family and to previous occupational earnings (the 'Bismarckian' concept of social insurance). Thus decommodification does not ensure the same basic level of all income for all citizens, but rather maintains families in the condition to which they are normally accustomed despite temporary market vicissitudes. The creation of the welfare state therefore moved these societies both 'upwards' in terms of inclusion but also ensured greater social cohesion (see arrow in Figure 1).

Esping-Andersen's original classification defined the Anglophone countries as 'liberal' since the welfare state involved relatively little decommodification. In fact, the UK is clearly not as extreme as the USA on this dimension, even though its extensive means testing does ensure that it remains different to both corporatist and social democratic states. Furthermore, Esping-Andersen has been criticised for ignoring that means-tested benefits in the UK and particularly in the Anglophone settler democracies of Australia, New Zealand and Canada are redistributive (Castles and Mitchel, 1993; Glennerster, 1999). *Unlike the USA*, these 'Anglo-Saxon' welfare states can therefore be seen as *both* inclusive and individualistic. This positioning of

the UK and its ex-dominions does fit with other objective measures of exclusion. However, measures of trust and networks not so clear, with no clear differentiation which would define the UK as systematically more individualistic than countries such as France or Germany. Interestingly however, and important for our later discussion, the UK has a lower use of public rather than private infrastructure. For example, compared to Continental Europe the UK has lower levels of public transport use, in particular within urban areas, just as private transport *within cities* is more important in the settler democracies and even more important in the USA (Newman and Kenworthy, 1999).

These differences discussed so far are differences between societies that are political democracies and have market economies. Outside the solid box in Figure 1 are some societies, past and present, modern and post-modern, which at most have market economies. Thus caudillo dictatorships (as in much of Latin American history) maintain an anomic form of social exclusion; fascism by contrast creates a *Volksgemeinschaft* – a people's community even though economic inequalities do continue. Societies as different as historic Bolshevism and the Afghan Taliban attempt to create egalitarian and cohesive societies by suppressing all dissent with institutionalised terror. Contemporary China seems now to be on the bottom left hand corner of the diagram, whereas thirty years ago it was clearly on the top right. Finally we could place in the top left hand corner cyber-populism (found in such magazines as *Wired*) since it imagines a society which is both egalitarian and completely individualised (a fantasy because the unrestrained market which is meant to ensure individuality would also necessarily generate inequality).

European welfare states are within the democratic box, but they are significantly different from the USA. If Europe really is to have the 'greater social cohesion' promised in the Lisbon declaration it must move towards the right hand side of the chart; if it has to 'fight against social exclusion' as social policy documents at least promise, then it has to move towards the top part of the chart. At the same time, if Europe is really becoming more 'Americanised', as many fear, it is moving in the opposite direction, towards the bottom left hand corner of the chart, with more social exclusion and more anomie.

Figure 1 About here

One peculiarity of contemporary Europe is the extent to which national identity has in the last half century become interwoven with the (national) welfare state. For Europeans, part of their Swedishness or Frenchness or German-ness is their welfare state. Whereas in the 19th century the national schools and the national army made, in the title of a classic study, 'peasants into Frenchmen' (Weber, 1979), in the second half of the 20th century it has been national education (and not just primary education), national insurance systems and national systems of health provision which made workers and consumers into citizens.

At one extreme the Swedish conception of the welfare state makes the nation state the *folkhem*: to be a member of the nation state is to receive and contribute to collective welfare. While here the market is completely subordinated to the egalitarian community, the German *Sozialmarktwirtschaft* (social market economy) conceptualises the market and society as interwoven and has been supported by both Christian Democrats and Social Democrats. In the early 1980s, when the German

economy was still an international success story, a social democratic election slogan was 'Modell Deutschland', implying that the *German* social market economy was a source of national pride and a model for other countries. Even Britain, today usually conceptualised within Continental Europe as epitomising 'Anglo-Saxon' liberalism and individualism, has a '*National Health Service*' which is probably more important to national self-identity than the monarchy. Here too we find a remarkable political consensus. To show that she was part of the *British* national consensus, Margaret Thatcher declared 'The NHS is safe with us', while more recently Gordon Brown remarked that "There is a British view of the relationship between civic duty and fairness that underpins why we have an NHS' (Prospect, 2005). The NHS contributes to *social cohesion* as well as to *social inclusion*.

Figure 1 therefore makes clear that European welfare states differ from the USA not just in terms of the extent to which they redistribute resources to reduce exclusion, but also in the extent to which they contribute to social solidarity. In the Anglophone world discussion of the welfare state still focuses largely on the former, despite the fact that Esping Andersen's concept of decommodification highlights the latter. As Kleinman for example notes, the Continental tradition not only focuses on social solidarity, it also sees social policy as involving the 'institutions and relations pertaining to the labour market' (2002:1). This difference has long historical roots: in the 19th century Anglophone world the social question was defined as 'poverty', while at the same time in France or Germany the social question was the 'workers' question' (*Arbeiterfrage*) - a distinction not unconnected to existence of a politicised workers' movement since the final quarter of the 19th century. As we shall now see, the structure and regulation of employment is crucial for the contemporary European welfare state and hence for the European Social Model.

The simplest point is that European societies, with the partial exception of the UK, have at least until recently not created a low wage service sector, largely because employment protection has simply priced such work out of existence. As Esping-Andersen (1999) argues, much personal service work (cooking, childcare, elderly care) is therefore done in the home, as in corporatist or familistic societies, or provided by state services, as in Scandinavia. One crucial component of Scandinavian social democracies is therefore extensive state employment in caring services. Indeed, analysing data from European countries, Bosch and Wagner (2004) show a correlation between the level of employment in caring services and income equality.

Thus in Scandinavian regimes, employment in caring services by *women* has facilitated the 'defamilisation' of women; it provides regular work outside the home for some women who thus provide support for all employed mothers (and to some extent, even fathers). By contrast, in 'familistic' and in particular 'Mediterranean' regimes, access to secure state employment *by men* is a crucial way in which families access social security benefits.

However, this highlights a feature of state employment as a whole. State employment in Europe has ensured that low skill work is not necessarily insecure work. The state has provided:

Work that required relatively modest skills, paid rather low wages, but offered security of employment and (because of the commitment of most public

employers to concepts of the 'good employer') freedom from the brutalisation often associated with low-skilled and low-paid work (Crouch et al, 2001: 239).

State employment thus directly and indirectly contributed to the social inclusion generated by European welfare states. Furthermore, these welfare states also were interwoven with other aspects of the workplace. Income differentials narrowed not just because of redistribution through the state, but also because of narrowing rewards from work. Arguably the workplace also contributed to social cohesion. State employment itself *sometimes* involved identification with work as a public service or 'doing something useful' (Sennett, 2004). Thus a study of British graduates reported that many entered public service management with the belief that they are 'Not just making money' but 'Doing something that matters' (Brown and Scase, 1994).

To the extent that the workplace is the basis for trade union organisation, the workplace is one of many sites where people can be involved in the formal organisations of civil society, and such formal participation is one aspect of social capital. Furthermore, to the extent that people have co-operate with each other at work, the workplace is one place where social trust is generated. In other words, it is important to consider the impact of the organisation of work on the wider society.

Such European features occur within national states. The European welfare states were consolidated as national welfare states during the initial creation of the European Economic Community (Milward, 1999). However, today the shared political system of the European Union facilitates a self definition of European states as welfare states (Kleinman, 2000: 224). There is no single European welfare state and no single European social policy, but the EU provides a political framework and hence a political boundary.

The European Social Model: citizenship and public space

Questions of social inclusion and social cohesion also relate to the issue of citizenship. If cohesion is democratic it must involve participation in the collective deliberations of society; if inclusion is democratic, it must involve social rights. Such extended citizenship in turn involves an active state. As we shall now see, Europeans are partly defined by our social and economic citizenship and by our participation in a public space. While employment has little directly to do with social citizenship, employment relations are central to economic citizenship.

Social citizenship

The simplest difference between the USA and Europe is that we have welfare states, they do not. Citizenship in Europe includes *social* citizenship, i.e. that cluster of rights to education, health and social security. Such rights can be justified as ends in themselves, or as necessary preconditions for effective political citizenship (citizens can hardly be expected to participate in decisions if they cannot read or if they are starving). They are however rights, with the implication that they cannot be taken away and they are therefore enforceable.

Certainly, charity and voluntary work are also part of good citizenship, and Americans are justly proud of their traditional generosity in this area. However, the

problem with charity is twofold. Firstly, it may be good for the donor,² but by itself not even the most supportive tax environment can replace an effective welfare state. Thus in the US state social expenditure as a proportion of GDP is of course far lower than any European state. When private social expenditure³ is included, the total approaches European levels (Adema, 2001) but the proportion of the population in poverty remains far higher (Begg and Berghman, 2002). In other words, US charity and US private welfare, just like US privatised medicine, is a dramatic testimony to the inefficiency of private solutions. Secondly, social rights cannot depend on the voluntary goodwill of others, since there is no necessary correlation between the extent of the recipient's need for social support and the intensity of the donor's charitable feeling.

Such rights necessarily have costs, not just in monetary terms but also in terms of restraints on the rights of others (Pagano, 2001). If there is to be free education, then taxpayers have to pay for it. My right to free education constrains your right to spend your income. And frequently, rights and obligations are imposed on the same people (my right to health means I have to pay higher taxes). Furthermore, once people have *rights*, they are also opened up to *duties*. The political right to vote was historically linked to the obligation of universal military service, while today welfare rights are defined as involving the obligation to look for work. This density of rights *and obligations* in Europe means that Europeans are of necessity more entangled in the state than Americans.

The importance of social rights in Europe also has its converse, the unimportance of group rights (Kymlicka, 1995). As individuals, citizens have social rights and these rights are by definition universal: they apply to all members of the society. Hence the defining characteristics of all members of the society are more extensive than in a society where social rights are limited. Furthermore, because social rights have substantial financial costs, they are only sustainable if they are interwoven with notions of mutual responsibility (I am prepared to pay taxes or even 'insurance' to finance my fellow citizen's health needs). Indeed, one of the more effective (and unusual) arguments **against** social rights is the claim that the individualistic USA is far more tolerant of cultural diversity and immigration than is socially cohesive Europe. Historically, inequality has been posed and challenged in the USA in terms of ethnicity and 'race', but in terms of social class in Europe. Multi-culturalism turns out to be a curiously Anglo-Saxon concern!

The extent and form of social citizenship is almost entirely the preserve of the nation state. Nonetheless, to the extent that the EU allows freedom of movement across the EU to citizens of each member state, social rights do have a European dimension, since 'a free-mover can now count on receiving a reasonably similar amount of subsistence-level support in all states' (Threlfall, 2003:130). Such freedom

² Most religions stress the value of charity, but they are more concerned with its value to the donor than to the recipient. When writers such as Putnam (2000) see charitable giving in terms of social capital they are adopting the same perspective.

³ Private social benefits are defined by the OECD as benefits such as employer-related pension plans which 'contain an element of inter-personal redistribution' (Adema, 2001: 9).

of access to social rights is neatly symbolised by the new European Health Insurance Card (the replacement of the little used E111) which allows all EU citizens access to publicly funded urgent healthcare wherever they may be within the Union.

Economic citizenship

Unlike Britain (and to a large extent Ireland), many Continental European states have also developed institutions of *economic citizenship*. This involves rights of representation within the workplace. Employees' rights to health and safety at work, and even the common law concept of the employer's 'general duties of care' (Meenan, 1999: 388), are hardly specific to European countries. European employees do however have more developed rights to be involved in the enterprise for which they work. Such rights can be simply rights to information (the right to be told what is going on), they can be rights to influence what occurs. The most developed form of such rights is represented by the German tradition of *Mitbestimmung* (co-determination), in which employees have rights to representation at both workplace and enterprise level. *Mitbestimmung* is an example of how rights and obligations go together: while German employees have the right to representation, their representatives are also bound to consider the good of the enterprise.

This is totally different to trade union representation. Here too rights involve obligations, the *right* to strike and the *duty* to keep a wage contract, but trade union representation remains traditional in that employees remain external to the enterprise, while *Mitbestimmung* makes them internal to it. Again there are of course massive variations across Europe in the extent of trade union *membership*, but it is often ignored that this variation is much smaller in terms of trade union *coverage*, i.e. the extent to which employees are covered by an agreement negotiated by trade unions (Krieger and O'Kelly, 1998). There are also differences between national industrial relations systems across Europe and differences in the extent to which trade union membership has been declining. Nonetheless, taken overall, it remains true that trade union representation remains important and legitimate in Europe.

Representation *within* the enterprise (co-determination) and representation *to* the enterprise (trade unions) have been termed 'indirect participation' to distinguish them from 'direct participation' in which employees participate in the immediate organisation of their work. Such participation is particularly promoted by contemporary American-style human resource management ('high performance workplaces' etc.). Such direct participation can be much more important to employees and of course is claimed by its proponents to increase commitment and productivity. What matters here however is that direct participation *is not a right*. To paraphrase the Bible: Management giveth, and management taketh away.

Interwoven with economic citizenship are employment rights. Here we reach the most contested area of the European social model, the debate on labour market flexibility. Compared to American workers, European workers enjoy protection against dismissal; they have rights to maternity leave and even parental leave; their working hours are regulated, as often is 'non-standard work' such as temporary contracts and agency working; their wages are usually fixed at national, regional or sectoral level. Furthermore, if they are unemployed or sick, they receive income support and so do not have to work at poverty wages. Of course, precisely such rights are often claimed to make Europe's labour market 'inflexible' and to cause high

unemployment. Yet many European member states have lower unemployment than the USA and the forms and levels of employment protection vary across the Union. It is difficult to argue that employment rights that derive from EU legislation are the cause of high unemployment in specific member states.

The backbone state and the creation of public space

The European social model is only possible because Europeans accept the importance of the state. In the USA the state is often seen as bad in itself, as a necessary evil. Hence political extremists in the USA, such as the Minutemen, attack the state as such. By contrast in Europe the necessity of the state has much firmer acceptance, so that organisations like the IRA are quite likely to murder people, but consider that the state is the *wrong* state.

In some countries the state is widely seen as serving the public good and incorporating principles of fairness and rectitude. The French *service public* serves the public, the German *Beamte* (civil servant) is morally upright. Across Europe there are different justifications for the state and a variety of popular conceptions of the state. In contemporary Germany the tradition of 'ordno- liberalism' sees the state in instrumental terms, as necessary because of market failure (Smith, 2001), while in France the state and the nation are interwoven (Schnapper, 2003). Underlying these differences is however a fundamental belief in the state as a different area to the market, as above the clash of private interests, even perhaps as the backbone of society. Of course, the state is frequently resented as well as supported. Italy is an interesting case, because notoriously Italians regard their state as inefficient, corrupt and even parasitical. Yet intriguingly, even in Italy the state is accepted: Italians may loathe it, but they seem unable to imagine doing without it. Long ago Karl Marx described the state in capitalist Britain as 'the night watchman state' - a state which maintained law and order, but did little else. Not only would the statement be absurd today, there are in Europe few who seriously wish that it were true.

Interwoven with the acceptance of the state is the acceptance of a public sphere – of an area of society which belongs to all citizens as of right. Here in the public sphere things are done not for profit, but for the general good. A public transport system may not actually be provided by the state, but it is provided *for the public*. 'Public service broadcasting' – a concept almost unknown in the USA – means that some media are considered too important to be run purely for profit, since citizens have a right to good quality entertainment and impartial news which the market cannot be trusted to deliver. Similarly, it is accepted that the state should play a major role in providing education and health, since these involve notions of equity which it would be difficult for a commercial company to apply. As Will Hutton remarks:

'This social capability is supported by a conception of the public realm whose underwriting of public science, public transport, public art, public networks, public health, public broadcasting, public knowledge and the wider public interest gives European civilization its unique character while offering many of its enterprises competitive advantage.' (Hutton, 2002: 258-259).

As in particular Marquand (2004) argues, this 'public realm' is distinct from both the market and the private spheres. The public realm is not reducible to the public services provided by the state. In this institutional sphere decisions are made and

arguments developed not in terms of the market, but equally not in terms of the private links of kinship and personal relationships. A market economy can only function if such a non-market and non-private institutional area exists (hence the discovery of the importance of 'good governance' for those trying to bring market economy to Russia), and the existence of some public realm is hardly unique to Europe. However, Europe is characterised by a particularly extensive public realm because of the extent of 'decommodification' of services such as media and transport which fall outside the welfare state discussion. As with the welfare state, there are national variations in the history and shape of the public realm. Arguably 19th century Britain was at the forefront of the creation of a public realm, epitomised by the development of a professional and non-political national service (Marquand, 2004: 46) and of 'improving' municipal government in the big cities (Hunt, 2003). Conversely, it would seem that Britain today is at the forefront of the destruction of this public realm, with its introduction of market rationality into ever wider spheres of public life.

The European extension of social and economic citizenship, as well as Europe's extensive public sphere, are all primarily the creation of the nation states that make up Europe. They may define Europe, but their origins have nothing to do with the European Union. Today however, they increasingly implicate the EU, but in contradictory ways. The EU now is involved to some very limited extent in some areas of social policy and hence of social citizenship; residents of the EU now have common right of access to public health services. Most importantly but almost imperceptibly, the EU provides a framework for what could be called, 'people's benchmarking' of the welfare state. When citizens of a member state complain about their health service, their childcare provision or their transport system, they increasingly make comparisons within the EU. In terms of economic citizenship, the EU clearly does *at least in law* define basic standards in employment protection and the right to information and consultation to all who work within its borders - whatever their national citizenship. The EU is therefore partly constitutive of Europeans' economic citizenship. Finally, the institutions of the EU create an additional space where public opinion is formed and associational life developed. None of this means the replacement of national with European identity, but it does mean that in low key and even unnoticed ways Europeans have acquired a new element of citizenship (Soysal, 2002; Threlfall, 2003).

Challenges

Central to the ESM is the regulation of employment, so challenges to national systems of employment regulation would appear to threaten the ESM. It is now clear that in both corporatist and familistic welfare states the regulation of employment also makes the labour market less flexible. High job security for those in regular employment creates insider and outsider labour markets. If unemployment benefit is closely related to previous pay, employees are less likely to take new jobs; if benefits are funded from taxation on employment, employers face considerable disincentives to hiring. The extensive uncoupling of benefit levels from previous pay in the 'Harz IV' reform in Germany moves the German corporatist welfare states towards the more individualist UK model, and may well have dramatic consequences for living standards, but it is not an abrogation of fundamental social rights. However, even if

all the Harz reforms are fully implemented, Germany will remain a national welfare state within the European Union, albeit a rather different sort of welfare state. Other changes within the enterprise itself are arguably more important.

If the EU is now partly constitutive of the empirical reality of the European Social Model, it is also implicated in challenges to this same Social Model. Throughout the 1990s there was extensive discussion of the roll back of the welfare state, yet to date this has simply not happened. With the exception of the UK and Ireland, state expenditure as a proportion of GDP has remained roughly constant over the last decade; the major change has been an *increase* in the relative and absolute expenditures of the Mediterranean countries where historically it has been lower. In these terms there is – at least as yet – no sign of a convergence towards an American-style minimalist welfare state (Greve, 2003). Furthermore, it is now clear that ‘globalisation’ may be adduced by politicians as justification for all sorts of activities (Hay and Rosamond, 2002), but in fact exposure to global trade or global financial markets does not determine the overall level of state social spending (Swank, 2002). However, this does not mean that everything is rosy in the welfare state garden. There are real and mounting threats to the European Social Model, but they lie in changes in employment and its regulation: a series of interconnected changes in the nature of employment in general, as well as particular changes in state employment. These impact to some extent on social citizenship but more directly on economic citizenship and on the public realm.

Changes in employment

Although management pundits continually claim that there is now no such thing any longer as a job for life, there is surprisingly little evidence that job tenure is actually shortening, even in the UK (Crouch, 1999: 177; Doogan, 2001). What is happening is that the workplace is becoming less cohesive. The growth of subcontracting, outsourcing and the use of agency workers for core as well as peripheral tasks all make the boundary between employees of the enterprise and the rest of the world more permeable: the enterprise is ‘de-institutionalised’ (Garhammer, 1998). As employees have more variety of contractual status and as more contracts are individualised, as working times and even locations multiply, so the workforce fragments. Crucially, this fragmentation of forms of employment goes with (and perhaps contributes to) growing perceived insecurity of employment. The growth of ‘shareholder value’ as an organising principle of management creates a pressure towards measuring the immediate contribution of individual employees as closely as possible, thus financialising the employment relationship and rewarding short termism, not least in relation to training. Thus instead of the workplace being where co-operation is learnt, it becomes a new locus for individualism.

Such reduced cohesion can of itself contribute to growing exclusion, since it makes it more difficult for trade unions to organise and exercise countervailing power over management. There are other ways in which changes within the workplace undermine social inclusion. So called ‘flat’ organisations turn out to often offer fewer promotion ladders out of the lower ranks. The declining importance of product and technical skills within much of the workforce, and the growing importance of ‘professional’ skills (such as accountancy and IT) involve new polarisations of skill and a new gap between vocational training and professional education. Finally, and

most obviously, changes in the workplace are beginning to increase gross wage and salary differentials, quite apart from any changes in taxation and social welfare systems.

Challenges to state employment

We have seen above that state employment is important to the ESM in two senses. Firstly, employment conditions (regular pay, basic rights) in the state sector have been one of the factors inhibiting the growth of a low wage sector in Europe. Secondly, state employment plays a particular role in different forms of welfare state: large scale regular employment for women in state services in Scandinavia, a privileged basis for social security benefits in both familistic and corporatist systems. Outright privatisation and various forms of outsourcing and marketisation within the state sector clearly undermine all of this.

Everywhere major utilities such as electricity, transport and the postal services have been large employers of labour; everywhere these enterprises are now either privatised or being prepared for privatisation. Such change is always presented as 'reform', yet the terminology is bizarre: even when national electorates have given privatising governments popular majorities, as in the UK under Thatcher, privatisation per se has never had a popular majority (e.g. Florio, 2004: 243). In the UK, which has the longest experience, the overall benefits of privatisation are debatable. Almost the only unambiguous consequence is for employees: a substantial gain in income (in the form of both higher salaries and stock options) for senior managers, some modest income growth but also higher effort for the middle ranks of employees, and *clear income losses for the unskilled* (Florio, 2004: 205). Often this has involved the replacement of full-time posts with part-time workers. In the Netherlands it is planned that '14,000 of 25,000 full-time mail jobs will be lost or replaced by 20,000 "mail deliverers" who are 50% cheaper to employ...there are plenty of people, particularly women, keen to work for 10 per cent above the minimum wages at hours that suit them.' (Bickerton, 2005).

These changes in employment may also undermine the 'backbone state' and hence the public realm or the public sphere. When post is delivered no longer by a national postal office but a global logistics company, it is difficult to believe in the continuation of the classical European nation state. Certainly, advocates of the public realm insist that it is not the same as public enterprise; the contemporary argument is that private companies can be regulated into providing public services ('services of general interest' in Brussels jargon) complete with universal service obligation but with all the alleged efficiency of the private sector. Yet this seems naïve. Privatisation and liberalisation are occurring at the same time as the private sector is being redefined in terms of shareholder value – and notions of the general good and public welfare have therefore less and less purchase within it. Whereas in the 1960s social democratic theorists such as Crosland could praise the social responsibility of the managerial corporation (see Florio, 2004: 26; also Marquand 2004: 67), such attributes of professional management are hardly likely to be found today.

Advocates of privatisation claim that government agencies become 'captured' by their employees and hence fail to achieve their public tasks. Bizarrely however, these same theorists not only ignore those mechanisms (ranging from public supervision through to ideologies of public service) that *can* prevent or limit such agency capture;

they completely ignore the extent to which privatisation undermines the public welfare. Moving expertise to the private sector can undermine the strategic competence of the state; competition between public agencies can destroy shared professional knowledge and weaken public service commitment (Davies and Thomas, 2002). If public services are provided by private companies, then this generates a range of new interest groups, ranging from the legal specialists in public sector contractualisation through to major new global service companies such as Connex (public transport) or ISS-Integrated Services Solutions (facility services in healthcare). For such people and such companies, economic success depends on continual expansion of their market – not least by prising open further areas of state provision (Lorrain and Stoker, 1997: 14). In these conditions the continuation of the public realm depends on whether public services are provided by companies for public citizens or private consumers – and so far at least the evidence points towards the latter.

These changes in employment are now facilitated and promoted by the European Union. Privatisation as a political programme began in the UK, but it is EU competition policy that opened up German state services such as the Deutsche Post to competition, and created a situation in which international companies are able to use both DG Competition and the European Court of Justice to mutually increase each other's powers (Smith, 2001). The creation of a market for services is thus part of the process of negative integration within the EU in which national barriers are politically torn down but no social policies created which would provide positive integration (Scharpf, 1999). In the short term these processes enhance the power of those EU institutions concerned with market expansion, but in the long term may well undermine the rationale of the European project itself. This is nowhere clearer in the debate over the services directive, which in its original form could have had the consequence that states would have been compelled to open *any* public service (including health and even education) to competitive tendering. Similarly, the drive to create a single financial market rests upon acceptance of shareholder value models of the enterprise, jettisoning all the previous attempts to develop a European company model that incorporated the principle of employee representation.

Conclusion: the hari-kari of the European elite?

Relaunching the Lisbon Strategy in 2005, President Barroso claimed that 'in order to preserve and develop our European model, it is essential to restore growth in Europe'. From this perspective, 'our European model' is some sort of luxury consumption which we can only afford if we become more competitive. However, this stance ignores the extent to which the pursuit of 'competitiveness' is actually undermining or threatening key features of the European Social Model, even though the ESM is one important source of political legitimacy for the EU itself. While European politicians at least makes gestures towards the ESM, they are in fact destroying it. This involves a massive failure of political will and imagination.

First of all, 'Europe' is now equated with the single market. For Jean Monnet and thirty years later even for Jacques Delors, economic collaboration via the single market was a route towards 'the ever closer union' of the European nations. The market thus served a political objective. The European project was constructed by traditions as distinct as European social democracy and European Christian

democracy – it was not the private property of the political left or right. However, for both of these traditions it was axiomatic that the market had to be balanced by concerns of social justice, since nobody believed that the market itself could produce the good society. And finally there was a sense, however vague, that social cohesion and inclusion, while desirable in themselves, could also be functional to economic growth.

Today such beliefs are increasingly marginalised. The ever closer union of peoples is replaced by the ever expanding market. If the EU is simply the governance of a shared market, then of course any country with a free market can join. Instead of the market needing to be balanced by social concerns, it is assumed that the market is itself an efficient *and just* distributional device. Accordingly, in words that would be astonishing in a normal democratic constitution, the draft European Constitution aimed to make society and the workforce ‘responsive to economic change’ (e.g. article III-97) (Supiot, 2005). Instead of social cohesion being an integral part of a particular form of economic growth, cohesion becomes at best a reward for good behaviour.

In these circumstances it is hardly surprising that the European Union increasingly lacks political legitimacy. The ESM is one defining achievement of the EU, it marks out Europe as a democratic and market-based society that is distinct from the hyper-individualism and social exclusion of the USA. Once that is abandoned, then there is no possible reason why ordinary people should support it. As Jacques Delors once remarked, nobody is going to die for a market – particularly one might add, if it is going to destroy your society.

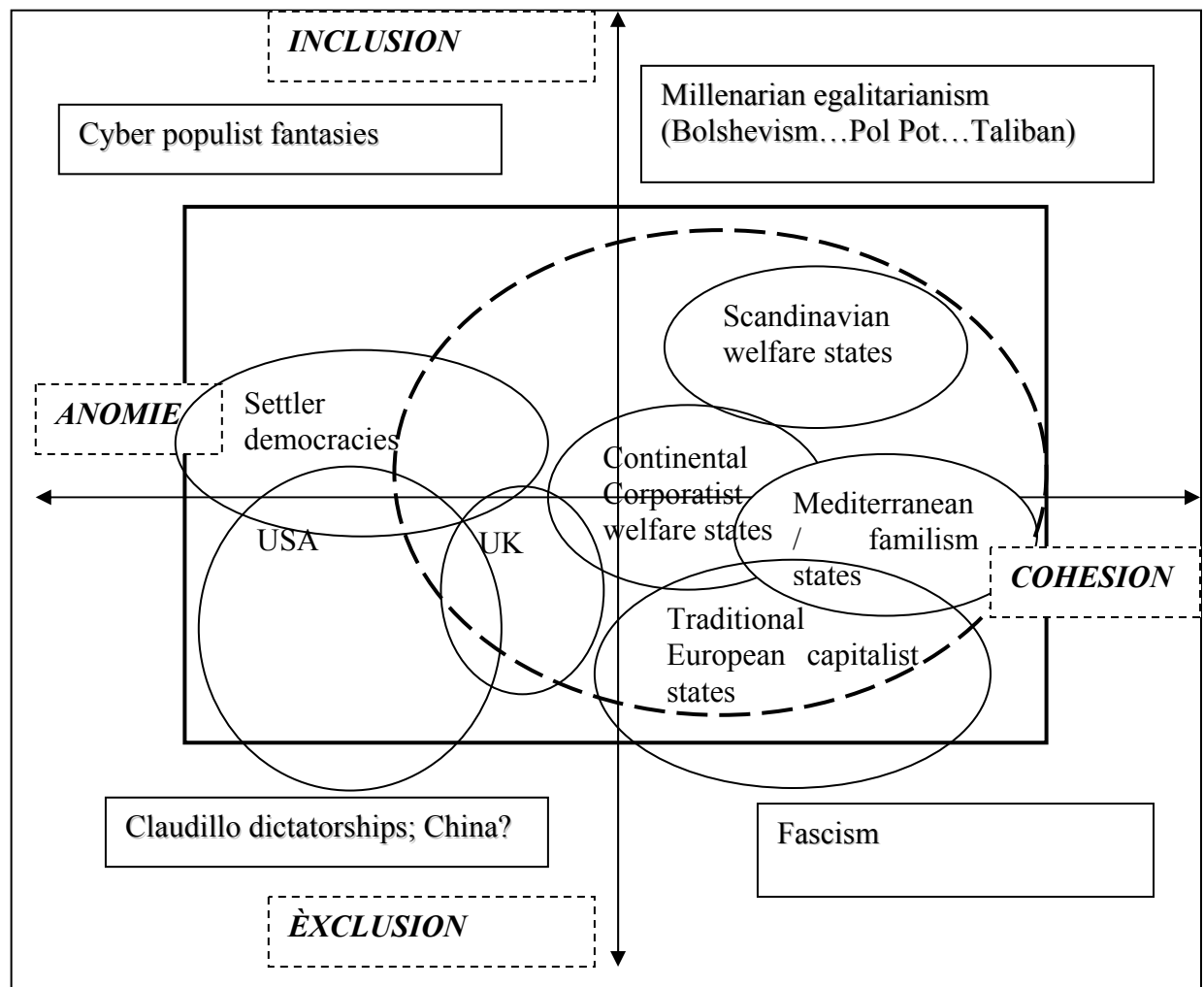
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Figure 1 Social cohesion, social inclusion and the European Social Model



Solid square: democratic market societies

Dotted oval: European Social Model