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28

Can European Socioeconomic Governance Be Social Investment Proof?

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In recent years European Union (EU) socioeconomic governance has changed considerably. The creation of the European Semester has furthered integrated socioeconomic policy coordination, and stricter economic governance has aimed to improve compliance with debt and deficit rules. What room does the new governance architecture give to social investment? On the one hand long-term goals and Treaty norms support stock, buffer, and flow functions of social investment. On the other hand, the focus on public finances in the Stability and Growth Pact (SGP) limits options for investing in societies. This chapter shows that the flexibility within EU socioeconomic governance does not restrict social investment necessarily. It is the member state, however, that has an important role in promoting and developing social investment. Good national practices may then feed into the coordination process and challenge ideas on how to improve the EU's social and economic state.

28.1 New Socioeconomic Governance and the Options for Social Investment

Current EU socioeconomic governance takes place within the framework of the European Semester. It includes the Europe 2020 Strategy and the Macroeconomic Imbalances Procedure (MIP) which both offer some scope for social investment. Europe 2020 formulates a range of social goals, such as the decrease of early school-leaving or the Flagship initiatives 'Agenda for new skills and jobs', which essentially mind stock and flow functions of social investment

(see also Kvist 2013). It hosts most EU implementation activities in order to facilitate national progress. Europe 2020 monitors social investment policies and their outcomes, provides financial assistance via the European Social Fund, and streamlines governance and reporting (European Commission 2015). The MIP predominantly considers macroeconomic issues. However, recently it has been expanded to include social indicators (albeit auxiliary indicators), including reducing long-term unemployment and at-risk-poverty rates. Besides Europe 2020 and the MIP, the SGP is also part of the European Semester. This coordination mechanism may be seen as the most restrictive for social investment due to its emphasis on meeting debt and deficit targets. The implementation of the Six-Pack and the Fiscal compact has strengthened the SGP, and also the MIP may result in financial penalties for Eurozone countries (Bekker and Klosse 2013). The Europe 2020 Strategy has remained a soft coordination cycle. Thus, in case of conflicting messages stemming from either one of these coordination mechanisms, the message to reduce public expenditure has been communicated to member states with much more force than the message to reach social goals. Within this wider coordination setting, a general EU-level narrative to develop social investment seems frail (Ferrera 2016).

Nevertheless, the question whether European socioeconomic governance can be social investment proof is not a straightforward one to answer. The complexity inherent in the new governance system makes it difficult to pass a quick judgement that applies for all member states. As the governance process tailors evaluations to specific national challenges, the EU's policy recommendations vary considerably from country to country (Bekker 2015). The dissimilar room for social investment per member state is furthered by the different sets of rules applying to certain groups of countries. First, important distinctions are to be made between bail-out and non-bail-out countries. The financial assistance packages for bail-out countries were given on the condition of drastic cuts in social expenditure and major structural reforms, leaving little to no room for social investment (Clauwaert and Schömann 2012; Costamagna 2012; Doherty 2014; Kilpatrick and de Witte 2014). The conditional loans of these countries are not based on the SGP rules, however, and thus fall outside ordinary EU socioeconomic surveillance (Begg 2013). Secondly, rules differ for Eurozone and non-Eurozone countries, as only Eurozone countries may get a financial sanction when perpetually failing to meet the SGP or MIP rules. In theory, countries in good economic and fiscal state are in preventative surveillance, leaving them more room for social investment than countries in a corrective arm of coordination. Thirdly, the set-up of the socioeconomic governance process ensures that the process is open to changes in targets following revised economic or social circumstances. This makes the process and its targets not per se statically oriented to social investment or not. On the contrary, the options for social investment may differ from