Keynote Speeches

The European welfare state

Alberto Martinelli
Professor Emeritus of Political Science and Sociology at the University of Milan, Italy.
Former President of the International Social Science Council, UNESCO.
Co-chair of the International Modernization Forum.

The EU, with less than 7% of the world population and 22% of the world GDP (in US$, but only 17% in PPP-purchasing power parity), has about 50% of world welfare expenditure (2017 data).The welfare state, one of the most important institutional innovations of the XX century, is a European innovation. Together with market economy is a component part of the European social model (ESM), an original blending of capitalism and welfare. The concept is sometimes used to define both components, some other times only one the two, i.e. the European variety of coordinated capitalism or social market economy (with respect to the American variety of market-driven capitalism), or the welfare state, i.e. the set of health, education, social security, public assistance services and benefits, labour market norms and industrial relations practices. In this speech I will use the term mostly in the latter sense, with the further specification that European welfare state can mean either the complex of what national welfare regimes of EU member countries have in common; or the set of EU norms and policies aiming at coordinating, superseding and integrating EU member countries' social policies (adding a new supranational layer to existing regimes); or a unified European welfare state with the same policies for all European citizens (that absorbs and integrates the various national welfare systems). I will refer all the three meanings, although the third reflects less than the other two what is the situation now.

The European social model is a distinctive aspect of European society with regard to other main societies in the world, first of all the American, The concept is omnipresent in EU documents, where is often used in a normative rather than descriptive sense. ESM rejects the conception of the self-regulating market and aims at achieving economic competitiveness and social cohesion at the same time. It is an effective insitutional device to remedy market failures and ensure social protection, a major way of non violent conflict resolution through the virtuous circle between social citizenship rights and representative democracy. The sharpening of competition in the global market and the rising costs of welfare threaten its survival, but the welfare state proves to be very resilient; and the belief that economic competitiveness and solidarity are complemetary goals is still widely agreed upon by Europeans.

The European social model developed in different forms and through different paths in various EU member countries, but is based on a core of shared values that include representative democracy and individual rights, market competition, freedom of movement, collective bargaining, equal opportunities, social protection and solidarity. The model is based on the conviction that "economic progress and social progress are inseparable" (Commission, 1994:333). Its main distinguishing characteristics are: a non residual welfare system, that is not addressed only to the poorest social groups and hence involves a high social expenditures (between 20% and 30% of GDP); labour market 'flexicurity' aimed at ensuring both incoming and outgoing flexibility for firms and jobs and wage security for workers; institutionalized industrial relations with inclusive representative organizations and collective bargaining for wages and working conditions. Other characteristics are present only in some countries, like the involvement of trade unions and business interest associations in economic and socal policy-making and workers participation in corporate governance (*Mitbestimmung*).

Welfare state models

Speaking of a European social model does not imply neglecting the relevant diversity in member states' welfare systems. Well known typologies of welfare ideal types can help us to appreciate this diversity, although a word of caution is in order: first, one should not neglect the dyscrasia between ideal types and concrete arrangements where they combine in various ways; second, one should be aware of the inherently static character of ideal types and the false systemic coherence of their component parts, and should not consider one type as the perfect model, evaluating all others in terms of their deviations from it. From the the rich literature on comparative welfare systems (first of all,Esping-Andersen,1990,2002, but also Crouch,1999, Pierson 2001, Gallie & Paugam, 2002, Ferrera, 2005, Hemerijck, 2012, among others), one can identify four main ideal types , which can be defined in terms of basic principles, institutional mechanisms, key actors, entitlements, policy instruments: the liberal, market-oriented Anglo-Saxon model; the Nordic, social democratic, full citizenship model; the communitarian, continental model, which in its turn can be subdivided in two: Central European and Mediterranean.

In the liberal, Anglo-Saxon model, welfare benefits are granted in relation to basic needs, policies are targeted to well defined social groups (the poor, the elderly), labour market is largely unregulated, unemployment subsidies are modest and short-term, the production of health and social services is mostly private, taxes are low. Ideological foundations are free enterprise and individual responsibility, equality of opportunities, and the belief that the free market is the best source of welfare while state intervention threatens individual freedom (with the notable exceptions of the key role of government in keeping law and order). The country welfare system coming closer to this first idealtype is in the world the United States and, in Europe, the United Kingdom (after the Thatcher government), Ireland and to some extent the Netherlands.

The second type, Nordic, social democratic, is a universalistic model of social citizenship with high standard government services provided to all, extended public employment, active labor policies, gender equality measures, unemployment benefits directly managed by trade unions, strong decommodification effects, and high taxes to finance all this. Its ideological assumptions are social democracy and Lutheranism with their principles of equality of opportunities and rewards, full employment and the centrality of work as the core source of identity (Kautto et al.2001). The Scandinavian countries are those which come closer to this second idealtype.

The third, the communitarian, or corporatist, conservative model relies on employment-based, status-related, social insurance schemes. High employment levels are needed to subsidise services. It was first implemented in Germany at the end of the XIX century by the Bismarck reform and concerned only the male breadwinners, but was later gradually extended (keeping its professional base, instead of moving toward universalistic social security). Its ideological assumptions are rooted in Socialist trade-unionism and Christian social thinking (communitarian in the Catholic variant, hybridized with some notion of individual responsibility in the Protestan variant), that support communitarian solidarity, autonomy from government of family, church and professional organizations, and subsidiarity. The welfare systems of Germany, Austria, France, The Netherlands, Belgium, Italy and Spain, show various elements of this ideal type, but their differences are so great that it is preferable to distinguish two variants or sub-types: central European and mediterranean.

The first variant, that includes Germany, Austria, France and Benelux, is characterized by social security contributions as a non-wage component of labor cost, the participation of unions and employer associations to the management of pension systems, rigorous norms on work safety, sectoral industrial relations and bargaining. The second, that includes the Mediterranean countries and Portugal, is characterized by a strong dependence on social services provided by the family-which compensate for the scarcity of public services and implies a low participation of women to the labor market, universalistic health system, and generous pension schemes, which foster intergenerational inequalities (Ferrera, 2005).

The relationship between social protection and competitiveness is different in the four models: the Anglo-Saxon is marked by a trade-off between high competitiveness and low social protection, in the continental the reverse happens; in the Nordic model the levels of social protection and competitiveness are both high, while in the Mediterranean are both low. When submitted to the check of national accounting this tipology is substantially confirmed (Martinelli, 2007). In the Anglo-Saxon model there are high levels of private spending for pension funds, in the Nordic high levels of social spending in general and for social services in particular, in the Continental spending for pensions is higher than that for social services, while the Mediterranean is characterized by high and essentially public spending for pensions compared to much lower spending for other social policies (Italy, for instance, still has a high quality health system, which is now threathened by diminishing public investments).

After the implosion of the USSR in 1991 and the EU enlargement with eleven new Eastern members-Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia in 2003,Bulgaria and Romania in 2007,Croatia in 2013(plus Cyprusand Malta), the question was made whether a fifth welfare ideal type should be added. Actually, in spite of their common historical experience of regime change from capitalism to real socialism and back, the welfare systems of these countries, rather than outlining a fifth ideal type, are the result of hybridizations between elements belonging to the other four. In 65 years of communist rule, pensions, social assistance, full employment, health care, education, family services, were provided to all citizens, but, in general, with low quality services, low labor productivity, extended under-employment and poor standards of living (Kornai, 1992). In the complex double transition from planned economy to market economy and from party-state political regime to representative democracy, there is a strong demand for better and more inclusive social policies, but the percentage of social spending on GDP keeps low (Inglot, 2008).

Challenges confronting the European welfare states

The welfare state typology I have outlined has been updated and integrated against the dynamic background of globalisation by transformative social policy reforms both before and after the global financial crisis; reforms based on a better understanding of the interaction between domains often treated separately in comparative welfare analysis (macroeconomic, fiscal, labour market policy and regulation, industrial relations, demographic shifts, changing family patterns, work-life balance policies). But the four ideal types still matter insofar as they help appreciating how national welfare regimes differently responded to the external and internal challenges of the last decades.

All EU countries had to confront these same challenges in a context of intensified European regional integration, but their policy makers made different, path-dependent attempts to redirect the welfare effort, redesign institutions and elaborate on new principles of social justice. As far as external factors are concerned, international (global) competition challenge the re-distributive scope and de-commodifying power of national welfare states, their capacity to shield people in need against the hard laws of the marketplace. Several scholars believe that the increase in cross-border competition in the markets for money, goods and services has substantially reduced the room for manoeuvre of national welfare states; and that tax competition between nation-states in order to attract foreign investments results in an under-provision of public goods. Others credit to global competition the fact that decision-makers were led to adopt long-needed welfare policy changes and innovations (also in order to cope with rising public debt).

As far as internal factors are concerned, ageing populations (as a result of rising life expectancy and rapidly falling birth rates), changing family structures, the feminisation of the labour market, changes in work organization and skill-biased technological change are all processes which challenge the institutions of work and welfare inherited from the industrial age. Let's see them more in detail. The reaching of the retirement age for the post-Second World War generation of babyboomers has changed the ratio between active and non active population, greatly increased the number of pensioners and exploded the cost of social security. The prolongation of average life expectancy thanks to medical progress and improved life styles impacts on both health care and social security expenditure. This demographic cycle will last thiry-forty years and have more or less severe consequences in different countries depending on birth rates (which are higher in countries like France and lower in countries like Italy and Spain).

Growing women's participation in the labor-market is another cause of increasing social security and healthcare expenditure, since transfers from families to state institutions the burden of caring for pre-school children and non self-sufficient elderly. The transformation of family structures -in particular the growth of single-parent families that are more exposed to the risk of poverty and social marginalization- also contributes to increasing the costs of public assistance. Moreover, the prolonged economic crisis, closure many factories and job cuts, increase the costs of unemployement relief and vocational rehabilitation programs.

On top of all these changes came the 2008 global financial crisis, the long economic recession and their social and political aftershocks. As I will discuss later, new and rising inequalities, youth unemployment, skill-biased patterns of social exclusion, and new sources of immigration and segregation, also in the housing market in metropolitan areas, threaten social cohesion. Declining trust in representative democracy, rising populism and neo-nationalism challenge the project of a closer political union (Martinelli, 2016, Ispi, 2017). After a series of emergency bailout mechanisms and the ECB's monetary interventions to do "whatever it takes" to defend the Euro, the new imperative for the EU has been to mitigate the social and political repercussions of the long recession.

The European social model as common core of European welfare systems

European welfare is both diverse- because the national welfare systems correspond to diffeent ideal types I have outlined- and unique, because a social pan-European dimension is always present in the treaties and member states share a core of common characteristics and face common challenges.

In the early decades of European integration, it was first of all Germany which asked and obtained that in almost any area of social policy national governments could keep absolute discretion and sovereign power, although putting greater social equality for European citizens among the Community goals. With the growth of the single market in the 1980s, worries of a downward alignment of social protection levels in the most advanced continental states were met through the principle of mutual recognition, that substituted the principle of rule harmonization. UK objections to the social chapter of the Maastricht Treaty were bypassed through the 'opting out clause', that allows a dissenting member state not to adhere to a specific policy while remaining a member of the Union. Only later, in the framework of the Lisbon strategy, some competences and responsibilities concerning labour market and socal security issues were transferred to supranational institutions, that met them through the Open method of coordination.

The 'four freedoms' of the European Union which were at the core of the European Economic Community Treaty (undewritten in Rome in 1957 by the six original members states) are the free movement of goods, people, services and capital over borders. The convergence of social and labour laws and policies is a consequence, not a precondition, of the making of the European market. These norms and policies largely remain a matter for member states. But the notion of a European social model was present from the start in order to meet the social costs of economic integration and was consolidated through the notion of social citizenship, i.e. the right of all EU citizens to have equal opportunities in developing their skills and inclinations and equal access to services, resources and job chances. The EEC Rome Treaty, the Charter of fundamental rights of the European Union (approved at Nice 2000 European Council) and European labor law have legitimised the European social model. As early as the 1970s, several Community directives and European Court of Justice verdicts dealt with questions like equal wages for women and men and employment protection. The European Single Act and the Maastricht and Amsterdam treaties introduced new opportunities for social policy standard harmonization. The creation of the single market, although giving priority to economic over social integration, was in fact accompanied by welfare norms and provisions at the EU level and induced member countries to partially harmonize social and labour policies, social protection norms and corporate governance practices, although national welfare policy-making remained predominant.

The Lisbon Treaty now in force (TEU and TFEU) emphasises more than previous treaties, the social dimension of the integration. The main pillar of the European social model features in the current Treaty on the functioning of the European Union (TFEU): "the Union, in all its activities 'shall aim to eliminate inequalities, and to promote equality, between men and women" (art.8); "the Union, in defining and implementing its policies and activities, 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" (art.9); "the Union 'shall aim to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation"(art.10); "the Union recognises and promotes the role of the social partners at its level, taking into account the diversity of national systems. It shall facilitate dialogue between the social partners, respecting their autonomy" (art.152). TFEU also defines the legal framework for the European social dialogue (art. 154-155) and the European Employment Strategy with the open method of coordination (Employment title, art.145- 150).

European welfare systems, alongside relevant differences from country to country, share a common core of essential characteristics, first of all the much higher levels of public spending, that put them ahead of all other countries in the world. While acknowledging national diversity in Europe, Hyman (2005) argues that the common features in continental Western Europe are strong enough to distinguish a European Social Model from the American model of largely deregulated labour markets and the Japanese model of management-dominated company employment relations. Europe is unique inasmuch as there are 'substantial limits to the ways in which labour (power) can be bought and sold'. These limits constrain the autonomy of employers to 'a degree unknown elsewhere in the world' and are primarily set through comprehensive employment protection legislation, as well as encompassing and centralized collective bargaining structures. The European

Social Model is defined as a specific combination of comprehensive welfare systems and strongly institutionalized and politicized forms of industrial relations (Grahl & Teague, 1997). In the same line, Offe (2003) argues that in the European model of 'social' capitalism, economic transactions, including labour market exchanges, tends to be institutionally embedded and therefore more restricted than in other parts of the world); and Schiek (2013) remarks that despite all the differences, European national social and economic models converge on a common core, first of all on the idea of a societal responsibility for individual well-being, with labour markets corrections through legislation and collective bargaining' and transfer payments policy in periods of lost incomes.

The common features have been strengthened by the combined effect of the Europeanisation of issues of work and welfare-that since the mid-1980s have become intertwined with the Single Market and the European Monetary Union (EMU)- and the attempts of policy makers to recast welfare policies as part of a successful transition toward 21st century knowledge-based economy (the Lisbon strategy). These attempts have been caught between long-standing social policy commitments in the areas of unemployment and pensions, and the constraints of permanent austerity. We have entered an era of semi-sovereign welfare states in the EU. National welfare states can no longer behave as if they were autonomous and in full control. European economic integration has fundamentally recast the boundaries of national systems of social protection, constraining the autonomy for domestic policy options, but also opening opportunities for EU-led multi-level policy coordination.

The three phases of European welfare

If we look more in detail at the evolution of the relationships between European integration and welfare, we can identify three main phases: in the first one- from the 1957 Rome Treaty to the mid-1980s- high economic growth- favored by trade liberalization in the common market- allowed welfare state expansion in member countries, embedded in the mixed 'administered' economy, according to the formula 'Keynes at home and Smith abroad'. The key aim of European social policy was enhancing the mobility of workers between the six (nine after 1973) member countries, by abolishing discrimination in working conditions and social security benefits based on nationality. But provisions were made also for workers' health and safety and equal employment opportunity, while issues of workers participation and centralized collective bargaining between trade unions and employers associations at the supranational level did not succeed.

Streeck (2017) identifies two stages in what I see as a single phase: he distinguishes between a first stage-from the start to 1968 (in which social policy was embedded in supranational industrial policy in core sectors like steel and coal mining of mostly national mixed-economy) and a second stage between-1968 and 1985 (characterized by labor-inclusive supranational welfare harmonization as a response to labor militancy of the late Sixties). I prefer to consider these three decades a single phase, since the attempt "to make the European community the right instrument for a supranational modernization of national social policy regimes"-as Streeck puts it-did not travel too far.

In the second phase- from 1986 Single European Act, through the introduction of the euro in 1999, to 2008 global financial crisis- accelerated economic and monetary integration and increasing competition in the world market constrained social policies and put them on the back seat. The construction of the EU has been a contradictory process from the start, since ‘negative’ integration (i.e. removing obstacles to the free circulation of capital, people, goods and services in the single market) conflicts with ‘positive’ integration achieved at the national level by fiscal policies, social security, public services, labour market regulation, industrial relations (Scharpf, 2009). In this phase, the goal of completing the European internal market and the policies aimed at complying with the Maastricht parameters required to join the monetary union (EMU) were given absolute priority over social policies. Moreover, EMU instead of creating a common governance of EU money and economy, chose to insert a kind of automatic pilot, based on pre-established rules and procedures, valid for all countries at all times, that severely limited member states’ autonomy (T.Padoa Schioppa,2001).

Welfare policies of EU member countries have been subject to a two-fold constraint: on the one hand, they are limited by the transfer of sovereignty to the supranational union, that implies constraints to their budget choices; on the other, these policies continue to be subject to the constraints of their welfare communities that punish in elections any attempt to reform or downsize social programs. Welfare is one area where the tension between supranational coordination and national specificities is more acute. Welfare policies are sensitive political issues, with implications that are directly felt in citizens’ daily life, where government parties risk more in terms of consensus. Moreover, the existence of different member states’ welfare systems runs the risk of social dumping-that violates the rules of free competition in the single market- and the risk of welfare shopping-that stirs conflicts among the citizens of old and new member states and between natives and immigrants.

However, the Commission headed by Delors, although primarily focused on the completion of the single market, did not neglect the social dimension; to this purpose a Social Chapter was attached to the 1992 Maastricht Treaty, with a Social Protocol that provides for a privileged role in social policy proposals for organized business and labor; but only a few directives were successful, among which those on Parental Leave in 1995, Part-time work in 1997, Fixed-time work in 1999. The most important directive of this period was the one allowing member countries to make their labor regimes binding on all firms operating in their territory, including non-nationals, as a way to cope with increasing global competition. Issues of work and welfare became intertwined with the Single Market and the Economic and Monetary Union instituted by the treaties of Maastricht and Amsterdam, a key step toward a closer union, better equipped to compete in a globalised world; but a conscious effort to build a European Social Union alongside EMU was not made.

The social dimension was not neglected also because relevant welfare reform policies (active labor policy, flexicurity) were implemented with varying success in the different countries, within a EU framework of soft law, mutual learning, minimum standards, and open method of coordination;

and because a new European space of social citizenship and solidarity has been gradually formed.

Implementing a common welfare system for EU states is not an easy task, but steps in this direction have been taken, such as the large number of verdicts of the ECJ and official documents of EU government institutions, first of all the norms aimed at extending from one country to another the social rights of European citizens; the rich *acquis* in the area of labour, on the free circulation of workers, health and safety in the workplace, gender equality; the structural funds of the European Social Fund, the Global Adjustement Fund, the European Social Charter in the social chapter of the 1989 Amsterdam Treaty; the Treaty of Nice Charter of fundamental rights; European legislation on non discrimination, protection against dismissals, the access to social transfers and fiscal benefits for non residents; the adoption of the open coordinating method in the field of employment, social inclusion the various attempts to coordinate health and pension policies in the 2000 Lisbon Strategy and the 2010 'Europe 2020; the long sequence of social agendas developed by the DG Employment of the European Commission. Social policy measures have not been only the spillover effect of the single market, the completion of which has invaded the field of social policy (Leibfried, 2000); there have been also several instances of positive welfare integration, mostly in the direction of establishing uniform social standards at the European level through Commission- initiated directives and developing a core of convergent measures of macrosocial strategy, first of all for jobs, through social dialogue and the open coordinating method.

Streeck suggests to divide this phase too in two stages by distinguishing between the years 1986-1995 (which in his view were characterized by welfare subordination to the completion of the internal market) and the following years 1996-2008 (when national governments were encouraged to reform their national welfare systems to adjust to global competition). I prefer to consider the period a single phase because there is a continuity in the EU strategy of single market completion and creation of EMU, as well as in welfare policy reform.

The third phase- marked by financial crisis, economic recession and exit strategies from the crisis, is a contradictory one: on one side, social investments are considered an integral part of the Lisbon strategy (in the sense that in the knowledge economy they can foster competitiveness; on the other side, social policies are seen as hardly compatible with fiscal austerity and public debt containment. Issues of work and welfare became more complex and controversial because of the global financial crisis and economic recession and the social consequences of exit strategies. I will discuss this third, highly controversial, phase in more detail in the following paragraph, arguing that the key question is not whether keeping or dismantling the welfare state, but how to reform it in a viable, effective, sustainable way, passing from the passive defense of workplaces to active labour policies and flexicurity and from distributive to retributive pension schemes.

The global financial crisis

The global financial crisis, that exploded in 2008, had relevant effects on the two main models of contemporary capitalism: while it has dramatically downsized the alleged superiority of the Anglo-Saxon, market-driven, variety, has also put strong pressure on the European, coordinated market, variety and on the welfare state as its key component. The thesis that identifies in the growth of the welfare state one of the main causes of the financial crisis does not persuade. Management inefficiency, patronage politics and corruption affected social policies too and aggravated the fiscal crisis of the state in countries most struck by the crisis; but it was the other way around, it was the crisis that badly worsened the status of public finance and reduced resources for social policies. Low, and even negative, growth rates worsened the deficit/GDP ratio and increased the sovereign debt; de-industrialization and jobs losses reduced the tax base; fiscal austerity policies cut welfare expenditure.

The global crisis has been actually a sequence of related crises, that did not affect with the same intensity and the same lenght of time the various developed countries and emerging economies. The global financial crisis, triggered by US subprime crisis, caused a sharp decline in production in 2009 and provoked in the following years a series of negative effects, both social (rising unemployment, decline of disposable income, growing inequalities, social malaise) and political (citizens' declining trust in policy-makers, government crises, neo-populist upsurges). The crisis hit the EU economy harder than other world regions. The recession lasted 15 months with a-5.40% record low in the first quarter of 2009; in that year there were 23 million unemployed equal to 10 % of the active population.Still in 2012 GDP declined both in EU(-0.4%) and Eurozone (-0.91%), in 2013 declined by 0.26% for the Eurozone and increased only 0.3% in the UE. The crisis has compounded serious difficulties for public finances in many EU countries and a sequence of sovereign debt crises (Greek Irish, Portuguese, Spanish, and Italian) that put the euro under heavy stress. Since 2008 there have been different phases in the management of the crisis: the early years were characterized by measures aimed at recapitalizing banks in trouble (amounting to 20 to 30% of GDP in UK, Belgium and the Netherland, and up to 100% in Ireland; the ECB helped to recapitalize by supplying money to close to zero interest rates), relaxing the rules of the European Stability and Growth Pact, and favoring public investments and fiscal stimulus for jobs and growth (like the £3 billion Brown government's 'Budget for growth' in UK).

The EU exit strategies from the crisis (fiscal consolidation, price stability, cost reduction and efficiency increasing policies) have been successful. The European economy as a whole has overcome the crisis; in August 2018 Greece was the last UE country to end emergency measures. But social costs (for employment and welfare have been very high: youth unemployment and underemployment, increasing inequalities, growing disparities in growth rates and employment levels between member states, severe cuts in social spending for health, education and public housing. Especially in those countries that received support from the European Stability Mechanism or from the IMF as stand-alone grants, austerity measures were coupled with far-reaching institutional reforms underwritten in 'Memoranda of Understanding' by the receiving governments (Scharpf, 2011). The number of voices demanding structural changes have increased considerably during the crisis, as several commentators have identified the lack of structural reforms as a major cause of the crisis and as barriers to renewed growth in the crisis countries. But also contrary opinions increased, that denounced cuts in social benefits and pensions, promotion of atypical employment and the erosion of employment protection, decentralization of collective bargaining and weakening of workers' interest representation. Some researchers (Becker and Jager, 2012, Hermann, 2014) point out that reforms were similar despite the fact that both the causes of the crisis (real estate bubbles, public debt, private debt, etc.) and the type of welfare systems differed from one country to another. They actually overstate the similarities (although it is true that social policy was everywhere subordinated to fiscal stabilization policy) and understate the legacy of different welfare systems.

How European welfare regimes reacted to the crisis

European welfare regimes reacted to the financial crisis and economic recession by enhancing different mixes of reforms that were already in place in the previous decades as a response to increasing global competition. Adopting Hemerijck's detailed analysis (2012) one can identify nine areas of policy changes and innovations:

1. More rigorous fiscal and monetary policies aimed at macroeconomic stability, low inflation and public debt reduction (the Maastricht parameters for joining the EMU)

2. Collective bargaining aimed at moderating demands of wage increase, often achieved in tripartite negotiations between unions, employers, associations and governments.

3. Active labor market policies based on the principle of employment priority.

4. Flexicurity mechanisms in regulating the labor market, aiming at reconciling the flexibility required by employers with the active support for temporarily unemployed workers to re-enter the labor market.

5. Tendency to consolidate unemployment relief with social assistance and to grant less generous unemployment benefits with the conditionality of attending courses of professional retraining and counseling (as in the French minimal wage reintegration)

6.Reforms of social security, shifting to pay as you go pension schemes and rising the pension age, plus the integration of the three pillars of social security (state, firm and individual).

7. Upgrading social services for families and facilitating women's work, shifting from 'passive' monetary incentives to 'active' labor policies (pre-school child care, parental leave).

8/9. Related changes in the ways to finance and manage social policies (as in the new public management approach) which imply a redefinition of the relations between state, market and civil society.

Various combinations of these policy changes were reinforced and hardened after the 2008 crisis, stirring widespread worries about the survival the welfare state. To mention one for all, Guy Ryder, Director-General International Labour Office, in introducing the volume *The European Social Model in Crisis. Is Europe Losing its Soul?* (Vaughan-Whitehead, 2017), argues that many elements of the European social model have changed dramatically over the last few years, especially in those countries facing fiscal consolidation and, although he admits that pressure from demographic changes and long-term sustainability issues, as well as structural unemployment, may mean that reforms are required to ensure the sustainability of Europe's economic and social systems, he points out that many reforms in Europe have been implemented abruptly and in some cases arbitrarily, with important social costs. But scholars and commentators of European politics differ on their evaluation of the performance of EU welfare during the crisis and, more significantly, on the best strategies to be adopted.

Space and time matter in evaluating the effectiveness of the European welfare during the crisis; some countries, at least in the early stages of the financial crisis, weathered the storm better than others. Through the use of strong social dialogue and automatic stabilizers, many jobs were saved and household income protected. Social protection mechanisms acted as automatic stabilizers and greatly contributed to minimizing the social costs of the crisis. Unemployment benefits and relief measures helped cushioning the social shocks of massive job losses and increased poverty; and contributed to limit the economic impact of the crisis by avoiding a collapse of consumption. The fact that real public social expenditure, which was relatively stable in 2006/08, started to increase dramatically in 2009 shows that these mechanisms acted as automatic stabilizers, thus limiting the decline in citizens' purchasing power and global domestic demand. In 2009, social protection expenditure increased by around 6% in the EU27, an acceleration driven mainly by increases in unemployment expenditure, but also in health and disability and old age and survivors' expenditure. The increase in unemployment expenditure mainly reflected increases in the number of unemployed. Significant differences exist between countries in mitigating the employment shock of the crisis. The 'employment miracle' in Germany-with not much employment reduction despite output contraction-was due in particular to the implementation of work-sharing schemes that could be negotiated through social dialogue at enterprise level and represented a credible alternative to layoffs. In France, partial unemployment schemes, with the state funding a shorter working week, also allowed some alternatives to unemployment. Other elements of the European Social Model, such as the Cassa Integrazione Guadagni in Italy, helped to mitigate adverse effects on unemployment. The training system in Sweden together with its flexicurity system helped the country to avoid major unemployment effects. The external flexibility system combined with training mechanisms developed in Scandinavian countries contrasted with the type of external flexibility based on a high share of temporary workers in Spain, who not only lost their jobs in the crisis but had difficulties finding another job in later years, with a very high rate of long-term unemployment. In all countries where there was a tradition of social dialogue at enterprise level, layoffs were often avoided through the negotiation of agreements between the management and the unions on shorter working hours, as in Austria, and/ or lower wages as in France. By contrast, in those EU countries where social dialogue institutions were less developed, the crisis led to immediate and massive layoffs, as in Estonia, Latvia and Lithuania.

After the initial response to the downturn with deficit spending in order to make up for the lack of private demand, the strategy of fiscal austerity and public debt containment became dominant, because 'neo-keynesian' policy implied growing budget deficits which triggered sovereign debt crises in the most vulnerable EU economies, threatening the future of the monetary union itself. From 2009 onwards the EU shifted from economic stimulation to financial consolidation (Bieling, 2012; European Commission, 2012; Theodoropoulou &Watt, 2011). One country after the other adopted austerity packages, some of them several packages in a row. Greece and Ireland presented the most ambitious plans, cutting public spending by 18% of GDP, while Portugal was aiming for 12% (OECD, 2012). Social protection expenditure in the EU 27 increased by around 7% in 2009, levelled out in 2010, started to decline in 2011 and continued to fall in 2012. The decline affected most member states but was particularly significant in Greece, Latvia, Lithuania, Hungary, Portugal and Romania. Since 2011 the worsening of the sovereign debt crisis in countries like Greece and Spain, after Ireland and Portugal, and the risk of further extension to other vulnerable economies like Italy make fiscal consolidate an absolute priority of the EU. The sovereign debt crises forced countries at risk to ask for rescue measures by supranational institutions (EU, ECB, IMF) that came in the form of conditional aid (fiscal austerity and public expenditure containment), that in their turn implied severe cuts of welfare programs, depressed investments and reduced jobs at the very time they were more needed than ever.

The negative effects on welfare included wage cuts (but Germany’s decision to introduce a statutory minimum wage in 2015 went into the opposite direction)**,** greater freedom for employers to unilaterally change working hours as in Spain or Romania, restrictions on the right to strike as in Hungary and Greece, cuts in firms’ occupational safety and health budgets as in Portugal and Croatia, the simplification of procedures for individual dismissals, as in Greece, Italy, Estonia, Portugal and Slovenia, cuts in both unemployment and social benefits, stricter eligibility conditions, reduced duration (Vaughan-Whitehead,2015). Hermann’s study on reforms in social protection, pensions, labour markets and collective bargaining in eleven EU countries severely affected by the crisis between 2008 and 2012, (2013) reported pension freezes in seven of them, while four actually cut pension benefits, a general fall in social expenditure, a decline both in-kind and cash benefits in 2010-2012 in most member states (particularly significant, around 5% or more in Greece, Latvia, Portugal, Romania and, to a lesser extent, Spain). Employment security was reduced in the public sector, with adverse effects on women and the reconciliation of work and family. The United Kingdom applied unprecedented employment cuts, as well as a pay freeze across all areas of the public sector for 2011–13, followed by a 1% cap on pay rises after 2013. At the other extreme, Nordic countries did not experience any employment or wage cuts in the crisis, although the share of employment in the public sector fell in the 1990s and 2000s in Sweden. Job cuts during the crisis were limited in the Netherlands, Croatia and Germany.

Moreover, relevant structural reforms, including changes in welfare policies, have been implemented in several EU countries. Some had limited scope in countries where income taxes and non-wage labor costs were already high and could not be increased further in the highly competitive context of the global market. But other reforms were more far- reaching, like the prolongation of the working life (as the Monti government did in Italy in 2012), measures for streamlining health care, pension and assistance expenditures.

Differences in the various types of European welfare states have influenced the diverse capacity to cope with the crisis, but common elements have been strengthened by the combined effect of the Europeanisation of issues of work and welfare-that have since the mid-1980s become intertwined with the Single Market and the European Monetary Union (EMU)-and the exit strategies from the global financial crisis and economic recession.

The critics from opposite sides

The reforms implemented (or suggested) before and during the crisis have stirred a lively debate about the need, feasibility and type of welfare changes and the prospects of the European social model. At one end of the continuum are the neoliberal theorists who think that competitive growth is hardly compatible with existing social protection and that welfare needs drastic downsizing; at the other end, are the traditional Left's defenders of pre-crisis European welfare state. Neo-liberal theorists believe in the ability of markets to determine optimal levels of wages and employment and argue that labour regulations, when they induce labour market rigidities, would also accentuate the negative impact of crises on unemployment. Social measures to protect individuals from the consequences of imperfections of market forces are considered as having the direct effect of increasing the cost of labour and undermining economic and labour market performance. It therefore becomes impossible for employers to lower wages to a level at which excess labour supply would be restored to its 'natural' level. Moreover, public social transfers-such as unemployment benefits-would have the effect of disincentivizing work and encouraging voluntary unemployment. Comparing GDP growth rates and unemployment levels in Anglo-Saxon countries and in continental Europe, they trace the lower growth of the latter to the many interferences by the state and the higher unemployment levels to a poorly flexible, dual labour market, where unionized workers are opposed to all those do not have the same guarantees, like many youngsters, women, immigrants and other 'weak' groups. This critique has some truth, but largely underestimates, or even utterly ignores, policy innovations like flexicurity, active labor policies, new forms of social protection, that can be beneficial not only for workers but for enterprises and society as a whole. In spite of this underestimation and in spite of official EU documents (like those of the Lisbon Strategy) declaring that social progress is a 'productive factor', the neoliberal paradigm was hegemonic (although often formulated in less extreme forms). At first, mostly targeted the largest EU economy, Germany, and mistook contingent difficulties, linked to German reunification, for alleged structural weaknesses of the social market economy model. Later on, after the 2008 crisis, increasingly focused on the weakest EU members states economies and their huge sovereign debts.

On the other end of the continuum, radical Left intellectuals denounced that the key qualifying elements of the European social model had been sacrificed to the neo-liberal ideology (Gallino,2013; Schulten, 2013), to the point that 'social model' had become a simple cover up of the subjugation to economic neo-liberalism (Scharpf,2009). Structural reforms are severely criticized. Cuts in social benefits and pension payments, the promotion of atypical employment and the erosion of employment protection, the decentralization of collective bargaining and the weakening of bargaining structures and interest representation reverse the de-commodifying effect built in the European Social Model (s) and fuel poverty and inequality. And the critique extends to the Open method of coordination, because through mutual learning and peer review structural reforms can spread to further countries (Hermann,2013).

This view too has some truth, but it neglects the effectiveness of welfare policy innovations in various EU member states and the resilience of key aspects of the European Social Model even in the neo-liberal climate, such as better industrial relations, more effective policies for human resources development, more balanced relations between the real economy and financial economy, more careful regulation of financial activities by central banks.

The reformers: the social investment approach

The critical approach at one end of the continuum demands the drastic downsizing, or even dismantling, of the traditional welfare state, the one at other end staunchly defends of pre-crisis welfare state and wants to restore it. A third one, in the middle, the social investment approach, focuses on the key question of the welfare state reform, persistence and change (Hemerijck, 2012). This approach has been developed before the global crisis, to account for the policy changes introduced in response to global competition, but was further developed during the global crisis. It argues that the welfare state has been actually undergoing deep institutional changes, trying to cope with the new macro-economic and macro-political requirements, but keeping its basic goal of social protection,

The social investment approach marked the transition from the classical post-Second World War welfare state view to one more in line with contemporary globalization. Well before the 2008 crisis, the three pillars on which rested the ‘Keynesian compromise’ had been severely weakened: stable employment of all adult males in fast growing economies with a Fordist work organization; stable family, based on gendered division of labor and intergenerational solidarity; autonomous economic and social policy-making by sovereign states. These pillars were undermined by a combination of processes: firms’ delocalization, flexibilization of labor, transformation of women’s role in the family and in the workplace, constraints of global competition on government decision-making. At the same time new social risks had to be met by new welfare policies-such as healthcare for a fast-growing elderly population, assistance for severe disabilities, benefits for chronic unemployment, day nurseries for working mothers- that conflicted with traditional ones of social security, temporary unemployment, anti-poverty (Saraceno,2013). The need to cope with the new risks without neglecting traditional ones has been a key drive in developing the new perspective, where welfare is not seen as a social investment rather than a social expenditure.

The study commissioned by the Belgian presidency of the EU in 2001 *Why we need a new welfare state* (Esping Andersen et Al.2002) affirms that new risks- stemming from social segmentation, ersosion of professional skills, structural poverty- make traditional passive social policies (like unemployment benefits) inadequate and too costly; and suggests to prepare individuals, families and society to adapt to the ongoing transformation (changes in career patterns and working conditions, aging population, new social and environmental risks) through innovative policies aimed at lomg term development of human capital: training, flexicurity, active employment policies, social services for the family, rising retirement age. This proposal is very similar to the one outlined by Giddens as a qualifying aspect of Tony Blair's Third Way Labour government program, with a significant difference: whereas for the Third Way ideologists the new new social investment approach should replace the traditional social protection model, for Esping Andersen and his colleagues the new policy should work alongside the old one, and it is actually in line with the Nordic welfare model.

The need of reforming welfare systems has increased with the crisis, institutional and policy innovations have been numerous and relevant, but unevenly distributed in states with different welfare systems. The social investments perspective can be more easily applied to the Nordic welfare model countries, which have healthier public finances. The governments of Danemark, Finland and Sweden implemented fiscal stimuli, active employment policies-first of all for the young, new public and semi-public job opportunities, infrastructural investments. Let's take as an example the Swedish case of fighting unemployment in general and youth unemployment in particular. Between 2008 to 2009 unemployment rose from 19% to almost 25%. Government responded with a great expansion of active employment policies, the creation of new jobs in the public and private/public sectors, the increase in vocational college enrollments, the development of counseling for activating human resources, the doubling of incentives for employers hiring new, mostly unemployed, workers.

Preventive policies aimed at keeping jobs and investing in human capital have been developed also in continental welfare model countries, like Germany, France, Belgium and Austria, with various measures aimed at supporting employment through the transfer of social contributions from industry to state, trade union agreements of wage freeze in exchange for no layoffs, increasing funds for professional training. In Germany, the Angela Merkel Centre-right coalition government invested EUR 12 billion in education, research and development, in order to compensate for a saving plan of EUR 80 billion in the three-year period 2012-2014 aimed at assuring a balanced public budget in 2016 (that included, among other measures, cutting ten thousand public jobs and reduced tax benefits for housing).

The social investments approach runs into greater difficulty in the other two types of European welfare. In UK, an Anglo-Saxon welfare model country, first the Labour party government headed by Gordon Brown had to implement a massive rescue operation of banks, then David Cameron's Conservative- Liberal government adopted a neo-liberal plan of public expenditure cuts of EUR 20 billion in five years (13 of which of welfare cuts, including education, social protection and fiscal incentives for families). In the Mediterranean welfare countries hit by, or risking, the sovereign debt crisis, like Greece, Portugal, Spain and Italy, drastic fiscal austerity measures had to be implemented, such as raising the retirement age, cutting public employment, freezing wages and pensions in the public sector, increasing the VAT, liberalizing the labour market.

According to Kvist (2013) many European strategies embody elements of a social investment strategy, although the impact of the crisis on the national level differs across countries, life-stages, and policies. In most countries, the overall policy impact of the crisis seems to be small on childcare coverage, large on youth polarization, and rising retirement ages. The crisis will be felt in years to come with reduced life-income for younger cohorts, lower fertility laying the ground for intergenerational conflicts, and migration of skilled youth (implying returns of social investments made in southern parts of Europe benefitting northern parts).

The overall evidence points at the European social investment model taking a larger role in Europe after the crisis, but is unlikely to become a generalized feature, since the countries most in need of social investments are also the countries least likely to develop high-quality social investment.

The open method of coordination

Given the fact that EU member states are unevenly suitable to adopt the social investments approach in the ricalibration of welfare, an essential requirement for its success would be a EU coordinated strategy. National governments are in fact squeezed between the Troika (EU, ECB, IMF) demand to reduce their public debts through fiscal austerity and the pressures from their electorates who are very reluctant to accept new sacrifices. This situation fosters the uprise of populist anti-EU parties which urge for nationalistic closures (Martinelli,2018 a,b). The answer to national-populism can only be what constitutes the leit motiv of this book: relaunching the European project, moving fast on the path of closer and deeper integration, starting with coordinated fiscal policy and investments for growth and jobs. What is needed is a daring political response to what has been a serious economic crisis and still is a serious social crisis. Welfare policies can be implemented at the national level but adopting a common strategy and a shared method. The Open method of coordination (OMC) appears to be the best and more viable in a field like welfare, where member states intend to keep sovereignty but at the same time homogeneous choices at the European level are required. We will now examine this method with regard to a very important policy: employment policy.

The origin of the Open method of coordination goes back to the Delors Commission' White Paper on *Growth*, *Competitiveness and jobs* at a time when, as we already noted, intensifying competition on the global market induced to accelerate economic and monetary integration with the risk of leaving social policies behind. The White Paper was focused on the link between economic policies and social solidarity and proposed an investment of ECU 600 billion with the aim of creating 15 million new jobs in five years, but member states considered it too costly and refused. The goals set in the following year (December 1984) in Essen by the European Council (improvement of employment opportunities, reduction of unskilled labour, active employment policies aimed at fighting unemployment, measures for social groups risking inactivity) were not achieved. It was only with the 1997 Asterdam Treaty (TitleVII)that a European employment strategy was outlined, according to which the Commission proposes policy guidelines, the Council adopts them, national governments implement them, the Council evaluates their effectiveness and can suggest forms of cooperation and give incentives to member states willing to cooperate. Title VII had the merit of institutionalizing a mutual learning process of best practices, adopting a middle-range perspective, introducing the comparative evaluation of results achieved by member states; but can be criticised for lacking of rigorous measures and effective sanctions for defaulting states and for subordinating labour policies to macroeconomic policies.

Drawing on the experience of co-ordinated employment policies over the preceding decade, OMC has been broadly applied to a great range of policy fields as part of the 2000 Lisbon European Council strategy (aimed at turning by 2010 the EU into the most competitive and dynamic knowledge-based economy in the world, with sustainable economic growth, more and better jobs and social cohesion), and of the subsequent A strategy, 'Europe 2020'. OMC can be generally defined as a process based on the principles of participation, accountability and transparency, guidelines and timetables, indicators and benchmarking, regional and national targets and measures, periodic monitoring and evaluation by independent committees, automatic correctives, peer review and feedback, mutual learning of best practices as key steps (Zeitlin and Pochet, 2005). In what has been defined a deliberative poliarchy (Zeitlin &Sabel, 2007) EU institutions and member-states jointly define the main goals and at the same time agree on procedures and indicators for the empirical evaluation of goals attainment. Several public and private actors can contribute to attaining the agreed goals at different levels of authority and involvement. Each participant enjoys a high degree of autonomy in the choice of strategies and means, but has the obligation to report periodically and systematically according to the commonly agreed procedures and indicators and to participate in peer reviews. Objectives, procedures and measurement criteria can be periodically reviewed too, because of the entrance of new actors that are considered necessary to achieve the agreed goals. Actors do not comply because of the threat of sanctions by a hierarchical authority, but because they feel obliged to give account and justify their own autonomous choices in front of their peers in terms of efficiency, effectiveness and equity This in its turn requires appropriate indicators.

The OMC has been praised as a 'third way' for EU social policy between regulatory competition and harmonization, an alternative to both inter-governmentalism and supra-nationalism, an instance of public rule making, a new way for enhancing democratic participation and accountability within the EU by opening up the policy-making process to inputs from NGOs, social partners and local/regional actors (Rodrigues, 2002). On the other hand, it has been criticized as an unnecessary "soft law" option even in domains where the EU already possesses legislative powers and as an exercise in symbolic politics where national governments repackage existing policies to demonstrate their apparent compliance with EU objectives (Radaelli, 2003). Although this kind of criticism has some ground, OMC can be considered a valuable approach to coordinate at the European level public policies which play a strategic role in enhancing EU competitiveness (research and innovation, infrastructures, digital economy) without downsizing welfare policies (social security employment, social inclusion) at the national level. OMC has been however applied only on a limited scale due to the persistent difficulty of adopting measures of positive integration, which require coordination between national and sub-national governments and cooperation with key actors of the civil society, and the run the risk of raising the opposition of neo-nationalist parties and governments.

The Lisbon Strategy, revised in 2005 on the basis of the Kok Report, was consistent, with the European social model, but the outcome was unsatisfactory, due to the outburst of the global crisis. A new strategy, 'Europe 2020', was adopted in 2010, the European Union reiterated its commitment to implement the European social model (more and better jobs throughout the EU). To reach these objectives, the European Employment Strategy encourages measures to meet three headline targets by 2020:75% of people aged 20-64 in work; school drop-out rates below 10% at least 40% of 30-34–year-olds completing third level education; at least 20 million fewer people in or at risk of poverty and social exclusion. The actions outlined in the flagship initiative An Agenda for new Skills and Jobs are essential to meet these targets.

Contrary to Mario Draghi, I am convinced that ESM can and should remain a key distinctive feature of the EU, provided that it reform itself through the coordination of member states' reforms policies of labour, pensions, health, education, in a way that can combine competitive growth and protection of social rights. Economic recovery- which is taking place-is a necessary requisite for implementing these coordinated reforms, because economic stagnation has increased disparities in competitiveness among member states and aggravated social inequalities due to the welfare cuts in the economically weaker countries; but is a necessary, not a sufficient condition to avoid the disconnection between 'economic' Europe and 'social' Europe, mitigate the conflicts between Northern and Southern states, prevent 'welfare shopping' and the levelling down of social protection. To counter these trends it is necessary to outline a macrosocial strategy of the Eurozone, to complement its macroeconomic strategy, also through the creation of European Institute of social protection as proposed by PES. This macrosocial strategy should include: the setting of social minimum standards for national policies in the fields of unemployment, workers' reintegration and retraining, minimum wage, strengthened monitoring of social disequilibria inter and infra member-states with accurate indicators, country-specific recommendations and infraction sanctions in all cases in which critical thresholds are bypassed (analogous to those inflicted in case of macroeconomic imbalances), the use of EMU own fiscal resources for facing social crises that threaten eurozone growth and stability; making EPSCO (Employment, Social Policy, Health and Consumer Affairs Council Configuration) institutionally relevant as Ecofin.

Conclusion

EU welfare is both diverse and unique. Besides the common principles, goals and norms written in the treaties (the current Lisbon Treaty emphasizes the social dimension more than previous ones), which outline the general framework, there is on the one side: a) the complex of member countries' social protection systems, that, although different, share a common core, and should keep their path-dependent specificities, but at the same time strive to coordinate and adapt to each other on the basis of common goals and standards and accept to share some risks. There is, on the other side, the EU social policy, i.e. the set of regulative, distributive and redistributive policies, financed by EU budget and based on EU law, addressed to all EU citizens. And, in the middle, are: a) the intra-European mobility space, based on the principle of non discrimination (upheld by several ECJ verdicts), within which all EU citizens are entitled- qua citizens-to social services and benefits in the place where they choose to live, work, retire (the free circulation of workers is a key principle in the treaties, norms for the coordination of member states social security systems goes back to the 1960s,the 2011 directive regulates the transborder mobility of health patients); and b) sub-national and trans-border social spaces resulting from EU regional cooperation policy (since Delors there has been a tendency to strengthen the third level of government and foster region building in areas like labour, health and inclusion policies, because at the regional level there are relevant economic and demographic differences and it is easier to experiment policy innovations like the public/private mix), as well as from cooperation between professional organizations in health and social security (2004 directive). It is necesssary to integrate and reconcile all these social spaces into a coherent whole. And it is necessary to further develop the European social union (ESU), to complement EMU.

European leaders like Vandenbroucke suggest to reconcile the pan-European level and the national level through the open method of coordination; the UE should support and orient national welfare policies on the basis of agreed goals and standards, but leaving them largely autonomous to define specific policy measures and organizational models. This can be done in many ways, but first of all through the recommendations of the European Semester and with a smart use of flexibility clauses in monitoring state budgets (in order to persuade leaders to decide social investments with long-term benefits and short costs that they are not too willing to make due to the continuous electoral campaign and the populist propaganda of social media.

The Rome Declaration, adopted by EU leaders on 25 March 2017 confirmed that delivering on a more social and fair Europe is a key priority for this Commission and outlined the importance of a strong social Europe, based on sustainable growth, which promotes economic and social progress as well as cohesion and convergence, upholding the integrity of the internal market and taking into account the diversity of national systems and the key role of social partners, for the EU27 going forward.

A step forward in this direction of Social Europe has been the European pillar of social rights, presented by the European Commission in April 2017 and proclaimed by EU leaders at the Gothenburg Social Summit in November 2017. The Pillar (primarily conceived for the euro area but applicable to all EU Member States wishing to be part of it) was prepared in consultations with social partners and sets out 20 key principles and rights to support fair and well-functioning labour markets and welfare systems. It provides a framework for the upward convergence of national welfare systems and the modernization of the existing EU legal framework. The 20 principles are grouped in three sectors: work-life balance (with legal norms as parent leave and flexible working arrangements for providing personal care and policy measures against discrimination and dismissal of parents); access to social protection for people in non-standard forms of employment and self-employment who, due to their employment status, are not sufficiently covered by social security schemes and are thus exposed to higher economic uncertainty; transparent and predictable working conditions aiming at setting **new rights for all workers,** particularly addressing insufficient protection for workers in more precarious jobs, while limiting burdens on employers and maintaining labour market adaptability (like workers right to more complete **information on the essential aspects of the work and** a limit to the **length of probationary periods)**.

Specific directives can be approved or rewritten on this basis (like the one in the making by the Commission on reconciling family life and working life), as well as recommendations and non-binding communications (soft law); national welfare policies can be evaluated in terms of their coherence with the 20 stated principles; programs of social infrastructures can be financed using EU structural funds and schemes of co-financing in the critical areas of education, health and housing in order to to make social rights really applicable to all (an interesting investment plan of social infrastructures has been proposed by two former Commission presidents, Prodi and Santer). A successful instance of EU-wide social program is the 'European Youth Guarantee' so that young people can benefit from a decent wage and high quality internships; since its start in 2014 more 3.5 million youngsters each year have successfully partcipated.

The social investment paradigm and related policies (social dialogue, open method of coordination) have produced relevant results, but have been less effective during the 2008 global crisis and its aftermath, because the constraints of fiscal consolidation and public spending cuts have narrowed the space for innovative welfare reforms. It is now urgent to pursue together the two strategic goals of sustainable growth plus jobs enhancement and fiscal consolidation, in order to avoid the vicious circle: cuts in public investments-low growth-increasing public debt-enhanced fiscal austerity; but, with some exceptions, this does not happen. In order to break the vicious circle, a paradigm shift in welfare policy is needed.

The EU is confronting a basic choice: either continuing in subordinating social policy to fiscal and monetary stability, running the risk of fostering national-populist protest parties and movements which want to re-nationalize policy-making and reduce the EU to a free exchange area; or significantly investing in the social dimension of European integration, coupling the existing economic and monetary union (EMU) with a social union ESU), in other words gradually moving in the direction of a single federal welfare state, while helping at the same time the selective modernization of national welfare systems in a sustainable way, compatible with the requisites of global competition. Not an easy task, but by far more desirable than the fragmentation of the EU into weak, conflicting sovereign states, with obsolete, inadequate national welfare systems.

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