

Ugo Ascoli

## Comment on Anton Hemerijck/1. Retrenchment Policies and the deficit of Social Europe

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# Comment on Anton Hemerijck/1

## Retrenchment Policies and the deficit of Social Europe

*by* Ugo Ascoli

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The article by Anton Hemerijck is an ambitious attempt to demonstrate that the European Union is today compelled to make a decision if it wishes to avoid disintegration. It needs to create the conditions for economic and social policies able to reconcile the issues of development, employment and welfare.

According to Hemerijck, this challenge can only be effectively met by putting aside the neo liberal paradigm and working towards the full achievement of the social investment paradigm. Evidence of this hypothesis is based on research carried out over the last thirty years.

Paul Pierson, one the most important scholars in comparative social policy research, has underlined the substantial “immobility” of welfare states in the last twenty to thirty years. Hemerijck however disagrees and points out that, “the past three decades have been ones of intense social reform: not only Nordic welfare regimes, but also elsewhere , notably in a number of Continental welfare regimes, welfare policy and labour markets have been re-oriented towards social investment.” “European welfare states have experienced profound transformation over the past two decades” and this transformation, above all in the last decade, “transcends the traditional ne-liberal retrenchment, deregulation and negative incentive recipes of the 1980s and 1990s.”

The statistical data provided in the paper, relating to employment in the different welfare regimes are quite interesting, even if, as Hemerijck well knows, employ-

ment does not depend only on social investment policies, which largely serve the supply side of the economy, but above all on the demand side of the economy.

Nevertheless, in my opinion, there is a series of factors which question and challenge Hemerijck's arguments. In Europe it is clear that there are signs of new policies such as those of social activation, support for dual earner households, new public investments in child care, social innovations to reconcile work and family life, minimum income support and protection policy experimentation, flexicurity and investment in education and lifelong learning. However Hemerijck's paper does not succeed in demonstrating that "the comprehensive welfare recalibration" which has characterized this period is also working towards the same goals.

When Hemerijck defines "Social Investment Spending", he makes a choice that, as he himself recognizes, is discretionary. He does not take into consideration, for instance, health and personal services provision expenditures, with the exception of child care and the rehabilitation of the disabled. Nor does he provide any information on his data processing.

The comparative figures given in the article are certainly very interesting, but they do not add significantly to what is already known from the welfare regime literature, except for a few comments on specific national cases. Nonetheless, it is worthwhile underlining the uniqueness of Italy in his analysis since it seems to represent an exception "with high non-social investment welfare spending and low social investment spending levels."

Hemerijck argues that "aggregate welfare performance speaks to important accomplishments of the social investment turn, already before the onslaught of the global financial crisis." Thus it is possible to "infer from the empirical evidence of long run social policy change that the translation of the social investment paradigm into new welfare provisions has been largely successful." In my opinion this is not the case. The comparison between welfare regimes simply shows that there has been greater progress in welfare recalibration towards the Social Investment perspective in the Nordic countries with respect to those in South Eastern Europe and in post-communist Eastern Europe. Moreover, it shows that Mediterranean states are characterized by a much greater inequality in income distribution than the Nordic countries. However, to further complete and complicate the picture, the article states that the best performers in 1997, the Nordic countries, experienced a slight increase in income inequality, from 1997 to 2007. Therefore to argue that we are facing a general shift towards the new paradigm seems to me quite "hazardous."

Although the statistical analysis of data provided by Hemerijck is partially unbalanced towards an optimistic interpretation, I am in agreement with him when in section 5 he suggests ("Social investment imperatives in the financial crisis after-

math”) a list of priorities “in order to guide the social investment policy measures in a broader perspective on competitiveness.” In this section we find an in-depth well-argued explanation of the main characteristics of the new perspectives. As regards this I would like to pinpoint just a few topics such as the new pension policy and tax issues.

Hemerijck, like Esping-Andersen in his latest book, maintains that it is not just necessary but essential to reform the pension policy system and raise the retirement age; at the same time a framework of flexible retirement should be designed as well as “a labour market for second career jobs, that would make work attractive also for older workers.” Here lies the notable difference between a pension policy reform whose sole aim is to reduce the burden of this social expenditure on GDP and a reform where the policymakers try both to change labour market characteristics and take into consideration the different work history of future pensioners.

In the same section Hemerijck points out that it is necessary to increase economic public resources in order to sustain aggregate demand in the medium-long term (and in this way make possible the achievement of the new perspective). In this case tax havens and tax evasion need to be combated. However, this “war” can only be won by “supranational cooperation”, “a greater tax coordination across countries and even tax harmonization, including a tax on financial transactions.” I would like to highlight this strategic point, namely that the success of the new paradigm at European level depends on a greater increase in cooperation among countries on fiscal policies even though it is notoriously difficult to make progress in this field.

Finally, Hemerijck underlines the fact that the entire framework of social investment welfare policy must be characterized by a high degree of “coherence.” He observes that “policies can be effective only if the whole chain is maintained, from early childhood education and care to lifelong training and active ageing.” To achieve this high degree of policy coherence requires a strong state and a strong economy, as well as a political system able to work with a medium-long term perspective. The present European framework seems far from this ideal.

After his brilliant specification of the new paradigm, Hemerijck starts to develop new arguments. He wants to highlight possible solutions to questions already raised and in so doing faces an arduous task. He puts forward suggestions and proposals for policies and policy makers, on the changes needed to European economic and social policy in order to make the Social Investment Welfare State fully operational.

In Hemerijck’s view almost all European policy makers are fully aware of the inadequacy of the present policy tools and agree to adopt the new macro-economic instruments proposed by Frank Vandenbrouck, Bruno Palier, and himself namely Eurobonds, structural funds to support specific investment policies as well as a

distinction in the Stability Pact between public investments and consumption expenditures. Only in this way will a “New Deal” in Europe be possible and will a real sense of “reciprocity” be created among Member States. The EU should consider how to help the worst performers as human capital could be strategic. Sharing a common vision of Social Europe is a must and, at the same time, a starting point for the realization of the Social Investment project. It could also be a way of preventing destructive populist ideas. Hemerijck believes “important strides in the direction of a closer fiscal and political union have been taken” and are already discernible.

Therefore if policy makers agree to the overall orientation of social policy, there will be no alternative to “governance by objectives on the broad contours of social investment in respect of diversity”, utilizing the Open Method of Coordination (OMC), even if Hemerijck emphasizes the necessity of “a political battle of injecting common sense into the current economic and political debates.” Through strong “social pragmatism” a turn of “the current tide of inward-looking pessimism about the future” of welfare states is possible.

In my opinion, however, the European crisis management and “austerity” policies imposed on Portugal, Italy, Greece and Spain (the so-called PIGS) at the European level show a lack of any common interest or destiny. They call attention to the present deficiency of a shared vision of social values, common interest or common good, as well as the clear predominance of the “neoliberal” paradigm. This raises the doubt as to whether a “European” political class does really exist. In my view, in order to achieve a real paradigm, change probably requires a very strong push from “below”, from European social movements, unions and grass-roots organizations.

## Comment on Anton Hemerijck/1

### Retrenchment Policies and the deficit of Social Europe

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**Abstract:** This comment responds to the ambitious article of Anton Hemerijck on the social investment perspective in Europe and the evolution of the “eurocrisis.” It first addresses his approach on the last thirty years changes in the European welfare states and questions Hemerijck interpretation, according to which the translation of the social investment paradigm into new welfare provisions has been largely successful. Then it highlights how the success of new paradigm at a European level depends on a high degree of supranational cooperation especially on fiscal policies: it is notoriously difficult to make progress in this field! Finally it criticizes the Hemerijck optimism on the evolution of European economic and social policies: until now there is not a shared vision on social Europe. On the contrary the European crisis management and “austerity” policies imposed on Portugal, Italy, Greece and Spain (the so-called PIGS) at the European level show a lack of any common interest or destiny. This raises the doubt as to whether a “European” political class does really exist. A real paradigm change, from the neoliberalism approach to the social investment perspective, probably requires a very strong push from “below”, from European social movements, unions and grass-roots organizations.

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*Keywords:* Welfare recalibration, social investment, fiscal policies, austerity, social Europe.

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**Ugo Ascoli** is Full Professor of Economic Sociology at the Università Politecnica delle Marche, (Ancona, Italy), Department of Economic and Social Sciences. His main contributions over last decades have been on migration, social change in the “industrial districts”, voluntary action, third sector and Italian welfare system. His current research concerns the new forms of Italian Welfare privatization, the “corporate welfare” that is the “enterprise-based provision of social protection” and the transformation of third sector organizations in the financial crisis aftermath.