

A Social and Political View on the ESF's Future: Never Let a Crisis Go to Waste

Brian Burgoon
University of Amsterdam

Speaking notes for Panel on "Two Views of the Future," in
High-level Conference on "Shaping the Future of the European Social Fund"
24 June 2010

1. Introduction

- I want to focus on the future of the European Social Fund in the face of many economic and political challenges and with an eye to Europe 2020. I want to do so in explicit light of what I have learned in the last 24 hours of this Conference, but also in light of my experience as a student of the politics of the welfare state in Europe. Such light allows plenty of insight about what the ESF's future likely is and what it ought to be. I would like to summarize such insight, as I see it, in the form of answers to the questions raised in the first session of this conference by the Commissioner: what is the European value added of the ESF?; what ought to be the particular activities and priorities of the ESF?; where ought the ESF to operate geographically?; how should ESF programs and interventions be delivered?; and what should the relationship be between the ESF and other EU social or other efforts?

- The answer turns out to be bright but complicated – bright in the sense that the current challenges of the budget crisis and Europe 2020 point to the overwhelming value and potential of ESF initiatives, complicated in the sense that showing this value and realizing this potential requires some difficult and subtle design issues not yet highlighted in this Conference.

- I'll develop this conclusion first by offering a little background into what we know about broad popular-political conditions surrounding the EU social policies, and then turn to what such conditions tell us about the answers to the five questions raised by Commissioner Andor.

2. A little political background

- European social policy is very popular among national polities. For instance, even among the EU-15, overwhelming majorities of member-state polities support the EU making a priority of developing joint EU policies to fight unemployment (85 percent for unweighted EU-15 average), and making a priority of fighting poverty and social exclusion (71 percent unweighted average in same late-1990s survey) (See Burgoon 2010, p.43).

- The ESF in particular also enjoys substantial popularity: in a 2006 survey, 71 percent of the EU-25 respondents, upon hearing a description of the ESF's elements and budgetary costs, say that the ESF budget ought to be maintained or increased (ibid.).

- There is also plenty of research, qualitative and quantitative, on how the ESF can leverage reform and improvement of national social policy efforts, through its role-modeling effects, benchmarking, and generally by being complements rather than substitutes for national efforts, providing political grab-holds for groups hoping to improve their national social policies (Burgoon 2009).

- Yet there is very strong worry on the part of those in generous national social policy settings that increasing deepening of EU integration on social matters, more development of social programs such as those at the center of the ESF, might undermine hard-fought national efforts (ibid.). This is partly an artifact of diminishing marginal returns to already well-established and functioning national social policies. But it is also a function of concern that EU-level initiatives might, in light of EU politics and/or simple diversity of member-state starting points, cause convergence to a standard less favorable to national efforts. Such a pattern is a reminder of how little room for maneuver there is for expansion of the ESF realm, however much many of us would like such to emerge in the name of Social Europe.

- Against this background, hence, we need to consider the future of the ESF – and such background colors how we should think about the likely and hoped-for future of the ESF in light of broad political and economic challenges like globalization, aging populations, and climate-energy change, and the current massive economic and fiscal crisis.

3. ESF Future in five steps

A. European value-added

- First I would like to address the issue of the European value-added of the ESF. The discussions in the last 24 hours have said much about this issue, leaving little question about the broad value-added of various ESF efforts in general, and with respect to the aims and concrete targets of the EU 2020. There is little doubt, for instance, that the core employment-policy and social inclusion mission of the ESF and its programs helps make a reality of the 2020 ambition to achieve inclusive growth – and perhaps also smart and sustainable growth. Nor is there doubt about the relevance, at least in substantive focus and ambition, of the ESF's to help achieve concrete targets in terms of raising employment and tertiary education rates, and lowering school drop-out and poverty rates.

- But in light of the political focus on citizen attitudes about social policy and Europe, I think it worth emphasizing another, practical aspect of the ESF's European value added: that the current economic crisis in which the EU does not come out unscathed in politicized blame-games in national politics may highlight now more than ever the value added politically, economically and socially of the ESF.

- EMU, while playing no more than a (at worst) permissive role in current fiscal crisis, has unintentionally helped foster inflationary imbalances while taking away national exchange-rate flexibility to address such imbalances, leaving countries with painful internal adjustment as the main mechanism to adjust – hence the fiscal crisis of the state we now face, and the need or impulse to seek budgetary consolidation.

- More generally, the broader achievements of the EU Single Market have long posed substantial adjustment costs and distributional losses, as is true with most any meaningful market-opening.

- Both aspects of EU integration and policymaking raise understandable and very sharp political discontent among many European citizens towards their European Union institutions and policies. They might reasonably be saying "look what Brussels has done to me lately" and asking "what has Brussels done for me lately?" Such sentiment, reasonable or not, is politically very important.

- It is in the context of political sentiments and possible backlash that the current ESF offers genuine value added and hope: for the ESF is the heart of the social face of Europe with respect to the interests and hopes of workers, including and particularly dislocated workers. Those suffering from the recent crisis, and those seeing such suffering as having something to do with Europe can look to the ESF and other Structural Funds as a grace that addresses their needs. Brussels genuinely doing something for them.

- In this context I see real political value and potential of the many anecdotes in the current advertisement campaign to which we have been exposed. This is something worth applauding, but also a reminder of the politically crucial role the EU can play in fostering and consolidating support for Europe 2020's hopes for smart, sustainable and inclusive growth.

- Still, the real European value added of the ESF in light of the political conditions I stated earlier is actually more complicated to establish, for it requires paying clear and close attention to the issue of national social policy competences and subsidiarity. The issue is not just what can the ESF do that is good for 2020 and the crisis, etc. ; it is also an issue of what the ESF can do that the nation states cannot or don't, and/or in a way that does not play into worries on the part of many in the broad European polity that EU social policy can hollow out or threaten their democratically hard-won social policy gains. This strikes me as something not well identified in the previous 24 hours.

- My own sense is that this is or should be about what at least some states do poorly or not enough of and where the EU and the ESF in particular can provide coordinating guidelines to a particular face of social policy: activation-oriented social policy (flexicurity, ALMP, life-long learning, etc.). These turn out to be quite underdeveloped in the EU fold. Most spending efforts on social

exclusion and the unemployed in particular takes the form of passive, income-transfer oriented social policy interventions – not retraining and adjustment oriented measures. To the extent that this is so, the ESF has distinct European value added because it builds on, patterns, coordinates, and facilitates active social policy in a way that would otherwise be underdeveloped or difficult.

B. Activities and priorities

- A second question Andor raised about our rethinking of the ESF was: what are the appropriate activities and priorities of the ESF? On this issue there is again a great deal we have discussed and learned in the last 24 hours. We see a broad consensus on the existing palette of employment-oriented social policy innovations, but also sentiment in favor of to some extent expanding the palette – for instance with respect to early-child development provisions and family policy, or assistance to (or at least non-exclusion of) of disabled citizens. We are not at all finished with thinking through these views. On the one hand there seems to be consensus that the ESF ought not to spread itself too thin – otherwise it risks doing nothing by trying to do too much. On the other hand there seems also to be consensus that it touch on the broader issues of social policy protection and inclusion that consider the many insecurities ESF programs address and seem in keeping broad hopes for a more Social Europe of which the ESF is a crucial foothold.

- My own sense, based on attention to the political conditions that play in national citizenries, is that it is appropriate to focus on the activation-oriented employment policies at the core of the ESF, what constitutes the core competency of the ESF. This is already a rather large, perhaps heroic, endeavor, given the kinds of broad social policies and nationally-rooted skepticisms characterizing national welfare states. There is enormous value in developing and articulating and disseminating effective active labor market policies to address social inclusion.

- Within this mission, the politics of the situation also point to the importance and value of focusing on *socially inclusive* and *just* versions of such employment-friendly active labor market policy. The ESF can provide a particularly strong financing and facilitating-platform to develop genuinely labor-friendly active labor market policies – not just provisions that push people into the labor market on terms that may do little to help poverty. It can help develop social policies that foster working progress and prosperity rather than the working poor. Such effort requires, I suspect, focus. And in this particular sense, I suspect that with respect to ESF priorities, “less may be more.”

- Having said this, it is important to emphasize that the ESF can and ought to link-up to the full array of social policy issues and safety-net functions we associate with broader social inclusion. This applies to health and family policy, and to pension programs and aging. For instance, it seems altogether appropriate that the ESF would link up with policy - discussion, -design, and -making with respect to pension and retirement policies, including policies and plans to raise retirement age (whether from 65 to 67, or from 60 to 62, or 65 to 70). The linking-up by the ESF would involve the kind of late-career retraining, active-aging training already on ESF books, such that older workers could retrain in ways that allow them to stay in the working realm with meaning, joy, and dignity.

- The point is that the ESF linking with other social policies likely should not take over the full palette of broader welfare provision, but should stick to its employment-policy core competency facilitating and made necessary by such broader provision.

C. How should ESF be delivered?

- A third question involves how various ESF programs might be delivered. Here the session has dealt with a great many issues that seem wise with respect to improving involvement of stakeholders, simplifying delivery systems, improving output-based rather than input-based or fully

results-based review or conditionality. On these issues I do not feel expert enough to comment.

- My expertise in the social politics of EU and European welfare provision does, however, underlie a comment I have on one important delivery-system issue discussed at this Conference: the issue of imposing conditionality on national reforms. There has been some talk of such, focused on the propriety of making ESF funding conditional upon national adherence to various micro- and macro-economic standards, including standards of a (revised) Growth and Stability Pact. But the conditionality discussed has also focused on making ESF funding conditional upon broader national social policy reforms, such as with respect to early-retirement schemes. One intervention in Workshop 4 eloquently pointed to the absurdity of the ESF funding elderly retraining while a national welfare state in which such retraining takes place maintains very early retirement provisions.

- As I stated at the outset, I see very substantial value of using the ESF provisions and financing as an instrument to leverage activating social policy reforms among member states. But I suspect that using sticks of conditionality to foster such reform, to provide such leverage, runs a serious political risk of back-firing. It would play into the hands of those already skeptical of EU social policy initiatives – where a strongly rooted dynamic of seeing EU priorities and potentially at odds with maintaining national social policy gets accelerated by the ESF taking funding away for needed social policy provisions. To avoid such backlash, I think carrots and dialogue are likely more appropriate than conditionality sticks.

D. Geographic scope of ESF

- Discussion of the future of the ESF also concerns the geographic scope of the ESF. In the Conference, there has been broad consensus that the existing spreading of ESF efforts throughout the 27 member states is appropriate given how issues of social inclusion know no intra-EU borders. This is something with which I agree. But attention to the political support for Social Europe requires two important considerations.

- First, in light of the current fiscal crisis and its political valence, it is important that the ESF interventions be skewed to take clear account of addressing adjustment problems in those labor market settings most sharply affected by the budget consolidation the current crisis has sparked. Economic adjustment knows no borders, but the job-losses and dislocation that the fiscal crisis causes do; some members states are clearly harder-hit than others. And it seems to me appropriate that the ESF ought to involve a policy mix and geographic distribution to address these problems. Hence, those nations hardest hit should get more broad ESF help than those less-hard hit.

- Such a distribution, it should be said, does not clearly coincide with the existing national ESF disbursements. Measured in terms of per capita ESF monies received, for instance, the top five countries include Portugal, Greece and Hungary – countries particularly sharply affected by the fiscal crisis – but Spain is number twelve in that distribution. To be sure, it would be unwise to let some particular calculation of adjustment burden to the fiscal crisis determine ESF disbursement. But this should be among the factors considered in making geographic distributional decisions.

- Secondly, geographic distribution should explicitly and publicly explain how the broad adjustment challenges in different geographic/national settings call for and receive different ESF assistance. I suspect that in light of the issues raised above with respect to European value added – that the ESF ought to leverage changes and financing in activation where existing national social policies are weak or uneven – I think that ESF might take on a broader palette of unemployment-fighting measures in the countries hardest hit by the fiscal crisis, while focusing on sustainable flexicurity interventions in the more prosperous settings.

E. Complementarity with other EU Instruments

- Finally, rethinking the future of the ESF requires consideration of the appropriate relationship between the ESF and other EU instruments, particularly those most relevant to social inclusion (such as the ERDF). Here, again, there are many ideas that have been extensively discussed in this Conference, by practitioners and experts far more capable of thinking-through these issues than me. But attention to the political and social history of the ESF and its political and social implications – something of which I am a student – I do have one simple insight.

- And that is that the ESF should not only be explicitly and in practice linked to and coordinate with those EU competences and institutions directly addressing issues of cohesion (such as the ERDF). It should also link up with discussion of those competencies central to the EU mission but much further upstream or downstream from the social inclusion issues ESF directly addresses. For instance, the ESF provisions, and not just the new European Globalization Adjustment Fund, has long done plenty to address economic/employment dislocations relevant to market liberalization, including trade liberalization. And this makes it important for ESF representatives and street-level providers to think about and communicate with those making trade policies – both trade policies relevant to full-fledged completion of the internal market (e.g. Services Directive, intra-EU migration) and external trade policies (e.g. discussion of labor conditions and standards in the WTO fold).

- I say this in light of explicit research into the public-opinion and party-political developments surrounding issues of trade and economic openness. In that research, a recurring theme is that particularly national welfare provisions play a strong compensatory role in legitimating or facilitating deepened and sustained international economic openness. And although the ESF and other Structural Funds appear to have a weaker such effect (c.f. Burgoon 2010), the potential for such downstream legitimation of broader EU ambitions is strong and important.

4. Conclusion

- To conclude, attention to the popular-political history and contemporary developments surrounding the ESF and broader EU social policy, there are strong reasons to expect the ESF to have a bright future. Its European value added is stronger than ever; the priorities already constituting its core competencies are clearer than ever. But there is still much thinking to be done, and some fine-tuning to be implemented, to actually make that bright future a reality. If so, we will be able to say that the extraordinary and daunting challenges that the ESF now face provided a fulcrum for making equally extraordinary steps forward towards better social policies and more inclusive growth.

- There is an old political dictum that “one should never let a crisis go to waste.” Use that crisis, it is thought, to make needed and politically difficult changes. This applies in spades to the European Social Fund. The crisis creates an opportunity for the ESF to help leverage a more humane and social Europe.

The references to two of my recent pieces:

Brian Burgoon. 2010. “Betwixt and Between?: The European Union’s Redistributive Management of Globalization,” *Journal of European Public Policy* 17(3): 433-448.

Brian Burgoon. 2009 “ Social Nation, Social Europe: Support for Welfare Compensation in Europe ” *European Union Politics* 10(4): 427-55.