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Boundaries of Welfare between the EU and Member States during the 'Great Recession'

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ABSTRACT *This paper focuses on the changing boundaries of welfare between EU and national levels by developing a dynamic and actor-centred approach, where different groups of actors compete to influence the social and economic dimensions of EU social policy. The success of ideas and policies around welfare-state reform changes over time in line with socio-economic conditions as well as shifting political-party governmental coalitions in the Council. We argue that in particular the economically oriented actors, including the European Central Bank, have been successful in the context of the Great Recession. More recently, social priorities around notions such as social investment are becoming more central in the EU debate on economic and social policy.*

KEY WORDS: Boundaries of welfare, politics of welfare, EU and welfare-state reform

1. Introduction

Since 2010, not a month has gone by without an EU member state embarking on major reform of its welfare state, due to the crisis of public finances. Some of the structural reforms have arguably been necessary, particularly in the countries with high levels of public debt. The policy response at the national level, encouraged by the EU and international levels, has by and large been to implement austerity policies. While this may have reassured markets in the very short term, the depth of austerity has in some cases stifled growth (Krugman, 2012). But this context of increased economic vulnerability has created the possibility for carrying through reforms that were unthinkable prior to the crisis, such as pension reform. At the same time, social investment policies still prevail in most European countries, although the quality may be decreasing (Morel, Palier & Palme, 2012; Kvist, 2013).

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At the EU level, there have been ongoing discussions over the last two decades about whether, and if so how to modernize the European social model. The economically oriented actors, that are mainly the Directorate-General for Economic and Financial Affairs (DG ECFIN), the European Central Bank (ECB), Business Europe and their networks at the national level, have insisted on the need to have sustainable public finances. The socially oriented actors, that are DG employment and social affairs (DG EMPL), the European Trade Union Confederation and social NGOs with weaker networks at the national level, have supported this agenda but have equally put forward the need to ensure the solidarity, fairness and equity in European welfare states. The instruments used at the European level for economic and social governance were initially, in the 1990s and 2000s, rather flexible and soft, but have since 2010 been made tougher and at least theoretically more coercive, around the European Semester and various new legislative initiatives aimed at strengthening it (de la Porte & Heins, forthcoming). Parallel to the strengthening of economic governance, the European social model was put on the sidelines due to the emphasis on preventing a sovereign debt crisis. However, there is now a renewed effort by socially oriented actors to re-launch thinking on the European social model. In particular, the ideas around social investment have led to various policy initiatives in the Commission, although they are much less constraining than the initiatives for containing public debt (Kvist, 2013). A further problem is that in a context of austerity, there is not much money to 'invest' socially, making it difficult to have high-quality social investment.

Much has been written about the crisis, welfare-state reform and the new European instruments. One, mainly consisting of economists or political economists, has focused on the creation (or absence) of new economic institutions at the EU level for accompanying, re-balancing or mitigating the previous institutional framework, which was considered to be incomplete. The other, composed mainly of sociologists, political scientists and lawyers, has centred on the consequences of the crisis on the national welfare state (Farnsworth & Irving, 2011).

The literature thus far assesses that the attempt by international actors to re-launch growth and regulate international finance is insufficient and has, thus far, failed. It also underscores the fact that governments have developed crisis responses behind closed doors to a large extent excluding traditional industrial actors, in particular trade unions, although business interests are taken into account. The literature has also shown that the patterns of response follow recent paths of institutional change. These new paths include the development of employment at the margins, which re-enforces patterns of labour market segmentation, toughening access to unemployment and other benefits, as well as curtailing public expenditure in the areas of health care, pensions and education. Finally, the literature underscores that it is necessary to move beyond the theories mainly focusing on the nation-state, i.e. the worlds of welfare capitalism or varieties of capitalism (Farnsworth, & Irving, 2011; Bermeo & Pontusson, 2012). Our ambition is to bring in the EU level by considering changing boundaries of welfare in complex processes of interaction between the EU and national levels (Ferrera, 2005). In this perspective, our contribution focuses in particular on actors, politics, and ideas, and the institutional context they are embedded in. We analyse changes at European and national levels longitudinally, throughout a 20-year period.

The remainder of the paper is organized as follows. The following (second) section lays down the theoretical framework used to analyse the EU – national level developments with regard to the welfare state over time. The third section presents the period from the 1990s and the fourth section centres on the developments since the crisis. The final section concludes.

2. Theoretical Approach

We adopt a broad theoretical approach about changes to welfare-state boundaries, combining insights from Rokkan (centre formation, system building, political structuring) as adapted by Ferrera (2005). With regard to boundary formation, what is central is the dismantling and restructuring of old boundaries and restructuring along new, wider boundaries (Ferrera, 2005). We focus mostly on the latter. As put by Ferrera (2005, p. 210)

> At the EU level restructuring would imply dynamics of institutional reforms or experimentation aimed at stabilizing the complex web of spatial interactions which is emerging in the wider and reconfigured EU space, with a view to gradually 'Europeanizing' the sphere of social sharing.

The dynamics are not only vertical but also horizontal between actors from different fields. As Martin and Ross (2004) underline:

> Social models are a complex of institutions and interconnected social contracts that morally engage actors. However much they may disagree on specific issues, a critical mass of these actors will normally act to preserve the broader engagements of the contract. The institutions are interconnected, or clustered, such that actors often perceive threats to particular arrangements as threats to others, even if the functional relationships are apparently different.

Another fundamental element is the political dimension of tensions between left and right at EU level, which we will take account of in our analysis. In this regard, Manow, Schäfer and Zorn (2004) have found that 1995 represented a turning point in EU social policy, since it was the first time that there was a majority of left-leaning governments. However, the manifestos of these left parties all indicated a shift towards more support of market policies. This political context opened up the development of multiple OMC processes reflecting the ideas of these more market-friendly left-leaning parties around issues such as social inclusion, quality in work and a balance between social and economic aims.

In summary, our approach is a dynamic and actor-centred one, where different groups of actors compete to influence the social dimension, parallel to the economic and political dimensions of EU social policy. In this process, the relationship between national and supranational levels is an ongoing political process that alters the boundaries between the EU and the nation-state in an area considered to be in the realm of national sovereignty – the welfare state and social policies.

3. 1990s to 2007: A Balance in Economic and Social Policies

The Maastricht Treaty (signed in 1992) creating the Economic and Monetary Union (EMU), marks a change in EU-nation states boundaries. Monetary policy was pooled at the EU level, with the independent ECB as the key player, setting interest rates based on the average performances of EMU economies. The Treaty of Lisbon highlights that the ECB's main role is to ensure a policy of price stability and also to support the general economic policy of the Union, including economic growth as well as a high level of employment and social progress. The belief was that the EMU would have an integrative effect with spillover effects from monetary to economic policy and eventually to other areas, such as social policy (Scharpf, 2002; Degryse, 2012). Since policy areas are increasingly interrelated in this context, both economically and socially oriented actors mobilized in order to influence the policy process.

This is in turn influenced strongly by the political orientation of member state governments (see Table 1). In order to analyse this, we have used the situation in March each year, when the yearly European Council Spring meeting that deals with socio-economic affairs is held. In case of coalitions, we have taken the political colour of the Prime Minister, which is relevant because the EU Council is composed of Prime ministers that have the key positions to decide about the broad directions.

From the late 1990s to mid-2000s, left-leaning governments prevailed. It is to be noted that the eastern enlargement of 2007 changed the political party leaning of the governments. At the beginning, the negative impact was not so strong, as the new members had a weak political clout, but this changed progressively after 2005.

In the political context that prevailed in the preparation of monetary union, a series of political, social and trade union actors, aware of the risk of social policies being turned into an adjustment variable in the case of economic shocks in the eurozone, sought to develop a social dimension of economic and monetary integration. At the national level, the 1990s also saw the conclusion of numerous national social pacts among political, economic and social actors (Fajertag & Pochet, 2000). In the majority of EMU accession countries, a great deal of thought was being given during this period to the new framework of constraints represented by monetary union, particularly in relation to inflation and wage policy (including the national-level structuring of collective bargaining) (Pochet, 1999).

At the EU level, the period between 1995 and 2004, that might be described as ‘the social moment’, results firstly from a concern that the Maastricht Treaty was underdeveloped with regard to employment and social policies, compared with tighter convergence criteria for economic and monetary policies in the development of the monetary union. Second, it was actively brought to the agenda by coming to power in the member states, as from 1995, of a majority of centre-left parties and an advocacy coalition in favour of rebalancing economic and social integration (Van riel & Van der Meer, 2002; Jenson & Pochet, 2006). This concern to have social policies more integrated at the EU level in the context of EMU culminated with the Amsterdam Treaty (1997) and the European Employment Strategy initiated by it. The process was taken further with the Lisbon Strategy (2000) and the development of the open methods of coordination for a range of social policy issues (employment, poverty, pensions, etc.) (de la Porte & Pochet, 2012; Barcevicius *et al*., 2014).

Table 1. Left-leaning governments among EU member states 1994–2005

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number of left leaning government	4	7	7	6[a]	8	11	9	9	7	4[b]	9	9
Number of EU member states	12	15	15	15	15	15	15	15	15	15	15	25

[a]The UK and France will both change to left-leaning governments in the late spring of 1997. UK and after France will turn left in April/May.
[b]Germany, UK, Greece, Sweden.

The ECB's policy, grounded in supply-side economics supports 'structural reforms', such as tax cuts, privatization, labour market flexibilization and deregulation Formally, the ECB does not have the power to propose such policies (Scharpf, 2011). Nevertheless, social policy came under pressure via the fiscal consolidation aims necessary for the establishment and functioning of the EMU.[1] In 1999, European macroeconomic dialogue was developed by Oscar Lafontaine, then Finance Minister, to organize a dialogue among the social partners, the ECB and the Commission. The basic idea was to have a signalling process between the different parties around wage and monetary policy around the German model.

As the socially oriented actors were dynamic and their initiatives were backed by a supporting political environment, the economically oriented actors that formed an epistemic community around monetarist ideas (Verdun, 1996) were taken by surprise. As noted by Dyson (2002, p. 101)

> the ECB-centric Eurozone policy community had to absorb and accommodate the so-called Luxembourg 'process' – with its annual employment guidelines and national action plans – and the Cologne 'process' – the Employment Pact and the macroeconomic dialogue. These developments opened up the dialogue about EMU by transforming the definition of who was in the policy domain.

At the same time, national governments were increasingly trying to enhance labour market participation in order to address the burden of ageing populations. Over the last two decades, policy-makers have introduced flexibility at the margins in countries with increasingly flexible labour markets, particularly in some sectors to enable employers to adjust rapidly and at low cost to fluctuations in economic demands (Emmenegger *et al*., 2012). As a result, there is an increasing proportion of the population that is on atypical contracts, with less protection than workers on contracts of indeterminate duration, and these workers are more vulnerable in a crisis situation. Contrasting with the reforms in the crisis period, at the end of the 2000s the reforms from the mid-1990s until the crisis were negotiated in a context where social partners were key players (Fajertag & Pochet, 2000).

At the beginning of the 2000s, a series of initiatives were to be undertaken by the ECB, DG ECFIN, the Ecofin Council and its subordinate Economic Policy Committee (EPC). Their focus was to analyse labour markets and wage development, especially in the Eurozone. In many respects, they entered the territory of the more socially oriented actors (DG employment, the Social Affairs Council and its two supporting committees: the Employment committee and the Social Protection Committee.

After 2005, the 'social' dynamic was halted to a great extent because the left-leaning political parties had lost ground. This is reflected in the report on the mid-term evaluation of the Lisbon strategy, 'Jobs, jobs, jobs', which refocused the whole debate on growth, competitiveness and flexibility. In this context, the economically oriented actors developed multiple initiatives in order to create networks and knowledge, but always around the aim of labour market restructuring and wage developments. In 2005, the ECB set up a 'Wage dynamic network' to assess the risks of, in particular, wage divergence. The network was structured into three working groups, namely, 'macro', 'micro' and 'survey'. Since 2005, DG ECFIN has annually published a report entitled 'Labour market and wage development'. This draws on two in-depth databases developed by the economically oriented actors. Started in December 2005, the LABREF database is a joint project managed by the European Commission DG ECFIN and the EPC to systematically record factual information on policy measures affecting the labour market institutions and thus likely to have an impact on labour market performance as part of the general economic surveillance of Member States . The AMECO database, on wages and wage developments, is another area where economically oriented actors are active. Another EPC sub-group deals with structural reforms linked to the Lisbon Strategy (the so-called 'LIME group') and bases its work on the assessment of the impacts of structural reforms in a major database known as MACMIC.

One could argue that collecting data and accumulating knowledge in order to analyse the likely impact of labour market reforms and wages in the context of monetary union do not indicate what reforms were supported in normative terms. However, the concern with labour markets and wages among the economically oriented actors has always built up around the over-arching concern of optimizing the functioning of the single market. We see this, for example, in an annex to a recent report by DG ECFIN. In the area of collective bargaining, the policy advice includes the following: decrease the bargaining coverage or (automatic) extension of collective agreements, decentralise the bargaining system, for instance by introducing/extending the possibility to derogate from higher level agreements or negotiate firm-level agreements, and reduce the wage-setting power of trade unions (European Commission, 2012a, p. 113).

In this period, welfare states are still primarily nationally bounded, although the common monetarist policy strongly affects economic and social policy.

4. Financial Crisis, Altered Governance and Welfare Models

When the crisis broke out in 2008, it brought to the fore the inbuilt asymmetry in the euro project – the inherent problem of a monetary union without a full fiscal union. The first response to this at the EU level was focused on reducing excessive public debt, and since 2010 on preventing a sovereign debt crisis. It was in this political context that the social developments and achievements of the 1990s and early 2000s came to be unravelled and that the economically oriented actors, well informed about wage policies, labour markets and social protection, became powerful ideational agenda-setters.

Indeed, the transformation of the crisis of bank debts into a sovereign debt crisis from 2010 enabled the economically oriented actors (ECB, economic and finance ministers, DG ECFIN) to put their ideas into practice around labour market and wage policies as well as social protection reform. It was in the context of the monetarist paradigm that the principle of internal devaluation was proposed and applied in practice in the countries that entered a recession and were in a sovereign debt crisis (i.e. Greece and Ireland). In the context of the crisis, the economically oriented actors were increasingly perceived as legitimate, even in terms of policy advice. This was not the case before the crisis.

The policy perspectives of the economically oriented actors are favoured in a political context where there is a minority of left-leaning governments among EU member states. Table 2 shows their relative weakness, particularly in 2010–11 when the most important decisions on changes to economic governance were made.

As a response to the crisis, the economically oriented actors (especially the ECB, DG ECFIN and the Ecofin Council) have sought to increase coherence between economic, financial and fiscal policies in an attempt to restore financial stability in the eurozone. We focus here on the ECB, which has taken on an unprecedented role, able for the first time since its creation to enact its policy ideas. In terms of knowledge production in the

Table 2. Left-leaning governments 2005–2014

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of left leaning governments	9	9	10	10	9	9	6[a]	4[b]	8	10
Number of EU member states	25	25	25	27	27	27	27	27	27	28

[a]Portugal, Spain, Greece, Cyprus, Slovenia, Austria.
[b]Belgium, Austria, Denmark, Cyprus.

period between 2009 and 2011, not less than 51 Working Papers were published by the ECB covering an impressive number of issues relating to the links between labour markets, wages and the euro (see Degryse *et al.*, 2013). As mentioned previously, its knowledge production role is not new.

But what is new is that it indicated what structural reforms were required at the national level in return for its intervention on the sovereign debt market. In fact, the ECB, in the absence of any credible coordinated political response, became the only body capable of exerting a firm influence on the financial markets that had become decisive in the global financial crisis. The ECB's new position was therefore right at the centre of gravity of the normative apparatus, located mid-way between the markets and the political sphere. Torres (2013, pp. 293–294) poignantly argues that:

> For the ECB, this 'invasion of other policy domains' – by calling for sound economic policy management, in particular in the fiscal domain, for structural reforms and for reinforced economic governance in general – is motivated by the fact that the euro area is at the epicentre of sovereign debt crisis.

In the following, we analyse the features of the new economic governance structure developed after 2010. The most important change is that the instruments used to suggest 'structural reforms' have become more binding. We have been witnessing a series of radical and rather similar reforms in a number of countries, though not in all. These reforms are imposed by the European Union, or the 'troika' (Commission, ECB and IMF) for those countries that are in receipt of financial assistance from the EU, by way of a set of new procedures put in place between 2010 and 2012. Memoranda of understanding (MoU) involve financial assistance provide by the EU-IMF, in exchange for carrying through specified reforms. Furthermore, this is monitored very closely by the European authorities, with on-site visits and the scrutiny of reforms effectively carried out.

For other EU countries as well, the tools have become more stringent than previously, which are designed to keep member states more under control. These changes are organized around the European Semester and have become more intrusive (see table in annex). This has altered the interrelationship between the EU and the member state actors and restrains member states in welfare reforms, weakening the national boundaries of welfare further.

In 2010, the European Semester was developed in order to coordinate *ex ante* the budgetary and economic policies of member states and to increase coherence among different policies. The Six Pack and the Fiscal Compact aim to reinforce the policy aims of the European Semester and to enhance EU surveillance of member state policies and coercion in the case of non-compliance. Both initiatives provide the European institutions with more surveillance power vis-à-vis member states' national budgets compared to pre-crisis and are designed to reinforce the implementation of the Stability and Growth Pact (SGP) and the European Semester within which they are embedded. The Six Pack does not only cover fiscal, but also macroeconomic surveillance under the new 'Macroeconomic Imbalance Procedure' (MIP), which aims to be more broad-ranging than the former focus only on public finances. Under the Six Pack, member states budget balance shall converge towards country-specific medium-term objectives (MTOs) (relating to the SGP's preventative arm). Stricter application of fiscal rules should be ensured by defining quantitatively what a 'significant deviation' from the MTO or the adjustment path towards it means.

The Six Pack also reinforces the corrective arm of the SGP, that is, the EDP, which applies to member states that have breached either the deficit *or* debt criterion (the latter not being operational before the Six Pack). Another important novelty is that the Six Pack introduces reverse qualified majority vote (RQMV) for deciding on sanctions. This means that a qualified majority of member states (in ECOFIN) must be against a Commission (DG ECFIN) proposal for an EDP or for a sanction to be overturned. This constitutes a very clear increase in power for the European Commission, especially DG ECFIN.

The Fiscal Compact applies to all EU countries except the UK and the Czech Republic. It requires them to ensure convergence towards country-specific MTOs, as well as to the balanced budget rules of the SGP, with an additional limit of 0.5 per cent of GDP on structural deficits (that can be extended to 1 per cent in exceptional circumstances). The Fiscal Compact requires these budget rules to be integrated in national law. Corrective mechanisms at the national level will be triggered automatically in case of deviation from the MTO or the adjustment path towards it. Likewise, the automatism of the EDP has been strengthened. Two benchmarks were changed: the annual deficit which is now linked to the economic cycle and the move towards the global debt (60 per cent) as a key indicator. That should not be a problem as the latter indicator better encompasses the past events (global debt is the sum of deficits and surpluses in the past) that the annual deficit. Nevertheless, a mandatory reduction by 5 per cent put severe pressure on countries highly indebted (for example Italy) but also for those with growing global debt (Greece, Ireland, Portugal and Spain). For these countries with a debt higher or close to 100 per cent, it means a reduction of 2 per cent a year. So, they will be forced to have a high primary surplus to be able to reach this ambitious goal. Should a country fail to transpose the budget rules and the correction mechanism on time, the European Court of Justice has the jurisdiction to take a decision on the matter, including the imposition of a financial sanction (up to 0.1 per cent of GDP).

In summary, contrasting with the pre-crisis period, the European Semester now takes account of the whole economy via the MIP, with new targets for budget deficits and public debt. This is because it became clear to European actors that taking account of budgetary discipline alone would not suffice for economic growth or crisis prevention. Since the MIP is the central instrument on which European actors formulate national recommendations and, more crucially, launch an EDP in the case of non-compliance, intrusion in member state policies could be high, as policy prescriptions may include the privatization of public services, labour market flexibilization, tax reforms, liberalization of product and service markets as well as social spending cuts. Also, sanctions can be implemented quite early on if certain targets are missed (de la Porte & Heins, forthcoming).

The crisis has led to a situation whereby there is more EU *interference* in national policy, where EU competencies are marginal, but where particularly the ECB and other financial actors require policy change, particularly for the countries under Memorandum of Understanding. There is also more surveillance activity by the EU to control whether member states are implementing the agreed policies and respecting or moving towards EU benchmarks and/or national targets.

Concerning the social dimension, 'Europe 2020' replaced the Lisbon Strategy, within which the instruments for re-calibrating social policy are now embedded. The link with the SGP is much closer as well, since Europe 2020 is integrated into the European semester. The assessment of the cause of the crisis by European economic elites is that some countries have not paid sufficient attention to structural reforms. The main aim stipulated is therefore to undertake structural reforms 'of pensions, health care, social protection and education systems' (European Commission, 2012b, p. 26) in order to achieve 'fiscal consolidation and long-term financial sustainability' (European Commission, 2012b, p. 26). Thus, even within processes more interested in social equity and solidarity, the genuine policy attention to issues of inequality is addressed within a framework aiming at macroeconomic and financial sustainability (de la Porte & Heins, forthcoming).

As we have seen, the ECB and DG ECFIN have increased their knowledge of labour markets (and the national reforms on this score) and are in a position to exert much stronger and more precisely targeted pressure than was previously the case, partly because of their greater expertise but above all because the crisis has placed the ECB at the centre of the stage. It is mid-way between the markets which it has managed to reassure and the political actors whom it tells what they must do so as to ensure that the markets remain calm and that the ECB will take action to stabilize the system in the event of crisis.

5. Conclusions

The asymmetry in the institutional structure of EMU as adopted under the Maastricht Treaty was met at the national level in the 1990s and early 2000s by the conclusion of social pacts in the member states. Parallel to this, social strategies were put in place at the European level and included the development of the European social dialogue, the European employment strategy, the Lisbon strategy as well as multiple open methods of coordination in social policy. The EMU thus had, to a certain extent, its social dimension, even if this was weak, contradictory and fragile. In a sense, it was the recognition of the fact that the borders between EU and national levels were *de facto* more permeable, but that there was a concern of maintaining intergenerational solidarity and increasing equality. At the same time, it was clear that European welfare states had to be reformed, to decrease passive benefits, while at the same time including more people into the labour market in order to maintain welfare societies.

From the mid-2000s, this aim to maintain and to reform social policy was altered with a change in national governments from the centre-right and right, as well as the arrival of Mr Barroso as President of the European Commission. The open methods of coordination were gradually voided of their substance, the European social dialogue was no longer fed, the social goals of the Lisbon Strategy were neglected, while there were few new European legislative initiatives in the social policy field. In the wake of the 2008 financial crisis, the European Union as a whole underwent the second phase of weakening and little remained of the social dimension of the EMU. After first tackling the onset of crisis in

2008–09 with measures to boost economic activity and employment, the member states subsequently embarked upon major programmes to reduce public expenditure and to introduce structural reforms.

The reforms in question related principally to labour law and social protection. At the level of content, they followed mainstream economists, who generally regard the European social model as the main reason for the deterioration in the member states' public finances. If the content of these reforms was not new, the political and socio-economic context opened up, by contrast, an unexpected window of opportunity for the proponents of draconian reforms.

These reforms have been undertaken in the framework of strengthened economic governance. While it is not possible to draw conclusions on the impact of these, what is perfectly clear is that the social policy recommendations are developing a new message containing specific ideas about how a national social model should operate. The tenets of this message are as follows: the costs of health care and pension systems should be pegged or even reduced; the wage formation systems should be brought within the realm of competition; the social benefit systems create disincentives to labour market participation and labour costs must be reduced. This message contains nothing or very little about how social models are intended to reduce inequality, to supply assistance and protection, nor about the ways in which they could contribute to the operation of a regulated market economy.

Because of a failure to commit to a real economic union, that is to say, a voluntary process of convergence of the economic performance and social cohesion of the eurozone member states, social policies – in the broad sense – have today been designated as the main adjustment variables of monetary union. What the dominant discourse states is that internal devaluations – which will affect wages, labour law and social protection – must from now on replace the practice of currency devaluation, as it was practised in the past.

More recently, there have been efforts to re-launch a social agenda, notably via the European Commission's social investment package. This embodies an effort not only to maintain European social models, but also to adjust them so as to maintain competitiveness. In essence, it aims to invest in human capabilities and is designed to do so across the life-course. It aims to be intergenerational and takes account of gender. However, one of the main limitations is that the quality of social investment is not likely to increase in the context of the Great Recession.

The boundaries of welfare between EU and national levels have changed from semi-permeable to permeable in a crisis context, where the economically oriented actors have had the upper hand. This has been possible due to the political context, where left-leaning governments had virtually no voice.

Note

[1] This is reflected by the views of Jean-Claude Trichet, who was to become the ECB President in 2001. He underscores that in the context of the single market, increased capital mobility and EMU, it is necessary to decrease labour cost differentials and to de-regulate labour markets (see Barbier, 2012)

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Annex. Typology of 'intrusiveness' of EU instruments

Dimension of intrusiveness	*Degree of intrusiveness*			
	Low	Medium	High	Very high
Interference *NB. This may differ according to the type of welfare state* (*and policy area*)	Uncontroversial objectives, not challenging existent member state policies or institutional arrangements, merely suggesting some minor adjustments in a particular policy area	Objectives challenging some existing policies, but not the underlying institutional structure of a policy area	Objectives requiring comprehensive policy reform, with the potential for undermining the existing institutional structure and fundamental principles of a policy area	Objectives requiring far-reaching structural policy reform, with a high potential for undermining the existing institutional structure and for changing the fundamental principles of a policy area
Surveillance	Infrequent *ex-post* EU surveillance of national policy reports	Frequent *ex-post* surveillance of national reports that specify policy which should meet common benchmarks and/or own national targets	Regular ex-ante and *ex-post* EU surveillance of national policy reports. member states are held accountable to EU benchmarks and are required to specify national targets and action plan to meet these	Frequent ex-ante and *ex-post* EU surveillance of national policy reports. member states are held accountable to their own policies (which must aim to meet European targets and/or policy)
Coercion	'Naming and shaming' and/or soft recommendations (with a weak treaty base)	Strong Treaty-based recommendations, but no sanctions	Treaty-based recommendations and ultimately financial sanctions in the case of non-compliance	Treaty-based corrective action and/or conditionality in order to receive financial assistance

Source: Reproduced and adapted from de la Porte and Heins (forthcoming).