

Fixing the European Social Malaise: Understanding and Addressing the Grievances of European Workers

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European citizens are increasingly dissatisfied with their standard of living and unhappy about their work conditions.¹ This 'social malaise' is resulting in growing distrust toward national and EU institutions as well as support for anti-establishment political forces. Against this backdrop, this paper provides policymakers and Members of Parliament with an analysis of the drivers and implications of such trends as well as some policy solutions to mitigate these phenomena.

Two key questions require urgent attention:

1. What drivers explain this rising social malaise in Europe? Is there a causal link between the deteriorating work conditions for Europeans and the growth in anti-establishment forces?
2. How have recent developments in the realm of workers' rights, employment insecurity, and growing gaps in European social security contributed to the surge of anti-establishment sentiments across Europe?

Finally, further reflection is needed in terms of concrete policy options to tackle social security gaps at the national and EU level, including through the European Pillar of Social Rights.

BEYOND CULTURE: ANTI-ESTABLISHMENT POLITICS AS A REFLECTION OF SOCIOECONOMIC MALAISE

Growing support for anti-establishment parties across Europe is often explained as a result of a "cultural backlash." This hugely popular trope claims that citizens support anti-establishment parties as a reaction to the diffusion of liberal values, in the form of gender equality, LGBT rights, and migration.² Yet, such trends might well be the façade masking deeper material and socioeconomic grievances of citizens.

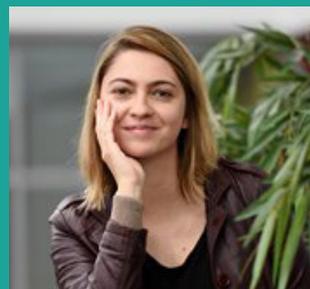
For instance, if one looks at the Brexit referendum, there are several indications that socioeconomic factors played a role in strengthening the "leave" vote. Brexit supporters tended to come from low-income, less educated, and high-unemployment communities, which were hit hard by public-spending cuts.³ In this respect,

1 See the latest report of the Eurobarometer on working conditions: Eurobarometer (2014), Flash Eurobarometer 398. Working conditions. Brussels: European Commission.

2 Norris, P. and Ingehart, R. (2018), *Cultural Backlash and the Rise of Populism: Trump, Brexit, and the Rise of Authoritarianism Populism*, Cambridge: Cambridge University Press.

3 See Goodwin, M.J. and Heath, O. (2016a), Brexit vote explained: poverty, low skills and lack of opportunities. JRF. <https://www.jrf.org.uk/report/brexit-vote-explained-poverty-low-skills-and-lack-opportunities>; Goodwin, M.J. and Heath, O. (2016b), The 2016 Referendum, Brexit and the Left Behind: An Aggregate-level Analysis of the Result.

About the Author



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Brexit has not only appealed to the working class, which was most affected by the economic crisis and austerity policies that followed, but also to the so-called squeezed middle, the declining middle class, which saw its subjective social status or social prestige decline due to worsening work conditions and the rising cost of living.

Rather than being an exception, Brexit is paradigmatic of broader trends across Europe. A growing number of European citizens support anti-establishment parties because they believe that the latter's political agendas address their declining social status. For instance, voters for France's National Rally or the Alternative for Germany explain their support with frequent references to fears of unemployment, a worsening of working conditions, and the weakening of social safety nets.⁴

Between 2007 and 2012, the National Front (as the National Rally was then called) significantly accelerated its programmatic shift toward leftist labor-market positions (e.g. increasing the minimum wage) that speak to "lower-earning French citizens."⁵ Meanwhile, the Five Star Movement in Italy won the 2018 elections by addressing rising poverty and introducing a "citizen income" law that provides increased benefits for job seekers and the unemployed, as well as strengthening job-placement strategies at the national level.

The Political Quarterly 87(3): 323–332; Becker, S., Fetzer, T. and Novy, D. (2016), *Who Voted for Brexit? A Comprehensive District-Level Analysis*. Centre for Competitive Advantage in the Global Economy.

4 Hillje, J. (2018), Return to the politically abandoned. Conversations in right-wing populist strongholds in Germany and France, Das Progressive Zentrum, http://www.progressives-zentrum.org/wp-content/uploads/2018/10/Return-to-the-politically-abandoned-Conversations-in-right-wing-populist-strongholds-in-Germany-and-France_Das-Progressive-Zentrum_Johannes-Hillje.pdf

5 Michel, E. (2017), Welfare politics and the radical right: the relevance of welfare politics for the radical right's success in Western Europe, Florence: EUI (Thesis).

2 THE HIDDEN FACE OF LABOR-MARKET INSECURITY AND THE EVOLUTION OF EUROPEAN SOCIAL POLICIES

The widespread malaise described above is rooted in the dominant paradigm of European social policies introduced by EU governments since the 1990s. Despite the variety of welfare-state arrangements across Europe, a general strategy followed by EU countries since the 1990s aims to include unemployed individuals and long-term benefit claimants in the labor market in order to reduce overall poverty and inequality. The most important manifestation of this strategy has been the adoption of the Social Investment Package by the European Commission in 2013, which emphasizes the importance of human-capital investment in order to make the labor market more flexible while having policies in place to include labor-market outsiders.⁶

As part of this plan, European welfare states pursued policies and mechanisms for making individuals employable in a flexible labor market (e.g. training schemes, human-capital strategies).⁷ While these social investment strategies raised employment rates, they also reduced direct cash redistribution—that is, all the types of cash support that citizens get from social insurance and social assistance schemes—thus generating more insecurity for the recipients of such transfers.

Significantly, the strategy of encouraging flexibility in European labor markets has not only affected individuals who claim state benefits, but also a large segment of ordinary workers. This includes so-called labor-market insiders; that is, employed individuals who are experiencing direct and indirect forms of labor-market insecurity.

The most evident form of labor-market insecurity concerns the fear of losing a job (job-tenure insecurity). This is directly connected to the diffusion of short-term jobs or jobs with a fixed tenure. With the exception of Spain and Greece, the employment rates in Europe are currently higher than they were before the crisis of 2008. Yet, the quality and composition of the job market and working conditions are extremely different.

There has been an increasing share of temporary employment contracts in the total jobs created within

each country. The highest incidences of temporary contracts are found in the Netherlands, Poland, Portugal, and Spain: between 21 and 27 per cent of the working-age population (which is higher than the OECD average of 11.5 per cent).⁸ Temporary employment contracts have also sharply increased in France and Italy.

Crucially, welfare-state support focuses on labor-market outsiders (i.e. the unemployed) and therefore excludes mechanisms of compensation for temporary workers who are (temporary) insiders. There is also a more hidden, and pernicious, form of insecurity concerning ordinary workers: job-status insecurity or the growing threat to working conditions of employed individuals. This refers to all aspects of work that can affect individuals in permanent jobs, such as declining benefits, sick-leave compensation, a worsening relationship with management, an unreasonable work-life balance, and so on.

This type of employment insecurity is becoming highly prevalent in the workforce and is more widespread than the fear of losing a job.⁹ Job-status insecurity results in the declining social status of individuals, and therefore contributes to the spread of social malaise and insecurity.

Studies show that the current systems of social protection in Europe are not effectively protecting citizens against the risk of poverty. After the crisis, even in the EU's most developed welfare states, minimum-income protection systems for work-poor households with children (households with parents without jobs)¹⁰ fall short compared to the poverty income threshold (defined as 60 per cent of the equalized median household income). In other words, the disposable incomes of work-poor households on social assistance were so low to put these families in poverty.¹¹

The insufficiency of the social protection schemes is even more evident with regard to low-paid workers at the minimum wage level. Figure 1 shows that for lone parents and sole breadwinners with a partner and children to support, net income packages at the minimum-wage level are below the national poverty threshold in almost all the countries and generally by a wide margin. Net income packages are the direct cash that these families receive by working at minimum wage, taking into account the social benefits received and the taxes they pay.

Figure 1 indicates that as wages fall across Europe,

6 European Commission (2013), Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Towards Social Investment for Growth and Social Cohesion – including implementing the European Social Fund 2014-2020, COM (2013) 83 final.

7 Marx, I. (2013), "Why Direct Income Redistribution Matters if We Are Really Concerned with Reducing Poverty" *Intereconomics: review of European economic policy*, Vol. 48., 6, p. 350-356.

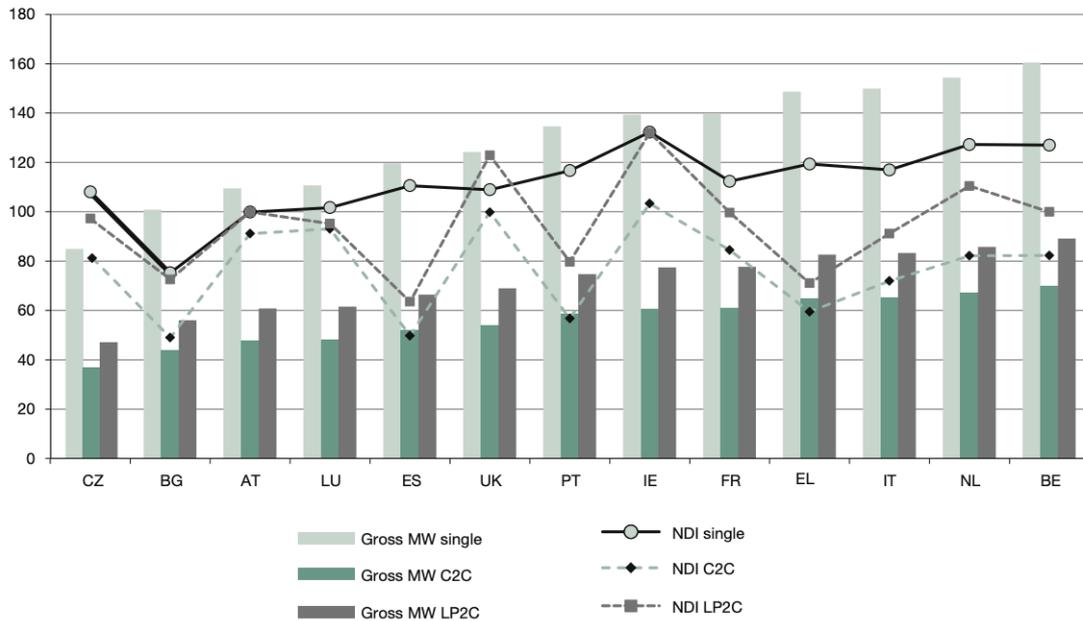
8 Weel, B. (2018), 'The Rise of Temporary Work in Europe', *De Economist*, 166 (4), pp 397–40.

9 Gallie, D., Felstead, A., Green, F., and Inanc, H. (2017) 'The hidden face of job insecurity'. *Work, Employment and Society* 31, 36–53.

10 One- or two-parent households where none of the parents work.

11 A Cantillon, B, Collado, D. and Van Mechelen, N. (2015), "The end of decent social protection for the poor? The dynamics of low wages, minimum income packages and median household incomes" *ImPRovE Working Paper No. 15/03*. Antwerp: Herman Deleeck Centre for Social Policy – University of Antwerp.

Figure 1 | Gross minimum wages and net incomes at minimum wage, 2012
in % of the relative poverty threshold



Note: MW = Minimum wage, NDI = Net disposable income, C2C = Couple with two children, LP2C = Lone parent with two children. Poverty thresholds as available on Eurostat, 2011, referring to 2010 income.

Source: Marx, I. (2013), "Why Direct Income Redistribution Matters if We Are Really Concerned with Reducing Poverty", *Intereconomics: review of European economic policy*, Vol. 48., 6, p. 350-356.

social security systems are not offering adequate mechanisms of compensation. In other words, participation in the labor market no longer constitutes an insurance against poverty. Indeed, a growing number of European workers are experiencing in-work poverty (the experience of living in poverty despite being employed).

DEVELOPING NATIONAL AND EUROPEAN STRATEGIES

Politicians and Members of Parliament (MPs) who wish to address this growing labor-market insecurity can act on two levels: the national and supranational.

At the national level, MPs should take the lead in developing new policies to alleviate some of the issues described above. The first area concerns the mechanisms of compensation already existing in European social security systems to increase the level of cash transfers available to low-paid workers (and unemployed individuals) above the poverty threshold. Such a policy change would not be particularly costly and could have dramatic results in moving individuals out of (work) poverty.¹²

Secondly, national MPs can also elaborate new instruments to increase (cash-based) social security in line with the current structure of the labor market. An

¹² Marx, I. (2013), "Why Direct Income Redistribution Matters if We Are Really Concerned with Reducing Poverty", *Intereconomics: review of European economic policy*, Vol. 48., 6, p. 350-356.

example of this is the creation of a transitional fund: an instrument to provide cash-based support above the poverty line for workers moving in and out of work, who typically lack contributions.¹³ The presence of mechanisms of compensation can effectively reduce the negative implications of job-tenure insecurity.

Thirdly, in respect to the worsening of work conditions (job-status insecurity), MPs can lead the creation of national standards on work conditions to monitor the emerging threats to in-work security (work-life balance; corporate benefits etc.), in collaboration with national unions.

The domestic setting remains the most relevant level to develop policies to address these phenomena. These can then become best practices for other EU member states. While EU countries generally oppose forms of coordination in social security,¹⁴ in 2017 the European Commission launched the European Pillar of Social Rights (EPSR), which focuses on equal opportunities and access to the labor market, fair working conditions, social protection and inclusion.¹⁵

¹³ See, for example, Antonucci, L. (2015), Towards EU youth policies? The limits of current welfare states and the potential for a "Youth Transition Fund" (YTF), *Solidar Social Progress Lab Paper*, Brussels: Solidar.

¹⁴ See the recent rejection of the proposal on social security coordination for EU free-movers: Herszenhorn, C. (2019), 'EU countries reject proposal on social security coordination', *Politico*, 29 March 2019.

¹⁵ European Commission (2017), 'Commission recommendation of 26.4.2017 on the European Pillar of Social Rights', C(2017) 2600 final.

4 Rather than being an instrument of harmonization, the EPSR is a mechanism of assessment and coordination that builds on the existing platform of macroeconomic coordination (the European Semester). It assesses member states' performances on issues such as the labor market and poverty based on 12 indicators (the Social Scoreboard).¹⁶ These are then used to send recommendations to member states from the European Commission through the European Semester.¹⁷ Through the EPSR, the above-mentioned national standards on work conditions would be recognized at the EU level and could become best practices for other member states.

Members of the European Parliament have a crucial role to play in this area as their institution provides opinions on the guidelines of the European Commission in each cycle of the European Semester. Recent initiatives promoted through the EPSR concern labor-market conditions and include directives on work-life balance for parents and carers and on transparent and predictable working conditions, the establishment of a European Labor Authority and a recommendation on access to social protection for workers and the self-employed.¹⁸ Some of the most ambitious ideas discussed in EU policy circles (such as the possibility of creating an EU mechanism of unemployment benefits) remain, however, largely excluded from EU social security. Only if the social malaise of labor-market insecurity in the EU is addressed can politicians hope to counteract current trends of anti-establishment sentiments.

While most of the social-policy focus remains on including labor-market outsiders, there are emerging grievances of citizens at work with regard to rising in-work poverty and job-tenure and job-status insecurity. As the design and delivery of social policies occur mostly at a national level, MPs have a crucial role to play in re-directing social policy intervention to increase the level and instruments of direct cash-transfer available, in particular to low-paid workers. MPs can exploit the overlooked potential of social security policies in compensating for the rising insecurity in European labor markets and thus restore trust in their political parties.

16 European Union (2017), 'Social Scoreboard 2017'.

17 European Commission (2019), Social Scoreboard indicators, <https://composite-indicators.jrc.ec.europa.eu/social-scoreboard/> (accessed 24/3/2019).

18 European Economic and Social Committee (2019), Ahead of the European elections, the EESC will assess the impact of the Social Pillar <https://www.eesc.europa.eu/en/news-media/press-releases/ahead-european-elections-eesc-will-assess-impact-social-pillar>.



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