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Commission Entrepreneurship and the Debasing of Social Europe Before and After the Eurocrisis

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Abstract

The bulk of the literature on 'social Europe' has suggested that social policy at the level of the EU remains to be characterized by the interplay of courts and markets. While we do not disagree with this argument, our objective is to shed light on the European Commission's entrepreneurship, an element which appears to be somewhat bereft of scholarly attention. We show how, by displaying social acuity, defining problems and building teams, the Commission has actively promoted a policy agenda focused on liberal market building at the expense of socially minded regulation. This was however only made possible by a new constellation among the Member States after 2004. We substantiate this claim by documenting the activity of the Commission in two crucial policy domains of the post-Lisbon era: the liberalization of service provision, and the impact of the new macro-economic governance on social policy after the financial and debt crisis.

Keywords: European Commission; Social policy; entrepreneurship; crisis; neoliberal; governance.

Introduction: How Social Europe Fell Out of Fashion

Recent debates on the contours of Social Europe seem somewhat more inconclusive about its prospects than were scholarly treatises in the 1990s. At the time, prescient scholarly treatises (Streeck and Schmitter, 1991; Leibfried and Pierson (eds), 1995; Scharpf, 1999; Geyer, 2000) correctly identified the limits to anything resembling a European-level welfare state, and questioned exaggerated hopes regarding the viability of Eurocorporatism (Falkner, 1998). More recently, while Caporaso and Tarrow (2009) posit the discovery of 'Polanyi in Brussels' in the shape of ECJ decisions strengthening the rights of individual EU citizens, other scholarly work that examines the nature of EU social and labour market policy is notably more pessimistic (Höpner and Schäfer, 2012). In particular, the argument has been put forward that the overall thrust of European integration, especially under the two Barroso Commission cabinets, has been largely deregulatory and (neo)liberal in nature, which suggests that the commitment to a re-regulatory 'Social Europe' of the Jacques Delors era (1985–94) has been all but abandoned. Social Europe is defined for our purposes as the pursuit of social (re-) regulation of economic and political processes with a view to taming the inequities arising from market processes. While the original six Member States all possessed Bismarckian-style welfare states and made up a largely homogeneous socioeconomic space, the disparity between levels of social spending, welfare arrangements, structural features of industrial relations and levels of income and wealth in the EU-28 today are such that there seems to be little common ground for communautarization. Notwithstanding the high *quantity* of social policy output, the overall *impact* of such regulation is largely market-enhancing.

In the literature, judicial activism by the Court and the amorphous and self-perpetuating role of the 'market' have been identified as the two processes dominating the re-regulation of labour and social policy (Leibfried and Pierson (eds), 1995). However, we submit the argument that the European Commission and its policy entrepreneurship are crucial – a claim which has not yet received adequate scholarly attention. We challenge accounts according to which the political role of the EU Commission has been weakened as the community method has been complemented, especially in the realm of social policy, by the Open Method of Coordination (OMC).

Those sceptical of the prospects of a Social Europe point to a flurry of recent ECJ rulings which seem to further confirm the view that the integration project as a whole has taken a liberal turn since the 2000s, especially regarding the critical question of workers posted under the premises of the liberalization of services (Menz, 2003; Joerges and Rödl, 2009; Lindstrom 2010). Others point to the policy content of the Commission's pronouncement and actions (Pochet and Degryse, 2012) and highlight the limits of the Lisbon Strategy (Boulin *et al*., 2009). By contrast, other authors suggest that the shift to the OMC has introduced new issues to the agenda, prodding Member States into progressive political action on 'activation, pension reform, childcare provision, gender equality, child poverty and well-being, and integration of immigrants' (Zeitlin, 2010, p. 3). Finally, Mailand (2013) suggests modest progress on social and labour market policy evolution, with the Commission's reliance on re-election reining in liberal initiatives.

In this article, we suggest that the focus on the OMC might be misplaced and Mailand's recognition of the political context of the Commission might be a more fruitful insight. Policy entrepreneurial activities of the Commission are crucial to understanding the policy output produced under the auspices of a Social Europe. Social policy has not ceased to be part of the political agenda, but it has focused on integration through markets, and the Commission has acted as a policy entrepreneur in a liberal fashion.

It is also worth considering the political context. The implications of the two rounds of eastward enlargement of the 2000s do not merely complicate but fundamentally *preclude* any prospect of major re-regulatory social policy. Hence, the political entrepreneurship of the European Commission has consistently been accompanied by corresponding ideological and institutional preferences among the Member States. It is not just an issue of radically increased divergence regarding levels of social and welfare spending, levels of unionization and organization of employers and absolute wealth and income levels, as well as the distribution thereof, though all of these gaps pose obvious differences which complicate creating common floors (Höpner and Schäfer 2012). The addition of 13 new Member States since 2004 – only one of which, Slovenia, can be regarded as being for political and structural reasons favourably inclined toward EU-level re-regulation of social policy – has shifted the ideological and voting balance in the Council of Ministers.

Empirically, this article focuses on two key issue areas of the past decade: first, the liberalization and regulation of services, notably in relation to the somewhat underresearched issue of public services in the internal market; second, the new social policy agenda in the context of the post-crisis macroeconomic governance. The case selection is influenced by the prominence of both issue areas and their significance for social policy-making.

The rest of this article is organized as follows. The section which follows elaborates the key argument according to which entrepreneurship of the Commission remains a crucial element in accounting for policy output. We also briefly review the internal and external factors that have led to the Commission to prefer a pro-market liberalization agenda over re-regulation. The next section demonstrates *how* political entrepreneurship was used to pursue a certain policy agenda. In the following two empirical sections we demonstrate first how the promotion of service liberalization has prevailed in order to address the negative effects stemming from EU competition rules; we then turn to the more recent post-crisis configuration and document how the Commission's entrepreneurship in the new governance framework for macroeconomic governance has evolved in a way which makes the achievement of social policy objectives more difficult than ever.

I. Commission Entrepreneurship and Changing Governance

In the twenty-first century, there has been a vivid academic debate about the emergence of new modes of governance in the EU (Scott and Trubek, 2002; Sabel and Zeitlin, 2012). The OMC has often been considered as a crucial supplement, if not a substitute, to the community method, especially in fields such as social policy where no substantive competence exists in the treaties (Zeitlin, 2011). The OMC has been seen as a way to foster deliberation and the exchange of best practices, thus fostering cognitive and ideational convergence among the Member States as well as addressing the perception of a lack of legitimacy of the community method and concerns regarding the central role played by the EU Commission (De la Porte and Nanz, 2004; Scott and Trubek, 2002). The OMC was designed to be *open* to the participation of civil society actors, a spirit which was endorsed by the EU Commission itself in its White Paper on Governance issued in 2001. On the other hand, the community method has also been challenged by the persisting inter-governmental features of EU governance. The progressive institutionalization of the European Council, uniting the heads of states and governments, has been identified as a main challenge to the role of the EU Commission as the centre of political initiative in the framework of the community method (de Schoutheete, 2012). All of this seems to suggest that the role of the Commission as a policy entrepreneur has been significantly weakened since, aside from exclusive core competences, it has turned mainly into either a laboratory or a secretariat facilitating Member State exchanges and co-operation.

We take issue with this assessment. First, closer examinations of the functioning of the community method have proven that it has remained central as a mode of governance and policy-making (Dehousse, 2008). It has adapted to the changing context of EU integration in two ways. On the one hand, the increased powers of the European Parliament have made it the legislative counterpart to the Council thus placing the Commission in a position of broker between both legislative bodies. On the other, the community method adapted relatively well to the sudden increase in the number of Member States with the 2004 enlargement. Thus, rather than an old-fashioned and rigid method of governance, the community method has proven to be flexible, with the EU

Commission adapting to a rapidly changing political and institutional framework. While enlargement has rendered the Council more divided and sometimes undecided, the entrepreneurship of the Commission is crucial.

Second, what we observe is not a weakening of the Commission per se but a change in strategy and a deliberate choice of an asymmetric use of soft policy instruments. Over the past ten years the Commission has used mainly soft instruments for fostering social policy objectives, versus continuing use of hard case law and legislation to promote a certain vision of social regulation and resource allocation through market opening and market-making. In fact, aside from its policy entrepreneurship regarding the revival of the single market in seeking to liberalize further service provision and promoting labour mobility, it should also be noted that the Commission did *not* encourage the elaboration of social policy directives as it had in the 1990s. In fact, the implementation of these directives was often delayed, not least in the new Member States (Falkner and Treib, 2008; but see Thomson, 2009). Its ideological orientation and policy goals, formally linked to the Lisbon Agenda, focused on raising levels of employment, improving 'employability' and promoting lifelong learning, thus all but abandoning traditional social democratic goals of decommodification of labour (Daguerre 2007). In turn, in the context of the debt crisis, the Commission has successfully pursued a strategy resulting in the enhancement of its monitoring and sanction competences (in comparison with the Stability and Growth Pact) in order to enforce austerity. With the reduction of deficits and cuts in public spending being the primary focus of the European Semester (and the six pack, the two pack and the fiscal treaty), the new broad framework for macroeconomic co-ordination, little is left of a social policy agenda. The achievement of EU social policy targets such as the reduction of poverty hardly appear realistic as Member States are urged to enforce dramatic cuts to their own national social policy programmes. Although stemming from inter-governmental talks, the decisions which have been made throughout the crisis and the new emerging institutional setting have ultimately reinforced the powers of the Commission (Closa, 2014), especially its most liberal components. The Commission's political entrepreneurship thus has a fundamental political dimension and operates behind a distinct political backdrop.

As Graziano and Hartlapp (2014) have recently shown, the political dimension of the Commission's role in social policy can be explained by both *external* and *internal* factors. From an external point of view, and in tune with the dynamics of the community method, the entrepreneurship of the Commission has only been possible where it has enjoyed political support from the Member States and the European Parliament. This brings electoral politics back in. In the Council, a social democratic majority of governments in Western Europe has been replaced by coalitions of conservatives and liberals in the 2000s. In the EP, while the conservatives displayed relative stable electoral results from 1999 to 2009, the presence of the Liberals has strongly increased (from 7.9 to 11–12 per cent of the seats), while that of the Social Democrats and the United Left significantly decreased (from 28.7 to 25 per cent and 6 to 4.5 per cent, respectively). Meanwhile, the rise of Eurosceptic forces has been spectacular (from 7.2 to 11.6 per cent, counting all groups together). Finally, this has been reflected in the composition of the EU Commission itself, with an unprecedentedly high proportion of liberal Commissioners in the first Barroso Commission (with the notable exception of Laszlo Andor). But, more than Commissioners or elected representatives' party membership itself, it is the changing ideational background as a whole which needs to be considered. While the three Delors cabinets displayed relatively high proportions of conservative and liberal Commissioners, the dominant paradigm underpinning the integration project at the time was that of regulated capitalism institutionalized in a *social* market-political economy. Delors' claim was that market integration was bound to spill over into political and social integration, which would bring about the convergence of European political economies toward high levels of growth and social protection. However, the means envisioned by the social democrats of the Third Way, a decade later, to achieve these objectives were mainly geared toward market mechanisms and the validation of neoliberal assumptions underpinning policy-making. Nor did this involve the transfer of new competences in the field of social policy to the EU institutions. The way in which the EU Commission has adapted to this changing ideological environment is referred to below as social acuity.

A further argument explaining the negative entrepreneurship of the EU Commission toward a possible Social Europe agenda is related to its *internal* dynamics. It is now common knowledge that the Commission cannot be regarded as a monolithic institution. Rather, it is characterized by strong internal cleavages of political, sectoral and institutional nature. These cleavages come to the fore depending on the logic pertaining to the internal discussion of a specific policy project, whether technocratic problem-solving, competence-seeking utility maximization or ideologically motivated policy-seeking (Hartlapp *et al*., 2014). Although we know little about votes inside the college of Commissioners, the internal balance of powers shapes those initiatives endorsed by the Commission as a whole. Beyond the partisan orientation of Commissioners, the ideological colour and relative institutional strength of the various DGs is of tremendous importance with regard to the capacity to gather majority support for a policy initiative *inside* the Commission. These are mainly the DGs dealing with economic policy and market integration, namely the DGs for competition, for the internal market and services, for economic and financial affairs, for enterprise and industry, for the budget and for trade. By contrast, the DGs for education and culture, health and consumer protection, information society and employment are weakest within the Commission bureaucracy (Graziano and Hartlapp, 2014, pp. 16–18). Here, the asymmetries in competence distribution in the treaties are reinforced by differential power positions and prestige. This creates a configuration in which pro-market policy options are much more likely to enjoy majority internal support than initiatives in favour of re-regulation. Hence, the EU Commission has been able, we argue, to capitalize on its continuously ambiguous nature – between technocratic neutral body and political centre of policy initiative – and to perpetuate its role as policy entrepreneur in the EU.

II. The Mechanisms of Policy Entrepreneurship

The concept of *policy entrepreneurship* was developed against the backdrop of American politics. At the most basic level, policy entrepreneurs can be defined as 'people who seek to initiate dynamic policy change' (Mintrom, 1997, p. 739; cf. Baumgartner and Jones, 1993; Kingdon, 1984). This literature points to the (rhetorically conditioned) definition of the problem, the timing of the policy issue and, of course, the entrepreneurial skills of the actors involved. Mintrom and Norman (2009) emphasize four key characteristics that successful policy entrepreneurs must possess: *displaying social acuity*, *defining* *problems*, *building teams*, and *leading by example*. Three of these four characteristics will be used as yardsticks.

Social acuity is expressed by making use of policy networks and responding to the ideological sea change toward reformist Third Way-style social democracy in the Member States. With the impetus created by the social protocol fizzling out by the tail end of the 1990s and Member States accepting the staunchly economically liberal Lisbon Council resolutions, there was a sense of renewing integration in a liberal sense, deliberately tolerating 'negative integration' repercussions for social policy. In that sense, the Commission also managed to understand the 'ideas, motives, and concerns of others' (Mintrom and Norman, 2009, p. 652) in repeated interactions with national ministers of labour and social affairs, given the myriad of committees, working groups and subcommittees in which it is involved. Forging ahead with the liberalization of services in the early 2000s and accepting the need to re-regulate it modestly, given the fallout of the relevant ECJ rulings, seemed to be very much in tune with concerns expressed at Member State level.

Defining problems is crucial because without an acute sense of required change, there is little incentive for action. The functionalist spill-over effect Maastricht created in terms of enhancement of market effects does not help us in accounting for the specific measures taken at the EU level. Following Lisbon, the Commission was able to argue that the lack of true market creation in services was part of the alleged competitiveness deficit the EU Member States were experiencing, which is why a more tightly integrated space for service liberalization and labour migration needed to be created. This was a problem definition that held immediate and obvious appeal for countries that either viewed their competitive advantage as dependent market economies partially in terms of a low wage and low regulation environment, notably those in central and eastern Europe (Nölke and Vliegenthart 2009), or that perceived the services sector as being the most advanced and most competitive element of their economy, and yet structurally disadvantaged because of the incomplete nature of the single market in this sector. This latter position enjoyed considerable support in both Ireland and Britain. By contrast, the Commission was unsuccessful in defining the problem of slightly unclear and inselect instances even ambiguous regulation pertaining to the liberalization of service provision in a fashion that would appeal. Notwithstanding the concerns caused by the neoliberal ECJ decisions Laval,[1] Viking,[2] Luxembourg,[3] and Rueffert[4] in some of the northern countries, the draft revision of the 1996 Posted Workers Directive, the so-called Monti II directive, was so clumsily and badly articulated that even potential supporters did not approve. The same is true for the re-regulation of public services at the social level. When looking at the responses to the debt crisis in the eurozone, the Commission has heavily contributed to shaping the dominant narrative of the crisis as a problem of excessive public debt, rather than of private debt and financial markets or banking regulation.

Successful policy entrepreneurs need to *build teams* and succeed in working with or assembling coalitions for change. This was clearly unsuccessful in the case of Monti II, although much more successful regarding the Services Directive, as far-reaching services

[1] C–341/05, 18 December 2007

[2] C–438/05, 11 December 2007

[3] C–319/06, 15 June 2008. Note that in this case, it is the Commission who attacked Luxembourgish labour law.

[4] C–346/06, 3 April 2008

liberalization was widely seen by the Member States and EP alike as the key initiative for the realization of the Lisbon Strategy. In the latter case, however, the Commission had clearly underestimated the controversy that a home versus host-country wage regime would generate, leading to a broad-based counter-coalition that eventually derailed the project, eventually giving way to a much tamer 'Bolkestein' directive, as discussed briefly in section 2. When looking at the response to the financial and debt crisis, many observers have underlined the weak role of the Commission and the prevailing of inter-governmental politics over the community method in the first sequence of crisis management. Five years on, however, we observe that the Commission has been a key player on the ground in the negotiation of austerity plans in debt countries as part of the a strong coalition formed by the so-called Troika together with the International Monetary Fund and the European Central Bank. Moreover, the Commission has considerably strengthened its grip on the decisions made by member States governments on their budget and fiscal policies in the framework of the Europe Semester. Together with the powerful creditor countries, not least Germany, the Commission contributes to defining the contours of austerity.

The final requirement specified in the literature is that policy entrepreneurs *lead by example*, demonstrating the practical workability and applicability of a given policy proposal. This is not a relevant criterion in this instance, of course, as the Commission cannot do so for obvious practical reasons.

III. The Liberalization of Public Services in the Lisbon Era

This section deals with the Commission's entrepreneurship in the realm of service liberalization and regulation, an issue which has been at the centre of the Lisbon Strategy over the past 15 years. It tackles two intertwined policy debates taking place in the context of the community method in the first half of the 2000s in which the EU Commission used legislative initiatives, namely the Services Directive and a possible EU Framework Directive regulating public services and utilities or services of general interest (SGI). The ways in which the most radically neoliberal elements of the Services Directive's original draft have been contested (mainly by left-wing political forces) and then softened by the EP in the first reading of co-decision have been widely documented in the literature (Lindstrom, 2010; Crespy, 2010; Crespy and Gajewska, 2010; Chang *et al*., 2010). The purpose here, therefore, is not to provide yet another detailed account of the controversy; rather, we focus on how the debate leading to its adoption in 2006 had a significant impact on the debate about the Framework Directive on SGI, an understudied issue. The policy outcomes resulting from these interrelated debates epitomize the prevailing of the pro-market liberalization agenda over the pro-regulation Social Europe agenda.

Social Acuity

From the mid-1990s and over the course of the 2000s, resentment grew toward the impact of EU policies on the provision of public utilities and services. On the one hand, competition policy (especially the EU state aid regime, but also increasingly the free movement of services) has increasingly threatened states' financial support for SGI. On the other, a number of sectoral directives (in telecommunications, transport, gas and electricity, etc.) have led to the full liberalization of service provision to households. Liberalization has often been accompanied by privatization and deregulation at the national level, without systematic and substantial re-regulation at the EU level. While it has often brought about lower prices and productivity gains, this has been mainly at the expense of employment levels and conditions and services quality, and prices have sometimes gone up a few years after market opening (Hermann and Flecker, 2012). All this has fed a debate about an EU directive re-regulating public services at the EU level which would allow for specific protective rules vis-à-vis the internal market and competition policy. The Commission first attempted to address these demands by putting forward a Communication in 1996, which was revised in 2001 (Commission, 1996, 2001); a Green Paper in 2003 (Commission, 2003); and a White Paper in 2004 (Commission, 2004).

Meanwhile, the adoption of the Lisbon Strategy in 2000 made the completion of the internal market through genuine liberalization of cross-border services the cornerstone for enhancing Europe's competitiveness and boosting employment. Ongoing discussions in the EP over possible SGI regulation therefore became embedded in the co-decision procedure over the Services Directive which was proposed by the Commission in January 2004. The radical nature of the Directive's first draft[5] reflected the political direction set by the first Barroso Commission, with the boldly neoliberal Dutch Commissioner for the Internal Market, Frits Bolkestein, supported by the traditionally radically pro-market civil servants within that Directorate General. However, a legislative initiative for far-reaching horizontal liberalization enjoyed the full support of the Member States and the EP alike until 2004–05. In that sense, the Commission displayed social acuity by prioritizing general services liberalization and proving less and less inclined over time to put forward legislation regulating public services.

Defining Problems

As mentioned above, the Commission was very successful in prompting agreement on the fact that the lack of cross-border trade in services was a major problem for the EU's competitiveness, thus making liberalization a priority. While interest groups representing social services providers[6] or various local authorities were complaining about the detrimental impact of competition rules, the EU Commission was never willing to acknowledge that the logic of competition per se was inappropriate to a category of services. In fact, the EU Commission denied the legal relevance of a unified category of intrinsically public services under the label SGI. Instead, it coined multiple labels for various categories of services, insisting that most of them should be regarded as of an economic nature, hence subject to competition rules. Tellingly, the Services Directive

[5] First, the main legal device proposed by the EU Commission was the so-called country of origin principle, which allows a company based in any EU country to provide services in another country on the basis of the rules and regulations of the country where it is formally established, though not 'host country' wages. This was seen as a major incentive for social, regulatory and wage dumping, feeding east–west conflicts. Second, this meant that the 1996 Directive on Posted Workers, which imposes to abide by the social regulations (in terms of pay, holiday, social protection, etc.) of the country where the service is effectively provided, was de facto being undermined. Third, the scope of application encompassed virtually all public services, including health services.

[6] The Comité de liaison sur les services d'intérêt général (CELSIG) has been the main interest group (mainly driven by French and Belgian organizations) to advocate regulation over SGI.

ignores the notion of SGI as a unified legal category, applying different rules for the complete exclusion (health services), sectoral liberalization and regulation (utilities) and partial derogation or inclusion (social services) of various services categories. Its adoption in 2006 therefore denied the relevance of a possible horizontal regulatory framework. This contributed to a reshaped problem definition regarding SGI in two ways: first, after the adoption of the Services Directive in 2006 it was narrowed down to apply to *social* services of general interest; second, the problem identified was eventually reduced to one of a lack of flexibility of the state aid regime, which led to the reform of state aid rules, a policy outcome departing considerably from the original perspective of a common regulatory framework protecting the quality of public services in the EU.

Building Teams

While the Commission's initiative for far-reaching services liberalization enjoyed the support of Member States and the EP at the outset, this eroded after months of transnational protest, emanating mainly from left-wing associations, unions and political parties. In the run-up to the French and Dutch referendums on the European Constitutional Treaty, protest against the 'neoliberal' EU was so loud that the Council, under pressure from France, Germany, Sweden, Belgium and others, prompted the Commission to revise the draft and eliminate the most problematic elements with regard to social dumping. However, the withdrawal of the draft as a whole never came into question. Concerns regarding the intensification of cross-border trade in services were severe. The social democratic rapporteur in the EP, Evelyn Gebhardt – who led the battle against the Commission – acknowledged that liberalization was necessary and advocated a compromise instead of a withdrawal of the Commission's proposal. Although the outcome of the debate can be seen as a success for the pro-regulation camp in political and symbolic terms, there has been much debate as to the substantial practical and legal implications of the final draft. Ultimately, liberalization and deregulation remain the rule while national regulation of cross-border service provision shall be the exception. The Commission's pro-liberalization agenda remains backed by consensus on the idea that the intensification of cross-border trade and related labour mobility is beneficial to the EU's political economy.

The building of a successful team garnering majority support for a framework directive on SGI along the lines initially favoured proved impossible. An in-depth analysis of the policy debates (Crespy, 2012b) shows that team-building was problematic on three levels: Member States, sectoral actors such as companies and MEPs.

IV. Commission Entrepreneurship in the Post-Crisis Era: Social Europe as Mission Impossible

The policy responses to the crisis of the eurozone (a crisis of banks and financial markets either resulting in or combined with a crisis of sovereign debts in a number of EU countries) have undeniably unfolded under the auspices of inter-governmental talks under German leadership. However, the Commission has actively contributed to shaping and enforcing austerity policies. The redefinition of economic governance has resulted in an unclear hybrid of soft co-ordination and legally stringent policy targets, featuring a significant strengthening of the Commission's competences for surveillance and sanctions aimed at the Member States. In the process, we argue, the Commission has largely contributed first to exacerbation of the social problems caused by the crisis, and second to the further subordination of social policy objectives to the reduction of the public deficit, thus rendering their achievement de facto nearly impossible.

Social Acuity

As it has fully embraced and promoted the liberalization agenda, the Commission has, after the outbreak of the financial crisis followed by a Europe-wide recession, championed the austerity agenda emerging from the new political constellation after 2008. After a brief Keynesian episode where several governments responded to the bank crisis with stimulus packages, accompanied by timid attempts to re-regulate the financial markets, it rapidly became clear that established neoliberal policy options would not be revised. In Europe, while a number of countries (notably Spain and Ireland) had to struggle with excessive *private* debt, public discourse focused mainly on the Greek case and the problem of excessive *public* debt. Displaying social acuity, the European Commission largely embraced this diagnosis and actively promoted austerity in three ways. First, in tune with Member States' political negotiations to reform the macroeconomic governance, it redirected the Europe 2020 agenda toward the overarching policy goal of public deficit reduction. At its origin, Europe 2020, which has been adopted in 2010 as the successor of the Lisbon Strategy, aimed to promote 'smart, sustainable, and inclusive growth', with a fairly strong focus on education and social inclusion as engines for driving employment and innovation. As noted by several authors, the slippage of Europe 2020 into the European Semester since 2011–12 has meant the further absorption of social policy into macroeconomic policy, and the political focus has clearly been placed on budgetary oversight and deficit reduction (Armstrong, 2012). In response to problems of collective decisions and enforcement among the Member States, as had been illustrated by the violation of the Stability and Growth Pact in the previous decade, the EU Commission has been endowed with new important surveillance competences, including a macroeconomic imbalance procedure (MIP) with a scoreboard of indicators, such as: nominal unit labour cost; activity rate for different age groups (notably young people); the rate of people at risk of poverty or social exclusion (including after social transfer); the rate of people who are severely materially deprived, and the rate of people living in households with very low labour market participation rates. In addition, there is an excessive deficit procedure for enforcement of the Stability and Growth Pact, whereby failure to comply can lead to sanctions upon the Member States which can only be avoided if opposed by a qualified majority in the Council (reverse qualified majority), the review of national budgets and (economic) reform programmes and the subsequent formulation of country-specific recommendations for the Member States which commit themselves to 'translate these recommendations into their forthcoming decisions on budgets, structural reforms and employment and social policies, while promoting full national ownership and preserving social dialogue' (European Council, 2013, p. 4). These recommendations focus on efforts toward 'fiscal consolidation' and the achievement of deficit reduction targets, as well as on the 'structural reforms' which are deemed necessary for this. It is worth noting, however, that these recommendations are also formally endorsed and sometimes amended by the Council. In brief, Commission entrepreneurship over the course of the crisis has mainly targeted economic objectives (focused on austerity), while policy objectives and instruments related to social policy have been further marginalized.

Defining Problems

Due to its extensive surveillance competences, the Commission finds itself in a good place to define problems (and advocate solutions), and it has done so in a way which has clearly defeated social policy objectives. In a context where the needs for social policy have become more acute, the EU Commission has, strikingly, continued to advocate the same policy recipes which were high on its agenda before the crisis. Two major problem areas have been welfare states and labour markets. As mentioned above, the crisis has been mainly framed as a problem of public spending. The first response has been to advocate massive cuts in public spending for welfare services. This, of course, has been particularly acute in countries where financial aid has been conditioned by structural reforms in memoranda of understanding, such as Greece, Ireland and Spain. However, this also holds true for countries which are seen as better off, such as the UK and Germany, which have adopted unprecedented austerity plans. Cuts have primarily targeted the labour-intensive sectors of health and education. The poorer countries of the Baltic and Eastern periphery have experienced a decrease in welfare standards, not least regarding health. Recommendations to increase cost efficiency in the healthcare sector have repeatedly featured in the Commission's country-specific recommendations. Overall, the cuts in welfare services have both exacerbated skyrocketing unemployment and reduced support to impoverished European populations.

With regard to labour markets, the problem has been clearly defined in terms of unit labour cost being too high to ensure EU countries' competitiveness. A telling example is the Commission's repeated insistence on the need for the Belgian government to abolish its mechanism of wage indexation on inflation. While the mechanism is a cornerstone of the Belgian social compromise, the issue has fed political controversy about excessive intrusion of the Commission into the choice of means for Member States to achieve their socioeconomic policy objectives. So far, the government has objected to comply with the Commission's recommendations. Since the inception of post-crisis governance framework known as the European Semester, social matters have been progressively embedded into macro-economic coordination. Since the European Semester subsumes procedures for both soft coordination and enforcement of fiscal discipline through hard law, it remains so far unclear whether targets and policy recommendations in the realm of social policy are legally binding and subject to possible sanctions or not. This is only likely to trigger political debates about the nature of the Commission's entrepreneurship in the realm of socioeconomic policy.

Building Teams

Since the outbreak of the financial crisis, the Commission has been able to further promote the established agenda of structural reforms through powerful team-building with financial institutions, namely the European Central Bank (ECB) and the International Monetary Fund (IMF), on the one hand, and with creditor Member States on the other. While a lot of authors have underlined the inter-governmental flavour of the euro crisis, an emerging literature has underlined the role of the EU Commission in the formulation and implementation of strict austerity and conditionality at the expense of social consequences in countries in financial dire straits. In the case of financial assistance to Hungary, Latvia and Romania in 2009, the EU Commission has proved more attached to tougher conditionality – that is, more orthodox economic reform – as a condition for loans than has the IMF (Lütz and Kranke, 2014). Similarly, the Commission has played a prominent role in the design and negotiations of the memoranda of understanding in Greece, Portugal, Spain and Ireland. In the case of Greece, the Commission has even set up a task force to steer enforcement on the ground in Greece. Again, the Commission's strict approach to conditionality and austerity has triggered disagreements with the IMF (Dyson, 2014 p. 374-375). More generally, the Commission's entrepreneurship in the realm of austerity and debt-reduction enforcement is backed by a powerful coalition of creditor countries, including the Netherlands, Sweden and Austria and spearheaded by Germany. This has resuited in a significant strengthening of the Commissions implementation powers (Bauer and Becker, 2014).

Conclusion

Our goal in this article was to explore the politics of Social Europe at the European level. Overall, our conclusion is one that emphasizes limited re-regulatory initiatives and liberal market-building. Such assessment seems warranted by the nature of Commission policy entrepreneurship in recent years. It is also worth noting the somewhat half-hearted and ultimately unsuccessful Delorsian-style social policy endeavours which the Commission undertook. The agreement on a Youth Guarantee – ensuring all unemployed people work, be it a job or a training activity – might appear as a notable exception, as the Commissioner for Employment and Social Affairs, Lazlo Andor, received the support of the Member States. However, resources for implementation seem to be scarce. Only €6bn out of the €21bn necessary per year has been secured, leaving most part of the funding to Member States under the pressure of deficit surveillance. Besides the Youth Guarantee, two major policy objectives have lacked political support both inside and outside the Commission. The first is the social investment agenda, whereby resources need to be invested in education, lifelong learning, healthcare, childcare, etc. Although at the centre of the 'agenda for new skills and jobs' promoted by Commissioner Andor within the framework of Europe 2020, implementation did not follow. The second so-called 'flagship initiative of Europe 2020', the platform against poverty, has been poorly linked to the other policy dimensions, leaving the benchmarks likely to remain unachieved (Daly 2012). Poor craftsmanship clearly missing the criteria for successful policy entrepreneurship thus led to feeble outcomes.

The existing secondary literature has often stressed the role of institutional hurdles to positive integration and on regulation through the Court and the markets. We have argued that this must be complemented by an analysis of the Commission, aided by the prism afforded by the concept of policy entrepreneurship. While many scholars have shed light on the new modes of governance and co-ordination (and the related problems), we have argued that, in the framework of the community method, the Commission has continued to create policy initiatives which reflect the dominant constellation among the Member States.

The role of policy entrepreneurship of the European Commission has tilted the balance in favour of pushing ahead with further market integration and market enhancement, deliberately accepting the fallout of negative integration. The Commission thus actively promoted the further liberalization of the service sector and labour migration in a strongly ideological fashion. By contrast, the Commission handled the elaboration of a re-regulatory ‘Monti II’ draft directive so badly that even its proponents felt they could not lend their support to this endeavour. The planned re-regulation in the aftermath of the various ECJ decisions on the posting of workers thus did not materialize. Furthermore, the Commission-led response to the euro crisis has emphasized reductions in wages, social and labour protection measures and general cutbacks to social and public spending as the remedy for the debt and competitiveness crisis affecting the EU.

In the spirit of the community method, however, the Commission does not have the capacity to determine the direction of EU integration alone. The nature of the Commission’s entrepreneurship was therefore supported and made possible by a new political and institutional constellation among the Member States and the Council. Eastward enlargement has had significant and largely negative consequences for the political prospect of any re-regulatory social policy agenda, rendering this institutionally much more difficult because of the new realities of voting in the Council of Ministers (and indeed Parliament). New Member States in central and eastern Europe perceive their lower wages and deregulated working conditions as a structural comparative advantage that they are loath to jeopardize (Nölke and Vliegenthart, 2009; Bohle and Greskovits, 2012). Meanwhile, rapidly increasing levels of intra-European migration and the deregulation of transnational service provision implicit in the ECJ rulings create serious potential for a downward development of both wages and labour regulation in the more advanced systems of social policy in northern Europe. Thus, the political potential for enhancement seems limited, and there is also evidence of significant pressure in a deregulatory direction.

The recent developments which have unfolded in the wake of the financial and debt crisis have only accentuated these trends. Social policy objectives and instruments have been marginalized within the new governance architecture. But, most importantly, the firm commitment – by means of new stringent policy instruments – to austerity has dramatically decreased the resources available for social policy at the national level, and made a European social policy agenda – such as one involving social investment – a mere rhetorical exercise. With the adoption of the new governance procedures, the Commission has considerably strengthened its oversight and constraining powers. Hence, what we see emerging is a new hybrid form of governance drawing from both political inter-governmentalism and technocratic supranationalism. Given the relatively marginal role played by the EP, one could argue that this constitutes a step back to an old-style community method prior to the generalization of co-decision. In the EU, as in all political systems, the fates of social justice and democracy seem to be inextricably intertwined.

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