

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

by Lorenza Antonucci



G | M | F The German Marshall Fund
of the United States
STRENGTHENING TRANSATLANTIC COOPERATION

European citizens are increasingly dissatisfied with their standard of living and unhappy about their working 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

¹ See the latest Eurobarometer report on working conditions: *Flash Eurobarometer 398: Working conditions*, April 2014, <https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2044>.

Lorenza Antonucci is a social policy scholar researching and writing on inequality, comparative social policy in Europe, young adults, higher education, and welfare-state changes. She is currently a Fellow in Social Policy at the University of Birmingham. This article is the third in a number of IAI Commentaries published in the framework of the Mercator European Dialogue project, run by the German Marshall Fund (GMF), the Istituto Affari Internazionali (IAI), the Hellenic Foundation for European and Foreign Policy (ELIAMEP) and the Barcelona Centre for International Affairs (CIDOB).

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 working 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?

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, 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 working 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 labour-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.

² Pippa Norris and Ronald Inglehart, *Cultural Backlash. Trump, Brexit, and Authoritarian Populism*, Cambridge, Cambridge University Press, 2019, p. 78.

³ See Matthew Goodwin and Oliver Heath, “Brexit Vote Explained: Poverty, Low Skills and Lack of Opportunities”, in *JRF Reports*, 31 August 2016, <https://www.jrf.org.uk/node/11679>; Matthew Goodwin and Oliver Heath, “The 2016 Referendum, Brexit and the Left Behind: An Aggregate-level Analysis of the Result”, in *The Political Quarterly*, Vol. 87, No. 3 (July-September 2016), p. 323-332; Sascha O Becker, Thiemo Fetzer and Dennis Novy, “Who Voted for Brexit? A Comprehensive District-Level Analysis”, in *Economic Policy*, Vol. 32, No. 92 (October 2017), p. 601-650, <https://doi.org/10.1093/epolic/eix012>.

⁴ Johannes Hillje, *Return to the Politically Abandoned. Conversations in Right-Wing Populist Strongholds in Germany and France*, Berlin, Das Progressive Zentrum, October 2018, <http://www.progressives-zentrum.org/?p=18137>.

⁵ Elie Michel, *Welfare Politics and the Radical Right: The Relevance of Welfare Politics for the Radical Right’s Success in Western Europe*, PhD Thesis, Florence, European University Institute, 15 May 2017, p. 178, <http://hdl.handle.net/1814/46384>.

The hidden face of labour-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 labour 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 emphasises the importance of human-capital investment in order to make the labour market more flexible while having policies in place to include labour-market outsiders.⁶

As part of this plan, European welfare states pursued policies and mechanisms for making individuals employable in a flexible labour 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 labour markets has not only affected individuals who claim state benefits, but also a large segment of ordinary workers. This includes so-called labour-market insiders; that is, employed individuals who are experiencing direct and indirect forms of labour-market insecurity.

The most evident form of labour-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

⁶ European Commission, *Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020* (COM/2013/83), 20 February 2013, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52013DC0083>.

⁷ Ive Marx, "Why Direct Income Redistribution Matters if We Are Really Concerned with Reducing Poverty", in *Intereconomics*, Vol. 48, No. 6 (November/December 2013), p. 350-356, <https://archive.intereconomics.eu/year/2013/6/inequality-in-europe-what-can-be-done-what-should-be-done>.

⁸ Bas ter Weel, "The Rise of Temporary Work in Europe", in *De Economist*, Vol. 166, No. 4

contracts have also sharply increased in France and Italy.

Crucially, welfare-state support focuses on labour-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

(December 2018), p. 397, <https://doi.org/10.1007/s10645-018-9329-8>.

⁹ Duncan Gallie et al., "The Hidden Face of Job Insecurity", in *Work, Employment and Society*, Vol. 31, No. 1 (2017), p. 36-53, <https://doi.org/10.1177/0950017015624399>.

without jobs)¹⁰ fall short compared to the poverty income threshold (defined as 60 per cent of the equalised 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

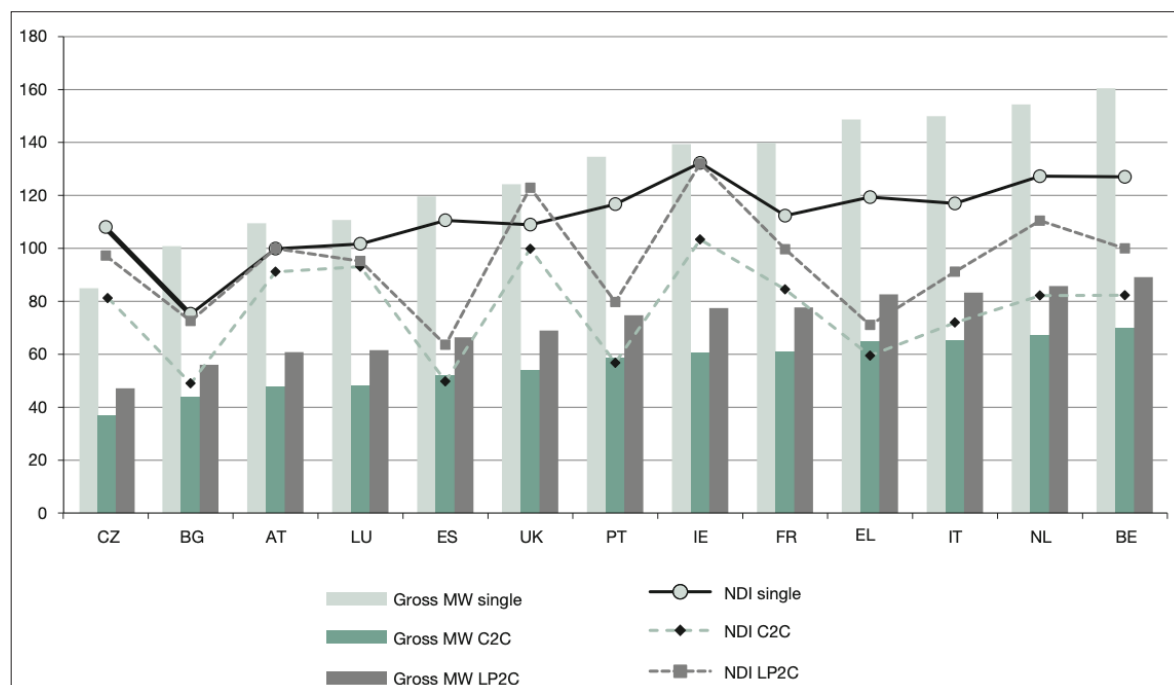
The insufficiency of the social protection schemes is even more evident with regard to low-paid workers at the minimum wage level. Figure 1 shows that for lone parents and sole breadwinners with a partner and children to support, net income packages at the minimum-wage level are below the poverty threshold 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, social security systems are not offering adequate mechanisms of compensation. In other words, participation in the labour 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).

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

¹¹ Bea Cantillon, Diego Collado and Natascha Van Mechelen, "The End of Decent Social Protection for the Poor? The Dynamics of Low Wages, Minimum Income Packages and Median Household Incomes", in *ImPRovE Working Papers*, No. 15/03 (February 2015), <http://improve-research.eu/?wpdmact=process&did=NzAuaG90bGluaw==>.

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: Ive Marx, "Why Direct Income Redistribution Matters...", cit., p. 355.

Developing national and European strategies

Politicians and members of Parliament (MPs) who wish to address this growing labour-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 labour market. An 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

¹² Ive Marx, "Why Direct Income Redistribution Matters...", cit.

¹³ See, for example, Lorenza Antonucci, "Towards EU Youth Policies? The Limits of Current Welfare States and the Potential for a 'Youth Transition Fund' (YTF)", in Rémi Bazillier

The presence of mechanisms of compensation can effectively reduce the negative implications of job-tenure insecurity.

Thirdly, in respect to the worsening of working conditions (job-status insecurity), MPs can lead the creation of national standards on working 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 labour market, fair working conditions, social protection and inclusion.¹⁵

et al. (eds), *Progressive Structural Reforms. Proposals for European Reforms to Reduce Inequalities and Promote Jobs, Growth and Social Investment*, Brussels, Solidar, November 2015, p. 59-71, <http://www.solidar.org/en/publications/progressive-structural-reforms-proposals-for-european-reforms-to-reduce-inequalities-and-promote-jobs-growth-and-social-investment>.

¹⁴ See the recent rejection of the proposal on social security coordination for EU free-movers: David M. Herszenhorn, "EU Countries Reject Proposal on Social Security Coordination", in *Politico*, 29 March 2019, <https://www.politico.eu/article/eu-countries-reject-proposal-on-social-security-coordination>.

¹⁵ European Commission, *Commission Recommendation (EU) 2017/761 of 26 April 2017 on the European Pillar of Social Rights*, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017H0761>.

Rather than being an instrument of harmonisation, 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 labour market and poverty based on 14 indicators (the Social Scoreboard).¹⁶ These are then used to send recommendations to member states from the European Commission through the European Semester. Through the EPSR, the above-mentioned national standards on working conditions would be recognised 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 labour-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 Labour Authority and a recommendation on access to social protection for workers and the self-employed".¹⁷ Some of the most ambitious ideas discussed in EU

¹⁶ European Commission, *Social Scoreboard 2018. Headline Indicators: Descriptions and Highlights*, Luxembourg, Publications Office of the European Union, 2018, <https://doi.org/10.2767/919453>.

¹⁷ European Economic and Social Committee, *Ahead of the European Elections, the EESC Will Assess the Impact of the Social Pillar*, 29 March 2019, <https://www.eesc.europa.eu/en/node/69034>.

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 labour-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 labour-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 labour markets and thus restore trust in their political parties.

12 July 2019

Istituto Affari Internazionali (IAI)

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*Affarinternazionali*), three book series (*Global Politics and Security*, *Quaderni IAI* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

Via Angelo Brunetti, 9 - I-00186 Rome, Italy

T +39 06 3224360

F + 39 06 3224363

iai@iai.it

www.iai.it

Latest IAI COMMENTARIES

Director: Andrea Dessì (a.dessi@iai.it)

- 19 | 46 Lorenza Antonucci, *Fixing the European Social Malaise: Understanding and Addressing the Grievances of European Workers*
- 19 | 45 Danila Bochkarev, *Deal or No-Deal? Beyond the Hype on Ukraine Gas Transit Negotiations*
- 19 | 44 Anja Palm and Luca Barana, *Italy's Migration Policy: A Self-Defeating Approach Spells Marginalisation in Europe*
- 19 | 43 Nicola Bilotta and Franco Passacantando, *Libra or Zuck-Coin? Risks and Opportunities of Facebook's Cryptocurrency*
- 19 | 42 Paul Taylor, *Avanti Tutta: Rebooting Italian Defence*
- 19 | 41 Sinan Ekim, *Istanbul Elections Fuel Hope for Turkish Democracy, but an Uphill Battle Awaits*
- 19 | 40 Nona Mikhelidze, *Italy Sidelined As Russia Consolidates Position in Libya*
- 19 | 39 Karolina Muti and Alessandro Marrone, *How Italians View Their Defence? Active, Security-oriented, Cooperative and Cheap*
- 19 | 38 Pietro Quercia, *Polluting for Profit: The Paradox of the EU's Emissions Trading System*
- 19 | 37 Bernardo Venturi, *The Trouble with Italy's Development Cooperation*