

## ENLIGHTEN H2020 AGORA<sup>®</sup> Forum

Advocacy, Governmental Organisations and Research Networks Associated

October 9 - 10<sup>th</sup> 2017

@ IEE-ULB, 39, Av. F.D. Roosevelt B-1050 Brussels (BELGIUM)

# ENLIGHTEN FINAL FORUM

Learning the lessons  
from the fast-burning crisis  
&  
Challenging the policy blindspots  
feeding the slow-burning crises



This activity acknowledges the support of the H2020 RIA research project  
*ENLIGHTEN - European Legitimacy in Governing through Hard Times: the role of European Networks*  
European Commission Project Number: 649456

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# THE ENLIGHTEN PROJECT

## FRAMEWORK

Launched in April 2015, the “European Legitimacy in Governing through Hard Times: the role of European Networks” (ENLIGHTEN) project has explored a novel framework to answer the question: “More Europe - Less Europe?” as articulated in the first section of the EURO-4 Call on European Integration of the European Commission’s Horizon 2020 Research Framework Programme.

ENLIGHTEN’s **transversal question** was how the European governance architecture (modes of governance; expert networks; policy instruments and legitimizing narratives) born from the recent crisis shaped:

1. Short and Long-term dynamics of stability and change in ideas?
2. Forms of knowledge applied to fast and slow-burning crises?
3. Discourses developed in response to fast and slow-burning problems?

**Policy fields covered** by ENLIGHTEN (chosen because they function as important signifiers of the implementation, effectiveness and legitimacy of the European governance architecture) were:

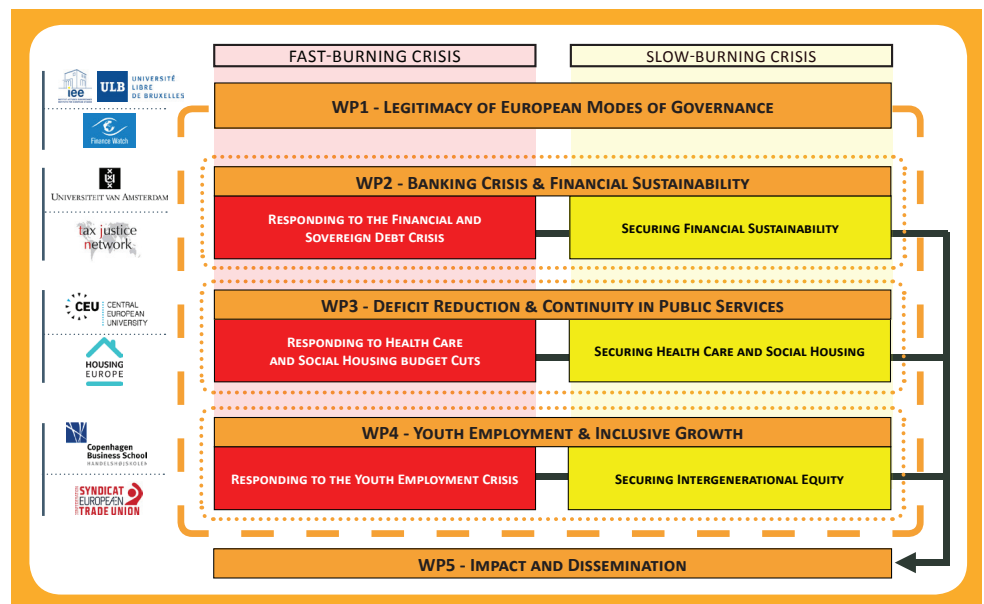
1. Banking crisis and fiscal sustainability;
2. Deficit Reduction and continuity of public services;
3. and Youth employment and inclusive growth.

## STRUCTURE

The ENLIGHTEN project brings together a consortium of 4 world class universities and 4 leading non-academic partners.

All 8 partners enjoy highly recognised expertise on the efficiency and legitimacy of European governance.

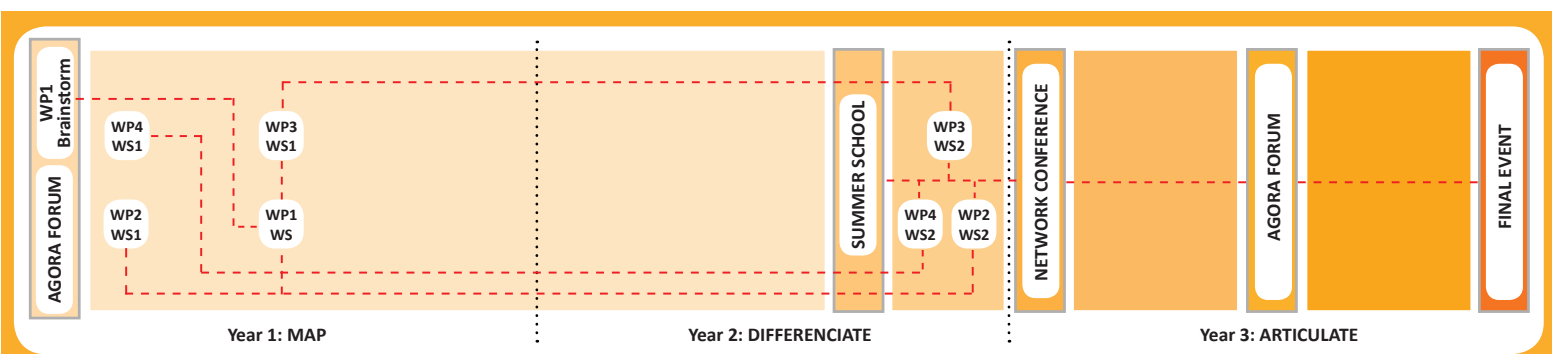
Furthermore each academic and non-academic partner mobilized enjoys a particular relevance in one of the convened policy fields.



## PLANNING

Over the course of 36 months, the ENLIGHTEN project delivered early stage research summaries; scientific articles, a jointly edited volume, policy papers, an online video documentary as well further teaching material including a dictionary of European modes of governance.

The flow of ENLIGHTEN’s activities has been guaranteed by the way of a series of integrative events including: a network wide WP1 brainstorm session, 1 instigation AGORA Forum, 7 scientific workshops, 1 PhD Summer School, 1 network wide mid-term scientific conference; as well as this dissemination Forum.



# THE ENLIGHTEN FINAL FORUM

## RATIONALE

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AGORA Fora's overarching aim is to **improve policy making** by fostering suggestions based on academic research and effective dialogue among a limited number of experts. Participants hail from the research, policy making and civil society and are selected in light of their involvement in previous research activities and/or their topical expertise.

By **fostering two-way interactions between academic research and policy-making**, AGORA Fora seek to:

1. Provide the research community with rapid and targeted feedback from policy actors working in their field of inquiry;
2. Make the policy implications of recent research more tangible and better communicate these to the relevant practitioners.

## AIMS

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The “**ENLIGHTEN FINAL AGORA FORUM: LEARNING THE LESSONS FROM THE FAST-BURNING CRISIS CHALLENGING THE POLICY BLINDSPOTS FEEDING THE SLOW-BURNING CRISES**” is the final intersectoral event of the ENLIGHTEN research project.

Its specific objective is to **EXCHANGE & EXPAND ON RESEARCH FINDINGS** so as to **COLLECTIVELY PRODUCE SUBSTANTIATED AND CLEAR RECOMMENDATIONS** that will be subsequently disseminated.

## FORMAT

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### 4 THEMATIC ROUNDTABLES ...

- *RT1 ENLIGHTEN FINAL FORUM:*  
**THE SUSTAINABILITY OF EUROPEAN SEMESTER GOVERNANCE : THE DEVIL IS IN THE DETAILS**
- *RT2 ENLIGHTEN FINAL FORUM:*  
**THE SUSTAINABILITY OF EUROPEAN LABOR MARKET(S) : BREAKING FREE FROM COMPETITIVE DIVERGENCES**
- *RT3 ENLIGHTEN FINAL FORUM:*  
**THE SUSTAINABILITY OF EUROPE'S FINANCIAL GOVERNANCE : FROM AN EFFICIENCY TO A LEGITIMACY CHALLENGE**
- *RT4 ENLIGHTEN FINAL FORUM:*  
**THE SUSTAINABILITY OF HOUSING AND HEALTH POLICIES IN EUROPE : THE SHORT-TERM IMPACT OF AUSTERITY, THE LONG-TERM IMPACT OF DEMOGRAPHIC CHANGE**

### ... COMPOSED OF A LIMITED NUMBER OF PARTICIPANTS (15-20) ...

- 1 chair; 1 background note giver
- 5 international academics or researchers from within and beyond the ENLIGHTEN Consortium
- 5 policy makers hailing from governmental organisations (EU institutions; International organisations; National administrations)
- 5 civil society representatives (Businesses; Think Tanks; NGOs) from within and beyond the ENLIGHTEN Consortium

### ... ENGAGED IN A 2 HOUR AND HALF-LONG DISCUSSION ...

- Introduction by the Chair (ca. 10min)
- Summary by background note giver (ca. 15min)
- Discussions (circa. 2h00)

### ... BASED ON A SET OF BACKGROUND NOTES ...

- Each roundtable is framed by 1 research findings' summary including their policy implications. Background notes will be provided to participants prior to the forum.
- The **research findings' summary** provides the reader with: (1) the conclusions of the research undergone throughout the lifespan of the ENLIGHTEN project; (2) an assessment of identified policy concerns; and (3) a set of policy suggestions. They are to serve as basis for the roundtable discussions and subsequently to be translated in the form of policy papers that will be distributed to larger audiences.

### ... COLLABORATIVELY DRAFTED BY ...



# PROGRAMME

MONDAY OCTOBER 9TH 2017	
9.00	Coffee and Registration
9.30 - 12.00	<p><b>AGORA RT1</b> <i>ENLIGHTEN Final Forum:</i></p> <p><b>THE SUSTAINABILITY OF EUROPEAN SEMESTER GOVERNANCE : THE DEVIL IS IN THE DETAILS</b></p> <p><b>SEE PAGES 5-13</b></p>
12.00 14.00	Lunch Break
14.00 - 16.30	<p><b>AGORA RT2</b> <i>ENLIGHTEN Final Forum:</i></p> <p><b>THE SUSTAINABILITY OF EUROPEAN LABOR MARKET(S) : BREAKING FREE FROM COMPETITIVE DIVERGENCES</b></p> <p><b>SEE PAGES 14-18</b></p>
TUESDAY OCTOBER 10TH 2017	
9.00	Coffee and Registration
9.30 - 12.00	<p><b>AGORA RT3</b> <i>ENLIGHTEN Final Forum:</i></p> <p><b>THE SUSTAINABILITY OF EUROPE'S FINANCIAL GOVERNANCE : FROM AN EFFICIENCY TO A LEGITIMACY CHALLENGE</b></p> <p><b>SEE PAGES 18-20</b></p>
12.00 14.00	Lunch Break
14.00 - 16.30	<p><b>AGORA RT4</b> <i>ENLIGHTEN Final Forum:</i></p> <p><b>THE SUSTAINABILITY OF HOUSING AND HEALTH POLICIES IN EUROPE : THE SHORT-TERM IMPACT OF AUSTERITY, THE LONG-TERM IMPACT OF DEMOGRAPHIC CHANGE</b></p> <p><b>SEE PAGES 21-24</b></p>

# ROUNDTABLE 1: THE SUSTAINABILITY OF EU SEMESTER GOVERNANCE The Devil is in the Details

Monday October 9th 2017 from 9.30am until 12.00

## RT1 - PARTICIPANTS

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Pr. Vivien SCHMIDT (Boston University & Université libre de Bruxelles) - CHAIR

Pr. Ramona COMAN (Université libre de Bruxelles) - NOTE INTRODUCTION

Pr. Amandine CRESPIY (Université libre de Bruxelles) - NOTE Co-author  
(Université Libre de Bruxelles - Institut d'Etudes Européennes)

M. Mateo CAPO SERVERA (Council of the European Union)

M. Krzysztof Stefan ISZKOWSKI (European Commission DG EMPL)

M. Andreas OBERMAIER (European Commission DG RTD)

M. Miguel GIL TERTRE - TBC (European Commission - Secretariat General)

M. Georgios PAPANAGOU (European Commission DG EMPL)

M. Basudeb CHAUDHURI (European Commission DG RTD)

Ms. Christina JORDAN - TBC (Council of the European Union - Cabinet D. Tusk)

Pr. Hussein KASSIM (University of East Anglia)

M. Frederik PONJAERT (Université Libre de Bruxelles)

M. Pierre VANHEUVERZWIJN (Université Libre de Bruxelles - CEVIPOL)

M. Leo HOFFMAN AXTHELM (Transparency International-EU)

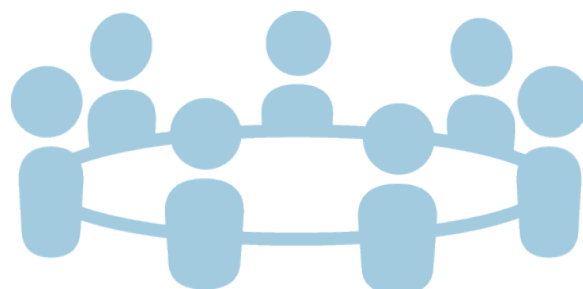
Ms. Czincia ALCIDI (Centre for European Policy Studies - CEPS)

M. Bart VANERCKE (European Social Observatory)

Ms. Slavina SPASOVA (European Social Observatory)

M. David RINALDI (Institut Jacques Delors)

M. Robin HUGUENOT-NOEL (European Policy Centre)



### PART 1 – RESEARCH SUMMARY AND FINDINGS

#### 1.1. The European Semester – a new topic of research in EU studies

At the beginning of the Eurozone crisis, EU institutional actors established the European Semester with the aim to strengthen the coordination of macroeconomic policies at the supranational level. It was conceived in 2010 as a solution to past failures (Coman and Ponjaert 2016) and designed as an annual framework for the coordination of economic policies with the aim to ensure sound public finance, to prevent excessive macro-economic imbalances and to support structural reforms in EU member states. Since its first iteration in 2011, the Semester has brought 'the coordination of budgetary policies, structural reforms and prevention of excessive macroeconomic imbalances into one structured process' (European Commission/European Political Strategy Centre, 2016: 1). It has become the 'EU's annual cycle of economic policy guidance and surveillance' (COM 2016). It draws from a legal point of view on a series of decisions and legal documents such as the revision of the Stability and Growth Pact, the Macro Economic Imbalance Procedure, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, as well as the set of directives and regulations labelled the Two and Six Packs.

Since its first iteration in 2011, the European Semester has been studied in EU studies from a wide range of perspectives. While some authors have sought to understand how and to what extent the eurozone crisis has empowered EU institutional actors and altered its modes of governance (Puetter 2012; Copeland and James 2014; James and Copeland 2014; Bauer and Becker 2014; Dawson 2015; De Streel 2015; Verdun and Savage 2015; Fasone 2014; Becker et al 2016; Auel, K. and Höing, 2015; Coman and Ponjaert 2016), others have focused on the policy ideas diffused through the European Semester, seeking to understand the substance of structural reforms (Crespy and Vanheuverzwijn 2016). Whilst some scholars have observed a 'socialisation of the content and procedures of the European Semester, in terms of an increasing emphasis on social objectives' (Zeitlin and Verhancke 2014: 13; Vanhercke, Zeitlin, Zwinkels 2015), others have adopted a more critical stance, arguing that 'there is little evidence to support such a view' (Costamagna 2013). Another body of research has questioned the legitimacy of the European Semester in terms of input, output and throughput (Schmidt, 2008; Schmidt 2015), with a group of authors examining the balance of power between supranational institutions and member states (Coman and Ponjaert 2016). Considering that the European Semester has given to some EU institutions a 'more visible and intrusive role than ever before in scrutinising and guiding national economic, fiscal, and social policies, especially but by no means exclusively within the eurozone' (Zeitlin and Vanhercke 2014: 11; Costamagna 2013), the literature on the European Semester allowed scholars to ask a series of more fundamental questions pertaining to the EU as a political regime and the construction of its legitimacy in times of crisis (Carstensen and Schmidt 2016).

Against this backdrop, research in WP1 examined both the institutional dynamics related to the emergence and evolution of the European Semester and its influence in reshaping domestic policies. WP1 has focused on the following questions:

- How and to what extent has the European Semester changed power dynamics at the EU level? How has the Semester been transformed to improve its input, output and throughput legitimacy? (1.2)
- How and to what extent has the European Semester reshaped domestic policies? (1.3)

#### 1.2. How and to what extent has the European Semester changed power dynamics at the EU level?

At the beginning of the Eurozone crisis, the European Semester strengthened the agenda-setting powers of the European Council and ECOFIN Council to the detriment of the supranational actors. Although the Commission was involved in the formative stage of the processes, most notably through the expert input of DG ECFIN, it was the report of the President of the European Council's Task Force that served as the blueprint for the institutionalization of both the content and the processes that would come to define the European Semester (Bocquillon and Dobbles 2014: 31).



The decisions taken to save the Euro increased the perception that the EP and the Commission find themselves at the losing side and that they fail to shape fundamental policy choices in the new economic governance in accordance with their political views (Crum 2015: 1). From 2010 to 2012 the role of supranational institutions such as the European Commission and the EP had been drastically reduced, most of the decisions related to the Eurozone's new governance architecture being adopted through opaque negotiations in intergovernmental meetings (Coman and Ponjaert 2016). Thus, it has been argued that the room for manoeuvre of the Commission in the different stages of the policy process (agenda-setting, formulation, decision-making, implementation and evaluation) was diminishing.

In contrast, as the fast-burning crisis slowed, the Commission seized on its new responsibilities to take action and exert greater discretion in the coordination of macro-economic policies. Ultimately the Six-Pack adopted in December 2011 would not merely enhance the Commission's authority in the multilateral budgetary and macro-economic supervisory, but more importantly it also institutionalized an increasingly far-reaching and political macroeconomic dialogue with each member state. Finally, although the role of the European Parliament had initially been relatively minimal, over time it gained greater voice and presence throughout the process. However, its effective role is disputed in the literature.

The changes in the operation of the European Semester have also aimed at improving its throughput and output legitimacy. The European Commission has sought to increase the involvement of mainly three categories of domestic actors: the state administration, parliaments and the social partners. We know from the realm of global governance that ownership by affected actors are supposed to boost both the political acceptance and the implementation of reforms which are initiated from outside the national arena. In the framework of the European Semester, we have distinguished three types of ownership: institutional (control over the outputs generated), political (acceptance of the nature of the reforms advocated) and cognitive (knowledge and awareness of the European Semester).

To sum up, those who maintain that the Commission lost power, highlight that in the new economic governance the Commission plays a "technical role" "not a decision-making one" (Fabbrini 2015: 46), which entails "a gradual transfer of decision-making authority and resources from the Commission to the intergovernmental level and to the European Central Bank" (Da Coneicao-Heldt 2016: 95). For example, Crum suggests that the new prerogatives conferred to the Commission, in particular the monitoring competences to analyse the performance of member states along a set of economic and fiscal indicators, are "administrative in kind" but also subject to political instructions from member states (2015: 5). Where some scholars see the empowerment of Member States or, conversely, the Commission, research in WP1 points out a combination of old and new, a 'hybridization' of modes of governance (Coman and Ponjaert 2016) or even a combination of an intergovernmental decision-making process with a supranationalized implementation (Dawson 2015). As Philippe De Schoutheete put it, even if the community method was not the epicenter of the decision-making in hard times, after the storm, the EU seem to be "more community-based than ever" (2012: 32).

Against this backdrop, research conducted in WP 1 has showed:

**a) How, since the first iteration of the European Semester, the EP, the Commission and member states have sought to strengthen its input, output and throughput** (Coman and Ponjaert 2016). Since 2010 onwards, the European Semester has been rationalized several times to avoid administrative overload. It has been also focused on a set of priorities in terms of policies. While some changes have been introduced through the adoption of a series of regulations and directives, other have been initiated as a result of inter-institutional agreements and informal practices. For example, the Commission has revamped the European Semester to devote more attention to specific priorities, to reduce the number of documents scrutinized and to allow more time to discuss them with national authorities. Progressively each of the EU's main actors has integrated the new European Semester and thus been in varying degrees empowered by it *de iure* (by the Two and Six Packs) or *de facto* (through interactions and interinstitutional agreements) (Coman 2017).

Thus, to give unequivocal answer to the question “who governs” is rather complicated and it will always be given the sui generis nature of the EU and the co-existence of multiple modes of governance in each policy area. Drawing a picture in black and white would be an oversimplification as institutional interdependencies are enshrined in the treaties. Not only the de iure empowerment of EU institutional actors matters, but also their behavior de facto.

**b) How the *raison d'être* of the European Semester has been changed by EU institutional actors, shifting from conditionality and sanctions to ownership and flexibility** (Coman and Sbaraglia 2017; Crespy and Vanheuverzwijn 2017). While at the outset of the crisis the Commission, the Council and the European Council insisted on enforcement and semi-automatic sanctions of non-compliance, in 2012 José Manuel Barroso redefined the philosophy of the Semester, arguing that this policy tool had to be conceived as a system ‘based on guidance, not on corrections’, as ‘an informal discussion’ between member states and EU institutions before deliberating and adopting their national budgets (Speech Barroso 11/29). Over time the Commission has become ever more reluctant to formulate ‘harsh recommendations’ because of the increasing hostile political context both at the EU and member states’ levels (Interview, Principal Policy Advisor, Office of the Chairman of the Eurogroup Working Group, General Secretariat, Council of the EU). Since engaging with the European Semester, the Commission expressed an increasing concern not to be perceived as ‘breaching national sovereignty’ (Speech 11/724; Document 11/64). This growing political awareness in the Commission saw talk of sanctions and conditionality move to the back-burner as interactions and recommendations came to focus on needed structural reforms.

Thus, the European Semester was no longer considered an instrument of ex-post coercion, but as one of ex-ante guidance and socialisation (Speech Barroso 11/29). Discourses surrounding the European Semester show that starting in 2012, Commissioners and high-level officials increasingly portrayed the European Semester as a forum to discuss Member States’ macro-economic policies to strengthen its ownership and flexibility. This being said, the rules allowing for flexibility in the enforcement of fiscal discipline (e.g; for Italy, France, Spain and Portugal) have been criticised by Northern creditor States as undermining the credibility of the Commission and its commitment to a rule-based Monetary Union. As far as ownership is concerned, our research has provided evidence that it is strongest among national governments and administrations, which are able to shape the outputs of the European Semester (institutional ownership) with little political disagreement (political ownership). This contrasts with national parliaments, which display low levels of all types of ownership. While cognitive ownership is fairly strong both among employers and unions, the former seem more able to provide effective input into the process.

**c) How and why have EU institutional actors sought to take into account the diversity of member states situations and traditions by involving member states in the co-production of Country Specific Recommendations and Country Reports** (Coman 2017). The most noticeable change in the making of the European Semester is the bilateral dialogue between Commission and member states articulated around the Country Specific Reports and recommendations. The ever-growing centrality of the Commission’s bilateral relationship with each member state is a core innovation at the heart of the European Semester’s workings. These meetings represent crucial moments both for the Commission and for member states as the actors can exchange information and explain the nature of the reforms to be undertaken at the domestic level (Coman, 2017). In addition, the Commission has since 2012 used the ‘comply or explain’ rules of the European Semester to oblige the Council to provide a written explanation of its reasons for modifying any of the Commission’s recommendations (Article 2-ab(2) of Regulation (EU) No. 1175/2011 of the European Parliament and the Council). The Commission holds to this principle both in the meetings of the Council and in the technical committees with Member States experts. As one official of the Council stated, the Commission often reminds in these meetings that the Council “is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publically” (Interview, General Secretariat, Council of the EU).

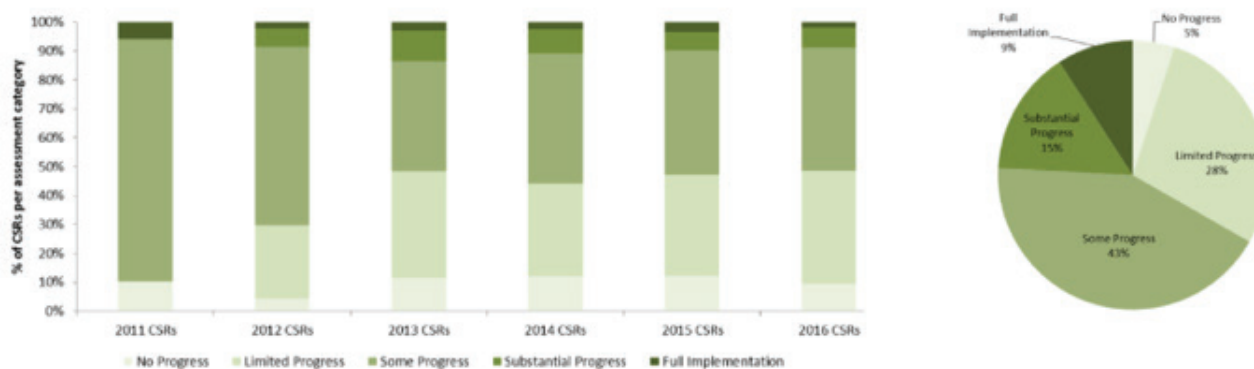
### 1.3. How and to what extent has the European Semester reshaped domestic policies?

The first iterations of the Semester were very much about austerity and internal devaluation. The EP contested both the input legitimacy of the European Semester (how the AGS and the Country Specific recommendations were produced) as well as its output (the ideas put forward by the Commission to shape reforms in member states). Over time the European Semester has become incrementally more progressive as attention for social and employment affairs has seemingly increased; yet this has not led to a formal change in the Semester's priorities or enforcement mechanisms which remain primarily concentrated on fiscal and macro-economic balance.

Research conducted in WP 1 has showed that:

- a) It is possible to take issue with the contention that the European Semester has undergone a process of "socialisation" "in terms of an increasing emphasis on social objectives and targets in the EU's priorities and Country-Specific Recommendations; an intensification of social monitoring, multilateral surveillance, and peer review; and an enhanced role for social and employment actors, especially the EU Employment and Social Protection Committees (EMCO and SPC)." (Zeitlin & Vanhercke, 2014).** For example, in 2016 42 out of a total of 89 Country Specific Recommendations have an employment and social component which allows observers to argue that social aspects are to a large extent integrated in the European Semester, thanks to the work of the Employment Committee (EMCO) and the Social Protection Committee (EMCO). However, a more qualitative in depth analysis shows that the alleged shift from an agenda focused on fiscal discipline and social retrenchment to one geared towards investment including social investment remains highly ambiguous. Despite floating meaning, the notion of "structural reforms" exhibits a persisting core consisting of typically neoliberal policy recipes such as the liberalization of products and services markets, the deregulation of labour markets, and public administration reform. At the same time, structural reforms have covered eclectic – if not contradictory – policy ideas thus accompanying a discursive turn towards more fiscal flexibility and (social) investment. Rather than a constructive dynamic for a renewed agenda, such ambiguity reflects a fundamental, ongoing asymmetric battle of ideas within Europe.
- b) The degree of implementation is low; for this reason, the output legitimacy of the Semester is questioned and questionable.** While the implementation was modest in 2011, it has fallen every year since then, raising doubts about the raison d'être of the process itself. As Zsolt Darvas and Alvaro Leandro demonstrated in 2015 and 2016, the Semester was not effective neither in the implementation of the CSRs nor at enforcing the EU's fiscal and macro imbalances rules. The level of implementation remained slow and low as illustrated in the graph below (Source: European Commission). Although in 2016 there was some progress scored at more than 45% by the Commission, the lack or limited progress scored also about 40%.

Figure 1: Multiannual perspective of CSR implementation: yearly assessment (left) versus multiannual assessment (right)



\* 2011-2012 CSRs: Different assessment categories

\*\* The overall assessment of the country-specific recommendations related to fiscal policy includes compliance with the Stability and Growth Pact.

## PART 2 – NEW RESEARCH QUESTIONS

1. **Politicisation and transparency:** The European Semester touches a series of policies that are at the core of national sovereignty. Rich and substantial discussions take place in the framework of the Semester between EU officials and civil servants/experts from member states. Thus, most of discussions on fundamental socio-economic questions take place in a series of committees that prepare the works of the Council. Considering the importance of these debates, the question is: how to increase their transparency?
2. **Output legitimacy:** To what extent changes in input and throughput legitimacy has led to changes in output?
3. **Implementation:** Considering the low level of implementation of country specific recommendations at the domestic level, is the European Semester an appropriate policy instrument to avoid macroeconomic imbalances? Is the Semester still credible? For whom and why?
4. **What ways forward? Which institutional solutions for a reformed European Semester in a reformed EU?** How to find a balance between executive and legislative powers? Is the establishment of a Parliament of Eurozone the way forward? How to increase the cooperation between national parliaments and members of the European Parliament in the framework of the Economic Dialogue?
5. **How to find a balance between economic stability and national sovereignty?**

## PART 3 – POLICY RECOMMENDATIONS

1. If the European Semester is to be reformed, this process should first ask the question of the **future of the integration project**. Instead of adopting piecemeal reforms, EU institutional actors should think first about the foundations of the EU as a political regime and its *raison d'être* and second about how these ideals should be translated into a coherent and democratic institutional framework.
2. **The process has strengthened the powers of executives at the expenses of the legislatives.** The EP has to have real power in the coordination of macroeconomic policies (some MEPs maintained that the EP should have equal powers to those of the Council).
3. **As it is now, the European Semester needs increased transparency and publicity.** Recent institutional changes in order to strengthen its input, output and throughput legitimacy have strengthened the powers of the Commission and member states. While from a bureaucratic/administrative point of view solutions have been found for past shortcomings, little has been done to increase its publicity/transparency. **Discussions about the degree of convergence and divergence in terms of socio-economic policies should take place at the EU level before the publication by the Commission of the AGS (Annual Growth Surveys).**
4. **Increased politicization:** Not only social partners and political actors should play a greater role in explaining the issues at stake in the coordination of macroeconomic policies, but also journalists and observers should be more proactive in bringing into.

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## ROUNDTABLE 2: THE SUSTAINABILITY OF EUROPEAN LABOR MARKETS Breaking Free from Competitive Divergences

Monday October 9th 2017 from 2.00pm until 4.30

### RT2 - PARTICIPANTS

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Pr. Janine GOETSCHY (Université libre de Bruxelles) - CHAIR

Dr. Jacob HASSELBALCH (Copenhagen Business School) - NOTE PRESENTATION on behalf of

Pr. Eleni TSINGOU (Copenhagen Business School) - AUTHOR OF THE NOTE

Ms. Antje ROTHEMUND - TBC (Council of Europe - CoE)

M. Gianni ROSAS - TBC (International Labour Organisation)

Ms. Ruby GROPAS (EC Commission - European Political Strategy Centre)

M. Andreas OBERMAIER (European Commission DG RTD)

M. Georgios PAPANAGOU (European Commission DG EMPL)

Basudeb CHAUDHURI (European Commission DG RTD)

Pr. Furio STAMATI (Università degli Studi di Milano)

Pr. Leonard SEABROOKE (Copenhagen Business School)

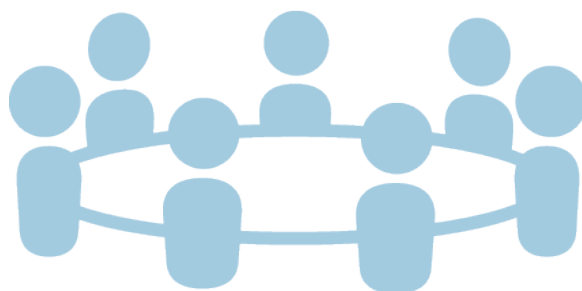
Pr. Frank VANDENBROUCKE - TBC (Katholieke Universiteit Leuven)

M. Mathieu MEAULLE (European Trade Union Confederation)

M. Bart VANERCKE (European Social Observatory)

Ms. Eva-Maria SCHNEIDER (SOLIDAR EU)

Gilberto PELOSI (European Social Platform)





## RT2 - NOTE (by Pr. E. Tsingou)

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### **1. Insights on understanding “the different and changing modes of governance (and their long-term effects)”: exploring the latest developments in policies and debates in relating to youth (un)-employment and linked social policies**

#### Assessment

Youth employment has always been part of the EU agenda, but at the time of the crisis, it served as an example of concerted EU action and an exercise in high level policy coordination. It remains an open question whether the crisis response to youth unemployment will be in time incorporated into a long-term employment strategy or whether most of the response components will be characterised as relevant only for crisis mitigation.

#### Means to ensure intergenerational equity or solidarity

The EU has the capacity to identify where social risks are higher and concentrate action and resources there. Experiencing rising employment among the older workers and sharply rising unemployment (and also increasing risk of poverty) among youth justifies stronger focus of policy action in the area of school-to-work transition, and the pursuit of retirement (and not just pension) reform and meaningful active ageing policies at the other end.

### **2. Mapping of brain drain in Europe after an analysis of the “geography of skilled work” for the young**

#### Mobility trends emerging from the slow and fast burn phases of the crisis

The main observations are as follows: there is an East-to-West movement of labour which, since the 2004 enlargement, resulted in a twofold increase in overall intra-EU labour mobility. This was a trend even in the pre-crisis phase, with the crisis leading to a fall of labour demand in large receiving countries (especially in the UK and Spain) and a consequent (though temporary) fall in East-to-West migration. At the same time, the Eurozone crisis resulted in rising South-to-North migration, with a higher share of people with tertiary education.

The research indeed highlights a distinction between an Eastern drain of skilled workers moving West and a Southern drain of skilled workers moving north. To be sure, not all mobility equals brain drain, but these two trends each carry a risk of brain drain in specific sectors and regions of the sending countries. The trends are also caused by different factors: the Eastern drain by differences in wages and working conditions, the Southern drain by the financial crisis and subsequent austerity measures. We can consider the Eastern drain slow-burning and the Southern one fast-burning (and subsiding now that the worst of the crisis has passed and the South is recovering).

The Eastern drain still presents challenges to European integration and solidarity. The Commission is mostly addressing this through a rhetoric of skills and entrepreneurship, but it is an open question as to whether this will offset deeper-lying macro-economic differences or gaps in the levels of social rights and protection offered.

#### Impact of demographic change on employment levels in the Eurozone

For the time being, demographic change has affected employment patterns rather than levels. Demographic change is slow and the labour market is able to adjust. In the long-run, however, both patterns and levels are uncertain. While some countries experiencing low birth rates and rapid ageing (e.g. Germany) are considering demographic change as a long-term issue, in some countries of Eastern Europe, the effects of low birth rates, coupled with migration by members of the younger generation, are already visible. This will affect the geography of work, especially at a time of rapid technological change, which is also considered an important source of change for how Europeans will work.

### **3. Addressing the challenges of demographic change and youth unemployment: the role of professional networks and EU social partners in policy creation**

#### The protagonists

Professional networks on demographic change are emergent but operate in a very 'thin' institutional environment. The research has identified four main areas of policy activity: skill gaps and human capital; pension reform; work-life balance and policies enabling choice on family formation; and active/healthy ageing. For both authorities and the European public, issues relating to demographic change exhibit uncertainty about whether Europe will have enough skilled workers with the right type of skill where they are needed; concern about pension provision and large numbers of needy elderly falling into poverty; the ability of people of reproductive age to reconcile work and family and afford housing; the logistics in place for an older society in urban and rural environments. The 'crises' are identifiable but attract passing attention and little funding. Expertise on these issues is growing (and there is little disagreement on the causes of the demographic change trends at play in Europe) yet the expertise is not consolidated and frames exist in some areas but not others. With the exception of pension reform, there is little in the way of policy programmes. Authority on these issues is highly diffuse, policy timelines fragmented, and funding support scarce. In addition, there are initiatives hosted through the Presidency, some of which have transgressed into taboo territory with heavy natalist and nationalist overtones. There is noticeable absence of private sector input on these policy areas in Brussels.

Indeed, of all the policy issues linked to demographic change, retirement is a crucial issue for the social partners, private and otherwise. Employers in many countries remain to be convinced that longer activity and flexible retirement arrangements are also in their interest. Likewise, trade unions have reservations about some of the "active ageing" discourse, unless it is coupled with assurances about maintaining the value of pensions and investing in skills and workplace health of an ageing workforce. Many of the usual umbrella organisations active in Brussels have a very diverse membership and have not been innovators, on demographic change in particular. Ideas about work, life cycles, transitions, etc. have been discussed for some time without much progress being made on the content of policies.

Questions about entrenching structural inequalities, in particular, are not being addressed. Civil society organisations representing youth and the elderly are also important stakeholders at both EU and national levels and are often more creative.

On youth unemployment, the social partners (especially trade unions) are significantly more active.

#### Orientation of policy-recommendations

Investing in life-long learning and occupational safety and health are the most important policies that support active ageing and an adaptation to demographic change in Europe. For youth, access to competitive skills, gaining employment that enables early start to social security contributions are the key recommendations.

### **4. Supranational efforts towards youth employment**

#### An assessment

Recent years have seen fall in overall unemployment in Europe but often an even faster fall in youth unemployment rates. A great variety of actions and reforms have been launched in member states for the benefit of inactive or unemployed youth which are explicitly linked to EU policies. Importantly in an EU context, these efforts are linked to a commitment to limit the length of under-25 unemployment to 4 months, which would help close the gap between overall unemployment rates and youth unemployment rates where it is very wide (especially but not exclusively in Southern Europe). It should be noted, however, that cross-country comparisons show national differences; for example, there has been more implementation in Spain and Portugal than in Italy.

## Meaning for the EU

Mostly, it means there is an experience on which the EU can build. One recommendation could be that this experience should consolidate the concept of the Youth Guarantee and incorporate it in a shared vision of a European Social Model. This is what practically happened under the European Pillar of Social Rights. The EU can also continue its work on ensuring job quality for youth (potentially through legislation), and maintain the financial instruments in its budget to support related actions. A second recommendation should be that the EU-level social dialogue must keep youth employment among its priorities; this also implies continuing dialogue between the EU institutions and youth representatives. The EU can also push harder for national and regional dialogue between authorities, social partners and youth organisations.

## Supranational policies in relation to national ones

Supranational policies are often based on national comparisons and highlight best practice. In the case of youth unemployment, the Austrian and Finnish models were identified as inspiration for the EU level initiative. Technical assistance from the EU level for designing and implementing national programs has also been crucial. EU level meetings of heads of state and government gave a clear signal to bureaucracies that change must happen and will be monitored. EU financial tools (incl. the Youth Employment Initiative) resulted in more attention and resources to youth employment projects in regions in greatest difficulty.

## **5. Determinants of the mismatch between “aspirations for an EU-wide labour market and practical realities in the movement of people”**

The EU allows for a free labour market but to take advantage of such opportunities people need to speak other languages (well) and need to be well informed. There are various tools for creating and developing this transparency of labour demand and supply (public and private employment services, EURES) but these barriers remain important, together with other types of relocation costs (housing, transport). Couples and families moving together brings further complications. Consequently, mobility can only play a limited role in resolving labour market (and broader developmental) imbalances in the EU context.

More specifically, the aspiration is that free labour mobility will lead to better matching and better allocation of skills across borders. Free labour mobility has increased the employment chances particularly for mobile young people from Central and Eastern European countries and more recently the Southern countries hit by the economic crisis. The employment rates of recent young EU migrant workers are close to those of nationals and in some countries – the UK is a good example - even higher than those of nationals which might have to do with their more open labour markets in terms of the use of general rather than specific skills. On the other hand, we also observe a lot of over-qualification of recent EU migrant workers who on average have rather high skills but report overwhelmingly that the jobs they are carrying out are not matching their skills. This can be linked to language barriers but also barriers such as discrimination, or insufficient recognition of professional qualifications (though this is less of an issue in an intra-EU labour mobility context than when considering third country migration). The research on these issues is ongoing and currently being tested is the impact of these barriers on subjective over-qualification. The research also shows finding employment through a social network (even though it is likely to increase the chances of finding a job in the first place) often leads to worse outcomes in terms of over-qualification. This is also the case for nationals. Recent EU migrant workers are however more likely to use a social network-type job search method. This suggests that so-called niche employment is important, that is the existence of migrant worker communities which tend to cluster in specific jobs that are often manual and require low skills.

## 6. Societal impact on the legitimacy of political actors of the youth employment crisis

Youth unemployment rates have been high but the under-25 unemployed have represented a smaller portion of the total unemployed in all countries. Thus the youth unemployment crisis has had an ambiguous impact on the legitimacy of political actors. On the one hand, because of the high rates, together with many other consequences of the crisis (rising poverty and income inequality) it has eroded the legitimacy of political actors responsible for economic governance: high unemployment rates of young entrants was seen as a sign of ignorance. On the other hand, excessive focus on youth unemployment as opposed to overall unemployment (i.e. the majority) can also be seen as a sign of escapism and cynicism, which also causes disappointment and contributes to the erosion of legitimacy.

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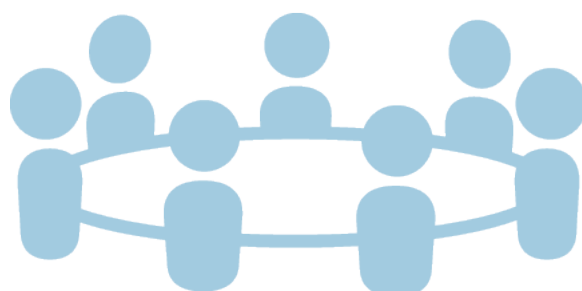
## ROUNDTABLE 3: THE SUSTAINABILITY OF FINANCIAL GOVERNANCE From an Efficiency to a Legitimacy Challenge

Tuesday October 10th 2017 from 9.30pm until 12.00pm

### RT3 - PARTICIPANTS

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M. Benoit LALLEMAND (Finance Watch) - CHAIR  
Pr. Daniel MÜGGE (Universiteit van Amsterdam) - NOTE PRESENTATION  
M. Aitor ERCE (European Stability Mechanism)  
M. Yuri BORGMANN-PREBIL (European Commission DG RTD)  
Ms. Felicia STANESCU - TBC (European Commission DG FISMA)  
Pr. Laszlo ANDOR (Université libre de Bruxelles & Hertie School of Governance)  
Pr. Cornel BAN (Boston University & Copenhagen Business School)  
Pr. Ducan WIGAN (Copenhagen Business School)  
M. Bart STELLINGA (Universiteit van Amsterdam)  
M. David BOKHORST (Universiteit van Amsterdam)  
Pr. Eric DE KEULENEER (Université Libre de Bruxelles)  
M. John CHRISTENSEN (Tax Justice Network)  
Dr. Dirk ULBRICHT (Institut für Finanzdienstleistungen e.V. - IFF)  
M. Olivier THOMAS (European Banking Federation)



**NB:** This section proposes an overview of ENLIGHTEN's research findings in the field of banking crisis and financial stability. The full summary of findings is compiled in a separate documents. RT3 members will find said document in the email specifically sent out to them.

### **The establishment of instruments outside the Treaty Framework & EU legitimacy.**

- A blurring of the European legal order has consequences for the legitimacy of the entire euro governance structure. This is most clearly visible with the ESM.
- Member States have showed little willingness to open up the Pandora's Box that constitutes treaty change.

### **Out of the framework, and yet working**

- ESM: compliance with the requirements of the conditionality programmes is high since each tranche of financial assistance is conditional upon results. The problem? ESM is overriding national democratic decision-making.
- Fiscal Compact: the results are mixed; in many states it is quite easy to break the rules without consequences.

### **Impact on the EU's economic framework**

- For the moment, the economic governance framework in the EU functions relatively well; past weaknesses of the European Semester have been recognized and addressed.
- Flexibility is an important precondition for their success.

### **Corporate tax avoidance and evasion while implementing a tax system for competitiveness**

- The EU is a determined agent in reforming global tax governance. The policy environment for global tax governance mirrors Europe's own internal complexities
- Combatting tax avoidance and the promotion of competitiveness are complementary rather than opposing goals.

### **The impact of decisions and programmes put in place to counter the crisis**

- The direct consequences are limited; however, this new institutional framework ties member states further into European governance forms and cycles. The effect: a further Europeanization of member states policymaking.

### **The societal impact of the MIP**

- The MIP is not very well known. The procedure is simply too technocratic to reach a wider audience. There is often a general sense that Brussels looks at government budgets and structural reforms.

### **The MIP: less coercive and effective than critics and champions say**

- The MIP can put pressure on a Member State through monitoring and peer pressure, but in no way represents some type of imposition over national democratic decision-making.
- It is becoming a tool to organise consensus around reform priorities. It should do so primarily be with the Member State itself.
- MIP operates in domains where the EU has very low competences.

### **The effect of the European Semester's in-built bias towards fast-burning crises**

- Addressing immediate fiscal imbalances through budget cuts can sow the seeds of future imbalances that are more structural in nature.

- In the early cycles of the European Semester Member States were often recommended to safeguard public investment and increase education quality, but such calls were simply overridden by the recommendation to bring the budget back to sustainability.
- Ideas on excluding public investment from the rules of the SGP or officially safeguarding social institution have not yet been formally introduced.

### **Instability, policy-making and the crises**

- The crisis proved that financial stability risks predominantly come from the inside.
- The global financial crisis has triggered a wide range of reforms to make the financial sector more resilient and able to fight systemic risks. One of the most important innovations are macro-prudential policies.

### **The expert networks at the core of the decisions made in pursuit of financial sustainability**

- For the MIP: top officials from DG ECFIN have long wanted a macroeconomic counterpart to the SGP. They act and think in accordance with a small group of insider economists, such as Andre Sapir and Jean Pisani-Ferry.
- The Council has come with its own assessment of necessary mechanisms at the start of the crisis (the Van Rompuy taskforce). While the German Wolfgang Schäuble has been cautious with the MIP, the French Christine Lagarde has been a big proponent.

### **The networks' influence on European modes of governance**

- For the MIP, not one network that has driven the mode of governance.
- There has been a relatively large consensus in the institutions (ECB, Commission, Council and EP) that the new procedure – the MIP – should have some bite.

### **The ideas behind the discourse that accompanied decision-making**

- The evolution of the MIP has been a process of learning-by-doing.
- If we focus on the key MIP player, the European Commission, we see that the approach at the start, both in procedural and substantive terms, has not been resilient.
- Procedural changes have contributed to substantive changes in the discourse on reform priorities.

### **ECB fiscal policy ideas inspired self-defeating policies in crisis-stricken countries**

- The Trichet ECB's reluctance pushed countries towards fiscal retrenchment across the board. In early 2010 the ECB did not steadfastly commit to repair the damaged collateral function of "peripheral" sovereign bonds. Just as downgrades chipped away at the collateral value of these bonds, the ECB withdrew extraordinary liquidity interventions. In these conditions, governments had to address the disruption of collateral markets for fear that bank runs would wreck their countries' banking systems and take the national economies down with them. European governments and the societies they governed had to pay the price of stabilizing collateral markets via austerity.

### **The ideational networks behind the rejection of IMF's policies**

- Network analysis suggests that the IMF's dominant position (fiscal revisionism) came largely from within its own ranks and so did the ECB's dominant position (fiscal orthodoxy). In both institutions, the most important supplier of orthodox arguments was the Center for Economic Policy Research (CEPR). Outside experts cover a broad spectrum.
- Central banks produce conservative experts while think tanks don't.
- Economists whose professional profile includes stints in academia, government and the private sector are a positively conservative force in the fiscal policy debate.

# ROUNDTABLE 4: THE SUSTAINABILITY OF HOUSING AND HEALTH POLICIES IN EUROPE

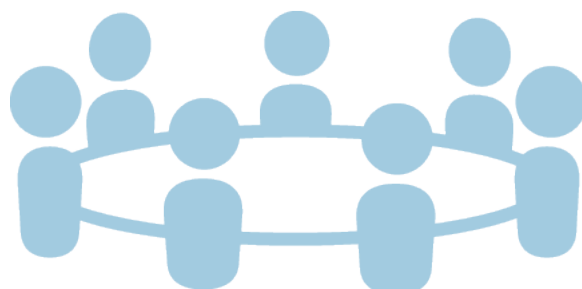
## Short-term Impact of Austerity; Long-term Impact of Demographic Change

Tuesday October 10th 2017 from 2.00pm until 4.30pm

### RT4 - PARTICIPANTS

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- Pr. Leonard SEABROOKE (Copenhagen Business School) - CHAIR
- Pr. Cornel BAN (Boston University & Copenhagen Business School) - NOTE PRESENTATION
- M. Jörg PESCHNER - TBC (European Commission DG EMPL)
- M. Santiago CALVO RAMOS (European Commission DG ECFIN)
- M. Jakob von WEIZSÄCKER - TBC (European Parliament)
- M.s Barbara KAUFMANN (European Commission DG EMPL)
- M. Yuri BORGMANN-PREBIL (European Commission DG RTD)
- Ms. Petri BACKMAN (European Commission Research Executive Agency)
- Ms. Lieve FRANSEN (European Commission DG EMPL)
- Pr. Bernard CASEY (London School of Economics)
- Pr. Amandine CRESPIY (Université Libre de Bruxelles)
- Pr. Virginia ZARULLI (Max Planck Institute for Demographic Research)
- Pr. Laszlo ANDOR (Université libre de Bruxelles & Hertie School of Governance)
- Pr. Sigurbjörg SIGURGEIRSDOTTIR (University of Iceland)
- Ms. Petra WILSON - TBC (Health Connect)
- M. Julien DIJOL (Housing Europe)
- Ms. Alice Pittini (Housing Europe)
- M. Dan ANDREE - TBC (Vinnova)
- M. Wolfgang LUTZ - TBC (International Institute for Applied Systems Analysis - IIASA)



## RT4 - NOTE (by Pr. C. Ban & Pr. L. Seabrooke)

**NB:** ENLIGHTEN research on issues related to social and economic policies has been conducted in work packages 3 & 4, which deal with, respectively, austerity and health and housing, and unemployment and demographic change. Research on unemployment and labour markets are discussed in this AGORA forum in Roundtable 2. Other social and economic policies that are more policy blindspots are being discussed here.

The ENLIGHTEN project posits that change can be viewed as happening in ‘fast-burning’ and ‘slow-burning’ crises (Seabrooke and Tsingou 2016, 2017). Fast-burning crises are easy to identify. They are immediate external shocks that require political attention. They directly change European institutions and their capacity to respond. In ENLIGHTEN we have been studying financial crises, austerity cuts to health systems, and youth unemployment as fast-burning issues.

Slow-burning crises extend beyond normal political and business cycles within Europe. These crises are more ‘everyday’ (Seabrooke and Thomsen 2016) in how they are considered by the public, as they are issues on which no immediate action is needed but where expectations about how to live are changing. Such issues are especially important for change in European welfare systems (Crespy 2016).

In the ENLIGHTEN project we have been considering taxation, housing, and demographic change as slow-burning crises. The greater challenge of these crises is that the European Union is unable to deal with them then it potentially empowers parties that makes claim to defend housing and welfare for the elderly and schooling for the young as national rather than European issues. Some of these political interests are also explicitly anti-EU. We can easily see that headway has been made on taxation issues, as ENLIGHTEN research has made clear (Seabrooke and Wigan 2016). But on health, housing and demographic change issues the picture is murkier. And the role of European institutions in addressing these issues is also unclear, with significant national variation in what countries want of these systems, and what their populations should expect. To assess such variation ENLIGHTEN research has provided national comparisons, with a particular focus on examining countries on the eastern periphery (Ban 2016; Bohle 2017a) and also north-western European countries, as well as variation in countries in and outside the Eurozone.

In exploring these issues ENLIGHTEN researchers have asked:

- Which governance arrangements and policies have pertained to health and housing reforms over the past decade across the EU multi-level polity?
- How are issues such as low fertility and older age dependency viewed by national and European policymakers and experts?
- What types of actors (policy communities, networks, citizens, etc.) have been involved?
- What is the policy process for these issues, including citizen inputs, governance procedures, and change in policy outcomes?

These questions have been applied to the health, housing and demographic change cases. We briefly summarize key findings and policy recommendations in turn.

### HEALTH

Research in ENLIGHTEN on health has focused on austerity cuts to health in France, Ireland, Hungary and the UK. The key finding is that an EU-wide consensus around austerity inhibits government spending on public services, but that actual cuts have been less dramatic than initially expected in many cases (and certainly in contrast to extreme cases such as Greece) (Kentikelenis et al. 2014).



What has occurred in all four cases are significant calls for reform to health services to become more economically efficient. This is especially pronounced in the Hungarian and Irish cases. In the French and UK cases the role of service quality plays an enduring role in reform debates. The role of professionals in being involved in governance processes is also much greater than in the Hungarian and Irish cases.

## **HOUSING**

Research on housing in ENLIGHTEN has focused on change in housing systems, both private and social housing, in Denmark, Hungary, and Ireland. These countries vary significantly in the amount of personal debt carried to acquire housing, the availability of long-term mortgage credit at fixed or floating interest rates, and how exposed they are to international and European capital markets (Bohle 2017b).

In all countries studied there has been a trend towards the great financialization of housing systems, with the liberalization of housing credit systems in Europe a longer-term goal. There has been a general shift from housing access viewed as a social right to a view of housing as an asset to build personal wealth over the life cycle (Schwartz and Seabrooke 2008). In the Hungarian and Irish systems social housing has suffered in the post-crisis period, and housing availability to the young has declined seriously in the private sector. In all cases the role of the family as a means to acquire funds to access housing has increased. We suggest that this greater reliance on family wealth to access housing is a source of intergenerational inequality. We also note that housing access issues and family formation issues are linked (Flynn and Schwartz 2017).

## **DEMOGRAPHIC CHANGE**

European institutions do not have a coordinated policy on how to address low birth rates in Europe and heightened old age dependency ratios for those employed paying into revenue systems for those who have retired. While Europe has significant demographic challenges the coordination of policy ideas and expert networks is weak and fragmented. There is a significant transnational expert community working on these issues, but they have attracted little political attention (Seabrooke and Tsingou 2015). In Europe there is no consensus on whether these demographic challenges constitute a coming 'crisis' or whether they can be resolved with market measures such as extending the age to retirement. There is also significant variation in what different DG think about these issues, with a particular contrast between DG EMPLOY and DG ECFIN, with the former promoting market solutions and the latter suggesting a more interventionist approach.

## **POLICY RECOMMENDATIONS**

We focus on three policy recommendations, one per issue:

1. **Health.** European economic monitoring should permit greater fiscal space for the maintenance of health care systems, which are under greater pressures in countries under greater oversight and scrutiny.
2. **Housing.** Concerns with the decline of social housing in many European countries should be addressed with greater European level monitoring of the relationship between trends in private housing access and the quality of social housing.
3. **Demographic Change.** The European Commission should re-establish an in-house task force on population issues that also integrates key European stakeholders in the public and civil society sector, but also business. The creation of a genuine policy dialogue between market-led and more policy interventionist views on demographic change is needed in a public setting.

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