

**SOSTE**



**Europe Information**  
Ministry for Foreign Affairs of Finland

# Future of Europe

**Reforming the policies of the European Union**

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# Foreword

The European Union is faced with an exceptional year: in addition to the European Parliament elections and the start of a new Commission, Great Britain, one of the biggest member states, might leave the Union in near future.

For Finland, this year is particularly interesting, as from July till the end of the year, Finland will be the President of the Union – only a few months after the Finnish Parliamentary Election and under the leadership of the new government. During the Finnish presidency, the agenda will include the priorities of the new Commission, the strategic agenda of the Council for 2019-2024, the financial framework and reflections on the Union's future and the next growth strategy. The challenging political situation may lead to a lengthier agenda.

A prolonged economic and fiscal crisis, the differing views of the member states on immigration policy and the rule of law development as well as the polarisation and fragmentation of the political field have been characteristic of the Union's development in recent years. The EU Commission has sought to meet these challenges by commencing talks about the future of the EU.

In social and health issues, the actions of the present Juncker's Commission have been contradictory. The follow-up of the social objectives of the Europe 2020 strategy and the European Platform against Poverty have partially been discontinued prior to the closing of the strategy. The EU's Health Programme will not continue in its present form. However, the European Pillar of Social Rights is an important opening, although so far without practical content. The EU has been active in planning the UN's Sustainable Development Goals and Agenda 2030, but implementation has been left unfinished.

It is clearly easier to talk about the building of social Europe than to do it. The Commission monitors the economy and activities of the member states with the help of the European Semester. Its main objective is to ensure that the member states uphold the criteria of the Economic and Monetary Union and steer them to make structural changes. In the past few years, the social aspect of the European Semester has been developed. However, the social observations and criteria do not gain similar leverage as the economic, insofar as no follow-up is required from the member states. Hence, the economy and wellbeing should be put in a more appropriate balance in relation to each other.

NGOs of social and health sector and civil society at large should participate more strongly in the discussion on the activities of the Union. Social and health NGOs wish to put the wellbeing economy in the centre of the EU discussion. In the wellbeing economy, the aim is always to increase the wellbeing of people and to improve the potential for good life. They are the primary goals. Other goals such as economic growth, maintaining the welfare state and spreading democracy are subordinate to them. Services promoting wellbeing and good life, such as education and social and healthcare services, are the basis for economic growth: they ensure the skills, competence and health of people and are thus investments. But it should also be remembered that the basis of a welfare state can only be maintained if the public economy is on a sustainable basis. Together they interact positively.

The strengthening of the wellbeing economy thinking goes well with the sustainable development goals, reduction of inequality and a more comprehensive implementation of the European Pillar of Social Rights. All of these should be in the centre of the discussion on EU's future and form the skeleton of the next growth strategy of the Union.

It is the purpose of this collection of articles to stimulate debate on social and health issues at EU level and activate advocacy activities. The actions of the Ministry of Social Affairs and Health during next year's Presidency fall under the wellbeing economy theme. It has already been well received in Europe, particularly in our own umbrella organisations. We hope that the discussion on social Europe and the wellbeing economy will continue and grow, and we wish to offer our support to the upcoming Finnish presidency.

The publication forms part of an information campaign of SOSTEn and EAPN-Fin More Humane Europe – Our Future Europe – Information on Securing Wellbeing. We rejoice that experts from different fields have contributed to our collection of articles. Our warmest thanks to all of them. Thank you also for the support of the Europe Information of the Ministry of Foreign Affairs which enabled the implementation of this online publication.

In Helsinki, February 2019

**Vertti Kiukas**, Secretary General,  
SOSTE Finnish Federation for Social Affairs and Health

**Jiri Sironen**, Chair, EAPN-Fin, Finnish Anti-Poverty Network

## What direction will EU take after the European Parliament elections?

**Mistrust toward the Union, needs to reform the economic policy and the increasing importance of intergovernmental cooperation characterise the EU, which is undergoing a transition period. The intergovernmental development is not necessarily desirable for small countries like Finland, and clarifying the EU level power relations is important. The upcoming Parliament elections may have a decisive role in determining whether intergovernmental cooperation outside the EU law will be increased.**

The European Union is said to be living a transitional period. In recent years, problems have been caused by the prolonged economic crisis and the related political and social problems, as well as the refugee crisis testing the unity of the Union, and the increasing instability in the near regions. The rule of law is challenged by Eastern Europe, and in many countries the traditional party system is challenged by the Eurosceptic parties.

The 2016 national referendum on Brexit of Great Britain aggravated the problems in a unique way. The Brexit process has undermined the perception of a constantly converging union and even brought up the question of its disintegration in its present form. But the difficulties involved in Britain's severance agreement have shown how tightly intertwined the member states are in the institutions governed by EU law. Exiting the Union is difficult and expensive.

However, the European Union has begun a series of measures to tackle these problems. The Rome Declaration on the Future of the European Union signed by

27 heads of state or government and the leaders of the European Council, European Parliament and the European Commission in Rome on 25 March 2017 may be perceived as a launch for this process.

The process is commonly called a reflection on the future of the European Union. The White Paper published by the Commission in March 2017 and five discussion papers e.g. on the development of the Monetary Union and security seek to provide an idea of the kind of measures the Union could promote in individual areas of policy. The most important for Finland would seem to be issues related to the development of the eurozone, a common defence policy, migration management and trade policy.

The reflections on the future by the European Council and the European Commission are related not only to individual areas of policy but also the role of the EU as a political institution and more widely, to the democratic legitimacy of the EU. The euro crisis which began in 2009 has challenged many of the present perceptions on the internal division of power of the Union and the competence of the individual institutions. Instead of federalism, we have drifted into a situation where the role of some of the big member states has become dominant. At the same time, the reforms made in the eurozone have created new institutional structures outside the traditional EU law. Many of the suggestions of Juncker's Commission are tightly related to the changing political nature of the Union.

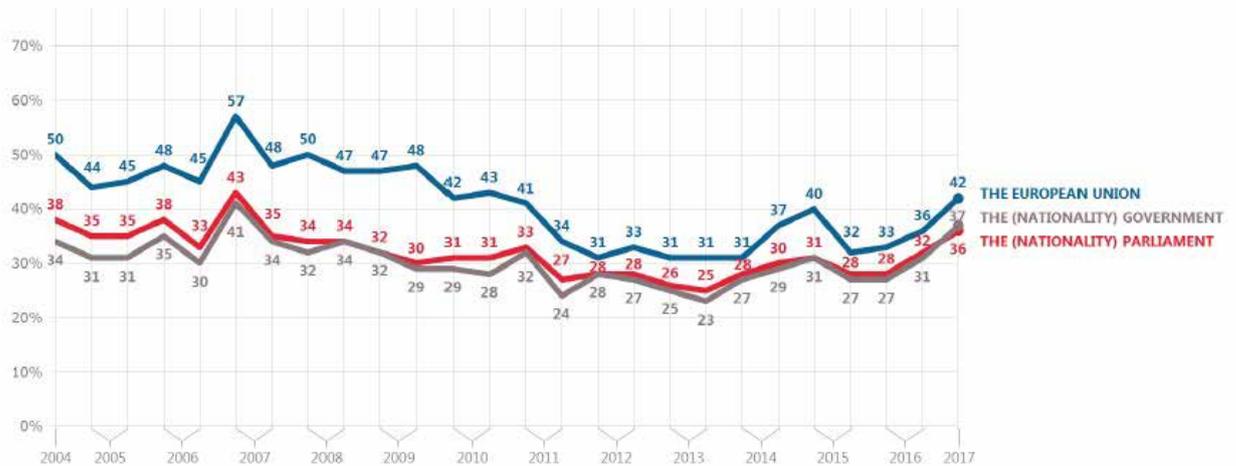
→ The euro crisis has challenged the current thinking on the internal distribution of power in the Union and the competence of individual institutions.

In this article, I will focus on three lines of development which characterise the above-mentioned logic of crisis and reform. These include the trust felt toward the EU, the reform of economic policy and the new intergovernmental nature of the EU. These lines of development offer a framework against which individual measures of policy may hopefully be assessed later.

## EU and democratic legitimacy

The main question in assessing the democratic legitimacy of the EU politics is the trust felt by the citizens toward the Union. It is a commonly held view that the euro crisis and the refugee crisis have increased mistrust toward the Union throughout Europe. Mistrust is often perceived as an impediment to institutional reforms.

QA8a I would like to ask you a question about how much trust you have in certain institutions. For each of the following institutions, please tell me if you tend to trust it or tend not to trust it.  
 (% - EU - TEND TO TRUST)



The view is one-sided, however, The Eurobarometer (see picture above) measuring various attitudes towards the Union shows that the trust felt toward the Union is consistently higher than the support received by the national institutions from their citizens. The trust toward the Union and the national institutions is inversely related to economic development: from 2009 onwards, weak economic development has undermined the credibility of both the EU and national institutions. During the past two-three years, the situation has improved, however.

→ The trust toward the Union and the national institutions is inversely related to economic development: the weak economic development has undermined the credibility of both the EU and national institutions.

One conclusion is that the mistrust towards the EU is not clearly distinguishable as its own phenomenon. It is a question of a common legitimacy crisis strengthened by weak economic development, which hits both the European Union and the national politics of the member states alike. When the situation improves, the political atmosphere will be more prone to EU institutional reforms.

Problems are involved in the democratic legitimacy of the Union, however. In particular, they are linked to the EU institutional division of powers becoming befuddled and opaque. The economic crisis has caused the relations between the economy, politics and law to embark in a direction which does not support democratic decision-making.

## Clearer economic coordination

One of the main goals of the Lisbon Treaty concluded in 2008 was to illuminate the institutional structure of the European Union and to strengthen its role as a political operator. In the Treaty, the role of the European Parliament was strengthened, and a common external action service was created for the Union. The European Council increased the amount of qualified majority voting, and a decision was made on the President of the Council.

The outbreak of the euro crisis in 2009–2010 upset the EU's institutional balance in a major way. Particularly in dealing with the Greek debt crisis, the tools of the European Monetary and Economic Union to solve the crisis were proven inadequate. The situation was remedied in the spring of 2010 by bilateral loans and a new crisis management tool, European financial stability mechanism (later called European Financial Stability Facility). In 2013, it was replaced by a permanent European Stability Mechanism, ESM.

The arrangement involved many legal details. The most important were issues related to so called *no bail-out* programmes, reforming the EU Treaty with respect to the crisis management mechanism (Treaty on the functioning of the European Union, SEUT 136) and the reformed fiscal management system, *Fiscal compact*, which gave the Commission more powers to monitor the debt and deficit criteria defined in the Treaty. Germany and France initiated the economic steering and it was agreed outside the Treaties in the framework of international law. However, with respect to Greek's loan programmes, the Eurogroup took a prominent position, and it does not have an official role in the EU Treaties.

When the crisis extended, the European Central Bank also played a vital role with its asset purchase programme of 2012, so-called OMT programme, which helped to reduce the interest rates of state loans. Mario Draghi's decision to make all that is necessary to maintain the eurozone may be considered the most critical decision of the entire euro crisis.

This development also shows what an opaque system the European Union has become because of the crisis. The institutions with executive powers such as the EU Commission and the European Central Bank have claimed a key role as economic operators. At the same time, the rules of the stability mechanism ensure that no decisions will be made on rescue packages without the approval of the big member states. Their role shows e.g. in the supervision of Greek's third loan programme, which has largely remained the task of the Eurogroup.

Discussion on deepening the EMU cooperation often involves the question of strengthening solidarity. This is only one dimension of the conversation, however. It is equally important to see the EMU reforms as part of the larger discussion on making the EU decision-making system more transparent. The Commission has begun to clarify economic coordination by binding the crisis management mechanisms more tightly to the EU Commission and its decision-making.

## New intergovernmentalism and European Parliament elections

The importance of intergovernmental cooperation has been heightened after the euro crisis. The close collaboration between Germany and France and the increasing importance of the Eurogroup are good examples of the importance of inter-governmentalism.

The first impact is that the decisions made within the EU are increasingly dependent on the domestic policies of individual countries, for example the outcome of national elections. A major shift in power balance in the political power relations of a big country like Germany or France can quickly lead to a very unstable environment. An individual country may, if it so wishes, complicate development on several policy areas.

It is not at all clear that in the development of the EMU, focusing on inter-governmentalism would benefit the small countries. In the long run, it should be the objective of Finland to clarify the national and EU level power relations and seek to strengthen the democratic legitimacy of the EU.

The second impact is that not all the reforms rely solely on the official structures of the Union. Many member states have sought to build European cooperation through intergovernmental means, outside the EU law. For example, Germany has recently formed bilateral agreements on the return of migrants as a response to the inability of the EU to promote a common asylum policy. The French initiative on a European intervention force is an example of the same development.

→ In the long run, it should be the objective of Finland to clarify the national and EU level power relations and to strengthen the democratic legitimacy of the EU.

The European Parliament elections of 2019 may mark a turning point in the development. At the moment, it looks like the nationalist right is closing ranks. If the normal Commission-led EU decision-making is stalled because of the elections, it may mean an even stronger shift toward intergovernmental cooperation.

## Fiscal space should be widened in euro area

**For the euro to function, a greater economic integration is required from the member states of the currency union. The euro crisis showed us the impacts of the lack of cohesion: it showed us the inner lack of solidarity in Europe, which has e.g. led to the spread of radical populism around Europe and laid foundation for xenophobia. If no remedies will be made in the eurozone, its systemic weaknesses will remain. This means that the eurozone requires strengthening of the fiscal framework to be operable when the next crisis hits.**

### European economic constitution and teachings of the euro crisis

The euro is a common currency of 19 countries without actual state backing.

It is a characteristic of the euro that the countries are nationally responsible for the finance policy and the European Central Bank (ECB) oversees monetary policy supranationally. The euro countries differ from each other not only economically but also culturally, and hence the countries of the Monetary Union cannot be regarded an optimal currency area. To operate, the euro requires economic harmonisation of the member states, for the euro is not flexible. This means the harmonisation of e.g. public finances, the labour market and capital markets.

Since no Treasury Department was created as a counterpart to the ECB, the creators of the euro hoped that the framework of the Monetary Union would lead to the harmonisation of the member states. Under the Stability and Growth Pact, the public deficits of the euro countries shall not be more than three per cent and

the public debt more than 60 per cent in relation to the gross national product (GNP). Article 125 of the Lisbon Treaty also prohibits the joint liability of the debts of the euro countries, and Article 123 prohibits the funding of the member states by the ECB. Prior to the start of the fiscal crisis, President of the Finnish Republic Sauli Niinistö wrote the following on the framework of rules of the Monetary Union:

*These rules were intended to increase the risks involved in funding the public sector in the hope that the finance markets would "punish" finance policy that is not on a sustainable basis.<sup>1</sup>*

This did not happen, however. The economies of the euro countries did not become sufficiently harmonised after the Monetary Union was created. Only few of the euro countries fulfilled the rules of the Stability Pact, and the Commission did not have credible means to monitor adherence to the rules. Focus on the deficits left the huge surpluses of Germany unnoticed and led the development of the current accounts toward imbalance. The harmonisation of the interest rates also resulted in the huge indebtedness of the Mediterranean countries to the German and French banks.

During the euro crisis, there was a need to radically reinterpret the original legislation. During the second weekend of May 2010 – fittingly on the Europe Day – the first support package was granted to Greece. At the same time, a stability mechanism was launched and a day later the ECB announced the first public sector asset purchase programme. The lesson taught by the euro crisis was that the Monetary Union made it through the euro crisis by breaking its own rules. The second lesson of the euro crisis was that solidarity in the eurozone is conditioned to severe financial discipline and every euro of subsidy is earmarked. This lack of solidarity within Europe contributed also to open xenophobia toward the refugees coming from outside of Europe.

## Rules have turned against themselves

Following the euro crisis and the refugee crisis, populist and radical parties have marched into the Parliaments of all European countries. When the euro countries have focused on their internal policies, the necessary reforms of the Monetary Union have remained inadequate and incomplete.

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Since it is not to be expected that a Treasury Department will be created as a counterpart of the ECB in the future, nor is it likely that there will be a big enough budgetary capacity in the form of a euro budget or stability mechanism, the member states should be given the opportunity to help themselves if the worse comes to worse. This can be carried out by simplifying and adding more flexibility to the budgetary rules of the European Stability and Growth Pact.

The problem with the rules is that they do not afford equal treatment to the euro countries and the monitoring thereof involves considerable judgement. When the Commission tried to intervene with the German and French deficits in the early 2000s, the countries vetoed the unpleasant decisions. While the Commission gives a tough time to Italy for its new budget proposal, it has allowed France, Spain and Portugal to break the rules.

In addition, the rules only take into consideration budgetary deficits. Compared to them, external imbalances are a bigger problem. The large volume of trade between the euro countries has resulted in huge surpluses for Germany and the situation that has arisen complicates achieving a balance of payments on current accounts. It is not intellectually sustainable that there is a punishment for deficits, when surpluses are celebrated.

During the first two decades of the euro, the rules of the Monetary Union have not fulfilled the criteria set upon them. They have even defeated the purpose, as they have led to an ineffective and partially inappropriate combination of fiscal and monetary policies.<sup>2</sup>

The prudential rules also prevented boosting the economies of the crisis countries, and due to the strict mandate of the ECB, a stimulus programme could only begin when the Monetary Union was close to a breaking point. In the United States, the administration and the Central Bank reacted immediately, making recovery faster. In Europe, the inappropriate economic policy caused by the rules of the Monetary Union has prolonged the euro crisis and heightened the social problems caused by it.

## Amending legislation

When we talk about completing the Economic and Monetary Union, and new euro reforms, it is a legitimate requirement to demand amendments to the legislation. This has been suggested for example by the Economic Councils of Germany and France, the International Monetary Fund (IMF) and most recently, the newly set up European Fiscal Board.<sup>3</sup>

The rules should be developed to accommodate the diverse needs of the growth cycles and recession. During periods of growth, budgetary discipline could be tighter, but when external shocks hit, a much greater economic flexibility than is presently the case should be allowed.

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Germany cannot be forced to relinquish its surpluses, but rules could be amended e.g. by channelling investments to the European Investment Fund if the surpluses exceed three per cent.

Secondly, rules should not prevent public investments into fields which are necessary for well-being and economic structures. For example, investments in education, health-care or other social flagship initiatives should remain outside the regulatory framework.

Finland has long opposed increasing fiscal solidarity in the Monetary Union. In the present political situation, reforming the rules is the easiest way to amend the Monetary Union without increasing fiscal solidarity and transfers. By amending the rules, more economic leeway may be given to the member states.

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If the eurozone is not amended, its systemic weaknesses remain. This means that the eurozone will be fiscally incompetent when the next crisis hits as well, and the ECB will be forced to take more responsibility again. It should be noted that the populist movements are popular even now, and when the next severe depression comes, their backing is unlikely to decrease.

Simplifying legislation is the aim of the European Commission, and it has also been supported by Finland. Amending the rules will be up for discussion next year, when both the general elections and the European Parliament elections will be held. Hopefully the NGOs and parties grasp this opportunity, for loosening the fiscal rules is the key to socially progressive reforms.

## References

- 1 Citation from the text by Sauli Niinistö & Johnny Åkerholm "Common currency – the beginning or end of European cooperation?", which has been published in a book compiled by Alexander Stubb *From the Margin to the Core. Finland in the European Union 1989–2003*.
- 2 Joel Kaitila and the author have examined the inappropriateness of the fiscal policy rules of the Monetary Union in more detail in the report *From Financial Discipline to Autonomy; the Measures of the Euro Countries to Increase Leeway* (in Finnish). [http://vasemmistofoorumi.fi/uusi/wp-content/uploads/2016/08/euroraportti\\_taitto4.pdf](http://vasemmistofoorumi.fi/uusi/wp-content/uploads/2016/08/euroraportti_taitto4.pdf)
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# European Semester and Social Europe

**During the past decade, the European Union has increasingly developed its economic governance. The key procedure is an annual process called the European Semester. Born as a response to the European economic and sovereign debt crises, its main objective is preventing economic problems. During the Semester, the strategic targets of the Europe 2020 strategy are also monitored, and it is the main method of implementing the fresh Pillar of European Social Rights. By enhancing the social side of the Semester, it could be possible to steer the economic policy toward the support of wellbeing.**

## What is the *European Semester*?

In 2011, the European Union introduced the *European Semester*, to monitor and coordinate the economic policies of the member states. The Europe 2020 strategy, which is the EU's agenda for growth and jobs, is also coordinated through the Semester to increase education and employment, to promote research, to prevent climate change and to combat poverty.

During the European Semester, the Union observes the economic and social circumstances in the member states, and the measures taken to achieve the targets of the Europe 2020 strategy. The Union also undertakes an analysis of the economic and structural reforms of the member states and gives them recommendations.

The legal basis of the European Semester is defined in the *Treaty on the Functioning of the European Union*, TFEU, according to which economic policy and promotion of employment shall be considered uniform, co-ordinated matters.

Coordination is defined in more detail in the integrated guidelines, and the most important of these are the *Employment Guidelines*.

The Semester is also based on the Stability and Growth Pact – it sets a 3 per cent limit on public deficit and a 60 per cent limit on public debt in relation to GDP. In 2011, this set of rules was strengthened by the *Six Pack* legislation, and in 2012, by the *Fiscal Compact* agreement.

→ The Stability and Growth Pact sets a 3 per cent limit on public deficit and a 60 per cent limit on public debt in relation to GDP.

The European Semester is also a key implementing instrument of the European Pillar of Social Rights introduced in 2017.

## How does the Semester work?

The main components and the timeline of the European Semester is described in the following:

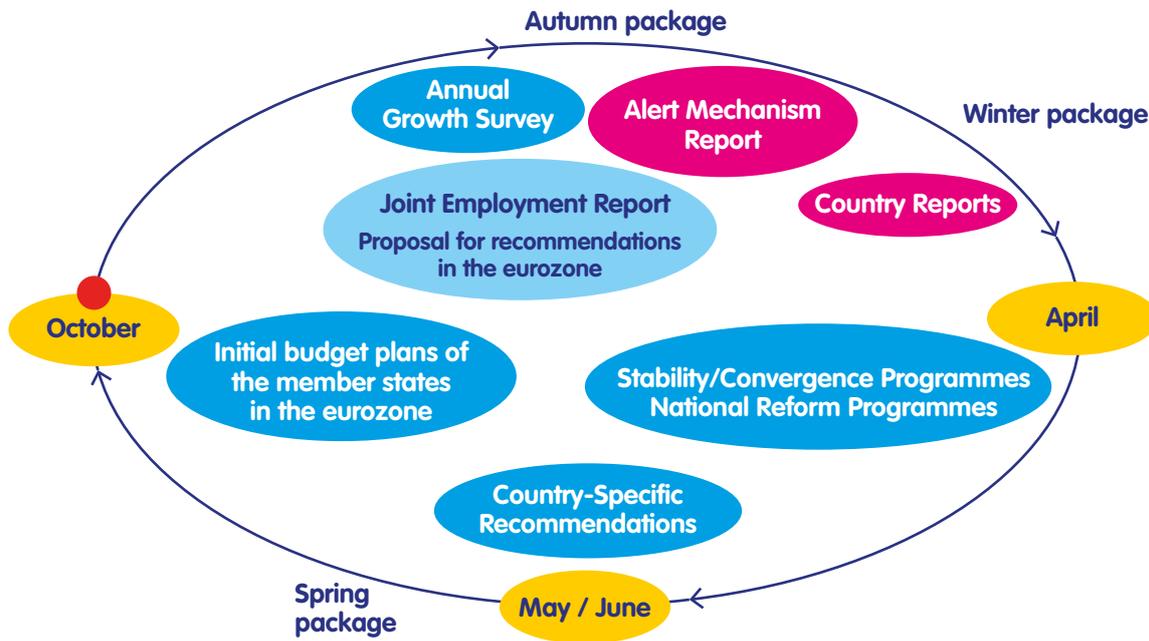
The Semester kicks off in November with the autumn package launched by the Commission. This includes the *Annual Growth Survey* (AGS), and a *Joint Employment Report* (JER). In the Growth Survey, the Commission analyses the state of the Union economy and sets out general economic priorities for the following year.

In February-March, the Commission publishes the winter package, the main component of which are the *Country Reports* of each EU country. Based on these reports, the progress made by each country in economic, employment and social issues is assessed. The Country Report is a roughly 60-page view of the Commission of the economic and social development, challenges and prospects in each country.

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In March, the European Council defines the main challenges in economic policy and political guidelines, which the member states shall consider when they publish their *National Reform Programs* (NRPs) in April. In them, they report their activities and plans to comply with the recommendations received by the Union and to implement the Europe 2020 strategy. The Ministry of Finance is responsible for

## EUROPEAN SEMESTER



drafting the Reform Programme in Finland. In April, the *Stability Programme* of each member state is also published. The General Government Fiscal Plan published in Finland each year contains a stability programme.

In May, the Commission publishes the spring package, its *Country-Specific Recommendations* (CSR). They contain a few pages of introduction summarising the analysis of the country reports and three summed up policy recommendations. The member states discuss the recommendations and approve them in the European Council in the summer. The member states are advised to take note of the recommendations when they draw up their budgets, and the euro countries present their budgetary plans to the Commission in September-October.

## What does the Union recommend to Finland?

During the past eight Semesters, the Commission and the European Council have recommended to Finland e.g. maintaining the stability or strengthening and adjusting public finances; implementing the reform of the municipalities and healthcare and social services; taking measures that prolong the working careers of the young and the elderly; promoting the employment of the long-term unemployed and

immigrants; improving the incentives for accepting jobs; increasing competition in the retail trade and municipal services; diversifying business; approving the intended reform of the pension system; promoting a wage development complying with the development of productivity, while respecting the position of the labour market parties; and increased monitoring of the indebtedness of households.

Most of the recommendations have already been implemented in Finland – for example, regarding the stability of public finances the pension reform, promotion of competition and promoting the incentives for accepting jobs. Some of the recommendations may have remained partially unfinished, such as ensuring sufficient services for unemployed. The recommendation related to the reform of the regional government and social and healthcare services has evolved during the years: Firstly, a municipal reform increasing productivity had to be made, and the next step was to plan and carry out a successful reform of the social and healthcare services. Thirdly, an administrative reform increasing the cost-effectiveness of the social and healthcare services had to be secured, and in 2018 measures were to be taken to ensure that both cost-effectiveness and equal access to the services were guaranteed in it.

The recommendations include steps affecting the leeway of social policies as well as direct social policy measures.

## What is known of impacts of the European Semester?

There exist different estimates about the impacts of the European Semester. It is generally estimated that 20-50 per cent of the recommendations have been carried out. According to a recent study (Efstathiou and Wolff 2018), Finland, Great Britain and Slovenia are among the countries that have implemented half the recommendations, whereas Luxemburg (23 per cent), Slovakia, Hungary and Germany (29 per cent) come at the bottom of the list.

→ It is generally estimated that 20-50 of the recommendations of the Semester have been carried out.

The assessment of the implementation of the recommendations is also complicated by their ambiguity. One recommendation may contain several parts, and with respect to social recommendations, there are multiple ways of carrying them out. The

recommendations should be achieved during the next 12–18 months, but e.g. the Commission and the European Parliament assess their realisation even before that.

## Social dimension of the European Semester

The European Semester may be considered the strongest political mechanism, through which the Union steers the social policies of the member states. Firstly, by determining the framework of public finances it significantly limits the leeway of social policies. Secondly, it affects the contents of social policies by issuing direct recommendations falling within its sphere.

By analysing the recommendations, it becomes clear that the Commission shows growing interest for social issues. In 2018, 63 per cent of the recommendations already contained individual sections relating to the field of social policies. This share has not previously been so large. Of the Finnish recommendations, two-thirds have touched upon social issues in some way (Clauwaert 2018).

→ The Commission has shown growing interest for social issues: in 2018, 63 per cent of the recommendations already contained individual portions relating to the field of social policies.

Interesting examples of the 2018 recommendations include e.g. the one given to Latvia about increasing the progression of taxation, "Reduce taxation for low income earners by shifting it to other sources, particularly capital and property, and by improving tax compliance"; and the recommendation to Lithuania, "Improve the design of the tax and benefit system to reduce poverty and income inequality". But the recommendations also include examples of the promotion of employment by weakening unemployment benefits or employment relationship benefits, which would be likely to have impacts increasing poverty.

The increasing attention to social policy issues may also be explained by the fact that the Semester is – in addition to legislation and EU funds – the key instrument of implementation for European Pillar of Social Rights established in 2017.

The Pillar brought with it a *Social Scoreboard* containing 12 social indicators, which were added to the Semester and the country reports. However, no minimum or target values have been defined for the indicators. In the Social Scoreboard of the country reports, the performance of each country is colour-coded on a scale of

”critical situation” and ”best achievers” at the opposing ends of the spectrum. Even if such a scale can be used to identify critical situations requiring measures in different countries, the other end of the scale can be criticised for not focusing attention on the progress of the said country in achieving its targets, and the country may retain its place as one of the best achievers in relation to others, even if its circumstances would continue to grow worse.

## Agreements and recommendations – criticism on the dominance of macroeconomic

The hard core of the Semester can be said to be comprised of monitoring the economic policies of the member states, where the toolbox even contains fines imposed on member states and non-approval of budgetary proposals. The social aspect of the Semester may often be reduced to the level of recommendations.

Macroeconomic issues dominate in the Semester in relation to other policy areas, as it relies on binding legislation. Because of the macroeconomic legislation, the stability of public finances and the debt sustainability of the member states outweigh employment and social goals.

→ Because of the macroeconomics legislation, the stability and debt sustainability of public finances outweigh employment and social goals.

Part of the Semester, the *Macroeconomic Imbalances Procedure MIP Scoreboard* contains thresholds that have been defined for the economic indicators which trigger further measures, such as a detailed examination or a procedure on excessive imbalance. Greece has remained outside the annual Semester until autumn 2018, as it has participated in the economic adaptation programme of the Union. The binding nature of social indicators, goals and recommendations is hence quite different from other forms of economic steering.

## More social and more democratic Semester?

Whatever the opinion on the Semester, it is important to follow its advance and seek to influence it. The Semester is the leading political process of the Union and

can affect the future of the member states and the Union. The Semester also has growing importance for the allocation of EU funds.

NGOs in the field of social affairs have presented several ideas for reinforcing and democratising the social side of the Semester. The Finnish Anti-Poverty Network EAPN-Fin has e.g. discussed an assessment of the social impacts of the Semester, which would facilitate preventing economic decisions with socially harmful impacts. The number of social indicators should be increased further and their impact in decision-making ensured, for example by introducing flexibilities to the macroeconomic rules and by specifying thresholds which would trigger an in-depth examination of the situation in a specific country. The rules of the Stability and Growth Pact should also be re-evaluated and social investments should be left outside the interpretation of economic rules.

The European Anti-Poverty Network EAPN finds that despite the European Pillar of Social Rights and promises to balance the Semester with social issues, the approach of the Union and the member states still emphasises macroeconomic discipline, and the realisation of social rights, let alone reduction of poverty, has not been prioritised. Within the Semester, it has not been possible to analyse the social impacts of changes in taxation and social security, flexibilities in the employment market, or privatisation. EAPN supports a more sustainable model of growth, where the implementation of the European Pillar of Social Rights and sustainable development would lead to a reorientation of economic policy to reduce inequality and to ensure wellbeing. EAPN hence proposes that the Stability and Growth Pact would be changed into the *Stability and Wellbeing Pact*.

→ Within the Semester, it has been impossible to analyse the social impacts of changes in taxation and social security, flexibilities in the employment market or privatisation.

The responsibility for carrying out the Semester is divided between the various organs of the Union – the Commission, the Parliament and the European Council composed of the prime ministers of the member states – and the governments of the member states. However, the implementation of the Semester should be carried out in cooperation with the parliaments, social partners represented by labour market organisations and the NGOs. (An explicit mention of NGO representatives was added to the employment policy guidelines only in 2018). There is very little open discussion about the Semester in Finland; it is mainly discussed in the Commission

events. More channels should be available for the participation of the Parliament and the whole civil society, and such channels could include the public hearings and open debates of the Grand Committee. The participation of the NGOs in the Semester has so far varied per country, and in Finland it has been largely up to the Commission. The NGOs have so far had no opportunity to discuss the Finnish national reform programme prior to its publication. The media could also study the Semester with more diligence and provide more comprehensive reports about it instead of merely publishing economic growth forecasts.

The cards of the present Commission and the European Parliament have been on the table for quite some time, and it is up to the new Commission and the European Parliament to develop the Union and European Semester in the future. Fortifying social Europe would be possible within the framework of the European Pillar of Social Rights or the next overall strategy, if there is enough political will.

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## JUSSI AHOKAS

Chief Economist, SOSTE the Finnish Federation for Social Affairs and Health

## PÄIVI ROUVINEN-WILENIUS

Senior Adviser, SOSTE the Finnish Federation for Social Affairs and Health

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# Wellbeing economy as cornerstone of future of Europe

**The future choices made by Europe will come under bigger pressure than ever before. For example, the climate change, differences in the economic growth of the member states and the movements of the civil society challenge the EU to consider a progressive strategy for the EU countries. The challenges can be met by creating a clear vision for Europe and by presenting realistic steps to obtain it. The European Parliament elections, the new Commission and updating the strategy of the EU all come at an appropriate time. The wellbeing economy should be the starting point of the future strategy. It means that increase in individual resources and participation of people will be emphasised; fortifying the basic elements of wellbeing and good life. The civil society is a major player in the wellbeing economy, and the strengthening thereof should hold a key place in the strategy.**

## New strategy of Europe

The future of the European Union will be a fundamental issue in the next few years, with the European Parliament elections and the appointing of the new Commission coming up in 2019. The Europe 2020 strategy is also ending. With accelerating climate change, fluctuating economic development and movements of the civil societies, more external pressure will be put on the future choices defining the direction of Europe than ever before during the existence of the Union.

Even if the external challenges are undisputed, it is still possible to meet them. Challenges can be tackled by creating a clear vision for Europe and by presenting realistic goals to achieve that vision. In this sense, the elections, the new Commission and updating the strategy of the European Union come at the right moment. Finland plays an important part in this process, because it is Finland's turn to be the President of the Union right after the elections held in the spring of 2019.

## Vision of wellbeing economy

Wellbeing economy is a term coined by SOSTE and Finnish social and health NGOs. The wellbeing economy may be perceived both as a vision of the future economic and social model and as a certain, already existing sector of our society. When the goal of some societal action is to increase wellbeing and to improve the prospects of a good life it takes place in the sphere of wellbeing economy. Hence, wellbeing and good life are the main goals of a wellbeing economy. The other objectives such as economic growth, expansion of welfare state or deepening of democracy are considered subordinate to it.

A wellbeing economy is based on a broad concept of wellbeing. In the wellbeing economy thinking, wellbeing is considered to consist of individual resources and participation. Individual resources include sufficient health, reasonable material resources, social wellbeing and empowering social relationships, self-confidence, trust in community one lives in and critical consciousness. Participation refers to the opportunity of people to participate in the decision-making of one's own community, and in the development of the community, as its full members. Building the wellbeing economy ultimately consists of strengthening the above factors and investing in them.

→ Wellbeing economy is based on a broad concept of wellbeing:  
in the wellbeing economy thinking, wellbeing is considered to  
consist of individual resources and participation.

The vision of a wellbeing economy is hence a picture of a future society where the wellbeing of people and securing the prospects of a good life for all are the goals of public policy. The vision of a wellbeing economy can be described in one sentence as follows, "Working together to build a good life for everyone"

## European Union as builder of wellbeing economy

When the future strategy of the European Union is defined for the next decade, the rationale of the wellbeing economy should be at the heart of it. This means that the strategy of the European Union should focus on the increase of individual resources and participation, i.e. enhancing the basic elements of wellbeing and a good life.

In addition to emphasising the goals of a wellbeing economy in the strategy, the promotion of these goals should be much more prominent in EU politics as well. Some objectives relating to the wellbeing economy have been present in the Europe 2020 strategy, but for example in the political steering of the member states, in the EU fiscal framework or in the EU legislation, the promotion of the goals has not been sufficiently noted. Economic policy steering and goals related to economy have been taken much more seriously than social goals or objectives relating to climate change.

It would be essential to decisively expand political coordination outside economic policies and to oblige the member states to commit to the goals of social, health, equality, employment and climate policies more firmly than before. This would require a comprehensive examination of EU strategy and steering. Also, more attention should be paid to the cross effects of the different policy areas. If it is possible to dissolve the boundaries of policies and administration, the EU policy would become more coherent. Then it would be possible to pay attention to all future goals at the same time – including those subject to wellbeing.

It would be an essential element of the new strategy that it would emphasise investments in wellbeing as underlying a sustainable, stable and equal economy and society. Wellbeing investments are social inputs which either produce wellbeing directly or create structures that support the prospects of wellbeing and good life in the long run. Wellbeing investments may be made in many sectors and on many levels of the society. They may be monetary or non-monetary but a common trait is that their attainment is primarily evaluated through wellbeing benefits.

The more wellbeing investments are made in a society, the more likely the basic elements of wellbeing and good life are to strengthen. The volume of investments is not always decisive, however. It is important that the society can create prospects for wellbeing investments which meet the wellbeing needs of people efficiently and timely. For example, investments in service structures may improve the availability of education, social security and availability of healthcare services. Such investments increase human capital and thence fortify the prospects of wellbeing.

→ It is important that society can create prospects for wellbeing investments which meet the needs of people efficiently and timely.

By emphasising the importance of cross-sector and multilevel wellbeing investments in its strategy and policy recommendations, the EU could steer and encourage the member states toward wellbeing investments or improve the prospects thereof in other ways. Wellbeing investments tend to create structures which in the long run reduce the need to increase social and health expenditure, increase the supply of labour and foster growth of productivity. For example, participation and trust in a community may result in a more sensible use of healthcare services, thus reducing the number of unnecessary visits to healthcare.

Wellbeing broadly understood is hence also capital for economic growth. Since today's wellbeing creates the foundation for future wellbeing, even short-term investments may have far-reaching results. In other words, today's wellbeing is capital for the future wellbeing.

→ Today's wellbeing is the capital of future wellbeing.

The civil society plays a leading role in securing the wellbeing economy. The civil society has been born out of people's desire to influence matters and to gather around common issues. Empowering, people-centred activities and participation characterise civil society. A democracy also needs a vital, effective civil society to function.

For the civil society and NGOs to properly function, we need social vision and strategy that recognise the meaning of participation and civil society. Since the European Union is the main social operator in Europe, fortifying civil society and NGOs should be central elements in its strategy. If the forthcoming strategy commits to promoting participation and inclusive economic development, the civil society, civic activities and the NGOs are a key area of investment and a resource to implement these goals.

→ Fortifying civil society and NGOs should be central elements in the EU strategy.

In recent times, strong protests have also been heard from the European civil societies. The consensus and unity of the past decades has been challenged. This should not be interpreted as "decay" of the civil society but rather a message that

in the future, Europe needs more mutual trust, participation and inclusive social and economic development. On the level of civil society, the EU should support local democratic structures and processes more strongly than before. The voice of the civil society should be heard in time and it should be loud enough; we cannot rely on individual technical solutions such as a European Citizens' Initiative to suffice for hearing the civil society.

For example, the European Semester should hear and pay attention to the voice of civil society more broadly than before in all the member states. Goals aiming at the strengthening of trust and participation should be supported by various initiatives firming the structures of participation in the framework of the European Union as well. In this way, the work of the NGOs aiming at producing and distributing wellbeing and investing in it would be integrated into the EU policy, and the prospects for building a wellbeing economy would improve.

## Future in our hands

Europe is faced with big choices. What kind of future will we embark on building and what are our policy choices for the forthcoming decades? We have proposed that the European Union would start building the future based on a vision of a wellbeing economy. This would mean that wellbeing objectives would become more prominent in EU policy and member states would be obliged to commit to the strategic choices of the Union in social, health and climate policy issues much more resolutely than before. This requires that the rhetoric of inclusive economic growth will lead to a genuinely inclusive economic policy and development. The objectives of sustainable development should also be emphasised.

We find that commitment to the vision of a wellbeing economy is possible European-wide, but it requires that the new members of the European Parliament, the new Commission, decision-makers in the member states and the civil societies commit to the common goals to a sufficient extent. The recent social transformations have broken the mutual trust in the EU countries, but we still believe that most Europeans will back up a future strategy that is well-articulated, inclusive and decisively committed to issues of sustainable development and equality. This is vital to ensure wellbeing and prospects of a good life in future Europe as well.

## Social policy challenges in European Union

**When I assessed the possibilities of strengthening the EU's social dimension in 2014, I was not very hopeful. The wellbeing models are national, and we still lack European will and identity which would be needed to reinforce the social cohesion of the EU. The development of the single market and the reform of European administrative practices have progressed in the past few years, but progress has been slower than before.**

The European Union is in a very challenging situation, as it has faced growing nationalism in some of its member states e.g. Poland and Hungary. The Brexit negotiations in Great Britain have also slowed down the development of the EU. In the worst-case scenario, the unstable political situation in Italy may also cause major problems for the Union. In such a case, increasing integration – not to mention reinforcing the social dimension of the EU – is at least as challenging as it was four years ago.

The Commission has long recognised the need to improve the social policy cooperation. The last sign of this is the European Pillar of Social Rights which it introduced. In its contents and goals, the Pillar resembles the objectives already presented in the 1990s and at the start of the millennium.

Additionally, in the Reflection Paper on the Social Dimension of Europe of spring 2017, alternatives have been outlined for the development of the social dimension up until 2025. It is the goal of Juncker's Commission to improve the acceptability of the EU in the eyes of its citizens by reinforcing the social dimension.

## Principle of subsidiarity as a challenge

The principle of subsidiarity still presents a challenge for the reinforcement of the social dimension. It prescribes that decision-making cannot be delegated from the national states to the union level without compelling reasons. This has meant restricting the social policy competence of the Union primarily to the promotion of movement of labour. At EU level, progress has been made in issues concerning gender equality and occupational health and safety. For single market reasons, the EU has also advanced in matters regarding the movement of patients and aspects of healthcare that involve effective markets. There is e.g. EU legislation on medical equipment.

Reinforcing the social dimension at EU level would also support the national social security in the member states: if economic and social issues were coordinated better than before in the Union decision-making, the maintenance and reform of national social security systems would also be endorsed. Social and healthcare policy decisions at EU level would prevent the purely marketized solutions.

→ Reinforcing the social dimension at EU level would support social security in the member states.

An integrated, in-depth social protection system is needed in Europe, since global market development has not improved the relative position of those in the weakest position. At best, the supranational competition promoted by the EU creates efficiency and effectiveness, which bring more resources to the public economy and the reform of social protection. However, sharing the fruits of economic growth would also require political regulation and steering at EU level. But this terrifies those who see the EU as purely a promoter of a free single market. European companies and some of the member states oppose all EU-level social policy initiatives, because they see them as surpassing the powers of the Union. The Pillar of Social Rights may therefore remain only a declaration which will not lead to tangible results.

If the general principles of an integrated social protection system cannot be agreed upon at EU level, national social policy decision-making "will remain subordinate" to supranational economic decision-making. This is not a successful model for sustainable economic and social development. The EU should be able to promote social security also for the sake of its own competitiveness and legitimacy.

## Recommendations and follow-up of social protection

Through the principles of the Pillar of Social Rights, the Commission seeks to ensure equal rights and access to employment, fair working conditions and social protection and inclusion, while globalisation, digital revolution, new working methods and demographic trends change working life and the entire society. The aims are good, but there are not enough means at EU level to implement them. The EU must resort to recommendations and follow-up of social protection. The possibilities of Directives and even tighter regulation are modest.

To support the Pillar, the Commission proposes a Scoreboard of Social Indicators. In principle, it provides a good chance to examine and compare the success of national measures. However, the challenge is how the EU can use the Scoreboard in its decision-making and how seriously the national governments take the cross-country comparisons.

The Commission is aware that although the member states wish to deepen the social protection in the EU on a general level, they do not wish to lose their decision-making powers to the EU.

## Little evidence of impact of the European Semester on social policy

The Commission reviews the social dimension in the context of economic development and employment. In that area, the EU has more powers. The Reflection Paper does not add anything new in this sense either, as the examination of social protection has been linked to the European Semester for years, and it is part of the Europe 2020 strategy. Social policy goals have also been set in it, including the reduction of population living at risk of poverty by 20 million.

→ The social policy goals of the European Semester include the reduction of population living at risk of poverty by 20 million.

During the Semester, country-specific reports are produced on the economic and social development of the member states as well as future projections. Based on them, the Commission makes its country-specific recommendations. The system works well in itself – producing information and comparisons – but there

is no evidence of the use of the information in the decision-making of the countries.

The EU reports such as *European Semester 2018: Key EU Figures* show that the decrease of poverty and social exclusion has advanced somewhat in recent years, probably because the economic situation has improved. The cyclical improvement has reduced unemployment, but the situation of vulnerable population groups has improved slowly or not at all.

The Commission has said that inequality is a threat to the EU cohesion. The EU itself does not have much chance of combatting inequality, which is why the Commission emphasises the social investments of the member states to improve the unemployment rate, to increase human capital and to combat poverty.

## Implementation of Social Pillar up to member states

In practice, the implementation of the goals of the Social Pillar is the responsibility of the member states. This is evident from the opinion of the Social Protection Committee and the Employment Committee (European Pillar of Social Rights Joint SPCEMCO Opinion. 31 May 2017):

*It is important that the Social Pillar fully respects the existing division of competences in the Treaty, remains coherent with the single market and takes due account of subsidiarity and proportionality, and the autonomy of social partners. In this context, the implementing actions will need to be taken at different levels: European, national, regional and/or local. Ownership by Member States and social partners will therefore play a key role and the strengthened role of social dialogue in the proposal is particularly welcome.*

With emphases such as these, the EU's own role in enhancing the social dimension remains secondary. Concerted efforts cannot be carried out, as national positions and interests are different and so are the goals of labour market parties. The unions are too scattered to make European labour market policy. It is in the employers' interests to prevent European bargaining and allow companies to move their operations from one country to another according to market terms.

The goals of the Social Pillar hence cannot be obtained as a joint European project, because, as the Social Protection Committee and the Employment Committee find in their joint statement:

*The Social Pillar will only have a real impact through strong ownership at Member State level.*

## EU mainly adopts soft law measures

The principles and goals of the Social Pillar are to be encouraged, and taken seriously, they would form European will and identity. The question is whether they really create a basis for decision-making and what it would mean in practice. However, the Commission is unsure about the speed and means through which the goals could be reached. It is ready to update and supplement the EU level legislation, if it is considered necessary. It is also ready to follow the implementation of the Union legislation more closely and promote social dialogue and development of social protection in the context of economic coordination. This means soft law measures with respect to social protection instead of legally binding guidance.

The EU may proceed by focusing on the four basic freedoms, and free movement, when it comes to social protection. Legally, the EU may proceed by presenting proposals on the minimum requirements in working life based on free movement as well as the harmonisation of the basic standards.

Soft law guidance may be carried out by recommendations, spreading best practices and supporting some reforms. It may also be done by promoting dialogue between labour organisations, encouraging the inclusion of the third sector and engaging in wider cooperation with other international organisations. Tough measures such as norm-based and resource-based control are not widely used by the EU in the promotion of social protection. The total budget for the EU social protection is only approx. 0.3 per cent of the total social expenditure of the EU countries, which means it has no real effect on the decision-making on the member states' social protection. EU is mainly showing its flag by offering material aid to the most vulnerable groups through food aid for example. It has a European aid fund for the most deprived called the FEAD, although this aid originally relates to agricultural rather than social policy.

→ The total budget for the EU social protection is only approx. 0.3 per cent of the total social expenditure in the EU countries, which means it has no real effect on the decision-making on the member states' social protection.

## Three options forward

Since it is challenging to arrange social protection at EU level, the Commission has sought different pathways in the document exploring the background for the Social Pillar:

- 1) Limitation to free movement i.e. social protection mainly relating to employment
- 2) Progress in social protection through cooperation of individual member states or
- 3) Common progress by all member states.

The first option would mean very small steps forward and employment-related social protection. The national level would be responsible for those outside the workforce, which is the present case.

The other option would be a sign of the disintegration of the Union continuing but at the same time it could create wider cooperation than is presently the case between some of the member states. Brexit and the development in the member states of eastern and central Europe are other signs of the disintegration. The limited cooperation of some member states in social protection would also be reflected in the rest of the cooperation between the EU states.

The third option would continue the present soft measures within social protection.

## Will and identity wanted

Reinforcing the social policy dimension of the EU is challenging at best. It is worrying that both social politicians and the supporters of the free market still pursue the extraction of national social policy decision-making from the decision-making on the global economy. It is easier to understand the views of the supporters of the liberal and totally free market economy, because from their viewpoint, the regulation of social policy is undesirable. But social politicians should be able to grasp that

building welfare states was only possible because the legal decision-making on different policy areas such as the economy, employment, education and social protection, was on the same level. Social policy reforms cannot be and should not be made independently from economic decision-making.

The EU integration has been done almost purely on market terms. Social policy decisions have diverged and remained at national level. This is not a sustainable road, as the social cohesion of the Union is creaking. The EU will be made the scapegoat of social problems on a general level, even if it does not have power over social policy. This has increased Euroscepticism and the power of various populist movements.

Reinforcing the social dimension of the EU and at the same time the credibility of the entire EU is a demanding exercise intellectually. The biggest problem of social policy at EU level is in the tools of the policy. The many steps in decision-making and its lack of transparency eat away at the citizens' trust in national and EU-level decision making.

→ Reinforcing the social dimension of the EU and at the same time the credibility of the entire EU is a demanding exercise intellectually.

It is clear in the member states that the government bears the political responsibility for the preparation and implementation of decisions and the parliament ultimately approves the laws and the budget. Democratic and parliamentary rules are clear and generally known.

There is no such clarity in the EU decision-making. The Commission is an autonomous organ, relatively independent of the member states, and it has the right of initiative in several matters. The Councils and their preparatory bodies represent the member states without an explicit possibility to influence the actions of the Commission. The EU Parliament has little real power irrespective of some matters relating to the codecision procedure. The low turnout at European elections shows that the citizens are very aware of the role of the EU Parliament.

## Social protection threatened by partially invisible shift of decision-making power to EU

The biggest threat to the social security systems of the member states is the silent and partially invisible shifting of the decision-making power to the Union through

decisions, the indirect or even direct impacts of which cannot always be seen. Of the EU level decisions, e.g. procurement law and regulation of state aid and monopolies such as Alko (the Finnish monopoly distributor of alcohol beverage products) have had a significant impact on the organisation of Finnish social security. The decisions have had major influence on the framework of national social policy, even though the basic principle has been the creation of a free market in the EU.

The framework of national social policy has changed and will change through EU level decisions. This progress continues if the decision-making of the Union will continue to increase in issues of economic policy, and only the subsidiarity principle is emphasised in issues of social policy. This will result in stronger market-based thinking in social policy and the narrowing of social policy.

Enhancing the social dimension of the EU would not only increase the legitimacy of the Union but also secure the prospects of a national social policy. National social security systems cannot be defended by an integrated economic area without uniform social policy principles and decisions concerning the whole region.

The challenges of the EU span the whole continent and even the whole globe. We need wise political decision-makers and innovative experts for the Union to develop as an integrated economic and social entity.

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## European Pillar of Social Rights highlights social dimension of European Union

**The European Pillar of Social Rights seems to have quite tangible goals – it deals with issues that are familiar and understandable to the citizens, such as education and childcare. But it remains to be seen how the rights contained in it translate into practices in the EU countries. However, the symbolic meaning of the Pillar is still important as the member states are politically committed to its goals.**

### From euro crisis to enhanced social dimension

The European Pillar of Social Rights published in the spring of 2017 compiles 20 goals for the promotion of employment and social protection in the member states. The Pillar increases visibility on what the EU does and what it should be doing to develop its so-called social dimension. In dealing with the social, economic and financial impacts of the economic crisis which began in 2008, the theme has become revitalised in the deliberations of the Commission.

During the darkest years of the economic crisis, the Commission was blamed for intervening with its austerity policy with the ability of the member states to safeguard the benefits and services to their citizens. Too severe remedies were prescribed on the crisis countries, which had disproportionate effects on the lives of people. Now the Commission wishes to show that social issues are also considered in the Union policy.

The concern is also motivated by the need to boost the activities of the EU and the Economic and Monetary Union, in particular. According to some estimates, the handling of the economic crisis was complicated by the differences between the euro countries. The Pillar of Social Rights is hoped to promote the harmonisation of social standards and the employment market. The Pillar therefore only concerns the euro countries. The other member states can participate if they so wish. Attempts are made to decrease the heterogeneity of the countries for the euro economy to function more efficiently and for the member states to have better possibilities to cope with future recessions. The Commission wishes that by implementing the Pillar it will be able to support the countries in the upcoming reforms.

## Social rights appear in Treaties

The President of the Commission Jean-Claude Juncker has suggested that the social dimension of the Union should be fortified. The idea is that it would increase the citizens' trust in the EU institutions and the fruits of the integration process. The Commission wishes to show that the EU benefits citizens, too, and not just the elites and corporations. Throughout its history, the EU has been an economic project above all, which is defined by the development of the common market; social policy has been subordinate to it. However, claims on the social dimension to side with the economic integration have been made ever since the Rome Treaty was signed in 1957.

Progress was made particularly in the Lisbon Treaty that was signed in 2009, after which the visibility of social rights and social policy has grown in the EU. The Treaty e.g. contains reference to the EU Charter, which defines the basic rights at EU level. The Lisbon Treaty prescribes that in all its activities, the Union should pay attention to the sufficient social protection and promotion of health of the citizens.

→ According to the Lisbon Treaty, in all its activities, the Union should pay attention to the sufficient social protection and promotion of health of the citizens.

However, the Treaties only afford limited competence to the Union in the field of social policy. The member states decide on the coverage and level of their social protection according to the subsidiarity principle, which explains the significant

differences between the countries. Yet, the development of the common single market has also required certain uniform rules from the beginning of the European integration, the purpose of which is to promote the coordination of the social protection of the employees travelling within the EU.

In addition, equality between women and men has long been set out for at EU level as well as issues concerning health and safety at work. It is notable that when the forming Treaty of the Union, the 60-year-old Rome Treaty, was celebrated in 2017, the leaders of 27 EU countries committed themselves to the social principles. All the EU institutions such as the Commission, the Council of Ministers comprised of the ministers of the member states, and the European Parliament committed themselves to comply with the principles of the Pillar of Social Rights.

## Better possibilities for monitoring and comparison

The European Pillar of Social Rights is basically very concrete, but it is a different issue how it will translate into tangible measures. The Pillar compiles already existing EU legislation. It also contains new initiatives, standards and rights. However, the Union is not empowered to decide on them all. The Commission emphasises that they will be implemented together, through the actions of the member states.

It is important to note that the Pillar does not provide the EU with new powers in matters of social policy; such competences are provided for in the Treaties. The Pillar offers a better opportunity than before to monitor and compare the conditions and social policy solutions in the member states. It is part of the so-called open method of coordination that the member states and the EU agree on priorities and goals and the indicators and their reference values. In cooperation with the member states, the European Commission estimates whether the goals have been met and which of them leave room for further development. The method includes the promotion of mutual learning and information sharing on good practices between the member states.

The Scoreboard of Social Indicators has been created for the assessment of the attainment of the social goals, and it shows the ranking of each country in the EU comparison. It also shows which direction the country is heading regarding a certain indicator, e.g. education and lifelong learning or poverty and income inequality.

There is little research on the impacts of the EU on the social policy of the member states, however. The European integration, particularly common competition

legislation and single market, affects the context in which national social policies are made, but it is more difficult to show what impacts a non-binding open method of coordination has produced. The impacts in different countries may also differ due to the different initial level, decision-making institutions and political atmosphere.

In recent years, the importance of the European Semester has also emerged. In the process, member states are issued with recommendations on the strengthening of the economy and improvement of social conditions. The focus was initially on economic and finance policy steering but the number of “social recommendations” has grown in the past couple of years. The quality of the recommendations has also changed. The countries have been provided with more leeway in how a certain goal, e.g. reduction of old-age poverty rate, is achieved – whether minimum pensions are increased, services added or the service fees of social and healthcare lowered. The member states themselves wish that the EU will not impose measures but that it will set up goals, which each country can try to achieve by suitable means. The dialogue between the Commission and the member states has also been increased, which enables the discussion of how the goals can be met realistically.

## Attempts made to promote social rights

The Commission has proposed several initiatives to promote the implementation of the Pillar of Social Rights. The proposal for a Directive on Work-Life Balance has been long discussed, and now it has finally proceeded to the European Parliament. The proposal e.g. contains an extension of the paternity leave. The reform would not affect the duration of the paternity leave in Finland, as Finland already complies with the minimum requirement. Important for Finland, however, may be the expansion of the social protection of those in atypical jobs, e.g. gig-economy workers. The Commission has paid increasing attention to their situation. One argument for the Pillar is precisely the transformation of work and increase in atypical jobs.

→ Important for Finland, however, may be the expansion of the social protection of those in atypical jobs, e.g. gig-economy workers.

It is hard to obtain an overall picture of the actions related to the Pillar of Social Rights. It would be advisable for the Commission to lay out a comprehensive plan

on how to promote the Pillar. For the sake of clarity, it would be sensible to list item by item which EU legislation already exists, what initiatives and recommendations have been submitted and which legislative proposals are in the process. The social policy role of the EU would then become clear to the citizens as well.

## Practical implementation proves the success of the Pillar

The Pillar contains many vague concepts, which leaves much scope for the member states in the implementation. Such concepts include "good quality", "sufficient benefits" or "affordability of services". This is typical of the rhetoric of the EU social policy, and due to the vagueness, the member states are likely to be able to accept the Pillar better. The definitions offer the member states a choice on how to attain the same goals with methods that befit their institutional and cultural heritage. The Commission can also support new openings as well as separation from old practices that have been identified as weak.

In social issues, the EU cannot impose sanctions, unlike in economic policy. It is thus unclear what happens if a member state cannot achieve the goals set upon it. The lack of sanctions makes implementation of the Pillar challenging. A further problem is how sanctions can be formulated so as not to make the member states recoil or to prevent other undesirable impacts. If a sanction would e.g. mean that the aid granted by the European Social fund would be withheld, a country would not receive support to the development of its system when it would most need it. However, economic sanctions are not so straightforward either, and are negotiated between the Commission and the member states.

The Court of Justice has been important in solving matters of social policy when it comes to how the Member States interpret Directives. It remains to be seen what kind of emphasis will be given to the Pillar of Social Rights in the decisions of the Court.

The rights of Finns are not endangered by the Pillar of Social Rights. It contains acts and goals about minimum levels. If they so wish, the member states can also arrange more comprehensive and generous social protection and services. The Pillar is likely to have more impact in countries where the initial level is weaker. Many proposals rising from the Pillar do not necessarily improve the situation in Finland, because in EU comparison Finland is already often among the best achievers.

## Finland should take a more active role

Finland did not participate in the public consultation concerning the Pillar of Social Rights, even though the Finnish welfare model could be our best export product and model for European developments. Our welfare model and the related knowhow could be "sold" at EU level, even though the Pillar would not change the Finns' rights one way or another. Of purely selfish reasons, Finland could be assumed to be interested in what kind of social and labour market standards exist elsewhere in Europe. Some years ago, there was talk about social dumping: it was feared that social and employment protection would weaken everywhere when companies move production into countries where labour is cheap and social protection is weak. The Pillar of Social Rights aims to do the opposite: to weed out any potential for social dumping. It also improves Finnish competitiveness as a country of good social protection.

→ Finnish welfare model and the related knowhow could be "sold" at EU level.

For example, the candidates for the Finnish parliamentary elections and European Parliament elections should be asked what they think about the Pillar and how they see its tangible meaning. Some of the representatives have taken a negative stand in social issues in the European Parliament. They have argued that social issues do not fall within the competence of the EU. Social issues are familiar and important to the citizens, and they should receive information about them through the media as well. When people would be better informed, they could also associate the EU with positive things, which affect people's welfare and health. The Commission has e.g. a European Globalisation Adjustment Fund alleviating the negative effects of globalisation, from which the Nokia workers who lost their jobs in Salo received support.

The Pillar of Social Rights can make it easier to inform the citizens about EU level activities and goals. The Pillar provides a framework which compiles the 20 principles of social Europe, to which the EU is committed. When these principles can be found in a single declaration, it is easier for the citizens to demand that they should be implemented in their own country as well.

→ When the 20 principles of social Europe can be found in a single declaration, it is easier for the citizens to demand that they should be implemented in their own country as well.

As a framework, the Pillar is important and will probably be so in the future as well, also depending on the policy definitions of the new Commission appointed in 2019. Some of the rights have already been defined in EU legislation; some are proceeding, and some do not appear to be realistic. However, the issues involving the social dimension now occupy a prominent place in the future visions of the Union.

Great Britain has often been blocking social policy issues – and been a frequent partner of Finland when negotiating about social matters. The exit of a major objecting voice from the Union may facilitate the strengthening of the social dimension. It may also bring the remaining countries closer together.

Finally, it is worth noting that the social measures at EU level should not be evaluated by the same standards as national social policies. The logic is different. In the core of national social policy, lies the right of taxation and hence redistribution of income. The EU has no recourse to such measures. It has been forced to develop other means to move matters forward, and this has involved sprints and slower periods. The Pillar has brought new energy and style to the sprint.

## Health and health policies in the European Union

**Cooperation between member states, the Commission and NGOs focusing on public health has been promoted through the EU Health Programme. The programme, however, is currently under review. It is expected that EU level control over the allocation of funds will increase, while the role of member states is expected to decline. This poses new challenges for both national and EU level health policies. While there are promises of improved consideration of health under other directorates, there is a danger that health policies and health systems become governed and driven by other policy priorities.**

Formal health policy enacted under the EU Commission's Directorate-General for Health and Food Safety has been based on public health policy under Article 168 of the Lisbon Treaty, which falls under the so-called supporting competence. The decision-making power of the member states is primary, and EU measures complement these. In practice, national health policies are affected not only, by the EU Health Programme and the policy measures implemented under it, but also by the challenges arising from other policies, the single market and in particular economic policy.

European Union activity on health issues may be divided into i) measures taken under the Directorate-General for Health and Food Safety (DG SANTE) and the Health Programme ii) requirements of the single market, iii) issues falling within the European Semester, iv) requirements and actions arising from other jurisdictions and Directorates and v) global health issues and external competence.

## Health Programme and DG SANTE

The European Union Health Programme in its present form is expected to be closed. It has not required a great deal of funding – a total of 449.4 million euros was reserved for it during 2014-2020 – but it has served to maintain cooperation between member states, the Commission and NGOs promoting public health. In addition, it has provided a channel for member state's ministries of health to network, influence and contribute to how the European Union relates to health issues. Funding has been channelled, for example, through mutually financed *joint action* projects on health promotion and protection. Cooperation and activities conducted under the Health Programme are likely to continue with funding from the European Social Fund, but the decision-making power of the Commission and the EU in the distribution and allocation of these funds will increase. In the future, the importance of the member states in the allocation of funds is likely to decrease, and EU level steering is likely to increase. The future of the Directorate-General for Health and Food Safety (DG SANTE) is also unclear; it will continue as a separate Directorate-General or it will be placed entirely or partially under another Directorate-General. There is a history of transferring obligations between Directorates. For example, issues related to medicines have been moved to DG Sante from the single market, and consumer issues have been shifted from DG Sante.

→ In the future, the importance of the member states in the allocation of funds is likely to decrease and the Union level steering is likely to increase.

The reasons presented for closing down and transferring the Health Programme to the European Social Fund are somewhat contradictory: it has been argued that in the future, the European Commission will pay more attention to health in all of its policies. This reasoning is repeated in the emphases of both the conclusions of the Presidencies and Council and the obligations of the Treaty to secure a high level of health protection in all policies. What makes it paradoxical is that effective actions will be harder to undertake, if there is less capacity in public health within the Commission and if the critical mass and connections to the Ministries of Health in the member states deteriorate. Such an approach could create a situation where the views of healthcare lobbyists, firms and big Directorates become more prominent in defining health policies in the European Union. This is significant due to concerns

over the sustainability of healthcare financing on the one hand, and the significant commercial interests of pharmaceutical and other health-related industries on the other. This may be particularly apparent, for example, with respect to European Union policies and decision-making on regulatory cooperation and principles, data exclusivity and intellectual property rights and pricing of medicines, orphan drugs, vaccines, health technology assessment (HTA) and other health services or health data related commercial policy and regulatory issues.

In addition, consideration of the extent to which shifts between the Directorates will affect the transfer of powers between member states and the European Union has to be examined. Furthermore, it is necessary to anticipate what it will mean in the longer term to health policy institutions and actors under the European Union. The European Medicines Agency operating under the auspices of the EU is located in Amsterdam. Its task is to guarantee the scientific evaluation, supervision and safety of human and veterinary medicines. The European Centre for Disease Prevention and Control (ECDC) is in Stockholm and focuses on strengthening Europe's defences against infectious diseases. The European Food Safety Authority (EFSA) operates in Parma while both the European Agency for Safety and Health at Work (EU-OSHA) in Bilbao and the European Chemicals Agency (ECHA) in Helsinki are active under other Directorates. These agencies are responsible for common health protection standards and monitoring of public health and health security across the European Union.

The EU Health Programme has supported the public health programmes and cooperation in the member states, but its role has been expanded to include cooperation relating to health services. via the Directive on the application of the patients' rights in cross-border healthcare. Because of the likely termination of the Health Programme and the transfer of its funding to the European Social Fund, the role of the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) is likely to increase, although it already handles many issues relating to healthcare systems such as long-term care. The Commission has also established a high-level steering group and a separate expert group to reflect upon issues relating to the promotion of health, prevention of diseases and non-communicable diseases as well as to produce opinions for the use of other sectors and for the European Semester process. The reform of DG Sante, as well as other attempts to place new opportunities partially or primarily under the single market would suggest, that an underlying aim is to affect the balance of power between the Commission and member states.

## Health issues related to the single market

In the single market, the powers of the EU are more straightforward than in public health issues, but this can distort policy priorities and purpose in health-related issues. The new measures on health technology assessment (HTA) as well as competence for it have been set primarily under the single market. From the viewpoint of the pharmaceutical industry and vaccine producers, the single market is the easier environment. In addition to actions clearly related to health, several other openings, which are significant for health and health-related services are governed under the internal market. These include the mobility of healthcare workers, data protection and IT issues, orphan drugs, exclusive rights and competition within the field of pharmaceutical policy, product labelling, and issues relating to competition and state aids.

The future questions of the internal market policy also include standardisation. Standards and the role of standardisation organisations is also on the trade policy agenda of the EU. However, attempts to expand the significance of standardisation activities in the internal market to health has also been criticised e.g. by European medical associations.

→ The attempts to expand the significance of standardisation activities in the internal market to health has also been criticised e.g. by European medical associations.

The commercial service providers in the healthcare sector have criticised state aid provided to public service providers, and the effects thereof for the position of for-profit and non-profit services providers and different types of undertakings in the internal market. Complaints have also been made e.g. on the application of the EU Directive on patient's rights in cross-border health care in Finland and whether the Finnish tax on sweets complied with EU competition rules. Companies and interest organizations may use complaints as a means of expanding their market share, limit the leeway of public and non-commercial operators, or to influence the legislative decision-making and measures.

The question as to what extent the Finnish social and healthcare reform and its obligations can lead to the expansion of marketization is not unfounded, as the interpretation of services of general interest outside the single market obligations is narrow. Public procurement and related obligations are also dealt with under the single market. However, Finland has also applied public procurement obligations more extensively than is required and even anticipated future obligations, often more broadly, than what the EU single market obligations would require.

## European Semester

The European Semester is connected to the 2008 economic crisis, but requirements of the common currency and economic integration set the broader context of Semester process. European Semester process competence is with coordination of economic policies, which relates to how and to what extent obligations may be imposed on member states. The bigger the economic policy problems, the bigger the power used by the Commission. However, social protection and health systems are important for the European Semester because of their major budget share. The sustainability of financing of health systems in Member States has been put under special examination, and even though cost-efficiency is stressed in the recommendations of the Commission, goals have been set primarily by the Ministries of Finance.

Even though the competence of the European Semester arises out of the economic policy coordination, the recommendations have reflected other goals of the European Union as well, particularly to the extent that they have remained unfinished at the national level in the member states. The content of social and health-care policies are also discussed under the Social Protection Committee. An Expert Panel on Ways of Investing in Health (EXPH) has been established to consider efficient ways of investing in health, including challenges arising from the Semester and the single market. The Semester in its current form strengthens economy-driven technocratic policy within European Union, as decision-making takes place under economic policy framework and considerations.

## Health in other policies

In addition to the single market and the Directorate-General for Employment and Social Affairs, health issues are strongly part of other Directorates, e.g. the Directorate-Generals responsible for agriculture, research and industry. Agricultural subsidies and incentives have become a major issue due to their considerable financial share and the importance to nutrition and food policy for health. EU research programme channels funding and affect the basis and allocation of health-related research in the member states. European Union research programme has also expanded to funding of development and innovation, e.g. on pharmaceuticals and health-care technology. European Union role and activities under environmental policy have relevance to environmental health and particularly in how environmental change,

antimicrobial resistance, air pollution, health risks of pesticides and endocrine disruptors are taken into consideration in the EU policy and regulatory activities.

In addition to DG Sante, the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) has traditionally had a prominent role in issues relating to health and safety at work and social protection. The European Semester and the increasing importance of the European Social Fund may also mean a bigger role for DG EMPL. The Pillar of Social Rights and obligations arising from these rights are likely to be reflected more strongly in health policy as well. It is also possible, that the Pillar of Social Rights becomes the last safeguard against budgetary pressures and other policy priorities for member states, the Commission, and requirements set as part of commercial policy, and the Semester process.

→ The European Semester and the increasing importance of the European Social Fund may also mean a bigger role for DG EMPL.

## External competence, trade and global issues of development cooperation

The external competence of the European Union in health issues is limited to funding, cooperation and coordination of the views of the member states as regards the World Health Organisation (WHO). Unlike in trade policy, where the Commission represents the Member States in negotiations and the World Trade Organisation (WTO), in WHO the decision-making has been more strongly in the hands of the member states. Global health issues have already been addressed in Council conclusions on global health and under the Commission's global health framework. European Union role in global health has also influenced development cooperation and security issues linked with health.

## Conclusions

The importance of the European Union for public health and health systems is reflected increasingly through influence of policies defined under other policy sectors and the single market. Emphasis on addressing Health in All Policies will remain empty words in the EU, if there is no critical mass and knowhow to take this effort further.

In the single market, new obligations and openings favouring lobbying and prioritisation of commercial policy interests, raise also new challenges for sustainability of health systems financing. This is important, in particular, for European measures with relevance to pharmaceuticals and medical devices, incentives for innovation and regulatory principles and cooperation under commercial policy. For healthcare organisations, the new situation is demanding, both regarding the contents and monitoring and understanding of the overall picture. Emphasising national competence in public health or health promotion does thus not necessarily prevent the growth of influence and competence of the European Union through other policies and Directorates.

## HANNA HEINONEN

Lic.Soc.Sc, Chief Executive Officer, Central Union for Child Welfare,  
Chairperson of the Board, Eurochild

## TUOMAS KURTTILA

M.Th., M.Soc.Sc, Ombudsman for Children, Member of the Board,  
ENOC European Network for Ombudspersons for Children

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# Investing in children

**Children cannot choose the circumstances in which they are born. So far, the European Union has not been able to promote the fulfilment of children's rights on our continent. The Union will have to take urgent measures to break the cycle of disadvantage, as the matter has wide social and economic impacts. The means include maintaining the income level of families with children and ensuring the quality and availability of early childhood education and care for all children. The child rights impact assessment is still not sufficient at national or Union level.**

According to the UN Convention on the Rights of the Child, children have the right to protection, participation and provision.

The child's right to provision is based on the fact that children cannot choose what kind of circumstances they are born in. As every child is equally valuable, society shall smooth the child's prospects for good growth both by universal and targeted measures.

The children's issues should not be categorized into merely child or family policies, because they are, above all, questions of social policy, in which the matters of children should be the object of cross-cutting political interest irrespective of the administrative sector.

The welfare of children and families will improve only if, in addition to securing a sufficient level of income, work-life balance will be facilitated by the parental leave system and early childhood education and care services. Children and families

should receive good services. It is at least equally important that families can influence the services provided for them. They shall meet the needs of families, which are always defined on a case-by-case basis.

It is vital that children and young persons participate in the decision-making concerning them and in the development of the services offered to them.

One specific but important dimension in children's daily life is the possibility of spending leisure time. Children and young persons shall be offered equal opportunities to spending leisure time and to cultural and sports hobbies.

## Recommendations not followed

Child welfare themes show regrettably poorly in EU policy. Thus, the role of the Union in promoting children's wellbeing should be strengthened and clarified.

→ Child welfare themes show regrettably poorly in EU policy.

The EU seeks to promote economic growth and creation of jobs with its Europe 2020 strategy, which is coordinated through the European Semester adopted in 2011. Although the Semester understandably focuses on economic considerations, it would be important to remember that the social goals of the Union have been specified and expanded.<sup>1</sup> If this does not show in the economic policies of the member states, there is a high risk that the goals presented remain just fine words without actual impact.

The long-awaited Commission Recommendation on child poverty *Investing in children – breaking the cycle of disadvantage* was approved in February 2013 as part of the Social Investment Package (SIP) to promote growth. The recommendation is important, as it recognizes the importance of investing in children for the development of the whole society and for the economic growth.

The recommendation highlights the possibilities of several actors, including the civil society, of acting both on the national and regional level to decrease inequality using the tools of EU advocacy.

Breaking the recommendations down into principles and thereby into tangible policies and measures has not succeeded in the desired manner. Consequently, the influence of the Commission Recommendation seems to have remained regrettably small.

Promoting the rights of children in Europe, the Eurochild organisation obtains its funding from the EU Programme for Employment and Social Innovation (EaSI), which is e.g. intended for combating social exclusion and poverty. According to Eurochild, the Commission did not submit a single country-specific recommendation in 2017 which would have explicitly mentioned child poverty. In 2018, the recommendations are still driven by economic growth and fiscal discipline instead of by a comprehensive examination promoting a sustainable economy. Having assessed the 2018 recommendations, Eurochild finds that the social dimension is represented better than before. Despite this, from the viewpoint of promoting the well-being of children, the European Semester still functions poorly.

## Problems of country-specific reporting

The implementation of the Europe 2020 strategy is also followed through country-specific reports. The problem with this process is that attention is paid to assembling the data and the reporting itself, but the results shown by the indicators are not analysed in any detail.

In the latest country report, the Commission paid attention to the major cuts in education expenditure in Finland, but still no recommendations were given to Finland regarding education.

In the Finnish country report, competition and employment aspects are emphasised in the review of economic growth, but for example child poverty remains entirely outside the report. Issues that are important for the wellbeing of children and the prevention of inequality among them – such as the participation rate in early childhood education and care and availability of healthcare services – are examined in the country report in the context of the social indicators.

## Investing in early childhood education and care

Breaking the cycle of disadvantage requires investing in children. From this point of view, it is very important to invest in the quality, availability and accessibility of early childhood education and care.

The UN Committee on the Rights of the Child recommended to Finland already in 2011 that it should improve the coverage and quality of early childhood education

and care by increasing the number of personnel, limiting the size of kindergarten groups and guaranteeing the continuity of the caretaker relationship better than what happens now.<sup>2</sup>

Finnish children participate less in early childhood education and care than children in other EU countries<sup>3</sup>. When the Act on Early Childhood Education and Care was amended in 2015, the Finnish Government decided almost simultaneously as part of the government political austerity measures to cut the annual costs of early childhood education and day-care by 127 million euros e.g. by restricting the children's subjective right to full-time early childhood education and care e.g. with respect to the children of unemployed parents. In the preparation of the Act on Early Childhood Education and Care, the genuine long-term cost-savings of restricting the early childhood education right or the impacts on children were not assessed. The amendment of the Act on Early Childhood Education and Care became effective on 1 August 2016. In the 2018 early childhood education reform, the subjective right to early childhood education and care was not reinstated.

According to research, high-quality early childhood education and care promotes the wellbeing of children, combats social exclusion and evens out the risks caused by poverty and disadvantage<sup>4</sup>. Early childhood education and care services promoting equality and participation can reduce the inequality and stigmatisation of children irrespective of their parents' labour market status. Particularly the access of children from disadvantaged backgrounds into early childhood education and care services shall be secured<sup>5</sup>. Early childhood education and care should be included in the Finnish country report primarily from the viewpoint of strengthening the rights of children, not increasing the employment rate. However, in the EU politics, the discussion on early childhood education and care seems to centre around strengthening the employment rate.

→ In EU politics, early childhood education and care seems to centre around increasing the employment rate.

## Poverty of Finnish families with children

The Finnish country reports should also include the measures taken – or measures that should be taken – to combat the poverty of families with children on a national level. In Finland, the poverty of families with children already affects more

than 110 000 children, which corresponds to roughly 10 per cent of all 0–17 year-olds<sup>6</sup>.

More than before, the poverty of Finnish families with children is related to the low income of working parents. This can often be explained by fragmented employment market position, temporary work, part-time work and low pay. Particularly single parents and families with many children suffer from financial distress. What is worrying is that the poor families with children are increasingly often those with small children.

In the EU, 25 million children under the age of 18 suffer from poverty or social exclusion or are at danger of drifting into them. This means that the future may hold an unfinished education path, a weaker condition of health compared to one's peers, weaker job opportunities and prospects to cope financially<sup>7</sup>.

Increasing unemployment, health hazards and other social problems can be prevented, if we invest in children in time. The cycle of disadvantage must be broken as early as possible.

→ In the EU, 25 million children under the age of 18 suffer from poverty or social exclusion or are at danger of drifting into them.

Measures should be taken at both the national and EU level to maintain the income level of families with children in order to prevent the families from drifting below the poverty line. We desperately need actions which both increase the parents' employment and ensure that the social protection of families with children is at a sufficient level.

## Fresh thinking

The Finnish Government should make decisions on work-life balance and the sharing of caring responsibilities and costs more evenly than before between both parents. This requires a major reform and ability to fresh thinking.

To boost any decisions on a national level, it is important to put the wellbeing of children more strongly on the EU agenda; after all, the Union is committed to protecting the rights of children and promoting social justice.

We know that most decisions have impacts on children and families either directly or indirectly. Therefore, investing in children and breaking the cycle of

disadvantage are decisive for the future of the entire Europe. Both at national and EU level, the child rights assessment is inadequate. Particularly the assessment of the long-term impacts of cuts and austerity measures on children and families with children has remained insufficient.

Investing in children and their wellbeing is our moral duty, but it should also be a fundamental economic priority. Investing in the wellbeing of children and families should not be considered only as a cost but specifically as a profitable investment in view of the future.

## References

- 1 The European Pillar of Social Rights was approved in November 2017. The Pillar consists of 20 basic principles, the purpose of which is to support the development of wellbeing, and fair and effective employment market in the member states. The rights of children have been noted in principle 11 dealing with the right of a child to reasonably-priced early childhood education and care, high-quality care and protection against poverty.
- 2 Conclusions and recommendations of the UN Committee on the Rights of the Child to Finland (2011), CRC/C/FIN/CO/4, paragraph 57.
- 3 Finland is far away from the EU goals of participation in early childhood education and care. In 2014, the participation rate of 4-year-old children was 74.5%. The EU target (Education and Training in Europe 2020 programme) is that in the EU countries, 95% of the children would participate in early childhood education and care.
- 4 Investing in children: Breaking the cycle of disadvantage 2014, "Varhaiskasvatuksella parhaat mahdolliset lähtökohdat lasten tulevaisuudelle". "Early Childhood Education and Care: Providing all our children with the best start for the world of tomorrow" COM 2011. "Investoidaan lapsiin – murretaan huono-osaisuuden kierre." "Investing in children: Breaking the cycle of disadvantage" (2013/112/EU), Heckman 2011, Karila, K. 2016, Kekkonen, M. 2014,. According to the Pisa studies of the OECD, long-term participation in early childhood education and care shows clearly in the learning results of the 15-year-olds, particularly regarding children in a weaker position.
- 5 The objectives of the Europe 2020 strategy of the European Commission highlight the importance of high-quality early childhood education and care accessible to all.
- 6 Statistics Finland, Income Distribution Statistics. [https://www.stat.fi/til/tjt/2016/01/tjt\\_2016\\_01\\_2018-03-02\\_tie\\_001\\_fi.html](https://www.stat.fi/til/tjt/2016/01/tjt_2016_01_2018-03-02_tie_001_fi.html)
- 7 Combating child poverty: an issue of fundamental rights. 2018 FRA – European Union Agency for fundamental rights.

## People's Europe and the role of NGOs in the future?

**I examine the significance of the European Union for Finnish NGOs from the start of the membership to this day and ponder on the future options. I review the actions of the Finnish government between 1990 and 2010 and the shift of paradigm toward a service market which took place in the middle of the period. Finally, I look at potential ways of deviating from established market behaviour and redress the relationship between single market rights and fundamental rights.**

### Challenges of shared competence

Because of the shared competence of the European Union, the EU and its member states have been perceived to have their separate social policies. The EU social policy has consisted of the coordination of the social protection of the mobile workers. (Kari 2002.) Strengthening the social dimension of the EU has not been possible by strengthening the judicial actions, as many member states, Finland included, have objected to the project. The impact of each individual amendment regarding the social policy competence in the Treaties of the Union has remained modest. The social policy competence of the member states has been well protected. (Saari 2003.) The social policies of the European Union have meant networking, participation in EU programmes and sharing of experience (Särkelä 2016).

It was long held that the EU would not have an impact on the Finnish way of organising and funding its social protection system. Until the early years of the 2000s, it was thought that social policies are a matter of national competence.

Thereafter, social protection has been rarely spoken of as a purely national issue. It has been recognised that in other policy areas, such as economic, employment and single market policies, the decisions made have great significance for national social policy leeway and decisions. (op. cit.)

At the same time that the member states safeguard their own social protection systems, the European Union is faced with major common challenges which have relevance for all member states (COM(2017) 206, 27 April 2017). There are 116 million people living in poverty in Europe (COM(2018) 130 final). Recently, the European Pillar of Social Rights has become a principal issue of discussion between the Commission and the heads of government in the member states. (Cf. COM(2017) 206, 27 April 2017; COM(2018) 130 final; Eurobarometer 2017.)

## Finland as model student of single market and change in position of NGOs

The examination below is based on my doctoral dissertation *NGOs: from public partnership to market squeeze. The change of NGOs as social services providers within the field of social services during 1990–2010* (Särkelä 2016), unless otherwise stated.

The social and health NGOs are significant in developing and producing social services in Finland. Many of the social services that the municipalities are responsible for have been developed by NGOs. The NGOs and the municipalities have had a common interest in responding to people's need for assistance by a close partnership. There has been a change of paradigm in the relationship between the municipalities and NGOs. In the 1990s, they were based on the idea of mutual benefit. This broke down in the 2000s and changed into a procurement relationship, when the NGOs began to be associated to companies. This shift in paradigm was connected to the building of the service markets, which was caused by national choices unrelated to the NGOs. The regulation in the European Union has boosted this development. Despite an atmosphere favourable to the NGOs, the change has occurred due to national decisions and by national choice.

→ There has been a shift in paradigm in the relationship between the municipalities and the NGOs: in the 1990s they were based on the idea of mutual benefit, but in the 2000s it became a procurement relationship.

The key factors in the shift of position of the social and health NGOs have been the creation of the service market, the application of market logic to public administration and decentralised decision-making. The change began in Aho's government (from 1991 to 1995) during the recession. In the first national Procurement Act of early 1990s, social and healthcare services were not excluded. The aim was a service market and a stronger position for companies. When the Procurement Act was partially revised, it was not possible to totally rule out social and healthcare services due to the earlier national decision. Mainly thresholds and means to secure the special nature of the social and healthcare services were under discussion. The risks brought about by tendering the services of children, the aged and the handicapped or the position of the NGOs in social services was insufficiently provided for. During its EU membership, Finland has been pro-active in developing the single market and the service market, and hence one of the model students of the EU.

With the national application of the Procurement Directives, social and healthcare services became a commodity. Price became the key factor to the detriment of quality. Companies overtook the NGOs in the production of social services. In some sectors of social services, e.g. families with children and the handicapped, the NGOs still maintain a key position. The production of social services is also concentrating to big companies. This interpretation is also supported by the investigations of the Ministry of Economic Affairs and Employment on the developments in the service market.

All the governments active between 1990 and 2010 continued the strengthening of competitiveness and the markets. The governments of Lipponen (from 1995 to 2003) put more emphasis on the primacy of public services, public responsibility and the supplementary role of other than public service providers. Lipponen's second government also proposed an amendment of the TFEU: social policy impacts should also be taken into consideration in the decisions of other policies. However, Finland was not able to push through its initiative. In the positions of the following governments, the primacy of the markets has been emphasised in relation to public services. This shows particularly clearly in the proposals of Sipilä's government (from 2015 to 2019) relating to the reform of social and healthcare services, particularly the regulation of the freedom of choice. The change is significant, and stresses the importance of the market at the expense of public services, which will have a major impact on the Finnish social protection model.

→ The governments of Lipponen put more emphasis on the primacy of public services and public responsibility and an amendment of the TFEU was also proposed: social policy impacts should also be taken into consideration in decisions of other policies. The initiative was not successful.

Following 2010, the shift in the position of the social and health NGOs has continued, even accelerated. It shows e.g. in the investigations of the Ministry of Economic Affairs and Employment on the social and healthcare sector: there is a major shift toward the dominance of big, international producers. The development is totally contradictory to the goal of a multi-provider model, where the purpose was to maintain the position of various producers, NGOs and small entrepreneurs included, in the field.

## On future choices and need for new mechanisms

The White Paper on the Future of Europe raises five different future scenarios. Firstly, it is possible to carry on as before, and EU27 will implement and develop the current reform programme. Problems are tackled when they appear, and new legislation is enacted when necessary. Secondly, the development of the single market may be given priority more strongly than before. The third option is increasing coordination between the member states that are willing to cooperate. The member states would agree on arrangements to deepen the cooperation and others could join in later. Fourthly, a decision may be taken to do less but to do it more effectively. This would mean that EU27 would focus attention and resources on chosen areas of policy, and actions in other areas would cease or be cut down. In the fifth scenario, much more would be done together: the member states would share power, resources and decision-making more than before in all matters. Citizens would then have more rights based directly on the Union law, and the eurozone would coordinate public economy, social affairs and taxation more closely than before. (COM(2017) 2025, 1 March 2017.)

Deciding on the future direction is a political issue. The EU elections will indicate the path. It is unsustainable for people if the European Union has such a strong position in the single market and such weak competence in social policy issues. The EU permeates the region of social policy through single market regulation. National social and healthcare policy goals are repeatedly left behind when the

single market is developed. It would be wise to prudently expand the competence of the Union in social policy issues to obtain a better balance between fundamental social rights and single market freedoms. (Cf. Särkelä 2016.)

→ It is unsustainable for people if the European Union has such a strong position in the single market and such weak competence in social policy issues. A better balance between fundamental social rights and single market freedoms is urgently needed.

What is the meaning of ratified international human rights agreements and the European Social Charter in relation to the development of the single market rights, or do they mean anything? The Finnish NGOs representing the disabled drew up a citizens' initiative in 2017 titled "Not for sale". The initiative objects tendering in the organisation of necessary, life-long services to the disabled. It suggests that tendering the necessary assistance and support is against the UN Convention on the Rights of Persons with Disabilities which Finland ratified in 2016. The initiative demands that these services shall be excluded from the field of application of the Procurement Act. (Not for Sale citizens' initiative 2017.)

The same issue is very relevant in child protective services. Finland has ratified the Convention on the Rights of the Child, and it requires that the child's best interests shall be put above all in all actions concerning children. It is not in the child's best interests that when the child has been taken into custody and placed outside family home, the price of the service obtained by the child is the key factor in determining the service provider. The child has no influence on the decision-making, the placement may change due to tendering and there is no continuity in the human relationships that are important to the child. Which takes precedence, the rights of the disabled and children or single market freedoms? For now, clearly the single market freedoms, even though the EU Charter of Fundamental Rights is legally binding.

Is there a way band-aid from the regulation of the single market by national decisions? That would be required by the "Not for Sale" citizens' initiative, because Finland has included social and healthcare services within the sphere of the procurement law and single market regulations without limitations. The question will be even more important in the future when we rectify the errors of the social and healthcare reform. Is it possible to exclude established activities from the markets? The situation causes grave concern.

In the unofficial discussions conducted with the Commission, the view has arisen that a mechanism enabling a change of course is lacking from the field of services.

It is therefore necessary that during its Presidency, Finland would raise the relationship of single market freedoms and fundamental human rights as a key issue in the development of the EU from peoples' point of view in the future. We would also need mechanisms to make a better balance between these two. Finland should be active at EU level in promoting the development of these mechanisms and in finding support for it from other member states.

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# The European Union: Step by step towards a stronger citizenship

**Those who move inside Europe frequently notice what huge differences there are in the social security systems on our continent and what concrete difficulties this causes to individual EU citizens. We should not seek a fast reduction of these differences, however, as it would endanger the stability obtained in the EU. But attention should be paid to how the European citizenship could be promoted to enable incremental change in policies. This is challenging at the time of crisis talk and pervasive individualism.**

With my German-French wife and our little sons, we moved from Finnish Turku to German Saarbrücken in the summer of 2016, and at the same time, I started my parental leave. Particularly since then, but during the children's Finnish years already (2011–16), our multi-European family has burdened the Finnish Social Insurance Institution Kela a great deal. There have been many questions about our social protection arrangements; the rules and guidelines have often proved ambiguous; several problems have remained unanswered. Lately we have been on the brink of frustration trying to find out how a Finnish au pair should be insured.

An obvious conclusion can be drawn from these experiences: a social security system spanning the whole of Europe ought to be arranged in a manner that would be easier and more supportive for the individuals. We are certainly not the only ones who have had to navigate e.g. through family benefits when crossing boundaries.

→ A social security system spanning the whole of Europe should be arranged in a manner that would be easier and more supportive for the individuals.

I have also come to realise more and more concretely how much the social security systems in our continent differ from each other. E.g. the health insurances of Germany and Finland operate from totally different premises. The workload would hence be enormous, if these mutually differing systems were sought to be harmonised in more detail. Compared with such an exercise, such a symphony, the Finnish reform of the social and healthcare system currently underway would only appear to be a little finger exercise. And we could not be sure in this case either whether the new system would in the end be functional.

## The foundation of the Union tolerates rocking

In spite of the diversity of the social security systems, however, the European Union has obtained a state of *constitutional* and institutional *stability* if the matter is examined in the light of the totality of European integration. The Union does not need to seek a dramatic change any longer or a significant deepening of integration to be able to function sustainably. The bicycle metaphor often connected to the Union – one must continue cycling to prevent falling down – is no longer necessary, as Kalypso Nicolaidis (2018) has recently argued. It also appears that a major disruption of institutional structures and deepening of cooperation is not a way that would be strongly seconded by the citizens; the present mostly intergovernmental framework suffices for the majority. It may be that the resignation of Great Britain from the Union only reinforces the stability, if the exit takes place in a civilised manner.

It should also be mentioned that, in principle, constitutional stability creates a legitimate realm of political arm wrestling on individual issues within the EU. It thus enables the workings of a more deliberative democracy. Finland should therefore not be afraid of voicing strong (but justified!) opinions in its Union policy. The basis of the EU tolerates rocking.

Both these issues, the heterogeneity of national systems and the stability of integration, mean that in developing its (social) policy the Union should seek only gradual change, as stability should not be questioned. In other words, it is important to carry out common, seemingly small policy actions which are still meaningful for the individuals. In the social sector, these could include, for example, more flexible transition times with regard to health insurance, acceptance of two domiciles within the continent or a more efficient use of social funds to even out financial differences. A kind of *evolutionary pragmatism* should hence be the guideline of EU politics.

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Comparison with the state level is illuminating. We do not expect of the state that it would continue to deepen or evolve. It just is, and so should the Union.

Next to this pragmatism by small steps, caution even, we have much to reflect upon and improve regarding how we think of Europe and its integration; how it becomes part of us, as humans and above all as European citizens. The current turnouts of EU elections are not satisfactory in any way. Indeed, institutional stability would be likely to produce more useful results if the citizenship of Europe was more highly valued. We should start our deliberations by asking: What kinds of factors define the nature of Europe's democracy and the related citizenship in our time?

## Megatrends of our time as determinants of citizenship

Two major circumstances or even megatrends, one based on public (imaginary?) images and the other representing the common ethos of our time, would seem to determine how citizenship is being understood in Europe (and maybe elsewhere?). Let us call them by the mouthfuls "crisis consciousness" and "innovation individualism".

Firstly, we live in a growing state of imminence and turmoil of crises. Some of the threats are genuine, and some are produced by public discussion or somehow strengthened by it. Our awareness is dominated by headlines such as "Liberal democracy is breaking", "Climate change will challenge the conditions of living", "Microplastics will destroy the ecosystems of oceans", "The number of men's sperm cells is decreasing drastically", "The immigration wave of 2015 was just the beginning" or "We live in the post-fact times".

The world order as we know it seems to be breaking in several places and thoroughly; politically, environmentally and ethically. In such a situation people's need for security increases. The attainment of security becomes the primary motive of social action – and taking action when overcome by feelings of insecurity is not necessarily democratic any longer. At the same time, the means of politics, even at the European level, appear far too limited compared to the size of the threats. This state of affairs makes many turn away from politics or triggers them to look for new forms of political expression – and these may be questionable at times.

The reaction to threats tends also to define what kind of political divisions or cleavages arise in society; the divisions are no longer based on the production structure or religion or ideological controversy. Someone believes something to be a threat, but someone else does not see it as a special problem. One is optimist, the other an alarmist.

The definition of the other megatrend comes from Pierre Rosanvallon, the leading French theorist of politics. In his new book, or intellectual memoirs, Rosanvallon (2018) reflects upon the changes in working life and in the nature of individualism. His major argument is that production, employment, work and society based on work rely increasingly on the need to be innovative. It is hence vital to be flexible at work, constantly changing, constantly creative – constantly different from the others.

The form of individualism related to this thus emphasises the uniqueness of the individual compared to the others, even solitary individualism, *l'individualisme de singularité*. It is different from traditional democratic and liberal individualism that was based on people's similarity and equality in relation to political decision-making, political society and above all the state. Acting as a citizen under this present form of individualism is obviously far from self-evident.

Innovative individualism also creates new political cleavages in the societies it governs, in this case Europe. Many people do not have the will or desire to constantly innovate – and they may feel that they are excluded from the mainstream of society. Alternatively, they may desire a familiar and secure basis for life to counterbalance the expected innovativeness, for example a national community.

Both these megatrends of our time thus seem to weaken and even dissolve the European political community. They create new division lines over which human communication cannot necessarily reach; it becomes difficult to talk of a shared European culture. Still the idea of citizenship also contains the view that it would be possible to formulate a common will of the citizens, a shared understanding of the direction towards which we wish the society to develop.

## Means to strengthen citizenship

It is, however, not impossible to oppose the emerging divides and general scepticism towards politics and simultaneously strengthen the idea of citizenship. This is well in line with the desired pragmatism of EU policy-making discussed above. Promoting

the equality of people instead of their innovativeness, emphasising European tolerance, not only in the sense of tolerating others but also respecting them, and supporting political institutions and practices that do not humiliate anybody exemplify these possibilities (cf. Vogt 2016 for more details). Moreover, if we succeeded in generating new mechanisms for political participation, such mechanisms that would systematically take into consideration the long-term nature of decisions and the future generations, people would surely begin to appreciate their role as citizens more than they now do (cf. the aims of the project “Participation in long-term decision making”, [www.paloresearch.fi](http://www.paloresearch.fi)). It is clear that political elites have special responsibility for nursing and spreading these kinds of ethical guidelines.

→ It is possible to oppose the divides and general criticism of politics and at the same time to promote the idea of citizenship.

Efficient social policy and appropriate social benefits, which would be ultimately regulated by the European Union, could also ameliorate the situation. They could e.g. help to defend the equality and sense of dignity between people, the citizens.

Inside the EU, however, thinking of the social sector still appears to be too limited and biased. A typical example in this sense is the concept pair *market making* and *market correcting* which basically covers well what the social policy in the Union is intended for. The goal is *either* to enable the flexible and market-supporting transfer of labour inside the continent *or* simply to remedy the drawbacks created by problems such as unemployment. According to recent research (Copeland & Daly 2018), prevalent in the European Union in recent years has been the market making policy, although the recommendations given by the Union to national actors have often comprised features of both options.

Such concepts emphasise the role of markets too much, however. They do not pay sufficient attention to how social policy could be utilised to strengthen the idea of a European citizenship at a time shaped by the two above-mentioned megatrends. Instead of the market logic, the objective should be that the chosen policy line somehow consolidates people’s sense of *freedom* and *power*. We need freedom to make reasonable choices in our lives, to uphold the category of choice in the first place. And we need power and resources of power, not only to enact those individual freedoms of ours, but to constantly exercise control over the political machinery that we belong to and, as consequence, to sustain the belief that we can

better our living conditions through politics. Freedom and power go together and require a functioning representative relationship with political decision-making.

Ultimately it may be that advancing politics of freedom and power requires listening to ordinary people much better, even at European level. In other words, paying attention to such unexciting stories as the one told in the beginning of this article.

In the end, we simply purchased a travel insurance for the au pair; otherwise we rely on Kela.

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