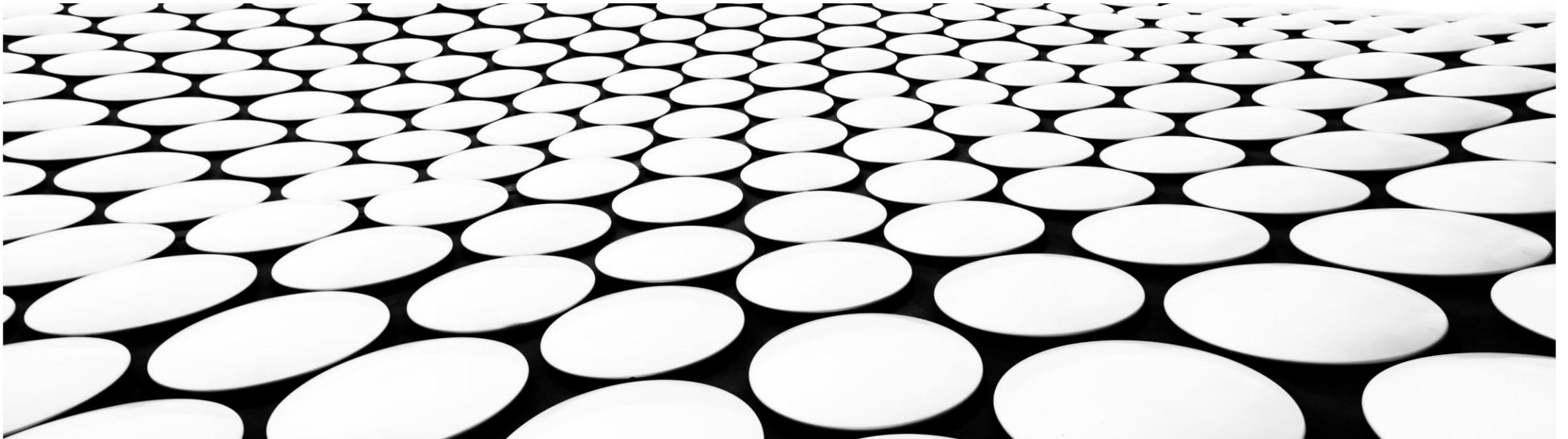

SOCIAL EUROPE – TO BE LOST BETWEEN MILITARISATION AND “SUSTAINABLE COMPETITIVENESS”?

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OUTLINE

- Economic juncture (brief introduction)
- Social state of the Union (social indicators)
- Revival of Social Europe between 2017 and mid-2024 (social policy initiatives and their preconditions)
- Risks for Social Europe by EU strategic reorientation towards militarisation and “sustainable competitiveness”.

Social Europe = the step-by-step creation of an EU-wide welfare state (definition by Philippe Van Parijs)

A STRUCTURAL CRISIS OF EUROPEAN CAPITALISM

EU'S STRATEGIC REORIENTATION

Recent economic and social developments in the EU-27				
	2022	2023	2024	2025*
GDP	3,5	0,5	1,0	1,1
<i>Germany</i>		-0,3	-0,2	0,0
<i>France</i>		0,9	1,2	0,6
<i>Italy</i>		0,7	0,7	0,7
Inflation (HICP)	9,2	6,4	2,6	2,3
Employment (%)	2,2	1,2	0,8	0,5
Unemployment (%)	6,2	6,1	5,9	5,9
Real wages	-2,2	-0,6	2,3	1,6
Productivity (per person)	1,2	-0,7	0,2	0,6
Private consumption	4,7	0,4	1,3	1,5
Investment (volume)	2,1	1,8	-1,8	1,5
<i>Private</i>			-3,8	
<i>Public</i>			4,9	
Exports	-0,3	-0,1	-0,2	-1,1
General government balance (% GDP)	-3,2	-3,5	-3,2	-3,3
Sovereign debt (% GDP)	83,9	82,1	82,2	83,2
*Forecasts.				

- The EU economy is in **crisis for 3 years**: stagnation of **output** and **productivity** since 2023 – reduction in **exports** since 2022 – retreat of **private investment** since 2023. Gloomy forecasts for 2025 and beyond.
- It has proved the **weak link** of the "**Western**" **model of neoliberal financialised capitalism and globalisation** (US hegemony)
 - Great Recession + sovereign debt crisis (Southern European periphery). Internal causes: neoliberal economic integration*
 - Ukraine War, energy crisis + Trump's tariffs (collapse of the German model).*

Structural crisis of the **neoliberal export-led growth model** in the EU's core economies ➡ Need for **Strategic Reorientation**

"**Militarisation**"= Main pillar of a **new development strategy** based on strong state intervention to reinforce the **industrial base**, build **strategic autonomy** and foster **technological innovation** and "**sustainable competitiveness**" (Draghi Report)

STRATEGIC SHIFT TO MILITARISATION & SUSTAINABLE COMPETITIVENESS

A THREAT TO SOCIAL EUROPE?

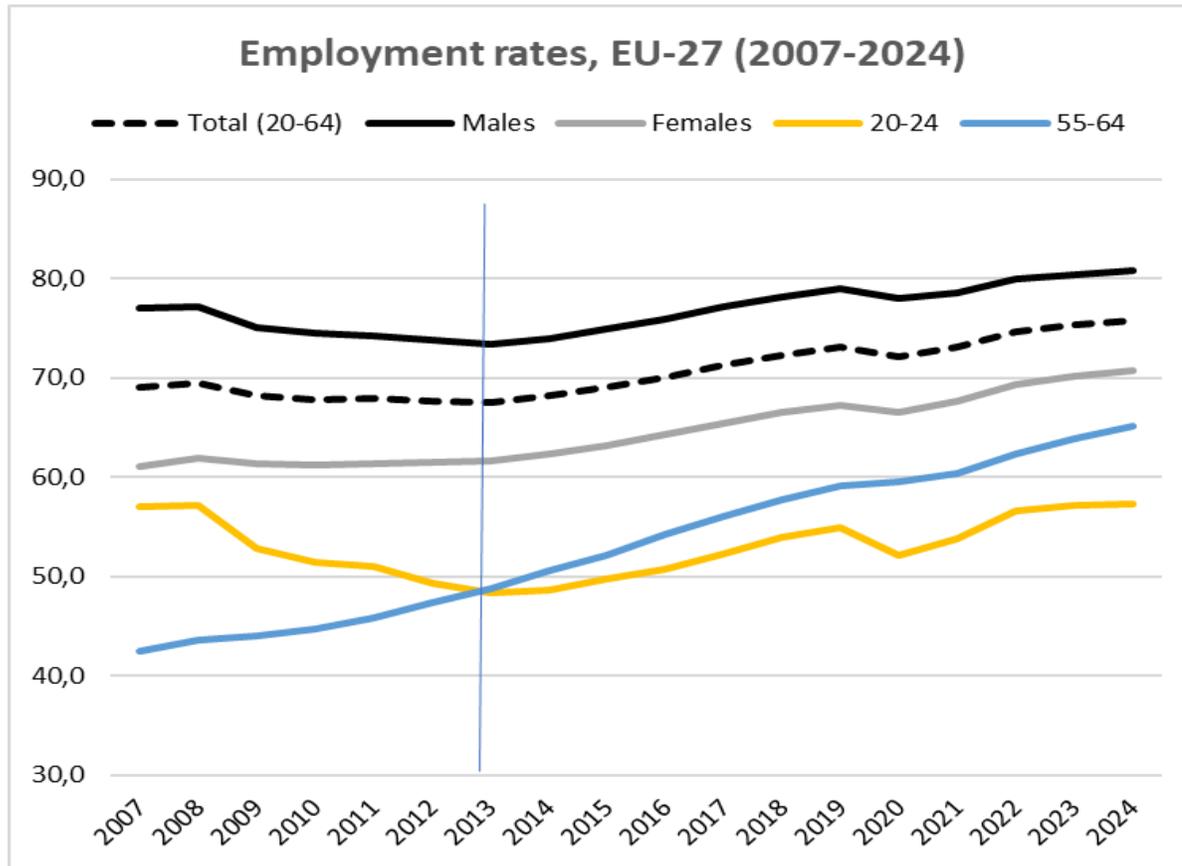
- **Draghi's report** calls for improvements in **competitiveness** not by boosting labour market flexibility and compressing wages but by **raising productivity growth through up/re-skilling**. This approach is called “**sustainable competitiveness**”. Of course welcome, but **narrows the role of social policy** to the **provision of skills to the economy**.
- The shift towards “**Rearming Europe**” (White Paper, March 2025) to prepare by 2030 for a possible attack of EU by Russia (“**Readiness 2030 package**”) involves huge increases in **military and security spending** (from 2% in 2024 to 5% of GDP until 2035, the NATO target), which will compete for both **funding** and **fiscal space** with **social spending**
- With the above strategic policy shifts, the **revival of the Social Europe's project** between 2017 and mid-2024 may **lose momentum**. We should strive to keep the window of opportunity open.

SOCIAL STATE OF THE UNION – LABOUR MARKET PERFORMANCE

Employment rates on the rise since 2013

Among **men, women** and **youth** alike; steeper rise among **older workers** even during the Great Recession (pension reforms).

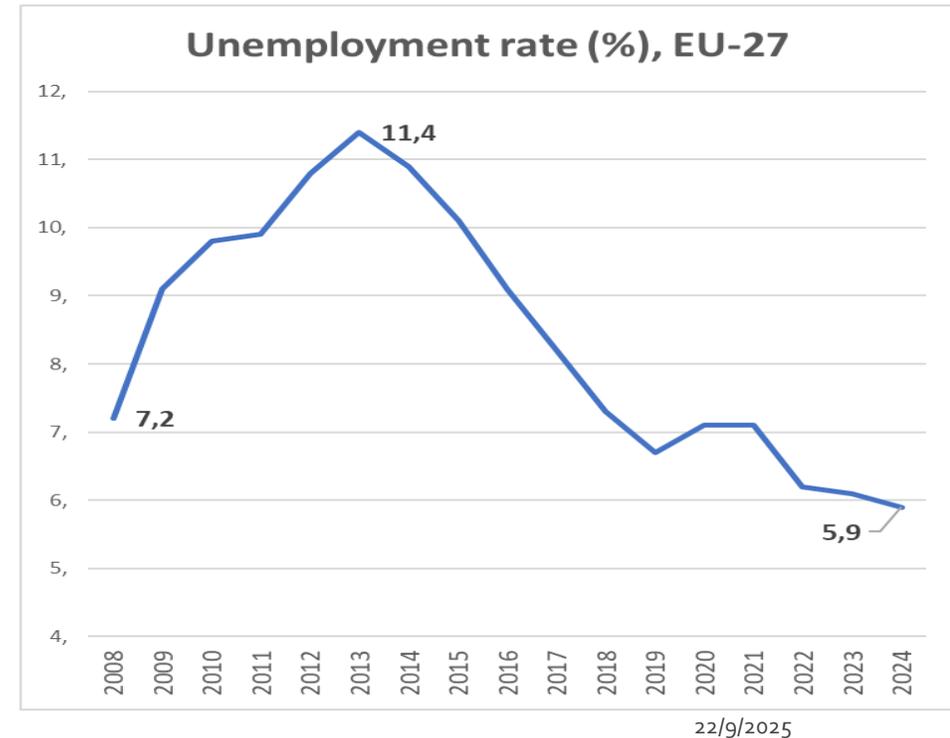
Fall in unemployment rate – except during the pandemic



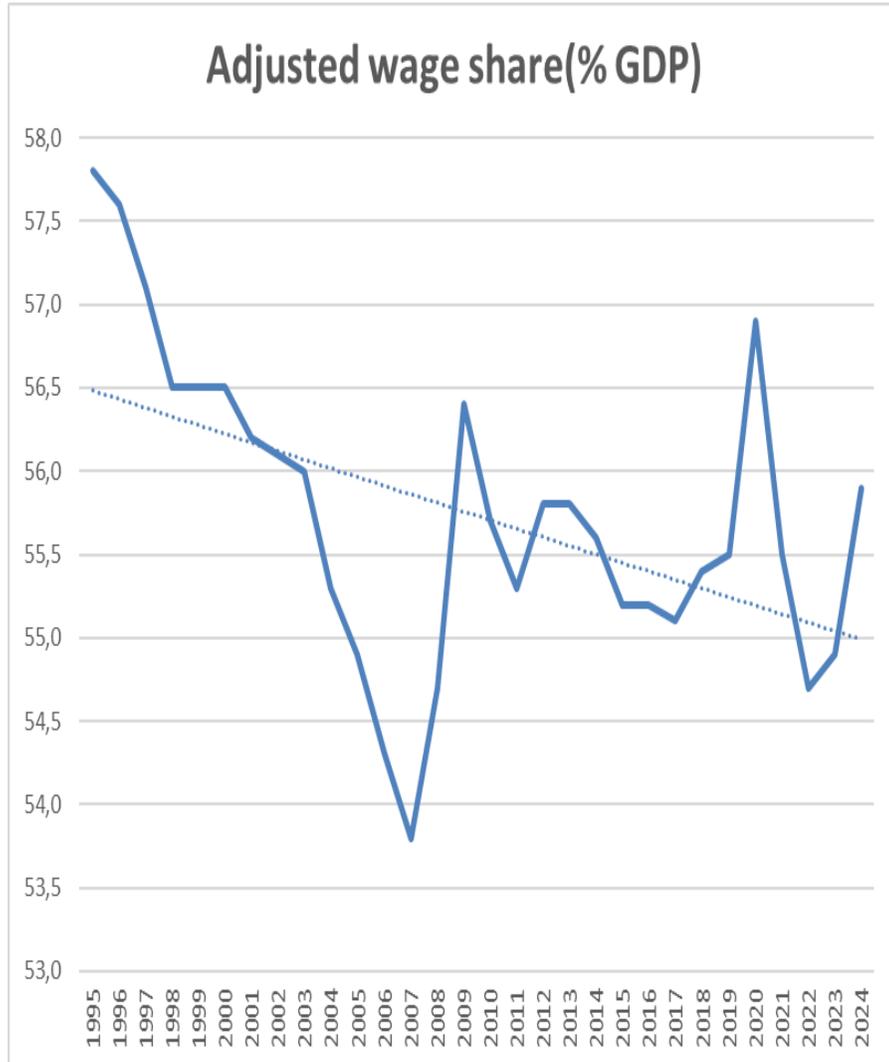
BUT since 2022, **deceleration of employment growth** because of very low GDP growth, while no sign of reduction in **gender employment gaps** between 2013 and 2024

Trump's tariffs (15% across the board, 25% in steel and aluminum) are estimated to cause a loss of up to 750 thousand jobs

Youth unemployment rates > 18.5% in Estonia, Sweden, Spain, Finland, Luxembourg, Portugal, Greece, Italy, France)



WAGES & INDUSTRIAL RELATIONS & JOB QUALITY



- EU employees **recovered** in 2024 the losses in the **purchasing power of their wages** in 2022 & 2023 and **minimum wages increased** significantly in real terms. However, the **wage share (of GDP)** is lower than in 1995.
- Although the **Minimum Wage Directive** of 2022 obliges MS with a collective bargaining coverage of less than 80%, **19 MS have collective bargaining rates below 80%** and **12 MS below 50%**
- Job growth in the past three years corresponds **more to permanent than temporary employment**. However, **employment protection offered by open-ended contracts** has been significantly reduced in all MS since the 1990s (neoliberal reforms)
- Increase in **platform** and **remote work**, subcontracting and bogus self-employment continues
- The deterioration of **health and safety** and **psychosocial working conditions** in the post-pandemic period is unprecedented (work intensity, long hours, sexual harassment and discrimination at work). It affects women disproportionately.

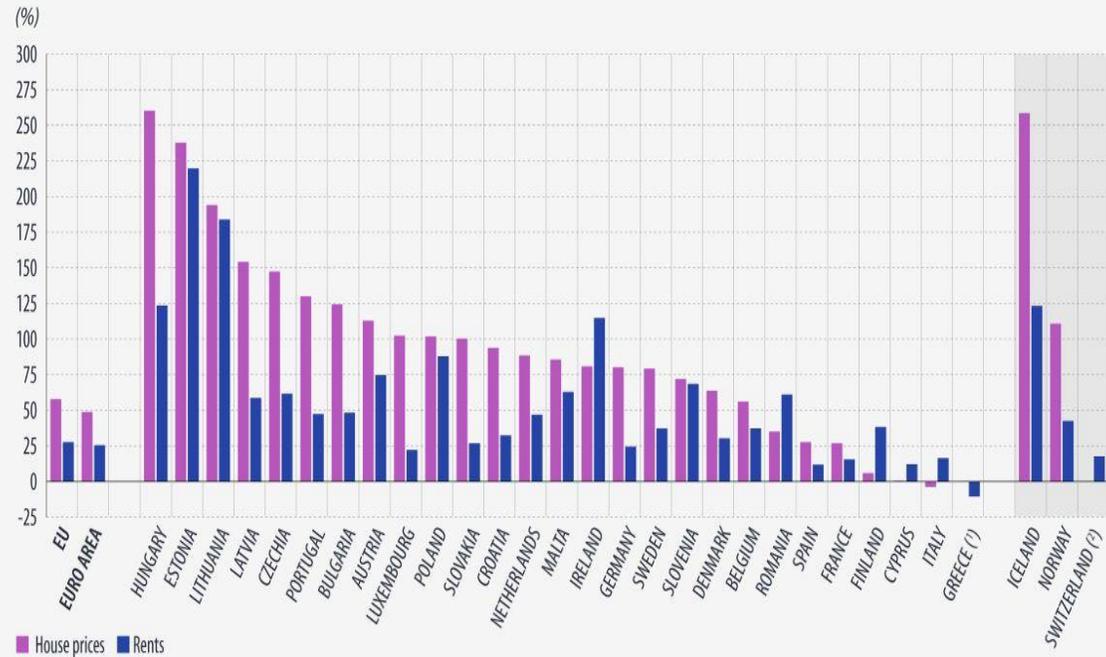
POVERTY REDUCED BETWEEN 2015 AND 2024

BUT ENERGY POVERTY STILL PRESENT AND THE HOUSING CRISIS IN FULL EXPANSION

50% hike in housing prices since 2014 & 10% of EU households spend over 40% of their income on housing

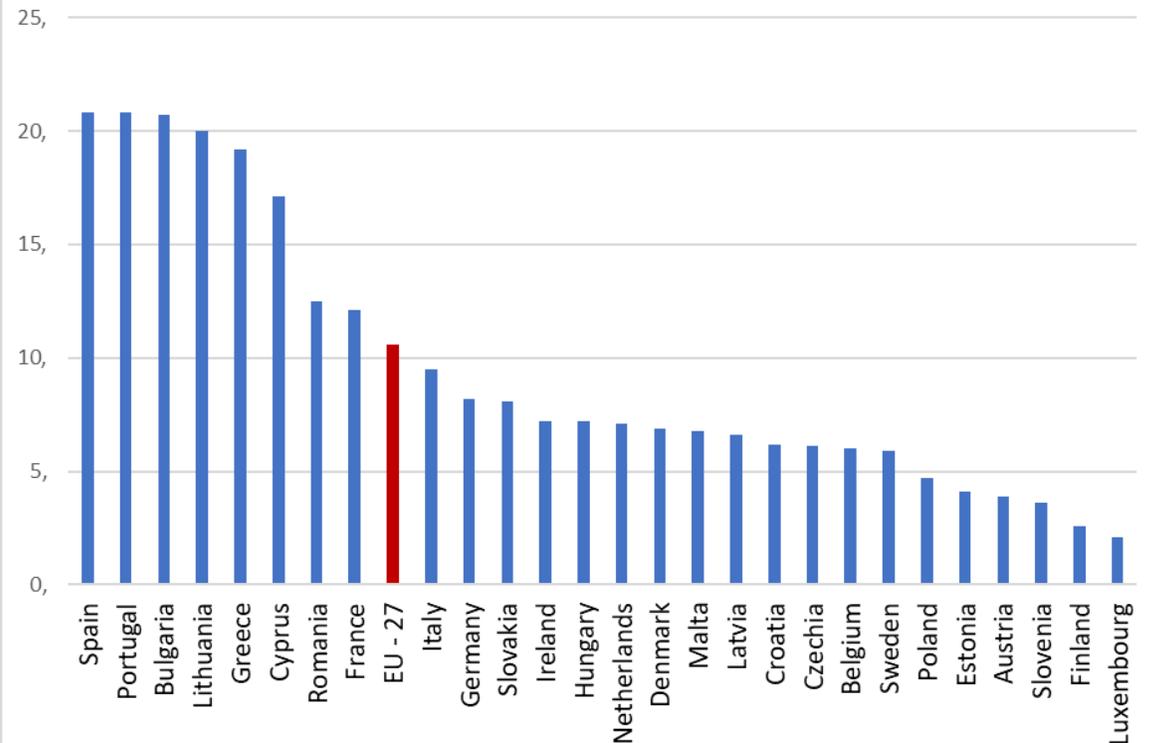
Energy poverty concerns 10% of households, mostly in Southern Europe, the Balkans, Lithuania, France

House prices and rents, change between 2010 and Q1 2025



Country ranking is based on the change in house prices, highest to lowest.
 (1) Greece: data for house prices not available. Bank of Greece data used to estimate the European aggregates.
 (2) Switzerland: data for house prices available only from 2017 onwards.

Inability to keep home adequately warm, 2023
 (% population)



EU SOCIAL POLICY – THE IMPETUS OF THE EUROPEAN PILLAR OF SOCIAL RIGHTS

2017-mid 2024

AN EXCEPTIONAL PHASE OF SOCIAL EUROPE'S REVIVAL

- **European Pillar of Social Rights**, followed by numerous linked legislative and policy initiatives
- A **novel approach to EU spending** to deal with the **Covid-19 pandemic**
- **SURE, NextGenerationEU**, Recovery and Resilience Facility with bottom-up planning; **EU borrowing** to finance an ambitious **recovery strategy**
- (Temporary) loosening of the **EU fiscal framework** and **public expenditure rules**

Developments in contrast with the austerity-driven response to the Great Recession and a long phase of social and regulatory stagnation

Main recent policy initiatives

- **Adequate Minimum Wage Directive** (2022, transposed in 2024)

Framework for upgrading minimum wages (already effective) and for extending collective bargaining in MS (weak implementation) “Paradigm shift” in European labour policy (Shulten and Muller 2021) to strengthen labour’s bargaining position.

Major risk of annulment of the Directive by the European Court of Justice, seized by the Danish and Swedish governments.

- **Platform Work Directive** (2024, to be transposed in 2026)

New rules against bogus self-employment among platform workers (legal presumption of wage work based on criteria), provision of collective labour rights, rules on algorithmic management – MS legislators can introduce additional criteria to be met for activating the presumption (limitation)

- **Council Recommendation on Adequate Minimum Income** (2023)

Important but not binding legal instrument. In no MS does the minimum income scheme lift recipients above the poverty line or guarantee decent living.

SOCIAL EUROPE - TO BE LOST BETWEEN MILITARISATION AND “SUSTAINABLE” COMPETITIVENESS?

“Sustainable” competitiveness - Risks:

- **EU deregulation and simplification agenda.** In the framework of its **“Competitiveness Compass,”** the EU plans to dismantle regulations that protect labour and social rights, digital rights and the environment.
- Neglect of potential tensions between **competitiveness** and **social cohesion** caused by stark disparities across the EU in the capacity for technological innovation and skilled workforce (need for special measures for **left-behind regions/countries/groups**)
- **ESF+ Fund** saved at the last moment from disappearance in the EC’s proposal for the new **EU budget 2028-2034.**
- Sharpening the existing **division** between **social protection expenditure** (considered unproductive and liable to cuts) and **social investment expenditure** (considered as productive i.e., improving competitiveness and allowed to be increased)

Militarisation - Risks

- Huge increase in **military expenditure** by EU MS until 2035 to reach the NATO target of 5% of GDP – European Council decision: possibility to activate the **national escape clauses** of the **reformed** SGP from 2026 to 2029 to create more fiscal space.

This does not preclude **competition** of **military** with **social spending**

1. All EU MS are not going to make use of the clause, especially those with high borrowing costs (12 MS have not applied so far) .
 2. Social expenditure will be rationed by fiscal consolidation policies applying to countries with excessive deficits (currently 8)
 3. Larger fiscal space cannot be used to face the big challenges ahead i.e., **climate change, likely pandemics, ageing** and unavoidable **massive migration** all of which require **huge public investment** and **social spending**.
- EC proposal for the EU budget 2028-2034 dedicates **€121 bn to social expenditure**, against **€131 bn to investment in defence, security and space** + more defence spending up to **€ 150 bn** by National and Regional Partnership Plans.



CONCLUSION

- There is a real danger for the Social Europe endeavour to be lost between militarisation and “sustainable competitiveness”. We must therefore strive to maintain labour and social rights to the centre stage of national and EU academic and public debates, political agendas, and policy-making processes.
- This focus is prerequisite to empower workers and people and build a democratic economy and society.