

SOCIAL DIMENSION OF THE EU FULFILLING DEMOCRATIC LEGITIMACY OF INTEGRATION GROUP

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Abstract

The social aspect of market economy is a pillar resulting from historical experience and geographic context. The EU is a model of social dimension of integration. The current welfare state encounters fundamental problems related to social changes like long-term unemployment, demographic ageing, intergenerational tension and emergence of new risks. The existing inability of the EU to eliminate the crisis results in unexpected political events and increases the risk in development sustainability. Solution is in accelerated economic growth and welfare state policy reform from the perspective of the focus on social investment and knowledge economy.

Keywords: Integration, social investment, economic growth, the EU, globalisation, economic crisis

Introduction

Europe represented a combination of free markets and extensive social protection for decades. There was an effort to combine economic effectiveness and social justice. The EU managed to balance significant differences in the quality of life in a whole range of issues. Social commitments in relation to employee rights, social dialogue, gender equality and measures preventing all forms of discrimination along with the task it has in the issues of environment and consumer protection are thus both an outcome and a reason of social transformation in Europe. Societies are especially profiled by globalisation in the EU. It would be misleading to believe that there is an eternal European social model, which is currently exposed to a globalisation shock and economic crisis. As the number of traditional institutions and communities gradually decreases, European society is becoming more diverse, the issues of identity and nationality resonate, and the feelings of uncertainty are increasing.

Current Risks of Welfare State

After welfare state achieved its original objectives (coverage of population, poverty reduction, birth-rate) it started being endangered by fundamental problems related to social changes like long-term unemployment, demographic ageing, intergenerational tension, emergence of new risks. Redistributive effects of the mechanism by means of social and mechanic tax transfer are limited. Intergenerational transmission of inequality remains at high levels. Social policies are confronted with the economic crisis and growth in social expenditure. We have recorded a growth in the risk of covering an illness, old age, dependence, children, family conflict and work life, demand for requalification and growth in qualification. Political representations represented in the EU have been trying to combine competitiveness and economic growth, growth in competitiveness and solidarity, and justice and social cohesion especially since the 1990s. The current risks also include boundless

individualism, ongoing scepticism, desolidarising and unethical approach to many areas of life. Discussion and formation of a value framework need to be led from a perspective of three values – sustainable development, human rights and democracy. The key value bases of modern social policy include humanism, solidarity, social justice, equality, freedom, responsibility, and the ability to solve emerged social risks. The European community has been particularly profiled by globalisation over the last years, having made the social reality of Europe more complex. In the past, welfare state used to solve or mitigate any emerging issues by achieving its objectives and by efforts of generations. Welfare state is protected for several reasons, especially because it increases the degree of freedom, redistribution and social cohesion improve cohesion not only for the poor but for all those affected.

The social phenomenon in Europe has undergone various metamorphoses in development. We can discuss a continual process of civilizational changes. The term social means to manage to create a socially fairer system in order to be able to substantiate each step both morally and economically each year, and, first of all, economy needs to be able to accept such measures. Modern society is characterised by a plurality of values, which are often incongruous or even conflicting. It is related to the existence of values inherited from the previous regime, and present values, based on the rules of pluralist democracy, market economy and the rule of law. Respect for fundamental values enables cooperation, reduces conflicts, and enhances social cohesion. System changes require changes in values and behaviour. The current value orientation can be divided into several spheres, predominantly including orientation to happiness, family, health as well as success, wealth and social status. Another sphere includes mental values and a relation to profit, and, lastly, privacy and active life with friends. Interconnection between family values and social values is an important issue.

The current generation seeks to draw on the experience, even though it encounters globalisation shock. Ways have been being searched since the 1990s, one of them being an active welfare state. Social protection and labour market have been reorganised. Economic liberalism has appeared instead of the Keynesian policy and mixed economy. The source of economic performance (growth driven by demand) of the Keynesian approach is income redistribution by means of social help, whereas for neoliberals, the protective function of welfare state restricts market regulation in the sphere of social and medical and social goods, and the creation of a solvent social demand by means of private insurance products. Efforts to maintain social function and to solve the problems of unemployment and social exclusion by welfare state policy remain the ambitions of the EU. The interventions adopted so far have rather had a character of a one-way transfer of the included towards the excluded from the system. Activation has become a preferred method.

The crisis of the last decades has been reflected especially in a conflict between growing financial requirements, extensively indebted social protection systems and global recession resulting in a reduction of resources. We deal with a crisis of expenses, a crisis of effectiveness and a crisis of legitimacy. The crisis also includes the issues of welfare state reconceptualization related to the building of European social policy. The created value system is pluralist, however often conflicting and incongruous. Value instability, boundless individualisation and desolidarising have led to disintegration of identities and a feeling of alienation. Whole richness created by people in the culture of social relationships has been reduced to money.

Welfare state is a stratification system. We can comparatively and historically specify alternate stratification systems, which are characteristic of welfare states. The accession of the Slovak Republic in the EU needs to result in a more resolute effect of changes focused on increasing national awareness at supra-regional and European dimensions. European social models are examined in the context of internationalisation. Globalisation, global recession,

ageing and demographic development are challenges for all countries of the world. New welfare state development could become a principle of a balance between the necessity of market economy and social needs. Functioning of welfare states should cover the present as well as future requirements. We need to find both theoretical and practical changes in the integration of the objectives of redistribution and understanding of how to mutually interconnect material and cultural necessities.

Social exclusion is considered to be a result of social solidarity system failure in the EU. Emphasising the inclusion needs requires time and social capital. Applied instruments of ensuring social justice, income and expense redistribution, growth and expansion of the public sphere and increase of expenses need to get to the background from the centre of our attention, and policy perceiving a life story as a whole and enabling individuals to overcome a period of low income needs to be implemented, as most of us sometimes experience it. An inability of the market to develop social capital, on which social integration depends, occurs. Social and human developments are considered to be complementary aspects of development. Cultural diversity and welfare state weakening appear dangerous. Free multicultural society cannot coexist with neoliberal ideas within state functioning.

The EU aims at enabling citizens increase the extent of their prosperity, solidarity and safety in the era of globalisation. We cannot carry it out without a common reference framework and common understanding of a probable impact of significant social changes we face. Considerations on solving the economic recession are based on the need of new money, which would revive economy. Negotiations of the EU financial representatives in September 2014 did not provide this possibility, and their conclusions remained in the classic approach to solving the problem, i.e. the way of better source utilisation, structural reforms, encouragement of private investments, and encouragement of EIB activities. The recommendation to solve the problem of a lack of investment by means of labour market liberalisation, removing the barriers of common market, decrease of the level of employee social protection, pay growth prevention, and public services privatisation appears problematic based on the experience since 2007. Cyclical development since that year has enabled diagnosing the problem by implementing a radical restrictive fiscal policy in the monetary union states. Budget cuts have led to a fall in public finance and subsequent recession. Development can be implemented by means of national investment programmes.

The modern world is heading to a dangerous confrontation. Not only the Ukraine civil war and related possible military expansion to other countries but also restrictive measures adopted in economy (sanctions) affect both sides of the conflict. Further threat to the social models of the EU states is coming in an agreement between the USA and the EU, which is being prepared, under the name Transatlantic Trade and Investment Partnership (TTIP). Non-transparent negotiations within a small group of the involved lead us to necessary carefulness so that the EU does not give up its results achieved after World War II and the economic arrangement with an ideological basis of arrangement based on values and principles of justice, solidarity, subsidiarity and peace. The foundations of the EU based on acquired social and environmental achievements can be challenged.

Some experts realise that the post-modern world crisis affects the whole globalised society, causes civilizational crisis (through the ongoing economic, financial and moral crises), and points to a critical condition of the sustainability of peace and peaceful solution of tension and conflicts. On the one hand, globalisation increases demands on the ability of a person to adapt to permanent changes, however it establishes requirements for stable value orientations with regard to emerging multicultural communities on the other. Globalisation requires the implementation of global ethics, based on the principle of tolerance. It represents an identity manifested in openness, responsibility and humanism. Global ethics is based on an assumption that there are universally valid moral standards serving as a model of behaviour

of the humankind. The essence of global ethics is thus a generally recognised rule of humanity. The question is how to enforce such ethics in social, economic and political reality.

The EU is a political project, and the question of the future is whether the economic liberal model, in which European institutions refrain from interfering in the functioning of economy, will be followed, or European integration will be used to strengthen social functions which individual states cannot carry out effectively. The European social model needs to be thought out and treated institutionally. Welfare state is a necessary precondition of the existence of democracy, open society and an inevitable precondition of social peace. Social policy needs to contribute to economic growth and elimination of social conflicts in terms of social justice. By revealing and mitigating social injustice, social policy should lead to emancipation, freedom, justice, inclusion and cohesion.

Interaction of Economic Policy and Labour Market

Global economy has everything necessary available for its functioning, however it does not function well. The conditions of new economy encounter a problem of great polarity in society. Economic performances of individual countries differ, which can also be claimed about the quality of life of people in the given country. The world is full of local unrests due to religious and racial reasons and reasons related to the quality of life, however with mostly economic interests, whether directly or sophisticatedly pursued by a certain scenario. Terrorism as an instrument of inhuman approach to solution is used in favour of economic interests of globalising economy. The values of justice, solidarity and equality have been overshadowed in politics and economics. It seems that global solidarity deficit will not shift the development forwards. Economically, culturally and politically stronger part of the European countries needs to realise that the absence of the values of democracy, solidarity, humanity and tolerance will be difficult to implement in an environment of poverty, lack of education, undeveloped educational and healthcare systems. Value framework cannot be implemented in globalised economy without global democracy. Democracy needs to prevail over private issues. The way leads through a synergic globalisation of all system elements. Financial sector has affected economic performance of the countries, and the negative consequences still affect us.

Attention is drawn to the views of many experts at the time of global crisis. Professor S. Garelli prepared so called mental competitiveness roadmap for 2007 – 2050, specifying the most significant factors which will affect global environment. The most significant existing factors are included in the following Picture 1.

Picture 1 The most significant existing factors of global environment

High	I M P A C T	Foreign currency supplies	Collapse on real estate market	New interest in Africa. Explosion of the US national debt	Financial system of Asia. Risk of region destabilisation.
Low				US dollar gradually depreciated	Capital expansion of Asian companies
Year		2010	2011	2012	2013

Source: Garelli, S., 2007.

A discrepancy between economic growth and employment has been recorded in the sphere of labour market. There are inversely proportional shifts within these quantities. The level of unemployment in the age group of 20 – 64 in the EU (27) was 70.3 % and 68.5 % in 2013. In Slovakia, the levels of 68.8 % and 65 % were recorded in the given years. Employment decrease in the monitored period was also recorded in classic welfare states. The decrease was by 4.1 % in Denmark, 12.2 % in Norway, 2.5 % in Iceland, 0.6 % in Sweden, 3.4 % in Austria, 0.3 % in the Great Britain, 0.8 % in Belgium, 7.9 % in Spain, 2.1

% in Italy, and 2.5 % in Finland. Employment increase was recorded in the given period by 0.1 % in the Czech Republic, 3.1 % in Germany, 2.8 % in Slovenia, 1.0 % in France, 4.2 % in Cyprus, and 7.3 % in Netherlands. The unemployment levels in selected EU countries in June 2014 were as follows: 10.2 % in the EU (27), 11.5 % in the EU (17), 8.5 % in Belgium, 6.9 % in the Czech Republic, 6.5 % in Denmark, 5.1 % in Germany, 10.2 % in France, 24.5 % in Spain, 15.2 % in Cyprus, 6.8 % in Netherlands, 5.0 % in Austria, 10.1 % in Slovenia, 13.8 % in Slovakia, 8.0 % in Sweden, 8.8 % in Finland, 5.1 % in Iceland and 3.4 % in Norway.

Within the sphere of economic growth, GDP per citizen is provided for the period between 2008 and 2013 as a percentage change in the last year compared to the base year: -0.1 % in the EU (27), -4 % in the EU (17), -0.1 % in Belgium, -1.0 % in the Czech Republic, 0.0 % in Denmark, 1.1 % in Germany, -0.7 % in Spain, 0.3 % in France, -4.8 % in Cyprus, 0.3 % in Netherlands, 2.2 % in Slovenia, 4.8 % in Slovakia, -1.6 % in Finland, -0.6 % in Sweden, -0.3 % in the Great Britain, 1.0 % in Iceland and -0.7 % in Norway.

Global competition emerges with an increasing pressure on social cohesion, and considers education to be the key institution able to affect the given indicators. Ensuring equal opportunities in education is among the key principles of education policy. The EU strategy includes building knowledge society and knowledge economy. European cooperation in the sphere of education and professional training is outlined in the programme Education and Training 2020. The strategic framework specifies the following objectives: to make lifelong learning and mobility a reality; to improve the quality of education and training; to promote the equity of opportunities, cohesion and active citizenship; to enhance creativity, innovation and entrepreneurship at all levels of education and training. Instruments to support mobility in lifelong learning are being developed in the EU. This policy should facilitate the recognition of qualifications, skills and competences and thus use the potential of the EU labour market.

The global crisis results in a number of changes in the view of fundamental factors affecting societal development; in changes in relationships between economic growth and employment, or economic recession and employment reduction. These relationships have always existed and will further exist; only their dependence has changed, as it is affected by economic market development. The first such fact is that companies have learnt to regulate employment. However, the phase of a short-term revival did not result in reinstating the original values of the numbers of employees. By reducing the number of employees, employers ensure production volumes from the pre-crisis period. Part-time jobs for short-term works that have been created by agencies so far require offer diversification by new and more creative offers on the labour market. It appears that the economic crisis has also caused the phenomenon of uncertainty. Both employers and employees have reached a period of turbulent changes, whose development seems unpredictable. Labour market participants face day-to-day uncertainty from the viewpoint of succeeding on the market, global consumption development and the development of overall demand and adequate costs.

Labour Market and Gender Disparities

Gender equality is an expression of socially fair democratic society. The EU considers this fact to be the key principle of its functioning. One of the spheres with significant gender inequality is unemployment and pays. Both genders face the effects of the economic crisis nowadays, their working and living conditions have deteriorated, and their position on the labour market has weakened. However, women were burdened by unemployment, more frequent career interruptions and lower pays even before the crisis. Unemployment levels of women between 2008 and 2012 were as follows: 11.1%, 12.9 %, 14.6 %, 13.6 % and 14.5 %. The development of gender pay gap in Slovakia between 2005 and 2012 in % was as follows (Table 1).

Table 1 Development of gender pay gap in Slovakia

Year	2005	2006	2007	2008	2009	2010	2011	2012
%	28.4	29.9	25.8	24	25.4	24.7	24.02	24.1

Source: ISPZ Trexima, Bratislava

The share of working women in Slovakia is 44 %. In 2012, the level of economic activity reached 50.7 % for women and 68.4 % for men. European average is between 10 and 15 % of reported gender difference. The highest values within this indicator were reported in the Czech Republic, Estonia (the highest), Germany, Austria and the Great Britain. The lowest values were recorded in Slovenia, Italy, Poland, Malta and Luxemburg with the values ranging between 2.5 % and 8 %.

According to ISPZ Trexima Bratislava, pay structure for women and men in the second quarter of 2014 was as follows: average gross monthly pay of women was 813 euros in the following structure: 73 % base pay, 8 % bonuses, 8 % extra pay, 9 % reimbursement, 2 % others, 0.1 % standby duty. Average gross monthly pay of men was 1,059 euros in the following structure: 69 % base pay, 12 % bonuses, 7 % extra pay, 9 % reimbursement, 3 % others, 0.3 % standby duty.

We state considerable pay disproportions between individual EU countries ranging between 2.5 % and 27 %. It significantly affects the economies of individual countries. The level of gender pay gap under the conditions of Slovakia is 24.2 %, which is quite high also in the EU terms. Differences are subsequently reflected in the level of pensions, where women are paid 22.1 % lower pensions than men on average. Democratic principles in the sphere of gender equality, formulated in official documents, are only applied in the life of society with difficulties; however we can state a positive decreasing trend. We can hope that this gender difference will gradually decrease following economic boom.

It is adequate in relation to the economic crisis to point out to several issues regarding poverty and poverty threat. From the gender viewpoint, women (13.3 %) are more endangered by poverty than men (13.2 %) in Slovakia. The level of poverty risk based on gender (after social transfers) is as follows (Table 2).

Table 2 Level of poverty risk following social transfers (2013)

	Men	Women
Individual	-23.5 %	-17.5 %
At the age of 65 and more	-5.9 %	-9.0 %
Other persons	-15 %	-20.3 %
Pensioners	-5.8 %	-8.8 %
Unemployed	-45.9 %	-43.2 %
Employed	-6.6 %	5.6 %

Source: The Statistical Office of the Slovak Republic, Bratislava

Increasing values in the indicator of poverty risk level have been recorded since 2007. Reasons include high unemployment, low pays and gradually restricted social system. Share of employees working for minimum pay (352 euros) is +27 % with a 0.65 % share of men and a 0.62 % share of women. The greatest share of employees with minimum pay is in Prešov region (2.87 %), in the age category to 20 years of age (9.10 %) and with basic education (3.50 %).

Conclusion

Europe cannot recover from the crisis without a change of logic in the approach to its solution. Euro will be saved by the economic government and the European budget for growth, as integration deepening is a way how to maintain the quality of life. Tension on financial markets and its impact on financing have decelerated economic growth. Solution is an accelerated growth, primarily in developed economies. Adopted Europe 2020 strategy,

with the priorities of innovation, green growth, education, employment development, poverty reduction, concurrently laid foundation stone of the fiscal union, an agreement on deeper integration, cooperation and harmonisation in further spheres, and an incorporation of community institutions means that the EU is taking a way of political integration, which should result in democratic, transparent and effective community. It will be necessary in the research work of the upcoming years to focus attention on the following issues: an analysis of selected social issues in counterpart systems; studying of new approaches to the typology of welfare states and orientation on a suitable model; a solution of the arrangement and financing of social protection in counterpart systems; a formation of a value framework of the 21st century in the process of overcoming negative effects of globalisation and economic crisis; a formation of a reasonable sufficiency of resources in social policy with regard to the given economic situation; an assessment of whether our ability to lay the foundations of a sustainable system of relationships between the market economy and a social system is increasing; an analysis of the issues of non-fulfilment and relativisation of social policy principles in relation to disrupting social cohesion; and ensuring of new quality in the development of intellectualised services and their impact on economic structure.

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