

Efficiency or compensation? The global economic crisis and the development of the European Union's social policy

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Imke Lammers  and
Minna M-L van Gerven-Haanpää

University of Twente, The Netherlands

Oliver Treib

University of Münster, Germany

Abstract

How has the global social policy agenda evolved since the global economic crisis? To shed light on this question, this article looks at the discourses in European Union (EU) social policy. It draws on two rival theoretical approaches from the literature on globalisation and the welfare state, the efficiency and compensation hypotheses, and links these approaches to two fundamental rationales underlying the discourse in EU social policy. Based on an analysis of key documents from two Open Methods of Coordination (OMCs), the article shows that the logic underlying the efficiency hypothesis can be extended to discourses in EU social policy. While policy debates in one OMC remained largely unchanged, the discourse significantly shifted towards the economic rationale during and after the crisis in the other OMC. This suggests that the crisis at least partly strengthened the view that social policy should be geared towards economic efficiency, growth, and the creation of jobs.

Keywords

discourse, employment, EU social policy, global economic crisis, globalisation, OMC, social inclusion

Corresponding author:

Imke Lammers, Department of Governance and Technology for Sustainability (CSTM), University of Twente, P.O. Box 217, 7500 AE Enschede, The Netherlands.

Email: i.lammers@utwente.nl

Introduction

How has the global social policy agenda evolved since the global economic crisis? There have been several studies on the impact of the crisis on welfare states and macroeconomic policies at the domestic level (see, for example, Farnsworth and Irving, 2011; Starke et al., 2014; Van Hooren et al., 2014; Walter, 2016). These studies have yielded important insights into the national effects of the crisis. However, little attention has been devoted to studying the impact of the crisis on European Union (EU) policies. To shed more light on how the global economic crisis impacted policy-making at the EU level, this article looks at the discourses in EU social policy. We consider the EU a good indicator for developments in social policy around the globe since it is the most visible, and hitherto most successful attempt at regional integration. The EU encompasses countries with widely diverging levels of economic development, welfare state traditions, and industrial relations systems. If the global economic crisis had an impact on EU social policy, similar developments should be discernible in other parts of the world as well.

Can we observe shifts in the EU's social policy discourse before and after the onset of the crisis? And what are the dominant ideas underlying EU social policy? This article uses the literature on globalisation and the welfare state (for an overview, see Swank (2010)) to make sense of the potential impact of the crisis on EU social policy discourses. According to one view in the literature, globalisation has a restricting effect on the welfare state as open economic borders increase economic competition, offer companies exit options from costly domestic tax and welfare state arrangements, and thus put pressure on governments to cut welfare provisions. The logic underlying this 'efficiency hypothesis' can be applied to the impact of the global economic crisis on EU social policy; the crisis exerts similar pressures, especially by eroding the tax base and by pressurising governments to redirect welfare money into policies to rescue struggling banks and so on. Allegedly, EU social policy faces growing demands to cut back welfare programmes and to streamline EU programmes towards growth and job creation. This should enhance what we call the neoliberal discourse in EU social policy.

A rival expectation can be derived from the literature advancing the so-called 'compensation hypothesis'. According to this view, globalisation has a supportive effect on the welfare state. As increased economic competition can create economic shocks for certain industries or occupational groups, political demand for programmes to compensate the losers of globalisation increases and thus makes social policy programmes more likely. The global economic crisis also created losers in those countries and sectors that were affected most severely by the global economic downturn. As a consequence, we could expect growing political demand for more protective social policy interventions at the European level. This should give rise to calls for increasing investments in social protection and well-being and thus boost what we call the social investment discourse in EU social policy.

Based on an analysis of key policy documents from two Open Methods of Coordination (OMCs), the OMC on Employment and the OMC on Social Inclusion, the article shows that the logic underlying the efficiency hypothesis can be extended to discourses in EU social policy in and after the global economic crisis. Our analysis demonstrates that while policy debates in one of our OMCs (employment) remained largely unchanged, the

discourse significantly shifted towards the neoliberal discourse during and after the crisis in the other OMC (social inclusion). This suggests that the crisis strengthened the views at least in one OMC that social policy should be geared towards boosting economic efficiency, stimulating growth, and the creation of jobs.

The article makes a twofold contribution to global social policy literature. The study of changes in the EU social policy discourse contributes to a better understanding of the construction of international social policy and the ideational fundamentals that diffuse to the nation state (see, for example, Barbier (2012), Béland (2009), Daly (2012)). The article shows that the ideational approach to analysing EU social policy tools like OMCs offers a promising approach for measuring changes in the discourse. We argue that discourses in these OMC processes represent the European perspective on social policy better than an analysis of the few legislative measures the EU adopts in this area.

This article also makes a methodological contribution by looking at 30 key policy documents on two OMCs and covering the period from 2000 to 2014. Previous analyses of the EU's social policy discourse have been rather broad and mainly based on a global reading of policy documents. Barbier (2012) has provided one of the most detailed studies on the EU's social policy discourse, yet this was on the basis of limited documents for one OMC published between 2008 and 2011. Similarly, Klindt (2011) has provided an interesting study of the learning effects of the European Commission regarding flexicurity, but only for the period of 2005–2007. We combine both quantitative and qualitative approaches.

The article is organised as follows: Sections 'Rival expectations about the impact of the crisis: Efficiency or compensation?' and 'Capturing changes in the EU's social policy discourse' briefly discuss the theoretical grounding of the article. Section 'Data and methods' describes the methodological approach and the reliability of data. Section 'Mapping the development of policy discourses in EU social policy' presents the empirical results and Section 'Discussion and conclusion' presents the conclusions.

Rival expectations about the impact of the crisis: efficiency or compensation?

Social policy in Europe is being made in a multi-level system where member states still hold much of the powers, while the EU also has a role to play by issuing legislative minimum standards and by inducing domestic reforms in the framework of several coordination processes (such as OMC, but also in European semester). In this article, we seek to study the effect of the crisis on these EU-level coordination processes in the field of social policy. Our theoretical approach revolves around the likely preferences of domestic governments vis-à-vis the EU's responses to the crisis. Since the agreement of all or a large majority of member state governments is needed for EU social policy to become effective and since member states are the implementers of EU policy, the crisis-induced pressures exerted on domestic governments should have a strong impact on EU social policy.

As discussed in the introduction, we take the literature addressing the impact of globalisation on the welfare state as our starting point (for an overview, see Genschel (2004), Swank (2010)). This literature revolves around two competing arguments about the

relationship between increasing economic interdependence and domestic welfare states. We use these competing arguments to derive expectations about the likely impact of the global economic crisis on EU social policy.

The *efficiency hypothesis* holds that globalisation decreases the room for manoeuvre of governments in social policy, forcing governments into welfare retrenchment (Cerny, 1994, 1995; Rudra, 2002). The core of this argument is the classical idea of a race to the bottom spurred by economic competition: globalisation allows companies to relocate their production to countries where corporate tax rates and wages are lower and employment regulation is less strict. This threat of relocation puts pressure on governments to lower tax levels and deregulate the labour market. With lower tax rates, governments have less money to spend on social policy and are therefore forced into retrenchment and shift their priorities from providing social security towards greater flexibility and competitiveness. Efficiency requirements can also be found behind the political arguments for (workfarist) activation policies prioritising labour market participation above benefit receipt, lowering the attractiveness of social benefits and increasing the behavioural obligations of (finding) work. The economic crisis exerted severe fiscal pressures on European governments as they were forced to bail out banks that had gotten into trouble and had to cope with dwindling tax revenues due to the general economic downturn. Seen from the angle of the efficiency hypothesis, therefore, the crisis should lead to a market-oriented transformation of EU social policy, favouring welfare cutbacks and an increase of workfarist measures.

The *compensation hypothesis* argues that globalisation increases demand for social policy in order to compensate the losers of increased economic competition (Cameron, 1978; Katzenstein, 1985; Rieger and Leibfried, 2003; Rodrik, 1998). Increasing economic competition implies that competitive sectors will gain economically while less competitive sectors will lose. The losers of globalisation then demand compensation for their economic losses, which puts pressure on governments to expand the welfare state by institutionalising protective labour market policies, investments in (early) human development and education, introducing early retirement schemes, and expanding unemployment benefits. The global economic crisis has created many losers. The general economic downturn put pressure on companies to decrease their workforce, several companies went bankrupt, resulting in mass layoffs, and the bursting of the housing bubble left many home owners with huge mortgages but severely deteriorated conditions for amortisation. In this situation, supporters of the compensation hypothesis would expect rising societal demands for social protection measures to compensate the losers of the crisis. Since the global economic crisis was also, and most importantly, a banking crisis, which resulted in major government bailouts and thus exerted severe pressure on government budgets, the room for manoeuvre for social investment programmes compensating losers of the crisis was severely limited in those countries that were hit hardest by the banking crisis. To satisfy the societal demand for compensation, governments could thus be expected to turn to the European level and lobby for compensatory EU measures. Seen from the angle of the compensation hypothesis, the global economic crisis should therefore lead to a boost in compensatory social policy measures at the European level.

Before we can spell out our two rival hypotheses in more detail, the next section will first introduce our heuristic scheme with which we try to map policy discourses in EU social policy.

Capturing changes in the EU's social policy discourse

At the heart of these idealised streams of discourses is the juxtaposition of *social and economic* rationales. This dichotomy underlies the seminal work by Jessop (1999, 2002) on Keynesian and Schumpeterian policy strategies. The Keynesian model upholds social consideration by prioritising demand-led management in the labour market and strong promotion of social protection, social rights and equality; whereas the Schumpeterian workfare strategy promotes supply side policies, efficiency, and global competitiveness. Jessop's seminal work is strongly linked to national welfare states, but the (Post) Keynesian welfare state has inspired the original liberal Social Europe agenda set out by the Treaty of Rome (1957) (Van Gerven and Ossewaarde, 2011): the social interpretation of European social policy aims at limiting social inequality and insecurity through redistribution of income, social protection against market forces, de-commodification of labour, protecting workers' rights, and a creation of a sense of re-distributory justice between rich and poor.

The new politics of the welfare state literature (Pierson, 1994) suggests that the demand-led welfare state protection has given way to supply-side politics, but even here politics may either be in line with economic rationales (in neoliberal spirit) or with social rationales (in the social investment paradigm). Public services are seen as a crucial element for achieving the supply-side goals, either by activating people to pursue education or work with the aim of increasing employability and employment levels (economic rational) or by investing in human and social capital to empower citizens and prepare them for the 'knowledge-based' economy (Morel et al., 2011). As a consequence, the latter, 'the social welfare state 2.0', can also be referred to as the 'social investment state' or 'enabling state', since it enables citizens to care for themselves rather than only caring for them (Nikolai, 2009). Although being less radically opposed to market forces than traditional social democracy's pursuit of 'politics against markets' (Esping-Andersen, 1985), the 'renewed' supply-side social rationales in Europe are still expected to hold on to the idea that the state is responsible for actively assisting its citizens in coping with the harms by the market (Van Gerven and Ossewaarde, 2011).

Alternatively, in the transformation of global societies from 1990s, the *economic rationales* have become prevalent in 'the workfare state' constituted by the neoliberal discourse. The neoliberal values postulate that markets can generate wellbeing – as markets are based on competition, economic efficiency and choice (Larner, 2000). Instead of enabling people and protecting them from the harms of the market, the neoliberal administrations aim at 'rolling back' the welfare state and redesigning social programmes to be less in conflict with economic prosperity and employment growth. In this view, public policies should thus be based on the 'D-L-P Formula': Deregulation (of the economy), Liberalisation (of trade and industry), and Privatisation (of state-owned enterprises) (Steger and Roy, 2010).

At the theoretical level, these two types of discourses allow us to define in more detail our two competing expectations on the changes in the official policy discourse in EU social policy:

According to the efficiency hypothesis, we expect the economic rationales through neoliberal discourse to gain importance in EU social policy.

Based on the compensation hypotheses, in contrast, we should see a strengthening of social rationales through emphasis on a social investment discourse in EU social policy.

We are aware of the disagreement in the literature on origins of the activation or social investment discourse: whether, for example, social investments (or activating social policy approaches) emerge from neoliberal or enabling welfare state discourses (Van Gerven and Nygård, 2017). For our theorisation, the decisive factor is the fundamental difference between the social and economic rationales of these discourses that are inherent in the OMCs. Therefore, in the next section, we will carefully describe our coding scheme (see Appendix 1) and methodological considerations.

Data and methods

This article analyses systematically the policy discourses in two key OMCs, OMC on Employment and OMC on Social Inclusion, from 2000 to 2014. We consider a qualitative focus on the policy discourse on two OMCs to be a more valid approach to measuring changes in EU social policy than, for example, analysing the frequency of directives and regulations adopted or the study of policy content of a single piece of legislation. Although binding legislation is an integral part of EU social policy, the overall number of binding legislation is comparatively low, and these measures have been largely restricted to fields such as employment conditions, equality, and the co-ordination of national social security systems, whereas key areas of the welfare state such as pensions, social assistance, or employment policy are exclusively covered by OMCs. We will not analyse the post crisis policies such as European Semester or country-specific recommendations (CSRs) (see Bekker and Klosse (2013), Zeitlin and Vanhercke (2017)) given their recent creation.

The observation period (2000–2014) includes the period prior to the global economic crisis, which gained momentum in 2007/2008, and after the first waves of the crisis. This article does not test the effect of the global economic crisis on the EU's social policy discourse. Rather it investigates temporal correlations between the global economic crisis and changes in the OMC discourses. The discursive changes observed may be influenced not only by the context of the economic crisis but also by other confounding variables such as shifts in the power balance between countries. Therefore, the aim of the article is to analyse the developments in the policy discourses against the background of the two theoretical lenses and draw tentative conclusions about the potential role of the economic crisis in these developments.

The data analysed are the key documents for the construction of European Social Policy. The OMC on Employment also referred as European Employment Strategy

(EES), where the Council of Minister's Employment Guidelines play a central role. After its agreement at the Luxembourg European Council meeting in 1997, the target of the OMC for Employment has evolved and from 2010, the Employment Guidelines cover guidelines for employment but also guidelines in relation to combatting poverty and social exclusion at the labour market. The OMC on Social Inclusion was created in 2000 by the European Council through the annual adoption of common objectives in its Spring Presidency Conclusions. Since 2006 this OMC encompasses social inclusion, pensions, health and long-term care and from 2010 onwards this tool includes also economic and labour market perspective to social inclusion. Since the commencement of European Semester cycle in 2011, fiscal, macroeconomic, and employment and social policy coordination has been brought together. The annual cycles result in new guidelines to social policy, but also in a wide set of CSRs and other integrated social-economic tools for the member states. The European Semester has received much interest, but in this article, the focus is limited to the study of two OMC processes. This allows us to analyse changes in policy discourse in two types of documents over a long time period, and importantly before and after the economic crisis.

For both OMCs, we selected the key policy documents that contained the substance of each OMC process: these included all Council Decisions on Guidelines for Member States' Employment Policies (OMC on Employment) and all European Council Spring Presidency Conclusions (OMC on Social Inclusion) from the years 2000 to 2014. The total text sample comprised 30 policy documents, amounting to approximately 500 pages of text. For the content analysis of these two OMCs, a coding scheme was developed deductively, based on the ideal-typical approaches discussed above (see Appendix 1 for a short version of this coding scheme). After the initial analysis of several policy documents, the coding scheme was enhanced inductively based on additional subtleties that we discovered. The final coding scheme distinguishes 10 different topics (sub-categories of policy themes)¹ with regard to their social and economic framing. While at times the boundaries between the topics are nuanced,² the heuristic categories derived from extensive and careful considerations.

To systematically analyse the EU's social policy discourse in the OMCs, documents were coded qualitatively with the help of Atlas.ti. This qualitative approach allowed us to capture the context in which policy arguments were mentioned and to determine which heuristic category they belong to. In line with common practices in the field of content analysis, natural sentences were chosen as coding unit (see, for example, Däubler et al., 2012). To ensure inter-coder reliability, two different coders with a similar educational background and familiarity with the literature on the discourses qualitatively coded three (randomly selected) OMC documents. This resulted in a Krippendorff's (2003) alpha value of 0.73, which indicates a satisfactory level of inter-coder agreement for drawing tentative conclusions and yields a high construct validity of the coding scheme (see also Hayes and Krippendorff, 2007).

The analyses proceeded in two steps. First, the relative strength of the two distinct discourses was established by summing up the frequencies of sentences coded with codes belonging to the type of discourse. Second, an in-depth qualitative analysis was conducted to explore the concrete usage of the terms and used argumentation in the documents.

Mapping the development of policy discourses in EU social policy

Quantitative analysis

The data analysis reveals a variance in the policy discourse over time as well as between the two OMCs (see Figure 1).

For the OMC on Employment, limited changes are observed. Over the period of observation, the social investment discourse (76%–87%) is more dominant than the neoliberal discourse (8%–22%). There is a small increase in the relative importance of the social investment discourse after 2007, but in overall terms, the discourse appears to be rather stable over time. The OMC on Social Inclusion is exposed to more discursive changes over time. Evident is a long and strong dominance of the social investment discourse over the neoliberal discourse until 2009. During that period, the relative importance of the social investment discourse fluctuates considerably: from 88% in 2000, to 69% in 2002, 89% in 2003 and 63% in 2004, after which it rises to 100% in 2008/2009 (see explanations below). The neoliberal discourse fluctuates as well in the OMC on Social Inclusion. Besides a short peak in 2001 (27%), its share is mostly low or even goes down to zero in several years until 2009.

After 2009, a clearer trend in the policy discourse is visible: the relative importance of the neoliberal discourse significantly increases, while the social investment discourse declines considerably. While the social investment discourse is at an all-time high of 100% in 2008/2009, it drops to 60% and afterwards stabilises towards a low point of 50% in 2013/2014. As regards to the neoliberal discourse, a sharp increase can be observed in 2010 (40%), followed by a more modest rise from 2012 (20%) to 2014 (25%). While at the end of the time span under analysis the social rationale is still more prominent, both discourses are much closer together than in the period until 2008.

Numbers cannot reveal the whole story of what happened in the two OMCs we examine. Therefore, we present a qualitative in-depth analysis to scrutinise the changes in policy content. Given the interest in the period of the global economic crisis on the discourse in the OMCs, the analysis is divided into the period before and after 2008.

Qualitative analysis: OMC on employment 2000–2007

As shown, towards 2003, the social investment discourse slightly declines, and the neoliberal discourse simultaneously increases, while these levels remain stable until 2007. The focus of the Employment Guidelines in this period before the global economic crisis lies on three main topics: Employment, Equality and Education.

First, employment is discussed extensively, both by the neoliberal and by the social investment discourse. As concerns the social investment discourse, emphasis lies on prevention, quality employment and investing in training and education: preventive and employability-oriented strategies with training and quality jobs are emphasised to create a competitive and dynamic knowledge-based economy. The qualitative analysis reveals that the rise in the neoliberal discourse in 2003 seems to result from the way and intensity with which the topic of employment is discussed: The Commission advises member states to increase their labour supply and participation (full employment) and sets

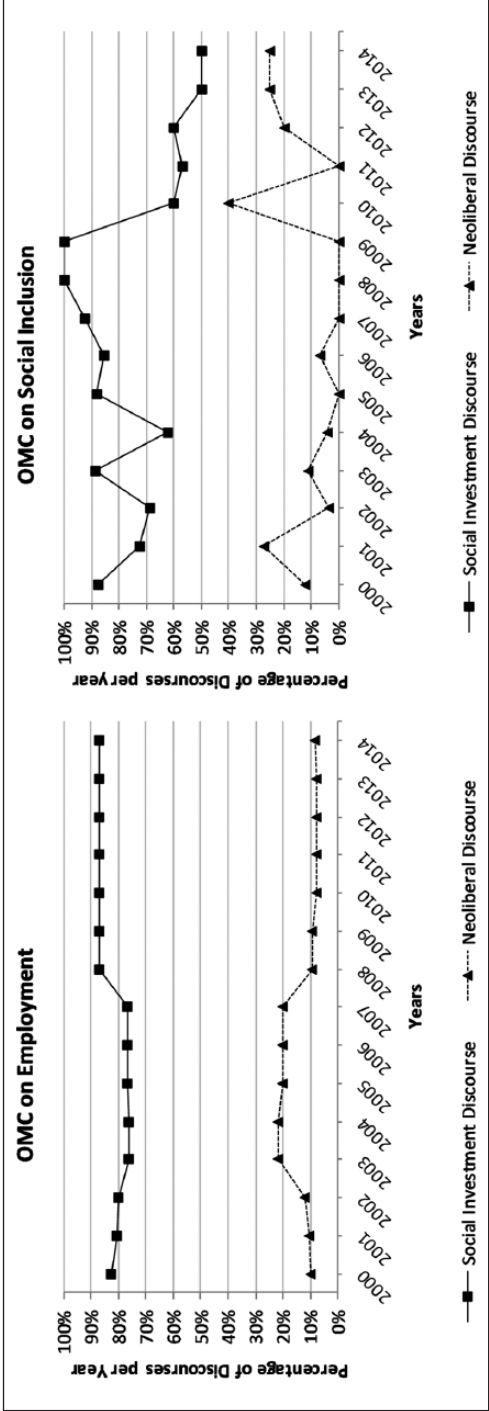


Figure 1. Shares of the two discourses in the OMCs on Employment and Social Protection, 2000–2014.³

quantitative targets for their employment rates ('reaching by January 2005 an overall employment rate of 67% and an employment rate of 57% for women') without referring to the quality of jobs. The economic approach is also visible as financial incentives that encourage men and women to seek, take up and remain in work are advocated, e.g., see, Employment Guidelines from 2005, 2006 and 2007.

The second and third topics, equality and education, are exclusively discussed by the social rationale. Equality is addressed by focussing on gender equality through equal pay for equal work, the improvement of female career opportunities, and family-friendly policies (career breaks, parental leave, part-time work and good quality care for children and other dependants). From 2003 to 2007, when the social investment discourse decreases, the documents mention equality slightly less often than before, but still put emphasis on equal opportunities, employment gaps, combating discrimination, gender equality and on accessible and affordable childcare. Regarding education, member states are urged to invest in education and training, support lifelong learning, improve the quality of their school and training systems, reduce substantially the number of young people who drop out of the school system early, as well as to ease the transition from school to work. The aim is to increase employability with a skilled and adaptable workforce via policies that conform to the social perspective.

Qualitative analysis: OMC on employment 2008–2014

In 2008, the social investment discourse increases again and the neoliberal discourse decreases; both discourses return to levels similar to the ones before 2003. The content analysis reveals again that the social investment discourse discusses a wide range of topics in the OMC on Employment: while some of the topics (ageing population, benefits, flexibility, health care) receive little attention, it is employment that is addressed proportionally more in 2008 and 2009 than in previous years by the social investment discourse. Comparing the periods before 2003 and after 2010, we see, however, that employment is equally discussed in these years. In the second period, the focus lies on protective labour market policies: 'every unemployed person should be offered a job, apprenticeship, additional training or other employability measure [...] by assisting with effective job-searching, facilitating access to training and other active labour market measures' (see Employment Guidelines from 2008 and 2009). While the focus on employment increases again, it is especially education which receives most attention by the social investment discourse during this second period of analysis, with the content remaining largely the same as in previous years.

As the neoliberal discourse in the OMC on Employment is almost absent in the second period under analysis, it is difficult to draw conclusions about its content. The only observation that can be made is that the rise in the neoliberal discourse from 2003 to 2007 went hand in hand with an increased neoliberal view on employment, and that the decline of this discourse also co-occurs with a decreased focus on employment in 2008 and 2009 (in the years afterwards this discourse does not focus on employment at all). Content-wise, the way the neoliberal discourse addresses employment is basically the same as in the first period analysed.

To conclude, after the onset of the global economic crisis, the neoliberal discourse slightly decreases, and the social investment discourse gradually increases in the OMC on Employment. At first sight, this development might look like a (weak) confirmation of the compensation hypothesis. However, if we focus on the long-term perspective, it becomes evident that little fluctuations exist and that the increase after the crisis is merely a return to the original levels of both discourses in the period before 2003. What we observe, therefore, is an overall pattern of resilience to change, with slight fluctuations in the relative importance of both discourses that do not result in major shifts in one or the other direction.

Qualitative analysis: OMC on social inclusion 2000–2007

For the OMC on Social Inclusion, the quantitative analyses revealed that in this first period under analysis the social investment and neoliberal discourses are both fluctuating, whereas the social investment discourse is dominant. The neoliberal discourse is only present to a very low extent, so that we can conclude that in the OMC on Social Inclusion the neoliberal discourse was almost absent during the first period. The only economic perspective can be found to a very limited extent regarding the topic of employment (and its presence/absence explains the fluctuations in discourse).

The qualitative content analysis of the OMC on Social Inclusion reveals that education is the primary topic discussed during 2000–2007. This topic is solely addressed by the social investment discourse and explains the fluctuations in discourse: in 2003 and 2005 education is discussed proportionally more than in 2001 and 2004 (the dip in 2002 is due to less focus on employment). The focus lies on up-skilling, lifelong learning and on governments supporting vocational training and education to attain a skills-based labour force and thereby increase competitiveness. From 2005 to 2007 (and continuing in 2008/2009), equality as well as social inclusion and poverty are also discussed more intensively from a social perspective and cause together with education the high percentages during these years. To elaborate, the focus lies on gender equality, which is to be achieved through ‘the reconciliation of working life and family life by sharing the responsibility between partners, particularly by expanding the child care network and developing innovative forms of work organisation’ (European Council Conclusions 2005; plus European Pact for Gender Equality in 2006 European Council Conclusions). Social inclusion and poverty start to be emphasised by the social investment discourse from 2004 onwards (except for 2006), as member states are asked to pursue social inclusion policies that improve the situation of the most vulnerable, young people, that is, address child poverty. Besides this, active inclusion of those on the margins of the labour market is highlighted, ensuring adequate levels of minimum resources for all.

Qualitative analysis: OMC on social inclusion 2008–2014

In 2008 and 2009, the trends observed at the end of the first period continue, but after 2009, the situation changes with the social investment discourse decreasing and the neoliberal discourse increasing.

While a wide range of topics was discussed from the social perspective before 2009, the focus in this second period lies on education and employment only. Education continues to be strongly discussed, and while its importance declines continuously the focus remains the same: investing in education and training (systems), improving education levels, decreasing school drop-out rates and increasing the share of people having completed tertiary education. Employment, in contrast, sees a reverse development to education. Its significance increases from 2011 to 2014, giving it a more prominent role in the social investment discourse than education from 2012 onwards. The social emphasis in employment lies on strengthening the participation of young people, women and older workers, as well as on making work more attractive. The topics of equality as well as social inclusion and poverty, which received considerable attention before 2009, no longer feature among the topics addressed from a social investment perspective after 2009 (with a minor exception in 2012, when social inclusion and poverty briefly make it on the agenda again).

As stated, a trend towards the neoliberal discourse in the OMC on Social Inclusion can be observed in the last years under analysis (except for a temporary drop in 2011). In this period, the neoliberal discourse manifests itself in the topic of employment: a quantitative understanding of work is dominant (75% employment rate by 2020) and the focus lies on ‘an appropriate mix of expenditure and revenue measures at the level of the member states, including short-term targeted measures to boost growth and support job creation, particularly for the young, and prioritising growth-friendly investment’ (European Council Conclusions 2013). An economic emphasis is also put on social inclusion and poverty in 2010, as social inclusion is promoted by way of reducing poverty; no further measures like the inclusion of people who have been excluded from the labour market or the protection of citizens from income loss, for example, through upskilling, are mentioned. In 2013, the European Council called as well for shifting taxation away from labour to increase employment and competitiveness; this cutting of taxes to provide incentives for people to pick up work is a neoliberal strategy.

To conclude, the content analysis shows that after the economic crisis, the focus of the OMC on Social Inclusion lies on employment, which is more extensively discussed by both discourses. Yet, we observe a decrease in the social investment discourse and a sharp rise in the neoliberal discourse from 2009 onward. We can hence conclude that the economic crisis strengthened the neoliberal discourse and decreased the importance of the social investment discourse in the OMC on Social Inclusion. This observation is in line with the expectations of the efficiency hypothesis.

Discussion and conclusion

This article analyses the developments in the EU’s official social policy discourse prior and after the global economic crisis. Data were based on social policy discourses in two key social policy documents: the OMC on Employment and the OMC on Social Inclusion. To map changes, we identified two ideal-typical discourses: discourses based on neoliberal and social investment rationales. The analysis was informed by two rival hypotheses derived from the literature on globalisation and the welfare state: the efficiency hypothesis and the compensation hypothesis. According to the efficiency hypothesis, member

state governments can be expected to demand more market-oriented policies at the EU level, which should strengthen the neoliberal discourse. The compensation hypothesis, in contrast, would expect the social investment discourse to be strengthened as international economic pressures create demands by member states for social policy programmes to compensate the societal groups that are negatively affected. Both lines of reasoning suggest that the EU's social policy discourse can be expected to change in the aftermath of the global economic crisis.

Based on a novel coding scheme that allows us to discern changes in the relative importance of the two ideal-typical discourses in the two OMCs, our analysis of key documents from the two OMC processes reveals no systematic changes in the OMC on Employment. At the same time, policy discourses in the OMC on Social Inclusion did change significantly after 2008. Since the onset of the global economic crisis, the OMC on Social Inclusion became significantly more influenced by the neoliberal discourse while the social investment discourse declined. Although social considerations were still more important than economic arguments at the end of our period of observation in 2014, this increase of economic considerations is in line with the expectations of the efficiency hypothesis.

The findings are contradictory: we observed resilience to change in one OMC and major change in the direction of a stronger orientation towards market principles in the other OMC. This suggests that we do not find strong indications for developments that are in line with the expectations of the compensation hypothesis, but some evidence in favour of the efficiency hypothesis. How can we explain these patterns?

First, the movement towards a strengthening of economic efficiency rationales in the OMC on Social Inclusion results from a stronger neoliberal focus on the field of employment since the onset of the crisis. Partly, this can be expected by the changes in the Social Inclusion OMC itself: from 2010, the conclusions of the Spring European Council reflect a broader set of policy coordination processes including not only social inclusion but also the economic as well as employment policy communities. Yet, the analysis of the documents also suggests that governments and the Commission, confronted with rising levels of unemployment, de-emphasised more long-term and costly social-investment-oriented strategies in favour of stressing the need to create jobs for the unemployed masses, especially at the margins of the welfare state. Considering national budgetary problems in many European countries, policies requiring public spending are less attractive to governments. This is exactly the type of effect of the crisis that proponents of the efficiency hypothesis would have expected.

Second, the OMC on Employment shows that this rationale does not apply across the board. The OMC on Employment was not fundamentally transformed after the crisis. There were changes to the relative importance of both types of discourse between 2000 and 2014, but they were far less severe, and they did not follow a clear pattern. This finding underlines that no matter how severe the global economic crisis might be, it is certainly not an all-pervasive phenomenon. Instead, policy discourses in the employment OMC have their own, sectorial logic and are thus not easily shifted by external events. Consequently, its fundamental policy principles may be more deeply entrenched and, therefore, harder to change than the policy principles of the OMC on Social Inclusion embodying less vested interests than those protecting employment.

Third, these results suggest that the expectations of the compensation hypothesis did not hold true for either of the two OMCs studied. However, the findings do not suggest that the underlying theoretical rationale of the compensation hypothesis is flawed. We argue that the demand for compensatory state intervention as a reaction to economic harm created by the crisis did not leave its imprint on the policy debates in the two OMCs we study. The plausible explanation for this finding is that the OMCs themselves are merely indirect instruments to create spending programmes that could compensate the losers of the crisis. They do not involve spending programmes funded by the EU budget or the like. Therefore, governments that wanted to compensate losers of the crisis could not hope to find much help from the two OMCs we study. The negative impact of the banking crisis on government budgets, combined with the austerity rules of the Stability and Growth Pact, meant that governments who were willing to implement compensatory measures primarily had to lobby for a relaxation of the budgetary constraints they faced. Given the primacy of liquidity problems in this crisis, it is likely that the OMCs were much less helpful for satisfying the domestic demands for compensation.

In sum, our analysis shows that the crisis left a mark on EU social policy. In the OMC on Social Inclusion, the economic rationale gained importance after 2009, which is in line with the expectations of the efficiency hypothesis. At the same time, we found no evidence supporting the compensation hypothesis. The explanation for this may also lie in the fundamental difference between the two OMCs: whereas the OMC on Employment now covers a wide range of policy topics, the main emphasis is on employment. As our results show, employment has become the core of the OMC on Social Inclusion, but the groups targeted by these policies are primarily people at the margins of the welfare state. The hardening debate after the onset of the crisis in the areas of poverty and social exclusion has also been found by other scholars. The fact that the OMC on Employment remained largely untouched even in the midst of one of the most severe economic crises in recent history stresses the resilience of sectorial policy regimes with strong vested interests that have become deeply entrenched. Having said that we are aware that this tentative conclusion needs to be tested more thoroughly by future research.

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Notes

1. These 10 sub-categories are 'employment', 'equality', 'labour market flexibility', 'benefits', 'public services', 'taxation', 'education', 'social inclusion and poverty', 'ageing population', and 'health care'. Besides this an 11th category called 'economic and social considerations' was created for sentences in which the boundaries between the two discourses were not clear (see footnote 2).
2. For sentences in which the boundaries between discourses were not identifiable, we created an extra category 'economic and social considerations'. We do acknowledge the role and relevance of this ambiguity in discourse, e.g. in the context of international diplomacy (Schmidt, 2008). However, our interest lies not with this small amount of sentences in which the boundaries are not that clear cut, but we are interested in the presence of the two discourses overall.

3. Due to the methodological decision to code ambiguous sentences in a separate category (i.e., sentences that contained both dimensions of economic and social considerations, see note 2), the reader should note that not all percentages add up to 100 each year in Figure 1.

ORCID iD

Imke Lammers  <https://orcid.org/0000-0003-0903-1420>

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Author biographies

Imke Lammers is a PhD candidate at the University of Twente, in the department of Governance and Technology for Sustainability (CSTM). She has a background in Public Administration/ European Studies and focusses in her research on governance and decision-making practices in the European and Dutch context.

Dr. Minna van Gerven is an Assistant Professor at the Department of Public Administration at the University of Twente. Her research focuses on comparative public policy, European Social Policy and policy change and innovation.

Oliver Treib is a Professor of Comparative Policy Analysis and Research Methods at the University of Münster. His research revolves around the logic of policy-making and the transformation of political conflict structures in the European multi-level system.

Appendix I

Coding scheme summary

| Category | Neoliberal discourse | Social investment discourse |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employment | <ul style="list-style-type: none"> - quantitative understanding of work and labour: any job is a good job and a solution to (social) problems - providing (coercive) incentives to push people back onto the labour market, e.g., by reducing benefits and tightening eligibility rules | <ul style="list-style-type: none"> - quality jobs: quality jobs help in the acquisition and protection of skills and to fight poverty and social exclusion - improve employability, hence provide training, re-training and work practice - make transitions pay and help people get back into regular employment |
| Equality | <ul style="list-style-type: none"> - inequality inherent in markets and necessary to motivate economic actors - no/limited role for state to reduce inequality - all individuals have to exercise greater responsibility for themselves | <ul style="list-style-type: none"> - policies to support the reduction of inequality of gender, (job) opportunity, income and access to learning - policies to support to reconciliation of work and care - part-time work and other flexible working arrangements (with access to social security/provision) |
| Labour market flexibility | <ul style="list-style-type: none"> - flexibility through non-standard labour contracts, less/no protection and increased wage flexibility, vulnerability to markets - dominant focus on labour supply | <ul style="list-style-type: none"> - combining flexible labour markets with job security - dominant focus on labour demand |
| Benefits | <ul style="list-style-type: none"> - cut unemployment benefits/ tighten the eligibility criteria to give people an incentive to work - no/low access to low-waged workers - abolish high minimum wages | <ul style="list-style-type: none"> - provide benefits to help avoid poverty and inequality, as well as the depletion of human capital - subsidise low-skilled and low-productive work - provide unemployment benefits and public support for job searches |

(Continued)

Appendix I. (Continued)

| Category | Neoliberal discourse | Social investment discourse |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public services | <ul style="list-style-type: none"> - markets able to generate well-being - only for selected those without adequate income or other means - cut expenditure, limit publicly funded services and increase competition and efficiency | <ul style="list-style-type: none"> - publicly funded services for those in need of support to enter employment and when the market fails to provide a service at an affordable price |
| Taxation | <ul style="list-style-type: none"> - reduce tax burden - cut income taxes in order to <ol style="list-style-type: none"> i. give incentives to work ii. restore individual and corporate initiative iii. increase economic activity | <ul style="list-style-type: none"> - taxation needed to finance public programmes and invest in future tax payers - levy taxes high enough for ensuring insurance and investments - if necessary increase taxes |
| Education | <ul style="list-style-type: none"> - education provided publicly from kindergarten to high school - parents should support public education (also financially) - parents as choice exercising 'consumers' of their children's education - young people should remain in school only until able to support oneself and one's family - individuals responsible for their own advancement and further (vocational) training | <ul style="list-style-type: none"> - life-long learning: cradle to grave - public support for quality early childhood education - investments and support for higher education and post-secondary education - invest in human capital to prepare the population and help it succeed in the labour market of the knowledge-based economy - prevent early exit from formal education and training - facilitate the transition from school to work, in particular for school leavers with low qualifications - modernise and expand systems of vocational training |
| Social inclusion and poverty | <ul style="list-style-type: none"> - reduction of poverty by giving people (any) job, and thereby increase labour market supply - social safety net limited and reduced to a bare minimum in favour of a system that emphasises personal responsibility | <ul style="list-style-type: none"> - enable access to quality jobs in the labour market, and to (lifelong) education for groups that have traditionally been excluded, and thereby increase social inclusion and social cohesion - fight poverty via social investments, social inclusion and by creating quality jobs - minimise the intergenerational transfer of poverty |

(Continued)

Appendix I. (Continued)

| Category | Neoliberal discourse | Social investment discourse |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ageing population | <ul style="list-style-type: none"> - individuals responsible for providing for their own (private) pensions - participate in the labour market as long as possible (individual's responsibility) | <ul style="list-style-type: none"> - public pension support - active ageing policies - flexible working arrangements and thus flexible retirement - provide environments and incentives that promote longer working lives |
| Health Care | <ul style="list-style-type: none"> - privatisation of health services - ideally make private insurance compulsory - each individual responsible and accountable for own well-being and health care | <ul style="list-style-type: none"> - provision of public health care services - investments in the health of the population and in that of young children specifically |
| Economic and social considerations | <ul style="list-style-type: none"> - category designed to be used in cases the boundaries between the two discourses are not clear | |