Social Reformism 2.0

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Work, Welfare and Progressive Politics in the 21st Century

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1. A Great Transformation, again: introduction

One of the most famous paintings of Italian art in the twentieth century is *Il Quarto Stato* by Giuseppe Pellizza da Volpedo (1901). Its title builds on the expression coined during the French Revolution to designate the division of the population into three different strata or 'estates', formally recognised by the institutions of the *Ancien Régime*: nobility, clergy and bourgeoisie. *Quarto Stato* is the new estate consisting of the working class, or proletariat, which in Pellizza's painting is represented by a group of peasants from the Alessandria plain in Piedmont, one of the epicentres of the agrarian struggles of the early twentieth century. (see: https://www.theartpostblog.com/en/il-quarto-stato-giuseppe-pellizza-da-volpedo/)

The painter describes the Fourth Estate as a self-aware, compact class, carrying universal interests of emancipation. The security and the firmness of the protagonists of the protest march celebrate the appearance on the political scene of a new force that would redesign the traditional economic and political structures. Workers, peasants and labourers asked to be heard by state authorities: or rather, they demanded that they be granted political power.

The working class was one of the main protagonists of the twentieth century. What Karl Polanyi called the 'Great Transformation' – a process that had already begun in the first half of the nineteenth century – was characterised by two distinct 'movements' (Polanyi [1944] 1957). The first was the disruption of the pre-industrial economy and social relations and the rise of the capitalist market, of new forms of production centred on machines and continuous technical innovations: a context almost entirely based on market exchanges, on the demand and supply of 'commodities', including the workforce. The second was a counter-movement by society against the excesses of commodification and their social consequences. Trade union associations and workers' parties were the driving forces behind this second phase of the Great Transformation.

After the Second World War, in Western Europe workers' representatives filled parliaments and often held the reins of governments, domesticating capitalism and creating the welfare state. Once it gained a high share of political power, the emancipatory thrust of the twentieth-century proletariat gradually withered away. From potentially universal, its interests turned to the 'national', exhausting the internationalist impulses of the beginning. The conquest – today essentially the defence – of economic and social guarantees for its members gradually weakened the capacity of the ‘universalistic’ working class – and of its representatives within unions and parties – to maintain a broad horizon, carrying out the traditional role of ambassador for the most vulnerable in a long-term perspective.

With the post-industrial transition, the Fourth Estate has gradually shrunk in numbers and a new stratum of ‘deprived’ workers has instead risen. In the 1980s, scholars began to observe that the distribution of income and, more generally, of opportunities was taking on a new form: from the traditional pyramid – many poor at the base, a few rich at the top – to a kind of diamond, namely a large ‘middle mass’ (an expression coined by Harold Wilensky [1961]) in the core section, the rich in the upper corner and the poor in the lower corner. For Ralf Dahrendorf, this was the ‘two-thirds society’: 65 per cent of economically and socially secure people, the rest composed of a kaleidoscope of figures without an anchor fixed on the labour market and therefore structurally vulnerable (Dahrendorf 1985: chapter 3). The traditional Fourth Estate has largely dissolved within the middle mass; its lowest bands have remained working class, but well inserted within the citadel of welfare guarantees. At the bottom, instead, there is a new social group that in 2004 called itself ‘the precariat’ on the occasion of the first Euro May Day (Foti 2017). The term then had great success, also thanks to a book by the English sociologist Guy Standing, released in 2011 (Standing 2011).

Inspired by Pellizza da Volpedo's iconography, the image on the cover of the present book offers a visual image of the Fifth Estate as a heterogeneous stratum of workers, fluid and varied from an economic and social point of view. Compared to its twentieth-century counterpart, the precariat also presents some decisive differences in political terms. The proletariat shared factory work, lived in the same neighbourhoods, frequented the same gatherings (local sections of parties and trade unions), was socially and culturally more homogeneous, and easier to organise and mobilise. Today’s precarious workers are heterogeneous, dispersed, and inter-connected only through the ‘cold’ channels of the internet and social media. Within this group, we can indeed observe ripples of differentiation, sometimes ephemeral waves of mobilisation, but these waves are rarely big enough to make noise, to create disorder. It is difficult to imagine for the precariat an icon that has the same symbolic significance as Pellizza da Volpedo’s painting, the same unifying evocative capacity.

The change in the social structure of European societies is the result of a new, wide and pervasive change, which we could call ‘Great Transformation 2.0’, and which is still in progress. For the time being, what is clearly seen is the first, disruptive movement; that is, the rise of new modes of production and the consequent rupture of old equilibria, social relationships and lifeworlds. But the ‘second movement’ has not yet taken off, at least not fully. In his 2011 book, Guy Standing claimed that the precariat represented the new 'dangerous class', about to become a real class for itself, and ready to mobilise against globalisation, neoliberalism and the financialisation of world capitalism. In the 2000s there was indeed some ferment – such as the no-global movement or the anti-Bolkestein mobilisations in Europe – and the symptoms of a possible social and political awakening of the precariat could be seen in phenomena such as Occupy Wall Street in the US, the Indignados in Spain, the electoral breakthrough of Syriza in Greece, and the socio-political unrest that spread through the Western world and beyond after the global financial crash. In subsequent years, however, this awakening produced as many forms of 'emancipating' mobilisations – to put it in the words of Standing – as forms of 'regressive' backlash, of a xenophobic or even neo-fascist type.

In the context of the first Great Transformation, the second movement brought about the welfare state, one of the pillars of the 'European social model', after having forged new and extensive social and political coalitions and compromises. Today we still do not fully understand what the strategy could be – and prior to that, what the 'vision' could be – capable of constructing effective social and institutional buttresses against the new risks, protecting new needs and 'civilising' globalisation. Some interesting ideas do circulate in the intellectual debate as well as specific proposals on how to provide security and protections calibrated on new modes of work and social organisation – let us think, for example, of the so-called 'social investment' strategy (see chapter 5) as well as of the rich debate on universal and unconditional basic income proposed by Philippe Van Parijs (see Van Parijs and Vanderborght 2017). But such proposals need a broader ideational frame and institutional project, a comprehensive strategy addressing the range of axial transformations affecting European societies today.

The key social challenge of the twentieth century was that of ensuring work and income in a context of dynamic markets and poorly predictable business cycles. The challenge of our century will be the equitable redistribution of the surplus generated by economic integration and new technologies in a context of a deep ecological transformation – assuming that such processes will be well managed. In the new context, work and income will of course remain key. But two other resources will gain importance: time and opportunities. The former has a fixed quantity for everybody. The challenge is to redistribute it: between types of activity, genders and life-course phases. The latter must be expanded: not only in their access, but also and perhaps especially in their range. As we will argue in the final chapter, the challenge of opportunities will be key for progressive politics in this new century. To a large extent, the solutions that we will be able to identify and put in place for expanding and redistributing opportunities will give a determinant contribution to tackling the problems of work, income and time as well.

Prior to discussing solutions, we need to understand the problems at stake. The first three chapters of this book provide a diagnosis of the main questions on the table, linked the key dynamics of the second Great Transformation: the transition to post-industrialism (Chapter 2), globalisation and European integration (Chapter 3) and the fourth technological revolution (Chapter 4). Chapter 5 surveys ongoing reform trends in social policy: those already in place, under way or at least on the debate agenda. Chapter 6 turns the attention to the European Union (EU) and its 'social dimension', which has been put under a serious stress test by more than a decade of deep economic, social and political crises. Chapter 7 zooms in on a policy objective that has taken pride of place, especially after the outbreak of the COVID-19 pandemic: a fair and just transition towards a greener economy in the face of the global challenges raised by climate change. Chapter 8 finally discusses some more ambitious and long-term strategies (which we term 'Social Reformism 2.0') as well as their possible promoters, with a view to realigning progressive politics with the novel axes of risk/need differentiation linked to the second Great Transformation. In the Conclusions, we discuss the central role of Europe, both as an arena within which these strategies must find the necessary social and political support, and as an actor (the European Union) which can and must plan, coordinate and stimulate change.

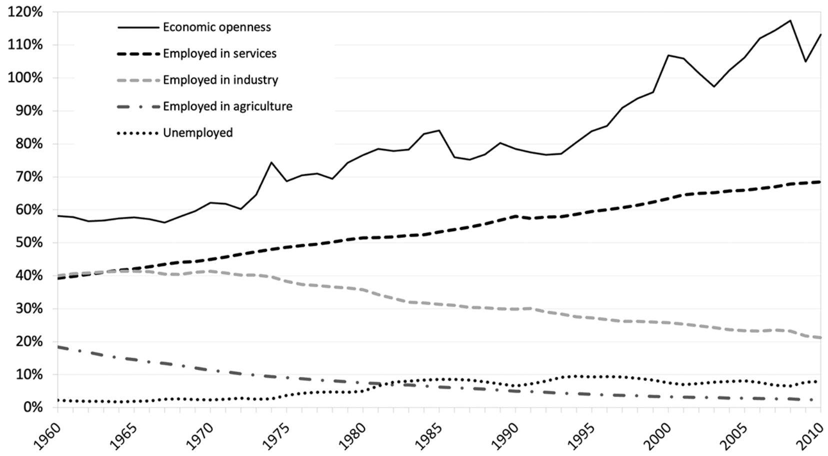
The background research for this book was conducted during a five-year project entitled Reconciling Economic and Social Europe (www.resceu.eu), funded by an Advanced Grant of the European Research Council (grant n. 340534). Several publications resulted from that project, including a short book in Italian, focussed on precarious work and the need for welfare reform (Ferrera, 2019). The present manuscript has updated and expanded the research done under the REScEU project and has also taken advantage of a subsequent ERC project ('Policy Crisis and Crisis Politics. Sovereignty, Solidarity and Identity, in the EU post 2008', financed by European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No. 810356) in which the three authors have been involved since 2019. The authors thank all the colleagues of the REScEU and SOLID projects who have provided comments and insights for improving the text. They also express their warm gratitude to Eleonora Scigliano, for the invaluable assistance in the production of the manuscript.

2. Post-industrial, educated but 'precarious': the society of the twenty-first century

SILENT REVOLUTIONS

Starting from the 1970s, European societies have gradually taken on a distinctively post-industrial profile. As Figure 2.1 shows, against the backdrop of an increasingly open global economy, the weight of the service sector has steadily grown, especially in terms of employment. With the turn of the new century, in the EU-15 as throughout the Organisation for Economic Co-operation and Development (OECD), tertiary jobs exceeded the industrial ones by a factor equal to two (or even three) to one. More generally, the structures of the market and the family have changed profoundly, as well as their relations with the welfare state.

The decline of the industrial sector is a long-term process. It started in the 1970s, due to a progressive saturation of markets and the decrease in the elasticity of demand with respect to the prices of goods produced by industry. Since then, the service sector has become increasingly important as a driver of economic growth and employment, while jobs in the manufacturing sector have steadily declined. The service economy is governed by a logic which is different from that of industry. The main difference is that in the context of services it is much more difficult to achieve productivity increases, and this has significant consequences for the labour market. During the era of industrial expansion, productivity increases linked to technological innovation made it possible to combine wage growth with lower prices; the increase in the demand for newly produced goods in turn generated new employment. This virtuous circle is instead more difficult to activate in a large part of the service sector, where the margins of technological innovation are much more restricted. Especially in sectors such as entertainment and leisure, but also educational, personal and care services, the tasks performed, rather than tangible goods, are the main object of market exchanges. Given the importance of the human contribution, in all these jobs the leeway for technology-driven



Source: Armingeon et al.'s (2016) Comparative Political Dataset

Figure 2.1 Post-industrial employment trends: economic openness and employment by sector (EU-15 average, excluding Spain and Portugal)

productivity gains results considerably constrained in respect to industry.[1] The reduction in productivity has thus translated into lower growth rates.

The post-industrial economy is often also defined as post-Fordist; that is, increasingly distant from the model of mass production, with standardised rhythms and procedures, typical of the twentieth-century factory. If it is certainly true that 'old-style' Fordism (that of assembly lines) is outdated, other features of that model have survived or transmigrated to the service sector and show no signs of decline. It is the phenomenon of 'McDonaldisation', applied extensively in the fast-food industry, which has then spread to many other sectors of commerce and large-scale distribution (Ritzer 2018). In a McDonald's restaurant everything is standardised: menus, cooking procedures, ordering, delivery and payment methods, the arrangement of the tables and so forth. These are organisational and production methods designed to maximise efficiency, calculability, predictability, control. McDonald's is the post-industrial version of Ford. On the one hand, it may be considered as an augmented version of Fordism, with regard to the repetitive and 'poor' content of the services requested of employees; on the other hand, it is a diminished version as regards contractual stability and pay levels. In the

'McDonaldised' sectors, only basic skills are required of workers, and everyone is interchangeable.

Tertiarisation has been accompanied by two other important transformations, which are summarised by the figures on educational attainments and employment rates shown in Table 2.1. First, an educational revolution; that is, a massive expansion of higher education. This has contributed to widening the ranks of the middle class, making it at the same time more heterogeneous. The second dynamic has been the increasing feminisation of the workforce, in turn a consequence of the educational revolution and the propulsive factor of tertiary employment. In some countries the gender gap in labour participation rates has virtually disappeared and women's income contributes almost 50 per cent to total family income.

Increased female participation in the labour market has led to important changes in the sphere of family and gender relations. While in industrial societies male-breadwinner households (i.e. families with a single male income earner and a wife engaged full time in unpaid domestic work) were the rule, in the post-industrial era dual-earner families (or de facto partnerships) have become the norm in the majority of OECD countries (OECD 2012). Many single-earner families are actually single-parent or single-person households.[2] In its turn, the average size of households has decreased, partly due to a reduction in fertility rates and partly due to the greater number of single-member households and the decrease of multi-generational families. Taken together with the increase in separations and divorces in Western societies, these changes indicate a process of progressive 'fragilisation' of social relations, which once constituted a crucial source of informal welfare provision, alongside the social benefits and services formally granted by the state.

THE POSITIONAL ECONOMY AND THE OPPORTUNITY TRAP

Despite the slowdown in growth rates, the post-industrial economy has continued to increase 'opulence', as captured by the notion of gross domestic product (GDP), both in aggregate and per capita terms. Tertiarisation and, more specifically, the expansion of the so-called knowledge-based services have profoundly changed the composition of domestic output. The incidence of tangible assets (cars, household appliances, food, clothing and so on) has decreased, while that of intangible assets (education, culture and entertainment, services to businesses and to families) has increased. This dynamic has been accompanied by a cultural transformation that has progressively enhanced the 'positional' value of the goods and services consumed. The value of an asset ultimately depends on the satisfaction that people derive from its consumption. Satisfaction can be absolute (I buy a sports car because I like fast driving) or

Table 2.1 *Share of population with tertiary education (by cohorts: 25–34 and 55–64 years old) and employment rates (for females and males) in 2020*

	Share of population with tertiary education			Employment rate (aged 15–64)		
Country	25–34 years	55–64 years	*Difference*	Females	Males	*Gap*
Australia	54.6	36.3	*18.3*	68.6	76.9	*8.2*
Austria	41.4	25.4	*16.0*	68.4	76.5	*8.1*
Belgium	48.5	32.2	*16.3*	61.1	68.4	*7.4*
Canada	64.4	50.0	*14.4*	66.8	73.2	*6.4*
Czechia	33.0	17.7	*15.3*	67.1	81.4	*14.3*
Denmark	47.1	30.8	*16.3*	71.4	77.4	*6.0*
Estonia	43.1	39.2	*4.0*	71.0	76.4	*5.4*
Finland	44.7	42.9	*1.7*	70.7	73.4	*2.6*
France	49.4	26.4	*23.1*	63.6	68.7	*5.1*
Germany	34.9	27.6	*7.3*	73.2	79.0	*5.8*
Greece	43.7	24.0	*19.7*	47.5	65.2	*17.7*
Hungary	30.7	20.4	*10.3*	62.4	77.1	*14.7*
Ireland	58.4	33.4	*25.0*	62.4	73.2	*10.8*
Italy	28.9	13.1	*15.8*	49.0	67.2	*18.2*
Latvia	44.2	29.3	*14.9*	70.1	73.0	*3.0*
Lithuania	56.2	31.3	*24.9*	71.0	72.3	*1.3*
Luxembourg	58.2	33.9	*24.2*	64.0	70.4	*6.5*
Netherlands	52.3	32.2	*20.0*	73.9	81.6	*7.7*
Norway	50.8	34.5	*16.3*	72.7	76.6	*3.9*
Poland	42.4	16.9	*25.5*	61.5	75.9	*14.4*
Portugal	41.9	16.9	*25.1*	66.2	71.0	*4.8*
Slovakia	39.0	17.4	*21.6*	61.7	73.3	*11.6*
Slovenia	45.4	24.0	*21.4*	67.8	73.7	*5.9*
Spain	47.4	28.2	*19.1*	55.8	66.1	*10.4*
Sweden	49.1	32.6	*16.5*	73.5	77.4	*3.8*
UK	55.8	39.4	*16.4*	71.9	79.0	*7.2*
USA	51.9	44.3	*7.5*	62.2	72.1	*9.9*

Source: OECD Educational attainment and labour-force status dataset; OECD Short-term labour market statistics

relative (I buy that car because it is ‘distinctive’, it gives me visibility, prestige and so on). As consumption frees itself from the satisfaction of basic needs, the social aspect of consumption becomes more salient: satisfaction depends not only on personal enjoyment, but also on the context of use, which in turn depends on the number of users. This means that the more the use of an asset increases (sports cars, second homes, beach holidays, health services and so on), the more its conditions of use tend to deteriorate (traffic, crowds, waiting lists and so on), and therefore its positional value.

As was already well understood by some economists in the 1970s, the rise of an increasingly positional culture creates a new kind of scarcity (Hirsch 1977).[3] Buying a sports car, travelling in business class, finding a top job in a company made famous by its own advertising has gained value as a status symbol: these activities or achievements indicate a good positioning of the individual within some socially recognised and appreciated hierarchy. But by their nature positional goods are scarce, they have value to the extent that they remain 'oligarchic': accessible to all in theory, in fact obtainable only by a minority. The houses on a pristine stretch of coast, the chances of becoming – or being treated by – a top physician in a hospital of excellence and the places available in a university like Harvard cannot grow that much. In addition to functional limits, there are social limits: without a closed number and highly selective admission requirements, Harvard would no longer be 'exclusive' and would lose its extremely high signalling value.

The growing reach and scope of the positional economy has also directly affected the labour market. Let us take as an example higher-level jobs, which entail functions of responsibility and command. By definition a scarce number of them is available, and demand can only be satisfied to a limited extent: as one ascends the organisational pyramid, the number of upper positions diminishes. Managers are less numerous than white-collar employees, who in turn are less numerous than ordinary workers. In certain productive sectors, moreover, jobs tend to be structurally scarce: due to either functional limits (only a certain number of airplane pilots or astronomers are needed) or institutional limits (the supply of jobs is regulated, as in the public administration or in certain professions). In the positional economy not everyone can win; the game is always zero-sum: if there is only one manager, it is either me or you who gets the job.

Access to the most sought-after positions, and to those of a higher level in particular, increasingly depends on the acquisition of skills certified by educational systems. These dynamics have proceeded hand in hand with the educational revolution: the universalisation of compulsory schooling, the extension of its duration, and thus the rapid increase in the number of young people with a secondary diploma or tertiary degree. The two dynamics responded to needs and demands that were partly different, but they also reinforced each other. If the average level of education of young people increases, the thresholds set to access the various positions will increase as well – especially the upper ones. Educational credentials thus become the main tool for managing the social scarcity of ‘good’, high-quality jobs. These positions are accessed only by a minority of people: those who have distinctive credentials. In turn, this will push more young people to acquire more education and improve their credentials, in order to gain access to positional competition in the labour market.

This interweaving has certainly helped to push forward the frontier of knowledge and skills of the new generations and to feed economic and social progress in general. A more educated and better organised society is a value as such. However, a crucial aspect must be considered: education is itself a largely positional good. The value on the labour market of this or that credential is relative to its diffusion: if everyone has a degree, having it is no longer a relative advantage. It will be necessary to have a master’s degree or a doctorate, perhaps obtained in some institution considered ‘distinctive’ – a diploma at Harvard, for example. In positional terms, mass education ends up leaving everyone in the same place and rank. In the thirteenth chapter of the *Promessi Sposi* (*The Betrothed*, a famous Italian historical novel of the nineteenth century) Alessandro Manzoni describes in an unforgettable passage the perverse effect of positional competition. During a tumult through the streets of Milan in the seventeenth century, at the arrival of the Grand Chancellor, ‘everyone stood on tiptoe and turned to look in the direction where the unexpected visitor was said to be. With everyone on tiptoe no one could see any more than he would have seen if everyone had kept his weight on his heels; but the fact is that they all got up on their toes’ (Manzoni 1983: 231; first published in 1840).

As Daniel Bell had already predicted in the 1970s, in principle the post-industrial transition generates ‘meritocracy’ (Bell 1973): educational systems and in particular universities acquire a quasi-monopoly in determining life chances and, therefore, the shape of social stratification. In the initial forecasts, this trend was to be positively welcomed as a factor of equalisation of opportunities. Over time, there would have been a strengthening of the link between educational credentials and the social class of destination, thus neutralising the intergenerational transmission of disadvantage. Even the children of less wealthy families would have been able to access higher positions through education and training. Unfortunately, this did not happen. The positional character of the credentials and the social scarcity of the upper positions have created a ‘congestion effect’. A diploma or a degree has less value if virtually everybody gets it and if the quantity of upper positions remains fixed or increases in a way that is not proportional to the increase in credentials. It is what is called the ‘educational opportunities trap’ or, if we wish, the trap of meritocracy (see, for example, Brown 2003, Markovits 2019).

Here is the mother of all questions: how do you win the positional race? Who is it that manages to come forward, to get the right credentials for the right places? First of all, the question has a functional side: organisational performance is all the more efficient the more reliable educational credentials are (and the more those hired are really prepared). But there is also a broader social side: how fair are the credential acquisition processes? Empirical research in the last twenty years has no doubts: they are not at all equitable (Bernardi and Ballarino 2016). The weight of the family (and of the class) of origin and/or the networks of social contacts are still predominant in favouring positional competition, both in the educational sector and in the labour market (Goldthorpe and Jackson 2008). Furthermore, the competition for positional goods – and in particular education – is exposed to forms of manipulation and discriminatory practices (for example, through barriers to entry, as in the case of the liberal professions). The idea that education and especially mass higher education could become the 'great equalisers' of life chances has largely proved to be an illusion. The multiplicity and weight of the many arbitrary and discretionary 'bottlenecks' that restrict or favour access to educational or work opportunities for the members of some social groups were not taken into account by the early optimistic accounts.[4]

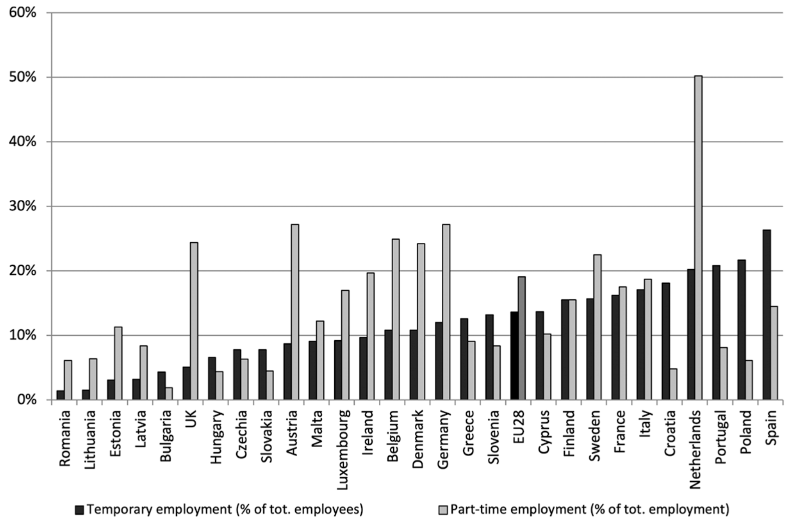
A last factor should be considered. Compared to the industrial sector, in the services sector it is much more difficult to measure individual productivity. The remuneration granted to those who occupy the higher positions is thus based on relatively discretionary criteria. When complex tasks are carried out that do not concern 'things' but the coordination of persons (the subordinates, but not only), the difficulty of calibrating pay to productivity tends to 'inflate' remuneration, connecting it to extrinsic factors (working in finance or consulting, for example). It is well known that often in order to get rid of senior executives whose performance is judged unsatisfactory, companies offer very generous 'golden handshakes' and bonuses. On the opposite side, the wide availability of people – above all, young people – who have credentials around the median (typically a first-level university degree) decreases their value in the labour market, especially in the phase of first entry. It must also be noted that in the service sector there is a wide range of low-quality tasks/jobs. They are accessed by those with low levels of education and skills, with relatively lower wages than similar positions in the past, within the Fordist economy. The polarisation of incomes recorded in the last twenty years reflects to a large extent precisely these phenomena (Autor and Dorn 2013, Goos et al. 2014).[5]

The consolidation of the knowledge-based economy has been one of the major objectives of European strategies over the past twenty years, not only as a tool for competitiveness and productivity, but also as a vehicle for inclusion and the expansion of work opportunities.[6] A more careful characterisation of the positional dynamics triggered by the attainment of this objective today invites greater caution with regard to its social implications and calls for an articulated reflection on how to mitigate the intergenerational transmission of disadvantage, the formation of new mechanisms of inequality and, therefore, of frustration and social resentment.

THE AGE OF DUALISATION

The post-industrial transition, in all its facets, has been accompanied by growing labour market segmentation (Reich et al. 1973, Reich 2008, Eurofound 2019b). In particular, a visible and broader gap has emerged between those who have access to standard work and those who can only access non-standard work, which is much more precarious. The gap between stable and precarious does not necessarily reflect educational differentials. Being mostly young, many precarious workers have good credentials. The dualism has rather institutional roots. It is the result of regulatory structures stratified over time, including those that concern social protections and rights. In some respects, the precariousness of labour relations can be seen as the counterpart of those traditional entitlements that protected employed workers with standard contracts in traditional, predominantly Fordist and heavily unionised sectors.

What exactly is meant by 'non-standard' employment? The expression denotes all contractual relationships that deviate from full-time and/or permanent employment, and which, contrary to 'standard' employment, are generally not fully covered by social insurance. Despite the label 'non-standard', part-time and temporary contracts are becoming today the most common forms of employment, especially for young labour market entrants. On average, in the European Union, the incidence of temporary contracts in 2019, before the COVID-19 crisis, was 13.6 per cent.[7] This figure reached 42.8 per cent in the age cohort 15–24, and 17.4 per cent among employees aged 25–34. Variation across countries is very wide. As shown in Figure 2.2, it goes from the highest value of 26.3 per cent in Spain to below 5 per cent recorded in Romania, Bulgaria and the Baltic countries. Above the EU average we also find Portugal, the Netherlands, Italy and France. As for part-time employment, the Netherlands had the highest share in Europe in 2019, with half of the employed people working with such an arrangement. Austria, Germany, Belgium, Denmark and the United Kingdom followed with shares of between 20 and 30 per cent, also above the EU28 average (19.1 per cent, and 31.3 per cent when looking at employed women only). Beside temporary and part-time work, novel professional figures are emerging around the so-called gig economy platforms: online sites where demand and supply meet each other for services and activities that can be performed 'remotely' (often from home) on a global scale, or commissioned through online platforms but realised locally (e.g. ride hailing, delivery services or domestic services). The European Union estimates that 2 per cent of the adult population is already involved in this type of exchange (Pesole et al. 2018; see also Chapter 4).



Source: European Union Labour Force Survey (EU-LFS)

Figure 2.2 *Share of temporary employees and part-time employment in the EU28 (including the UK), year 2019*

The two recessions of the last decade have further exacerbated the tendencies towards job insecurity. Surveys carried out by Eurofound indicate that in the last decade the perception of insecurity (understood as the fear of losing one’s job in the next six months) markedly increased; the peaks were reached in Southern Europe, where more than 10 per cent of the respondents were afraid of losing their job.[8] In 2018, only 11 per cent of workers in the European Union believed that it was ‘very unlikely’ that they would have lost their job in the next six months. The type of employment contract matters in this respect, whereby those without a permanent contract experience considerably higher insecurity than those on permanent contracts. The outbreak of the COVID-19 pandemic in early 2020 further worsened the prospects for many European workers. In April 2020, less than half (46 per cent) of EU respondents were optimistic about their own future compared to almost two-thirds (64 per cent) as recorded in 2016. Once again, in July 2020 the feeling of job insecurity was far higher for non-standard workers: namely, 21 per cent of people working with a contract of limited duration (24 per cent those under agency contract, apprenticeship or with no contract) were afraid of losing their job in next three months, whereas only 7 per cent of workers with open-ended contracts shared the same fear (Eurofound 2020a).

It is important to consider that the segmentation of labour markets between insiders and outsiders, stable workers and workers in atypical and precarious situations does not in itself produce 'structural' dualisms in terms of outcomes and living conditions. If most people moved effectively from one side to the other – from a temporary to a permanent job, from full-time to part-time and back, and so on – and if they could count on adequate income buffers during the periods of unemployment, the diffusion of new contractual forms would not necessarily produce serious consequences on the entire life course of people.

However, empirical research indicates that this is not the case – at least not in most countries. Social mobility is at a standstill and income inequality has constantly increased, while the risks of unemployment and atypical employment are concentrated in clearly identifiable social groups. As mentioned above, even before considering the access to the labour market and its internal career paths, risks and inequalities already concern the acquisition of those credentials that have become crucial for positional competition. In other words, the segmentation between insiders and outsiders, stable and precarious workers, seriously risks consolidating into a structural socioeconomic dividing line capable of trapping the precariat in a persistent condition of disadvantage and exclusion.

THE SOCIOECONOMIC PROFILE OF PRECARIOUSNESS

Precariousness as a social (more precisely, sociological) condition is the combined effect of three elements: unstable and discontinuous activities or working relationships; inadequate or absent public support, especially during periods of unemployment; personal and household economic vulnerability, also due to low wages. The 'precarious' is therefore an economically vulnerable person who has an unstable job and insufficient access to adequate social benefits. Even if in variable forms, the three elements must in any case occur together to transform precariousness into a structural position, with systematic and significant effects on constraints and opportunities (mainly missed opportunities) on the life chances of those who experience it. Moreover, the three elements must display some degree of persistence over time and not reflect short and ephemeral temporal contingencies: in fact, only if there is persistence does precariousness become a daily risk that shapes identity and preferences.[9]

Economic vulnerability is associated with the lack of an adequate and constant income flow, resulting from work or from sources other than individual labour income; for example, personal assets or those deriving from the family of origin or from the partner's resources. The family context in which we live can in fact play an important role as a cushion for precariousness, especially for young people and for second-income earners. An unpaid internship or a sequence of temporary jobs of a university student coming from a well-to-do family certainly do not have the economic, social and psychological implications that the same experiences would have on a young person coming from a poor family. The same can be said for a precarious worker who lives with a partner who receives a regular salary (social insurance and tax bonuses included) as a labour market 'insider'. In such cases, subjective insecurity is much more limited, and social and political orientations (e.g. on the redistributive role of the state) may tend to conform to those (generally more conservative) of the family or of the partner of reference. Recent research has shown, however, that only a small minority of the population in Western Europe actually benefits from this kind of 'household safety net' (Häusermann et al. 2016). In families or cohabitation contexts without their own resources or reliable and regular income flows, precarious work generates persistent poverty and constant insecurity, thus becoming a decisive factor for life chances.

Italy is a case in point in this respect. The proportion of poor people in households with two full-time employees is 1.6 per cent – and has fallen slightly during the decade of the global financial crisis. If the second earner works part-time, the share rises to 5.4 per cent; if there is only one part-time income, the share is 32.9 per cent, but with a leap forward of almost 10 points during the last decade (Barbieri et al. 2018). A similar picture is reflected by Eurostat data on poverty according to the 'work intensity' of households, which is a measure of the labour that a household supplies to the market: in the case of a two-adult household, it is at its maximum (1) when both persons work full-time, nil when no one is employed, at half value (0.5) if one works full-time and the other is not employed, and so forth for all intermediate household employment profiles. In 2019, before the COVID-19 pandemic, the average at-risk-of-poverty rate in the EU28 was 5.6 per cent in households with very high work intensity (0.85–1), 24.7 per cent for household with medium work intensity, and 60.9 per cent for households with very low work intensity (0–0.2).[10] It is clear that for those who find themselves in this situation, the interruption of income from work immediately generates a situation of serious economic need, which in turn can cause a spiral of pauperisation in conjunction with contingent events: a disease, a debt that is impossible to repay, the birth of a child and so on. In these cases the precarious worker has no alternative to the request for external assistance, revealing the etymology of the adjective that describes it: the Latin *precarius* comes from *prex*, *precis* (prayer, supplication). It is therefore a person who asks for and/or obtains something through prayer. Lived with this intensity and modality, economic vulnerability prevents the formation of occupational identities, of some 'narrative' to order life.

With regard to the type of employment, the risk of precariousness is mainly connected to the following elements: few hours of work, low pay and the presence of a contractual deadline. Also, in these cases, the situation worsens to the extent that earnings and working conditions deviate from the standards of typical work with open-ended contracts. Precariousness is maximum in temporary contractual relationships characterised by low pay. In households with only one precarious and low-wage employee, the share of poor reaches 48.8 per cent (EU average): almost half of so-defined 'precarious' households with relatively low work intensity. In addition to income poverty, precarious contracts are typically associated with low quality of work, in turn defined in terms of poor personal control over the contents and forms of the tasks to be undertaken, a high degree of repetitiveness and monotony of duties, lack of autonomy, poor career and training prospects, inconvenient hours, and physical and environmental risks. Together with economic vulnerability, these aspects affect the perception of self and the identity of the worker. It should be noted that insecurity is massive within the informal economy, which is hardly captured in governments' official statistics.

Finally, with regard to welfare, the degree of precariousness increases in relation to the range and robustness of the benefits to which one is entitled at times of non-employment or in the case of low pay.[11] Starting from the latter, some countries have devised degressive public transfers to top up low wages, conveyed mainly through the tax system. These are the so-called in-work benefits, which are very widespread in the Anglo-Saxon countries, but increasingly also in continental Europe (particularly in France). In the countries where they exist, such transfers are provided as a supplement to low-income workers (e.g. those with wages below the poverty threshold). Where these transfers do not exist, as for example in Southern Europe, there is no social benefit that directly targets the so-called working poor (who are often precarious workers).[12] The high share of poor families in Southern Europe is also linked to low female participation rates: single-income families are at risk of poverty even in the presence of a permanent job – a risk that grows exponentially with the number of children. Beside in-work benefits, various income support schemes are in place in advanced welfare states to provide people with income compensation in case of job loss or poverty. The first social safety net to be activated when one loses one's job is the unemployment benefit, which is the most typical social insurance against the risk of unemployment. Unemployment insurance is, however, not universal: workers in non-standard jobs and, more in general, with non-linear work records, may well fail to reach the necessary contributory requirements to be entitled to the unemployment benefit. In that case, it is social assistance – financed through general taxation – that acts as a last-resort social safety net to provide individuals or households with limited resources with some sort of income guarantees. Today, all EU member states have some kind of guaranteed minimum income schemes in place, although some of them are very poor in coverage and generosity, so that in virtually no European country are minimum income benefits alone sufficient to lift the recipients out of (relative) poverty (Almeida et al. 2022).[13] Moreover, the work-conditionality of minimum income schemes (i.e. the very common requirement of accepting a job offer or otherwise losing the entitlement to the benefit) does not always have positive consequences; it tends to push workers into low-quality/low-pay jobs, and for some hard-to-place individuals, like the low-skilled long-term unemployed, it just does not work.

Another element to consider is that precarious workers are forced to undertake a lot of unpaid work to remain employable: look around for jobs, spend hours on the internet, fill out questionnaires, update the CV, take training courses and so on, so as to counteract the risk of skills obsolescence (and, if possible, increase one’s credentials of a positional nature). Not everyone makes it. Concern for the future drains attention and energy, the mind sometimes becomes blurred, it becomes difficult to be enterprising and one ends up remaining imprisoned in the situation of precariousness and indigence (Standing 2011: 48–9). Neuropsychologists explain that the trap is (also) of a cognitive nature; that is, it is connected to the ‘finiteness’ of our mental capacities and to their concentrated use, in the event of material difficulties, to safeguard elementary survival needs (Mullainathan and Shafir 2014). Experimental research on the ‘psychology of scarcity’ has provided an interesting characterisation of the *forma mentis* that takes hold of us when we lack some essential good: not only money, but also time, friends, adequate nutrition. The mentality of ‘deficiency’ leads us to focus energies on the most pressing needs and the best strategies to satisfy them. While this is good from the point of view of evolutionary survival, such mentality shortens our horizons, makes us short-sighted and less creative, paradoxically limiting our possibilities to overcome the deficiency itself (e.g. of work and income), to evolve towards greater well-being. The subjective feeling of being poor can temporarily lower the intelligence quotient by about thirteen points, more or less as much as a sleepless night (Mani et al. 2013). This is an indication of great importance. For centuries the causal relationship between poverty and intelligence/commitment was thought as going in the opposite direction. According to the famous theory of Joseph Townsend, author of an influential Dissertation on the Poor Laws of 1786, it is the lack of ‘pride, honor and ambition’ that leads to poverty – a vision that is still partly diffused today. In reality, however, it is precisely poverty that condemns us to a cognitively limited life, to use blinders to avoid diverting our attention from the primary purpose of material survival, neglecting any other goal of improvement. Moreover, it is documented that in developing countries people who are in extreme poverty tend not to take medications (even if free), not to wash their hands even if they are aware of the risk of contagion, and to not remove from the fields they cultivate weeds that damage crops. These are not defects of character, but cognitive consequences of their dramatic economic conditions.

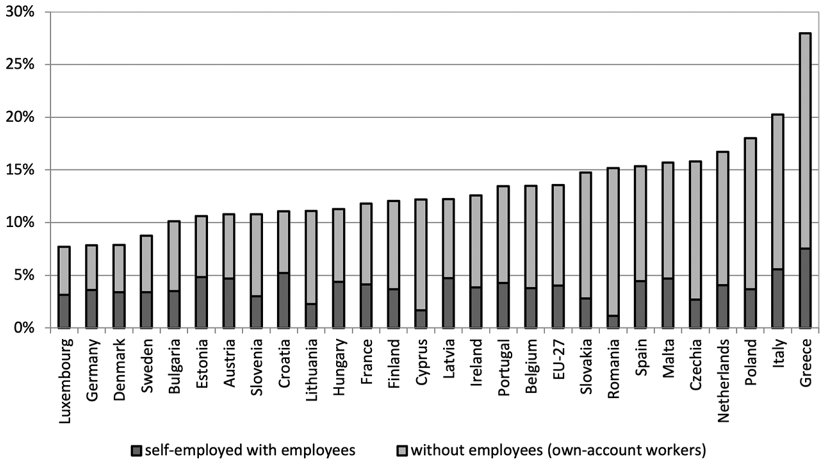
The incidence of precariousness along its three characterising dimensions – vulnerability, job instability, poor social protection – is not easy to measure. However, the available data indicate that there are significant variations between countries (Häusermann et al. 2016). For example, the United Kingdom has a share of non-standard workers which is higher than half of all employed: 53 per cent, of which 70 per cent are women and 31 per cent are young. However, this is also the country with a relatively low gap between gross pay levels of insiders compared to outsiders (24.7 per cent), a gap that decreases comparatively significantly (–9.3 per cent) after taxes and social transfers. In terms of training opportunities, the difference between insiders and outsiders is 6 per cent. In Sweden the share of non-standard workers is lower: 40 per cent, of which 96 per cent are women and 22 per cent are young; the pay gap is higher than in the United Kingdom (32 per cent), the reduction made by the tax and welfare system is 7.2 per cent and the gap in terms of training opportunities is negligible. In Germany the percentage of atypical workers is 43 per cent, the pay gap is 39 per cent and the set of taxes and benefits *increases* this gap by 5 per cent. The situation is similar in Spain, with two aggravating circumstances: the share of young people out of the total of outsiders is 60 per cent and taxes and benefits increase the pay gap between insiders and outsiders by 29 per cent.

As can be seen from these data, the risk of precariousness becoming a structural social position depends to a significant extent on the characteristics of the welfare state and not only on the labour market. As will be better explained in the third chapter, new modes of production and increasing flexibility of work can open up opportunities for personal fulfilment and greater freedom. In other words, structural precariousness is not an inevitable destiny (as proved to be the case with proletarisation of the middle class predicted by Marx). But this destiny must be deliberately contrasted. As we will discuss in depth in chapters 5 and 8, the main instrument is precisely a more effective welfare state, just as it happened during the first Great Transformation.

SELF-EMPLOYMENT AND PRECARIOUSNESS

The decline of standard, open-ended contractual relations has caused the proliferation of hybrid forms of employment, including formally self-employed workers engaged in temporary types of 'collaborations' (Muehlberger 2007, Williams and Horodnic 2019). Hybrid self-employment exposed to the risk of periodic losses of income is a phenomenon that affects all of Europe and is clearly connected to the transformations illustrated in the opening of this chapter. Although stable at around 15 per cent of the workforce (EU average), self-employment in the last fifteen years has, and especially during the economic crisis, suffered a rapid internal restructuring. The share of traditional self-employed (shopkeepers, small craft businesses, farmers and so on) has decreased, while that of 'neo-tertiary' self-employed (freelancers) has increased. The fact that independent employment tends to follow a countercyclical trend (i.e. it grows when the economy slows down) suggests that the latter category also includes forms of hidden unemployment. As Figure 2.3 shows, there is also a wide variation across countries in respect to the share of self-employed over the total number of employed persons. This proportion goes from less than 10 per cent in Luxembourg, Germany, Denmark and Sweden to the peak of 28 per cent in Greece, followed at a distance by Italy (20.3 per cent). The high share of self-employed without employees in countries where self-employment is most common is plausibly associated not only with the incidence of neo-tertiary freelancers, but also with a widespread use of bogus self-employment work relationships. That is, the above-mentioned 'hybrid' or 'solo' self-employed: persons working for a single employer (formally, the buyer of their services) although they are contracted under different pay/working conditions, which is a common practice to shift the burden of social security contributions onto workers themselves.

In itself, being a self-employed worker does not mean being precarious in the sociological sense of the term. First of all, surveys confirm that self-employment is the result of a choice for the majority of non-employees. Only a quarter of the self-employed without own employees declare that they are in this condition for lack of alternatives (Vanhercke et al. 2018). This 25 per cent is then divided into two further groups. First and foremost the 'vulnerable': they are self-employed in a more or less traditional sense, but they have only one client and would find it hard to find others. Then there are 'hidden' dependent workers: para-employees who have very little discretion over their performance. Both groups are characterised by low incomes and lower protections than employees. To give just one example: on average in the European Union two-thirds of para-employees declare that in the event of pro-



Source: Eurostat Labour Force Survey

Figure 2.3 Share of self-employed over the total number of employed persons. Year 2020, EU27 countries

longed illness they would find themselves in conditions of serious economic difficulty.

Moreover, a look at the formal rules of access to welfare for the self-employed confirms the large protection gap between these and the employees (Vanhercke et al. 2018). In fifteen EU countries the self-employed are not entitled to unemployment benefits; in twelve member states they are not entitled to work accident benefits; as for sickness allowance, about half of EU countries do not provide for compulsory coverage. Even in those countries where coverage is full and mandatory, there are nevertheless several indirect barriers; for example, in terms of vesting periods. The pandemic and national lockdowns in Europe unveiled these gaps in social protection coverage for the self-employed. Like non-standard workers, the latter were among the categories hit the most by the socioeconomic consequences of the pandemic (Spasova et al. 2021, Natili et al. 2023). If the tendency towards growth of vulnerable or hybrid self-employment continues, it is easy to foresee the appearance of new pockets of structural precariousness within this occupational group, which will go alongside the already crowded ranks of precarious employees with atypical contracts.

PRECARIOUSNESS AND YOUNG PEOPLE: A LOST GENERATION?

In addition to occupational status and gender, the risk of precariousness is strongly related to being young. Apprenticeships, internships, temporary or on-call work, occasional collaborations: these are the forms of work/contract with which a large share of young people enter the labour market today. For many of them, labour market insertion through atypical contracts becomes a true ordeal. The probability of being trapped for a long time (perhaps even for life) within the group of outsiders is largely related to the sector of activity and the level of education. The latter does not guarantee access to standard, well-protected jobs, as labour market ‘outsiderness’ is also common among high-educated (young) segments of the population, especially in Southern Europe (Häusermann et al. 2015). However, in sectors such as the free professions, fashion, design, information technology and so on – where the levels of skills requirement are higher – the probability of reaching a well-paid and protected job as an employee or self-employed is still relatively high for those who hold advanced educational credentials. In the sectors closest to manufacturing (in particular those where subcontracting is more widespread) the probability decreases, as well as in low-grade services: for example ‘McDonaldised’ jobs in trade, catering, social or personal services and so on. The risk of remaining trapped in outsiderhood is highest among irregular, unemployed or inactive young people with low or no educational qualifications.

The youth unemployment rate grew everywhere during the first half of the 2010s, and more than doubled in Southern Europe. The unemployed youth include, above all, the so-called NEETs: young people who are neither employed, nor at school nor included in training courses. In 2022 the share of the 20–34 years old NEETs was 17.6 per cent across the European Union, ranging from the lowest share of 8.2 per cent in the Netherlands to the highest in Italy (29.4 per cent).[14] That of NEETS is a heterogeneous group, but the most widespread characteristics are: low level of education, difficult family contexts (including many immigrant families), and loss of motivation and initiative that grows in proportion to the duration of the NEET condition. It is not difficult to imagine the consequences of this syndrome in terms of positional competition. It is in particular the situation of the (southern) periphery of the European Union that raises concern in this respect (see Table 6.1 in Chapter 6).[15]

The segmentation of the labour market has played an important role in the precarisation of the young: the latter are also ‘outsiders’ by definition until the school–work transition is completed. The burden of crossing the border and entering the labour market falls on their shoulders. But the organisation of the education and training system, on the one hand, and labour and welfare policies in general, on the other, are decisive in supporting this transition, which is actually a very important component of the broader transition to adult life. Also in this respect there are very significant differences between the various member states.[16] In Northern European countries, the transition to adulthood is rapid: half of the young leave home between the ages of 18 and 25. The supports for families with children are generous, but end after the age of 22. On the other hand, the state directly helps young people who constitute autonomous households. Those who attend university have access to scholarships. Everyone can access housing benefits. When they leave home, Northern European young people have the opportunity to support themselves, to form new partnerships and have children (on average by the age of 30). Labour market insertion is also rapid and organised by public services; students combine study and work early, and follow training and orientation programmes. It was Scandinavia that invented, twenty years ago, the 'Youth Guarantee', which was then tested, with limited success, also in Southern Europe, thanks to European co-financing.[17]

Continental countries like Germany and France have a more family-oriented model (Buchmann and Kriesi 2011). Support for dependant children can extend to the age of 25; life with parents lasts a little longer, though almost never beyond 30. However, familism does not prevent labour market insertion. The system is designed to accompany young people towards those professions most needed by businesses. In German-speaking countries, more than half of high school students follow educational paths with a strong professional component, and then enter enterprises as apprentices. The school–work transition is governed relatively effectively.

Compared to those of Central and Northern Europe, the model of Southern European youth (and Italians in particular) has two striking anomalies: hyper-familism and the absence of ordered pathways to labour market insertion. The exit from the family of origin takes place very late: between the ages of 25 and 38; more than half of Italian youth (up to 35 years old), for example, still live at home – an absolute record in Europe. The first child arrives on average between the ages of 34 and 36. For the state, the children who continue to study after the age of 18 are treated as family dependants: in some cases parents can retain the right to benefits for up to twenty-six years. In some countries banks can provide honour loans (i.e. student loans with no collateral required). However, parents prefer to tighten their belts rather than see their children in debt. Public scholarships are scarce. The tax benefits for rents paid by students away from home go again to parents. In terms of labour market insertion, the distance from other countries is colossal: in Southern European schools there is very little counselling, especially in the crucial junction between lower and upper middle schools. High costs of labour for stable contracts also contribute to make it harder for young people to find a job immediately after a secondary school or higher education.[18]

In an emblematic speech in 2017, Mario Draghi observed that, despite being the best educated generation ever, young people were paying too high for the Great Recession that broke at the end of the 2000s. To avoid creating a 'lost generation' it was necessary to act quickly – he stated.[19] 'Lost generation' is an expression coined by Ernest Hemingway in his first novel, *Fiesta* (1926), to designate young people who reached the age of majority during the First World War and found themselves entering adult and working life in a devastated and inhospitable context. Although there has been no bloodshed, the Great Recession of the early 2010s caused economic and social damages not much unlike those of a war. This is even more true for the crisis triggered by the COVID-19 pandemic, which was explicitly compared with the Second World War by Angela Merkel, among others (Deutsche Welle 2020). Above all, the crises of the last few years have accentuated dualisms, intertwining them and creating new pockets of structural disadvantage that threaten not only the destiny of an entire generation, but the very bases of productive and reproductive growth.[20] When scholars started to speak of the post-industrial society, in the 1970s, the term evoked optimistic and positive scenarios, largely 'emancipatory'. However, today many are looking back to the past – a bad sign, also from a political point of view.

EXPLOSIVE CLASS OR POLITICALLY HETEROGENEOUS MULTITUDE?

In his provocative essay *The New Dangerous Class*, Guy Standing identified in precarious workers – especially in their youthful component – an emerging class in and of itself; that is, a social group aware of its own structural condition and interests, and capable of challenging the status quo based on a radically transformative project (Standing 2011). For the establishment of post-industrial neo-capitalism, this would be an 'explosive class', ready to mobilise in the squares, as happened in the early 2010s in New York, Madrid, Athens and Istanbul.

Developments have not univocally taken this direction. First of all, as stated above, precariousness is structural – and therefore sociologically relevant – only in the presence of three conditions: job instability, economic vulnerability and poor social protection. The constituency in question is still wide, but far from the size of the nineteenth-century proletariat. The concentration of precariousness among young people is unfair and hateful but, as we know, although ascriptive, age is a variable that changes due to biological dynamics, and this change can make an individual pass from one position to another in a semi-automatic way in relation to the economic, social and institutional context. Only old age creates shared bonds and identities: not only due to the socio-biographic relevance of retirement, but also because, after a certain age, the prospect of further advancing in the life cycle (and experiencing upward mobility) comes to an end. It is no coincidence that in many countries pensioners' parties and unions have formed over time, but never (or almost) youth parties or unions.[21]

Second, inequalities of the social structure are never automatically translated into political conflicts. For a sociological structural differentiation to be 'politicised', precise conditions are required (Bartolini and Mair 1990, Kriesi et al. 1995). On the demand side, there must be a sharing of ideological-programmatic orientations and willingness to political participation. On the supply side, forms of articulation and aggregation of interests and channels of representation must emerge. Research indicates that these conditions are not easy to meet and that there is a high variation between countries (Beramendi et al. 2015). Overall, the 'precariat' is experiencing a very different situation relative to the Fordist mass workers typical of the industrial age. The latter, who usually shared the same working space (e.g. a factory) and had relatively homogenous interests, formed a strong and cohesive constituency for left parties and unions, which were thus able to make their voices heard in the political arena. The interests of precarious workers – a very heterogeneous social group with different socioeconomic backgrounds, employment relationships, working spaces and arrangements (think of teleworking or platform work) – are harder to aggregate: the precariat likely suffers of a lack of political influence.[22] A number of factors militate, for example, against the sharing of orientations among precarious workers: even when it is structural, the condition of precariousness can be perceived as transitory; with respect to traditional standard employment, precariousness is sensitive to the influence of 'situations' outside the labour market realm that can attenuate the impact of precariousness on beliefs and emotions; the propensity to participate in politics by the youth is low on average. As regards the differences between countries, in Northern Europe the degree of politicisation of precariousness – a relatively contained sociological phenomenon – is almost negligible. In continental Europe and above all in Southern Europe, the question of precariousness has instead acquired a more central role in the political debate and tends to generate shared orientations in favour of non-contributory redistributive measures (Schwander 2019). However, the propensity to vote is significantly lower among the (young) precarious than standard employees (Rovny and Rovny 2017, Negri 2019).

As for the supply side, politicisation is hampered by at least three factors. Outsiders are much less unionised than the insiders, also due to the lack of attention that unions paid to them in the past (Rueda 2007).[23] As is well known, left-wing parties have not provided concrete answers to the needs of precarious workers, instead concentrating their strategies on the defence of the interests – and therefore of the vote – of the insiders, increasingly attracted by those programmes with 'social and cultural protectionist' orientation that characterise the parties of the populist and neo-nationalist right. It is documented that these parties are also supported by the less educated component of precarious young people (Zagórski et al. 2021). In short: lack of organisation and mobilisation and lack of an attractive political supply inhibit that potential of politicisation from the demand side that might exist in some countries. A potential that generates, in some contexts and contingencies, waves of rapid mobilisation of movements (France or Spain, to a lesser extent Italy), followed however by equally rapid ebbs of de-mobilisation.

The new model of economy and society that has emerged from the post-industrial transition has certainly created new divisions within the labour market: this is a trend that has transversally affected all OECD countries. But the distributional and political implications of these new divisions are anything but automatic and unambiguous. In spite of the 'meritocratic' expectations connected to the educational revolution, the former depend on social and family ties and, above all, on the profile of the welfare state; the latter depend in turn on the channels of representation of interests and political representation, on the type of party system and on the ideological profile of the various parties. More than a new explosive class, the precariat is rather a diverse and fragmented multitude from a sociological point of view; from a political point of view, the multitude is difficult to decipher, with a profile that also varies considerably geographically, from full integration (Nordic countries) to exclusion and alienation in Southern Europe.

NOTES

1. This dilemma of labour-intensive service jobs is best known as the 'Baumol cost-disease', named after the economist William J. Baumol. Baumol originally explained the stagnating productivity of the service sector with reference to performing arts. Actors do not become 'more productive' over time. Nevertheless, their wages are higher today than they were fifty years ago, since they have risen with the general wage levels and cost of living. In other words, wages in labour-intensive jobs tend to rise adjusting to the leading dynamics of the manufacturing sector, but their productivity lags behind (see, for example, Baumol 1967).
2. Exceptions are found in countries such as Turkey, Mexico, Costa Rica and Chile, but also Italy and Greece, where the employment rate for partnered mothers was equal or below 60 per cent in 2019, whereas the EU average was 73.3 per cent, with a record rate of 87.2 per cent in Sweden (OECD Family database).
3. On the debate on positional goods, see also Pagano (1999), Hopkins and Kornienko (2004), Frank (2005), Schneider (2007).
4. We will return to the serious issue of 'bottlenecks' in Chapter 8.

5. It should be noted, however, that job ‘upgrading’ rather than polarisation appears to be a common trend across Western European countries, whereby the increase of highly qualified labour supply due to educational expansion goes along with job creation in occupations requiring higher skills. If anything, job (and income) polarisation is most visible in Anglo-Saxon countries with ‘liberal’ welfare states and economic arrangements (Oesch and Piccitto 2019).
6. Chapter 6 delves deeper into this.
7. Eurostat data. We refer to the Eurostat definition of temporary employment, which includes a number of fixed-term work arrangements, as opposed to permanent work where there is no end date. In addition to workers with fixed-term contracts, people in seasonal employment, in agency work or with specific training contracts are also counted.
8. See www.eurofound.eu.
9. See Choonara et al. (2022) for a comprehensive collection of critical perspectives on precariousness.
10. Data EU Income and Living Conditions survey, accessed from the Eurostat online database: https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do. For more insight on the relationship between poverty and employment in the European Union, see Cantillon and Vandenbroucke (2014).
11. On precariousness and welfare, see also Kalleberg (2018). Immigrants are particularly exposed to precariousness, given that, in their case, it is the very link with citizenship (the right to have rights) that remains tenuous and often expires. Think for example of residence permits, whose granting and renewal are often uncertain, but also of the strict citizenship or long-term residence requirements often attached to social assistance benefits. On the conditions of precarious migrant workers, see Lewis et al. (2015).
12. On in-work benefits, see OECD (2005), Immervoll and Pearson (2009). On in-work poverty, see Pradella (2015), Lohmann and Marx (2018).
13. The two last EU member states to introduce state-wide minimum income schemes were Greece (in 2017) and Italy. Italy introduced a very residual scheme in 2018, which was replaced in 2019 by the *Reddito di Cittadinanza* (‘Citizenship income’, which is one of the Italian wordings for ‘basic income’; this name is actually misleading, since *Reddito di cittadinanza* is a means-tested social assistance benefit targeted to the poor, and not a universal transfer to all citizens – see Chapter 5 for a discussion of basic income).
14. Eurostat data.
15. On NEETs and youth unemployment in Europe, see also Bruno et al. (2014).
16. On school-to-work transition, see de Lange et al. (2013), Raffe (2013), Chevalier (2016).
17. On the transition to adulthood, see Buchmann and Kriesi (2011). On the Youth Guarantee and its origins, see Tosun et al. (2019).
18. For more insight on school-to-work transitions in Europe, see Eurofound (2014).
19. M. Draghi, Youth Unemployment in the Euro Area, speech for the Henry Grattan Lecture Series at Trinity College, Dublin, 22 September 2017, https://www.ecb.europa.eu/press/key/dates/2017/html/ecb.sp170922_1.en.html.
20. See Chapter 6 for a discussion of the ‘social imbalances’ (including poverty, social exclusion, youth unemployment and ‘wasted’ human capital) that threatens the socio-political stability of the European Union. On the dualisation of Europe in the aftermath of the COVID crisis, see also Natili et al. (2023).

21. On the emergence of pensioner parties, see Vanhuysse and Goerres (2013).
22. Class fragmentation in today's knowledge-based economy, as compared to the industrial working class, is particularly evident when looking at new forms of self-employment – what we called 'hybrid self-employment' above: see, for example, Bologna and Fumagalli (1997). On the heterogeneity of new social risks in post-industrial societies, see Armingeon and Bonoli (2006).
23. Recent research has nevertheless shown that in some cases unions have started to change their stance towards atypical workers (Durazzi 2017), and that temporary workers exhibit stronger support for the new left, rather than political disenchantment (see, for example, Marx [2014]).

3. Globalisation, inequality, insecurity

TRADE LIBERALISATION: LIGHTS AND SHADOWS

Many classical political theorists would today look with astonished appreciation at the liberalisation of trade and the globalisation of markets which characterises our world. The *doux commerce*, argued Montesquieu, promotes not only economic prosperity, but also the triumph of ‘interested reason’ with respect to violent oppression in relations between individuals and between states (Montesquieu [1748] 1989). Also Adam Smith emphasised the civilising aspects of economic exchanges between nations: such exchanges promote relations based on persuasion instead of force, on universalistic urbanity rather than on belligerent tribalism (Smith [1762–66] 1978). For Max Weber, markets are the most impersonal form of social relationship, but they also have a minimal ‘communitising’ component, by virtue of the sharing of interests that is established between current and potential traders. A functioning market requires – and therefore indirectly promotes – peace, the sharing of certain ethical principles, the adoption of applicable and enforceable laws. In certain historical moments, and especially in Europe, market-building processes played a significant role in activating the dynamics of centralisation and then of democratisation of political authority (Weber 1978).

The expectations of classical authors were all plausible and grounded. Unfortunately, however, in the social realm we cannot rely on laws, but only on probabilistic tendencies, which occur within favourable contexts and only under certain conditions. One of these is that market exchanges – which in turn rest on the free movement of goods, services, capital and people – produce ‘acceptable’ distributive results, to the extent that they conform to the principles, expectations and needs of market participants, with particular regard to the weakest. Freedom of movement is a product of government action. Thus, markets are to some extent political institutions, and as such they require legitimation. If the inequalities and insecurities generated by free trade go beyond the threshold of social acceptability, the pacifying and civilising effects are attenuated until they turn into their opposites. Market-building and openness can be transformed into vehicles of division, and sources of instability and conflict, even violence.

In the wake of numerous studies (emblematically represented by the recent works of Thomas Piketty and Anthony Atkinson),[1] we know that inequalities and insecurity have strongly increased in recent decades within developed countries, precisely as a result of growing openness and internationalisation. And at the same time we observe that democratic regimes are becoming increasingly unstable across the world. The virtuous circle between market economy, liberal democracy and social cohesion, which characterised the second half of the twentieth century, seems to have irreparably stalled, opening up gloomy prospects. The COVID-19 crisis has aggravated some of these pre-existing trends, most probably leaving legacies that will impact inequalities in the long term (Blundell et al. 2020). How did this come about?

The changes in the world economy over the last three decades can be called epochal. As anyone over fifty years of age can testify, at the end of the 1980s, before the Berlin Wall collapsed and before China began to liberalise its economy and open up to international trade, the world was completely different from today. In retrospect, the late 1980s can be regarded as the apex of what economic historians have called 'the great divergence' between the West and the rest of the world – a divergence produced by the first wave of globalisation begun almost two centuries earlier (Grinin and Korotayev 2015). When Britain and other Western economies industrialised, the gap between the living standards that separated them from all other countries began to widen. The first wave of globalisation brought unprecedented prosperity to Europe, the United States, Canada, Australia, New Zealand and Japan. Outside these contexts, however, underdevelopment and widespread poverty continued to dominate.

The second wave of globalisation began at the end of the last century with the integration into the world economy of China, India, Russia and its former Soviet satellites in Eastern Europe, and with the rapid growth of Korea, Taiwan, Brazil and other developing economies. In 1990, only 1.27 per cent of world output was attributable to the Chinese economy, compared to 52.97 per cent of the G7; in 2018, China's share had grown to 14.05 per cent, while that of the G7 had fallen to 39.59 per cent.[2] A combination of vertiginous growth in rapidly industrialising countries and low growth in the countries of the G7 has determined what Richard Baldwin has called 'the great convergence'; that is, a massive decrease in inequality between the North and South of the world (Baldwin 2018). The strong growth in the average per capita income of emerging countries lifted a substantial share of the population above absolute poverty. In Asian countries there has been a rapid expansion of a new middle class, increasingly connected to the global economy in terms of access and consumption of goods and services. In urban areas of China, average household incomes are now higher than in Romania, Bulgaria, Latvia and Lithuania.

However, this net improvement in well-being and living conditions in developing countries has been counterbalanced by an equally marked increase in income differences between social strata within developed countries; that is, greater inequality. To summarise these epochal changes, Branko Milanović has suggested the well-known metaphor of the 'elephant curve' (Milanović 2016). The tail (facing downward) indicates the stagnation of incomes in underdeveloped countries, mainly in Africa. The elephant's humpback refers to the massive increase in the income of emerging countries. The base of the trunk (again, facing downward) indicates the deep fall in the incomes of the middle and lower middle classes of the developed countries. And finally the tip of the trunk (facing upwards) represents the richest decile of the population, with a peak that indicates the strong growth in the incomes of the wealthier classes.

At least until the beginning of the financial crisis (2008), the per capita GDP of the OECD countries continued to grow, but the distribution of incomes became much more jagged. The incomes of the richest households (the tip of the elephant's trunk) have grown with a particularly marked intensity.[3] According to Milanović's estimates, the 'hyper-rich' – defined restrictively as the group comprising the 735 individuals with a net wealth of over US$2 billion in 2015 – hold wealth of over 6 per cent of world GDP. In 1987, their equivalents, 145 people with a net wealth of over US$1 billion (or US$2 billion in 2015), controlled less than 3 per cent.

At the centre of the income distribution, two divergent trends have played out, particularly marked in the United States. On the one hand, with the post-industrial transition and, above all, the expansion of the knowledge-based economy, a new middle class has emerged (educated workers, employed in advanced sectors, residents in large conurbations) who have maintained, or slightly increased on average, their standard of living in relation to GDP. On the other hand, a gradual setback has begun for the 'old' middle class, especially the lower middle class. The supply of Fordist jobs, stable and with good salaries, has thinned out, particularly in manufacturing. This is partly linked to technological innovation, but also to globalisation. For instance, it has been calculated that the impact of Chinese imports alone has led to the disappearance of two million jobs in the US manufacturing sector. In turn, there is compelling evidence that this 'China shock' has been translated, in trade-exposed electoral districts, into the growing support for populist views, particularly of the right-wing kind (Acemoglu et al. 2016, Autor et al. 2020). Another factor of polarisation has been constantly growing migration flows. Immigration, often illegal, from Mexico has displaced native workers in various low-skilled occupational sectors, driving up support for right-wing populism (Chen 2018, Mayda et al. 2022).[4]

Although to a lesser extent, the countries of the European Union have also recorded similar dynamics. From the beginning of the 2000s onwards, income inequality has increased in all member states, except for some countries of

Central and Eastern Europe (Poland, Romania and Bulgaria). And, just like in the United States, the income of the richest 1 per cent has grown. This increase has been substantial (more than five points) in the United Kingdom, Ireland and Portugal, but affected virtually all countries, including the Nordic countries. Correspondingly, the risk of poverty and social exclusion has increased, and now visibly affects even the old middle class. Relative poverty, precariousness and unemployment (especially among youth) have risen sharply during the Great Recession, especially in the South European countries and in Ireland (see table 6.1, chapter 6). On average, across the European Union, the loss of jobs in the manufacturing sector has been massive. The phenomenon began at least fifteen years ago, but recorded a strong acceleration during the euro crisis: –11 per cent from 2008 to 2014 (European Commission 2015). As in the United States, Europe has also experienced a rapid increase in migration flows, both within the Union (in the wake of Eastern enlargements) and from third countries (Africa, the Middle East). In addition to the dynamics connected to the opening of borders, in Europe the impoverishment of the traditional middle class and the increase in social exclusion were also produced by the reduction of welfare benefits, partly due to austerity and processes of fiscal consolidation imposed by the European Union (Matsaganis and Leventi 2014).

A DISJOINTED STRATIFICATION SYSTEM

The sharp increase in inequality has initiated a process of ‘disarticulation’ of the social structure in terms of life chances: material resources, opportunities, expectations, connections (Milanović 2016, Iversen and Soskice 2019). The class structure of advanced societies has re-configured itself into five segments. At the top we find the already mentioned plutocratic and ‘globalised’ elite: the richest percentile is fully integrated into the global networks – especially financial ones – and is able to consume and live in a world without borders. For this elite, globalisation has brought enormous advantages in terms of income, wealth and opportunities, including those of political influence (*affluence is influence*). Next, we find the upper middle class, benefiting from globalisation but still mainly anchored to national assets and activities. This class still controls a significant share of the positions of authority within the various countries, often through co-optation mechanisms. At the centre of the distribution is the ‘middle mass’, which in turn is increasingly differentiated between new and old strata. The traditional working class has been absorbed within this middle mass, which Iversen and Soskice (2019) call the ‘old’ (industrial) middle class, and has been witnessing a gradual decline: a stagnation of incomes and, during the financial crisis, even a reduction in real terms. In spite of relative impoverishment, the middle mass is somewhat connected to global networks, as consumers of goods and services made accessible by globalisation: low-cost flights and mass tourism, computers, cell phones and so on. But today this class perceives mainly the negative aspects of globalisation in terms of economic and social insecurity. Many households have lost their jobs and/or have had to reduce their living standards (the French debate has introduced the category of *déclassés* in this regard). As cognitive psychology indicates, losses weigh more than gains, especially if the latter come from the invisible hand of the market.

At the bottom of the distribution we find the 'deprived', the 'excluded' and above all the majority of precarious workers. These groups tend to suffer the negative consequences of openness and the policies that have accompanied it: liberalisation of labour markets, relocations and offshoring, cuts to public services and so on. Advocates of globalisation and economic integration have overstated the potential for trickle down from these processes. Economic advantages have benefited primarily the highest deciles: very little has seeped down to the lower ones, thus generating an increasing group of 'losers' (Kapstein 2000, Kriesi et al. 2008). The social consequences of the COVID-19 pandemic have fallen disproportionally on these lower strata, since those on non-standard contracts – part-time and temporary workers, but also the self-employed – and the unemployed had less protection against income loss than those on regular contracts (Myant 2020; see also chapter 2 in this book). Furthermore, the employment sectors most directly affected by lockdowns were predominantly low-paid, precarious and young (Eurofound 2020a).

The new type of stratification connected to the post-industrial transition and globalisation is disjointed for at least three reasons. The first is that the economic, social, cultural distance and opportunity between the various strata and the opportunities to which they have access have reached unprecedented levels.

The second reason has to do with the growing salience of locational inequalities; that is, the inequalities related to the area of residence as well as nationality. Those who live in disadvantaged areas have fewer opportunities and fewer resources, including in terms of public services. Those born in a less developed country often have to face the drama of emigration to improve their standard of living (or merely to survive). Citizenship, understood as national belonging, can today be considered an undeserved advantage, as it is the fruit of the natural and social lottery.

The third reason is that upward mobility between the various layers is very low, both within and between generations. Income and opportunity inequalities are traditionally justified, in market economies, as the price to pay for safeguarding incentives to work, guaranteeing economic efficiency, allocating talent, rewarding merit. In addition to being compensated by welfare policies, inequalities can be offset and thus legitimated by high chances of social mobility. On this last point, however, the data indicate that today the levels of inequality are accompanied by a contraction and not an increase in mobility. For example, the probability that a child born to parents in the lower fifth of the income distribution moves up to the next fifth is much lower in the United Kingdom (9 per cent) and the United States (7.5 per cent) – two countries that have become increasingly unequal – compared to Canada (13.5 per cent) and Denmark (11.7 per cent) – two countries with one of the most egalitarian income distributions.[5]

Alan Kruger has called the growing inverse relationship between inequality and mobility 'the Great Gatsby curve'.[6] In Fitzgerald's famous novel, the protagonist – born in a poor farming family in the first half of the twentieth century – becomes a captain of industry and realises the great American dream. The name of the Great Gatsby is used here as a synonym of that upward mobility, which has drastically diminished today. It must also be taken into account that social mobility shows wide regional variations even within individual countries, in relation to the incidence and distribution of various positional bottlenecks. In the United States, for example, cities such as Salt Lake City and San José have rates of upwards mobility comparable to countries with the highest rates of relative mobility, such as Denmark. Other cities – such as Atlanta – instead have social mobility rates lower than any developed country for which data are available (Chetty et al. 2014a).

The different layers are also exposed in a very different way to migratory flows and their consequences. Empirical research rightly suggests that immigration 'is good for the economy' (Boubtane et al. 2016). But these are essentially aggregate assessments, which do not consider local variations, the 'here and now'. Immigrants do not distribute themselves evenly across territories, occupational sectors, neighbourhoods, and so on. The cosmopolitan elites live in their own golden worlds. Much of the middle classes (especially the 'old middle classes') instead encounter immigration in their daily lives, experiencing tensions due to cultural and social distances as well as increased competition for low-skilled jobs (a threat particularly felt by the poorest) (see Table 3.1). With the emergence of fundamentalist neo-terrorism, immigration has also brought concern about the risks to public order and personal security. Among other things, immigration adds another sub-group to the 'excluded': the layer of non-citizens, especially if illegal, mainly concentrated in the very last percentiles of income distribution, but separated from them by formal and informal, explicit and implicit discrimination (Lewis et al. 2014).

Table 3.1 Orientations towards immigration according to household income

Would you say it is generally bad or good for your country's economy that people come to live here from other countries? Answers from 0 to 10.			
Respondents' income status	Good for the economy (0–3) %	Middle position (4–6) %	Bad for the economy (7–10) %
Living comfortably on present income	42.24	34.1	23.66
Coping on present income	36.03	36.71	27.25
Finding it difficult on present income	30.14	35.69	34.18
Finding it very difficult on present income	23.28	31.35	45.37

Source: Data from the REScEU 2019 Survey (Donati et al. 2021)

Societies are always characterised by multiple dimensions of inequality and, therefore, by varying levels and forms of stratification. What must concern us today is the size of the gaps between one layer and another, the paralysis of mobility, the disarticulation of stratification as a 'system'. This is a situation that risks not being remedied by a simple economic recovery. In Latin America it was precisely the disjointed nature of social structures that caused economic and political instability throughout the last century: an instability punctuated by insurrections, coups d'état, populist movements, inflationary spirals, fiscal crises (see, for example, Barros and Wanderley 2019). Even the United States and Europe are not immune to such scenarios today.

INSECURITY, RESENTMENT, PROTEST

Impoverishment and economic insecurity inevitably generate social resentment. The causal mechanism is that of relative deprivation, masterfully brought to light by the American political scientist Ted Gurr in a classic book of the 1970s (Gurr 1970). The primary source of any rebellion is the psychological frustration-aggression sequence. When it is prolonged and strongly rooted, frustration translates into anger, even violent rebellion. The politically relevant frustration is, in fact, 'relative deprivation'; that is, the discrepancy between what citizens think they deserve and what they believe they can realistically achieve from social cooperation. As stated above, relative deprivation is a function of the 'acceptability' and legitimacy of the distributive order in force in the context of reference. What matters are not only objective developments, but also and above all the perceptions and attributions of blame.

Surveys indicate that globalisation and immigration are considered by large sectors of the middle mass – rightly or wrongly – as the main factors responsible for their own impoverishment and their growing insecurity. According to Eurobarometer data, the absolute majority of Spaniards, Italians, French (the most alarmed) and even Germans believe that globalisation benefits only companies and promotes inequalities.[7] Competition between domestic and foreign companies, offshoring and corporate restructuring are considered, 'here and now', the reasons for which a job is lost and/or not found. Immigration is overestimated in the perception of citizens, but it cannot be denied that it objectively causes, in many areas, a growing competition to win or keep scarce resources; in particular, jobs and public services (see, for example, Boeri 2010, Finseraas et al. 2012).

Economic insecurity and the intensity of anti-opening feelings are strongly linked to education levels and job positions, and therefore to precariousness. The debate rightly speaks of the 'losers' of globalisation. Who has decided and promoted these openings of boundaries and trade? Here the attribution of blame meets the political system. The feelings of relative deprivation channel the aggressiveness of voters towards the ruling elites, against the so-called mainstream, centre-right and centre-left parties, which in the last twenty years and especially during the global financial crisis have made possible (or have not been able to manage or block) international competition, immigration, welfare cuts as well as threats of terrorist attacks. The spread of blame orientations towards government elites creates incentives for the formation, on the supply side, of anti-establishment, anti-elite protest parties and movements. Thus the vicious circle of populist politics, based on the amplification of the people–elite opposition, or the opposition between 'us' and 'them', is inexorably activated: one or more charismatic leaders, who exploit discontent, emphasise feelings of relative deprivation and often exaggerate the blame attributions already widespread among 'the people', formulating proposals in line with what voters want to hear, even if they are unrealistic or unreasonable.

The precariat is, as has been said in Chapter 2, a heterogeneous group: it does not have the characteristics of an 'objective class' in the Marxian sense, but is united by the vulnerability and insecurity of living conditions. Even if in a more attenuated way compared to 'structural' positions, life situations give rise to group affinities that shape attitudes and can be transformed into kernels of aggregation and mobilisation (Collins and Sanderson 2015). In the last fifteen years there have already been phenomena of this kind, which became more pronounced during the crisis: for instance, the Occupy Wall Street movement in the United States, and the Indignados in Spain. It should be kept in mind that the majority of the precariat is young: it is both a social category and a generation. The second aspect makes its gradual constitution into a cohesive, coherent and stable pressure group more difficult. Fuelled and amplified by the

Great Recession since 2009, the vicious circle of 'globalisation/immigration → impoverishment and insecurity → relative deprivation and political resentment → populism' is acting as a factor of destabilisation not only within many consolidated democracies but also in new democracies and democratising countries. Think of Poland, Hungary and especially Erdoğan's Turkey.

In the last thirty years, the stabilisation of the international system – to the extent that it has occurred – has taken place thanks to the affirmation of *liberal* rather than democratic principles. As Ralf Dahrendorf wisely predicted, the inequalities and insecurities caused by globalisation are putting a strain on the capacity of democracies to adapt and promote change in an orderly way, even in international arenas, without violating the rule of law and freedom rights.[8] While avoiding excessive pessimism, the increasing political strength, in both advanced and developing countries, of nationalist-populist movements and protectionist sentiments (Van Bergeijk 2019), as well as the intensified rivalries in a range of domains between the big powers and the associated decline of multilaterialism (Hopewell 2021, Lavery and Schmid 2021), risk entailing a spiral of destabilisation of political equilibria, with uncertain consequences for both the global international system and the internal stability of single Western countries as well as for relations between them.

CRISIS OR DISINTEGRATION? PROBLEMS AND PROSPECTS OF THE EUROPEAN UNION

Just as Europe began to feel the blows of the American financial shock, in 2009 the Lisbon Treaty came into force, based on ambitious goals: widespread promotion of well-being for citizens; balanced and sustainable growth; a competitive social market economy capable of ensuring full employment, territorial cohesion, progress and social justice. What has happened since 2009 seems to blatantly contradict all these objectives (in Chapter 6 we go into detail on the ups and downs in the so-called 'social dimension' of the European Union). As mentioned, in fact, not only poverty, inequality and unemployment have grown, but also the differences between generations, occupational profiles, insiders and outsiders within each country. In addition, the convergence path between Western and Eastern Europe has been interrupted, especially in some member states in south-east Europe (Börzel and Langbein 2019), and what is worse, a very marked polarisation has been created between the countries of Northern and Southern Europe, reversing a historic upward convergence trend (Alcidi 2019). The financial crisis and the long and deep economic recession have a great deal of responsibility for this. But the 'social shock' of the 2010s has also been the result of the wrong approach by the institutions of the European Union. In more or less direct ways, the methods of fiscal consolidation and internal devaluation pursued by Brussels have intensified the problems, especially for young people and the most vulnerable sections of the adult population (pensioners have suffered comparatively less) (Pérez and Matsaganis 2018). The consequences of the social shock will be felt in the coming years, perhaps decades, even in terms of lower economic growth. At the same time, both the eastern and southern peripheries of the Union have become locked into a particular ‘low road of development’, based on low-wage, low-product-quality and low-quality employment, which distributes growth unevenly across sectors and regions (Hall 2018, Burroni et al. 2020, Miró 2021).

In addition to the 2023 economic crisis and austerity, a particularly destabilising factor within the European Union has been the rapid increase in internal migration flows between member countries. Freedom of movement is one of the pillars of integration. The intra-EU mobility of workers and persons remained fairly contained – in quantitative terms – until the 2000s. However, in the wake of the enlargements to the east, the flows have rapidly increased, especially towards the economically stronger countries (Kyriazi 2022). In Germany, between 2009 and 2016, immigrants from other EU countries increased from 100,000 to 380,000 a year: the main countries of origin were Poland, Hungary, Romania and Bulgaria. In the United Kingdom, the flows increased from 140,000 to 220,000 a year, but in percentage terms the British labour force was much more affected than that of Germany (European Commission 2018b).

The voters of the destination countries have become less and less tolerant of immigration. The main target are of course Third Country Nationals, whose pressure on the southern and eastern borders of the Union has assumed the proportions of a biblical exodus with the collapse of the Gaddafi regime in Libya and with the Syrian crisis. However, intolerance is not only directed towards non-EU citizens, but also increasingly towards migrants from within the European Union. Available empirical studies indicate that immigration from other member states brings a net benefit to the public finances of destination countries, or is ‘neutral’: what immigrants receive is compensated by what they pay in the form of taxes and contributions (Martinsen and Pons Rotger 2017). Even if they are not empirically grounded, the perceptions of voters are a political fact that parties and governments certainly cannot ignore. We should therefore not be surprised if the issue of migration within the Union has become controversial and conflictual not only in relations between national governments and the European Commission, but also between the countries of the old and new Europe and even among the native and migrant communities within the countries of destination (Hutter and Kriesi 2019, Meuleman et al. 2020).

The most striking case in this respect is certainly the United Kingdom: immigration was the central issue of the pro-Brexit campaign (Hobolt 2016).

But it is a major theme for all right-wing populist movements, from the Finnish True Finns to the Front National (now *Rassemblement National*), from the Austrian and Dutch Freedom parties to the Italian *Lega*. The issue of freedom of movement – in particular the movement of persons – has undergone a surge of politicisation everywhere in the wake of the 2016 British referendum. To address the refugee crisis and the overwhelming migration wave of the summer of 2015, some countries have erected physical protective walls along their borders. The metaphor of 'fortress' Europe, coined in the 1990s, has turned into a sinister reality.

At the beginning of the new millennium, Europe seemed to be the only region in the world capable of providing a constructive response to the dynamics of globalisation, a response capable of squaring the circle between market openness, democracy, the rule of law and social cohesion. However, the last decade has highlighted the limitations of the integration project and, above all, of its institutional architecture. Today it is no longer obvious that the European Union can continue to lead the way. A reform process has started in the wake of the COVID-19 pandemic, but it is too early to gauge its efficacy and durability. This does not mean that efforts should not be intensified to fix and re-stabilise the European construction, through a better balance between the economic and social dimensions of integration and more intelligent institutional arrangements, capable of safeguarding and, if possible, increasing the EU's democratic legitimacy.[9] But the challenge is huge and requires demanding efforts of political imagination and consensus building.

NOTES

1. See, for example, Stiglitz (2012), Atkinson (2014), Piketty (2020, 2022).
2. Source: the World Bank.
3. We adopt here the interpretation of Iversen and Soskice (2019). These authors highlight the gap between what they called the 'old' and 'new' middle class. According to them, the new middle class in advanced knowledge economies is composed of highly educated (graduate) workers in the skill-intensive service sector, who are best capable of benefiting from technological advancements and globalisation. By contrast, middle and low-skilled manual workers, whose routine and cost-sensitive jobs are easier to outsource and automate, form the 'old' middle class: individuals who used to enjoy a relatively comfortable socioeconomic position in the industrial society, but who are now increasingly worried about the threats that socioeconomic change poses to their well-being (see Chapter 2 for a discussion of post-industrial socioeconomic transformations).
4. For a review of the literature on the topic, see Rodrik (2021).
5. For data on the United Kingdom, see Blanden and Machin (2008). For data on the United States, see Chetty et al. (2014b). For data on Denmark, see Boserup et al. (2013). For data on Canada, see Corak and Heisz (1999).

6. A.B. Krueger, *The Rise and Consequences of Inequality in the United States*, 12 January 2012, speech available at https://www.americanprogress.org/events/2012/01/12/17181/the-rise-and-consequences-of- inequality/.
7. European Commission, *Special Eurobarometer 461: Designing Europe's Future*, 2017. See also De Vries and Hoffman (2018).
8. With respect to 'Rodrik's trilemma' (globalisation, democracy and sovereignty), Dahrendorf's 'circle' also (appropriately) includes social cohesion and freedom rights. See Dahrendorf (1996), Rodrik (2011).
9. We will return to this point in the Conclusions. On the 'social dimension' of the European Union, see Chapter 6.

4. The digital economy and the changing world of work

THE FOURTH REVOLUTION

According to Luciano Floridi, the advent of the 'info sphere' constitutes a new and revolutionary breaking point in the relationship between humanity and its environment (Floridi 2014): a 'fourth revolution' after Copernicus, Darwin and Freud. The info sphere includes the global space of information, traditional media and especially so-called cyberspace (internet, digital telecommunications). Even if the info sphere's ramifications and implications involve virtually all societal realms and the very self-understanding of humanity in the world, the heart of this revolution essentially concerns the modes of production, work and consumption. New technologies, big data, industry 4.0, and the digital and knowledge-based economy are causing incisive changes in these three areas with rhythms and intensities never recorded before in history. According to some experts, the progress and increasingly widespread diffusion of new technologies could even lead to the 'end of work'; that is, an almost complete replacement of people in the workplace by machines (Rifkin 1995; see also Susskind 2020). This scenario would challenge the very foundations of human life: work is not only a means of satisfying needs and aspirations, but also the main vehicle of social integration, the sphere in which we define a good part of our identity, and which gives meaning to our existence.

Most scholars believe that there will be no end to work, but only a profound transformation and re-composition of work (see, for example, Benanav 2020, Smith 2020). The consequences of this transformation will be negative or positive (at least in the aggregate) depending on the collective capacity to guide this change. The risks of greater inequality, unemployment, vulnerability and exclusion are high, but the positive potential is equally high: more interesting and rewarding tasks, more flexible life rhythms and patterns, the greater availability of free time and therefore more possibilities of reconciling the different spheres of life, more personal freedom and the end of 'alienation' (Goodin et al. 2008).

The main force for change is digitalisation, which embraces the following transformations:

1. the ubiquity of fast internet and mobile-smart telephony, which is leading to the connectivity of 'everything to everything';
2. the availability of big data – that is, sets of information of extreme scale and complexity, which can be analysed through new and sophisticated algorithms;
3. the rise of cloud computing – that is, the possibility of using new and extraordinary ways of storing and sharing enormous quantities of data;
4. the continuous progress of artificial intelligence, robotics and machine learning;
5. additive manufacturing – that is, a production method that allows the creation of objects through 3D (three-dimensional) printers;
6. new simulation systems; and
7. the development of blockchains – that is, digital structures of shared and immutable data, a kind of digital register whose integrity is guaranteed by the use of sophisticated cryptographic algorithms, which open up new possibilities in the fields of public administration, insurance, payment intermediation and so on.

Estimates of the employment impact of digitalisation vary according to the sectors of activity, but there are some revealing tendencies (de Groen et al. 2017). Machines are already capable of responding to emails and drafting reports of sporting events. Soon we will see cars without drivers, drones carrying goods, and algorithms that replace accountants and managers, bank staff and legal assistants, even magistrates (already being tested in Estonia). In 2016, AIVA (Artificial Intelligence Virtual Artist) was born, a creative software capable of composing musical pieces, which the French association of authors and composers has recognised as having the right to collect copyright. In 2022, ChatGPT was launched: a highly versatile artificial intelligence chatbot capable of, among other things, credibly mimicking human conversation, based on a combination of advanced machine learning paradigms.

The sectors most at risk of shrinking are those that are based on routine, repetitive and standardised tasks, or manual jobs requiring low qualifications. According to recent forecasts by the World Economic Forum (2023), artificial intelligence (AI) will most likely take over 81 per cent of the tasks of credit authorizers, checkers and clerks. At the same time, however, there is a surge in the demand for professional profiles that did not exist just ten years ago: big data specialists, social media managers, cognitive computing engineers, programmers and managers of the so-called internet of things, blockchain developers and so on. The dynamics of digital transformation already under way have also shown that some jobs will continue to be performed by humans, either because of the type of skills required or simply because of our preferences. Childcare and care of the elderly and the sick come to mind: in these areas, jobs have and will continue to have a low risk of automation. We can therefore expect employment growth in the services sector, in particular those jobs characterised by non-routine tasks (Autor 2015).

The fact that certain activities can be performed by machines means that time is freed: flesh-and-blood workers can thus carry out other activities and create new added value. Automation and artificial intelligence are expanding into new areas, and the human–robot partnership will transform the nature of many production processes. Until now, the challenge for workers was to learn how to use machines; looking to the future, interactions will change: instead of operating with the help of machines, humans will simply monitor them, creatively defining what needs to be done and how, and then using robots to achieve exactly the desired result. Creativity, imagination and emotional intelligence will be the determining factors.

All occupations that require high non-routine interpersonal and analytical skills have already grown steadily over the past three decades (Górka et al. 2017). Even in high tech sectors, the most requested professional profiles are those that combine technical skills with social interaction skills. What will save human work is precisely the ability to interact and share, to negotiate on objectives and tools, to seek and build compromises. In the United States and the United Kingdom, it is estimated that one-fifth of the workforce is already characterised by high creativity – including architects, web designers, artists, IT (information technology) specialists, public relations experts, research and development professionals and so on. In the European Union, it is estimated that by 2030 jobs requiring mainly manual skills will decline by 18 per cent, and those requiring basic cognitive skills by 28 per cent. In contrast, demand for activities that require socio-emotional skills will grow by 30 per cent, and that for technological skills by 39 per cent. Overall, in the European Union it is expected that by 2030 up to 100 million workers will need re-skilling in order to deal with automation and digitalisation (Smit et al. 2020).

If it is true that catastrophic narratives about the impact of the fourth revolution on work are exaggerated, it is equally true, however, that emancipatory narratives should be avoided. The advantages deriving from the automation of repetitive and unrewarding tasks are in fact accompanied by the risk of new forms of monitoring and intrusive control of work performance. The introduction of ‘special surveillance’ schemes through robots and algorithms can and must be neutralised through new and targeted regulatory frameworks (Schwab 2016, Srnicek 2016, Perulli 2018).

WORK ORGANISATION AND TIME

A second driver of change has to do with the organisation of work. Economic openness has encouraged governments to liberalise employment markets, with the aim of achieving greater efficiency, increased growth potential, better use and facilitation of technological innovations. This type of liberalisation has tended to generate disruptive consequences on the forms of work, especially through the extension of value chains. We can say that today 'work' is becoming an umbrella concept for an increasingly wide range of activities, framed in different legal forms, unpacked in various functional dimensions and often also fragmented from a geographical point of view. Such disruptive changes in labour relations give shape to fragmented workplaces that reduce the bargaining power of labour.

In the most advanced and digitalised sectors of industry and services, activities are more and more often articulated in projects that can be partly outsourced to independent and expert professionals, projects that are then realised by assembling teams of real or virtual producers, located in different parts of the world and time slots. It is true that non-essential activities and functions have always been outsourced by companies to reduce costs and concentrate their added value on key functions, such as customer assistance functions (call centres). But the scale and rapidity of externalisation are now increasing exponentially.

Companies are also abandoning the paradigm of vertical integration of functions to embrace that of horizontal configurations, aimed at exploiting a global pool of talents and skills. In all developed economies, the employment market is thus becoming a real patchwork of professional and contractual figures that often cross national boundaries, with variable and complex geometries. This evolution has positive and negative sides. On the one hand, the margins of flexibility and autonomy increase not only for companies, but also for those who work. The traditional working hours (from 6am to 6pm, five days a week) have loosened: teleworking, smart work, flexible and part-time work allow people to select the time/income packages most appropriate to their needs and preferences. The fact that non-standard work can facilitate access to employment for people who have been excluded from the labour market, especially the formal one, for long periods (or always) should not be underestimated. On the other hand, flexible work tends to pay less than the full-time equivalent and, except in the Nordic countries, is associated with less access to training. Often it is not the preferred option for those who access it (without alternatives), and it also involves greater risks due to frequent periods without or with very low income, as well as less favourable conditions in terms of access to social benefits (see Chapter 2). These factors and dynamics are particularly evident in the countries of Southern Europe.

TIME, GENDER, TRAINING

The positive and negative sides of the ongoing transformations operate in the broader social context within which people's life cycles take place. In the second half of the last century, a rather linear model predominated, based on three phases: education, stable work and retirement. The 'solid' work of the Fordist era certainly provided more economic security and social guarantees, but was punctuated by fixed schedules and calendars, poorly aligned from sector to sector. Paid work was subject to pre-established, almost invariant rhythms; unpaid work (e.g. the care of children or the elderly, performed almost exclusively by women) was relegated to the status of a dependent variable. Its timing and forms had to adapt to everything else: no income, no chosen time. The sphere of social reproduction was at the service of the productive sphere (Pateman 1988). And, according to the definition of Richard Titmuss (1974), in most European countries the welfare state functioned as a handmaiden of industrial production, that was scarcely attentive to the needs of social reproduction (Esping-Andersen 2009, Korpi et al. 2013).

In the new context, the relationship between time and production (including services) becomes much more elastic. Rhythms, cadences and schedules count for less. In some sectors the elimination of time constraints can give rise to new rigidities and even forms of 'slavery' (supermarkets open twenty-four hours a day, with unsociable and exhausting shifts, mainly based on low-pay female jobs) that must be resisted. However, for the majority of medium-level tasks and almost all those requiring high qualifications the spatial-temporal organisation of labour can (could) now get rid of the old cages of the solid society. This opens up a possible scenario in which people (couples) become freer to define and negotiate income/time packages that are more consistent with the different life cycle phases (in particular when children are born), more efficient in respect of their needs (less 'dead time'), and more in line with individuals' and couples' aspirations and desires (Goodin et al. 2008).

Such a scenario could be fertile ground for overcoming the traditional asymmetries between production and reproduction and, above all, between men and women in both spheres. This would also be in line with the culture and expectations of the youngest. Many millennials have different preferences from their parents regarding the balance between work and other activities, including life as a couple and/or with children; they want more flexibility (something other than precariousness) in their work patterns; they are reinventing the nature of economic exchange, professional achievement and even consumption, through the collaborative economy (Deal et al. 2010, Boltanski and Chiapello

2018). The ranks of the so-called prosumers are growing: consumers directly involved in the definition and partly also in the production and distribution of goods and services.

In European labour markets, multiple and divergent realities coexist. It remains difficult for women to return to the labour market after maternity leave. Many graduates face great difficulties in finding their first job and have no alternative but to walk the tightrope of precariousness. Often the skills acquired are not in line with the needs of the market. Likewise, older workers who lose their jobs due to crises and sectoral restructuring or relocations are unable to obtain an alternative job because they are considered too expensive or even too old to be retrained. In short, a growing number of people risk being left out of paid work, not to mention the quality of work – and this phenomenon was strongly accentuated during the Great Recession. These changes focus on the challenge of training, especially lifelong learning: what has been learned at school must be regularly updated and supplemented. Transitions between paid work, training and work that is not (or only partially) paid within the family will be more frequent and complex. It is therefore essential that these transformations are adequately supported, much more so than is the case today (Schmid 2015, Dekker and Van der Veen 2017).

The new fluidity of work tends to reward personal initiative and resilience. The links between employers and employees have relaxed, with repercussions for both. For employers operating in a global context characterised by high uncertainty, the challenge is to reconcile the need to rapidly adjust to changing market opportunities with the equally important need for a reliable pool of contracted workers with directly usable skills and qualifications. For workers, the challenge is instead to reconcile the need for economic security and decent working conditions with the ability to adapt to change and remain employable in terms of skills. The best antidote to precarisation is the possibility to retrain, to improve one's skills throughout working life.

EMPLOYABILITY AND COMPETENCES

The changing reality of the world of work requires a paradigm shift in public policies. Instead of addressing all those who, generally, participate in the employment market in a standardised way, it is necessary to provide differentiated answers – as much as possible with a preventive and innovative logic – based on the different paths that people take during their life. The new paradigm must shift the priority from '*ex post* repairing' to '*ex ante* preparing' – without neglecting the importance of the former when social risks such as unemployment materialise. The new approach must start from school and training, through support for businesses in growth and job creation, investment in human capital and skills, a reconfiguration of welfare through greater personalisation of benefits and new social rights.

As far as education is concerned, the priority objective is a greater balance between the development of transversal skills and the transmission of sector-specific knowledge. The basis of knowledge consists of what are called core literacies: (1) reading, writing, comprehension and processing of texts, knowledge of at least one language in addition to the mother tongue; (2) scientific and computing capacity, familiarity with ICT (information and communications technology) and economic literacy; (3) social and civic competences and general cultural knowledge.[1]

This foundation must be complemented with in-depth sectoral skills (e.g. science, technology, engineering, mathematics; i.e. the so-called STEM disciplines) and two types of transversal skills. The first type includes general cognitive and social skills: critical reasoning; creativity; ability to communicate, collaborate and socialise with others; as well as compliance with ethical codes. The second type includes attitudes such as curiosity, empathy, resourcefulness, adaptability, perseverance and self-control. The importance of both types of transversal skills for all career paths is now widely recognised. They also play a meta-role: they make people more prepared and able to learn ('learnability', or the ability to learn) and acquire new skills (skill-ability, the ability to update skills). However, education systems are still poorly equipped to develop these transversal skills, a process that should start as early as kindergarten (Urban et al. 2012, Felfe and Lalive 2018).

Skills and competences must be continuously updated and integrated. Industrial relations will therefore have to refocus on this priority. Collective agreements must in fact cover the provision of training in the workplace, with an equitable distribution of its costs. Lifelong learning and training must also be guaranteed to those who lose their jobs, and become an integral part of active employment policies.

TRAINING AS A POSITIONAL GOOD

Like educational programmes, training credentials have a positional nature: their value depends on the number of workers who hold them. It is foreseeable (in part it is already happening) that those types of positional competition that have long characterised the education sector will soon penetrate the training sector as well, creating the 'social traps' discussed in the second chapter.[2] If the deepening and updating of post-educational skills become a requirement for accessing jobs and career advancements, an ever-stronger incentive is created to secure training opportunities, especially those which provide the most attractive credentials. Over time, therefore, a typical 'congestion effect' is generated; that is, a surplus of credentials with respect to available employments slots, in particular the highest positions, the most coveted ones. The positional race does not stop at the secondary school diploma or university degree, but continues, becoming longer and more expensive. In response to the congestion effect, new bottlenecks and new filters will be spontaneously formed to select the best trained people, in a spiral of performative meritocracy.

However, there are some important differences between the education and training sectors. To be effective, training must be closely aligned with the needs of businesses. It is no coincidence that in most European countries it is precisely companies – especially the larger ones – that are responsible for organising and (co)financing courses and training experiences. In this way, a new bottleneck is created within the occupational sphere, additional to the bottlenecks regarding the acquisition of educational credentials, described in the second chapter. Access to corporate training is, in fact, first of all filtered based on the employment status, the type of contract, company and region. The long-term unemployed are excluded from the training provided by companies. The same applies to self-employed workers. To the extent that training remains the preserve of the business sector, a trap is generated: those who would need training most, in reality, have the least chance of being able to access it and the greatest risk of being left behind, enlarging the ranks of the precariat.

In the acquisition of post-educational, professional credentials, family background still plays a role, the importance of which, however, tends to vary with age. Family support can be decisive in the early stages of a career, both in identifying actual training opportunities and in providing economic support. Taking the case of post-diploma internships, an increasingly important bottleneck for access to work, especially for the liberal professions. To date the demand clearly exceeds supply; many internships are poorly paid or not paid at all (O’Connor and Bodicoat 2017, McDonald 2020). In this respect, therefore, a strong correlation remains between family background and access to/quality of post-diploma training. Over time, however, the correlation weakens, and the structure of training opportunities becomes gradually independent from the family background and is connected instead to the characteristics of the job market, professional status and labour policies.

The perverse effects of congestion – all graduates, all ‘trained’ – on the structure of opportunities cannot find a solution in the invisible hand of the market: antidotes must be produced by the visible hand of the State.[3] As is well known, the State is also exposed to the risks of producing perverse effects. But in this case there are no possible alternatives to state interventions: the free market (the individualised and individualistic search for positional goods) is unable to correct the traps that it generates. The first necessary antidote is to counterbalance those economic and social inequalities that inevitably arise when the processes of acquiring credentials are shaped by extrinsic factors: family background, the general profile of the labour market and placement channels, for that part that does not depend on individual choices (initiative and effort). The optimal solution is to introduce a universal right to lifelong learning and training, backed by the commitment to securing this right by concretely equalising the chances of obtaining quality training – which requires a virtuous collaboration between public and private actors (we will return to this point in the next chapters).

In the Nordic countries, many counterbalances are already in place. There is a dense network of training centres, mainly public but managed in partnership with universities, colleges and private institutions; workers and companies turn to these centres to meet their needs. Public funding is provided to each centre based on the ‘success rate’, measured in terms of job reintegration and user satisfaction (Olofsson and Wadensiö 2012, Jørgensen et al. 2018). The Southern European situation is very different. First of all, in this region the process of improving educational and training standards and of socialising the costs of access and permanence within educational and training channels is still incomplete. Workers have particularly low educational qualifications compared to continental and Northern European countries, as well as low levels of proficiency in reading, writing and calculation. Skills are particularly limited with regard to IT and communication technologies, crucial for adapting to the Fourth Revolution. For example, Eurostat data indicate that in the mid-2010s nearly one in two adults in Bulgaria, Ireland, Italy, Cyprus, Latvia, Hungary, Malta, Poland and Portugal had never carried out a basic computer operation.[4] As shown in Table 4.1, participation in lifelong training is also relatively low: 16.8 per cent on average in the EU27, with a very wide variation that goes from the record high level of adult participation in training in Northern Europe (above 30 per cent in Finland, Sweden and Denmark) to 7 per cent in Romania (shares are low throughout Southern and Central-Eastern Europe). Lifelong learning is uncommon for two categories of workers in particular: the poorly educated and employees of small businesses. These weaknesses fuel inequalities due to positional competition and generate harms at the systemic level. Globalisation and European integration are generating new positional races even between countries, with implications for the national attractiveness for foreign direct investments.

GIG WORK: DIGITAL PLATFORMS

In the New Orleans of the 1920s, jazz musicians called their impromptu performances on the street or in clubs ‘gigs’; the term then became synonymous with lousy temporary jobs or one-off assignments. The gig economy is based precisely on the exchange of short-term assignments (above all in the service sector). Supply and demand meet on online platforms and dedicated apps: think of Upwork or Fiverr for website design, of Etsy for the sale of craft

Table 4.1 *Participation rate in education and training (in the last four weeks prior to being interviewed) by educational attainment level*

	Less than primary, primary and lower secondary	Upper secondary and post-secondary non-tertiary	Tertiary education	Total
EU27	12.6	16.4	20.8	16.8
Austria	14.3	15.7	27.3	19.3
Belgium	13.4	15.9	16.4	15.5
Bulgaria	8.1	9.4	3.6	7.7
Croatia	9.1	9.3	10	9.4
Cyprus	4.1	11.7	11.3	10.2
Czechia	28.7	10.7	16.7	13.6
Denmark	32.1	29.4	32.8	31.1
Estonia	24.4	20.8	30.1	24.8
Finland	32.9	29.8	36.9	33.1
France	12.1	24.7	33.2	25.4
Germany	21.5	13.6	13.6	14.9
Greece	4.4	15.8	6.8	10.6
Hungary	11.8	11.5	10.7	11.4
Ireland	11.6	22	19.3	19
Italy	7.2	15.8	20.5	13.5
Latvia	21.9	10.9	13.6	13
Lithuania	34.4	12.3	12.1	13.8
Luxembourg	18.1	23.7	28.4	24.7
Malta	4.7	22.4	26	16.5
Netherlands	21.8	30	27.6	27
Poland	25.7	7.5	12.1	10.6
Portugal	7.8	23.3	23.9	16.5
Romania	6.1	8.2	3.9	7
Slovakia	21.9	7.5	10.8	9.9
Slovenia	15.9	15.1	21.1	17.1
Spain	7.4	25.4	19.5	16.4
Sweden	37.4	33.1	44.8	38.6

Source: Eurostat (available at: https://data.europa.eu/data/datasets/nv6ui4b4zda4na3r1k19lw?locale=en), year 2019.

products, and above all of Uber for urban transport, and Deliveroo and Foodora for food delivery. What consumers buy are precisely service activities, carried out by real ‘crowds’ of potential providers.

This new world of micro work assignments, often called crowdwork, which respond to consumer demand (crowd-consumption), has already become a global phenomenon (Howcroft and Bergvall-Kåreborn 2019). Some welcome it as an epochal reinvention of the market (of labour, goods and services), one of the flagships of a new cycle of ‘creative destruction’ à la Schumpeter. It is in fact a colossal engine for the generation and exchange of innovative goods and services, which brings benefits both to consumers – satisfying their specific and more sophisticated needs – and to service providers, who can take advantage of a much wider public thanks to efficient platforms that facilitate encounters, exchanges and payments.

But the gig economy has many shadows. In various respects, in fact, it is a vehicle of social disruption à la Polanyi: a pervasive driver of de-structuring of economic practices and institutionalised social relations, fraught with possible negative consequences for the weaker segments of workers. Not all gigs resemble the gratifying virtuosities of jazz music; most of them are repetitive activities with low professional content. Consumer demand is erratic, the flow of income is unpredictable, competition is fierce and insecurity high. On closer inspection, moreover, the disintermediation of the platforms is more apparent than real: there are certifications to show, standards to be respected, judgements and reviews of consumers on which reputations and fees depend, algorithms that control what is done. And of course workers do not enjoy any protection: not even the most basic of being able to ‘sue’ the platform in the event of disputes or frauds. Their managers present platforms as free infrastructures that support digital markets. In reality, the conditions of access, performance and remuneration of the services must comply with very specific rules. The companies that own the platforms are largely employers in disguise. And many crowdworkers risk finding themselves in situations not unlike their nineteenth-century predecessors employed by those textile industries of early industrialisation that Karl Polanyi called ‘satanic mills’. As Lukas Biewald, CEO of a large platform, said a little naively at a public event, ‘before the internet, it was really hard to find someone willing to sit down, work for you for ten minutes and then be fired. But with new technologies these people are easily found: you pay them little and you can get rid of them as soon as you don’t need them anymore’ (Prassl 2018: 4). A boon for entrepreneurs, but a possible hell for those who have to earn a living.

The correct strategy to counteract the exploitative practices of the on-demand economy is one that applies to every type of market: regulation. We need to bring this new model of exchange within the perimeter of labour law. This operation is not impossible, but it is difficult, not least because the gig economy straddles state borders – which makes both taxation and jurisdiction difficult. As a dispersed and undifferentiated 'crowd', workers are very difficult to reach and mobilise. Without a minimum of organisation and collective action, public regulation risks falling victim to capture by their counterparts: the major platforms who are owned by large monopolistic giants. Being able to contain the huge capital accumulation on the part of these giants and to extract value from the digital economy – in a broad sense – is one of the crucial challenges that the Fourth Revolution poses today to states and societies (Aranguiz and Bednarowicz 2018).

EXTRACTING COLLECTIVE VALUE FROM THE DIGITAL ECONOMY

The digital economy is today dominated by a small set of large groups (the so-called GAFA quartet: Google, Apple, Facebook and Amazon). Through the internet and social media, these groups provide an increasing amount of services to network users (now on a global scale) that affect practically all spheres of existence, even the most personal ones. The almost boundless ambition of these companies is reflected in their very names. Amazon is the name of the largest river in the world; the logo includes an arrow from A to Z. *Google* comes from 'googol', an expression coined by the American mathematician Edward Kasner in 1938 to indicate the number '1' followed by a hundred zeroes, the symbol of an unimaginable size (even counting all the existing particles in the known universe we would only reach a billionth of a billionth of a googol) (Foer 2017). Despite being financial giants, these groups make a very low contribution to the tax revenues of the countries in which they operate. In fact, in the OECD area (especially in the European Union), current tax rules on international corporations do not capture the business models that profit from digital services. There are two basic reasons for this. The first is that the current system of international corporate taxation establishes the right to impose a tax by a jurisdiction when a company has a significant physical presence in the territory. However, digital services are provided remotely and involve intangible inputs and outputs that are extracted from locations where the digital company does not necessarily have a physical presence. The OECD is considering a range of measures to tackle tax avoidance and profit shifting by digital companies, chief among them the extension of the concept of "significant presence" to better reflect digital economic reality.[5] Under these proposals, a digital company would have a permanent establishment in jurisdictions where it has a large number of users and partners. The second advantage enjoyed by digital services stems from the fact that current rules fail to recognise the role that users play in generating value. Users' activities provide key inputs for value generation. Since users are also consumers of very often free services, it is difficult to assess the added value created by users without them been aware of this process.

As a result, there is a disconnect between the place/mode of value creation and the applicable tax regimes. Many digital companies are thus able to pay no taxes even in countries where they have a significant market share. This causes a series of perverse effects. First of all, traditional companies, which bear much heavier tax burdens than digital ones, are penalised. Second, given the increasing share of the produced, but not adequately taxed, value of the digital economy, national tax revenues suffer significant losses. Several proposals have already been formulated to tax the digital economy (robot tax, web tax and others) and several countries have already adopted unilateral measures. The European Union took a first step in 2020: the Council agreed to introduce a minimum tax rate of 15 per cent on large companies with a combined annual turnover of at least €750 million.

To correctly address the tax challenge generated by the digital economy it is necessary to broaden and articulate the diagnosis. The range and quality of digital services depend on the data and information that users themselves indirectly make available thanks to their online activities: from a Google search to personal profiles posted on Facebook, from images uploaded to Instagram to videos streamed on YouTube. As a matter of fact, in the digital economy, users are both consumers and suppliers. User data are sorted and analysed by large corporations thanks to teams of programmers who elaborate sophisticated algorithms, extract models from incoming data (e.g. the 'typical' routes from one location to another within a given area) and transform them into outgoing information (e.g. suggesting the route to a pedestrian or motorist using a mobile phone). When the algorithm finds its limits, it is possible to improve the information quality of the raw data through the filter of a flesh-and-blood operator that adds further elements of characterisation through interpretative inferences. This type of operation is generally done in crowdsourcing via the gig economy platforms.

From the user's point of view, the game may seem like a positive sum: I provide data without even thinking about it, I receive the services I want for free. From the point of view of large providers it is instead a colossal business; thanks to the sale of advertising and particular services, enormous monopsony profits are generated (many free data providers and very few companies that receive and take advantage of such data). The giants of the digital economy, as mentioned above, easily manage to avoid taxes by choosing to report profits in countries with the most advantageous tax rules (the so-called tax regime shopping). According to some commentators, the digital economy functions as a sort of 'techno-feudalism' (Posner and Weyl 2018; Varoufakis, 2023): in the Middle Ages the feudal lords guaranteed their serfs a minimum of material resources – above all, food – for subsistence, but took possession of the product of the *corvées* (obligatory unpaid labour) and extracted value by putting it on the market. Today the great titans of the digital economy ensure free access to the network and its services, but gain from the trails of data that users release, often unconsciously.

DEFEATING TECHNO-FEUDALISM

Why is there no market for exchanging digital data and services? That is, between users in their role as data providers and large digital companies in their role as data processors (and, in fact, consumers)? The answer is simple, as predicted by theories of collective action. Users are a vast and atomised public, and their data has value only in mass; if taken (exchanged) individually, data are practically worthless. It is not certain, however, that things will remain like this forever. The digital economy has indeed entered a new phase, centred on artificial intelligence and machine learning: the training of robots to perform increasingly complex tasks on the basis of the inputs received. On the frontier of innovation, in machine learning the challenge is not only to have a significant and representative mass of data, but specific sets of data, regularly and finely calibrated to reflect the complexity of the problem that one intends to solve.

Take the case of tasks in which the functions of human vision are involved. To train the machine to recognise, say, the presence of a human being in a photographic image, a certain number of observations are necessary from which the machine 'learns'. Under a given quantitative threshold, the training does not succeed, and above the threshold the value of each additional observation decreases rapidly: the machine has practically finished learning. Let us suppose, however, that in a second phase we want to train the machine to recognise all the possible objects in the photographic image. This new task is more complex; it will require a much higher number of observations than the first task, again with a threshold effect. The marginal value of the additional observations will also decrease after the threshold, but starting from a higher initial value, as it requires a much greater variety of inputs so that the machine learns to recognise all the possible objects. A machine that knows how to distinguish objects has much more value than one that recognises only humans. If we then want to move to an even more complex phase, such as the recognition of an action (a woman crossing the road in the image), the training of the machine becomes even more complex; new pertinent observations are needed, each accompanied by a brief description of the input action. Here the algorithm alone is probably insufficient.

We remember the famous example of Max Weber on the many possible meanings, or subjective senses, of an image in which a man cuts wood in the forest: he can cut it to sell it, to keep warm by starting a fire, to exercise, to honour a bet and so on (Weber 1978). The action must be interpreted by placing it in a context; without the set of tools for an interpretation, the observation is worth little. For the recognition of the action, the quantity of data necessary to reach the initial critical mass rises again, and so on. In the context of artificial intelligence and machine learning, therefore, the data released by users can acquire a growing value because they contribute to the solution of increasingly complex and more valuable problems for the functioning of the digital economy.[6]

To rebalance the asymmetry between users-producers of data and the large digital monopsonists, organisation and collective mobilisation is needed, based on shared interests. This is what happened with the social 'counter-movement' in the second phase of the first Great Transformation – to use once again the metaphor of Karl Polanyi. Workers began to organise themselves and then to mobilise to obtain protection and compensation in the form of workplace rights, higher wages, social benefits and so on. Due to the isolation and global dispersion of network users, such a counter-movement is difficult in the context of the Great Transformation 2.0.

On the other hand, however, the web itself could facilitate the organisation and mobilisation on a practical level, both in terms of the articulation and aggregation of interests, and that of negotiating resources with counterparties. The idea of establishing organisations to protect web users and in particular data labourers for the promotion of genuine trade union actions in defence of their interests has already been concretely debated for some years (*The Economist* 2017), such as forms of temporary boycott by large audiences of users of Google or Facebook platforms to snatch concessions in terms of remuneration for the supplied data. In 2017, the first global organisation was set up to articulate and aggregate the interests of data providers – the Data Workers Union – with a view to shifting 'the imbalance between the ownership, control and profit of data produced by the workers versus the companies'.[7]

But how much value could be diverted from the digital economy to data labourers, users who now 'work' for free? According to some estimates, the income that could be obtained by selling certain types of personal data – the accurate description of the content and meaning of an image posted, for example – would not be irrelevant. In the most optimistic calculations, a family of four that 'sold' this type of information, by committing just a little fraction of the time spent daily online, could reach about US$20,000 a year in profit. A sum not far from the increase in the median family income that occurred during the first three decades after the Second World War (Posner and Weyl 2018).

Research shows that digital workers are aware of their position and the risks it entails and already share certain orientations and preferences with respect to public and, in particular, social policies (e.g. regarding non-contributory transfers or even basic income) (Guarascio and Sacchi 2019).[8] The challenge – for them, but in reality for the whole society – is to articulate their interests, identify their power resources and seek alliances (Varoufakis, 2023). A great coalition of *netizens* – all those who are employed in the digital economy and all those who use the services of the web – could in the future establish itself and operate as an equivalent of the great inter-occupational and sometimes inter-class coalitions that promoted welfare state universalism during the twentieth century.

NOTES

1. See, for example, the Council recommendation on key competences for lifelong learning (Council of the European Union 2018).
2. On vocational training from a positional good perspective, see Van de Werfhorst (2011), Bol and Weeden (2015).
3. This conclusion was already reached by Hirsch (1977).
4. Eurostat, ‘Individual Level of Computer Skills’: https://ec.europa.eu/eurostat/databrowser/view/ISOC_SK_CSKL_I/default/table?lang=en&category=sks.sks_ssr.sks_srds.sks_sr_ictu.
5. A summary of the OECD action is available at https://www.oecd.org/tax/beps/beps-actions/action1/.
6. For a more detailed analysis, refer to Posner and Weyl (2018).
7. See https://dataworkers.org/.
8. On the political implication of the digital transformation, see also the special issue of the journal *Research & Politics*, 6(1), January–March 2019 (e.g. Kurer and Palier 2019).

5. Investing, including, encouraging: the new welfare state

SOCIAL INVESTMENT

Early childhood education and care (ECEC), education, training and lifelong learning, active inclusion, work–life balance, new and original measures to strengthen people's capabilities: all these policies, some of which were mentioned in the previous chapters, are part of the strategy of 'social investment' (Morel et al. 2012). That of social investment is a blueprint for a new welfare paradigm that builds on the historic function of the welfare state – providing social protection and macroeconomic stabilisation – and adds new functions to it: raising and maintaining the 'stock' of human capital and capabilities, and easing the 'flow' of post-industrial labour market and life-course transitions; for example, by reconciling work and family life (Hemerijck 2017, Hemerijck et al. 2022; see also Garritzmann et al. 2022). The addition of these policy functions constitutes a complex recalibration challenge for European welfare states, which were originally developed to protect citizens (typically male workers and their families) from the risks associated with the industrial economy, and which now have to cope with the big transformations described in the previous chapters. Recalibrating welfare states to post-industrial social risks and needs implies changes along three distinct dimensions: functional (shifting resources between different life cycle risks), distributive (resources move between social groups, including generations and genders) and organisational (shifting or recombining resources between levels of government and methods of provision of services) (Ferrera et al. 2001; see also Pierson 2001, Hemerijck 2013).

The social investment strategy was outlined for the first time in 1997 by the OECD (1997; see also OECD 2003). Its recommendations had immediate resonance within the EU circles, in particular the Commission. The launch of the Employment Strategy in 1998 and the so-called social inclusion process in 2001 (or the 'open method of coordination' in the inclusion domain) were partly inspired by the approach of social investment. Important reports were prepared under the Portuguese (2000) and Belgian (2001) EU presidencies, emphasising the importance of 'recalibrating' traditional public protection systems, giving priority to support policies and promotion of women and young people and creating a 'new welfare state' (Esping-Andersen et al. 2002). As we will see in more depth in Chapter 6, the Lisbon Strategy and the subsequent Europe 2020 Strategy have actively promoted social investment as a tool to virtuously reconfigure the relationship between labour markets, family structures and public policies in a context characterised by rapid changes in the constellation of risks and needs. The launch of the so-called Social Investment Package in 2013 finally marked the European Commission's explicit endorsement of that policy blueprint (European Commission 2013a, 2013c).

The idea of social policy as an investment and as a 'productive factor' has gradually spread within supranational institutions – from the International Labour Organization (ILO) to the World Bank and, once again, the OECD (OECD 2014, World Bank 2016). The objective promoted by the European Union and international organisations alike is to activate the virtuous circle of 'inclusive growth'. In this view, fuelled by innovation and the strengthening of human capital, along with comprehensive work–family balance policies, economic growth would create more and better jobs. In turn, higher employment levels would reduce poverty and social exclusion on the one hand, while, on the other, helping governments increase the tax base necessary to sustain generous social policy provision.[1] The emergence of the social investment perspective has changed the tone of the debate on European welfare reform. Empirical studies confirm that in the last twenty years all EU member countries have registered, to a greater or lesser extent, some reorientation from passive to active policies, investing in education and training, employment services and services to families (including work–family reconciliation), with a view to strengthening people's ability to participate in the labour market (Morel et al. 2012, Hemerijck 2013, Hemerijck and Huguenot-Noël 2022). On this last front, the 'flexicurity' paradigm has carried the day in debates on labour market policy – an approach that aims to combine flexible employment relationships, generous social safety nets for those who fall out of work, and effective activation services such as (re-)training and job counselling. The ultimate objective is, on the one hand, to accompany the transformations of the economy and of work and, on the other, to guarantee a safety net against precariousness and the risk of poverty and social exclusion (see, for example, Bekker 2012). The basic assumption of the strategy based on social investments and, in particular, flexicurity was clear: it is better to strengthen personal earning capacities rather than increasing transfers that compensate for the lack of income, especially when considering the implications of the latter in terms of public expenditure in a context of 'permanent austerity' (Pierson 1998).

If the 2000s had seen some visible advances in the desired direction, the financial crisis and the Great Recession suddenly changed the cards on the table. The policies of fiscal consolidation have in fact reduced the margins for investments – in particular social ones, not yet considered by the European Union as worthy of unbundling from the structural deficit – and have made welfare recalibration politically more difficult in both functional and distributive terms. As we will see in the next chapter, the progress that many member states had made in the direction of social investment came to a halt or were partially reversed after the outbreak of the financial crisis, while the European Union relegated its social dimension to the back seat in the years of the euro crisis. The Great Recession caused a marked increase in poverty in many countries, especially in families characterised by low work intensity; for example, those including long-term unemployed, persons looking for their first job and/or precarious workers (see Chapter 2). Economic recovery was, however, well under way by the time the COVID-19 pandemic broke out. The unprecedented nature of that global disaster, on top of the dramatic death toll, brought back worldwide economies into recession and came with very high social costs, which were, once again, primarily paid by the most vulnerable families, women (a systematic increase in gender-based violence) and precarious workers (EAPN 2020, Pereznieto and Oehler 2021).

In countries with welfare systems heavily based on occupational social insurance (continental and Southern Europe) a paradox has also emerged: benefits linked to standard labour relations, as well as pensions obtained with earnings-related formulas, have safeguarded the purchasing power of insiders. Some types of 'high (standard-)work intensity' families have even seen their position improve, despite the crisis. The gap between guaranteed and unsecured has thus widened further: the so-called Matthew effect. This expression – taken from the Gospel of Matthew 25:29: 'For whoever has will be given more, and they will have an abundance; whoever does not have, even what they have will be taken from them' – denotes a syndrome that accentuates the distance between rich and poor, sometimes due to the unintended effects of public policy and institutional arrangements.

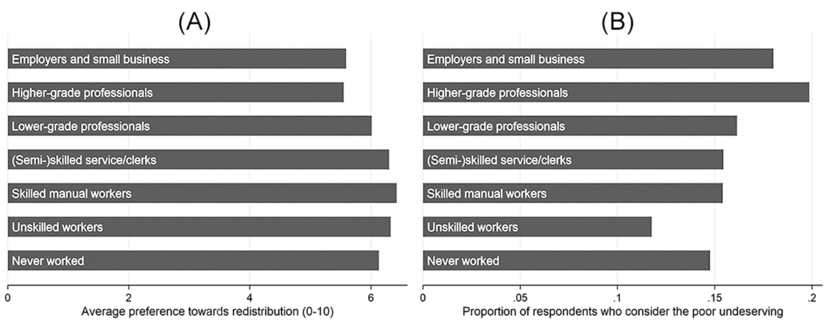
In the years of the Lisbon Strategy (2000s) and even more so after the Great Recession, these developments have revealed some limits of the paradigm of social investment or, at least, of policy strategies that focus on activation only (Cantillon 2011, Cantillon and Vandenbroucke 2014). In fact, since the inception of the social investment blueprint it was clear that the latter cannot act as a sheer substitute to more traditional social protection transfers. Social investment-oriented policies aimed at increasing human capital stock and facilitating labour market flows should complement and not substitute social protection buffers.[2] Even excluding the 'crisis' factor, the recalibration of welfare towards social investment can only be a slow process, much slower than the rapid changes in the social and economic environment would require. This is primarily due to political reasons: the reduction of acquired rights and vested interests, even when desirable in terms of efficiency and equity, immediately raises tensions and opposition from insiders – a well-known mechanism of policy feedback, which was already highlighted in the 1990s by Paul Pierson (2001). Moreover, social investment policies, almost by definition, need time to deliver positive socioeconomic returns. Education policies are a case in point: investing in human capital through actions aimed at improving education today will only generate returns tomorrow, when students will grow up and enter the labour market.[3]

Emphasising the limits of the paradigm of social investment obviously does not mean denying its desirability; on the contrary, it means underlining its urgency in those areas and for those objectives in respect to which it is the only effective strategy (childcare, education and training mostly). And this is particularly true for Southern European countries, where this paradigm is poorly understood and even less applied (only Spain made progress on this front, which was, however, slowed with the turn to austerity following the euro crisis): here the need to include social investments in the political agenda is therefore particularly high. A constructive discussion of the limits of social investment serves as a reminder that the latter strategy must go hand in hand with careful maintenance, and in many countries with strengthening, of traditional income-protection policies – above all, with a robust strategy to fight poverty.

FIGHTING POVERTY

The fight against poverty is a complex and politically sensitive strategy, as it requires substantial financial and organisational resources. Vulnerable people are rarely active politically and are poorly represented. Middle classes in the post-industrial age have profoundly changed as compared to the twentieth century. In the heydays of industrial economies even low-to-mid-skilled workers by and large managed to attain a relatively well-off 'middle class' status. Broadly speaking, convergence of interests between lower and upper middle classes, low-skilled and higher educated people, served as a foundation for the expansion of welfare provision (Baldwin 1990). The bifurcation of the regime of production between knowledge-intensive and low-productivity sectors in the service economy (see chapters 2 and 3) not only incentivises different perceptions of globalisation between their respective workforces, but it also undermines the foundations of industrial societies; that is, the cross-class coalition between high-skilled 'new' middle classes and semi-skilled or unskilled workers. The latter group has far less opportunity in today's knowledge-based economy than it used to have: these 'old' middle class appear now as the losers of the post-industrial transition, thus feeling most threatened (Iversen and Soskice 2019). In line with these trends, citizens' attitudes towards redistributive policies for the poor have changed. In the first place, lower-educated people tend to be afraid of the possible negative consequences of globalisation and European integration (Kriesi et al. 2012; Ronchi and Miró 2021). They fear that the augmented (labour) immigration that this entails could imply a loss of jobs and social security for them. Therefore, they tend to prefer to limit social entitlements to nationals only, so as to exclude (low-skilled) migrants – the very vulnerable class in new globalised economies – that could possibly compete with them over scarce resources.[4]

More in general, the attitudes towards redistribution of new and old middle-class people do not appear to be well aligned. Figure 5.1 shows (a) the average preference towards redistribution and (b) the share of people with highly moralistic feelings towards the poor ('it is their fault') across ten countries of the European Union (Italy, France, the Netherlands, Germany, Hungary, Finland, Spain, Greece, Poland and Sweden), broken down by occupational positions. The general support for redistribution is quite high across all occupational classes – although higher among lower-skilled service sector workers and manual blue-collar workers – and the variation does not become much wider when focusing on how people look at the poor. However, while only slightly more than 10 per cent of unskilled workers – that is, those who are plausibly most afraid of becoming poor themselves (if they are not already) – consider the poor 'lazy or undeserving', the share of people who agree with this very strong stance rises to about 20 per cent among high-grade professionals (the peak of high-skilled 'new' middle classes).



Source: 'Reconciling Economic and Social Europe: Values, Ideas and Politics' (REScEU) mass survey 2019 (Donati et al. 2021)

Figure 5.1 Average preference towards redistribution (A) and proportion of people who consider the poor lazy or undeserving (B) across ten countries of the European Union, by occupational class

In theory, the most technically effective way to combat poverty would be through 'selective' measures: transfers and services reserved for the 'poor' identified by some verification of the economic situation. This approach has inspired the establishment and consolidation over time of guaranteed minimum income schemes; that is, basic safety nets aimed at supporting those in need without adequate resources and without access to social insurance benefits.

One of the longest and most heated social debates of the twentieth century developed precisely on the contrast between selectivity and universalism – benefits and services for all, without any form of means-test. On the right end of the political spectrum, selectivity has been praised as a tool capable of avoiding distributive dispersions and containing expenditure, without interfering too much with the logic of the market.[5] On the left-wing end, means-tested welfare benefits (subject to verification of the economic situation) have always been regarded with perplexity and suspicion as harbinger of marginalisation and risks for the political stability of the welfare state as a whole. The granting of subsidies not linked to the contributions paid can in fact generate a gradual and stigmatising ghettoisation of the beneficiaries, a qualitative degradation of the services ('welfare for the poor becomes poor welfare') and an erosion of the support of the middle class, with consequent risks of delegitimisation of the entire protection system.[6]

Today the historic debate on the merits and demerits of selectivity and universalism has lost its ideological undertone and has become more pragmatic. All countries – even the Nordic countries, the cradle of universalism – have over time introduced a more or less wide range of benefits and services aimed at the needy, with a means-test, given that even a generous universalism alone fails to respond to the growing range of vulnerabilities linked to the rapid transformations of the economy and society (see, for example, Greve 2004). At the same time, it has emerged with much evidence that selectivity can create perverse effects in terms of efficiency, trapping beneficiaries in poverty or inactivity: accepting an occupation – if there is one – would in fact result in loss of the subsidy and may therefore not be convenient (see, for example, Farrel and Frijters 2008).

The frontier of the debate has thus shifted to the strategies capable of neutralising the possible traps by means of sophisticated conditionality and incentive procedures, both on the benefit and on the tax side; for example, through the so-called negative income taxes. The conditional provision of monetary transfer has been accompanied by 'activation' programmes: involving the beneficiaries of subsidies in initiatives aimed at their (re-)inclusion in the labour market or at least in restoring their capacity for autonomous life and social participation (Bonoli 2010). In a certain sense we can say that activation is the bridge that has tried to unite the struggle against traditional poverty with the logic of social investment. However, the services that form the backbone of social investment (e.g. not only public employment services for activation policies, childcare for making households better able to reconcile work and family life) are essentially delivered by local administrations, and, contrary to cash benefits, require a certain degree of adaptability and far more human resources than the latter. As such, an activation-oriented social investment strategy presupposes a high degree of institutional capacity on the part of the state and local administrations (like, for example, more and better trained case workers in public employment services) (Hemerijck et al. 2022), which is lacking in many European welfare states that have invested few resources in the upgrading of (local) social services.

Despite the concrete efforts of many governments, the new strategies of active inclusion have failed to absorb the impact of the Great Recession and the consequent increase in the number of poor families with low work intensity and/or high job precariousness. However, within this general framework there are high – and growing – differences between countries (Cantillon and Vandenbroucke 2014; see also Heidenreich 2016, Ólaffson et al. 2019).[7] In Northern Europe the recession struck with less intensity and was shorter. Moreover, active inclusion measures have been able to rest on a robust institutional background, as they were already well calibrated to contain poverty. In the continental countries the effects of the crisis have been deeper and the anti-poverty barriers – old and new – have not prevented the increase and the worsening of the standard of living of low-work-intensity households. In the Southern European countries the social shock has reached the highest levels, also in terms of duration. Given the low effectiveness of pre-crisis safety networks and the low organisational capacity on the activation front, poverty, precariousness and inequality have significantly increased. A non-secondary role in the polarisation between insiders and outsiders in Southern Europe has also been played by the persistence of comparatively generous insurance benefits for standard workers: as we mentioned in the second chapter, this is the legacy of a distorted and dualistic development of welfare during the Fordist era. For example, in Spain (but this is also the case in Italy) the combined effect of social benefits and tax benefits increases the gap between poor and rich, a clearly perverse result. Also, in Eastern Europe poverty and inequality rose after the Great Recession; falling full-time employment rates seemingly played a big role in explaining the increase of inequality (Brzezinski 2018). Needless to say, poverty figures have further worsened as a consequence of the COVID crisis, which was felt the most by those people who were living in conditions (or on the edge) of social exclusion (EAPN 2020; Pereznieto and Oehler 2021). Table 5.1 shows how, after the peak was reached in 2012, the European Union struggled to contain poverty and social exclusion. Although the share of people living in such conditions was slightly lower in 2019 than it was at the outbreak of the global financial crisis in 2008, country-specific figures show that, already in 2020, poverty and social exclusion had started to rise again.

To complete the overall picture, we need to make one last important consideration. During the crises of the last decade social mobility has decreased and the rates of permanence in conditions of poverty/precariousness have increased. According to the sociologist Bea Cantillon (Cantillon and Vandenbroucke 2014; see also Pintelon et al. 2013, Cantillon et al. 2019), this is a clear sign of the 'persistent force of gravity exerted by class positioning' or, to use the expression introduced in the second chapter, of the 'structural' character of precariousness. The social investment strategy was also designed to deal with this problem and to contain the intergenerational transmission of disadvantages. But, given its long lead times, this strategy cannot be overloaded with excessive expectations. For its part, anti-poverty and active inclusion policies have clashed with the 'Achilles and the tortoise' syndrome: no matter how much it runs, the state's intervention fails to reach the ambitious goal of eradicating poverty. What else can be done?

CREATING JOBS

In Chapter 2 we saw that the precariousness and social insecurity are linked to three factors: job instability, the economic vulnerability of the household and the inadequacy of social benefits. The first two factors are largely captured by the expression 'low work intensity' – and therefore low earnings of the adult members of a household. Although welfare benefits (the third element) can compensate for insufficient income and promote inclusion, the most effective way to contain/reduce insecurity is, in general, to increase the intensity of work and thus of incomes within households, possibly with contractual forms characterised by adequate stability and duration. The quantity and quality of employment services is an important instrument to achieve this goal, but the real challenge is the creation of new jobs: an objective that is not easy in the new context, in which many factors other than public measures also matter. Hence the question: how can we maintain the current levels of employment (in those countries that have been able to reach high levels) or increase them (for example, in Southern Europe), given the epochal transformations we discussed in the previous chapters, primarily post-industrialism and tertiarisation, globalisation and new technologies?

Contemporary labour markets can be divided into four different segments. The first includes jobs involving medium and high qualifications in productive sectors exposed to international competition: a typical case is manufacturing. To the extent that companies in a given country continue to innovate and penetrate foreign markets, the employment levels of this first sector have the possibility of remaining stable and even registering some increase. Despite

Table 5.1 Share of people at risk of poverty or social exclusion in EU countries, 2005–20

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EU*	n/a	n/a	n/a	23.7	23.3	23.8	24.3	24.8	24.6	24.4	23.8	23.5	22.4	21.8	21.2	21.5
Austria	17.4	17.8	16.7	20.6	19.1	18.9	19.2	18.5	18.8	19.2	18.3	18.0	18.1	17.5	16.9	17.5
Belgium	22.6	21.5	21.6	20.8	20.2	20.8	21.0	21.6	20.8	21.2	21.1	20.9	20.6	20.0	19.5	18.9
Bulgaria	n/a	61.3	60.7	44.8	46.2	49.2	49.1	49.3	48.0	40.1	41.3	40.4	38.9	32.8	32.8	32.1
Croatia	n/a	n/a	n/a	n/a	n/a	31.1	32.6	32.6	29.9	29.3	29.1	27.9	26.4	24.8	23.3	23.2
Cyprus	25.3	25.4	25.2	23.3	23.5	24.6	24.6	27.1	27.8	27.4	28.9	27.7	25.2	23.9	22.3	21.3
Czechia	19.6	18.0	15.8	15.3	14.0	14.4	15.3	15.4	14.6	14.8	14.0	13.3	12.2	12.2	12.5	11.9
Denmark	17.2	16.7	16.8	16.3	17.6	18.3	17.6	17.5	18.3	17.9	17.7	16.8	17.2	17.0	16.3	15.9
Estonia	25.9	22.0	22.0	21.8	23.4	21.7	23.1	23.4	23.5	26.0	24.2	24.4	23.4	24.4	24.3	23.3
Finland	17.2	17.1	17.4	17.4	16.9	16.9	17.9	17.2	16.0	17.3	16.8	16.6	15.7	16.5	15.6	16.0
France	18.9	18.8	19.0	18.5	18.5	19.2	19.3	19.1	18.1	18.5	17.7	18.2	17.0	17.4	17.9	18.2
Germany	18.4	20.2	20.6	20.1	20.0	19.7	19.9	19.6	20.3	20.6	20.0	19.7	19.0	18.7	17.4	24.0
Greece	29.4	29.3	28.3	28.1	27.6	27.7	31.0	34.6	35.7	36.0	35.7	35.6	34.8	31.8	30.0	28.9
Hungary	32.1	31.4	29.4	28.2	29.6	29.9	31.5	33.5	34.8	31.8	28.2	26.3	25.6	19.6	18.9	17.8
Ireland	25.0	23.3	23.1	23.7	25.7	27.3	30.9	30.1	29.9	28.3	26.2	24.4	22.7	21.1	20.6	20.8
Italy	25.6	25.9	26.0	25.5	24.9	25.0	28.1	29.9	28.5	28.3	28.7	30.0	28.9	27.3	25.6	25.3
Latvia	46.3	42.2	35.1	34.2	37.9	38.2	40.1	36.2	35.1	32.7	30.9	28.5	28.2	28.4	27.3	26.0
Lithuania	41.0	35.9	28.7	28.3	29.6	34.0	33.1	32.5	30.8	27.3	29.3	30.1	29.6	28.3	26.3	24.8
Luxembourg	17.3	16.5	15.9	15.5	17.8	17.1	16.8	18.4	19.0	19.0	18.5	19.1	19.4	20.7	20.6	20.9
Malta	20.5	19.5	19.7	20.1	20.3	21.2	22.1	23.1	24.6	23.9	23.0	20.3	19.3	19.0	20.1	19.0
Netherlands	16.7	16.0	15.7	14.9	15.1	15.1	15.7	15.0	15.9	16.5	16.4	16.7	17.0	16.7	16.5	16.1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Poland	45.3	39.5	34.4	30.5	27.8	27.8	27.2	26.7	25.8	24.7	23.4	21.9	19.5	18.9	18.2	17.3
Portugal	26.1	25.0	25.0	26.0	24.9	25.3	24.4	25.3	27.5	27.5	26.6	25.1	23.3	21.6	21.6	19.8
Romania	n/a	n/a	47.0	44.2	43.0	41.5	40.9	43.2	41.9	40.3	37.4	38.8	35.7	32.5	31.2	30.4
Slovakia	32.0	26.7	21.4	20.6	19.6	20.6	20.6	20.5	19.8	18.4	18.4	18.1	16.3	16.3	16.4	14.8
Slovenia	18.5	17.1	17.1	18.5	17.1	18.3	19.3	19.6	20.4	20.4	19.2	18.4	17.1	16.2	14.4	15.0
Spain	24.3	24.0	23.3	23.8	24.7	26.1	26.7	27.2	27.3	29.2	28.6	27.9	26.6	26.1	25.3	26.4
Sweden	14.4	16.3	13.9	16.7	17.8	17.7	18.5	17.7	18.3	18.2	18.6	18.3	17.7	18.0	18.8	17.9

Source: Eurostat
Note: This poverty indicator corresponds to the sum of persons who are: at risk of poverty or severely materially deprived or living in households with very low work intensity. * European Union (EU25: 2004–06, EU27: 2007–12, EU28: 2013–19, EU27: 2020).

internal upheavals, Italian manufacturing, for example, has not suffered too much during the crisis of the 2010s and still manages to absorb a proportionally higher share of young people each year than Germany.

The second segment includes jobs involving low qualifications in the exposed sector of manufacturing. We know that globalisation and above all technological innovation do not directly threaten qualifications, but tasks – more specifically, jobs characterised by routine tasks (Acemoglu and Autor 2011). There are therefore some margins to reorganise production processes so as to preserve at least a part of the jobs at risk due to automation and robotisation. However, such reorganisations will slow, but not neutralise, the ineluctable destruction of jobs in this second segment. This dynamic will cause, indeed is already provoking, two problems: how to support and possibly re-qualify low-skilled workers expelled by plant closures, productive rationalisations or offshoring; and in which productive sectors to recreate the jobs that are disappearing in companies exposed to foreign competition, in order to ensure that young people entering the job market with low qualifications can be absorbed. The COVID-19 pandemic has considerably increased the urgency of the issue of labour reorganisation due to automation. A recent analysis shows that, overall, for different occupations and EU member states, high opportunities for remote work and low risk of automation (i.e. job replacement by technology) are related to smaller expected employment losses by 2030 (Livanos and Ravanos 2021).

The other two segments of contemporary labour markets relate to sectors that are not (or weakly) exposed to foreign competition and are closely linked to the territorial context of reference. In the third segment we find high- and medium-skill occupations in the public sector (including health and education) and in many private services aimed both directly at the resident population (e.g. banks and insurance companies), and at the valorisation and exploitation of the territory, in particular through tourism. Here the prospects for employment growth are significant, but depend on the resources available for financing public services as well as on the creation of new supply chains capable of expanding the so-called white economy (elderly) and the green economy (environment). The intrinsic attractiveness of territories (cultural heritage in a broad sense, climate) and, above all, the ability to value them so as to attract new 'consumers' will also play a leading role. The increasing flows of middle-class tourists from emerging countries towards Europe constitute a precious opportunity in this sense.

Finally, in the fourth segment we find the various branches of low-end public and non-public services, including 'proximity' services to individuals and families. Here the effects of new technologies will be relatively limited (think of social assistance and care services) and globalisation is not a threat: these are services that cannot be relocated, even less than those included in the third segment above. Demographic ageing and increasing female employment, with the related needs of reconciliation between work and family life, will fuel the demand for (not necessarily qualified) labour in various sectors: from catering to the care of the elderly and children, from commercial distribution to the supply of home services. This sector can therefore provide an outlet for both reinserting workers expelled from the second segment of the labour market (manufacturing exposed to the risks of offshoring and automation) and providing opportunities for (first) employment for many young people with limited educational credentials (Cedefop 2018).

What policy measures are needed to contain job destruction and, above all, to create new jobs in each segment? With regard to the medium- and high-qualification jobs in companies exposed to international competition, the only effective strategy consists in the formation and maintenance of human capital over time and in supporting innovation by companies themselves, so that they can remain competitive on a global scale. Training in the workplace is also crucial for the second segment: at least a part of employees with low qualifications – especially the youngest – can be relocated upwards and/or helped to adapt to the reorganisation of tasks made necessary by automation. Public administration plays an important role in the third segment. Technological innovation will make it possible to increase the efficiency of 'bureaucratic production', but it will not reduce the need for officers, medical and nursing staff, teachers, university professors, trainers, educators, case workers of public employment services and so on. The problem here is constituted by the public resources available not only to replace the retiring workforce, but also to make new hires. The dynamics of the various supply chains of post-industrial services to companies are complex and it is not easy to identify the mix of measures that is more effective for promoting jobs and attracting foreign investors. The development of the white and green economies, both of which have a high potential for employment, and the quality of the jobs created in those sectors depend rather predictably on public regulation (including by the European Union).[8]

Finally, for some countries, the enhancement of the cultural and landscape heritage could offer high margins of employment growth in the coming decades. Over the last twenty years, German exports have benefited from an extraordinary coincidence between the specialisation of its manufacturing base and the demand for goods by emerging economies, in particular China. Although COVID-19 has acted as a brake in this respect, in the next twenty years a similar opportunity may open up for Southern European countries; that is, the possibility of imposing itself as a hub of tourism from core-EU countries, the United Kingdom and the growing middle classes of emerging economies outside the European Union. Indeed, Southern Europe has already become a big magnet for tourism in the last few decades (Bürgisser and Di

Carlo 2022). However, the intrinsic quality of cultural and historical heritage alone is not enough: it is necessary to build around it an adequate framework of infrastructures and services that can perform and manage the role of a magnet.

The fourth segment of post-industrial labour markets is very heterogeneous, above all in terms of quality and stability of employment, exposed as it is to the risk of generating pockets of new kinds of 'servitude' for some social categories, such as immigrants. A lot depends on the regulatory framework. Moreover, personal services are not just about traditional social assistance. Following the increase in both the elderly population and female employment, a new social service sector is being developed in Europe to meet needs and demands not covered by the traditional welfare state, notably in the fields of health, education, cultural and recreational activities, and, more generally, the 'facilitation of daily life'. Let us think of small IT consultancies, the processing of administrative procedures, or of small repairs, house maintenance and supervision; or tailored forms of transport and mobility (children, the elderly), catering, home deliveries and so on. The subjects operating in these segment range from youth micro-enterprises to emerging multinational services, ready to invest capital.

The promotion of a modern sector of 'social neo-tertiary' could generate a number of virtuous circles: more opportunities for choice and consumption, better work–family reconciliation, more freedom and more time available. And, last but not least, more jobs. The latter, however, are not always permanent jobs. Especially in some European countries, employment relationships in this sector are typically fixed-term, on call, temporary through employment agencies, or even form part of the informal economy (e.g. the 'grey care market'), and tend to be associated with low (or no) social entitlements (Da Roit and Moreno-Fuentes 2019). In other words, they are precarious. But, as we said in Chapter 2, they do not necessarily generate as such permanent and structural precarious conditions: this depends on rules, contexts, chances for mobility and so on. In 2019, residential care and social work activities alone employed 10.9 million people in the European Union (4.7 per cent of the EU labour force) – a number that is expected to increase further in the next few years (Federation of European Social Employers 2019). The public regulation of this sector, therefore, is crucial for governments that are seriously interested in pursuing a social investment strategy capable of improving the life chances of users/consumers of these services while at the same time granting jobs of decent quality to the increasing number of workers employed therein.

THE COST CHALLENGE

Social investments, a renewed fight against poverty, incentives for job creation: these measures are costly. For its part, the contraction of employment connected with globalisation and the fourth industrial revolution depends crucially on labour costs. Even just to maintain the current employment levels in the exposed segments of the labour market, maximum attention must be paid to the so-called tax wedge: the difference between labour costs for companies and net earnings of workers.

High tax wedges are found in particular in countries of continental and Southern Europe. In these countries, compulsory social insurance has been based since its inception on a mode of financing based on social security contributions mainly paid by employers – with a relatively smaller social contribution share for the insured workers (Palier 2010). Even at a time when insurance schemes, in particular pensions, have adopted the pay-as-you-go method and earnings-related formulas, social contributions remain their main source of funding. Over time contribution rates have steadily increased. In some countries – notoriously Italy – perverse tangles and overlaps have also been created between contributory and non-contributory benefits: the revenue dedicated to the former has often been used for the latter, giving rise to opaque redistributive maelstroms between risks and social categories, often prone to political manipulations.

The breadth and use – deliberate or not – of the tax wedge could be managed in their economic and employment implications by national governments as long as they were able to protect their economies from direct international competition. With trade liberalisation and the Economic and Monetary Union this is no longer possible. In particular, in the sectors exposed to competition, the tax wedge can become a heavy burden for competitiveness and therefore a deadly trap for growth and employment (Daveri and Tabellini 2000). Technological innovation by itself tends to destroy jobs and this trend increases in relation to the amount of social security contributions and their effect on labour costs. Among the consequences of globalisation and market integration there is also competition over taxes and social contributions between companies and between governments of different countries.

Overall, tax revenues in the European Union are above the OECD average and are distorted towards work.[9] For euro area members, the wedge is among the highest in the world; in some countries, labour taxation seems to be designed in such a way as to make jobs involving low qualifications (those already most at risk in the second and fourth sector) uneconomical. The fiscal space to lower the wedge is limited: if social contributions are reduced, compensation must be found elsewhere, by reducing expenses or increasing taxes. At the same time, it is not easy to identify alternatives because an increase in taxes on consumption dampens fiscal progressivity and can increase inequality, on top of being a politically sensitive issue.

As an attempt to reconcile equity and efficiency, many countries (starting from Germany) have recalibrated tax rates by increasing the burden on higher incomes and reducing them for lower ones, so as to make the employment of low-skilled workers more convenient.[10] Other solutions can be the reduction of so-called tax expenditures (tax exemptions and deductions) or the increase in inheritance taxes. Thomas Picketty has made a revolutionary proposal on this front: creating a 'universal inheritance' scheme, whereby wealth and inheritance taxes (at much higher rates than today) would fund a wealth transfer, precisely, to every young adult at age 25. The transfer should amount to about 60 per cent of the average wealth per adult in the population (for contemporary France a lump-sum payment of about 120,000 euros) (Piketty 2022).

Another, more realistic strategy would be to shift the tax burden away from labour. Belgium has embarked on one of the most articulated and promising routes. Social security contributions from employees gradually decreased from 33 per cent to 25 per cent and the no-tax area was raised; at the same time, taxes on assets increased (withholding tax on capital income increased from 25 per cent to 27 per cent and a tax on speculative capital gains was introduced) as well as on activities harmful to the environment: the VAT (value-added tax) on electricity was increased, together with excise taxes on diesel, alcohol and tobacco. Other sources of revenue can be found through cost sharing and co-payments for medium- to high-income users in sectors such as health, social services or education. Another possibility would be the introduction of a 'generalised social contribution' at a fixed rate levied on all types of income. This last route has been followed by France since 1991. The initial rate was 1.1 per cent, levied on labour, transfers (with a threshold) and capital income; this rate was then gradually increased (today it is equal to 9.2 per cent), incorporating the compulsory contributions for illness and unemployment.

The main road to tackle the problem of the tax wedge would be EU legislation on mobile tax bases (essentially capital); for example, through a directive that provides for a common consolidated tax base for companies and an anti-tax avoidance directive. As mentioned in the previous chapter, small steps are being made in this direction, but the path is fraught with obstacles, including political ones.[11]

BASIC INCOME AND SUSTAINABLE UNIVERSALISM

Bertrand Russell was among the first intellectuals to propose what we now call 'basic income'. In his 1918 work *Proposed Roads to Freedom*, the British philosopher wrote: 'A certain small income, sufficient for necessities, should be secured for all, whether they work or not, and […] a larger income should be given to those who are willing to engage in some work which the community recognizes as useful' (Russell [1935] 2002: 74). During the twentieth century, Russell's idea was the subject of an increasingly heated debate. Philippe Van Parijs, a leading proponent of 'liberal egalitarianism', made it his main idea:

in his book *Real Freedom For All* (1995) the Belgian philosopher proposed an articulated philosophical justification of basic income as a tool for reconciling market capitalism and distributive justice (see also Van Parijs and Vanderborght 2017).

As a form of money transfer, basic income is universal (i.e. everyone is entitled to it), individual and unconditional (it does not depend on income, need, willingness to work and so on). The redistributive logic of this scheme is not immediately intuitive. It may therefore be useful to present it step by step. Let us start with the most natural objection. How can a transfer that also goes to the 'rich', who have no need of it, benefit the poor? Basic income violates the assumptions of selectivity in benefit allocation, which, as we have seen, is still considered the most efficient and effective tool for fighting poverty. The key to overcoming this objection lies in the methods of financing.

Unless exogenous transfers (e.g. international aids) or abundant and valuable natural resources (e.g. oil reserves) are available, the basic income must be financed through tax revenues. As a rule, taxes are progressive, so the rich will contribute to financing basic income more than the poor. Practically, those who have more will cover their basic income with their own taxes and, at the same time, they will also subsidise the transfers for the poor. The basic income will not make the rich richer. On the contrary, it will bring the poor closer to or above the poverty line, depending on the type and amount of pre-existing welfare benefits. More importantly, it will increase financial security for the poor. An income that is assigned without anything in return is better than a patchwork of subsidies with holes and tears through which one can slip, or one that generates the aforementioned perverse effects of selective means-testing.

Basic income supporters are very insistent regarding the problem of 'traps'. Transfers that are conditional on the economic situation and on willingness to work, the argument goes, are very often intrusive. This argument has a point and is actually corroborated by empirical research. A well-known volume edited by Ivar Lødemel and Heather Trickey illustrated how, in the 1990s, unemployed people in many countries were forced to accept jobs that were offered to them almost at gunpoint, turning job offers into 'godfather' offers: if you do not accept, benefit will be withdrawn from you (Lødemel and Trickey 2001).[12] Even Scandinavian countries, which had succeeded in building an equitable and effective welfare system by putting human capital development before job re-insertion, have to some extent moved towards more 'workfarist' models (see, for example, Kananen 2012). In any case, both the work-first and the human-capital-first logics entail a certain amount of paternalism.

For Van Parijs, the best judges of how good or bad a job is are the workers themselves. Being unconditional, basic income makes it easier to abandon or to not accept unpromising jobs, starting with those that do not provide useful training. Since it can be combined with low or irregular earnings, the basic income makes it easier to accept internships, jobs that are expected to improve one's human capital, or even jobs that more simply match what people actually want or think they can do well. This widens the range of accessible activities, paid or unpaid; it gives people more power to choose. This is one of the key reasons why basic income is especially supported by those who believe that individuals rather than the state are the best judges of their own interests.

Let us now move to another criticism often raised against basic income, starting from the vexed question of costs. Costs obviously depend on the amount of the benefit. The debate oscillates between two extremes: keeping recipients well above the poverty line or providing the highest 'economically sustainable' income without damaging the market economy. The promoters of the June 2016 Swiss referendum on basic income proposed, for example, an amount of CHF 2,300 a month, equal to 39 per cent of Switzerland's GDP per capita. Specifically, their argument was that such amount was necessary to bring every household above the poverty line, including single-person households residing in urban areas. According to Van Parijs, the sustainable amount can only be much lower; for example, between 12 per cent and 25 per cent of per capita GDP, at least for the foreseeable future.[13] In 2020, this would have meant an amount ranging between about 250 and 520 euros a month in Italy, between 340 and 715 euros in Germany, between 360 and 750 euros in Finland, or between 120 and 250 euros in Latvia. Initially, therefore, some extra conditional unemployment benefits will have to be maintained to ensure that no poor family will be worse off than under the status quo.

How would the basic income scheme be financed? It would be misleading to simply focus on the gross cost; that is, the amount of the basic income multiplied by the number of recipients. If the level of income is reasonable, most of its cost would finance itself thanks to two factors. First, all monetary benefits below the basic income threshold would be cancelled and all higher benefits would be reduced by the same amount. To give an example, let us say that the basic income level is 400 euros per month. For those who already receive the same amount in unemployment benefits or other types of subsidies, nothing but the name would change; for those who currently receive a lesser amount, unemployment benefits or other subsidies would be replaced by the higher basic income: a net gain. For those who instead receive more than 400 euros in benefits (say, a minimum pension of about 800 euros), the amount of the benefit (the pension) would be lowered to 400, but the basic income would be added to this sum so that the overall income would stay the same (800 euros in total). The second source of income would be tax revenues: incomes would be taxed at a flat rate – the one that currently applies to the marginal income of a full-time employee with low pay. In Van Parijs' proposal, this includes – let this be stressed – all sources of income, including assets and financial investments, without distinctions or exemptions. Taken together, these two sources of revenue would cover most of the gross cost. Of course, each country has its own system of taxes and transfers, which determines the total amount of revenue that can be used for financing the basic income.

Let us now address another problem: the relationship between basic income and existing welfare transfers. In the most radical hypotheses, the basic income would replace almost all current welfare benefits. This scenario would obviously allow setting the amount of the basic income at relatively high levels. In Van Parijs's hypothesis, by contrast, child benefits should be kept, as they can be thought as a form of basic income paid out to parents (the amount may vary according to age but not to the number of children). Public, efficient and compulsory education and healthcare systems should also be maintained, along with paid sick leave, unemployment benefits and old-age pensions. It goes without saying that the state should continue to provide public goods, such as external security, public order or sustainable transportation systems.

In Van Parijs' view, the basic income is a 'utopia for realists'. The first term links the proposal to the sphere of principles, placing it within an ambitious vision of a 'just society' from the point of view of liberal egalitarianism; the second connects it to the existing world. Although there are many practical obstacles to it, this is a solution that remains within the reach of a very demanding but not irresponsible reformism.

An additional problem to address is a certain ambiguity regarding the link between the basic income and work. Pessimism about the effects of new technologies and globalisation on jobs lingers in the basic income debate. The basic income is often presented as a response to the inevitable 'end of work' (Rifkin 1995). As seen above, however, this perspective seems to ignore a whole array of counter-trends. The ageing of the population and the increasing number of families in which both partners work will foster the demand for proximity social services which cannot be automated nor relocated. Health, education, research, training, entertainment, tourism: employment can grow in those sectors, too. And although the so-called internet of things will move the frontier of the relationship between humans and machines or robots, this will not cancel and perhaps not even compress dramatically the role, and therefore the active employment, of people.

It is true that – as mentioned – in various sectors technological innovation now makes it possible to save labour at such a rate that it becomes very difficult to relocate the unemployed elsewhere. This relocation, however, is not entirely impossible. Some European countries are leading technological innovation and yet maintain very high levels of employment, including for the youth and women. Unsurprisingly, it is the Nordic countries that have reoriented their welfare towards social investment, without having (yet) introduced basic income at the time of writing. One is thus left to wonder whether establishing basic income on the basis of grim predictions regarding an inevitable and irreversible secular stagnation might inhibit the progress of all those ‘work-oriented’ strategies aimed at fully exploiting the many unexpressed potentialities of European labour markets.

The second problem concerns the transition from the current welfare system to one centred on basic income. European countries now have extensive welfare states, which absorb between 25 and 30 per cent of GDP;[14] the transition would include some cuts to current expenditures. How are we to deal with the problem of ‘vested rights’, which in many countries are considered inviolable even by constitutional courts? The basic income proposal does not require that we start from scratch, from a *tabula rasa*. If we set the basic income above extremely modest levels, the cost of redistribution would be inevitably borne by higher incomes, including perhaps the most generous pensions. In Southern European countries, however, employment rates are very low: the basic income would be paid, for example, to all housewives, all NEETs and so on. Regardless of equity considerations, it is clear that this type of horizontal redistribution would increase costs and, therefore, exacerbate distributive conflicts; inevitably, some segments of the working population will feel threatened, and ask for some kind of implicit or explicit compensation, or simply try to obstruct change.

The pursuit of a work-oriented strategy for job creation and the implementation of basic income are not mutually exclusive alternatives. Questions of financial and political feasibility do not alter the enormous power of the basic income proposal as an intellectual and ethical challenge. Almost trapped in the institutions in which we happen to be born, we tend all too often to morally tolerate even the most grotesque inequalities simply because they exist, while we hastily liquidate policy ideas that are ethically compelling only because they do not seem feasible. Behind resistance to change there are always strong chains of interests, but there is also a great deal of cognitive idleness and often a lack of criticism and evaluative provocation. The first challenge in which to engage is then a serious debate about the various implications of basic income, scrutinising all possible objections, while at the same time challenging with equal intransigence the status quo of European welfare and its explicit and implicit distributive ethics.

A second challenge has less to do with principles and more with the policy agenda; that is, the design of a path of reforms that lay the groundwork for a possible introduction of universal income – if and when we decide that it is desirable. Twenty years ago, Ferrera (1998) called this the path of ‘sustainable universalism’; we still consider the concept relevant, as well as the agenda it entails. The first goal on the agenda is to identify all the existing forms of conditionality on universalism in the highly varied landscape of welfare across the globe, as well as all ‘islands’ of unconditional universalism that are proving sustainable and effective. This exercise should start with the various forms of guaranteed minimum income or insertion income, the many 'demo-allocative' schemes (i.e. a transfer to all, as with child benefits in various countries) and the increasing number of NITS schemes (Negative Income Tax Systems) introduced first in the Anglo-Saxon world, but increasingly common also in Europe. The second goal on the agenda should be to design and experiment in each national context reforms which, working at the margins of existing schemes, are aimed at gradually bringing together existing basic or safety net benefits (including tax expenditures) into a unified and (almost) universally accessible package. France and the United Kingdom are taking interesting and innovative steps in this direction (Royston 2012, Larkin 2018, Hassenteufel and Palier 2020). The former is considering the introduction of a *revenu universel d'activité*, which will replace most of the current monetary transfers conditional on the economic situation of the recipients. The latter has already introduced a new benefit called 'universal credit', which, within a few years, should also merge into a single transfer six different means-tested benefits. The availability of a systematic comparative inventory of concrete proposals of transformation will provide very useful incentives to putting aside prejudicial objections and to start a serious public policy debate on the universal income project – hopefully based on good arguments and good evidence.[15]

BASIC SERVICES AND TIME?

In Van Parijs's proposal, basic income should absorb all means-tested benefits as well as a share of all other transfers equal to the amount of the basic income. Although Van Parijs has often recognised that the term 'basic income' can be understood in a very broad sense so as to include a service-based component, the latter has not been the object of in-depth analysis in the debate, which has remained disjointed from that on social investment. As mentioned above, in fact, capacitating social services are the backbone of the social investment strategy. Monetary transfers alone might be neither sufficient nor adequate to combat many of the newly emerged social problems. In the event of unemployment, the availability of employment services and opportunities for skill building and updating are crucial. Working parents need quality childcare services. An elderly person who is not self-sufficient has not only economic needs, but also needs that involve targeted care and personal assistance (Morel et al. 2012).

In the two sectors of education and health, access to services is already universal and guaranteed in the countries of the European Union. There are, however, gaps at the margins, especially where new risks are concentrated: early childcare (especially in the form of ECEC) on the one hand and long-term care for frail elderly people on the other. Pre-school day care and education services in general have also become crucial today. How are we to extend the coverage of organised solidarity in these fields? The more society moves away from monetary protections, the more it becomes difficult to pinpoint the ‘what’, the ‘how’ and the ‘how much’ of public protection. As T.H. Marshall – one of the founding fathers of the twentieth-century welfare state – pointed out, subjective rights alone might not be effective. Speaking of the right to education, for instance, Marshall wrote: ‘[i]t may be fairly easy to enable every child below a certain age to spend the required number of hours in school. It is much harder to satisfy the legitimate expectation [of families] that the education should be given by trained teachers in classes of moderate size’ (Marshall 1950: 58).

There are essentially two strategies for addressing this challenge. The first proceeds from the top down: the state – including regional and local governments – sets essential levels and adequate standards of service that must be guaranteed to all citizens and that are systematically monitored and evaluated. In Italy, for example, this path has already been taken in the health care arena, but not yet fully in social services. The second strategy is directly targeted at citizens and provides them with two ‘cheques’: a voucher for accessing the services they need, giving them the freedom to choose the supplier (the quasi-market model); and a ‘time voucher’, also of adequate duration, which frees the recipients from part of their work obligations, allowing them to dedicate themselves to other activities such as care, training, re-skilling and so on. The two strategies are not mutually exclusive.

In some European countries, innovative schemes of this latter type are already being tested or implemented. For example, in 2017 France introduced the *Compte Personnel d’Activité* (Personal Activity Account), which brought together and expanded three pre-existing ‘individual accounts’ of the training and education sector. The first of these programmes is the *Compte Personnel de Formation*, which endows people aged 16 or over with the right to training hours that can accumulate in an account throughout their work career, even if they change employer, including self-employed activities and the civil service. The *Compte d’Engagement Citoyen* concerns anyone who carries out activities of social utility, including civil service, social and health volunteering, auxiliary services with public security forces, and many others. As a rule, eight hours of certified activity, which must be registered on one’s personal account, entitle one to twenty hours of free training. Finally, the *Compte Personnel de Prévention* allows one to earn a time bonus for doing a risky job; this bonus can be ‘spent’ in training or to gain early access to retirement (see Perez and Vourc’h 2020). The elements characterising the accounts are at least three: they are based on a subjective right; they ensure access to certified initiatives regarding quality performance standards; and they use a new unit of measurement to define the content of protection, namely time. As has been said, time scarcity has today acquired a new and recognisable centrality for people's life chances (Goodin et al. 2008).

Another example that goes in this direction is Finland's 'guidance guarantee' – the right for all students and the active population to be assigned a tutor who helps them to define their training needs, their professional paths and the semi-free training opportunities they have access to. A further 'childcare guarantee' – the right to free or controlled-price access to childcare schools in the area of residence – has been activated in Finland, Sweden and Denmark. Sweden also introduced the right to a (sometimes paid) six-month sabbatical leave for study and training activities, which guarantees to employees the same position after the leave. Since 2019, the programme has been extended to leaves requested for launching start-ups. The Netherlands has in turn introduced the right to go part time under certain conditions. This type of initiative constitutes a notable attempt at addressing new social needs that established welfare provision strives to meet, while at the same time inaugurating a new generation of 'customised' service rights, combined with quotas of time freed from work obligations.

The most original experiment on work time was carried out in Denmark in the 1990s: the experimental introduction of an unconditional subjective right to twelve months of free paid time over one's working life. This can be seen as basic income transposed in the form of 'basic time'. The experiment ended right after the trial, due to its very high costs (Compston and Madsen 2001; Andersen 2011). However, it was reintroduced – with more restrictive rules – in 2008. Another time-off leave scheme that may serve as a reference for innovations of this kind is the Swedish 'leave of absence', which is, however, unpaid. The leave of absence provides full-time workers with permanent jobs with a legally enshrined right to take a six-month leave to launch a company or, alternatively, to study or to look after a relative. After the leave of absence, people have the right to return to their work with the same conditions as before.[16] These types of measures should definitely be included in the inventory of new schemes of protection or capacity building that 'tests the limits' of twentieth-century welfare, achieving a twofold purpose. The first is to realign the contents and methods of using social services with the new constellation of risks and opportunities. The second is to reorganise the labour market – or the market in general – so that the employees' flexibility corresponds to an equal amount of employers' flexibility: not only must workers be *fit for markets*, markets must also be *fit for workers*, thanks to new transfers and universal access to public services, which may be used according to individual preferences and contingencies (Schmid and Wagner 2017). If younger generations feel mostly threatened by casual work relations and discontinued careers, then the solution would be to smoothen job transitions.[17] This involves not only secure income, but also secure skills and opportunities, so as to prevent job changes from causing disadvantages and setbacks, and turn them into possible opportunities for personal and professional growth.

NOTES

1. For a more detailed elaboration on the potential for social investment to sustain the ‘carrying capacity’ of the welfare states, see Hemerijck et al. (2022).
2. In the words of Esping-Andersen, who was among the first academic advocates of social investment when that policy debate was taking root in the European Union, ‘[T]he minimization of poverty and income security is a precondition for an effective social investment strategy’ (Esping-Andersen et al. 2002: 5).
3. See, for example, Heckman (2006) on the long-term effects of early childhood education. More specifically, on the future-orientation of social investment policies, see Kvist (2013).
4. ‘Welfare chauvinism’ – this exclusionary stance towards welfare provision – is actually the *pièce de résistance* of many far-right populist politicians in Europe and beyond (see, among others, Keskinen et al. 2016).
5. For an overview of different types of mean-testing, see Gough et al. (1997). In the 1990s, the World Bank was among the main promoters of the selective approach (e.g. World Bank 1990).
6. Richard Titmuss, for example, strongly rejected a welfare system based on selectivity (Reisman 2001); on selective welfare benefits and their limits, see also Korpi and Palme (1998) and Baldwin (1990), who spoke of a ‘laborist’ approach to the welfare state.
7. Martin Heidendreich spoke of a ‘double dualisation’ of Europe: on the one hand, labour market dualisation between insiders and outsiders; on the other, increasing polarisation in macroeconomic and social terms between core and peripheral countries of the European Union (Heidenreich 2016). We will delve deeper into this in the next chapter.
8. On job creation in the EU green economy, see Chapter 7. On white jobs or, more specifically on the opportunities, challenges and risks of creating jobs in sectors like employment and care services, which are central to the social investment blueprint for welfare reform, see Ciarini (2016).
9. See, for example, the 2017 technical services note to the Eurogroup (European Commission 2017).
10. Shifting taxes away from labour is one of the main policy recommendations from the European Commission to promote growth and jobs. See Mathé et al. (2015).
11. See, for example, the debate about the Common Consolidated Corporate Tax Base: Morgan (2017); see also the proposal for a Common Consolidated Corporate Tax Base in the European Union (https://ec.europa.eu/taxation_customs/business/company-tax/common-consolidated-corporate-tax-base-ccctb_en).
12. The debate on work-conditionality of social assistance has been recently revived in Italy, where the right-wing government of Giorgia Meloni has cut back the national minimum income scheme, and made it obligatory for 'employable' recipients to accept the first job offer in order not to lose the benefit. On the perverse effects of welfare-to-work policies, see also Seikel and Spannagel (2018), Mantouvalou (2020). On the role of basic income in empowering workers, see Standing (2012).

13. See Ferrera and Van Parijs (2017).
14. See Eurostat, Social Protection Statistics: Social Benefits, November 2022, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Social_protection_statistics_-_social_benefits.
15. On recent experimentation with basic income schemes in Alaska and Finland, see Widerquist and Howard (2012), De Wipelaere et al. (2019).
16. See, for example, BBC, 'Sweden's surprising rule for time off. The country's unique leave of absence system helps workers launch their own business. Can it be replicated elsewhere?', 6 February 2019: https://www.bbc.com/worklife/article/20190206-swedens-surprising-rule-for-time-off.
17. This imperative of facilitating labour market flows is central in the theory of 'transitional labour markets', which not only considers income security (in and out of work) crucial, but also gives value to unpaid social and care activities and, more in general, to the 'freedom to act' of workers: Schmid (2017); see also Gazier et al. (2014).

6. The social dimension of the European Union through crises and beyond

THE AMBITIOUS PROMISES OF THE EU SOCIAL DIMENSION

The ‘second Great Transformation’ described in the previous chapters affects all advanced economies and welfare states, from the United States, through Europe to the Antipodes. The European integration project, however, has been one of the most comprehensive attempts at internalising (and, possibly, controlling) the ongoing socio-economic change within a community of states; that is, the European Union. In the first place, the European integration project constitutes one of the most emblematic instances of regional supranational market integration and trade liberalisation in the world. In particular, the establishment of the single market in the 1980s and the policy of external trade liberalisation pursued since the early 1990s have transformed the EU single market into one of the most open markets in the world (Rodrik 2011, Matthijs 2017). Furthermore, from the ambitious aim of the Lisbon Agenda of making Europe ‘the most competitive and dynamic knowledge-based economy in the world’ to today’s Next Generation EU Plan (NGEU), the European Union has actively promoted economic modernisation and technological progress, while seeking to take the best out of the dynamics of post-industrialism and digitalisation. This chapter discusses the social risks associated with European market integration and, most important, the ways in which the European Union has striven to address these risks by developing its unique ‘social dimension’.

Since its inception, the European integration project was primarily centred on economic objectives: the creation of a common market to bring together the economies of the Old Continent that, after the devastation of the Second World War, were to take off in the *Trente Glorieuses* of economic and welfare growth. While the European Union (or, back in the 1950s, the European Economic Community) concentrated its efforts on market integration, social protection was left in the hands of the member states, within the solidarity boundaries drawn by national welfare systems. The deepening of market integration and the progress of the transformations discussed in chapters 2 and 3, however, made it clear that a *social* dimension was increasingly needed alongside the economic one at the supranational level. In a way, a 'counter-movement' became necessary at the European level too, to tame social and cross-country inequalities that were gradually being exacerbated by increased economic integration and liberalisation. It is not by chance that the term 'social cohesion' made its first appearance in Europeanist discourses in the 1980s. The Single European Act (1987) boosted the momentum for establishing a single European market on the one hand, while, on the other, emphasising the need to maintain and reinforce the social nature of European market economies as opposed to the neoliberal model of US capitalism. The relaunch of cohesion policy and the adoption of the Social Charter in the late 1980s epitomised the recognition of a so-called European social model (Donati 2018, Bitumi 2018).[1]

The notion of a European social model refers to the 'historical and cultural traditions of the Member States', which have made it possible to build a European model of consensus by 'reconciling economic effectiveness and social solidarity' (European Commission 1994: 42). More specifically, it is generally used to indicate different aspects that are typical of the encompassing social and labour market policy arrangements of the member states, which are in principle preserved and fostered by EU institutions. These include the promotion of good working conditions and equal opportunities between men and women in inclusive labour markets, strong social dialogue, and universal and sustainable social protection systems, with an emphasis on social inclusion and the fight against poverty (Vaughan-Whitehead 2015). The term 'Social Europe' is commonly used with a similar connotation, although sometimes in a more normative fashion, to indicate three components of the social sphere of the European Union: (i) the social situation of the Union as a whole, (ii) the welfare systems of the member states, (iii) the *social acquis* (i.e. the body of laws, principles, policy objectives, declarations and so on, referring to EU social policy) that defines the EU social dimension. This chapter focuses in particular on the latter component, without leaving out of the picture the two other elements.

During the 1990s, in the face of increased economic demographic pressures, international organisations such as the International Labour Organization, the Organisation for Economic Co-operation and Development (OECD) and the European Commission (EC) itself cast doubts on the long-term sustainability of the European Social Model. Most notably, the OECD Jobs Study exposed the 'dark side' of double-digit unemployment in many Western European countries at the time (OECD 1994). With unemployment rates in France, Germany and Italy twice as high as in the United States, the generous European welfare states seemed to act as a brake to economic competitiveness and growth. Against this backdrop, the European Union focused its social dimension on employment more than on social policy *strictu sensu*. EU policy makers put much effort on the objective of 'creating more and better jobs' with the launch of the European Employment Strategy in the late 1990s. The latter was based on a soft-law mechanism designed to coordinate the employment policies of the member states: while the European Union sets the objectives, priorities and targets, national governments are responsible for formulating and implementing coherent policies, which are in turn monitored and reviewed by EU bodies in an iterative process. This governance mechanism, known as Open Method of Coordination, has been then applied to the various social policy strategies that form the backbone of the European social dimension (Trubek and Trubek 2005, Dawson 2009).

It is exactly its soft-law, non-binding nature that raised scepticism on the effectiveness and future prospects of the European social dimension. Especially since the Maastricht Treaty set up the roadmap towards the establishment of the Economic and Monetary Union (EMU) in 1992, the supremacy of European rules of economic integration, liberalisation and competition law has consolidated in the European Union. The latter trend was reinforced by a number of rulings of the European Court of Justice, which gave priority to cross-border market competition over nationally bound social and employment rights. For a long time, soft-law coordination of social policies were unable to keep pace with market integration, both because it had to abide by the 'harder' macroeconomic constraints of the internal market and the EMU, and as a consequence of the heterogeneity of national welfare state regimes, which makes it even more difficult to find a common ground, for example, between the generous and well-functioning Scandinavian systems and the patchier social protection arrangements in Southern Europe. Overall, this 'constitutional asymmetry' between the economic and the (weaker) social dimension of the European Union has contributed to making the European Social Model a less effective counterweight to market integration than was originally thought (Scharpf 2002, 2010; Ferrera 2005).

This notwithstanding, the twenty-first century started with a reinvigorated blueprint to strengthen the European social dimension, which culminated when the commitment to a 'social market economy' was finally enshrined in the Lisbon Treaty signed by the member states in 2007.[2] In 1997 the Conclusions of the Dutch Presidency of the European Union stated that 'economic and social policies are mutually reinforcing', and called for a 'modernization' of social protection systems as a necessary supplement to the EMU, in order to 'establish a durable basis for social cohesion' (European Council 1997). Profoundly inspired by the notion of 'social investment' and its stress on human capital enhancement – discussed in depth in the previous chapter – this new approach to EU social policy paved the way to the comprehensive policy agenda launched with the Lisbon Strategy for Growth and Cohesion. At the European Council held in Lisbon on 23–24 March 2000, the member states' heads of state and government committed to the ambitious aim of making

Europe ‘the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’ (European Council 2000). By the 2010s, most of the goals set in Lisbon had not been achieved by the bulk of the member states. The spirit of the Lisbon Strategy was then retaken and brought forward by the framework strategy Europe 2020, launched by the EC in 2010 with a view to achieving ‘smart, sustainable, inclusive growth’, and which redefined the boundaries of the European Social Model with five headline targets: raising the employment rate to 75 per cent of the working-age population, improving the investments in research and development, reducing greenhouse gas emissions and increasing the share of renewable energy, reducing school dropouts and increasing the share of the population aged 30–34 having completed tertiary education, and, last but not least, reducing the number of Europeans living below national poverty lines by lifting 20 million people out of poverty (European Commission 2010).

Both the Lisbon Strategy and Europe 2020 failed to keep up with their ambitious objectives. To be fair, over the years of the Lisbon Strategy, which by and large coincided with the Eurozone’s early days of low interest rates and rather sustained growth, employment levels increased in the bulk of EU member states. However, employment growth was not matched by the wished-for decrease in poverty and social inequality. On the contrary, the gap between the better-off households and those with low work intensity remained large or even widened, with the former social group being better able to benefit from the employment-centred policies and the latter remaining trapped in social exclusion or gaining access to low-quality jobs often leading to in-work poverty.[3] Most importantly, the outbreak of the global financial crisis in 2008 and of the euro crisis in 2010 upset EU policy strategies, relegating the social dimension to the back seat, at least for some years. In the next section we look at the ‘rainy days’ of the Great Recession, before turning the attention to more recent advancements that show how the European social dimension has proved more resilient than it appears at first sight.

THE GREAT RECESSION, AUSTERITY AND GROWING SOCIAL IMBALANCES IN THE EUROPEAN UNION

The last two decades were turbulent ones for the European Union, let alone for its fragile social dimension. The new century started with the introduction of the euro, which made it possible for peripheral economies of the Eurozone to take advantage of low interest rates to sustain consumption and good growth levels (although sometimes at the cost of artificially boosting private indebtedness, as shown by housing bubbles in Spain and Ireland), without necessarily fostering welfare reform nor the rationalisation of public spending (Hemerijck and Ronchi 2023). The decade of the Lisbon Strategy (2000–10) ended with the outbreak of the global financial crisis. As the contagion from the US subprime mortgage crisis crossed the Atlantic, the bulk of EU member states first reacted in a counter-cyclical fashion. Social expenditure was expanded to buffer the shock: in particular, governments resorted to so-called automatic stabilisers such as social contribution-based unemployment insurance and short-time work schemes, whose large increase was also financed from general revenues in order to compensate for the job losses (Chung and Thewissen 2011, Sacchi et al. 2011, Armingeon 2012, Clasen et al. 2012). When the Greek government-debt crisis reached its peak in 2011, the confidence of international markets in the solvency of highly indebted peripheral countries of the Eurozone plummeted, causing ten-year government bond yields to skyrocket. What had started as a financial-sector crisis began to be perceived as a sovereign-debt crisis. The design failures which were inherent in the architecture of the EMU, although they had remained latent in the early days of the euro, were finally unleashed in the euro crisis (De Grauwe 2013).

As is well known, since its inception, the governance of the euro was sheltered from politics, and entrusted to the European Central Bank (ECB) as a *super partes* institution, whose fundamental objective was to ensure price stability by keeping inflation below 2 per cent. The ECB was prevented from formally adopting expansionary monetary policies (a provision that was actually circumvented after Mario Draghi's famous 'whatever it takes'), let alone bailing out member states on the edge of financial breakdown. Moreover, by adhering to the Stability and Growth Pact in 1997, EMU members committed to abide by strict budgetary rules, under the monitoring of the Commission and with sanctions in case of noncompliance. These constraints on national fiscal policy discretion were further tightened during the years of the euro crisis. Most notably, the Fiscal Compact of 2012 introduced three important conditions: the imperative of maintaining a balanced general government budget (this kind of provision was even added to the constitutions of crisis-ridden Italy, Slovenia and Spain, along the lines of the German *Schuldenbremse* – 'debt brake'); the prohibition to run structural deficits above the threshold of 0.5 per cent of GDP (1 per cent for countries with a public debt lower than 60 per cent of GDP); the commitment to an annual reduction of the government debt-to-GDP ratio for countries with debts levels above 60 per cent. These revised fiscal policy targets were brought into the new coordination mechanism for the macroeconomic governance of the EMU, called the European Semester. Its structure, which combines hard-law economic rules with soft-law procedures, has considerably strengthened the influence that EU institutions have on national policy formulation on a broad range of issues, including not only economic but also social policies. Overall, the EMU was ill-equipped to cope with asymmetrical shocks such as the 2008–11 economic crisis; the remedies taken amid the euro crisis, on the other hand, made a bad situation worse.[4]

Against this backdrop, in the shadow of the euro crisis, social policy objectives were subordinated to fiscal consolidation priorities (Costamagna 2013). After the counter-cyclical policies enacted at the national level at the beginning of the Great Recession, virtually all EU member states turned to austerity, to an extent that exceeded that of previous recessions (European Commission 2013b). Fiscal consolidation was the only option de facto left to member states with out-of-control public finances. Austerity and internal devaluation encroached upon the domain of social policy: cutbacks and labour market deregulation carried the day, especially in those countries that were subject to financial rescue plans (conditionality attached) or fell very close to that (Natali and Vanhercke 2015, Theodoropoulou 2018). European welfare states were caught between a rock and a hard place. On the one hand, since before the economic crisis, the vast majority of them were striving to adjust their welfare provision to the changing global context and social risks we described in the previous chapters. On the other, their room for manoeuvre was constrained by mounting economic pressures that, as a result of the euro crisis and austerity, became tighter than ever before. This predicament raised doubts as to whether the European Union had eventually lost sight of its social dimension (Busch et al. 2013, Crespy and Menz 2015). A concern that was well reflected in the words of Mario Draghi, who went as far as to figuratively bury the European Social Model, claiming that it 'ha[d] already gone', given 'the youth unemployment rates prevailing in some countries' (*Wall Street Journal* 2012).[5]

Indeed, the blunt statement of the former President of the ECB did not come as a surprise in the light of the dramatic rise in (youth) unemployment, poverty and inequalities that occurred across Europe. Table 6.1 summarises the trends of the main social indicators – including the NEET rate (i.e. the share of young people [aged 15–29] not in education, employment nor training) – in the 'core' and the 'periphery' of the European Union. On top of picturing the social crisis that hit (part of) Europe after the Great Recession, the table reveals the widening of the divergence between the two groups of countries, with the EU periphery that was still struggling to resume a positive economic and social path at the outbreak of the COVID-19 pandemic in 2020.

The rise of poverty and social exclusion was particularly acute in the EU peripheries, which were not only hit the most by the economic crisis, but whose welfare systems were in many cases inadequate to cope with mounting social urgencies. A clear example of that is the case of Greece and Italy, which until 2017 and 2018 respectively were the only two countries of the European Union that did not have nation-wide minimum income schemes to provide a last-resort social safety net for the poor. When the crisis broke out, more and more (long-term) unemployed people slipped through this fundamental hole in

Table 6.1 *(Youth) unemployment rates, share of NEETs and 'at risk of poverty and social exclusion' rate in core and peripheral EU countries*

	Unemployment rate		Youth unemployment		NEET		Poverty and social exclusion	
	EU core	Periphery	EU core	Periphery	EU core	Periphery	EU core	Periphery
2009	7.8	10.5	18.8	24.8	12.3	17.6	18.2	29.7
2010	8.5	12.3	19.7	28.3	12.4	19.0	18.4	30.6
2011	7.9	12.8	18.4	30.4	12.0	19.7	18.8	31.6
2012	7.9	14.2	19.3	33.3	12.4	20.5	18.7	32.2
2013	8.3	14.5	19.3	34.4	12.5	20.7	18.8	32.0
2014	8.0	13.5	18.8	31.5	12.5	19.8	19.1	30.5
2015	7.6	12.2	17.1	28.6	12.2	18.8	18.5	29.8
2016	7.1	10.8	16.2	25.4	11.8	17.9	18.3	28.9
2017	6.3	9.3	14.4	22.4	11.3	16.6	17.7	27.5
2018	5.6	8.0	12.7	19.7	10.9	15.4	17.8	25.4
2019	5.2	7.2	12.7	18.0	10.5	14.9	17.5	24.5
2020	6.0	7.9	16.0	20.8	11.4	16.2	17.7	23.7

Source: Eurostat Statistics on Income and Living Conditions, Eurostat online database, https://ec.europa.eu/eurostat/data/database
Note: Countries are categorised based on the results of the cluster analysis conducted by Palier et al. (2018). Core EU countries are: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Luxembourg, the Netherlands, Poland, Slovakia, Slovenia, Sweden; EU periphery: Bulgaria, Croatia, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Portugal, Romania, Spain. The youth unemployment rate is referred to persons aged 15 to 24. NEET is the share of 15- to 34-year-olds who are not in employment, education nor training. The 'at risk of poverty and social exclusion' indicator corresponds to the sum of persons who are: at risk of poverty after social transfers, severely materially deprived or living in households with very low work intensity.

their welfare systems, and found themselves without adequate support against poverty.

Based on an in-depth empirical analysis of rising inequalities in the European Union, Frank Vandenbroucke and his colleagues drew some fundamental considerations on how such 'social imbalances' were deeply bound to the same structure of the EMU, whose stability was being put in jeopardy (Vandenbroucke et al. 2013). In the first place, the deterioration of socio-economic conditions observed in some countries was at least in part linked to the misalignment of the economic cycles, exacerbated by the dynamics of the EMU, whose rigidity had been further strengthened at the peak of the crisis. Second, growing social imbalances entailed bad news for EMU as such. High levels of poverty (child poverty in particular) and the general deterioration of human capital in peripheral countries, which is reflected in the NEET rate figures shown in Table 6.1, indeed contribute to widen prospective economic divergence and trigger negative externalities for the Eurozone in the long term. Similar conclusions were drawn by a group of political scientists, who spoke of a 'double dualisation' of Europe (Heidenreich 2016, Palier et al. 2018). The term refers to the combined effect of two layers of inequality: the first concerns the dualisation of European labour markets between well-protected insiders (typically workers with open-ended contracts and full access to contributory benefits) and vulnerable outsiders (workers in non-standard employment, who often have intermittent employment records and strive to qualify for social insurance benefits) – a phenomenon that we discussed in Chapter 2. The second layer of double dualisation regards the divergence between 'core' and 'peripheral' EU countries, which has become apparent in the years of the Great Recession, when the latter group fared considerably worse in both macroeconomic and social terms.

The growing polarisation between groups of member states, together with the austerity drive boosted by the reformed governance of the EMU and by the painful structural adjustments imposed on countries that underwent bailout programmes, came at a high political cost. Especially in Southern Europe, welfare retrenchment and labour market liberalisation contributed to the de-structuring of national party systems (Bosco and Verney 2012, 2016, Hutter et al. 2018). Anti-establishment parties gained government positions in a number of countries, especially in the periphery of the European Union. The most striking examples are probably Greece and Portugal, where radical left parties were elected in 2015 on a ticket to backtrack on austerity and, in the former case, by taking a strong antagonistic stance against the 'Troika' (i.e. the European Commission, the European Central Bank and the International Monetary Fund). Also in Italy, notably, a Yellow–Green coalition was formed in 2018 by the Five Star Movement (an originally anti-establishment party that spectacularly increased its vote share after the outbreak of the economic crisis) and the radical-right League, based on an agenda that mixed anti-austerity, anti-immigration and Eurosceptic sentiments. On top of shaking up party politics in the member states, the euro crisis activated the distributive conflict that was latent between wealthier countries in the EU core and weaker economies (and welfare states) in the peripheries. More in general, the European Union and its apparently forgotten social dimension became more politicised than they were in the past (Hutter et al. 2016). Before looking at how 'Social Europe' actually proved more resilient than it seemed in the early years of the Great Recession, we try to identify the lines of conflict that underlie the long-lasting tension between the economic and the social dimension of the Union, and which came to the fore during a decade of deep economic, social and political crisis in Europe.

THE CONFLICT LINES BEHIND THE EUROPEAN SOCIAL DIMENSION

As we mentioned above, European integration was originally intended to complement national welfare states, with a view to contributing to upward convergence of socio-economic standards. Over time, however, this equilibrium began to crumble in the wake of the four freedoms granted by the single market (freedom of movement of persons, goods, capital and freedom to establish and provide services), of competition law and of the completion of the monetary union (Scharpf 2002, Ferrera 2005). The euro crisis and its uneven social consequences brought to the surface a number of fundamental distributive conflicts that were in fact intrinsic to the tension between the economic and the social dimension of the European integration project.

The general tension between nationally bounded solidarity (i.e. national welfare state institutions) and EU-wide economic integration can be summarised into four intertwined lines of conflict, which, in the years of the euro crisis, added up into a ‘clash syndrome’ with a compound functional, normative and territorial nature (Ferrera 2016, 2017). The first line of conflict has a normative character and revolves around the policy focus and the overall mission of the EMU. It consists of a rift that, without questioning the integration project as such, pits the supporters of a neoliberal view centred on market making and monetary/fiscal stability against a growth/employment-oriented vision that also gives importance to the market-correcting role of the European Union. This tension, which leads back to the traditional cleavage between right- and left-wing political ideologies, increased in visibility and salience in the years of the euro crisis. A ‘euro-liberal’ and a ‘euro-social’ view became clearly recognisable within the intellectual and political circles that remained loyal to the European cause, both in the member states and in the supranational arena. These views were articulated in an increasingly explicit fashion in the run up to the European Parliament elections of 2014 and 2019, where the juxtaposition between left- and right-oriented platforms of mainstream European parties (leaving aside, for the moment, Eurosceptic forces) reached the public debates between the *Spitzenkandidaten* for the Presidency of the Commission (see, for example, Hobolt 2014). Moreover, although this is not the only relevant divide that shapes political conflicts in the European arena, the left–right dimension still played a crucial role in the formation of party coalitions in support for euro-social initiatives in the European Parliament (Vesan and Corti 2019, Corti 2022, Natili and Ronchi 2023).

The second line of conflict has to do with the functioning and fiscal imbalances of the Eurozone and, therefore, with the thorny issue of cross-national transfers. Over the last twenty years the politics of the Eurozone has taken on clear territorial features, whereby a deep divide has emerged between the North and the South of the Eurozone, ‘core’ and ‘peripheral’ countries, which were often referred to as ‘creditor’ and ‘debtor’ states – the ‘saints’ and ‘sinners’ in the prevailing narrative of the euro crisis (Dyson 2014). Creditor countries (Germany in the first place) firmly pushed through fiscal discipline in the EMU, following the logic according to which the member states alone are to be held responsible for fiscal imbalances. Specifically, during the euro crisis, the finger was pointed towards the fiscal profligacy of Southern governments in the past. The burdens of adjustment, therefore, should fall on national governments (the ‘homework’ approach) and taxpayers, as was effectively the case with austerity and internal devaluation in crisis-ridden ‘debtor’ countries. The latter initially accepted, arguably for lack of alternatives, fiscal discipline and harsh conditionality; however, they soon started to speak out against the EMU’s pro-austerity stance, while asking for more flexibility in the application of the Stability and Growth Pact rules and – ultimately – for the mutualisation of risks (Ferrera 2016). The North–South divide was not only reflected in a heated wave of protests in crisis-ridden Southern European member states – which culminated in the rise of anti-austerity parties like Podemos in Spain and Syriza in Greece – but also had political consequences in the core countries. One of the most emblematic cases was the birth of Alternative für Deutschland in Germany, which, at its origin, fostered anti-EU sentiments for diametrically opposed reasons: a widespread aversion to cross-national transfers that would (allegedly) be funded by German taxpayers.

The COVID crisis has re-opened this foundational controversy between supporters and opponents of fiscal integration and risk pooling. Before an agreement was reached with the adoption of a common recovery fund – the NGEU – countries like Italy, France, Portugal and Spain advocated a high level of risk pooling regarding the COVID crisis, explicitly calling for debt mutualisation (e.g., the so-called coronabonds), while, on the other side, the ‘Frugal Four’ (Austria, Denmark, Sweden and the Netherlands, initially backed by Finland and some Eastern member states) vocally opposed this solution, digging their heels in on the grounds of their long-standing concern for moral hazard. This time Germany, which had been the champion of austerity during the euro crisis, switched sides, and played a key role as a mediator in paving way for the progress towards fiscal integration brought by NGEU (Ferrera et al. 2021).

The third line of conflict revolves around the free movement of workers (as well as enterprises and services) in the single market – an issue which is unavoidably intertwined with access to domestic welfare on the side of other EU nationals. After the Eastern enlargement, which started in 2004, the heterogeneity between member states’ economies considerably increased. The new member states in the East, overall characterised by lower labour costs and less generous welfare systems than Western Europe, have begun to compete with old EU member states, whose wage and welfare benefits levels are notably higher. Therefore, this third line of conflict has both territorial (running West to East) and functional traits (diverging economic interests – the competitive advantage of low-wage countries on the one hand and the fear of 'unfair' competition on the other). This conflict is the best-fitting example of the de-structuring pressure that market integration exerts on nationally bounded welfare states (Ferrera 2005). The freedom of movement within a considerably unequal common market, in fact, has raised many concerns with regard to so-called wage and social dumping (see also Chapter 3 on the consequences of globalisation). That is, the fear that economic competition from Eastern Europe, riding on a competitive advantage based on lower labour costs and weaker collective bargaining institutions, would have triggered a race to the bottom with regard to wages and social protection standards granted to Western European workers. The issue started to be contentious in the mid-2000s, when the notorious controversy about the 'Polish plumber' hit the headlines, paving the way to wide mobilisation against the now infamous Bolkestein Directive. The latter was aimed at facilitating the free movement of service providers, so as to allow them to operate under the regulation of their home country (*Lex Loci Domicilii*) on a temporary basis. The controversy then extended to the intra-EU mobility of workers and the 'posting' of workers from enterprises based in lower-wage countries to higher-wage ones. Worries arose also in respect to the access to and sustainability of welfare benefits. In the wake of rising inflows of workers from newly acceded member states, public opinions in the West became increasingly hostile vis-à-vis EU immigrants, who were accused of 'welfare tourism' (i.e., of reaching Western member states to access more generous benefits rather than to look for jobs, although empirical evidence did not support such allegations [Bruzelius et al. 2016, Fernandes 2018]) and held responsible for social dumping dynamics. The refugee crisis in 2015 acted as a catalyst for such fears, triggering welfare chauvinist attitudes also in Central and Eastern Europe. The most dramatic symptom of this line of conflict was undoubtedly the outcome of the Brexit referendum, whereby welfare tourism had become a scarecrow in the aggressive campaigns of Brexiters.

Lastly, the fourth line of conflict does not specifically have to do with the social dimension of the European Union, but concerns more broadly the integration project as a whole. Namely, it refers to the growing tension between the 'power of Brussels' and national sovereignty; that is, the defence of domestic authority, models and practices in the member states – a divide that has become increasingly salient in the European political space (Grande and Hutter 2016). A number of authors have argued that globalisation – and EU integration alike – can be understood as a deep societal transformation generating new structural divisions within societies and party systems in Europe.

Groups of 'winners' and 'losers' of globalisation emerged along divides that transcend traditional (class-based) economic positions and which are mainly rooted in the growing cultural diversity associated with immigration and in the perceptions of threat that it poses to national identity and traditional values (Inglehart 2008, Kriesi et al. 2008; see also Chapter 3). In the context of the European Union, where the integration process blurs the boundaries between nation states, the 'losers' are expected to favour national demarcations over further opening of the borders, while the 'winners' are generally more supportive of advancing EU integration (Kriesi et al. 2012, De Wilde et al. 2019). While in the case of the first line of conflict discussed above the left–right divide is structured along economic considerations (market making versus market correcting), the integration–demarcation conflict is best embodied by Eurosceptic political forces which exploit cultural and identity issues (e.g. anti-immigration sentiments) for electoral purposes. Needless to say, this last conflict line potentially affects the political feasibility of EU social policy, as the deepening of the European social dimension would increase the competences (or, at least, the influence) of the Union and possibly erode national sovereignty in very sensitive policy areas.

RESILIENT SOCIAL EUROPE: BEYOND THE GREAT RECESSION

Notwithstanding the deep economic and social crisis that followed the Great Recession, the European social dimension was not wiped out by austerity. On the contrary, after an initial setback in the early 2010s, it was gradually shored up in the face of mounting social imbalances across the European Union. Rather than preventing the advancement of EU social policy, the political rifts that had been exacerbated by the crisis contributed to bring back in the EU agenda a number of social policy issues, opening a window of opportunity for the reform (and, arguably, the deepening) of the European social dimension.[6]

First of all, the bulk of European welfare states, and especially those of core and Nordic EU members, were quite successful in cushioning the economic crisis, maintaining basic social security and facilitating a return to employment and economic growth (Ólafsson et al. 2019, Hemerijck and Matsaganis 2023). Moreover, when looking at policy change in the member states, austerity was not the only game left in town. Even in crisis-ridden countries, against all odds, some degree of social policy progress took place besides retrenchment and liberalisation, sometimes breaking with the inertia that had long characterised welfare reform in the EU peripheries. Economic conditionality from the European Union and the Troika certainly constrained peripheral countries' governments into the path of austerity (Armingeon 2013, Natali and Vanhercke 2015, Theodoropoulou 2018). Nevertheless, partial exceptions to this trend occurred in countries where left-leaning or, in any case, anti-austerity governments expanded some social protection programmes alongside or immediately after retrenchment and liberalisation (Sacchi and Roh 2016, Picot and Tassinari 2017, Branco et al. 2019, Vesan and Ronchi 2019). The most striking exception to social retrenchment was perhaps the introduction of nation-wide guaranteed minimum income schemes in the two EU members that did not have any such scheme prior to the crisis: Greece and Italy. In the case of Greece, the adoption of a minimum income scheme was pushed through by the same Troika, against the initial opposition of the national government. The International Monetary Fund was the first to strongly advocate the adoption of a minimum income scheme as part of a strategy aimed at streamlining social assistance, so that 'social conditionality' made its appearance alongside economic conditionality (Ronchi 2021; see also Matsaganis 2020).

The deep economic, social and political crises that hit Europe in the decade 2010–20 coincided with remarkable institutional transformations at the supranational level. On the one hand, the economic governance of the EMU was strengthened with a view to keeping member states' public finances under stricter control. A number of academic analyses drew gloomy conclusions on the state and prospects for Social Europe (see the second section in this chapter). However, with hindsight, ten years after the euro crisis we can say that social dimension was perhaps momentarily gone, but not forgotten. Despite the priority given to fiscal discipline, the European Union paid increasing attention to the social inequalities that were growing both in crisis-ridden member states and between them and core EU countries. The anti-poverty targets included in the Europe 2020 strategy were increasingly taken seriously and, overall, social objectives were gradually integrated in the coordination mechanisms of the European Semester (Zeitlin and Vanhercke 2014, Jessoula and Madama 2018). More specifically, after the peak of the Great Recession, the recommendations addressed to member states in the framework of the European Semester paid increased attention to social inclusion and minimum income protection, both in the case of Eastern European countries and of Ireland, Italy, Portugal and Spain (Vesan et al. 2021).

Moreover, novel EU policy initiatives were launched with a view to mainstreaming social objectives. In the face of skyrocketing levels of youth unemployment in Southern Europe, for example, in 2013 a Council recommendation lunched the 'Youth Guarantee', establishing the commitment for the member states to guarantee that all young people under the age of 25 receive, within four months of becoming unemployed or leaving formal education, a good-quality offer of work or the chance to continue their studies or undertake an apprenticeship or professional traineeship (European Council 2013). The Youth Guarantee was backed by EU funding to crisis-ridden countries, proportional to the level of youth unemployment. It was further reinforced in 2020, in response to the social and economic crisis provoked by COVID-19 (Natili 2022). Again in 2013, the European Commission adopted a 'Social Investment Package', which called on member states to invest in social policies to enhance human capital and citizens' labour market opportunities (European Commission 2013a, 2013c). Although its momentum was slowed by the austerity turn that we have discussed above, this EU policy package marked the full endorsement of the social investment blueprint on the side of the European Union, with the ultimate aim of 'of making long-term social investment and short-term fiscal consolidation mutually supportive' (Vandenbroucke et al. 2011: 5; see Chapter 5 for a discussion of the social investment strategy).

A number of other euro-social initiatives followed, addressing diverse social issues. The Fund of European Aid to the Most Deprived (FEAD) was launched in 2014 to combat severe material deprivation. The newly established fund marked significant discontinuity with its institutional forerunner – the so-called PEAD, from the French *Programme européen de distribution de denréesalimentaires aux personnes les plus démunies de la Communauté*, inaugurated by Jacques Delors in 1987 in the framework of the Common Agricultural Policy. The FEAD was framed along the more ambitious aim of 'breaking the vicious circle of poverty and deprivation', and sought to go beyond the sole provision of material assistance (food and non-food aids) by complementing it with accompanying social inclusion measures (Madama 2016).

Important changes also emerged with regard to the coordination of social and labour policy issues connected to the free movement of workers, with the revision of the Posted Workers Directive that took place between 2016 and 2018. As mentioned above, the issue of posting split member states into two opposing camps: higher-wage countries (Western member states) and lower-wage countries (Eastern member states); that is, net senders and net receivers of posting, respectively. The revision of the Posted Workers Directive, finally adopted in 2018, corrected a number of issues that had proven particularly contentious with the existing EU legislation on the matter (which dated back to 1996, before the Eastern enlargement). For example, the previous directive did not recognise standards set by local collective agreement among the rules to be applied to posted workers – a point that clashed with industrial relations systems based on autonomous collective bargaining in the Nordic countries. The revised directive expanded to this and other aspects of workers' rights beyond simply pay under the broader notion of 'remuneration'. Overall, the revision of the Posted Workers Directive contributed to lessen wage competition between posted workers and local workers, and brought forward the social dimension in the regulation of posting while striking a compromise between the left-leaning requests for higher guarantees of cross-border workers' rights and the call for levelling the playing field for fair competition between enterprises in the single market – which was voiced in particular by right-wing parties (Kyriazi 2023, Corti 2022).

The most emblematic advancement for the social dimension of the European Union was the adoption of the EU Pillar of Social Rights in 2017. The Pillar provided a new foundational platform for Social Europe, consisting of twenty principles covering equal opportunities and access to the labour market, fair wages and working conditions, minimum income guarantees, social protection and inclusion. Although the jury is still out on the actual effectiveness of the principles inscribed in the Pillar of Social Rights, as a matter of fact, it contributed to set the EU social policy agenda, and paved the way for further 'socialisation' of the European Semester (Vesan et al. 2021). A good example of the substantiation of one of the principles of the Pillar (namely, principle 6) is the Directive on Adequate Minimum Wages that was proposed by the Von der Leyen Commission in October 2020, and which was finally adopted in late 2022. The directive provides a framework to promote adequate minimum wage levels (be that through statutory requirements or collective agreements, depending on the institutional traditions found in different countries), to promote collective bargaining on wage setting and to improve the effective access to minimum wage protection. This directive, which ultimately aims at upward convergence in labour standards across the European Union, constitutes a significant policy change after a decade of austerity and internal devaluation (Natili and Ronchi 2023). Moreover, given in particular the great diversity of wage–setting institutions across member states, it marks the intervention of the European Union in a very contentious field, which lends confidence to the political feasibility of Social Europe despite the fault lines highlighted in the previous section.[7]

Another recent action taken by the European Union to safeguard employment and workers' conditions is the strengthening of the European Globalisation Adjustment Fund (EGF). Being operational since 2007, the EGF was originally instituted as a programme aimed at funding re-employment initiatives for EU workers who were made redundant as a result of major shifts in world trade patterns – most notably, offshoring of EU industries to *non*-EU countries (European Commission 2006, Claeys and Sapir 2018). As such, the EGF was instituted as a means of reconciling the benefits of international economic opening with the adverse effects that trade liberalisation may have on the employment of some sectors (recall Chapter 3). After its most recent reform for the 2021–27 period, EGF interventions are no longer exclusively linked to globalisation, but cover any restructuring event of a company, sector or region. Despite its still limited financial scope, this transforms the EGF into a permanent supranational emergency tool to mitigate the negative effects of several of the challenges faced by contemporary labour markets.

THE COVID CRISIS: A NEW MOMENTUM FOR EU SOCIAL REFORMISM?

The crisis provoked by COVID-19 opened a new era for the economic and social governance of the European Union. After an already difficult decade, the pandemic came as an unpredictable and particularly severe shock. On top of the dramatic death toll, it was followed by an unprecedented economic downturn, which, although marked across the board, was felt the most in countries with the weakest economies and welfare systems, which had been already stress tested in previous years (Moreira and Hick 2021). This time, however, the nature of the economic shock was different from the euro crisis years: it was harder to blame individual countries for a crisis that originated from a pandemic – a clearly exogenous shock. Therefore, with some exceptions that revived the above-mentioned North–South political rift, 'the saints and sinners' discourse lost its appeal (Ladi and Tsarouhas 2020, Genschel and Jachtenfuchs 2021). After the outbreak of the pandemic, arguably learning from past mistakes, the EU Commission and member state leaders took action fast, and in a very different way than ten years before.

In March 2020 the Stability and Growth Pact was temporarily suspended in the face of the economic turmoil that was to hit Europe. In the same month, a Pandemic Emergency Purchase Programme was launched by the ECB – an ad hoc purchase programme of €750 billion involving both government and private debt, aimed at helping countries on the periphery of the euro area to stay afloat in the face of financial markets' pressures. The first instrument that was explicitly devised to foster the measures adopted by member states to stem the social repercussions of the pandemic and national lockdown measures was SURE (temporary Support to mitigate Unemployment Risks in an Emergency). The new instrument was announced by the President of the European Commission, Ursula von der Leyen, and then swiftly adopted at the beginning of April, less than two months after the start of the COVID-19 outbreak in the north of Italy, the first European region to be seriously affected by the pandemic. SURE consists of a temporary measure to support national short-time work schemes (job-retention programmes like *Kurzarbeit* in Germany or *Cassa integrazione* in Italy, to quote just two of the best-known examples). Specifically, it takes the form of unconditional loans granted with favourable terms from the European Union to member states that face sudden increases in public expenditure for the preservation of employment, so as to 'act as a second line of defence, supporting short-time work schemes and similar measures, to help Member States protect jobs and thus employees and self-employed against the risk of unemployment and loss of income' (European Commission 2020d; see also Andor 2020). Although it was explicitly designed to protect jobs (through supporting different kinds of national short-time work schemes), SURE was created in the backdrop of a wider political debate on the advisability of putting into place an EU-level unemployment (re-)insurance system to complete the currency union with this sort of automatic stabilisation mechanism. In fact, even if it constitutes the first EU intervention of this scale in matters related to *passive* (i.e. cash-transfers-based) labour market policies, SURE is a job (not unemployment) re-insurance scheme, which came at a time when short-time work schemes were rediscovered in the face of large-scale lockdowns. As such, it may indeed mitigate issues related to the financial sustainability of job-retention policies in highly indebted countries. It remains to be seen whether SURE will then pave the way to a fully-fledged European unemployment re-insurance scheme.[8]

The most striking and comprehensive turn away from austerity came in July 2020, with the adoption of the Next Generation EU recovery plan and the new Multiannual Financial Framework. The new policy blueprint not only brought green and digitalisation policies to the centre of the EU agenda (an aspect that we will discuss in the next chapter), but it considerably pushed forward fiscal integration, while also giving new momentum to the social dimension (de la Porte and Jensen 2021). According to Ladi and Tsarouhas, the COVID-19 crisis constituted a critical juncture for the European Union, whereby the EU economic governance took up a redistributive function on top of the original regulatory one. Indeed, the final NGEU agreement, although not as ambitious as that advocated by the Southern countries, involved the European Commission undertaking massive borrowing on the capital markets for the first time (up to 750 billion euros) to provide grants (up to 390 billion euros) and loans to economically weak member states. In other words, it envisaged 'joint debt issuance and a policy of intra-state financial redistribution with no modern parallel' (Ladi and Tsarouhas 2020: 1051).

In the framework of the NGEU, the Recovery and Resilience Facility is the programme that provides member states with the greatest opportunity to jump-start their economies while recasting national social (but also green and industrial) policy along a more inclusive and sustainable path. The Facility is an instrument that allows the Commission to raise funds to help member states implement reforms and investments that are in line with the European Union's priorities, such as reaching climate neutrality by 2050 (see the next chapter), and that address the challenges identified in country-specific recommendations under the framework of the European Semester. As such, by allowing more fiscal space to economically weaker member states, it may foster counter-cyclical social investments where they are needed the most. And this could in turn counteract the increase in cross-country inequalities that was the rule when the rigidity of the EMU governance was, by contrast, tightened under the Fiscal Compact.

NOTES

1. Although the notion of a European social model has a strong normative potential, which is rooted in the similar welfare state legacy shared by Western European countries, some authors highlighted that socioeconomic disparities appear wider within the European Union than between Europe and the United States: see Alber (2006).
2. The reference is to Article 3 of the Treaty on the European Union (TEU). Moreover, Article 9 in the Treaty on the Functioning of the European Union (TFEU) introduced a so-called social clause in EU policy intervention. Namely, it states that 'in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health'.
3. On the ups and downs of the Lisbon Strategy first and then Europe 2020, see Social Protection Committee (2009), Lundvall and Lorenz (2012). On the so-called paradox of social investment, referring to the mismatch between increasing employment and stagnating poverty levels in the Lisbon years, see Cantillon (2011). On in-work poverty in the European Union, see, among others, Andreß and Lohmann (2008).
4. Tellingly, the Nobel laureate in Economics Amartya Sen referred to the cyclical fiscal policy prescriptions dictated to Greece by the Troika alongside bailout programmes as 'antibiotics with rat poison' (Sen 2015).
5. The former President of the European Central Bank then partly reconsidered his statement: 'My actual statement is that this European social model has to be revisited, and one of the reasons is the reason I gave you. I believe in the values of inclusion and solidarity, but the present rules don't allow, don't make this social model – it's not European, by the way, but a social model that prevails in some countries in Europe, not everywhere – these rules make it unsustainable' (Q&A time at a press conference at the ECB, Frankfurt am Main, 4 April 2012). Draghi was not a lone voice in speaking of the death of the European Social Model. In her speech at the 2013 World Economic Forum in Davos, the German Chancellor Angela Merkel worried about Europe's too generous welfare commitment, which she presented as a hurdle to competitiveness and economic growth ('while "making up for almost 25 percent of global GDP", [Europe] "accounts for nearly 50 percent of global social spending"'; quoted in Hemerijck and Huguenot-Noël [2022]).
6. For a similar argument, see Hemerijck and Matsaganis (2023).
7. On the other hand, the paradigmatic shift in EU minimum wage coordination was not equalled in the field of minimum income policy. Notwithstanding the long-lasting advocacy of a Framework Directive to set minimum common requirements for national minimum income provision on the side of non-governmental organisations such as the European Anti-Poverty Network (EAPN), at the beginning of 2023 the Council adopted a much 'softer' recommendation on the topic. The latter does not bind member states to effectively enact measures for upgrading minimum income schemes and, therefore, does not mark a U-turn with

respect to the soft-law approach taken by the European Union in the domain of anti-poverty policy ever since the 1990s (Shahini et al. 2022).

8. For more insights on this debate, see, for example, Vandenbroucke et al. (2020).

7. After COVID-19: towards a new eco-social agenda

'OUR HOUSE IS ON FIRE'

Earth's life support systems of atmosphere, oceans, soils, aquifers and life forms are at the point of breakdown, with the atmosphere's warming being the most pressing environmental issue due to its threat multiplier and potentially irreversible character: for humankind to survive on a liveable planet, we need to cut annual global greenhouse emissions by about 45 per cent from 2010 levels by 2030, and hit net-zero emissions by 2050 (IPCC 2018). In this sense, time is of the essence: achieving net zero[1] cannot be deferred to some indeterminate future, but must be substantially accelerated in this decade. If humankind does not do so, there is a non-trivial possibility that the continuation of life on earth becomes impossible.

The appalling course of global warming is only matched by the stubbornness of the status quo in courting ecological disaster by not advancing a global decarbonisation project. The 2022 *World Energy Outlook* of the International Energy Agency (IEA) provides a detailed stocktake of where we are in the net-zero transition. By September 2022, the policies already adopted by governments to cut emissions, if they are actually implemented, do not reach net zero, since the rise in average temperatures associated with this 'stated policies scenario' is around +2.5°C in 2100 (with a 50 per cent probability). Such a rise would imply that, by 2070, in the absence of migration, up to 3 billion of the projected world population of about 9 billion could be exposed to temperatures on a par with the hottest parts of the Sahara (i.e. currently found in only 0.8 per cent of the Earth's land surface) (Xu et al. 2020). And the IEA's 'stated policies scenario' is a relatively optimistic scenario, since all policies included in the model are not guaranteed to be implemented, but their timing depends on market, financial, infrastructure and regulatory circumstances (as the Ukraine war that began in 2022 made evident). In short, massive policy changes are still needed to limit global temperature rise to 1.5°C above pre-industrial levels, thereby stabilising global average temperatures. As the Intergovernmental Panel on Climate Change (IPCC) noted in a landmark report, 'there is no documented historical precedent for the scale of the necessary transitions' (IPCC 2018: 15).

Nevertheless, however complex, limiting global warming to 1.5°C is feasible: as Michael Mann (2020: 222) emphasises, there is no need to magnify a sense of doom and hopelessness in the fight against climate change, since although 'it is too late to prevent harmful impacts […] there is still time to avoid the worst outcomes'. Indeed, nowadays climate change sceptics increasingly retreat from denying the existence of global warming and instead try to foster perceptions of inevitability, irreversibility and fatalism that lead to the same inaction paths as outright denial. This should alert us that catastrophising alone will not trigger relevant changes. Environmentalism cannot just be the bearer of bad news and scolding.

THE GREEN TRANSITION

Achieving 'net zero' clearly involves urgent but fundamental technological and socio-economic shifts, but how large will the impacts be on economy and society? How tough will be the efforts that the green transition will impose? Investment needs to transform, at a minimum, five sectors into completely greenhouse-gas-emissions-free: energy production, buildings, industry, agriculture and transport. To do that, estimations for the European Union envision spending of €28 trillion over the period 2021–50; this amounts to a yearly investment of 5 per cent of current EU GDP in the next thirty years (D'Aprile et al. 2020). In turn, the IEA (2022: 122) estimates that investment in clean energy needs to rise to 4 per cent of the global GDP by 2030. These are eye-watering amounts, but within the realm of the possible. As a case in point, military spending in the European Union represents 1.2 per cent of its GDP.

Once the need to mobilise a massive amount of resources to contain climate change is established, what remains is to decide about the ways to finance it: a key unknown of the climate policy debate of the third decade of the twenty-first century concerns the nature of the financing and planning that political leaders will adopt to achieve decarbonisation (Eaton 2021). Of course, one source of finance has to come from redirecting existing investment and subsidies from fossil fuels towards clean energy technologies. Nevertheless, that will be far from enough on its own. Two key policy strategies, complementary rather than mutually exclusive, are on the table.

On the one hand, carbon pricing mechanisms are needed to encourage energy producers, industry, financial markets and consumers to switch to low-carbon technologies by changing the relative prices of polluting energies, while at the same time providing revenues to finance green public spending. There are two alternatives on carbon pricing. The first consists of fixing the quantity of carbon emissions permitted to meet previously defined climate-stabilisation goals (such as the 1.5° to 2°C target set by the Paris Agreement) and let the market figure out the price of these emissions. These are the so-called cap-and-trade systems, which create markets for companies to buy and sell allowances that let them emit greenhouse gases up to a certain amount (Cullenward and Victor 2021). The larger and most effective cap-and-trade system is the EU Emissions Trading System (EU ETS). The second alternative are carbon taxes, which work in an inverse manner: they fix the price of pollution and let market actors figure out the volume of pollution that it affords (Cullenward and Victor 2021: 24). In the long run, the rationale of both policies is the same: to encourage reductions in the use of fossil fuels via increases in their costs. However, existing research shows that carbon pricing mechanisms have so far had limited success in inducing significant changes in emissions patterns (Tvinnereim and Mehling 2018).

As such, carbon pricing – via cap-and-permit systems, carbon taxes or a combination of the two – cannot do all of the work in generating the necessary incentives for switching to clean energy. Market incentives such as carbon pricing can be effective during the diffusion stage of technological development, when the best options are known but firms need incentives to adopt them (Cullenward and Victor 2021: 45). However, since several key technologies needed for decarbonisation are in their infancy, uncertainty is high and risks are unknown, particularly for first movers, so that price signals are not enough to induce the necessary (massive) investment (Cullenward and Victor 2021: 8). According to the IEA, in 2020 only 25 per cent of the technologies needed for the climate transition were in a mature stage of implementation (IEA 2020). Around 35 per cent of them were at the prototype or demonstration phase, such as low-emissions ammonia-fuelled ships, hydrogen-based steel production or direct air capture (DAC) technology (IEA 2020). For technologies at these early stages, experience shows that not only creating, but especially bringing them to market – i.e. testing and deploying solutions that currently exist in labs but have not been tested at scale in real-life conditions – can often take decades. To accelerate these processes, the role of governments, by providing financial support to researchers and manufactures, regulating to reduce market risks, investing in enabling infrastructures, using public procurement to boost deployment and providing networks for knowledge exchange, has been historically crucial (Mazzucato 2015). In other words, strategic industrial policy is required to support the development and deployment of new green technologies.

The fight against climate change is an existential threat as well as a business opportunity. For this business opportunity to be profitable, however, the steering role of the State, by creating incentives for industrial transformation in the private sector, is required. Establishing transparent long-term energy transition strategies, underpinned by an 'entrepreneurial State' (Mazzucato 2015) that is willing to provide patient finance and crowd in private investors, is essential to de-risk and stimulate private investment in green sectors. What matters is not whether the State is involved or not, but how the different levels of the public administration, private industry and stakeholders can work together on investing in solutions from a long-run perspective.

THE POLITICS OF THE GREEN TRANSITION

Deep decarbonisation is economically and technologically feasible, but mustering political support for it is on its own a second Herculean task. Successful climate policy requires weaving ample political coalitions to back sustained transformative changes in the economy. Major obstacles are not only the pervasive political influence that emitting industries and related corporations have amassed. They are also the poor electoral performance of green parties in Western democracies, and the broader lukewarm public support for changes that necessarily threaten existing lifestyles and involve short-term and visible economic costs. Sabato et al. (2021) speak about an 'eco-social-growth trilemma' to refer to the potential trade-offs between achieving environmental sustainability, promoting economic growth and guaranteeing social equity (see also Bailey 2015). Public opinion research shows, not surprisingly, citizens' awareness of this trilemma: while robust majorities across Western societies are willing to pay some price for achieving environmental aims, higher personal financial costs associated with climate policy, and expected adverse effects on the economy, result in lower policy support (Linde 2018, Bergquist et al. 2020). Nevertheless, while potentially incompatible, the goals of growth, sustainability and social justice can be integrated and balanced in a common transformative agenda if the right policy framework is adopted.

In this sense, debates on climate policy are increasingly focused on how to distribute the costs of the green transition. Without specific policy strategies, research shows how the distributional consequences of many green policies are very likely to affect disproportionally low-income households (Gough 2013). And this despite the fact that the carbon footprints of low-income households are smaller than those of upper-income households (Sommer and Kratena 2017). In the United States, for instance, between 1996 and 2019, the top 0.1 per cent of the population had emissions (955 tons CO_2e) 57 times higher than bottom decile US households and 597 times higher than an average low-income country household (Starr et al. 2023). In fact, during this period in the US, while household emissions for the bottom 99 per cent declined by 14–23 per cent, depending on the decile, emissions by the top 0.1 per cent increased by 50 per cent (and for the next 0.9 per cent, increased by 9 per cent) (ibid.).

The explosive political risks associated with these inequalities became manifest in 2019 in France. The experience with the so-called Yellow Vests protests in 2019 represented a cautionary tale about the headwinds that governments may face as they try to implement decarbonisation policies. Arisen in reaction to a new carbon tax on transportation adopted by the government of Emmanuel Macron, the Yellow Vests drew wide attention to the 'saving the planet versus saving the jobs' dilemma, warning about the need for policy strategies that contain the distributional effects of the green transition. Although a faction of the Yellow Vests appeared dismissive of climate action, different studies have shown that most of the activists supported policies to contain climate change (Driscoll 2021). What they objected to was ignoring the regressive consequences of some green policies.

In fact, the fuel tax increase approved by the Macron government would have directly translated into higher diesel and gasoline prices, hitting hardest people living in rural France. The politics of the net-zero transition are indeed crucially shaped by an emerging urban–rural divide. In addition, because low-income individuals pay more than high-income individuals as a percentage of their incomes, taxing diesel at a flat rate is akin to a regressive tax. This is an important component of carbon pricing mechanisms, either carbon taxes or cap-and-trade systems: regardless of how the carbon price is settled, one of the intended aims of these policies is the transmission of price signals towards the final users of fossil fuels. The aim is to change individual preferences and behaviours. The consequence, however, is discharging on consumers the burdens of the energy transition, and as such, risking nurturing political polarisation.

It is for this reason that carbon price instruments are best implemented alongside compensation mechanisms in order to alleviate the hardship caused by rising fossil fuel prices for the most vulnerable. Carbon dividends are one of these mechanisms. Generally, carbon-tax-and-dividends combine a steep tax on emitting activities with the redistributing of revenue to individuals. For Boyce (2019: 84), 'carbon dividends would be a kind of universal basic income (UBI), but with a distinctive twist; the source of income is a universal basic asset', namely atmosphere's limited capacity to absorb carbon emissions. This policy has been pioneered by Canada, whose Climate Action Inventive Payment returns 90 per cent of carbon pricing revenues collected in some provinces back to households in the form of refundable tax credit (IMF 2021). In 2020, these payments meant that some eight out of ten households received more money back than they paid in direct costs due to the carbon tax (ibid.).

Through carbon dividends or equivalent measures (see below regarding the European Union's Social Climate Fund), the green transition can be oriented to also tackle the problem of energy poverty. As reviewed by the IEA (2021), a variety of programmes in several countries have already successfully reduced energy bills for vulnerable households while expanding access to clean energy. It is common for these programs to include energy efficiency improvements, particularly for dwellings, as a key component. A number of studies have demonstrated that subsidised and targeted energy efficiency measures can increase energy access and reduce the energy consumption of buildings more effectively than compensation cash transfers (Gough 2017). Challenges in these areas, however, are huge: while up to 50 million people in the European Union cannot afford to heat their homes (Harriet and Bouzarovski 2018), 75 per cent of the dwellings Europeans live in have poor energy performance (housing accounting for 25 per cent of total greenhouse gas emissions in the Union) (European Environment Agency 2012).

A NEW ECO-SOCIAL AGENDA

Recognising that the climate crisis cannot be tackled without addressing the intimate links between the green transition and socio-economic inequalities, proposals to combine climate and social policy goals are gaining political centrality in recent years. The notion of 'just transition' (i.e. ensuring a fair distribution of the risks and opportunities associated with decarbonisation across social classes and regions) has come to condensate debates on this nexus. Just transition is a concept that was put forward by the international trade union movement in the early 1990s to underlie the need for an active engagement of the world of work in the clean energy transition. It was operationalised in 2015 by the International Labour Organization (ILO), which elaborated *Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All* (ILO 2015). While recognising the potentialities of green growth, the ILO highlights how decarbonising the economy also implies important challenges.

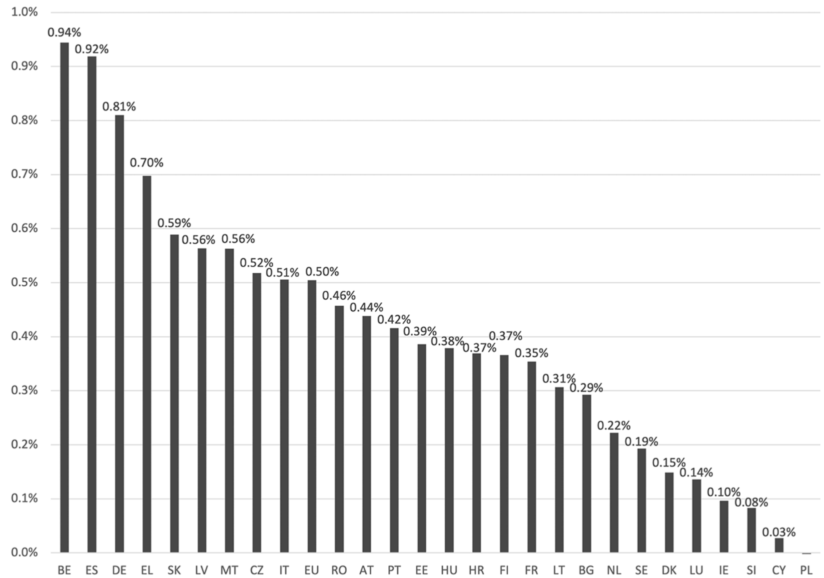
These challenges can be thought of along two dimensions. On the one hand, during the green transition action is needed to protect displaced workers in fossil-dependent industries and regions. Protecting displaced workers requires comprehensive policy packages, including temporary wage replacement, relocation support, pension and retirement contributions, mental health support and childcare services (Mijin Cha et al. 2020). It is important to note, however, that the exact composition of the transition toolkit varies depending on the welfare state context in which it is implemented. In countries in which existing social protection systems are less ready to act as buffers against employment disruptions, just transition programmes need to be more comprehensive.

On the other hand, just transition policies should actively support the shift towards new types of jobs and growth models, endowing workers, firms and local stakeholders with the necessary competences to participate in the green economy. Just transitions cannot be achieved without regional development plans that align industrial, labour and climate policies. To guarantee a solid foundation for these policies, the creation of appropriate and targeted funds to finance them, in line with the trade adjustment programmes that several countries implemented during the 1980s and 1990s when trade liberalisation deepened, is advisable.

Overall, management consultancy firm McKinsey calculates that, in the European Union, reaching climate neutrality by 2050 is expected to create an estimated 11 million jobs while supressing 6 million, resulting in a gain of 5 million jobs (D'Aprile et al. 2020; see also Cedefop 2021). Similarly, Eurofound (2019a) estimates that the transition to a low-carbon economy will have positive impacts for the employment levels of twenty-six of the twenty-seven EU countries (Figure 7.1). These positive employment projections reflect mainly the job creation potential of increased demand for green technologies and services, including renewable energy, electricity supply, construction, electro mobility, biofuels, sustainable finance, sewerage and waste sectors and circular value-retention activities. Indirect employment gains will also benefit from the closer interconnection of economic activities and supply chains; the service sector exemplifies this in communication and logistics. They might also reflect growth spillovers from lower consumer prices resulting from lower spending on the importing of fossil fuels. Inversely, employment will decline in 'brown' sectors. For other sectors, notably including agriculture and market services, employment projections are mixed and depend on the policy mix chosen (European Commission 2021b). In this sense, decarbonisation will entail a considerable reallocation of labour across economic sectors.

Impacts are expected to vary considerably across regions. A pressing issue for net-zero economic restructurings is whether prevailing geographies of spatial inequality (and labour market disadvantage) will be challenged or reinforced. Territories with high concentrations of fossil fuel dependence as their economic base – both in terms of resource extraction, processing and transportation, as well as in terms of energy-intensive economic activities that currently depend on fossil fuels – will face pressing challenges (While and Eadson 2022). The other side of the net-zero transition is the potential for some territories to exploit revalued geological and biophysical resources for renewable energy generation and strategic raw materials for decarbonisation. In the European Union's case, while specific coastal areas, particularly in Northern Europe, as well as desertic territories in the South, have substantial potential to generate renewable energy, extractive industries tend to be concentrated in specific regions in Southern, Central and Eastern Europe (World Bank Group 2020a, 2020b).

In any case, the job losses that will be experienced by some regions or sectors cannot be brushed aside by promises that net employment effects across the economy as a whole will be positive. New jobs will not always be created in the same places, fit the same skillsets or be of the same quality. In order to mitigate adjustment costs, a focus on skills retraining and upskilling



Source: Eurofound 2019a

Figure 7.1 Estimated effects on employment of the Paris Climate Agreement in EU member states, 2030

is needed. In fact, many skilled workers in the fossil fuel industry have skills that are applicable to clean energy sectors (IEA 2022: 122). As an example, coal miners have skills that are useful in mining critical raw materials needed for decarbonisation, although the scale of the potential sectoral shift is limited by the smaller volumes of minerals required for green technologies and the different locations of coal and rare earth deposits.

Decarbonisation presents a broader re-skilling challenge that goes beyond the re-skilling of workers directly affected by it. A major obstacle to fast decarbonisation in European societies is the lack of skills capacity among their workforces. According to the European Investment Bank (2023), investment in green technology in the European Union is being held back by a lack of skilled workers, particularly in the engineering and digital sectors. The pace of change is also being constrained by skill constraints in renewable energy construction projects and energy-efficient home renovations (IEA 2022: 177). Estimations calculate that achieving climate neutrality by 2050 in the European Union could require retraining up to 18 million workers (D'Aprile et al. 2020). To address this challenge and provide sustainable upskilling and re-skilling pathways, strategic and proactive education and training planning by governments, industry and education institutions will be needed. VET (vocational education and training) institutions in particular will be required to provide quick fixes as change occurs. To do that, they should be powered by forward-looking skills intelligence offering insight into green skill needs (Cedefop 2021). However, most European countries have not yet developed or utilised their skills institutions to prepare for the green transition (Cedefop 2021).

In terms of class inequalities, both Eurofound (2019a) and the ILO (2018) predict that the green transition is likely to create much of the new employment opportunities at the low and middle education levels, not least due to modest net growth in higher-skilled positions.[2] As such, the job-creation potential of the transition may counterbalance some of the polarising labour market dynamics fuelled by digitalisation, automation and globalisation (see chapters 3 and 4).

However, even in green sectors hailed as providing ‘good jobs’, such as offshore wind, evidence points to precarious working conditions (While and Eadson 2022: 397), a question which mainstream environmental organisations usually overlook. Similarly, existing evidence shows that gender and racial inequalities are also reproduced in the renewable energy value chain, with women and migrants concentrated in lower-paid jobs (Pearse and Bryant 2022: 1881). In other words, green jobs are not necessarily good jobs. In fact, many are the jobs whose precarious character is often obscured by their association with the new green economy, such as carbon counters, GIS (geographic information system) mappers, tree planters, garbage collectors and other ‘shadow’ work (Neimark et al. 2020). The extent to which this formal and informal labour fills the ranks of a new ‘eco-precariat’ (While and Eadson 2022: 398) or instead is converted into good-quality jobs will depend on labour market regulation and broader decisions about low-carbon regulation and the conditionalities associated with public investment in facilities and infrastructure.

In sum, meeting the challenges of the net-zero transition, protecting the livelihoods of those workers most impacted by it, tackling increases in inequalities caused by climate change and levelling up held-back communities will require enhancing both the buffer and the social investment functions of the welfare state. At the same time, as the emerging literature on sustainable welfare argues (Koch and Fritz 2014), the welfare state has a considerable ‘ecological footprint’ (Matthies 2017), so that the design of social policy programmes should keep ecological limits in mind while ensuring basic needs (see, for example, Büchs 2021). For instance, to protect consumers from higher prices, targeted forms of affordability support, such as social tariffs or bill repayment assistance, are better than direct fossil fuel consumption subsidies offered indiscriminately to all consumers. Another example are social energy tariffs designed to increase in line with energy consumption, and hence favouring needs-based consumption while lowering domestic emission by higher-income households (Gough 2019).

Overall, the challenges of the green transition do not only entail threats. They also provide an opportunity for a social transformation more broadly. To take advantage of this opportunity, environmentalist forces need to articulate themselves with other transformative actors, or rather, become a surface of inscription for other demands that strive to put sustainability and social solidarity at the centre of our models of development. Showing positive opportunities for new wide coalitions is the key challenge. Public opinion research shows that linking co-benefits such as economic development and public health to climate policy expands the support for the latter (Myers et al. 2012, Stokes and Warshaw 2017). It is in this sense that the green transition is not only a technical question, but a fundamentally political one: it depends on the ability of environmentalist actors to synthesise demands across seemingly distinct policy areas, articulate wide political coalitions and achieve sufficient political power to lead the titanic transformations that are necessary for decarbonising our societies. In the development of this task, a better understanding of how systemic change can be put into operation has been missing. The experience of the European Union's European Green Deal (EGD), explored in the next two sections, provides relevant insights in this respect.

THE EUROPEAN GREEN DEAL: A BLUEPRINT FOR A GREEN RECOVERY?

In late 2019 the incoming European Commission presented the EGD, an encompassing reform agenda set out to achieve climate neutrality in the European Union by 2050. According to the Commission, the EGD is the European Union's new growth strategy 'where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use' (European Commission 2019: 2).

However, soon after the EGD's launch in December 2019, the world was suddenly plunged into an unprecedented state of turmoil. In early 2020, each nation in the globe was shaken by a new highly contagious virus, named COVID-19, that in the space of two years – between January 2020 and January 2022 – killed almost 7 million people and rendered tens of millions severely ill. To limit the spread of the pandemic, governments across the globe imposed social distancing and lockdown restrictions, thereby stopping much of public life, interrupting travel between and within countries, and disrupting the world economy. Such containment measures took a notable toll on national economies, with GDP plummeting across the board: in the first semester of 2020, close to 95 per cent of the world's economies experienced a simultaneous contraction in per capita GDP (Tooze 2021: 17). It was the deepest recession in peacetime history over the past 150 years (World Bank 2022). It was, as the International Monetary Fund put it, 'a crisis like no other' (IMF 2020).

Shortly after, in March 2022, while the pandemic was still causing havoc in many countries, Russia invaded Ukraine, starting a war that, at the time of writing, appears unlikely to end soon. As Russia is one of the world's largest producers of gas and oil, the war in Ukraine disrupted production systems across the globe (IEA 2023: 10). In the European Union, which was highly dependent on Russia's fossil fuels supplies, the weaponisation of the latter by Russian President Vladimir Putin – the Ukraine war is also related to the breakdown in relations among great powers – led to an inflation shock and a staggering 'cost of living crisis'. Capturing the zeitgeist of the period, 'polycrisis' was selected by the *Financial Times* as one of the words of 2022 (Derbyshire 2023).

Based on experience from previous crises, when environmental concerns had been side-lined by economic recovery efforts (Lenschow et al. 2020), the fight against climate change risked being derailed. In fact, globally, Oxford University's Economic Recovery Project found that only 18 per cent of announced post-pandemic recovery spending could be considered green (O'Callaghan and Murdock 2021). In particular, in most emerging market economies fossil-fuelled recoveries predominated, with China already having in 2021 'higher than pre-pandemic' emissions levels (Le Billon et al. 2021).

In Europe, however, the European Union put at the centre of its crisis-fighting efforts a revamped version of the EGD: both the post-pandemic recovery Next Generation EU (NGEU) plan, approved in 2020, and the REPowerEU strategy, approved in 2022 in response to the energy crisis, sought to leverage the recovery packages in a green direction. In fact, the political synergies between pandemic management, energy crisis and climate change were ample: the three crises converged in highlighting the need to shield workers and vulnerable consumers from economic shocks and higher prices; concomitantly, they also demonstrated the importance of public services and collective interdependences (Crouch 2022), reinforcing a pre-existing policy paradigm shift towards a more activist state.

In Europe, in addition, disruptions to Russian energy supplies underlined the energy security benefits of domestically generated renewable electricity. The Commission thus took the opportunity to 'accelerate the clean energy transition' and to 'diversify energy sources' in order to compensate for the abrupt phasing out of fossil fuel imports from Russia (European Commission 2022). In fact, higher fossil fuel prices worldwide provoked by the conflict drastically improved the competitiveness of clean energy. This situation, compounded with a sharp decline in the cost of key green technologies (solar, wind and batteries) over the 2010–19 decade, speeded up investment into renewable energy and energy efficiency. According to the IEA (2023), this surge in investment will make renewable energy the largest source of global electricity generation by 2025. In fact, renewable capacity expansion over 2022–27 will be of 2400 GW, an amount equal to the entire installed power capacity of China today. This is almost 30 per cent higher than what was forecast in the last year's report (IEA 2023). The upward revision has been mainly driven by China, the European Union, the United States and India, which, in reaction to the energy crisis, are all introducing new policies and regulatory reforms more quickly than expected. However, the climate crisis is far from being solved. Alongside signs of progress, countervailing trends also emerged: in response to the energy decoupling from Russia, many EU governments rushed to invest in new liquified natural gas terminals, or even permitted the restarting of operations at coal power stations (Samandari et al. 2022).

While this is true, nowhere has the coupling of the economic recovery and the green transition been more ambitious than in Europe. The EGD's ambition is provided by its comprehensive character, entailing nearly fifty policy initiatives and covering almost all sectors of the economy (European Commission 2019), and by the central place that the clean energy transition aspires to attain in the European Union's post-pandemic growth model (Bongardt and Torres 2021).

Three elements are at the core of the EGD. First, the European Climate Law, which sets into hard law the commitment to achieve net-zero emissions of greenhouse gases by 2050 and the intermediate target of reducing net emissions by 55 per cent by 2030 compared to 1990 levels. Second, to make the European Union's economy fit to meet this process, the EGD's investment plan aims to mobilise, over the 2021–30 decade, public and private investment by at least €1 trillion. Third, in order to protect European industry against carbon leakage (i.e. against the transfer of production to other countries with laxer emission constraints and the replacement of domestic products by more carbon-intensive imports), the Commission proposes the establishment of a Carbon Border Adjustment Mechanism (CBAM) for selected sectors (iron, steel, aluminium, cement, fertiliser, electricity generation). This tariff would ensure that European businesses are not undercut by foreign rivals who do not have to abide by emissions regulations, so that the price of imports accurately reflects their carbon content. Furthermore, it would constitute an important source of revenues to finance green expenditure, while incentivising other countries to adopt their own carbon pricing mechanisms.

But as said, the EGD stands out for its holistic approach to decarbonisation, developing a dense arsenal of policies covering nearly all relevant policy sub-sectors. The most important of these initiatives are highlighted in Table 7.1. They show how the EGD aims to make consistent use of all policy levers: regulation and standardisation (such as CO_2 standards for cars or energy efficiency standards for products), an area in which the European Union seeks to mobilise its massive international regulatory influence (Bradford 2020) to became a global setter of green standards; industrial policy and public procurement; carbon pricing and taxation; national reforms steered through the European Semester; dialogue with social partners; and international cooperation.

Table 7.1 Key policy initiatives of the European Green Deal

Revision of the European Union's cap-and-trade system (the ETS), which aims to introduce a lower cap and more ambitious linear reductions of greenhouse gases emissions, as well as to extend the coverage to include maritime and road transport as well as home heating
'Farm to Fork' strategy, aimed at a fairer and more sustainable food system
Reform of the Common Agricultural Policy
Renovation Wave Strategy, which aims to increase the energy performance of buildings and promotion of sustainable construction
Formulation of an EU green finance taxonomy to guide investment
Increase the supply of clean and affordable energy by building a fully integrated and digitalised EU energy market
Critical Raw Material Act to ensure materials for the production of green technologies
Accelerate the shift to sustainable mobility, by, among other measures, banning the sales of new fossil-fuel-powered cars from 2035, with the aim of achieving a 90 per cent reduction in transport sector emission by 2050
Development of a 'green deal diplomacy' at the international level, including the leveraging of trade policy and the global spread of EU energy standards and technologies
Through the European Climate Pact, ensuring the engagement of EU citizens and stakeholders in EU climate action
Mainstream sustainability in all EU policies by guaranteeing that all EU initiatives live up to a 'do no harm' principle
Circular Economy Action Plan aimed at fostering a 'regenerative growth model that gives back to the planet more than it takes' (European Commission 2020a: 11)
Green Deal Industrial Plan comprising investment for the net-zero industry

With respect to eco-social issues, two redistributive instruments are at the core of the European Commission's just transition framework: the Just Transition Fund (JTF) and the Social Climate Fund (SCF). The JTF will channel €17.5 billion to the regions most affected by decarbonisation, aiming to support changes in growth models so far dependent on fossil fuels. More specifically, the JTF will finance re-skilling of workers, job-search assistance to jobseekers, investments in small and medium-sized enterprises that lead to economic diversification and reconversion, investments in research and innovation that foster the transfer of advanced green technologies, investments in the deployment of green infrastructure, investments in land restoration and the decontamination of sites, and investments in education, social inclusion and child and elderly care facilities in transitioning regions (European Commission 2021a). The JTF is one of the three pillars of the Just Transition Mechanism (JTM), alongside a dedicated just transition scheme under InvestEU and a public sector loan facility at the European Investment Bank. The total amount of investment to be mobilised under the JTM was €55 billion.

While the JTF is focused on the employment, cross-regional and industrial consequences of the green transition, the SCF is a compensating mechanism aiming to protect individuals. The SCF will provide, over the 2025–32 period, over €86 billion to vulnerable households, micro-businesses and transport users to counter the additional energy costs triggered by the revision of the EU ETS. In fact, recognising that carbon pricing has regressive distributional consequences (European Commission 2020c), the SCF will be financed by revenues coming from the inclusion of buildings and road transport within the scope of the revised EU ETS: 25 per cent of the revenues of the extended cap-and-trade system are expected to be channelled towards the new fund. The SCF will finance three types of action: temporary income support and investments to increase the energy efficiency of buildings, investments to improve access to clean energy mobility and transport (including in rural and remote areas), and financial support for low-income households and small businesses to switch to more carbon-efficient heating and cooling systems.

The just transition framework advanced by the EGD is strongly investment-oriented, with a marked focus on re-skilling and upskilling (Mandelli 2022: 19). This orientation is also supported by the new *European Skills Agenda for Sustainable Competitiveness, Social Fairness and Resilience* (European Commission 2020b). The aim of the agenda is not only to equip people to 'build and master green technologies', but also to understand 'how to think and act green'. More specifically, the agenda is set to implement monitoring procedures of necessary skills to make the transition happen, develop European competence framework on education for climate change and environmental issues, define a 'green skill set' for the labour market, and support the integration of environmental issues in education and training. The Commission will complement the Skills Agenda with sector-specific plans, such as the Automotive Skills Alliance, committed to re-skill the workforce across the car value chain. In addition, to address skills shortages, the Commission also proposes to establish 'net zero industry academies' to help retrain workers, as well as ways to facilitate access of workers from outside the European Union who have experience in priority sectors.

A PLAN WITH IMPORTANT LIMITATIONS

Even if the commitments made under the EGD entail a significant upgrade of the European Union's climate policy framework, this upgrade remains insufficient. Even if the current climate plans are implemented, the Union would miss its target of at least 55 per cent greenhouse gas emissions reduction by 2030 versus 1990 levels. Among other elements, this is due to the growing gap between EU-level objectives and national-level climate policies: under current pledges, this gap amounts to 753 MtCO_2e (15 per cent of 1990 emissions) (Scope Ratings 2022).

With regard to the just transition framework put forward by the EGD, its marked social investment focus and work-centred approach imply that a rather narrow set of issues are tackled. In particular, the financial volume of the JTF is overly insufficient to adequately support, beyond the redundant workers, the local communities affected by decarbonisation-led industrial restructurings.

At a more fundamental level, the EGD and its social dimension has been criticised for remaining within a productivist, growth-centred perspective, neglecting the huge resource extraction needs that renewable energy value chains require. Thus, environmentalist groups have criticised the European Union's decarbonisation framework for not considering post-growth pathways. In fact, it is reasonable to expect that the net-zero transition leads to a reduction of some consumption patterns and some forms of de-growth, while also supporting broader changes in forms of different types of work. However, a de-growth perspective is compatible with the eco-social social policies advocated here, since without countervailing governmental strategies, de-growth can be expected to particularly affect the most vulnerable areas.

The understanding of a just transition promoted by the European Union also suffers from a third dimension, namely the international one. As is obvious, the success of the net-zero transition in Europe is linked to the global transition. And in fact, the CBAM, as pointed out, aims to incentivise decarbonisation efforts in other countries. However, the EGD does not contemplate financial support to sustain these efforts, even though for many low-income countries the net-zero transition will imply unbearable socio-economic costs. Without advanced capitalist economies – the most polluting countries in historical terms – offering compensation and assistance (including financing, technology transfers and infrastructural support) to developing countries, the global fight against climate change will neither be fair nor feasible. The three bilateral partnerships between South Africa, Vietnam and Indonesia and a group of Western nations (the United States, European Union, United Kingdom, France and Germany) to provide financing to accelerate decarbonisation plans can serve as a first step to support a global just transition (*Financial Times* 2021).

Despite these and other limitations, including insufficient financial allocations (Siddi 2020), the EGD provides not only an ambitious agenda but also systemic directionality to an already existing, but piecemeal, European environmental policy. And this is a key ingredient of low-carbon transition plans: decarbonisation is a planned transition with clearly defined objectives, and as such it cannot be left to contingent developments (Galgóczi 2018). It requires proactive, long-term and comprehensive yet targeted transition programmes. It also requires incorporating affected stakeholders, communities and workers along supply chains. In particular, social dialogue between unions, employers and public administrations should be ensured at all levels in the formulation of transition programmes (ILO 2015). Thus, a sense of trust and shared purpose will ensure resilient transition processes. Overall, adding a social justice perspective adds an additional layer of complexity to the decarbonisation challenge. However, given that the implications of the green transition for people will crucially hinge upon the government decisions about training, infrastructure investment and low-carbon regulation, it is nevertheless of utmost importance.

NOTES

1. The terms ‘net-zero emissions’ and ‘carbon neutrality’ mean that for every ton of carbon released from the geosphere into the atmosphere, one ton must be returned from the atmosphere to the geosphere, either through natural means like absorption in soils, plants or oceans, or through industrial carbon capture and storage.
2. These results contrast with the findings by both McKinsey (D’Aprile et al. 2020) and Cambridge Econometrics et al. (2011).

8. Social Reformism 2.0: robust protections, effective capacities, more and richer opportunities

THE BIG CHALLENGE: A SUMMARY

The post-industrial transition and the growing weight of services, globalisation and the fourth technological revolution have all become the propellers of a second Great Transformation of European economies and societies, further amplified by rapid socio-demographic change and the green transition. This is causing a real subversion of the traditional structure of risks and opportunities. Territories, social groups, families and individuals are faced with unexpected distress and insecurity due to a complex and often overlapping set of changes: the geo-economic impoverishment and marginalisation of areas of residence and work, the obsolescence of those resources and skills that could once guarantee a stable income and employment, atypical contracts, great difficulties in reconciling work responsibilities and family life, and new forms of competition for scarce resources (work, welfare) in the wake of migration flows and natural disasters.

Traditional social security systems still provide protection against certain essential risks, including illness, injury, disability, unemployment and extreme poverty, for the majority of citizens. In certain domains, however, the degree of protection has lost its link with the intensity of needs: for example, in the wake of the expansive reforms of the past, pension systems continue to subsidise long periods of inactivity from a certain age onwards but the legal threshold no longer coincides with biological 'old age', understood as a risk that can generate actual need. On the other hand, the scarcity of protection and services in the face of new and increasingly intense vulnerabilities (e.g. dependency from long-term care) generates new inequalities and new poverties, not necessarily aligned with traditional socio-economic positions (those defined by employment, education, income, family background and so on).

This misalignment invites us to move beyond the 'class-based' language that dominated debates and politics in the twentieth century. Those who maintain that we live today in a classless capitalism are too optimistic (see, for example, Beck 2007). Nonetheless, the pluralisation of risk factors and the individual or group characteristics that attenuate or amplify their impact suggests the use of concepts and categories that are less focused on socio-economic background and more oriented towards the whole dynamics of the life cycle and its contingent fluctuations. The expression that best captures both the object and the nature of the current upheaval is that of 'life chances', dear to Max Weber and his followers, and especially Ralf Dahrendorf (1979). Life chances are the total number of possibilities or opportunities that people have at various stages of their existence. More possibilities mean more choice options and more margins of individual freedom. But that is not the end of the story. We know that choices are heavily affected by the resources available in various situations, and the array of possibilities from which to choose is always connected to social structures and how they change over time, for both endogenous and exogenous factors.

The Great Transformation 2.0 is, in fact, rapidly changing the range of life chances; the flow of opportunities and risks has become more fluid and unpredictable. The likelihood of access to opportunities and exposure to risks are very unequally distributed. As we saw in Chapter 2, opportunities tend to concentrate within a privileged 'First Estate', capable of appropriating a surplus of options, while risks tend to concentrate within a new 'Fifth Estate', trapped in vulnerability and often deprived of sufficient resources. As happened during the first Great Transformation in the second half of the nineteenth century, the 'first movement' of the second Great Transformation – which has already fully impacted our societies – causes fractures, turbulence, disorder and insecurity. People's life chances lose the anchors that made them reasonably stable and predictable over the course of their lives.

The challenge is clear. It is necessary to orchestrate a 'second movement', to give order to the new constellation of risks and opportunities – an order aimed at promoting favourable economic and social, more broadly 'human' development. As much as possible, such an order must be inspired by shared principles of distributive justice, so that its foundations are perceived and accepted as fair and legitimate by the citizens. The second movement will be more difficult to activate than in the past, not only because of the pluralisation of the risk factors and vulnerabilities mentioned above, but above all because the second Great Transformation is presenting itself in a 'liquid' and elusive form.

The idea of 'liquidity', made famous by Zygmunt Bauman in reference to neo-modernity, is more appropriate than the expression coined by the young Marx in the Manifesto: 'all that is solid melts in the air' (Bauman 2000). The process evoked by Marx was the transition from the *Ancien Régime* to capitalism; the market as a mechanism and the bourgeoisie as an actor dissolved 'ancient' institutions. Beneath the 'air' of change, however, a new class structure was actually solidifying, based on what Marx called capitalist exploitation.

The notion of liquid modernity, instead, captures the profound nature of the second Great Transformation: a continuous flow of destabilising upheavals, not necessarily linked to one another and lacking a recognisable and coherent logic. Instead of a sequence of long periods of structural stasis, punctuated by 'revolutionary' breaks, liquid neo-modernity has ushered in a path of development that is apparently chaotic, multifaceted and indeterminate.

ORGANISING A COUNTER-MOVEMENT

At the end of the nineteenth century, the second movement arose as a reaction from society, mainly from the bottom upwards, in forms that were at first dispersed and spontaneous. A multitude of initiatives were launched in relation to a variety of issues: initially actors began to organise in places that were disconnected from each other, without a systematic link to class interests and without ideological homogeneity (Polanyi [1944] 1957). Only gradually did this flurry of spontaneous reactions give rise to wider social aggregations (friendly societies, trade unions, parties, faith-based organisations and so on) clustered around a basket of material interests and shared ideals, and therefore capable of political action. To some extent, a similar development can be observed today. A new multitude of initiatives for responding to emerging needs can actually be found in this societal sphere. These are carried out by various actors and intermediate associations, especially at the local level. In the Italian debate, these developments are mostly described and documented under the label of 'second welfare' – a mix of protections and social investments with non-public funding, provided by a wide range of economic and social actors, which is gradually complementing the public and compulsory layer of 'first welfare'.[1]

There is, however, a significant difference from the past. The ruptures and turbulence of the second Great Transformation take place in a political context centred on party democracy. Social change tends to cause intense and almost immediate repercussions on traditional political equilibria and alignments. The precocious politicisation of the frontier between *disruption* and *counter-reaction* has thus disturbed the coherence between challenges and responses, and the functional adequacy between the two. The ideological-programmatic alternatives that have emerged in the political arena in the last couple of decades have reflected less the new emerging constellation of risks and opportunities on the demand side than the dynamics of party competition on the supply side. Given the electoral weight and organisational strength of the constituencies of traditional welfare programmes (let us think of pensioners plus the numerous cohorts of Fordist workers approaching retirement), mainstream parties have been reluctant to embrace a policy agenda centred on welfare recalibration, while challenging parties – especially from the right – have put on offer a new, exclusionary welfarist-chauvinist agenda which has attracted the consensus of social groups variously and differently placed on the new risk–opportunity axis (Keskinen et al. 2016): think of the socio-economic dispersion of Le Pen's or Italy's *Lega* voters. At the same time, we witness the sudden rise of *impromptu* movements, which are typically born online in the wake of some event or political act and then mobilise offline (think of the Yellow Vests). These are mostly sparks unable to ignite real fires because they rest on a very diverse set of demands and needs.

To compete with challenger parties, even traditional centre-right and centre-left parties have often ended up recalibrating their ideological-programmatic profile in a retrotopic direction, in defence of the status quo. They indirectly legitimise the regressive agenda ('let's go back') of new right parties, limiting themselves to tempering it with generic and unconvincing caveats, such as 'a bit of immigration is necessary to sustain welfare; be good and accept the integration of migrants' or 'structural reforms are necessary and will bring benefits; you just need to be patient'. There is more than a grain of truth in these caveats. Immigration is necessary, as are reforms. But appeals to do-goodism and patience have little or no effect at the motivational level.

A change of discourse would require the elaboration of novel programmatic ideas. The Polanyian opposition between market disruption and society's protection is far too simplistic to capture today's reality. On one hand, for example, as some feminist scholars have aptly suggested (e.g. O'Connor et al. 1999, Fraser 2013), for specific social groups (women in particular) market participation can bring a certain degree of freedom from economic dependency and patriarchal domination. On the other hand, if social protection is organised in a bureaucratic and paternalist fashion, it can acquire an oppressive character, premised on restrictive, hetero-normative definitions of family and social relations. The challenge is thus to contain the disruptive and non-egalitarian impact of markets without suffocating their liberating potential, and relaunching social protection while freeing it from its patriarchal foundations.

Under present conditions, the second movement must also take into serious account the challenges of climate change, and thus mainstream into its agenda the requirements of sustainability. In order to avoid the Great Transformation 2.0 resulting in disruption with regressive political outcomes, a reformist project must not only aim at absorbing the negative effects of ongoing changes, but at actively steering such changes with a view to generating an inclusive and sustainable prosperity and paving the way for a novel cycle of life chances expansion. The COVID-19 pandemic exacerbated the challenges by creating new fault lines in the risk distribution. The virus manifested itself and spread through outbreaks that affected certain areas and types of communities with particular intensity. 'Sinkholes' have thus formed in the socio-economic fabric, unevenly distributed across social groups and territories, and with serious negative implications in terms of equal opportunities, especially between men and women. The scars of the pandemic will remain visible for a long time.

A comparative analysis of twentieth-century social reformism indicates that at critical junctures – the moments in which the status quo becomes less and less viable and a new path of development must be chosen – the political sphere can indeed free itself from the legacies of the past and the constraints of the present. The actual production of transformative change mainly hinges on three elements: the presence of social groups potentially interested in changing the status quo and willing to support a broad realignment between policy structures and the new constellation of risks and opportunities; the availability of some ideational macro project of change, capable of providing 'clear visions' about the future; a political coalition – broadly understood – willing to became the carrier of this project and capable of translating it from the ideal to the programmatic level.[2] In the remainder of this chapter, we will bring together what has been discussed so far, distinguishing between aspects concerning the social coalition, the project and political alignments.

THE NEW AXIS OF SOCIAL POLARISATION: IDENTIFYING RISK GROUPS

Let's start by summarising in broad brushstrokes the picture illustrated in the previous chapters. Without disregarding the persistent role of (traditionally defined) class positions in shaping people's life chances *ab initio*, we must keep in mind two incisive and sequential historical changes that have weakened the causal relevance of social class since the middle of the twentieth century. Starting from the so-called *Trente Glorieuses* (the first three decades after the Second World War) the development of the welfare state has acted as an important force of decommodification and destratification of the population. This is particularly true for the vast mass of 'little people' historically dominated by market dynamics (Esping-Andersen 1990). As immediately suggested by the two concepts of decommodification and destratification, the welfare state has mitigated and counteracted the effect of market (or class) position on life chances, giving rise to regimes of welfare capitalism based on the interconnection between the spheres of work, family, and welfare (Esping-Andersen 2009). Then a new change came about. The second Great Transformation has gradually eroded the foundations and the internal coherence of those regimes, ushering in a gradual fragmentation of social positions which has broken the internal coherence of traditional socio-economic aggregates (employees vs. self-employed workers, public vs. private employees, blue collars vs. white collars, working people vs. retired people and so on) (Pierson 1996).

In the wake of these two changes, it has become increasingly difficult to infer the nature and range of risks and opportunities that people face on the mere basis of their class position, or even their position in the welfare system. The attention "must incorporate not only structural positions but also social situations" (Collins 2004), as shaped by the following factors: family status; professional status (including the type of employment contract); the economic, social and institutional profile of the area of residence; the degree of inclusion in the local fabric of interpersonal bonds; the life cycle phase; health conditions; the presence and quality of local public services and so on. The package of available chances has become increasingly situational. The weakening of collective organisations, the transformation of the labour market into a professional patchwork (see Chapter 3) and, not least, the expansion of the communicative sphere thanks to social media, have changed the ways in which life experiences are shared. This has dramatically changed those dynamics that give shape and content to beliefs, emotions and value orientations, through which people relate to the social and political context.

The service economy and the changing organisation of work increases the risks of positional setbacks, especially those related to education and training. The general improvement in education levels reinforces the aggregate human capital of a given company or territory, but it does not remove positional hierarchies, nor does it neutralise their effects. If everyone has a diploma or higher education degree, access to sought-after employment positions will require additional certifications that not everyone can afford. Furthermore, new technologies strongly penalise young people who are not in education or training (the NEETs), as well as older and less adaptable workers, regardless of their position in the occupational hierarchy (manual labourers, employees, white collars or managers).

Economic openness and globalisation have a differentiated effect on the productive structure. On one hand, they penalise old sectors, small and very small enterprises, and the geographically more peripheral territories (or those that are less integrated into trade flows). On the other hand, the financialisaton of world capitalism and the formation of large multinational conglomerates multiply opportunities for capital holders, financial operators, managers, top consultants and freelancers, and young people with advanced skills in certain fields (economics, law, STEM disciplines), particularly those that can count on family support to specialise and better position themselves. Access to opportunities has also expanded for a large part of the new middle class: educated workers employed in the most advanced and dynamic sectors of industry and services, residing in large urban areas with a high density of financial, human, social and cultural capital (Iversen and Soskice 2019: 224). This great and incisive differentiation in terms of chance means that the open society, the rise of knowledge-based services, new technologies, and digitisation, are perceived differently and often opposed by different groups of people. Terms such as flexibility, fixed-term contracts, mobility, employability, agile work, and life-long learning acquire different connotations or arouse different feelings depending on someone's personal positioning on the risk–opportunity continuum.

A given risk can have a different effect on life chances across countries, regions, territories, sectors and social groups, depending on the regulatory and welfare status quo. A young Swedish graduate with medium-low skills has more likelihood of social protection and more opportunities than an English or Spanish graduate with the same characteristics: the Swedish transfer and service system offers economic security (income, housing subsidies) and social capacitation (post-school training services and employment policies) at levels that are unimaginable in the United Kingdom or Spain. A graduate residing in the centre-north of Italy has many more market opportunities (employment and income) than a graduate in the south. A small business that operates within a north-eastern Italian district, characterised by high social capital and supported by infrastructure and public services, is more likely to survive and develop than a small, isolated company located in a peripheral geo-economic context. This general picture, which is already so varied, is further complicated by the growing relevance of micro-situational factors, which increase the variability of life chances. Think of the consequences of events such as a sudden illness, or a divorce; the birth of a child; a local outbreak of an epidemic disease (such as COVID-19); the relocation of an important company; the availability (not to mention the quality) of first and second welfare services; or the formation or disintegration of supply chains, which allow small businesses to enter the flows of the fourth technological revolution and globalisation.

It is vital to analyse the risks in all the directions just mentioned, so as to arrive at a 'fine-grained' understanding of the effect that the large processes of change currently underway have on life chances. Without such an understanding, it is impossible to map and quantify people's needs, and thus identify whether a sufficiently homogeneous social demand for change can be met with innovative reform proposals capable of reducing risks and expanding opportunities. The welfare state literature is exploring these issues, pointing out that the emergence of new needs and risks is creating new conflict lines in the social politics of various European countries which differ from traditional class conflicts. There seems to be a clear potential for the formation of novel value coalitions and cross-class alliances in support for welfare reforms (Häusermann 2006). This potential must be mobilised by deliberate partisan strategies capable of articulating and aggregating relatively dispersed interests. Ideal-typically, the progressive strategy should be centred a two-pronged reform package, aimed at promoting novel forms of robust compensation extended to the new risks and at the same time ambitious social investments in human capital formation and employment creation (Garritzmann et al. 2022, Hemerijck and Huguenot-Noël 2022).

SOCIAL REFORMISM 2.0: OPPORTUNITIES AS A STARTING POINT

In Chapter 5, we presented an inventory of proposals aimed at solving the specific challenges that the second Great Transformation raises for work, welfare and the connection between the two. Inventories are useful, but on their own they are no more than 'shopping lists' for politicians who cherry-pick from them on the basis of their interests and contingent strategies. It is necessary to place the inventory within a larger framework, capable of orienting the range of possible solutions towards the future, harnessing the second movement in a recognisable direction and envisioning longer-term strategic goals. Without clear visions, societies become rigid, lose dynamism and cease to fuel hope for the future.

As at the beginning of the twentieth century, the new risks today tend to concentrate at the bottom (the precariat), while opportunities remain firmly at the top (the hyper-rich). This polarisation is to a large extent the result of two institutional distortions. On the one hand, the bottom lacks risk-mitigation policies, while upward social mobility is foreclosed by bottlenecks, including rules and practices that facilitate an unequal seizing of opportunities and the intergenerational transmission of disadvantage. This second distortion is as old as the world itself. The dominant groups have always consolidated their position over time by monopolising control over the acquisitive chances within the various social domains.

The combination of the rule of law, liberal democracy and welfare protections was born in contrast to this polarisation trend during the twentieth century. However, the game is back on, as the Great Transformation 2.0 has created two new enclosures: one around what can be dubbed *Opportunityland* and one around an increasingly populated *Povertyland* (Fishkin 2014). In the middle lies the late-twentieth-century *Midland*. In this latter area, the winds of change are eroding the ground, threatening to disanchor people's life chances when certain contingencies and situations arise. *Midland* is affected the most by the two distortions just mentioned: the lack of protection against new risks and bottlenecks that hinder upward mobility. The shortcomings of the institutional status quo further restrict the chance of rising to *Opportunityland*, while falling into *Povertyland* is more and more likely.

Today, there are essentially three types of visions and projects that aim to counter this undesirable and perverse evolution. The first one – the most visible and noisy one – has already been mentioned: the retrotopic view of the new right – let us stop change, rebuild the tribe (national closure) and/or defend the *Midland* by freezing the old welfare status quo.

The second is the neoliberal project, which brings back to mind the utopia of a self-regulating market that inspired the nineteenth-century Great Transformation in its first movement. Neoliberalism – weakened by the polycrisis, but still largely entrenched in many international and European institutions – does recognise the new risks and the two distortions. Its solution, however, is centred around a limited and formal concept of equality of opportunity: the abolition of economic, social, and institutional barriers; 'negative' liberty and parity at the starting line; and then may the best win. Social positions must be accessible to all but, above a safety net against extreme need, rewards must be linked exclusively to individual merits. The neoliberal vision is that of a (formally) equitable and 'performative' meritocracy.

The third project is a sort of evolution of the Third Way: it focuses essentially on recalibrating the welfare state from passive compensations to empowering social investment policies in order to make people more resilient to the changing context. Elsewhere one of us has defined this project as a liberal neo-welfarism, symbolically embodied by New Labour under Tony Blair (Ferrera 2013). There are several variants of liberal neo-welfarism, with varying degrees of ambition from both the point of view of recalibrating old and new welfare, and a redistributive point of view. Here, the concept of equality of opportunity is understood not only in a formal sense (equal treatment), but also in a substantial sense: people must have the conditions to be 'functioning' members of society and pursue their goals. Not only 'freedom from' and 'level playing field', but also 'freedom to', supported by public policies that are adjusted to people's needs throughout their whole life.

The common flaw in these three frameworks is an abstract and basically static view of opportunities. Retrotopists have in mind traditional opportunities (work, family, community, welfare), and their strong proposal is to reserve them for 'us'. The neoliberal project takes it for granted that the market economy is an inexhaustible creator of all-round options. If undistorted competition is safeguarded and 'freedom from' is guaranteed, – tempered by equal formal opportunities at the starting line – then the market will continually supply new possibilities to choose from, while meritocracy will reward the best. This conception does not come to terms with the 'social limits to growth' and thus the perverse effects of positional competition described in the previous chapters. If what matters is people's position in the hierarchy of consumption or social roles, opportunities will remain inexorably scarce and risks overabundant. Furthermore, neoliberals neglect or underestimate the connection between life chances and social structure.

The third project, neo-welfarism, is well aware of the importance and effect of social structure, and is much more ambitious in terms of the equalisation and the redistribution of chances. Faced with the new Great Transformation, however, it places an excessive emphasis on risk mitigation and capacity building – i.e. on the resources required to face risks – while it does not adequately problematise opportunities – i.e. the question of 'which opportunities', exactly, and, most importantly, 'how many'. Is it possible to transform the changes taking place from sources of risk to multipliers of opportunities, and how is it possible to expand everyone's access to opportunities in an equitable manner?

The challenge of opportunities is a delicate and complex one, but it is and will remain the crucial challenge of the future. Due to its 'fluid' nature, the second Great Transformation has the potential to revolutionise the range of human opportunities, but it will only do so to the extent that the second movement will channel developments in this direction.

OPPORTUNITIES AND BOTTLENECKS

The Latin philosopher Seneca said that there is no such thing as luck; instead there is a time when talent meets opportunity. But what exactly is opportunity? In an etymological sense, it is a 'passageway towards a desired destination': like a stretch of sea in which the wind pushes towards the port (*ob portum*). Societies can be seen as large networks of positions connected to each other by passageways or corridors. Individuals are born in a given position, and their life cycle is a more or less extensive sequence of positional transitions, shaped by norms, practices and rules. These transitions are driven by goals. Without denying that the latter are to a large extent deliberately chosen by us, they are also largely affected by the context in which we live and grow. With due respect to Seneca, it is by no means certain that individual talent – understood as a natural endowment – and goals, even if supported by effort and commitment, can truly meet opportunities.

Opportunities must be actively discerned and seized – the talent–opportunity encounter is to a certain degree accidental. Structural factors also play a crucial role. Identity, ambitions, objectives and, above all, resources are partly exogenous; they depend on the context. They depend, in other words, on the way in which our talents, capacities and concrete possibilities of functioning are shaped and evolve over time in relation to the surrounding world. Each stage of this journey – and this is the crucial point – depends on the previous stages, and in turn affects the subsequent ones. From this perspective, the objective of expanding people's life chances must first of all come to terms with the existing 'opportunity structure'; that is, the extant network of passageways that connect the various social positions. What needs to be expanded is the chance each person has to 'flourish' as an individual, without being overwhelmed – as far as possible – by context and blind chance.

According to a long and noble philosophical tradition that goes from Aristotle to John Stuart Mill and from him to John Rawls, Amartya Sen and other contemporary authors, 'flourishing' as a person means being able to pursue one's own good in one's own way: to emancipate ourselves from the constraints that bind us to the position and place in which we are born; to live 'free to employ [our] faculties, and such favourable chances as are offered to us, to achieve the lot which may appear to [us] most desirable' (Mill 1989: 134); to experience 'full realisation' (Rawls 1999: 265). To be able to flourish as an individual we need a sort of meta-opportunity: the possibility of having opportunities and of being able to benefit from them practically. It is not a word pun; it is the logical conclusion of the reality of dynamic interdependence – that is, the temporal concatenation of the individual opportunities we encounter in the life cycle, of our successes and our failures.

To expand this meta-opportunity, it is first necessary to correctly identify, and then remove, the greatest number of 'bottlenecks' present in the existing network of social positions. Bottlenecks are impediments – sometimes even obstructions – to the transition from one position to another (Fishkin 2014). It has already been said and explained in the previous chapters that social positions are distributed in the form of a pyramid; it is a form inherent to the division of labour and the need for social coordination. The number of those who coordinate – and therefore occupy hierarchical positions at the top of any organisation – is inevitably lower than those who are coordinated.

The most efficient mechanism for selecting access to the top positions is a fair competition on the basis of those credentials that are most suitable for coordination roles. Since this competition is positional, bottlenecks must select people based on relative, not absolute, credentials. The better these filters work, the better it is for everyone. Good performance is largely a question of design; that is, of intelligent, properly applied and, above all, equitable rules – and here is the heart of the matter.

Like the concepts of justice, equality and freedom, the concept of equity is controversial, and it does not have a univocal conception (Minow 2021). For our purposes, however, it is sufficient to ask a basic question: to what extent is a given bottleneck perceived as legitimate or arbitrary? Is its existence justified on the basis of some shared criterion and therefore considered valid by all contenders? At the time of Mill, criticism was levelled at discrimination based on gender, skin colour and titles of nobility (Mill 1989). In today's Europe, most direct discrimination has been removed or at least mitigated. However, much indirect discrimination remains, especially when a seemingly neutral provision, criterion or practice can actually disadvantage one group of people over another. Levelling the playing field and ensuring equal opportunities in a formal sense is by no means a sufficient target per se, but it is necessary in order to set more ambitious goals.

Next are bottlenecks that depend in whole or in part on chance, or, more accurately, on the interplay between the natural/social lottery and the existing structure of opportunities. The first bottleneck in anyone's life cycle is the birth family, which is the primordial vehicle for the intergenerational transmission of advantages and disadvantages. Second comes the place of birth and the context where individuals grow up. Genetic endowments are first filtered through social and geographical positions as the first stages of the life cycle unfold. Since opportunities are connected over time like the links in a chain, the aforementioned meta-opportunity (the opportunity to have opportunities) must be widened as early as possible through policies aimed at the most disadvantaged groups and territories: redistributive policy (money transfers) and empowerment policies (quality services) must be deliberately place-based. Equal treatment is not enough; it is necessary to shift from the formal to substantial equality of opportunities, particularly those that matter the most in the new socio-economic context (Israel and Frenkel 2018).

Given the importance of education and training, efforts must be concentrated on these policies. If, as all of research indicates, family and geographical background matter, this is partly due to the lack of adequate supports, of differentiated and almost individualised measures that allow for education to compensate for the socio-cultural deficits of the environment of origin – in particular, educational poverty (Agasisti et al. 2020). It is also due to the growing diffusion of new bottlenecks in the absence of 'safety jackets'. Internships, for example, have now become a necessary requirement to compete for medium-level social positions, but internships, especially paid ones, are scarce. In this case, scarcity does not result from congestion effects. The insufficient number of internships can be remedied with appropriate public policies. The same applies to the whole set of lifelong education and learning schemes.

Research in educational policies has given rise to a certain degree of scepticism about the effectiveness of compensatory measures in countering the influence of family background (Bernardi and Ballarino 2016). This is no reason to weaken these measures, however; if anything, the opposite. In the United States – the country of the 'American dream' based on the principle of (at least formal) equality of opportunity – many private universities, including Ivy League universities, still adopt the legacy system: preference of access is given to applicants whose parents (or relatives) are alumni of that university, in the hope that the family will make or increase donations (Markovits 2019, Ornstein 2019, Sandel 2020). At Harvard, legacy admissions count for 20 per cent of the total. The system is outrageously unfair – and, apparently, not even particularly effective in terms of donations – and is today of the subject of debate and reform proposals (*The Economist* 2019). There is also a close relationship between admissions to the French *grandes écoles* – attended by *hauts fonctionnaires* (top public officers) to-be – and parental occupations as *hauts* *fonctionnaires*. This not only reproduces class privilege; it also distorts the sociological representativeness of the French high bureaucracy. In the spring of 2019 Emmanuel Macron made some ambitious proposals to revolutionise the recruitment and training system for access to the *grandes écoles* (Corbier 2021).

The effectiveness of educational policies is also closely connected to the design of scholarship eligibility, to the fine-tuning of economic subsidies, and the quality of counselling and teaching. The Teach for America (TfA) programme is illuminating in this respect.[3] Supported by a broad coalition of social actors and financed by public and private funds, the programme recruits graduates from the best universities who are willing to teach – even as support teachers – for two years in disadvantaged areas. Impact assessments are very positive: TfA is a concrete example of how spontaneous social engagement initiatives – the TfA was created by private actors – can make a valuable contribution to the fight against bottlenecks (Xu et al. 2011).

SELECTION MECHANISMS AND SECOND CHANCES

A greater substantial equalisation of opportunities requires an in-depth reflection on positional selection mechanisms, and particularly those based on educational and professional credentials. Meritocracy has become a fashionable concept. As mentioned above, it is reasonable to select people on the basis of skills and competency, assessing their quality in both absolute and relative terms. However, it should not be forgotten that, due to the nature of bottlenecks, examinations and tests are characterised by standardised rules which are blind towards the concatenation of opportunities offered to each participant in the previous stages of life. A society in which the allotment of higher positions depends crucially on credentials (a Harvard degree) which can be acquired only after passing strict entrance exams, without any consideration of what happens before, amplifies the role of those path-dependent inequalities that have little to do with individual choices and efforts, and therefore with merit (Sandel 2020). In short, meritocracy risks degenerating into 'testocracy', based on neo-modern forms of ordeals – incontestable one-shot proofs of individual abilities on which 'everything' depends.

In a famous ruling of the 1970s, the United States Supreme Court held that 'History is filled with examples of men and women who rendered highly effective performance without the conventional badges of accomplishment in terms of certificates, diplomas, or degrees'. The latter are 'useful servants, but … they are not to become masters of reality' (Fishkin 2014: 211). The court ruling concerned a case of racial discrimination. That ruling paved the way for a gradual rethinking of selection mechanisms, especially in the educational sector. An interesting experiment has been, for example, the creation in 1989 of the Posse Foundation, promoting new access routes to higher education – including elite universities – not based on standardised national tests. The creators of the Foundation chose 'posse' because a survey of early university dropouts had revealed that many African American students missed their 'posse' when going to college. The mission of the Posse Foundation is therefore to recruit small groups of students with different backgrounds who attend high school, and then assist them in accessing college together. What distinguishes Posse grants is precisely their recruitment criteria, based on non-traditional methods of assessing attitudes, skills and motivations. The foundation is small, the numbers are limited (in the order of thousands per year), but its business is growing, and its programme evaluations are positive. Many universities have abolished the automatic screening of applications for admission based on test scores; some are experimenting with forms of conditional admission that are independent of tests and are based instead on the submission of 'portfolios' in which the students summarise and certify their significant experiences (including in sport, music, voluntary work or anything else). Similar forms of recruitment are being tried by many American companies (see, for example, Hossler et al. 2019).

Interesting trials are also underway in Europe, often thanks to collaboration between the public and private sectors. One innovative experiment are the French *Conventions éducation prioritaire*, aimed at promoting social mobility.[4] France also launched a *Programme d'Investitissement d'Avenir* (PIA), one branch of which is entirely devoted to education.[5] In Italy, banking foundations have launched a project to combat educational poverty, co-financed by the government.

In the intellectual debate, proposals have been made for experimenting with lottery tools and randomly assigning 'entrance tickets' to certain social positions – exactly as happens with popular juries in the United States and other Anglo-Saxon countries, or with a small share of immigrant visas. If life begins with a natural and social lottery, which generates cascading effects in terms of undeserved advantages, why not introduce at least some posterior counterweight by setting up another lottery? Let us imagine a utopian world called Aleatoria: here, all social goods, including the right to have children, are assigned by drawing lots. Let us now compare this world with ours and ask ourselves: which is the fairest? The draws in Aleatoria may well be more effective in neutralising the effects of the birth lottery than the complex welfare policies of our world.[6]

A line of discussion that moves in a similar direction, but with less provocative proposals, revolves around 'second chances'; that is, concrete opportunities to remedy failures, even those that are at least partly determined by bad choices. The idea of second chances has taken root in the Anglo-Saxon political culture, and it is already supported in practice by a number of initiatives. Many associations have been established in the United States – often called Second Chance Foundations – to provide advice and financial assistance to people with professional or personal problems, or who simply want to change their lives. Some universities have Fresh Start options for those who have dropped out of school and want to give it a second chance. In Europe, the country most inspired by the American tradition is the United Kingdom: during his term in office, Tony Blair inaugurated various Fresh Start programmes in the training sector. The idea of a 'fresh start' was promoted by the European Union two decades ago (European Commission 2001) and second chance schools have been spreading in many European countries ever since.[7]

Measures inspired by the idea of second chances can be considered a concrete example of the abovementioned meta-opportunity – the opportunity to have opportunities. Offering (that is, guaranteeing) second chances means recognising that individual paths can be undeservedly affected by context or by chance; that is, they can get stuck in arbitrary bottlenecks. This is a risk that everyone faces, except those who can easily meet the costs of failure through personal resources. Like all social risks, the costs of failure could be socialised through some form of public insurance. A society in which individuals pay a small tax if things go well but have a second chance if things go wrong is freer than a society where people are slightly richer when things are going well – because they do not pay the extra tax – but they may end up broke if they make a bad choice. After all, at a time when life may last up to 90 years or even more, why should we not seriously discuss new beginnings, second careers and preferences that change even several times during life? And why not ask if and how society can facilitate and support this kind of opportunity, in the context of ever more liquid and unpredictable change processes? A century ago, most liberals believed it was insane to insure workers against unemployment: no one would work hard anymore. In many countries, it took the crisis of 1929 to overcome this objection and launch the first schemes of unemployment insurance. The second Great Transformation today invites a rethinking of the links between individual responsibility and collective indulgence, paving the way for a model of society in which second chances become a truly accessible opportunity for all (Fleurbaey 2012).

All the ideas discussed so far about the expansion of opportunities must include one important caveat: the possibility that meritocracy degenerates in some contexts into 'testocracy' is a real one, but in other contexts, meritocracy has just freed itself from even more inequitable selective mechanisms – those based on kinship and on patronage. In designing Social Reformism 2.0 for the new century, it is vital not to provide alibis and ammunition for those who would like to get rid of meritocracy not because they believe in equitable universalism, but in order to defend old forms of particularism.

A GREATER PLURALISM OF OPPORTUNITIES: GENDER, TIME AND THE CARE ECONOMY

The second strategy with which to strengthen the meta-opportunity is to expand what John Stuart Mill called the 'variety of situations', through which individuals can seek their own self-realisation. From this perspective, equality of opportunities takes on a different meaning. Both equal treatment and the substantial equalisation of some resources focus on access to, and the effective use of, existing opportunities, not on the possible diversification and extension of their range. The existing opportunities, however, are strongly influenced by the structure that establishes the range of alternatives and options. Also, preferences, goals and individual values are influenced by this structure. But people are self-reflexive: they can become aware of these influences and strive to get rid of them. The variety of situations is important, because individuals have different characteristics. Expanding variety means affecting the underlying opportunity structure, challenging the tyranny of existing values and institutional patterns, and enabling people to pursue a wider range of life plans, and eventually find fulfilling ways of personal flourishing.

Expanding the variety of situations must start from the explicit recognition and valorisation of an entire class of existing situations in the domain of social reproduction. This extension is necessary, first, because the latter sphere, if appropriately reconfigured, offers a wide range of gratifying activities which should become legitimate alternatives or complements to market employment; and second, because the sphere of care is permeated by deep inequalities between men and women.

The lockdowns imposed during the COVID-19 pandemic revealed a high degree of entrenchment of gender inequalities, as well as the fragility of public support. The welfare state was mobilised mainly, if not exclusively, for securing jobs and incomes, but it has largely neglected the field of social services and assistance. Care work was again shifted onto women's shoulders – not to speak of the increased rates of domestic violence. The extant – and certainly improved compared to the past – architecture for gender equality has shown its limits in being essentially centred on employment positions. Once the family regained its centrality as the dominant context of interaction, the traditional pattern of women having the primary responsibility for care and men having only a secondary, residual responsibility surfaced again with a vengeance.

The concept of the care economy is often mentioned as a key ingredient of a relaunched strategy of gender equality. There is indeed much promise in this notion (chapters 4 and 5), provided we fully appreciate the meaning of the term 'care'. This term refers not only to the 'what' – the type of services to be provided by this economic sector – but also to the 'how' – a novel mode of relating to each other – and the social value that society acknowledges regarding care work, paid and unpaid. It is well known that care has long been devalued as 'unproductive' and care work has remained to this date consistently subject to less pay and social prestige. As rightly argued by feminist theory, care should be detached from its traditional and essentially practical connotation, and be redefined as 'a social capacity and activity involving the nurturing of all that is necessary for the welfare and flourishing of life', a capacity that 'allow[s] the vast majority of people and living creatures on this planet to thrive – along with the planet itself' (Care Collective 2020: 4). Some scholars have coined the term 'feminist economy': a recalibrated pattern of economic production and exchange underpinned by the values of equal opportunities and gender equity, inclusion, intersectionality, diversity and dignity, and creating 'the conditions for women, in all their diversity, to live and work as economic actors on equal terms with men' (PES Women 2020: 9; see also Nelson and Power 2018). Including the capacity to care and caring tasks within the ambit of socially valued activities would allow the bottleneck of positional competition to be bypassed, and to create new opportunities that are non-positional and therefore non-competitive – at least not in a relative sense. Moving in this direction requires a change in our understanding of time and its relevance to the equality of opportunities. Today, income is valued more than time; however, time is actually a very valuable resource. This is all the more true when time is 'chosen' and 'discretionary'. Time makes it possible to balance needs and aspirations, and for people to realise their life plans (Goodin et al. 2008). This is the only use of time that opens up spaces of possibility and change. A lack of time has always been at the top of the list in quality-of-life surveys – often more than income – as a cause of frustration and dissatisfaction (Mogilner 2010). Many researchers indicate that poverty of time plays no less an important role than poverty of income in affecting relationship and parenting choices.

The pluralisation of opportunities therefore presupposes a gradual but incisive reorganisation of the relationships between income and time, on the one hand, and between economic production and social reproduction activities on the other. This reorganisation would make it possible to overcome the social limitations to obtaining the most rewarding jobs in the positional economy. Areas of activity and value-generating 'positions' (although not in a monetary sense) would be strengthened or even created from scratch. The need for access and selection to these positions would remain, but it would be designed in such a way as to accommodate and increase a wide 'variety of characteristics'. Support for social reproduction work throughout the life cycle would neutralise the spiral of symbolic demeaning that affects unpaid care work and causes serious damage not only to women but also to the community as a whole, not least in terms of birth rates.

The general idea of an 'active or multi-active' (Fusulier and Nicole-Drancourt 2019) society based on a much broader and more articulated conception of work has already inspired many realist utopias; that is, new models of social organisation that could be realised in the wake of the Great Transformation 2.0, and in particular the fourth technological revolution. Some of the measures discussed in the previous chapter – from personal activity accounts to citizenship sabbaticals, from intelligent work to basic income – could be institutional vehicles of change.

Around the world, many of what Stuart Mill called 'experiments in living' are currently being run. One of the most original is the New Work project, promoted by the social philosopher Frithjof Bergmann in various countries and based on the idea of 'intelligent self-providing'. According to Bergmann the technological revolution allows for a structural change in the organisation of 'work'. Gainful employment could be reduced and shared (thus containing unemployment), and the liberated time could be devoted to high-tech self-providing (Bergmann 2019). This entails using the novel methods of high-tech production (such as 'fabbers'; i.e. digital fabricators or 'factories in a box') for making and doing things in areas such as food, shelter, energy, clothing and small artefacts. Such types of activity could be performed in 'New Work Centres' (many of which already exist, in the United States but also in Germany, originally aimed at the unemployed); that is, places where new skills are developed and tested in a communal setting and experiences are shared. The expansion of the high-tech self-providing economy is likely to be favoured by the development of new fabrication technologies as well as other high-knowledge ways of production, such as permaculture (a new approach to foster regenerative agriculture, rewilding, sustainable water management and town planning and other ecological activities). The US sociologist Juliet Schor has coined the concept of a 'plenitude economy', centred on time-rich, ecologically light, small-scale, high-satisfaction modes of production and ways of living (Schor 2011, Schor and Thompson 2014). In her research, Schor has documented the spread of experiments in this direction around the United States. Many such experiments (in Europe as well) draw inspiration from another ideational template defined as 'commoning' (Bollier 2021). Commons are shared resources (natural, social, cultural) co-governed by their user community, according to the rules and norms of that community. They are typically organised according to the P2P – 'peer to peer' model; that is, a relational dynamic through which peers freely collaborate with one another to create value in the form of shared resources. P2P expresses an observable pattern of social relations, while the commons specify the *what* (as in resources), *who* (the communities gathered around the resources) and *how* (the protocols used to steward the resources ethically and sustainably for future generations) of these relational dynamics. The commons-based organisation is not an isolated community, as it exploits part of the value extracted from the shared resource in order to generate market incomes for the participating community. There is no exhaustive directory of commons-based experiments, but interesting information can easily be found on dedicated websites.[8]

At least in the initial phase, the expansion of the range of opportunities requires investment. An innovative strand of debate has called for the creation of 'social wealth funds' – that is, publicly owned pools of funds and other assets that can be used for socially beneficial purposes, including climate change mitigation projects, equitable community development in underserved communities, local and worker-owned business development, public services for responding to new risks and, more generally, promoting the so-called sharing economy and commoning. Social wealth funds could use myriad financing alternatives, such as share levies on large profitable corporations, wealth and inheritance taxes, revenues from leasing public assets, and carbon or financial transaction taxes (Lansley 2016). The paradigm and the agenda of a 'sustainable finance' in turn involves the activation of long-term synergies between governments, big investors and banking, in order to achieve goals that are very similar to those outlined here. It should be noted that the increase in services and activities connected with the expansion of opportunities, the promotion of mobility and social sustainability, and the support for social care and reproduction could, as such, contribute to the variety of non-positional and non-competitive situations and activities, thus generating a virtuous circle.

BEYOND TWENTIETH-CENTURY WELFARE: DIFFERENTIATED UNIVERSALISM

Rights and universalism are the two main flags of twentieth-century social policy. Sewn initially within the liberal-reformist and then social-democratic tradition, these flags were hoisted with the support of the whole political spectrum over thirty years of social-democratic consensus (Pierson 1991). Thatcherite neoconservatives were the first to withdraw their support, and the neoliberals followed suit. With ups and downs, centre-left parties have tried to update, modernise and hybridise social policy (Volkens 2004, Bailey 2009, Kiltgaard 2007). The only die-hard flag-bearer of the 'universalism and rights' pair in its traditional sense has remained the radical left, which is now on the defensive.

In the last twenty years, the academic debate has dissected the concept of universalism into its various aspects (rules and procedures for access, benefit formulas, adequacy and quality of benefits and services, and so on) and has highlighted the socio-economic and political-institutional prerequisites for a functioning universal welfare: low occupational and territorial fragmentation, the absence of ideological polarisations, professional and impartial bureaucracies, and highly 'civic' political cultures (Anttonen et al. 2012). These are relatively exceptional conditions, from both a historical and geographical point of view, which only occurred in the postwar United Kingdom, in Northern European countries, and to a certain extent, in early-twentieth-century Canada.

The debate has also unearthed some limitations and contradictions of a universalistic approach. In the feminist debate, some scholars have shown, for instance, that sexism and gender discrimination are strongly present in Nordic universalism (Borchorst 2013). This criticism has recently extended to ethnic discrimination, 'national' universalism being unable to face the new challenges of diversity and new demands for recognition. More generally – and especially in Northern European countries – the debate has realised that universalism is historically connected to class societies. With the decline of the latter, the former must be redesigned in order to prevent the unintended consequences of the misalignment between economy and society, on the one hand, and between institutional and redistributive structures, on the other.

The growing importance of services with respect to monetary benefits also prompts a rethinking of universal provisions. In monetary allowances, inclusion and equality depend essentially on rules; ordinary methods of payment can be used to fulfil all the demands. In services, on the other hand, it is necessary to organise and 'package' output so that it is closely tailored to individualised needs. More staff are needed, and trained to follow rules, but also capable of solving complex and often ambiguous problems. Social service must be co-produced together with users in an interactive fashion. There are no formulas, models or fit-for-all rules. The overall approach must be inspired by a seemingly oxymoronic principle: differentiated universalism.[9] The growing relevance of situational factors requires measures capable of identifying and responding to the 'intersectionality' of the conditions that expose people to risks and specific needs (education, employment, gender, age, area of residence, family status and health, and so on). Without throwing out the baby of all-encompassing inclusion, universalism must today accept and accommodate diversity.

A strand of debate has proposed the idea of establishing a guarantee of universal basic services (UBS), resting on theories of need and capabilities (Portes et al. 2017). As mentioned in Chapter 5, such guarantee could complement the universal basic income (UBI). The idea behind UBS is that there is a set of 'life's essentials' to which everybody must be entitled, including water, nutrition, shelter, secure and non-threatening work, education, healthcare, security in childhood, significant primary relationships, physical and economic security, a safe environment, motorised transport, and digital information and communications (Rao and Min 2017, Coote and Percy 2020). Services catering to such essential needs should be provided free of charge, but with a pace and reach that suit local conditions. Each area of need requires, in fact, a customised approach. Diversity also applies as regards delivery, with the involvement of a range of organisations with different models of ownership and control, but all sharing a clear set of enforceable public interest obligations, which support collaboration and reinvestment instead of competition and profit extraction (Coote 2022). The state would continue to discharge four essential functions: guaranteeing equality of access for individuals, between and within localities; setting and enforcing ethical and quality standards; orchestrating the collection of the necessary funds, and distributing them to maximise inclusion and fairness; and coordinating activities across the different areas of need. Given the nature of their outputs, UBS would be organised in a participatory way. Key decisions should combine the 'experiential wisdom' of lay residents, the codified knowledge of experts and the strategic and tactical insights of elected representatives, accompanied by citizens' juries and assemblies. The UBS approach is already being experimented with at the local levels in various European countries, especially in the domains of childcare, housing and food.

'SOCIAL GUARANTEES' BETWEEN FORMAL RIGHTS AND POLITICAL SUPPORT

The need for adaptation extends from the principle of universalism to the very conception of social rights as such. In the twentieth century, the welfare state basically meant individual rights to protection, regulated by the law. It meant institutionalised and 'automatic' obligations for the state and codified legitimate claims by citizens, but also obligations (compulsory insurance, payment of contributions) for citizens and legitimate claims by the state (e.g., in terms of conditionality). The twentieth-century emphasis on the formal dimension of obligations and claims, as well as on justiciability, has been gradually downplayed in the last two decades and the emphasis has shifted towards the availability and accessibility of the material outputs of social rights.

To a large extent, this shift is connected to the same reasons that have undermined universalism: the diversification of risks and needs, and the increasing importance of services. But there is another and perhaps more substantial reason: formalised and enforceable benefits protect against risks, but play only a limited role in opening up opportunities. This applies not only to so-called 'passive' social rights (retirement or disability pensions, unemployment benefits) but first and foremost to those rights to 'capacitating' services which are so crucial according to the social investment paradigm (see Chapter 5). Formal rules are not enough for these rights: specific resources, structures and local programmes that make rights effective and accessible are also essential. More precisely, 'quality' services are necessarily required for achieving empowerment goals. Poor or failed empowerment reproduces, or even exacerbates, the opportunity deficit.

Once again, the point is not to give up on the binding character of social rights, but rather to place it within a broader, more articulated and more effective framework. A promising label for this new framework is that of 'social guarantees' – a merger between the Northern European tradition of providing 'youth guarantees' introduced in the 1980s[10] and the Latin American tradition that introduced *garantías sociales*, in the wake of recommendations from various experts and the World Bank (2008). Such recommendations were aimed at helping developing countries to implement a rights-based approach to social protection capable of delivering benefits to citizens in a practical and effective way. The idea was to create a link between the normative definitions of rights typically contained in constitutions and their operational implementation. This required the design of 'production processes' and delivery systems which could ensure the actual enjoyment of benefits.

The Latin American guarantee approach was inspired by the works of the Italian legal theorist Luigi Ferrajoli (2007), who argued, specifically, that constitutional norms are not sufficient for the effectiveness of social rights. Take the case of the 'right to health care': in the absence of sub-constitutional guarantees, no one (e.g. no branch of the state apparatus) would be under the obligation to actually provide health services: there would be no mandatory production of the output (e.g. medical facilities) and constitutional principles alone would have no practical effect. In order to give them specific meaning and practical significance it is necessary to create additional 'guarantees': primary guarantees – setting an obligation for the state to provide social benefits; and secondary guarantees, for judicial remedies. The term 'social guarantee' was thus used to denote the key elements which are necessary for making a social right explicit, clearly visible for citizens in its content and easily accessible. The literature on social guarantees often uses the metaphor of a 'rope', which is put in place by the state administration in order to identify and attract potential users and 'pull' them towards the benefit to which they are formally entitled (Suryahadi and Sumarto 2013). In order to perform its role, the social guarantee must be codified, so that it can serve as a strong incentive for the state to implement it, and as a means for civil society organisations to hold the state accountable.

In the European context, social guarantees were widely experimented with in the Nordic countries. Sweden, for example, introduced the first youth guarantee in 1984, Norway established a similar scheme in 1993, and Denmark and Finland did the same in 1996. Outside the Nordic region, the British New Deal for Young People established in 1998 stands out, as well as the Austrian *Ausbildungsgarantie* and the Flemish *Jeugdwerkplan*, launched in 2008 and 2007, respectively. A common feature among these first youth guarantee experiences was the ability to provide a wide range of activation measures, which could be combined in different ways to tailor the particular needs of young participants. Similarly, these pioneering initiatives shared the universality principle and the fact that they targeted young people below the age of 25, with the only exception the Danish programme, which extended eligibility up to age 30.

Taking inspiration from these national experiments, in 2013 the European Union introduced a Youth Guarantee (YG), then reinforced it with a Council recommendation in 2020 (see Chapter 6). The scheme clearly defines who is eligible to participate (mainly young people who are not in education or training) and what should be provided to them: a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of their registration with the scheme, as well as information, counselling and guidance. Public employment services are identified as the actors responsible for the implementation and monitoring of the YG, with the involvement of schools, youth associations, training institutions, private employment services and social partners. Moreover, the YG – especially through the reinforced recommendation of 2020 – explicitly recommends developing outreach strategies (e.g. through ad hoc 'focal points' or online platforms, information and awareness campaigns) addressed to young people.

The final providers are essentially national administrations, supported by civil society actors. The production process is mandated by the state through the appropriate (binding) administrative acts. Member states are not obliged to act in terms of EU law, but as members of the Council they have made a political commitment to follow the Recommendation. Some of them also have a material incentive to comply, given the availability of EU funds targeted to those regions experiencing NEET rates higher than the EU average. Such funds must, however, be used exclusively to secure the recommended benefits for the final right-holders, under the attentive monitoring of the European Commission.

Statistical evidence signals that the YG scheme has had a non-negligible impact on the life chances of the younger generation. Its reach has been significant. Cumulatively between 2014 and 2017 and considering all the member states eligible to the programme, there have been 30.4 million new starts on YG schemes, of which 28.5 million had exited the process by the end of 2017. Of these, 19.2 million (67.3 per cent) are known to have taken up work or education/training opportunities, 14.4 million in the open market and 4.8 million who were either partially or fully funded through public money.[11] In other words, the scheme has proved its relevance as a novel experimental mode for the multi-level production of social benefits, under the spur and guidance of the European Union and with the support of its budgetary resources.

Two other schemes of the same kind were introduced by the European Union in 2016 – the Skills Guarantee – and in 2021 – the Child Guarantee. Other possible areas to be covered by guarantees include work–life balance, long-term care, the integration of migrants into society and the labour market. An ambitious proposal is that of introducing a fully-fledged Job Guarantee, based on direct employment creation for those without work, at the bottom of the income distribution, thus filling the jobs deficits where they are most acute in both the green and the care economy (Tcherneva 2020). Environmental protection, remediation, restoration and preparation; community regeneration and maintenance; elderly and childcare services; education and training; food security; 'health deserts'; and cultural heritage: these are some of the sectors in which jobs could be created. The Job Guarantee would not be a short-term, piecemeal and ad hoc remedial approach. It would be a comprehensive, permanent and demand-driven strategy open to all jobseekers. There are already important real-world examples that provide key insights and blueprints for implementation.[12] In order to scale up such programmes, a European Job Guarantee Scheme has been proposed, underpinned by EU funds and guided by a common template (Tcherneva and Lalucq 2022).

The guarantee model is particularly suited to breaking down existing barriers – not only those between the public, the private and the non-profit sectors, but also those between the local, the national and the European arena. Thanks to its multi-level plasticity, guarantees are the candidate backbone of a future 'European Social Union', whose aim is to experiment and promote 'welfare for life chances' as an arena for reconciling risks and opportunities.[13]

Compared to twentieth-century social rights, guarantees are more flexible. Their content is not fixed and immutable, but can be reviewed on the basis of monitoring and evaluation. Monitoring and evaluation must be carried out in a manner which is only partially hierarchical, as they must leave room for forms of participation and deliberation that include stakeholders. Non-public actors can also be included, in more or less codified forms, in the implementation of guarantees; for example, through the participation of non-profit organisations or even private suppliers.

The social guarantee is clearly different from a traditional, Marshallian social right, embedded in the institutional structure of the nation state and backed by legal coercion. The latter element was of course key during the formative phase of the welfare state, in order to stabilise and generalise compliance with the novel set of entitlements and duties (including the obligations to pay social security contributions). The high level of social and institutional entrenchment of social rights achieved during the second half of the twentieth century has gradually reduced the role of state coercion for securing compliance and has enhanced instead the importance of other aspects. Despite their legal certainty and justiciability, Marshallian rights only confer a *potential* power to obtain the benefits or services (the outputs) envisaged by legal provisions. The concrete attainment of benefits and services crucially depends on their availability and accessibility (and of course their quality) and both result from appropriate production and delivery processes.

Especially in the case of services, availability, accessibility and quality cannot be taken for granted: public administrations may not have the capacity to produce and deliver. Social guarantee schemes broaden the Marshallian notion of social entitlements beyond justiciability to include exactly these aspects. The assumption is that what ultimately matters for life chances is the actual encounter between an eligible individual and the material output defined by the law. To secure such encounter, the threat of legal coercion remains key as regards output production by the state administration (which must be mandatory and monitored). The law must also clearly define who is eligible for accessing the output itself. The formalised guarantee of judicial remedies in case of disputes ('suability' in Marshall's vocabulary) is likely to be less important than the political activism of user organisations mediating between providers and claimants and engaging in organisational voice. In addition to defining eligible users and mandating the production of outputs, the social guarantee can also mobilise funds, staff and civil society organisations, as well as encouraging the implementation of strong 'ropes' to facilitate access and attract potential users, thus containing the widespread phenomenon of non-take-up.

ECO-SOCIAL WELFARE AND GREEN CITIZENSHIP

In Chapter 7 we underlined the need to incorporate the social dimension in programmatic ideas about the green transition. Important steps have already been made by the European Union in this direction. The UBS debate provides some additional insights which are worth considering.

At least three of the life essentials – food, housing and transport – are typically carbon-intensive. Technological change will provide solutions to reduce the ecological footprint of provisioning these essentials. But it may be necessary to find ways of altering consumption patterns. In the case of transport, for example, the ISA framework (Improve, Shift, Avoid) suggests a three-pronged strategy centred on carbon-saving improvements (e.g. electric cars), shifting to alternative modes of mobility (such as public transport, cycling, walking) and minimising the need for travel (homeworking, online interactions and so on). Such framework can be expanded to food and housing as well (Brand-Correa et al. 2020). The UBS approach would offer a suitable template not only for identifying universal entitlements to a set of essential services, but also for orchestrating climate-friendly patterns of consumption by means of regulations, incentives, standard setting and monitoring.

From an economic perspective, consumption is often presented simply as the satisfaction of individual preferences. But the latter are not exogenous to the consumption sphere. Growth-driven production and market incentives tend to generate consumption (and need) 'escalators', which in the current context put to an increasingly severe test the limits of sustainability. Some authors have proposed to identify (and then possibly adopt by collective deliberation) sustainable consumption corridors, distinguishing essential from non-essential needs and preferences (Fuchs et al. 2021). For both types, but especially the second, the goal would be to identify and contain consumption escalators and possibly establish minimum floors and maximum ceilings based on sustainability considerations. On the supply side, private provision could be reined in by means of 'social licensing' systems, whereby the right to trade goods and services would be conditional on compliance with socially sustainable standards (Froud and Williams 2019). The general aim of such proposals is that of safeguarding and possibly expanding the so-called 'foundational economy'; that is, the sectors producing those essential infrastructures, goods and services which cater to the satisfaction of basic needs and to the development of basic capabilities which are necessary for social participation and the enjoyment of life chances (Gough 2022).

By explicitly connecting socially sustainable service guarantees and the green transition, the UBS can offer a significant contribution to the debate on 'green citizenship'; that is, the introduction of a new set of rights and duties related to the environment – a fourth set after the Marshallian tryptic of civic, political and social rights (Machin and Tan 2022). Twentieth-century conceptions of citizenship were typically 'locationless'; the citizen was abstracted from his/her eco-systemic context. This disconnection is no longer tenable: it is now clear that the environment is a key provider of basic goods, thus specific universal entitlements to such goods should be introduced and their costs should be socialised. In particular, the abovementioned basic goods which today are still carbon-intensive – food, housing and transport – should be prioritised, resorting to the mechanisms just described. A green citizenship would also confer some new instrumental rights (e.g. the right to be correctly informed about the quality of the environment) and procedural rights (e.g. to partaking of the deliberative processes for the definition of standards, floors and ceilings); it should moreover impose some duties, in terms of compliance with environmental norms as well as with soft recommendations about lifestyle and consumption habits (Bell 2005).

At the EU level, Principle 20 of the European Pillar of Social Rights refers to the right to essential services. Six examples are given by the principle, four of which fully belong to the list of life's essentials: water, sanitation, energy and public transport – the remaining two being financial services and digital communications. According to the European Social Policy Network (ESPN), the right to water and sanitation is ensured in all member states, but with wide geographical variations as regards both levels and practices. Variation is greater in policies addressing energy poverty, with a mix of diverse support mechanisms. The availability and affordability of public transport services is promoted through various local support measures, which often do not target directly the most vulnerable social groups. The digital divide is in its turn poorly addressed in general, while financial inclusion is widely secured in compliance with the 2014 EU directive. The Report underlines the presence of important practical obstacles to accessibility, confirming the points made in the previous section. Following the Report's recommendations, the European Commission is currently working on the elaboration of a harmonised definition of essential services as well as of the notions of affordability, accessibility and availability. Such work is a necessary condition for a concrete implementation of Principle 20 and the possible future establishment of a set of green rights.

WANTED: POLITICAL ACTORS

The decline of the Fordist class society means that consensus and coalition building has become much more difficult. Electoral competition takes place in new dimensions: the opposition between 'the people' and the elite, and between closure and opening of national boundaries – 'demarcationists' vs. 'cosmopolitans'. The left–right dimension that dominated twentieth-century politics has now become less salient. Some even argue that the differences between its two poles no longer exist. In fact, opinion polls confirm that voters do continue to use the left–right framework to orient themselves (Jou and Dalton 2017). It is true, however, that voters' ideological position, measured through self-positioning along the left–right axis, is no longer linked in a stable way to recognisable programmatic options.

In the second half of the twentieth century the left–right dimension was mainly connected with the market vs. state opposition. The right supported the market as the source of growth and opportunities, the left supported the state as a guarantor of social security and inclusion. Over time, the polarisation between these two priorities and visions gradually diminished, giving life to what Dahrendorf called the 'social democratic consensus' (Dahrendorf 1979), namely the widespread notion that the welfare state and the market could and should somehow be reconciled. In fact, the term 'social democratic consensus' is something of a misnomer. By accepting private property, the market and liberal democracy, socialists and social democrats undertook a far more incisive and radical ideological conversion than liberals or conservatives did by accepting welfare. However, the term has become popular, thus fuelling a prejudice: the twentieth-century welfare state was an achievement of the left against the right, of the state over the market.

The true achievement of the twentieth century was something broader and more profound: the construction of an economic and social model for reconciling protection against risks and the creation of choice options, within a framework of liberal and democratic guarantees. The left–right competition took place within this boundary: the left put more emphasis on risks, the right on options. The common ground was the constellation of challenges and problems linked to the dynamics of industrial society, within the nation state.

At the general level, we face the same challenge today; that is, mitigating risks and expanding opportunities. As the previous chapters have shown, however, the constellation has changed. The second Great Transformation has become a source for re-stratification, which increasingly overshadows social class. Traditional (centre-)left and (centre-)right parties struggle to reposition themselves socially and programmatically in the new landscape – and often tend to remain anchored to the old one. In this way, they are neither able to respond effectively to the *new* demand for protection, nor to fully exploit the opportunity-expanding potential of change. To return to the metaphors used previously: this failure swells the ranks of *Povertyland*, increases the vulnerability of *Midland*, and widens the gap between them and *Opportunityland*. The failure to update and re-adapt the common ground of shared ideas about how to reconcile risks and opportunities has strengthened competitors from outside this boundary, such as populist movements.

Opinion polls confirm this trend. The sense of vulnerability and subjective insecurity is greater among those voters who are more exposed to new risks, even when class background is considered. The degree of agreement with respect to closure options (limits to globalisation, European integration or immigration) and the preservation of the old welfare state is high (Busemeyer et al. 2018), but when asked for their opinion on policy options oriented at capacity building (more school or work–life balance services, more training and so on) or active inclusion, voters support them. They also tend to agree with the idea that such policies could or should be promoted by the European Union, even if this means transferring resources from one country to another.

In short, attitudes on the demand side seem to be keeping pace with the new stratification of needs, including not only the perception of risks and possible ways of addressing them, but also opportunities. This means that there is virtual support for Social Reformism 2.0, at least for some aspects of it, but that project is not currently 'on offer' in the political market. As a consequence, fear and resentment prevail among insecure and vulnerable voters, something which easily translates into anti-establishment and anti-European Union sentiments: the populist narrative becomes the only alternative. The potential for constructive change remains blocked.

During the twentieth century, the left–right dimension became the central axis of competition between parties because of two factors: the objective relevance of class conflict, arisen with industrial society, and the marginalisation of other dimensions of competition, such as the conflict between church and the state, between town and country, or between centre and periphery. Today, the left–right dimension might be marginalised by the opposition between opening and closing, and/or between the people and the elite. Such marginalisation is mainly the result of an aggressive strategy on the part of populists, who gain consensus insofar as they activate the new opening–closure and elite–people dimensions. The latter are not without objective grounds, but from a substantive point of view they cannot identify programmatic contents that are in line with the new constellation of risks and opportunities, and with the new structure of stratification. Protesting openness and the political establishment, and, correspondingly, trying to stop the former through protectionism and to replace the latter with spokespersons for the people can be reassuring and temporarily seductive to frightened voters, but, as such, these measures are totally ineffective for solving the problems generated by the Great Transformation 2.0.

RECONNECTING POLITICS AND SOCIETY

The conclusion to which this argument leads should be sufficiently clear at this point. We need to reaffirm the centrality of the left–right dimension and displace the other two ‘rival’ dimensions. To succeed, it is first of all necessary to redefine the values, objectives and basic contents of the first dimension, unencumbering it from the corny market–state or public–private contrasts. The discourse, the framework and the ideological basis – in other words, the boundaries – of inter-party confrontation must change. The ideas and arguments advanced in the preceding sections turn precisely in this direction. Second, in order to disorient right-wing populists, this change must be able to debase the salience of the opening–closure and elite–people oppositions, at both the symbolic and practical level, through proposals and concrete signs of renewal. Third, patient but ambitious consensus-building work is needed in order to build bridges towards the social groups that would draw the greatest advantage from mitigating new risks and expanding opportunities. It is vital to stress opportunities. Only if their expansion is seen as credible and concretely realisable, can openness and, more generally, the transformations under way lose their negative connotations and inspire hope rather than fear.

How can such bridges be built? And most importantly, can they be built at all? We mentioned above that the disruption induced by the second Great Transformation has directly affected the political sphere. Instead of gradually emerging from the sphere of society – as was the case during the first Great Transformation – the counter-movement immediately took on a political nature, materialising mainly in the form of retrotopic rejections with a nationalist or old-socialist flavour. Research shows that civil society has not remained passive, however: it has reacted and mobilised – mostly in the wake of the Great Recession – to pursue the goal of self-protection.

While it is true that the crisis has deconstructed the old forms and practices of concertation between social partners and the state, producing disintermediation, it is also true that intermediate associations have not disappeared. What happened can be described instead as a double detachment of such associations (trade unions in particular): an upward detachment from parties, techno-bureaucratic apparatuses and governments; and a downward detachment from the bearers of economic and social interests operating at a local and/or sectoral level. As is clearly emerging from the debate on social innovation, non-governmental organisations, the third sector and the so-called civil economy, the crisis has catalysed the mobilisation of actors and resources in almost all countries, especially at a local level. The renewed role of actors and resources revolves around (and is fuelled by) the new risks, the growing salience of the new stratification axis, and the diffusion and intensification of needs that are not covered by the old welfare system. This means that the destructuring of the relationships between institutions and society, as well as of traditional social channels and forms of intermediation and political representation, is not a relentless and irreversible process. Instead, it is only a phase of contingent exacerbation, which can be brought back to normality and managed through deliberate choices and actions on the part of the elites.

As mentioned in the first chapter, precarious young workers are not very inclined towards self-organisation and mobilisation. Here the threat is not that they become a revolutionary class, but rather a lost generation, also in terms of political participation. There are signs, however, that adult workers with family responsibilities and low skills – especially working mothers – have a high associative inclination. In Northern European countries, unions have successfully recruited workers with atypical contracts in the last fifteen years, and centred their pressure politics on a renewed agenda that includes actions in support of family, training and work–life balance (Shin and Ylä-Anttila 2018).

The leaders of a possible reformist coalition should build bridges towards the protagonists of those many meso-level counter-movements that have emerged over the last decade, beginning with those that have consolidated their network in an associational form (Maino and Razetti 2019). Patience is required to pursue a strategy with 'long-run' and gradual returns in terms of consensus; this may look like an outdated strategy compared to those that are prevalent today, based on direct populist-oriented campaigning. It should nonetheless be considered that even in the era of social media and digital politics, mechanisms of aggregation beyond contingent and issue-specific mobilisation still tend to be activated by offline interactions. Mobilisation starts locally, and around specific issues, closely related to the 'lifeworld': this is where cohesion, reciprocity, solidarity and bonds take shape; at the same time, fine-grained knowledge of problems is acquired and possible solutions develop. From this perspective, the social guarantee approach sketched above could become not only a promising tool for protecting and expanding opportunities, but also a way to build bridges, to activate processes, and to mobilise civil society and its sub-groups. After all, life chances are a combination of options from which to choose as freely as possible and the social ties that give meaning to our choices, which connect us in space and context. In a liquid and 'boundless' world, existence without roots can easily become erratic, unguided and easy prey to anomie.

NOTES

1. See the research and investigations promoted by the 'Second Welfare Pathways' laboratory, available at www.secondowelfare.it.
2. This schema is illustrated in Ferrera (1993).
3. See https://www.teachforamerica.org/.
4. Supported by a group of predominantly French banks (Banque Palatine, BNP Paribas, Société Générale and others), the initiative focuses on the prestigious Institut d'Études Politiques (Sciences Po) in Paris and aims to 'channel' talented and deserving students – regardless of their family, social or cultural background – coming from high schools located in disadvantaged contexts towards this university institute. Schools with problematic user basins stipulate an agreement with Sciences Po and can include their most promising students in a dedicated training and mentoring channel, starting from the penultimate year of upper secondary education. See https://www.sciencespo.fr/nous-soutenir/fr/content/les-conventions-education-prioritaire-0.
5. See https://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/29-03-2016-rapport_comite_pia.pdf.
6. For more on this thesis, see Goodwin (1992).
7. See https://e2c-europe.org/.
8. See, for example, Common Transitions (https://commonstransition.org/).
9. The concepts of 'differentiated universalism' and 'intersectionality' stem from the feminist critique; see Lister (1998) and Davis (2008).
10. Canada has also witnessed an interesting debate on these issues: see Kitchen (2005).
11. A further 3.1 million are known to have left the YG without an offer. Most of this group will be inactive on exit but could be re-registered in the YG later. The destination of the remaining 6.3 million exits is not known. In countries where it is possible to link public employment services (PES) registers with social insurance registers to identify who has taken up work it is likely that the majority of those in unknown destinations will be inactive, but in countries where data on exits by destination relies on young people either communicating with PES advisors or completing an exit questionnaire, the unknown group is likely to also include positive outcomes (i.e. people that have taken up work or training without informing the PES). See European Commission (2018b).
12. For example, the Territoires Zéro Chômeur de Longue Durée (TZCLD) project in France, the Job Guarantee pilot and Aktion programmes in Austria, Actiris in

Brussels, and Kinofelis in Greece, all inspired by the goals of social inclusion through guaranteed employment.

13. For analysis and proposals, see the debates that appeared on the EUVisions website: www.euvisions.eu.

Conclusions: a long pan-European march

The first Great Transformation laid the foundations of the modern welfare state, but its first and more general outcome was what Karl Polanyi called embedment: the connection between markets and their social and political contexts, mitigating risks and expanding opportunities. Today the re-embedment challenge is still largely open. Among the many obstacles that stand in its way, the most insidious is the temptation to stop change and build walls to defend the old citadels, but as Polanyi also said, 'the restoration of the past is as impossible as the transferring of our troubles to another planet', adding a little later: 'the collapse of the traditional system does not leave us in the void' ([1944] 1957: 250). Re-embedment is a possibility, not a deterministic necessity that will take place on its own. It ultimately depends on value options, on leadership skills, and on the capacity to elaborate political visions and transform them into policy programmes.

But what are the appropriate geographical scale and levels of government to provide answers and inspire change? It is obvious that the Great Transformation 2.0 goes farther and more profoundly beyond national borders than the first Great Transformation did more than a century ago. However, it is equally obvious that what can be done on a global scale is very limited. In many respects, we are again faced with the traditional dilemma: unfettered markets and finance versus territorialised and demarcated society and politics. Capitalism and liberal democracy are two extraordinary artefacts, capable of jointly generating prosperity, justice and freedom, but they are also bound to be in tension until their scope becomes co-extensive at the global level – something that is well beyond reach in our historical phase.

At the peak of the first Great Transformation, in the first two decades of the twentieth century, the capitalist-democratic dilemma resulted in a catastrophe: a great world war, then fascism. On the one hand, British, French and US liberal elites attempted to restore market discipline and the capitalist global order in the 1920s. On the other hand, the radicalisation of the masses spiralled into the collapse of parliamentary democracy in some countries (Italy, Germany). Only after the carnage of a Second World War could the encounter between capitalism and democracy be transformed into a progressive process of mutual and synergic collaboration, giving rise to the Keynesian welfare state.

The nation state is today no longer able to safeguard the complementarity (or even the compatibility) of Dahrendorf's quartet, made up of the rule of law, the welfare state, liberal democracy and the market economy. Climate change testifies even further to the limitations of the nation state. The Ukrainian war has reminded us that liberal democracies are fragile and vulnerable constructs. Only the European Union has the adequate geo-economic and geopolitical scale for responding to the threats that global markets and international instability are posing today, with erosive effects on democracy and welfare, peace and prosperity. In its current configuration, however, the Union is an unfinished project. Those who believe that this project is and must remain open-ended, without any 'closure' in terms of the final destination, are certainly right. This does not mean, however, that the internal consistency of the project should not be regularly checked. It is now widely held that the polycrisis of the last fifteen years has generated, or rather exacerbated, the misalignment between market and welfare, technocracy and democracy. Without major institutional reforms, the European Union might cease to be a solution and become a problem. Instead of being the construction site for upscaling Dahrendorf's circle, it could become a wedge which further aggravates its disruption.

Content-wise, the front to prioritise is the social counter-balancing of the Economic and Monetary Union (EMU). The EMU must be effectively complemented with a European Eco-Social Union (ESU) capable of tempering and absorbing the negative externalities of the EMU itself. This by no means requires federalising national welfare systems; more simply, the role of the ESU should be that of supporting those systems in their delicate institutional modernisation, and of complementing them with new initiatives and programmes for the creation of opportunities, such as the social guarantees and the 'green rights' mentioned in the previous chapter. The core mission of the ESU would be to guide the substantive development of domestic welfare systems via general eco-social standards and objectives, leaving ways and means of social policy to the member states. In other words, European countries would cooperate in a Union with an explicit social purpose – a purpose already enshrined in the Treaty and articulated in the European Pillar of Social Rights (see chapter 6). At the same time – and this is the important innovation – national welfare states should take up the commitment of sustaining forms of tangible solidarity between themselves as collective entities, acknowledging that in an integrating Europe social protection (and the underlying normative objectives of 'solidarity', 'social justice' and 'just transition') has at least three distinct dimensions: national, transnational and supranational (a fourth dimension can be the subnational one, which becomes necessary for the delivery of quality services, adapted on the basis of local needs). These dimensions can potentially clash with each other, but this clash is not inevitable, provided they are properly recognised as such and deliberately reconciled. The ESU would be based on the premise that social protection must move towards a multilevel architecture, allowing for a network (rather than a hierarchy) of links among the various institutions and sites of social protection, to favour synergies and (upward) mutual adjustments.

From a political viewpoint, the European Union needs an institutional framework capable of mediating and rebalancing the structural tensions linked to the 'constitutional' asymmetry between the economic dimension and the social, legal and democratic dimensions. No political community can function, consolidate and stabilise itself through law and market alone. Only an incorrect (or self-interested) interpretation of the so-called 'subsidiarity' principle can argue that this is possible. As this book has illustrated, growing economic inequalities, social polarisations, and the many and persistent institutional distortions of the old welfare arrangements have relentlessly swollen the ranks of the vulnerable and excluded. To prevent precariousness – in its most hideous form – from becoming dominant in the 'lifeworld', and from giving rise to a structurally precarious society, a new phase of progressive politics is needed. Today, dangerous illiberal tendencies within the European Union call into question some of the foundations of modern constitutionalism: the separation of powers, equality before the law, and well-defined and codified limits to discretionary executive power. The European Union is endowed with sufficient resources for contrasting illiberalism as firmly as it contrasts state aids and monopolies. The time has come to activate these resources.

There is no denying that reconstructing Dahrendorf's circle is extremely complicated. Let us not forget, however, that the 'nationalisation' of each of its four features (market, solidarity, rule of law, democratic participation) at the turn of the twentieth century already entailed a 'long march' from localism and regulatory fragmentation to state-wide standardisation and national integration. At the beginning of the twentieth century, for instance, the Italian Socialist Party (rooted in northern Italy) opposed national social insurance and its extension to labourers in southern Italy. In the same period, the German unions protested against *Gleichmacherei* (equal treatment); that is, the Bismarckian project of compulsory insurance for all industrial workers, regardless of sector and territory. Not surprisingly, risk-sharing on a national scale encountered many obstacles, especially in historical federations such as the United States, Switzerland and Canada.

Today a long pan-European march is required. No one denies that this is a difficult task. However, let us look at it from a long-term perspective. Sovereignty movements and Euro-sceptics are there, but there are also many opposite signs. In European society, the crises of the last fifteen years have stirred reactions to disruption – as we have seen in the previous chapter. Moreover, new institutions are emerging at the European level: the COVID-19 pandemic has prompted a quantum leap in terms of cross-national solidarity, even if it is only temporary. If properly nurtured, these new institutions could remedy the many shortcomings of the integration process. What is missing is an ambitious, long-term and far-reaching reformist agenda anchored to the European Union, as well as political leaders who are ready to invest in it. These two deficiencies continue to cast a shadow on the future. Polanyi rightly argued that '[industrial] society can afford to be both just and free' ([1944] 1957: 256). However, affordability is not only a matter of resources. It requires purposeful far-sighted action, guided by a balanced mix of ambitious normative convictions and pragmatic responsibility.

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