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Buffering national welfare states in hard times: The politics of EU capacity-building in the social policy domain

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Abstract

The EU has traditionally influenced the social and employment policies of Member States through regulation, leaving redistribution to national welfare states. The latter have, however, been gradually weakened by global socioeconomic change and by the expansion of EU market integration. A series of crises over the last 15 years made a bad situation worse: the longue durée erosion of the capacity of European welfare states has morphed into acute social aftershocks, especially in peripheral countries. After the austerity reflex in the early 2010s, the EU introduced new policy instruments with market-correcting rationales that go beyond the regulatory approach. This article revisits the creation and functioning of four of these instruments that represent EU-level capacity-building in the social policy domain: the European Globalisation Adjustment Fund, the Youth Guarantee, the Just Transition Fund and SURE (the temporary Support to mitigate Unemployment Risks in an Emergency). We argue that the EU increasingly provides 'buffer mechanisms' to support stressed national welfare states in tasks they would otherwise be unable to accomplish, and we identify the political factors that drive the expansion of this 'buffering' logic in EU social policy.

KEYWORDS
buffering logic, crisis politics, European Union, Social Europe, welfare state change

1 | INTRODUCTION

Traditionally, the EU has intervened in the social and labour market policy fields mainly through regulation (Obinger et al., 2005). Since the Treaty of Rome (1957) and up to the 2000s, European initiatives in the social sphere did not imply 'capacity-building' (Genschel & Jachtenfuchs, 2016) at the EU level; instead, they were focused on the coordination of national social security regimes and on regulatory measures in specific policy areas, such as health and safety at work or gender equality (De la Porte & Madama, 2022). With the partial exception of the European Social Fund, which was originally established by the Treaty of Rome to finance vocational training programmes in the Member States, overall, welfare states' core redistributive function remained national.

As the integration process unfolded, however, national welfare states were gradually weakened by multiple challenges, some of which were induced by the deepening of EU market integration (Ferrera, 2005). The Great Recession made a bad situation worse: the longue durée erosion of national welfare institutions morphed into acute social aftershocks – skyrocketing poverty and unemployment in peripheral Member States – while austerity further constrained the fiscal space available for welfare recalibration (Hemerijck, 2012). In the early 2010s, EU soft governance mechanisms were hardened, particularly through their integration with the fiscal governance of the Economic and Monetary Union (EMU). This ensured stronger EU leverage impinging on a widening number of policy areas, but a series of crises also triggered supra-national responses in the form of new EU-level redistributive instruments with clear market-correcting rationales. The 2007 European Globalisation Adjustment Fund (EGF), the 2014 Youth Guarantee (YG), the 2020 Recovery and Resilience Facility (RRF), the 2020 temporary Support to mitigate Unemployment Risks in an Emergency (SURE), the 2021 Just Transition Fund (JTF) and the 2023 Social Climate Fund (SCF) all represent experiences in which the EU stepped up to act as a provider of social protection, either directly to citizens or through supporting the social programmes of Member States under stress. These developments towards capacity-building in social policy contradict well-established conventions in the literature on Social Europe, which argue that the build-up of welfare functions at the EU-level is unlikely because of joint-decision traps, the occupation of social policy space by lower tiers of government and institutional heterogeneity (Obinger et al., 2005; Scharpf, 2009; Streeck, 2019).

This article contends that these social policy innovations entail the emergence of a new mode of EU governance, which scholars have not yet fully grasped. To wit, in the social policy field, the EU is increasingly acting as a buffer mechanism supporting stressed Member States in tasks that they have problems accomplishing. We seek to advance the debate by first elaborating on the 'buffering logic' of EU social intervention and then analysing the conditions that make it possible for the EU to overcome its built-in institutional rigidities and to launch EU-wide redistributive social policy instruments. Our study suggests that, given the peculiar properties of the EU polity (Ferrera et al., 2023), crises provide a propitious terrain for EU social policymaking: external shocks can threaten disintegration, but they can also spur actors to overcome differences and to find joint solutions. Because EU buffer mechanisms are often devised in reaction to systemic crises, this has an impact on their design: they are backed by financial resources (e.g., ad hoc funds) targeted at protecting against specific crisis consequences; they also provide institutional resources protecting Member States against social challenges that threaten to unravel their welfare capacities, without, however, being a substitute for those national welfare states.

This article considers the creation and functioning of four instruments informed by this buffering logic: the EGF, the YG, the JTF and SURE. We selected instruments involving the establishment of new EU policy capacities and spanning a long period of time, starting in 2007 with the EGF and ending in 2021 with the JTF. This variation allows us to draw out the commonalities in the instruments, to analyse the main features of buffering policies and thus characterise the buffering logic. Using documents produced during the policymaking process and media reports, we also reconstruct the political conditions that steered EU social policy action towards the new logic during different crisis episodes.

The next section delineates the boundaries within which EU social policymaking has traditionally unfolded. Section 3 elaborates on the potential for crises to open up space for EU capacity building in the social domain, and the fourth section provides empirical illustrations of EU buffer mechanisms. The last section discusses the commonalities emerging from the four cases and reflects on the broader implications of our findings.

2 | FROM REGULATION TO REDISTRIBUTIVE CAPACITIES

Traditionally, EU-level action in the social policy field has mainly consisted in social regulation instead of the core activities of social policy (i.e., social insurance, public assistance, health and welfare services and housing policy) (De la Porte & Madama, 2022; Majone, 1993). There are a variety of reasons for the narrow focus of EU social policymaking on regulation. On the one hand, this vertical power-sharing pattern was normatively appealing. Compared to outright redistributive decisions that rearrange resources among groups, the potential for public salience and ideological controversy of regulatory decisions is lower (Majone, 1994). On the other hand, the heterogeneity of path-dependent national welfare state institutions and the presence of joint-decision traps at the EU level (whereby decision-makers with the ability to veto proposals tend to take lowest-common-denominator decisions) complicate common European social policy initiatives, even when there is political will to adopt them (Obinger et al., 2005).

Despite the EU's lack of formal redistributive and stabilisation functions, the integration of national markets was, by stealth, affecting the distribution of resources within the Member States (Ferrera, 2005). From the late 1980s onwards, Single Market regulations increasingly eroded the capacity of national redistributive welfare states to shape and correct market logics, particularly after the EMU was established. Member States became gradually less and less sovereign with regards to their labour markets and welfare states (Streeck, 2019). During the euro crisis years (2009–2013), previously non-binding forms of policy coordination became stringent, at least in relation to the fiscally vulnerable Member States of Southern Europe. According to several commentators, Social Europe was 'dead' (Crespy & Menz, 2015).

Recently, however, a growing number of scholars have argued that a social turn has taken place in EU economic and social governance. The change has been primarily ideational, concerning the dominant ideas guiding EU policymakers in economic and social policy (Miró, 2021), whereby the Juncker Commission gradually abandoned the social-retrenchment narrative in favour of a discourse centred on social rights and social investment (Vesan & Pansardi, 2021). One outcome of this shift has been more extensive social regulation – either through the 'socialisation' of the European Semester (Zeitlin & Vanhercke, 2018) or through new Directives, such as the Work-life Balance Directive (2019/1158/EU), the Adequate Minimum Wage Directive (2022/2041/EU) and, especially, with the approval of the European Pillar of Social Rights in 2017 (Kilpatrick, 2023). Without downgrading the importance of these initiatives, we contend that the most pathbreaking innovation when assessing the overall trajectory of the EU social dimension over the last decade is not the enactment of new regulatory instruments, which follow the traditional EU focus on social regulation, but the emergence of a new mode of governance involving the positive build-up of EU-level social policy capacities.

3 | CRISES AS TRIGGERS OF CAPACITY-BUILDING IN EU SOCIAL POLICY

The contemporary reinvigoration of the social dimension of the integration project would have been far more unlikely without the crises that have besieged the EU since the late 2000s. This is not a matter of contingency, but rather a feature of the EU as a novel and peculiar political system that 'evolves through crises' (Ferrera et al., 2023, p. 2). Two defining properties of the EU polity are particularly relevant from our theoretical perspective. First, the polity is 'compound', because it is a decentralised and fragmented political system, resting on diverse membership. Second, it builds on deeply institutionalised political entities, which have resulted from the long-term process of nation-state building, where the welfare state has had a key role (Ferrera, 2005). Consequently, social politics in the EU is shaped by territorial divides, both for reasons related to national economic interests (e.g., lower wages and social benefits can be seen as a comparative advantage in the new Member States from the East, but as a threat to regulatory competition in Western Europe), and due to institutional diversity (Member States tend to protect their welfare and labour market policy arrangements against interference from the EU, especially in countries where these institutions are well-functioning – as in the case of Northern Europe).

When times are good, Member State governments tend to be irresolute and divided as they pursue their individual goals and fight over a piece of the pie. Crises can open windows of opportunities for overcoming territorial vetoes, by restructuring Member States' interests and spurring them to work together or, at least, to try to attenuate distributional conflicts. An emergency situation that threatens the stability of the EU polity can, on the one hand, push actors who oppose euro-social initiatives in normal times to reorient their preferences towards solidaristic policies. On the other hand, proponents of such policies may find the pre-existing structural constraints relaxed and their mobilisation capacity boosted in moment of crisis (see, e.g., Capoccia & Kelemen, 2007). Ultimately, moments of existential threat remind political leaders that the EU cannot be taken for granted and incentivise efforts at (re-) stabilising the system writ large (Ferrera et al., 2023).

Crises can also boost social innovation on top of the manifold national policy legacies that characterise the EU compound polity. Not only do welfare states differ widely across countries, but so does the level of institutionalisation of social arrangements across policy fields. Neo-institutional theories of path dependence emphasise that the adoption of social policy by lower tiers of government limits the possibility of intervention by the central level, which may instead find room for manoeuvre by intervening in less institutionalised policy fields (Pierson, 1995). Crises entail a potential for change in that they contribute to putting new social issues on the table – such as globalisation or climate change-related social risks – in which the EU may find fewer obstacles to intervene compared to policy fields that are deeply entrenched in national systems, such as pensions and healthcare. This, in turn, allows institutional and political actors (primarily the European Commission, but also relevant parties or interest groups) more room to design a policy package able to reconcile different interests and visions. After all, crises are unexpected situations that require urgent public responses, potentially giving further traction to innovative policy solutions, as political conditions should more easily align (Lesch & Millar, 2022).

However, not all crises are the same. To understand EU responses, given the diverse membership and institutional heterogeneity of the EU polity, it is crucial to look at how crisis pressures are spatially distributed and what specific policy domain they affect. Crises can exacerbate existing imbalances or contribute to evening them out, depending on whether Member States are subject to similar shocks or whether some of them are hit disproportionately (Ferrara & Kriesi, 2022). A symmetrical shock is generally thought to be a powerful driver of solidarity across EU Member States, lowering the potential for contestation and polarisation in the crisis response.

Crises also leave their mark on the institutional design of the policies built to address them (Saurugger, 2016). We argue that, in EU social policymaking, crisis-led institutional innovations take the form of 'institutional buffering'. This mode of governance is primarily aimed at providing resources to sustain national social security systems, or social standards more broadly, in crisis times. As such, EU buffering mechanisms constitute cases of the EU acting directly as a 'provider of social protection' (Claassen et al., 2019), although the Member States retain gate-keeping functions. Because the presence of well-established national welfare states forecloses the possibility of developing a European welfare state, the EU has tended to focus, in its crisis-responses, on providing support to these national welfare states in tasks they have difficulty accomplishing. Buffer mechanisms push back against problems that traditional social security systems do not cover and that, in a context of fiscal constraint, would be difficult to cover. They therefore take the form of highly targeted instruments of social protection, which is also due to the small size of the

EU budget. Despite this, they constitute mechanisms of redistribution between Member States in policy fields that are traditionally characterised by a strong defence of national sovereignty.

A further noteworthy feature of EU-level buffering capabilities in social policy is that, while they entail centralised governmental structures at the supranational level, the compound character of the EU polity implies a key role for Member State institutions in implementing them. In the emerging area EU social policy capabilities, the Commission does not 'spend the money itself'; instead, similarly to what happens with the European Stability Mechanism or the Resilience and Recovery Facility in broader policy domains, the Commission transfers the funds to the Member States based on strict conditionality. As with the transfer of other 'core state powers' to the EU, both functional and political considerations militate in favour of preserving a role for Member States in their exercise (Genschel & Jachtenfuchs, 2016).

4 | FOUR CASE STUDIES OF BUFFERING MECHANISMS IN EU SOCIAL AND EMPLOYMENT POLICY

4.1 | The European Globalisation Adjustment Fund

Few dispute that the process of European integration has played a crucial role in globalisation-driven industrial restructuring. With the establishment of the European Single Market in the late 1980s, many tools once used for worker and industry protection became impracticable (Streeck, 2019). The European Single Market also became one of the most open economies in the world, which facilitated the penetration of global competitive pressures inside Europe. Unsurprisingly, regional industrial decline and concerns about globalisation constitute a remarkable predictor of protectionist and Eurosceptic attitudes (de Vries & Hoffmann, 2018).

As in other social policy areas, most of the instruments by which the EU traditionally sought to manage trade-led deindustrialisation involved regulatory policies. In the late 1990s and early 2000s, three Council Directives – on collective redundancies (95/59/EC), on employees' rights in the event of transfers of undertakings (2001/23/EC) and in the event of insolvencies (2002/74/EC) – aimed at smoothing the social consequences of corporate restructuring were approved. The EU also sought, through its commercial policy, to regulate the conditions under which services, investments, goods and people flowed across its borders, not least by introducing labour provisions in trade deals. Nonetheless, managing globalisation in terms of redistribution remained a national responsibility (Burgoon, 2010).

This distribution of tasks began to change slightly in 2006, when the European Council established the European Globalisation Adjustment Fund (EGF). Operational since January 2007, the EGF is an 'emergency relief' fund 'to deal with crisis situations caused by mass redundancies' (European Commission, 2018a, p. 11). Its initial mandate was to provide financial support to workers made redundant because of structural shifts in world trade patterns that provoked 'serious disruption' in employment. In the 2006 Directive, these shifts were defined as offshoring of EU industries to non-EU countries, a substantial increase of imports into the EU or a rapid decline of the EU's world market share in a given sector (EU, 2006), while 'serious disruption' of employment was defined as restructuring events in a single company (and its suppliers) involving at least 1000 redundancies over a period of 4 months; or alternatively, at least 1000 redundancies, over a period of 9 months, in small and medium-sized enterprises or in one region or two adjacent regions with a population of up to 3 million. The annual budget allocated to the new fund was €500 million.

The creation of the EGF was notable not only because it marked the EU's first intervention into compensatory measures for trade opening, but also because its underlying philosophy contrasted with the neoliberal ideas that dominated EU policy at the time. As Germany and Denmark warned during the 2005 negotiations on the EGF, by softening competitive pressures, the EGF could disincentivise the adoption of painful but necessary structural reforms by the Member States, thereby increasing their vulnerability to new trade-induced shocks. This was the moral hazard logic at the heart of the model of monetary union established by the Maastricht Treaty, upon which the main EU-level employer association, BusinessEurope, relied to question the necessity of a trade-assistance fund: the priority should be 'to make sure that the EGF is not wrongly used as a substitute for necessary reforms of labour markets in Member States' (BusinessEurope, 2008). Further compounding these concerns were those raised by other members, such as Sweden, which argued that labour market policy was a national matter.

Looking back at the historical context of 2005 is crucial for understanding the conditions that enabled the creation of the EGF in such an unfavourable environment. The scale of the shock of the euro crisis after 2009 has retrospectively reduced the epochal commotion that the negative results of the French and Dutch referendums on the EU constitutional treaty in the spring of 2005 represented for EU political elites. At the time, the referendum results were widely interpreted not just as roadblocks to further European integration, but as an 'unprecedented crisis' for the European project, even hinting at its reversal (Cohen-Tanugi, 2005). The centrality that globalisation and 'social dumping' debates, alongside immigration, had in the pre-referendum campaigns created a second widespread diagnosis: the votes reflected a rising tide of popular dissatisfaction with how European integration was encroaching on national social security systems, especially those of Western Europe.

Without the dislocation implied by the constitutional fiasco, the EGF would likely not have been adopted. Nonetheless, even ripe policy ideas are not translated into policy without the championing of policy entrepreneurs. The idea of creating an EU trade adjustment fund like that of the Trade Adjustment Assistance Programme in the United States had circulated in EU policymaking circles since the early 2000s, when Trade Commissioner Pascal Lamy orchestrated a policy agenda to put 'globalisation under control' (Lamy, 2004). Contrary to the typical coalitions in favour of cohesion policy, the key supporters of the EGF came from Western Europe (France, Belgium and Italy, as well as Ireland) – that is, from those Member States in which industrial restructuring processes had become almost ongoing. From its inception, the EGF was meant to show solidarity with low-skilled workers in 'older' Member states – that is, regions that had benefited little from structural and cohesion funds (Tsoukalis, 2006). On the other hand, the design of the EGF reflected the 'active inclusion' paradigm underlying the Lisbon Strategy. The Regulation of the fund specifically prohibited the funding of 'passive' social protection measures (EU, 2006, p. 2). This social investment profile facilitated the complementarity of the EGF with national social protection schemes, which, back in 2005, were focused on consumption-oriented social protection.

After 2007, the evolution of the EGF was punctuated by three substantial reforms (2009, 2014 and 2020) (Fernandes & Daniel, 2018). Our interest here is that, although political opposition was strong in each reform round, after the last reform approved in 2020, a substantially different policy instrument emerged. In the current EGF, which has, for the 2021–2027 period, a ceiling of available resources per year established at €186 million, interventions are no longer exclusively linked to globalisation. The new Regulation has a more general objective – to offer assistance in case of unexpected major restructuring events – and contains a non-exhaustive list of causes for the resulting redundancies, including changes in the composition of the internal market, decarbonisation, automation and digitalisation. Furthermore, the new EGF has the lowest numerical threshold ever to justify financing (collective redundancies of 200 workers). This suggests that the EGF might be turned into a permanent supranational emergency tool to mitigate the adverse effects of several contemporary labour market challenges.

4.2 | The Youth Guarantee

By the mid-1990s, EU institutions already considered youth employment insecurity among the major problems affecting European labour markets. Promoting youth employability through activation and investment in human capital, along with increasing labour mobility within the Single Market, were then reference points of European labour market policy (Lahusen et al., 2013). The latter mainly consisted in the diffusion of new policy ideas, the provision of general orientation and goals and the introduction of indicators to quantify and monitor youth employment at the EU level.

With the onset of the Great Recession, youth labour market conditions rapidly deteriorated, particularly in EU peripheries and Ireland, aggravating an already unfavourable situation (Dietrich & Möller, 2015). A specific proposal 'to guarantee to young people training and jobs' was launched for the first time by the European Trade Union Confederation (ETUC) in March 2009. The EP, under the impetus of the European Socialist Party, supported this initiative (European Parliament, 2009). The main innovation brought about by this proposal was the 'guarantee' concept – that is, Member States' commitment to providing unemployed young people with a work or training opportunity within 4 months of becoming unemployed or leaving education. This implied a shift from a general and vague orientation to the promotion of an EU-wide specific policy measure (Lahusen et al., 2013). The then Commissioner for Employment and Social Affairs, László Andor – one of the few socialists in the Barroso Commission – advocated for the measure within the European executive. Initially, however, he could not reach the desired result, due to the opposition of some countries – most importantly, the United Kingdom, Sweden, Denmark and Germany.

As functional pressures mounted, between 2012 and 2013 protests and elections held in Greece, France, Spain and Italy signalled an increasing disaffection of the electorate in Southern Europe against 'austerity medicine'. Awareness also spread among German political actors that youth unemployment was becoming a problem for the political legitimacy of the European integration process. In June 2012, the German Foreign Affairs Minister released parallel interviews in the main Southern European newspapers, underlining that 'youth unemployment is the biggest driver of extremism. We have to fight populism and nationalism by offering young people prospects for the future' (*El Mundo* 6/6/2012). Angela Merkel even argued that fighting youth unemployment was her 'main duty', as it is an 'imperative condition for young people to see Europe as their homeland' (*Corriere della Sera* 1/27/2013). In May 2013, the German Finance Minister Schäuble declared that 'failure to win the battle against youth unemployment could tear Europe apart' (*Euractiv* 5/28/2013).

Against this backdrop, between 2012 and 2014 the pro-supranational intervention coalition struck back. In the European social partners' Work Programme for 2012–2014, the ETUC reiterated the urgency of solving the youth unemployment crisis. In February 2012, the PES released a report on youth unemployment, putting forward the proposals of a binding Europe-wide YG for young people up to the age of 25 to be put in place by 2013 and ring-fencing of €10 billion of EU structural funding to tackle youth unemployment. The victory of the socialist Hollande in the 2012 Presidential election in France further strengthened the position of centre-left actors in the EU arena. Commissioner Andor was then more effective in putting the issue on the table: in December 2012, the Commission finally proposed a Council recommendation on establishing a YG (COM 2012/3051).

The financing of this policy instrument became, however, part of the broader conflicts over the 2014/2021 multiannual financial framework. In a nutshell, while the EP proposed increasing the YG budget to reduce disparities between core and peripheral countries, a rift emerged in the intergovernmental negotiations. On the one hand, the United Kingdom and northern countries pushed for a reduction in the overall EU budget; on the other, France, backed by southern European governments, demanded a pro-growth European budget and funds to tackle youth unemployment. In this phase, Germany, traditional supporter of the fiscally conservative coalition, backed a proposal to introduce the YG, possibly due to the above-mentioned concerns over the political consequences of youth employment insecurity in Southern Europe. The launch of the Youth Employment Initiative followed, introducing specific funds of around €5 billion to facilitate implementation of the YG.

Over time, the YG become less and less contentious. The COVID-19 crisis – and the fear that lockdown measures may have (again) disproportionate effects on youth labour markets (Anderson & Heins, 2021) – contributed to putting the YG high on the agenda again. In summer 2020, the Commission proposed a Council Recommendation to reinvigorate the YG (COM 2020/0132), which enlarged its scope to include young people aged 24–30 as well and promising to increase spending on youth employment measures under Next Generation EU and the EU budget. Unlike in the past, no major conflict emerged regarding the reinforcement of the YG, which allowed for the gradual institutionalisation of an EU social policy.

The social guarantee concept and the provision of new specific, though limited, funds to finance the YG initiative constituted important institutional innovations concerning Social Europe, pushing the latter's boundaries beyond social regulation. The YG also tackled the problem of cross-national solidarity, as criteria for access to this fund had clear (territorial) redistributive implications. Only regions with youth unemployment greater than 25% or where it had increased by more than 30% in 2012 could access this fund so that, for example, between 2014 and 2016, no German Länder benefitted from it, only a few regions in Belgium, but all of the Spanish regions did so. The main aim of the intervention was to support Member States unable to solve the issue on their own by providing resources and a (in most cases, new) policy solution. With the adoption of the Reinforced YG in 2020, with its funding significantly increased[1] and territorial redistribution attenuated, it is still countries with a higher-than-EU-average NEET rate (young people not in employment, education, or training) that would receive most of the funding. Moreover, the EU provides policy support and mutual learning activities to help Member States strengthen infrastructure for the Reinforced YG.

4.3 | The Just Transition Fund

The EU has traditionally been a major driver of policy change in the domain of environmental protection, and this role was considerably enhanced with the ascent of the Von der Leyen Commission in 2019. At the time, a series of disparate social, ideational and political tendencies converged, leading to the re-problematisation of climate change from a prolonged policy problem to an emergency requiring urgent intervention (Kyriazi & Miró, 2023). The Commission's flagship strategy to respond to the climate crisis, the European Green Deal (EGD), was approved in 2020 and incorporates several initiatives aimed at achieving climate neutrality by 2050. Just transition is an important element of the EGD, which commits that, in tackling the climate emergency, the EU would 'leave no one behind' (European Commission, 2019, p. 16). The recognition that the costs of the energy transition should be allocated fairly in society and that those most adversely affected by the transition should receive special support is presented as essential to ensure the political feasibility of the climate stabilisation project.

Reducing greenhouse gas emissions will deeply affect regional economies in Europe, especially those dependent on fossil fuels and carbon-intensive industries. Job losses are expected in fossil fuel extraction, although gains are anticipated in construction and some manufacturing sectors to meet the demand for energy-efficient technologies (Kapetaki & Ruiz, 2020). The adverse effects of decarbonising economies will also be concentrated in regions using a high share of solid fuels in electricity generation, such as Poland, the Czech Republic and Germany (European Commission, 2018b). The impact on the economy and employment resulting from decarbonisation, in turn, will depend on each country's social safety net, making Member States in the EU's Eastern and Southern belt more vulnerable to experiencing lasting repercussions in their social fabric.

The first explicit mechanism for compensating for the adverse social externalities of green policies adopted by the EU was the JTF.[2] While the idea of a fund to compensate for the social consequences of decarbonisation policies was broached in the European Parliament as early as 2017, the definitive move forward for the JTF occurred in 2019 in the context of the then on-going discussions regarding the EU's long-term climate objectives. A group of Eastern European governments (the Czech Republic, Estonia, Romania, Hungary and the 'ringleader' Poland) demanded financial assistance to commit to these goals. Climate laggard Member State governments were only one component of an unlikely coalition crystallising to push for a (generous) JTF, comprising environmental non-governmental organisations, trade union federations, big European companies and MEPs of various political affiliations. The von der Leyen Commission eventually took up the idea of the JTF and sought to design an instrument that could garner broader support among Member State governments. On the one hand, 'Frugal' Member States opposed an increase in spending, but on the other hand, economically less developed countries that were nonetheless further along their green transitions, but that had done so with little targeted EU assistance (most notably Spain) also needed to be brought onboard.

As the contentious issues over the fund were being ironed out, the COVID-19 pandemic hit, which created a momentary risk of derailing the EU's green ambitions. Eventually, however, the pandemic facilitated the adoption of the JTF (agreed in December 2020 in trilogue) and even led to an upward revision of its size. This was because, first, the symmetric nature of the pandemic enabled a more robust EU response and, second, because the Commission successfully amalgamated the issues of post-pandemic recovery with the need for ecological sustainability (Kyriazi & Miró, 2023).

The overall JTF budget for 2021–2027 is €17.5 billion, €7.5 billion of which is financed under the multiannual financial framework and an additional €10 billion under the EU's COVID-19 recovery package, the NGEU. The JTF provides grants to the territories most affected by the green transition to prevent large-scale unemployment, poverty and regional inequality. It finances the diversification and modernisation of the local economy, as well as seeking to mitigate the negative repercussions of the transition on employment. The largest beneficiary of the JTF is Poland (20% share from the total member state allocations), while the shares of Germany, Romania, the Czech Republic, Bulgaria, France, and Italy are also sizeable (Regulation (EU) 2021/1056, Annex I). The distribution of benefits across Eastern, Southern and Western European member states was certainly important for the political viability of the instrument, though the actual significance of the JTF is nonetheless much higher in peripheral countries, which rely heavily on the EU for economic re-development.

Beyond its small size (considering its broad scope), the JTF is also limited in that it can only complement existing national social programs for combatting the consequences of job destruction and decreased economic activity stemming from decarbonisation. Yet, by providing targeted financial transfers and technical support directly to regions, the JTF contributes to the greening of the economy in Member States whose governments have formally endorsed but nonetheless are reluctant to fully pursue policies towards the EU's climate objectives (Strambo, 2020).

4.4 | The temporary Support to mitigate Unemployment Risks in an Emergency

In the years of the euro crisis, unemployment grew considerably across Europe, with notable peaks in the Southern periphery. In this context, the EU did not depart from its traditional soft-law approach – with the above-mentioned exception of the YG as a novel supra-national buffering mechanism – and, in any event, focused its intervention on activation policies only. Nevertheless, in the same years, the community of experts surrounding the European centre-left initiated a debate on the opportunity to introduce a European unemployment re-insurance scheme (EURS), with a view to supporting Member States' unemployment benefit systems while acting as an automatic stabiliser for the euro area (Andor et al., 2014). Until the COVID-19 crisis, however, the EU did not implement any initiative to buffer Member States' passive labour market policies. The pandemic ushered in a significant change in this respect. One of the earliest tools devised to respond to the socio-economic shock was SURE, a measure assisting Member States' national job-retention schemes (JRSs) through back-to-back unconditional loans, which was introduced by the Commission and presented as an 'emergency operationalisation' of the EURS (European Commission 2020).

At the outbreak of the COVID-19 crisis, JRSs were not a novelty in Europe. Member States had already resorted extensively to short-time work schemes in the aftermath of the Great Recession (Chung & Thewissen, 2011). JRSs were rediscovered under COVID-19, as the pandemic triggered a crisis of an unprecedented nature in virtually all Member States. Labour hoarding strategies became an essential component of governments' emergency packages, and reliance on JRSs reached record levels (Ebbinghaus & Lehner, 2022). JRSs also proved to not be particularly politically divisive: they brought together the interests of business and workers by offering support to both at a time when the economy was largely shut down due to public health measures.

Notwithstanding the wide diffusion of JRSs across Member States, the adoption of SURE at the EU level was not a given. The reinsurance of unemployment benefits and short-time work systems alike entailed risk-sharing across countries, thus awakening fundamental conflicts in the EU between supporters of fiscal transfers and advocates of fiscal discipline. Moreover, the benefits of SURE are concentrated to highly indebted Member States from Southern Europe (because of SURE's lower yields) and small local debt markets mostly located in CEE (because of longer maturity of bonds) (Corti & Huguenot-Noël, forthcoming). By contrast, Austria, France, Germany, the Netherlands, Sweden, Finland, Denmark and Luxembourg did not use – and never intended to use – SURE.

Nevertheless, when the von der Leyen Commission launched the proposal for SURE, the immediate reaction was generally positive. ETUC (*Euractiv* 4/2/2020) as well as the professional association SMEunited all offered praise (*Agence Europe* 4/3/2020). Chancellor Angela Merkel – whose previous governments had strongly opposed the idea of a EURS – also endorsed SURE. Only the so-called Frugal Four (Austria, Denmark, the Netherlands and Sweden) remained sceptical. The Dutch government, in particular, took a critical stance vis-à-vis SURE, insisting on extending its scope to finance some health-related measures at the workplace (so as to resemble less the EURS) (Corti & Huguenot-Noël, forthcoming). Despite diverging views, SURE was swiftly approved as an uncontroversial emergency measure and was finally endorsed by the Eurogroup on 9 April 2020.

Three factors were crucial in resolving possible conflicts regarding SURE. The first was the strategic role of the Commission, in that it designed the policy proposal to anticipate actors' positions (Corti & Huguenot-Noël, forthcoming) by, for example, stressing the temporary nature of the programme, and by broadening eligibility to all kinds of JRSs, so as not to leave out the scheme of any Member States. Second was the symmetric nature of the COVID-19 crisis, which was by no means as divisive as the euro crisis 10 years before and favoured cross-country solidarity (Ferrara & Kriesi, 2022), as testified by the fact that SURE was supported also by some countries that did not even use it. Third, the policy features of SURE also mattered. Not only JRSs appeared as non-contentious in domestic politics; SURE also bolstered a policy that was consolidated within the boundaries of many national European welfare states, starting from France and Germany, which, despite not benefiting from it, supported an initiative that was largely in line with their institutional traditions.

Once approved, SURE was deployed rapidly. The Commission provided financial support worth up to €100 billion to Member States 'experiencing, or […] seriously threatened with, a severe economic disturbance caused by the COVID-19 outbreak' (COMM 2021/148). To that end, the regulation empowered the Commission to issue bonds in capital markets, backed by guarantees to be given by the EU Member States. By the end of August 2021, more than €94 billion had already been granted to 19 out of the 27 Member States. Among the recipients, Southern European countries, Belgium and Ireland benefited the most from SURE, while CEE countries, which in fact have less comprehensive JRSs in place, received relatively less financial support (Müller et al., 2022). National labour market measures supported by SURE were estimated to have effectively prevented approximately 1.5 million people from becoming unemployed in 2020 (European Commission, 2022). Overall, by allowing more financial means to Member States for maintaining and strengthening national JRSs, SURE effectively helped buffer the increase in unemployment.

5 | DISCUSSION AND CONCLUSIONS

Despite remaining largely unnoticed, in the last decade a new mode of EU intervention in the social domain emerged that has involved capacity building at the EU level. In this article, we have presented four empirical illustrations of EU 'buffer mechanisms' in the field of social and, particularly, employment policy. Rather than promoting common standards, EU buffers act as re-insurance mechanisms for national welfare systems by providing resources and blueprints for tasks that the latter fail to properly address. Moreover, new EU social policy instruments involving capacity building tend to focus on areas where national provision is less institutionalised or lacking. This echoes the logic that has been advocated as foundational for the European Social Union as an institutional counterweight to the EMU aimed at providing a 'holding environment' for national welfare states, instead of as a substitute for them (Hemerijck, 2012).

All of the EU social buffer mechanisms discussed in this study (the EGF, the YG, the JTF and SURE) involve some degree of redistribution across countries, which is known to awaken deep-rooted conflicts in the EU. This raises the question: what made it possible to overcome the territorial conflicts that normally hinder cross-country solidarity in the EU? Our reconstructions point at the catalytic role of crises in enabling the adoption of these initiatives. Perhaps paradoxically, a spiralling crisis can push actors to overcome their differences by increasing their incentives to cooperate. At the same time, crises propel new issues onto the political agenda, in which the EU's intervention is facilitated by the relative absence of pre-existing national policies. Exogenous symmetric shocks that affect all Member

States similarly, such as the COVID-19 pandemic, can be especially conducive to common solutions by promoting solidarity among the Member States (Ferrara & Kriesi, 2022). Nevertheless, as we have seen, policy innovation is possible also in asymmetric crises, although potentially more difficult. In such cases, it falls on an entrepreneurial Commission to engineer solutions bringing all Member States on board and/or the possibility to refocus attention on societal issues that transcend the EU's territorial fault lines (as with the JTF or the EGF).

That said, national interests, expressed in intergovernmental bargaining, retain their importance. As we have seen throughout our cases, net contributors to the EU budget do not favour increased EU social expenditure, while the opposite is true for Member States in the EU's South and East, who are net beneficiaries. Crises have the potential to reconfigure traditional fault lines, as is evidenced by the fact that ‘Frugal’ Member States, while initially resisting, eventually lent support to all these instruments. Another sign of this is the formation of strange bedfellow coalitions, such as was the case with the JTF. While class-based interests play an obviously important role in the social policy field, it is especially notable that EU buffering mechanisms may be supported not only by progressive elites, but also by prominent conservative politicians (the examples of the EGF and the YG are especially relevant in this respect).

The extensive political support on which EU buffer mechanisms rest calls for a broader explanation. Crises raise the need to (re)legitimise the EU in hard times through social compensation for citizens and welfare states under stress. This is the *political* function that buffer mechanisms take up, on top of their social function, and which is important for understanding their adoption. While classical integration theories explain supranational delegation as a consequence of rising functional interdependencies, and the newer state-building literature emphasises the key role of security threats (Kelemen & McNamara, 2021), the so-called ‘polity perspective’ (Ferrera et al., 2023) on EU integration foregrounds citizens' expectations for effective social security. The process of market integration, especially when it contributes to social dislocation, endangers expectations of high social security among European citizens, thus fuelling demands for compensatory social interventions on the side of the EU. These might not necessarily be fulfilled, but their political relevance in terms of legitimacy is key to the EU polity's stability.

Indeed, EU buffer mechanisms have been introduced at times when the EU integration project was called into question. This is true for the EGF, which was pushed forward by EU policy entrepreneurs after the fiasco of constitutional referendums in the 2000s. It is even more evident for the YG, which was adopted only after (even) conservative forces in core Member States recognised that ‘failure to win the battle against youth unemployment could tear Europe apart’ (*Euractiv* 5/28/2013). SURE, unlike the EURS idea, which had long been blocked by political and territorial divides, was adopted very swiftly and without controversy in the face of the pandemic, as a (partial) corrective to its poor initial management. The EU's pioneering role in combatting the climate crisis was also an attempt to reclaim and boost its legitimacy, by taking up an issue in which its added value was widely recognised. The JTF's contribution to this project was to ensure, *ex ante*, the social support of the EU-led green transition and to bring the carbon-based economies in the East-South belt onboard.

Buffering mechanisms still have their limitations: all of these policy instruments tend to be either underfinanced or temporary, providing only partial responses to the challenges ahead. The history of welfare state building suggests that crises are not sufficient, and politics is crucial for embedding markets. Elsewhere, we argued that the ‘ideological’ conflict (market making vs. market correcting) must supersede territorial conflicts to foster the social dimension of the EU integration process (Natili & Ronchi, 2023). The introduction of these new instruments is far from irrelevant, however: once established, buffering mechanisms create path-dependencies that serve as stepping stones for extending the buffering logic. This tendency is noticeable in the expansion of the EGF, the return of the YG during the COVID-19 pandemic, the debate over a potentially permanent SURE and the complementing of the JTF with a new buffering mechanism, the SCF, which not only is much larger in size than its predecessor, but also aims at compensating the losers in the green transition through direct income support alongside activation measures.

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CONFLICT OF INTEREST STATEMENT

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ENDNOTES

[1] The Commission estimates an overall investment of approximately €22 billion.

[2] The JTF was followed by the SCF, adopted in 2023.

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