

European Commission Initiatives to Promote Social Concern on the Market: a Counterbalance to Fiscal Discipline?

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***Abstract:** The aim of this article is to analyse the significance of recent European Commission initiatives in the face of evidence of non-compliance with the social objectives targeted in the 2020 Strategy. In the midst of the ongoing debate regarding austerity and growth, we stress the need to further the EU trend toward differentiated growth-friendly fiscal consolidation. Given that “conditionality” is a new keystone of economic governance and cohesion policy, the difficulties that the Member States encounter and the diversity of their social protections give a new meaning to the European coordination policies that are intended to promote social cohesion. By analysing EU proposals and official documents, we will show how the Commission’s initiatives have introduced diverse elements that are intended to address the social consequences of the economic crisis and reveal how new ideas of growth and new ways to deepen the internal market have been promoted. We will also determine whether we can consider these ideas to be a valid response to current social challenges.*

***Keywords:** fiscal consolidation, social cohesion, growth, economic values*

1. Introduction: addressing non-compliance with 2020 Strategy social objectives

Article 3 of the Treaty on the Functioning of the European Union states that the Union shall establish “a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment”. With its provisions, the Treaty settles the legal basis for “a new social policy” (Sabatakakis, 2008), but it remains unclear whether this framework is sufficient to address the current effects of the crisis. It is also unclear how the objectives of the social market economy - the enforcement of competition on the one hand and guarantees of social justice and protection on the other - can be maintained and balanced.

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The 2020 Strategy (European Commission, 2010a), launched during the crisis, proposes a more comprehensive approach to social issues than the Lisbon Strategy, which preceded it. The Strategy broadly connects entrepreneurship with economic growth and social cohesion; inclusive growth that is both smart and sustainable is an essential part. This aspect of the Strategy is intended to foster an economy with a high level of employment and thus to promote economic, social and territorial cohesion. Among the priorities set as shared goals of the Union and the Member States are targets that the Strategy has set for the EU as a whole, with a major focus on social issues: increasing the employment rate to 75%, improving education and promoting social integration by reducing the number of people at risk of poverty and social exclusion by 20 million. The introduction of the social inclusion goal is seen as a rather unique EU compromise; Member States are allowed to determine the level of the target and the indicators that will be used (Copeland and Daly, 2010: 283).

The fulfilment of these objectives has become more unlikely as the crisis has progressed. In the first period of the crisis, the European welfare states acted as a safety net that curbed poverty and inequality. The 2010 analysis of public expenditures in the EU shows that there was a continuous increase, with a large portion of GDP devoted to social protections, health and education (Eurostat, 2010). According to the European Commission estimates, in the first phase of the crisis, the low income population did not experience the effects of these events because the instruments of support were reinforced. However, between 2009 and 2010, there was a clear decline in public expenditure by all European governments, although most of these governments' expenditures were still devoted to social issues. The assessments of the Commission have begun to highlight how the crisis has increased the risk of long term exclusion from the labour market and, importantly, the number of people dependent on subsidies from unemployment and social services (European Commission, 2012a). Both theoretical analysis and European population data confirm the effects on the distribution of income, proving that cuts in expenditures and social services have regressive effects on low-income population groups (Derek and Zuleeg, 2010; Caminada et al.; 2010; Eurostat, 2011; Eurostat, 2012).

Data indicate a worsening social situation: due to weak growth prospects, the risk of poverty and social exclusion is increasing in many Member States. The unemployment rate has reached 10.6% in the EU and 11.6% in the euro area, with national unemployment rates ranging from less than 5% to more than 25% and youth unemployment reaching over 50% in certain countries (Eurostat, 2013). The Commission's recent Social Investment Package (European Commission 2013c; European Commission 2013d) addresses the dramatic increases in poverty and social exclusion in the EU and examines the diverse factors involved and the "faces" of this situation. One focus is the long duration of poverty; another is the most severe cases: those of the Roma, migrants and homelessness.

The Commission assumes that the failure to achieve the objectives set forth in the 2020 Strategy (European Commission, 2011a) coupled with both the trend toward an ageing population and the associated decline in the working-age population create additional challenges for social welfare systems. This situation demands more determined action by

the EU and the governments of the Member States; the question is 'how' this action can be developed.

In its first studies of the social situation during the crisis, the Commission emphasized how the effect on income distribution was determined, to a great extent, by the type of measures that were implemented. At the beginning of the crisis, the fulfilment of social welfare was associated with achieving fiscal consolidation and market confidence. The austerity policies that were adopted were expected to eliminate the high risks of sovereign debts, reduce distrust of the markets and encourage investment before they would have negative impact on social welfare. However, growth and social protection were negatively affected sooner than was anticipated. This occurred in the midst of the discussion about the austerity or stimulus measures that should be applied, the dangers represented by the extent and duration of the crisis, the negative consequences of excessive austerity and how poor prospects for growth and employment, together with difficult fiscal adjustments, increase market risk.

An important factor is the type of social protection in each Member State and the gaps between states. Through the Treaty, the European Union has institutionalised the social market economic system, but it has given European authorities wide margin to configure and employ alternative models through diverse government policies that vary in the degree or the quality of social and political involvement (Revista de Fomento social Editorial: 9).

Dafermos and Papatheodorou analysed the most effective systems for reducing poverty and inequality and maximising the distributional effects of growth and employment. Their findings suggest that the fight against poverty and inequality must include the development of effective social protection systems characterised by universal social transfers and progressive taxation (Dafermos and Papatheodorou, 2011:16-17). Many recommendations are given to the European Union on those less productive expenses that Governments should cut first to ensure the sustainability of fiscal consolidation and regarding more productive expenditures that governments should preserve (education, health, infrastructure development and innovation) (OECD, 2012; International Monetary Fund, 2012a; International Monetary Fund, 2012b; International Monetary Fund, 2012c).

Thus, the Commission differentiates between measures that foster equality (increases in taxes on wealth and higher incomes, efforts to fight tax evasion) and measures that foster inequality (increases in the VAT, cuts in social transfers, health and education). The Commission emphasizes the importance of the manner in which fiscal consolidation is conducted and of the concrete decisions regarding what to cut and what to stimulate. Analyses of spending limits and their dangers are also conditioned by the incomes impacted, the sector of the population affected by increases in taxes or reductions in social benefits (particularly unemployed adults and young people) and the specific areas of social spending that are affected by cuts (e.g., birth support policies, education, and health) (European Commission, 2012a) (2013d: 65-66).

Assuming that fiscal consolidation may have a negative impact on growth in the short term, the Commission recommends that fiscal consolidation be achieved through

reductions in expenditures rather than through further increases in taxation. Regarding public expenditure, the Commission stresses concerns about the effectiveness of spending, recommending selective cuts as a way to preserve growth and social safety nets. Particular attention should be paid to reinforcing employment services and policies and to modernising social protection systems (particularly pension and health care systems) to ensure their effectiveness and adequacy in the current context of unemployment and demographic challenges (European Commission, 2012b). “The negative impact on growth can be largely mitigated, provided fiscal adjustment is well designed” (European Commission 2012b:4).

On the one hand, addressing the social consequences of the crisis across the EU regions demands financial resources that far exceed those currently available to the EU. Therefore, the scope of the approach will be determined by the financial framework defined by the EU and the manoeuvre room given to the States and the definition of cohesion policy. On the other hand, we must consider that the policy has been designed to include a double intervention by the EU and the Member States; policy coordination will undoubtedly be essential facing the distrust within the markets that has been generated during the crisis (European Commission, 2010c). The Open Method of Coordination is a valuable experience of governance to achieve social objectives and its renewal in many countries with substantial asymmetries and different welfare state models (Song, 2011). We agree with Heidenreich and Bischoff (2008: 525) that “the OMC methodology, which is based on the principle of subsidiarity, on commonly agreed objectives, reciprocal surveillance procedures and the integration of economic, employment and social policies could support this modernization, because homogeneous or legally binding solutions are, in these fields, neither possible nor desirable”.

At the same time, it should be noted that social policy tends to be more intergovernmental than, for example, the internal market where the EU institutions have a decisive role (Copeland and Daly, 2010: 275). Policy coordination has replaced the “social space”, and through policy coordination, the European Social Model has been transformed in accordance with the needs of the “new economy” (O’Connor, 2005). It is time to adapt the European Social Model to the crisis. Therefore, we wish to highlight the importance of the initiatives that the Commission is advocating to guide this process.

2. The financial framework of differentiated fiscal consolidation

The social cohesion and growth model are obviously conditioned by the new economic governance and the defined fiscal framework (Begg, 2012). Fiscal discipline is the keystone around which the diverse measures launched by the EU to reinforce economic governance are structured. To support the new economic governance, other basic elements are required: enhanced coordination among the Member States’ economic policies and the monitoring of their implementation. These aspects of the system are supported by the normative framework for more restricted and better monitored economic

governance known as the “Six pack”. The recently approved “Two pack” completes it with two proposals for more strict procedures for controlling excessive deficits, including the debt limit, with progressive sanctions and a system for preventing and correcting macroeconomic imbalances and competitiveness (which thus extends monitoring to other indicators beyond deficits and debt).

The Treaty on Stability, Coordination and Governance goes one step further by requiring that signatory governments commit to balancing their budgets or achieving surpluses and to integrating this fiscal rule into national law, preferably within their respective Constitutions (art. 3.2). Article 1 indicates that the signatories agree to strengthen their economic and monetary union by adopting rules that extend beyond budgetary discipline and the coordination of economic policy. At the same time, economic governance is connected to 2020 Strategy as the TSCG states how it will support the achievement of the EU objectives for sustainable growth, employment, competitiveness and social cohesion (Gómez Urquijo, 2012).

However, the potential to promote social cohesion within this strict framework of discipline is limited. Title IV of the Treaty refers to “the coordination of economic policies and the convergence”, generating an explicit commitment to “nominal” convergence within the figures set out in the Fiscal Compact and centred on the principle of sound public finances. Therefore, there is no explicit reference to “real” convergence. Thus, article 9 expresses the commitment of the parties to work together to improve the functioning of the economic and monetary union and to improve economic growth through convergence and competitiveness, promoting employment as a unique social factor and insisting on the sustainability of public finances and on strengthening financial stability.

Ferreiro et al. (2012: 654) note that, owing to the significant differences in the expenditures of the Member States, it would be impossible to implement a single model of public sector and fiscal policy. They express doubts regarding the ultimate impact or even the validity of a universal strategy for fiscal policy in Europe. In this context, a differentiated, growth-friendly fiscal consolidation approach is essential. Action for Stability, Growth and Jobs (European Commission, 2012d) insists on pursuing differentiated, growth-friendly consolidation through specific recommendations for each country, with the intent of encouraging sound fiscal policies. Moreover, in the Annual Growth Survey 2013 (European Commission, 2012b) the Commission advocates a differentiated fiscal consolidation effort, appropriate for each Member State’s economic and fiscal position, stressing how the Stability and Growth Pact provides the appropriate framework for flexible fiscal adjustments. Concerning the above-mentioned tension between real and nominal convergence, the Commission emphasises how, although the fiscal targets are expressed in nominal terms, strategies should focus on progress achieved in structural terms and should include an adjustment strategy that supports growth and social fairness.

Conditionality of EU funds

States' difficulties meeting their fiscal objectives without affecting social justice increases the demand for greater financial support from EU financial instruments. The Council of June 2012 echoed this concern, noting that spending had to be mobilised to support growth, employment, competitiveness and convergence consistent with the Europe 2020 Strategy. This mobilisation (equivalent to approximately 1% of EU GNI) on fast-acting growth measures included, among other measures, increasing the European Investment Bank's lending capacity (European Council, 2012).

Assuming the scarcity of EU budget, and without even suggesting increasing the budget or developing a strong countercyclical budget that compensates for the rigidity of fiscal discipline, the initiative for Stability, Growth and Jobs (European Commission, 2012d) asserts the role of the EU as "a catalyst for growth and jobs". In order to undertake this task, the initiative takes into account the new multiannual financial framework for 2014-2020, which is focused more than ever on investment and growth, redirecting structural funds towards growth, convergence and increased European Investment Bank contributions.

The Commission's package for Cohesion Policy instruments for 2014-2020 (European Commission, 2012g) is one of the most important financial investments in the Strategy 2020 social targets and amounts to more than one third of the total EU budget for the period. One of the features of this legislation is that it concentrates on the objectives of the 2020 Strategy, stating that the partnership contract with Member States will display concrete national commitments. The European Social Fund, for its part, is fully aligned with the EU objectives on education, employment and poverty reduction; thus, at least 20% of its allocations to each Member State should go to investments that combat social exclusion and poverty.

However, interregional solidarity within the EU is transformed by the EU's insertion into economic governance: the country seeking funds must comply with the fiscal discipline rules. "Fiscal solidarity" is not understood as a transfer system from richer to poorer nations but as a mutual responsibility agreement in which each actor has to fulfil its part (European Constitutional Law Review Ed., 2011). Thus, the heightened surveillance of the above-mentioned regulation (the "Two Pack") for countries facing financial risks, highlights the future European Stability Fund conditionality. The Treaty on Stability, Coordination and Governance echoes this idea, describing conditionality in article 3 and preventing access to the financial support of the European Stability Mechanism to those countries that do not strictly follow fiscal discipline.

Addressing the financial dilemmas that arise in this climate, the Council meeting held in June 2012 (European Council, 2012) indicated that the measures included in the two legislative packages were necessary to reinforce economic governance and did not advocate changing the strict rules of fiscal discipline. On the contrary, the Council underlined that the conditionality associated with the TSCG is necessary to permit Member States access to the new mechanisms of financial support. This last consideration

is described by the Council as one of the most important contributions of the Economic and Monetary Union to the crisis response.

It is particularly striking that the concept of conditionality has been reinforced in the rethinking of social cohesion funds for the next multi-annual period. This principle already applied to the Cohesion Fund has become now an automatic mechanism that applies to all funds. Thus, a portion of the amount to be received by the Member State will be given as an “efficiency bonus” to reward those regions with good financial performance. Conversely, the Commission may require the suspension of funding if the objective in question is not properly achieved. The incentives to meet the 2020 objectives are visible in the “previous conditions” that must be met before funds are allocated and in other “post conditions” required for the disbursement of new funding. These conditions are intended to ensure that the effectiveness of the cohesion policy is not reduced by unsound public finances in the country that is receiving European funds.

Cohesion policy is linked to the European Semester and the excessive deficit procedure. Therefore, the partnership contract agreed with a Member State can be modified to adapt to new circumstances and respond to the recommendations of the Council. Ultimately, failure to comply with these recommendations by Member States may lead to the suspension of funding. In the Commission’s words: “Key elements of the cohesion policy proposals that respond to these objectives are the mechanisms for thematic focus in Europe 2020 priorities, concentration of resources and the new conditionality provisions that will ensure that EU funding is focused on results and creates strong incentives for Member States to ensure the effective delivery of the Europe 2020 growth and jobs objectives” (European Commission, 2011e: 21). In the same way, the European Council held in February 2013 underlines how a gradual macro-economic conditionality will be established in the Common Strategic Framework; a closer link between cohesion policy and the economic governance of the Union will ensure the effectiveness of expenditure, and the CSF Funds will be redirected if necessary to address the economic problems that a country is facing. (European Council, 2013: 13).

The increasing connection between economic and social governance is confirmed in the recent Package on Social Investment (European Commission, 2013a; European Commission, 2013b). The principle of conditionality is emphasised to guarantee financial sustainability and the adequacy of social systems to ensure that the scarce available resources are used more efficiently and effectively and in a more targeted manner. Assuming that enhanced economic governance requires further surveillance in the social field, the Commission has committed itself to closely monitoring the performance of national social protection systems through the European Semester and to formulating country-specific recommendations.

3. Policy coordination to address social deficits

Faced with this species of strict fiscal discipline, many have advocated the prioritisation of social aims, insisting that the problem is not a lack of fiscal discipline (as current EU policy suggests) but a lack of fair distribution. It is suggested that the crisis requires major changes in the policy framework that place regional and social cohesion at the core of policymaking (Onaran, 2010). Further advancing this idea, Euzéby (2009) suggests that a new type of policymaking is necessary: a European capitalism with a human face. According to Euzéby, instead of subordinating social and fiscal legislation to competition rules that are expected to create jobs and reduce exclusion, the EU should reverse this trend, beginning with political choices that emphasise well-being and the reduction of inequality or poverty and then developing rules that can meet these objectives.

As previously mentioned, the role of the Commission, which is essential to leading a coordinated effort to respond to the challenges of the crisis, is reinforced by the increasing interdependence of the EU economies. Within the narrow framework of fiscal discipline and conditioned resources, we address the type of initiatives advocated by the Commission to promote policies that, in responding to the crisis, address its social consequences or try to react to it by integrating new social considerations into the internal market approaches.

Addressing the social consequences of the crisis

Within its fields of competence, the social and employment policies that the Commission has developed include actions that are intended to promote coordination in tackling unemployment and the social consequences of the crisis. Among the first initiatives launched, one that directly addresses the 2020 Strategy, the European Platform against Poverty and Social Exclusion, aims to foster economic, social and territorial cohesion by enabling the socially excluded to play an active role in society. It addresses the concerns about poverty expressed in the Strategy and lays the foundation for a joint commitment by the Member States and the EU institutions. The Commission has identified the need for all European policies to support social inclusion and for better use of EU funds for this purpose (European Commission, 2010b).

As the crisis progresses, social inclusion is becoming more connected to unemployment, and therefore, long-term employment, employability and the employment of young people are becoming key considerations for the Commission.

Among the initiatives that are intended to help the EU meet the 2020 targets for employment are the Commission Employment package, which includes the Communication Towards a Job-Rich Recovery (European Commission, 2012c), and a series of Staff Working Documents on labour market trends and challenges, dynamic and inclusive labour markets, exploiting the employment potential of ICTs, green growth, personal and household services or a quality framework for traineeships. The focus is

on the necessary employment reforms and on creating a genuine EU labour market. This approach can be understood as a response to the European Council's recommendation that the new economic governance mechanisms be supported with closer monitoring of employment and social policy, particularly because these factors can have an impact on growth and macro-economic stability. Although labour market reforms need to be generated primarily at the national level, this Communication mobilises EU-level mechanisms, showing how the EU budget and particularly the European Social Fund can be used in support of labour market reform.

In the same vein, the subsequent Action for Stability, Growth and Jobs addresses the growth approach and the struggle against the poverty and unemployment that the crisis has generated. The Action emphasizes reducing youth unemployment, increasing the participation of women in the labour market, reducing the early school leaving rates, increasing employability and pursuing legislative changes that will generate greater flexibility (European Commission, 2012d). Moreover, in the recent Annual Growth Survey 2013, the Commission expanded some of these recommendations, advocating limitations on the tax burden on labour, the simplification of employment legislation, the development of flexible working arrangements, efforts to tap the potential of expanding sectors (green economy sectors, ICT and healthcare) and campaigns to improve employability levels, particularly for young people. The Commission also highlighted that additional efforts are needed to promote social inclusion and to prevent poverty, discussing active inclusion strategies that would provide adequate income support, decrease poverty (including child poverty) and provide broad access to affordable, high-quality services (including social and health services, childcare, housing and energy) (European Commission, 2012b).

The recently adopted Social Investment Package represents an important advance, as the European Commission urges Member States to modernise their welfare states and to prioritise social investment through better active inclusion strategies and the more efficient and effective use of social budgets. Because the social investment approach stresses the life course dimension of social policies and their long-term benefits for society, through several working staff documents, the Package promotes possible interventions spanning all stages of life to combat long-term social exclusion, with recommendations for children, youth, the working age population and older people. This approach promotes an integrated view of social inclusion. In the Communication Towards Social Investment for Growth and Cohesion (European Commission, 2013a), the Commission explicitly echoes for the lack of social investment in some Member States (Hemerijck and Vandenbroucke, 2012); the document is intended to encourage a focus on these issues and address the relevant imbalances in the EU.

Thus, it is important to highlight the profusion of Commission's initiatives that directly address the social effects of the crisis, which are worthy of specific analysis in the study of the relationship between social policy, employment and improved economic governance. We focus on those initiatives that address the social consequences of the crisis by introducing new social considerations into the growth approach.

A new focus on growth and economic values

If we analyse the first initiatives of the Commission following the start of the crisis, we will see that the emphasis was bolstering the confidence and stability of the financial markets to regain access to funding. According to the Roadmap for Stability and Growth (European Commission, 2011c), the restoration of stability and economic growth through reinforced economic governance and strengthened fiscal discipline and supervision was essential. As the crisis has advanced and the situation has worsened, the emphasis on economic governance has increased, according to the above-mentioned instruments.

Along with economic governance, deepening the internal market is stated as another key aspect of economic growth, and Single Market integration in the areas with the greatest growth potential is finally being monitored in the European Semester process (European Commission, 2012h). This approach initially did not emphasize social considerations, as it is almost exclusively referred to citizens as the final recipients of the benefits of internal market-derived growth.

Thus, in the midst of the current EU crisis, as the risk of social exclusion increased, the Single Market Act (European Commission, 2011c) discussed addressing deficiencies identified in the internal market and developing its full potential to improve citizens' well-being. The Single Market Act II (European Commission, 2012e) quantified the achievements of the market in the last 20 years, both in terms of job creation and in terms of GDP growth, and thus insisted on the EU's commitment to a strong, integrated, deep market as a generator of growth, jobs and better opportunities for citizens. The internal market is considered a key tool for achieving the long-term objective of a highly competitive social market economy. In the same vein, in the Communication Better Governance for the Single Market, the Commission called for a renewed commitment to making the Single Market more effective: "developing more efficient tools to ensure the Single Market delivers for citizens and business" (European Commission, 2012f: 2, 10).

A further look at the social challenges of citizens during the crisis was evidenced in the Action for Stability, Growth and Jobs, in which the Commission echoed the citizens' anger and expressed the need to offer hope for a better future, recognizing that, otherwise, there would be growing difficulties - both political (democratic deficit) and social (social exclusion) - to carry out the necessary reforms. Emphasizing the urgent need to expand the attention paid to growth in the global strategy, the Commission provided guidance for public spending, recommending growth-friendly fiscal consolidation and urging States to protect spending in certain areas, such as education and social services. Combating the social needs that have arisen in the crisis has become a central recommendation (European Commission, 2012d).

Furthermore, this is one of the areas mentioned by the Progress Report on the Europe 2020 Strategy 2012. Among the priorities identified by the Commission as fundamental to growth, we can underline addressing missing links and bottlenecks and getting more out of the single market. In its follow-up to the Strategy, the Commission reiterated how deepening into the internal market had been the driving force of European growth

for decades and quantified the multiplier effect of the creation of wealth in different countries. The remaining areas with growth potential include, again, the health and social sectors; these sectors were responsible for the creation of more than one quarter of the total employment between 2004 and 2009 (European Commission, 2011e). At the same time, according to the Annual Growth Survey 2013, the process of restructuring the economy that must occur as a result of the crisis will be socially difficult but necessary for sustainable, smart and inclusive growth in the future: “the EU needs to be able to show that our policies are working, that they will deliver results over time and that they will be implemented fairly in terms of the impact on our societies” (European Commission, 2012b: 1). This same idea of fairness in terms of the impact on society is emphasized in relation to the implementation of policies and structural reforms that are needed considering the Member States’ current lack of room to manoeuvre.

Given this concern about market growth and its impact on society, it is noteworthy that the Commission has emphasized the social dimension of the single market and the development of new economic models as the crisis has deepened. As expressed by László Andor, the EU Commissioner responsible for Employment and Social Affairs: “Socially responsible business stems from a realisation that the economic crisis is not just a crisis of economic and financial management but of ethics too. (...) Such values as solidarity, sustainability, inclusiveness and integrity are not always upheld by business, and I believe our economies have suffered as a result”. Under the assumption that there is a Europe-wide deficit of solidarity, socially responsible businesses are considered key agents for inclusive and sustainable development (Andor, 2011).

In the European Platform against Poverty and Social Exclusion, the Commission had already committed to the promotion of social innovation and the use of the social economy as an instrument of inclusion, anticipating an initiative to promote social enterprises and facilitate their access to EU financial programmes. This emphasis is connected to the commitment to adopting the Single Market Act to address corporate social responsibility as an incentive for firms to pursue social objectives in business development. Both issues were addressed in two Communications presented by the Commission in 2011.

First, the social entrepreneurship initiative (European Commission, 2011f) expressed the will to set up a tendency to new economic models in which social considerations could take precedence over mere economic benefit. For this emphasis to be possible within the framework of European market competition, specific support must be provided to ensure that initiatives that promote greater equity or social benefits will be sustainable. With this aim, the Commission has proposed several measures that it could implement to help develop suitable financial and regulatory frameworks. A key aspect will be the development of European legislation that facilitates the creation of joint investment funds, thereby boosting social initiatives across national borders (Enciso et al. 2012).

In the same vein, the Communication A Renewed EU Strategy 2011-14 for Corporate Social Responsibility reinforces the need to incorporate social, environmental and ethical considerations into business: “CSR offers a set of values on which to build a more cohesive society and on which to base the transition to a sustainable economic system” (European Commission, 2011g). CSR is considered a powerful instrument that can help

to create a highly competitive social market economy and meet the Europe 2020 Strategy objectives through mitigating the social effects of the current economic crisis, including job losses, as a component of the social responsibility of enterprises. Along with this Communication, the Commission has renewed its efforts to promote CSR by beginning to designate best practices for self and co-regulation, enhance market rewards for CSR and create policies in the fields of consumption, public procurement and investment to strengthen the market incentives for CSR, among other actions.

The Regulation Proposal for Change and Social Innovation (European Commission, 2011b) positions social experimentation as a tool that can guide the reform and adaptation of the policies needed to make the Europe 2020 Strategy vision a reality. In connection with its emphasis on social concerns in the market, the programme includes the objectives of promoting employment and social inclusion through the increased availability of microfinance for vulnerable groups and micro-enterprises and promoting access to financing for entrepreneurs and social enterprises, particularly those that are most excluded from the labour market.

That this vision is discussed in the Social Investment package is a valuable example of the current tendency in the EU: the Commission has emphasized social enterprises as key actors in piloting social investment and social innovation. In a time when public expenditure is constrained, social enterprises are named to complement public sector efforts to implement social policies, particularly, labour market integration and social inclusion, thereby contributing to smart, sustainable growth (European Commission 2013 b: 6-7).

Conclusion

Thorough the analysis of Commission's initiatives, we have revealed its tendencies in addressing the social objectives of the 2020 Strategy since the start of the crisis. These objectives are significant in the midst of a profusion of Communications and other acts that seek to quell the effects of the economic crisis by prioritising macroeconomic and financial stability. In doing so, the Commission has reinforced its role in addressing the new needs that have arisen during the crisis; policy coordination is crucial due to the growing interdependence of Member States simultaneous with Member State's decreasing manoeuvre room.

The reinforcing of economic governance is strongly affecting strategies for stimulating growth and its consequences. The decision to emphasize fiscal consolidation as the centre of the economic model has constrained social policy because there are no stated means to compensate for social cuts and support national social policies. We believe that the goal of appropriately balancing the strict requirements of the fiscal framework will require a common fiscal policy. The Treaty on Stability, Coordination and Governance has not generated a more helpful framework for a cohesion policy that can address the growing social exclusion in the EU. According to the Council, the conditionality of EU funds is one of the most important contributions of the EMU to the crisis response because it ensures

that cohesion policy is not reduced by non-sound public finances. However, we feel that without a European Treasury, this mechanism will lead to a decrease in the fulfilment of social cohesion objectives.

Apparently, the Commission is not planning to address the theoretical debate regarding austerity and fiscal stimulus. Nevertheless, the Commission is considered to support austerity due to its resolute emphasis on reinforcing fiscal consolidation and surveillance. However, as the crisis develops further, the Commission has developed interesting recommendations regarding the need to reduce public expenses depending on their degree of productivity or their impact on social cohesion. The Commission also emphasizes the importance of well-designed fiscal adjustments and even affirms that fiscal consolidation has a negative impact on growth.

Thus, an important contribution to the design of the current financial framework from the social cohesion perspective is the emphasis on differentiated growth-friendly fiscal consolidation. This focus underlines the Commission's growing concern regarding the diversity of Member States in terms of their economic and fiscal performance and their social context. We propose that this approach be further developed. At the same time, the growing difficulty that Member States are experiencing in achieving their fiscal goals and social protection diversity sheds new light on the efficacy of European coordination policies for promoting social cohesion.

The studied initiatives show the importance of the Open Method of Coordination as a way to adapt the European Social Model to new needs. The weight given to economic considerations and fiscal consolidation has brought the EU to a crossroads, and the EU must now ensure that the social model is not subordinated to financial requirements but complements them. The increased supervision of social achievements at the European Semester monitoring level could be a way in this respect.

The evolution of the Commission's initiatives regarding the market shows its growing concern with social issues. Initially, citizens were understood as the recipients of market outcomes; however, as the crisis progresses, the Commission has begun to more closely examine the social dimension of the market, and it now promotes new economic models in which social considerations take precedence over mere economic benefit. The Commission's initial insistence on fiscal consolidation has given way to an emphasis on "growth-friendly consolidation" and afterwards on differentiated growth-friendly consolidation. Subsequently, the last Commission's initiatives indicate an incipient shift in its focus, from growth based on fiscal discipline to growth based increasingly on social concerns.

Social innovation, social experimentation, social investment, corporate social responsibility and social entrepreneurship were never entirely absent from the European social market economy approach. However, now they are receiving new legislative attention and new visibility, coming to the fore as essential factors that the EU must develop to combat growing social exclusion. This study highlights the trend of emphasizing social aspects of the market and the need to face social challenges in order to help compensate for the pernicious effects of fiscal responses to the crisis.

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