

The impact of the EU on social policy

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KU Leuven Summer School

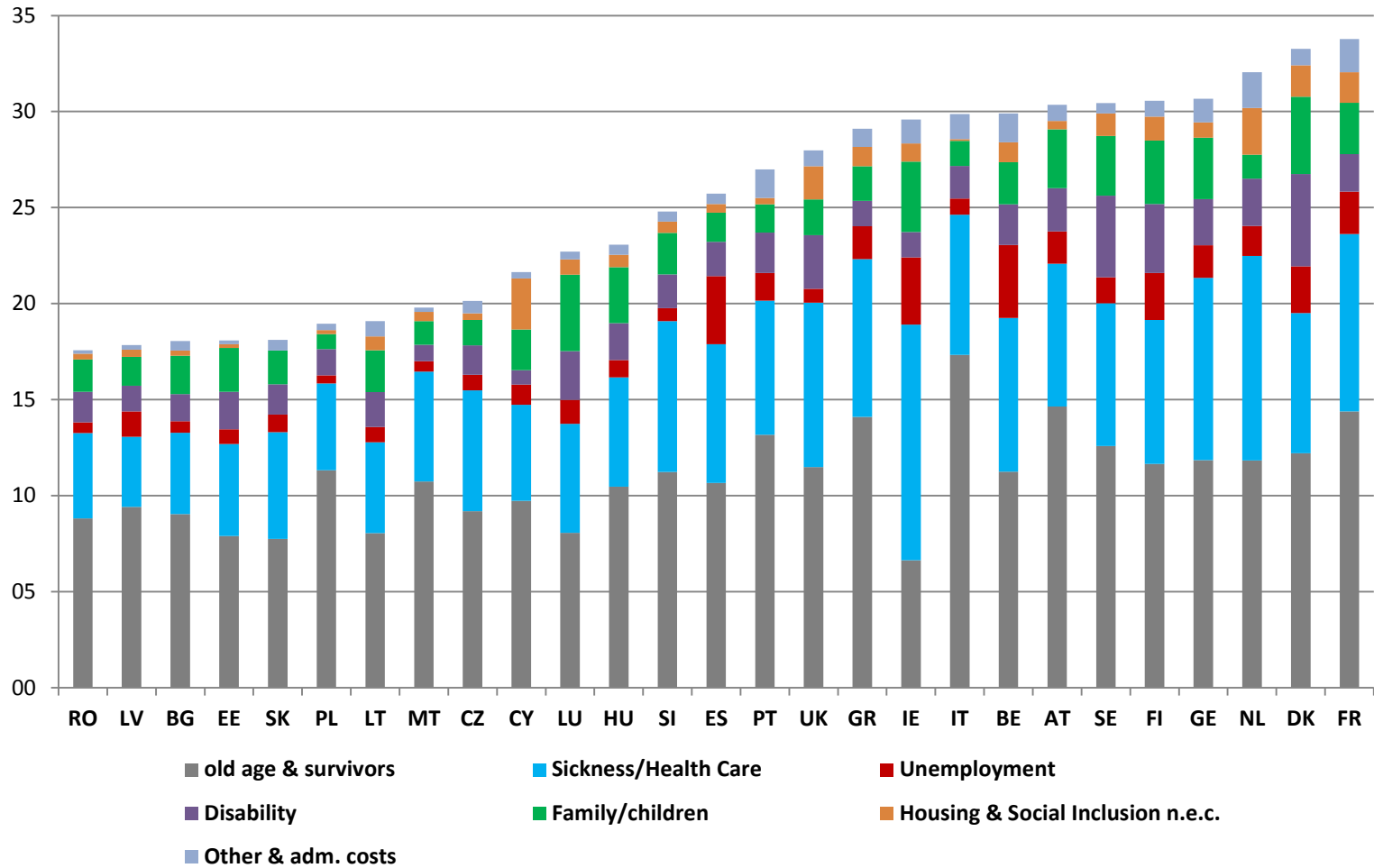
6 June 2016

Structure

- The diversity of EU welfare states
- The *founding fathers'* inspiration
- Growing inequalities *within* and *between* EU Member States
- Erosion of welfare states? A tragic dilemma?
- Design flaws in EMU
- A European Social Union

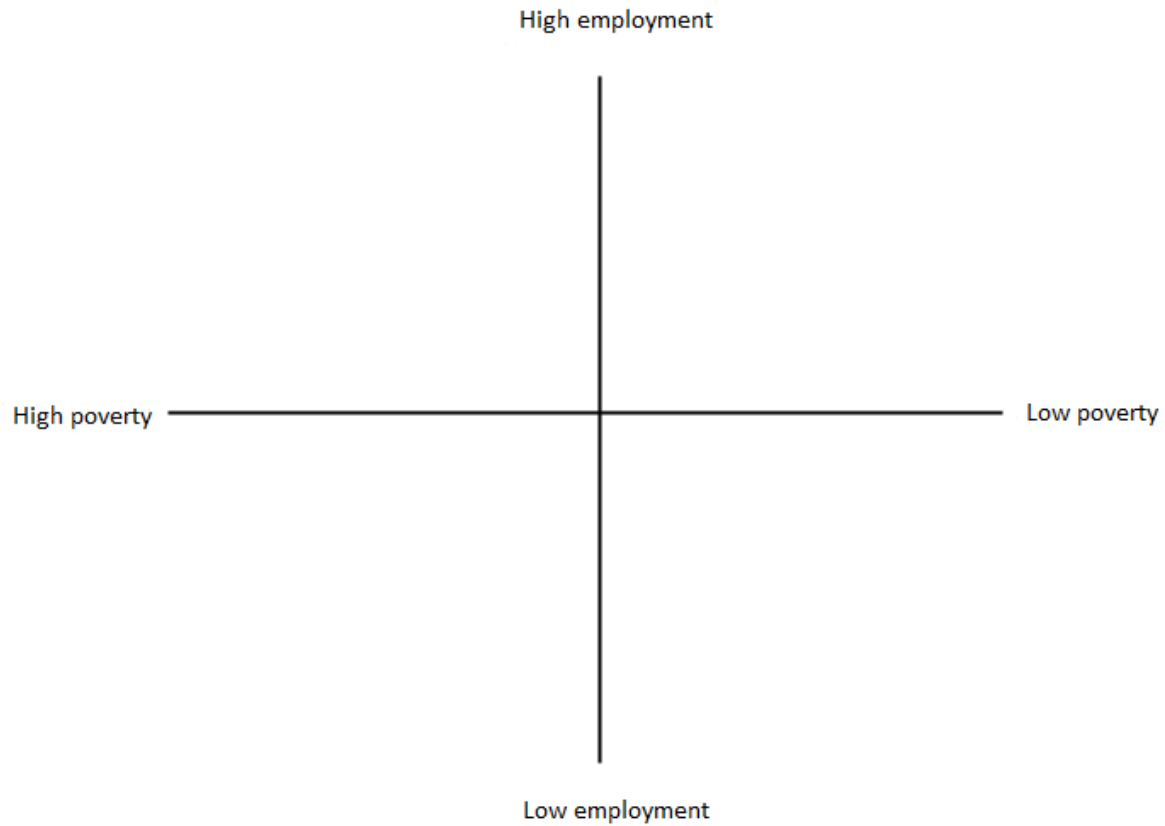
The diversity of EU welfare states

Input: expenditure on social protection, gross, in % of GDP (2010)



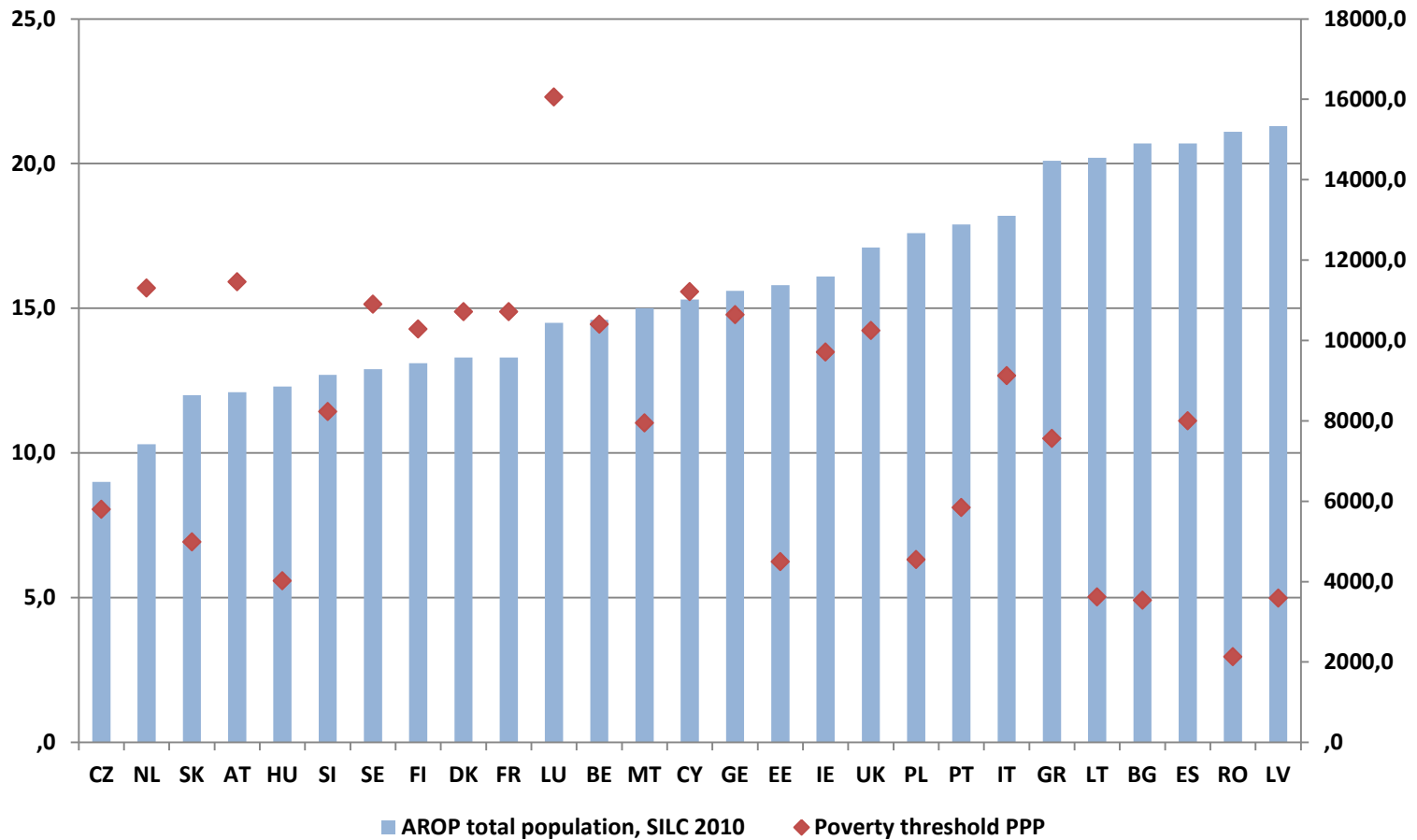
The diversity of EU welfare states

Outcome: a two-dimensional map of outcomes

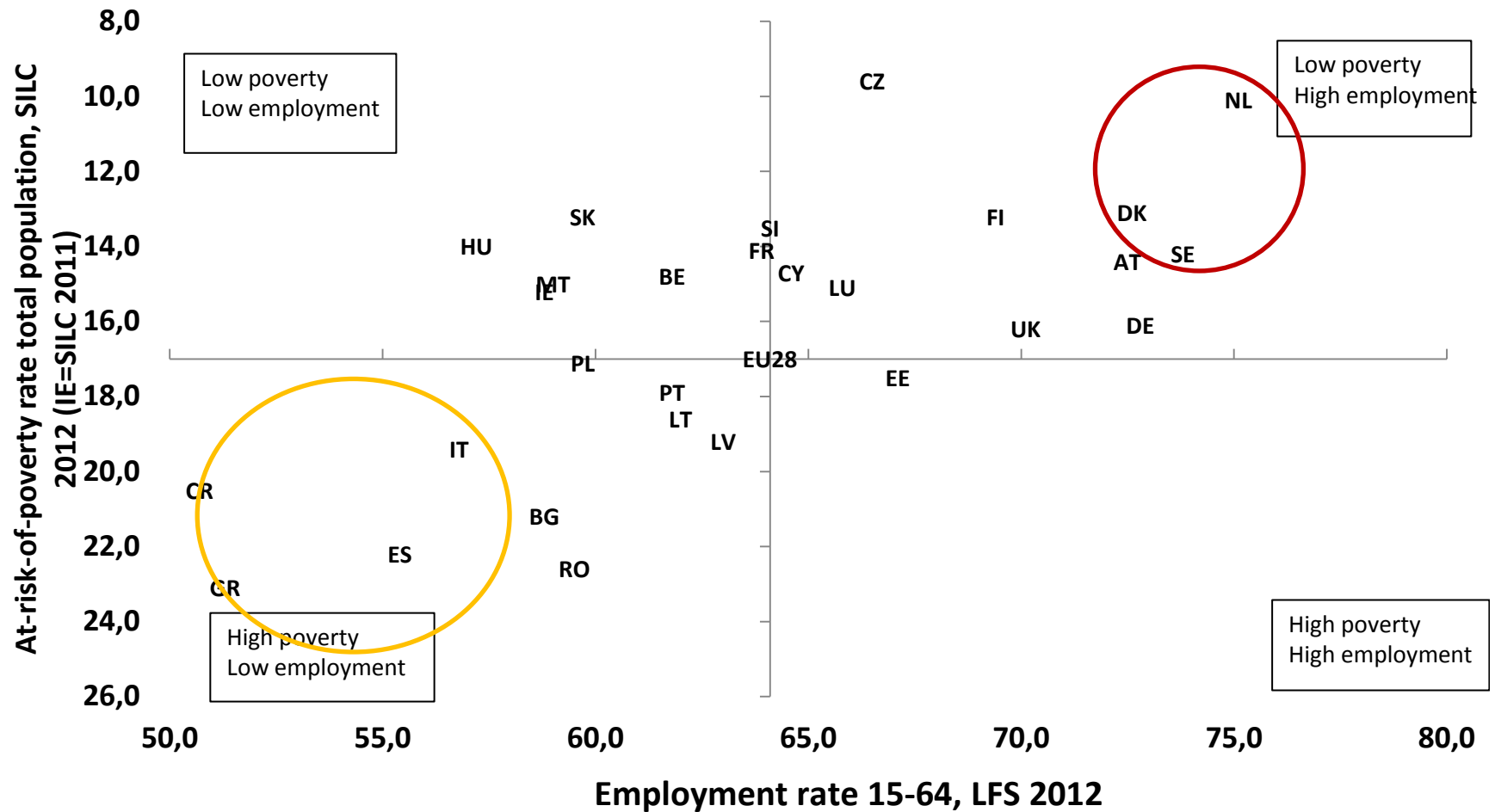


The diversity of EU welfare states: poverty

Poverty risk and poverty threshold: “national” conception (SILC 2010)



The performance of European welfare states



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The social dimension of the European project according to the *founding fathers*: a belief in convergence

- European integration would support the simultaneous pursuit of *economic progress* and of *social cohesion*, both *within* countries (through the gradual development of the welfare states) and *between* countries (through upward convergence across the Union)
- Division of labour:
 - economic development: supranational
 - coordination of social security rights & anti-discrimination: supranational
 - social development: national sovereignty (in theory)
- “European solidarity” ≈
 - fair access to the dynamics of upward economic convergence (market integration + limited solidarity transfers, in the context of the ‘cohesion policy’)
 - economic freedoms, but also social rights for mobile citizens => a pan-European ‘social space’
 - solidarity within Member States, to redistribute the produce of economic growth
- The convergence machine worked... more or less... until 2004/2008.

‘Semi-sovereign welfare states’ in the EU (Leibfried)

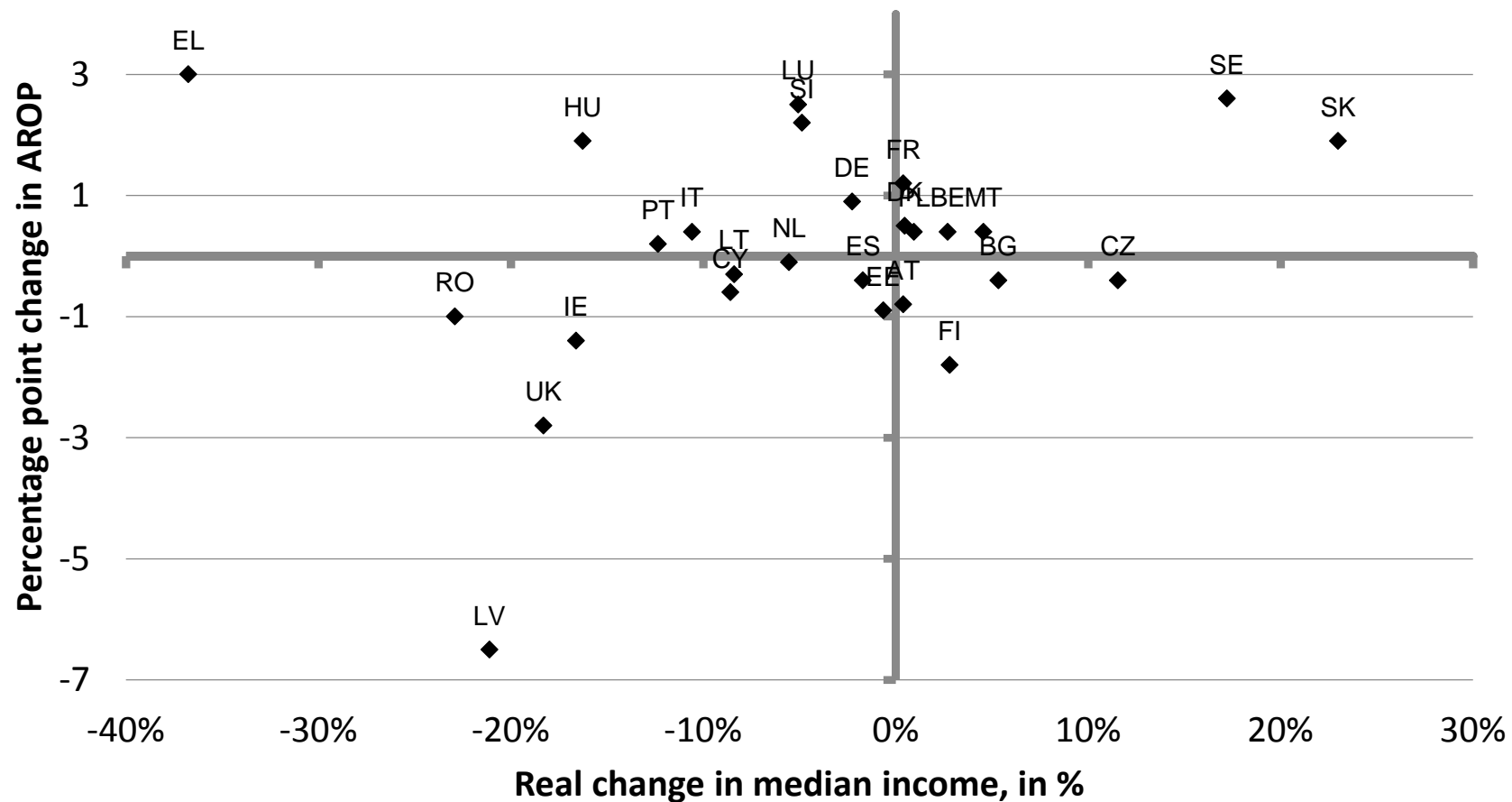
- *De jure*: a legislative impact that is far from trivial
 - Technical coordination of social security rights
 - Specific legislative initiatives (e.g. health and safety)
 - Anti-discrimination procedures
 - Market compatibility requirements
- *De facto*: pressures generated by...
 - Increased competition in the internal market
 - Budgetary surveillance (SGP)
 - European Semester
- ‘Open coordination’ (employment & social policy)

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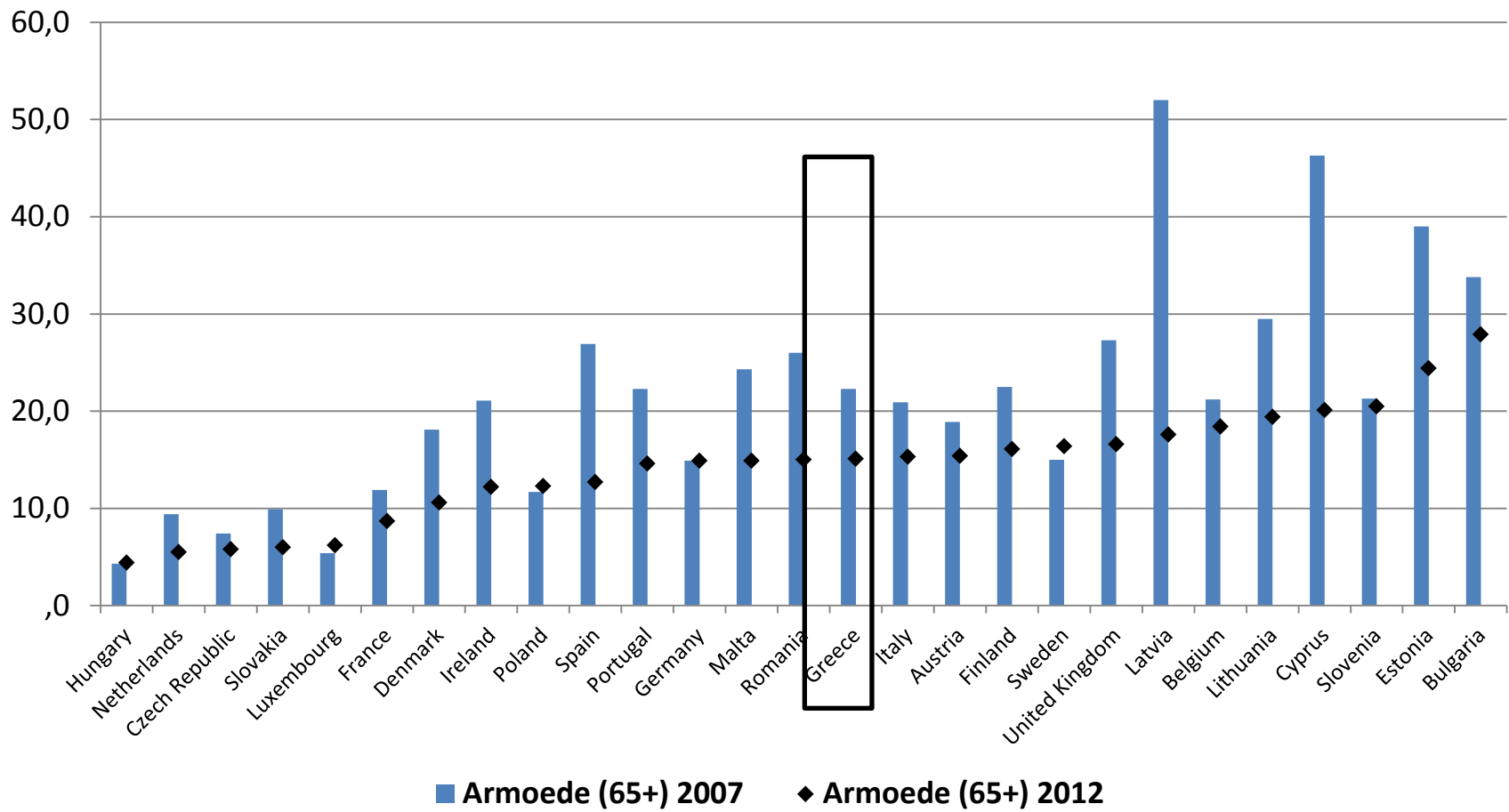
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The end of the 'convergence machine'

Changes in poverty rates and changes in median income

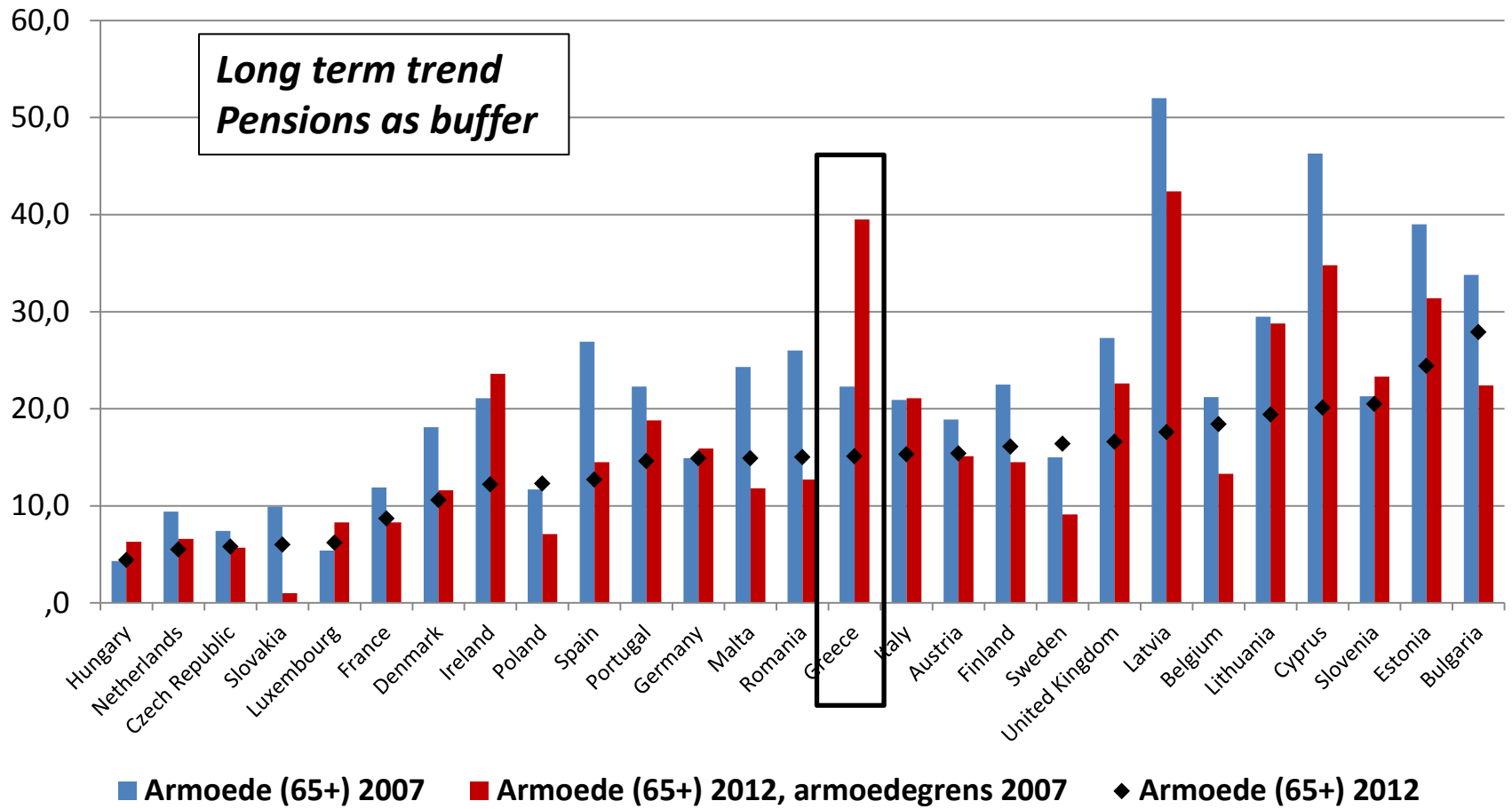


Relative income poverty in the population 65+

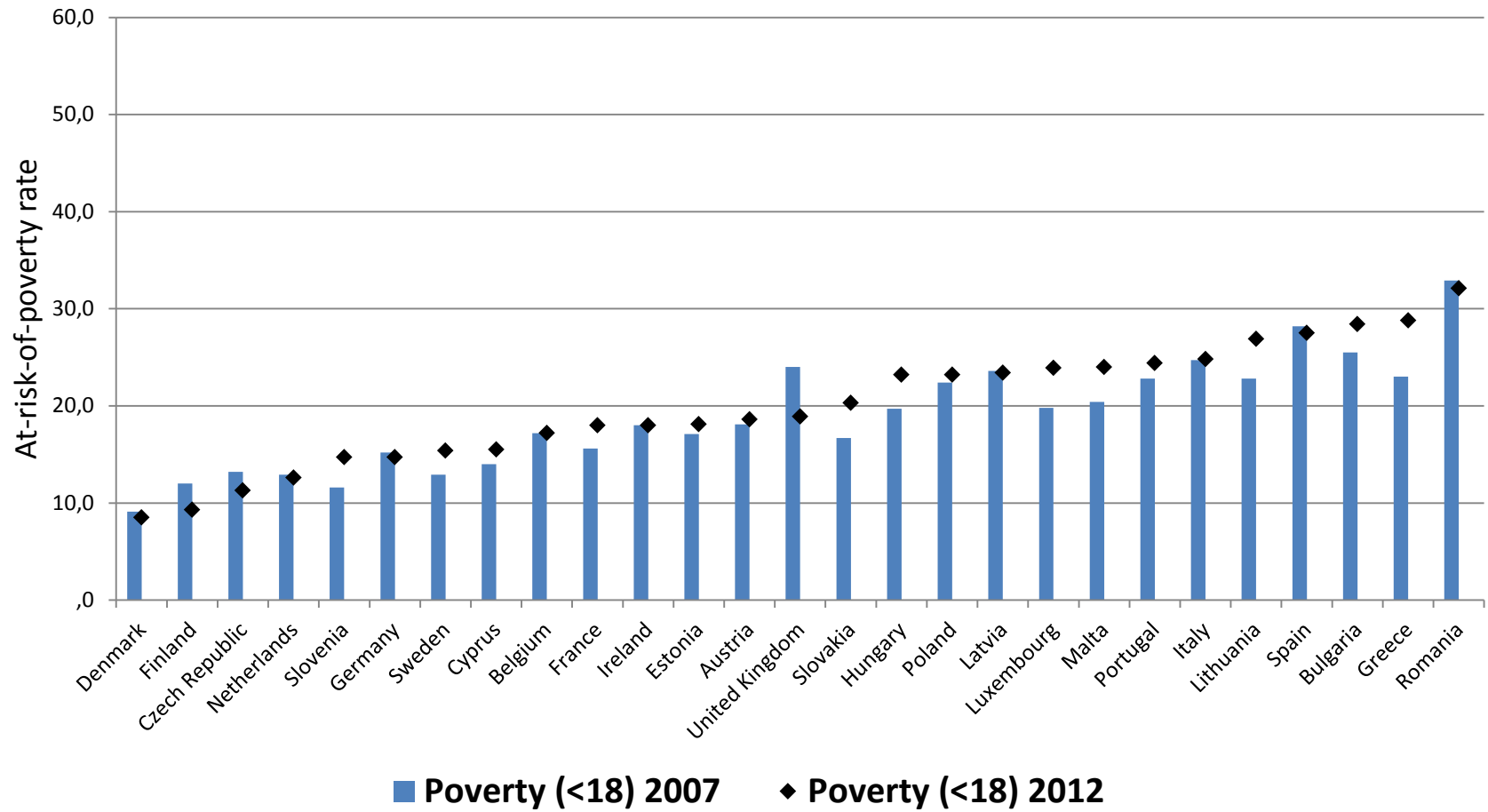


Bron: Eurostat website, SILC 2008 en SILC 2013

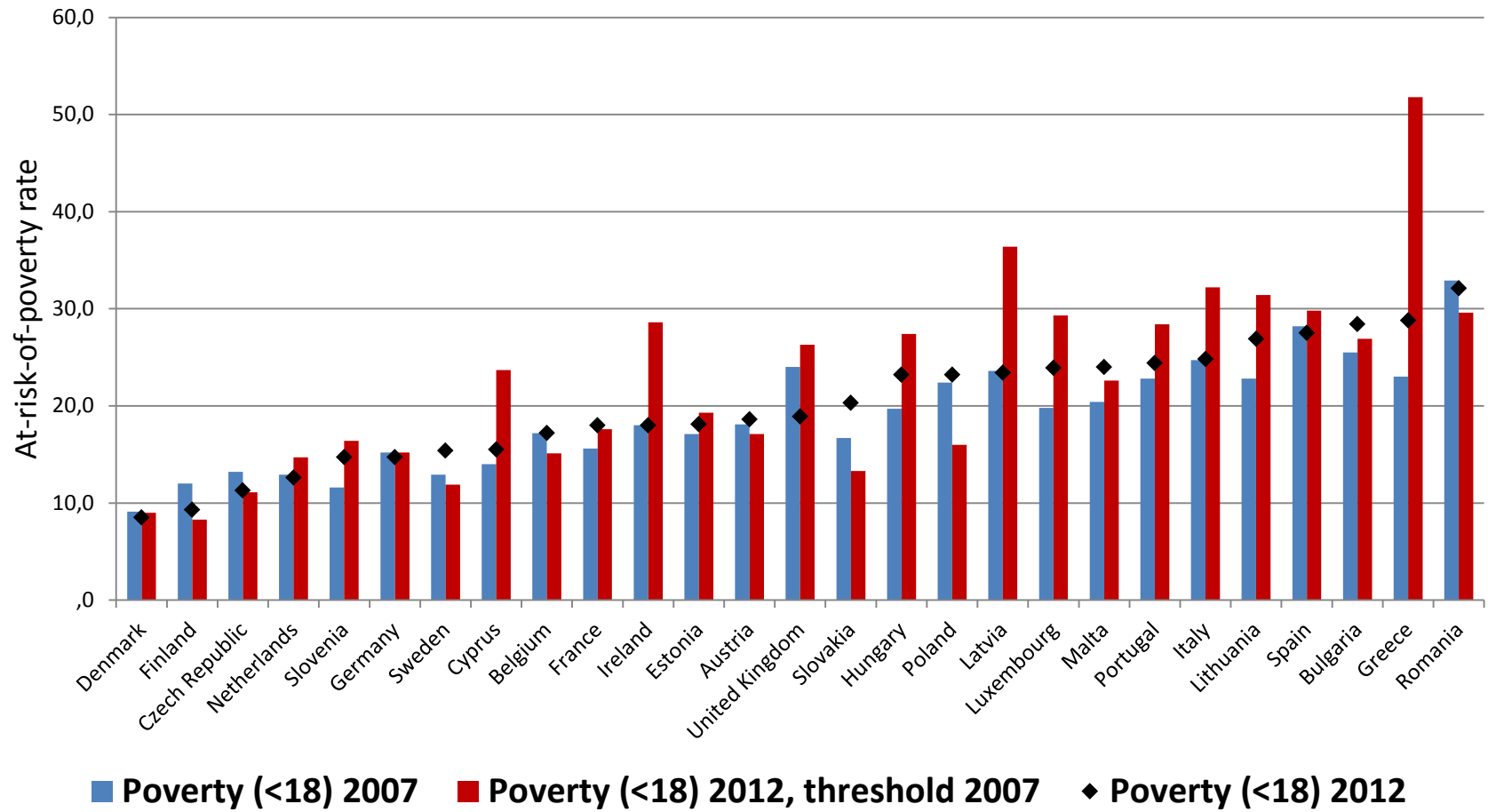
Relative income poverty in the population 65+ (anchored)



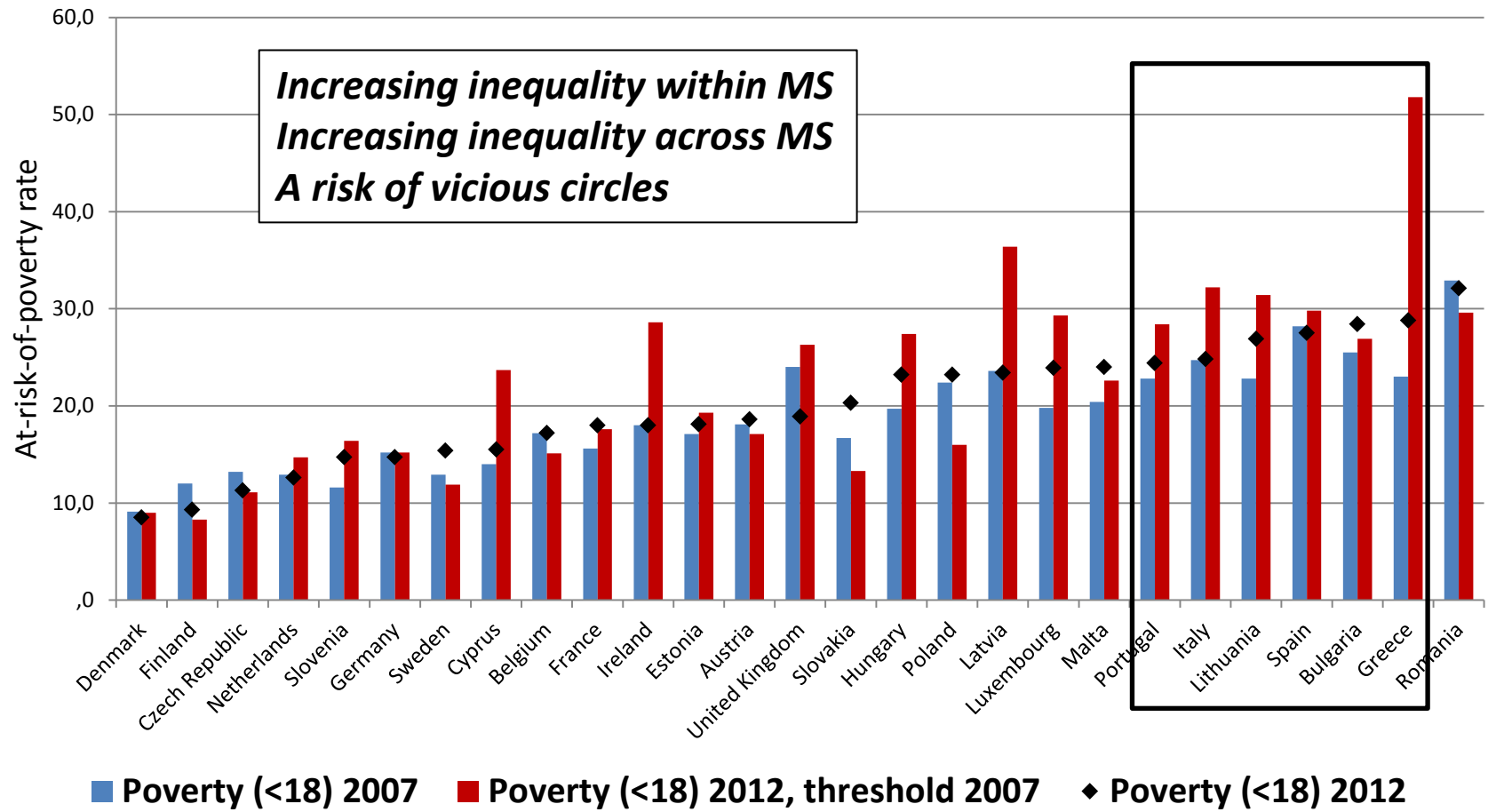
Relative income poverty in the population < 18



Relative income poverty in the population < 18 (anchored)



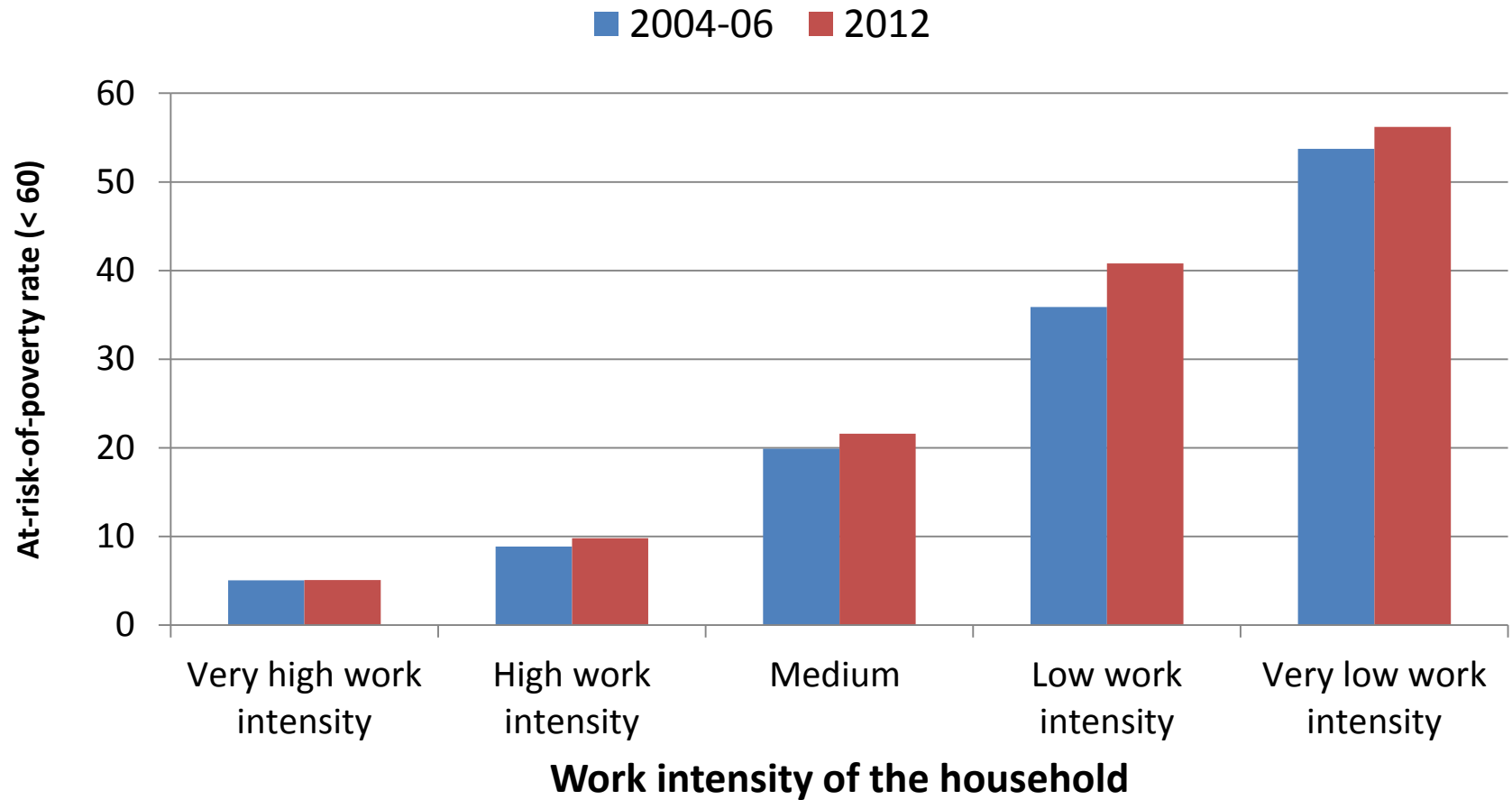
Relative income poverty in the population < 18 (anchored)



Structure

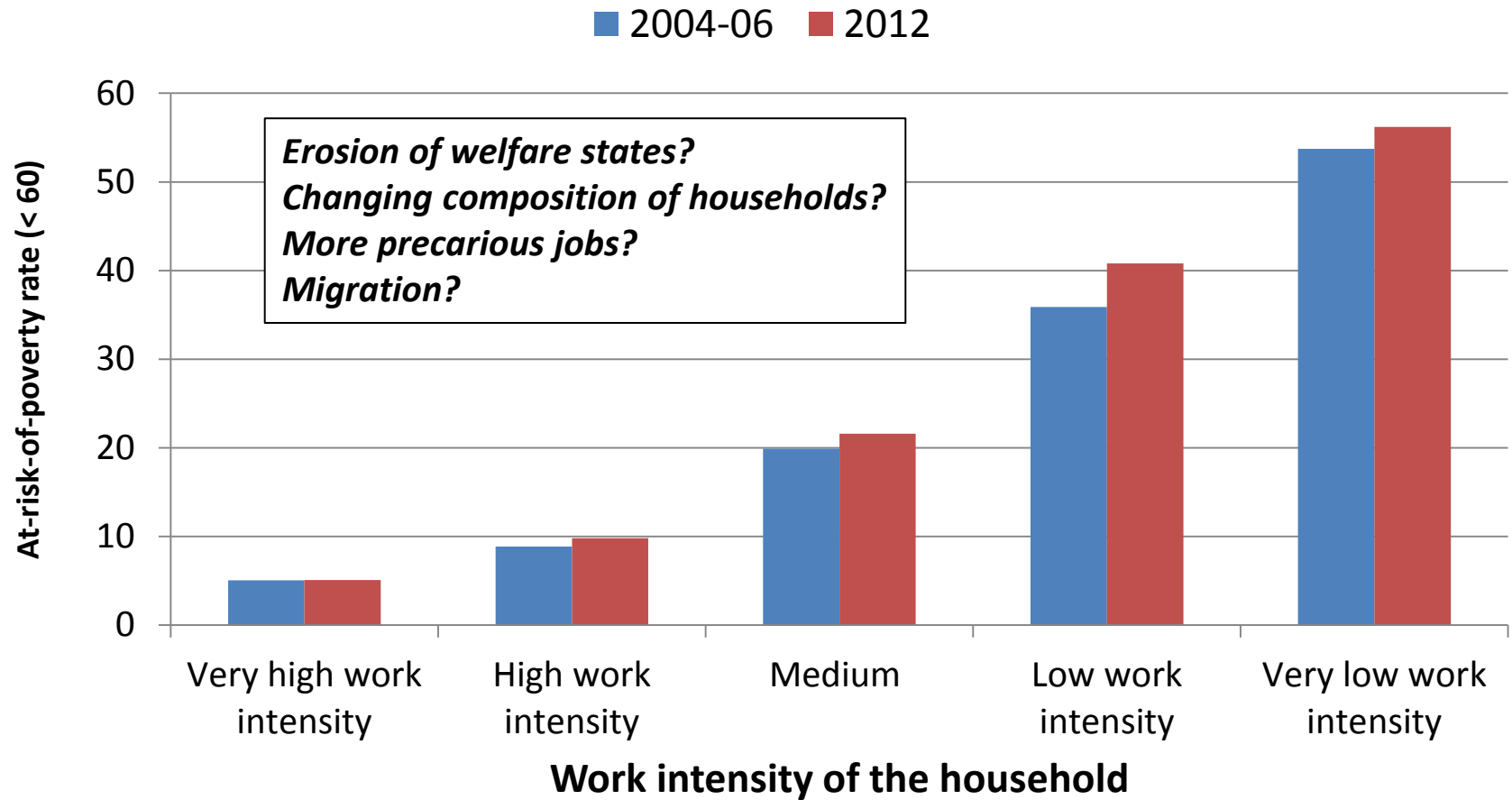
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Poverty risks in the population < 60, by work intensity of the household



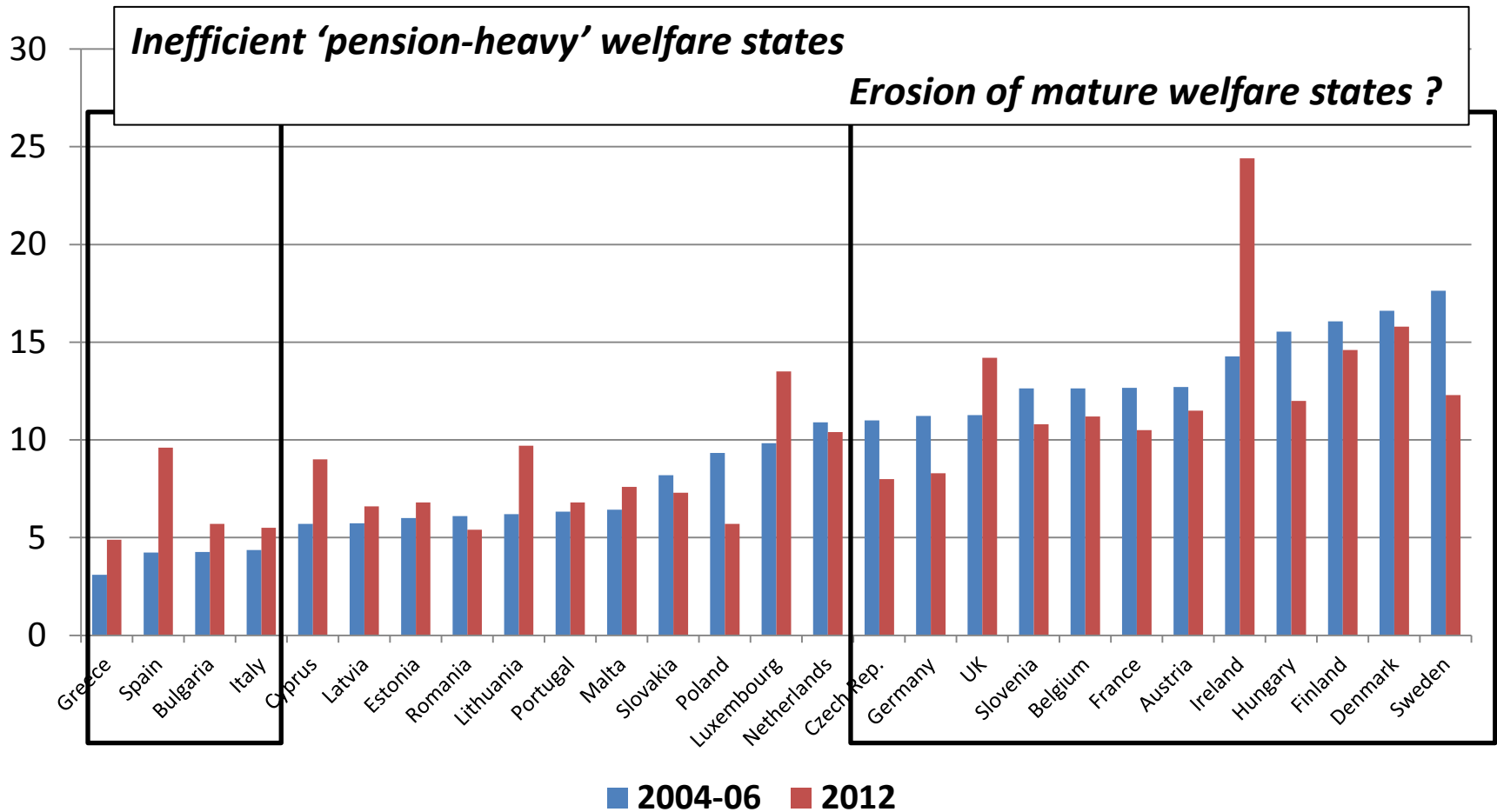
Bron: Eurostat, SILC 2005-2007; SILC 2013

Poverty risks in the population < 60, by work intensity of the household



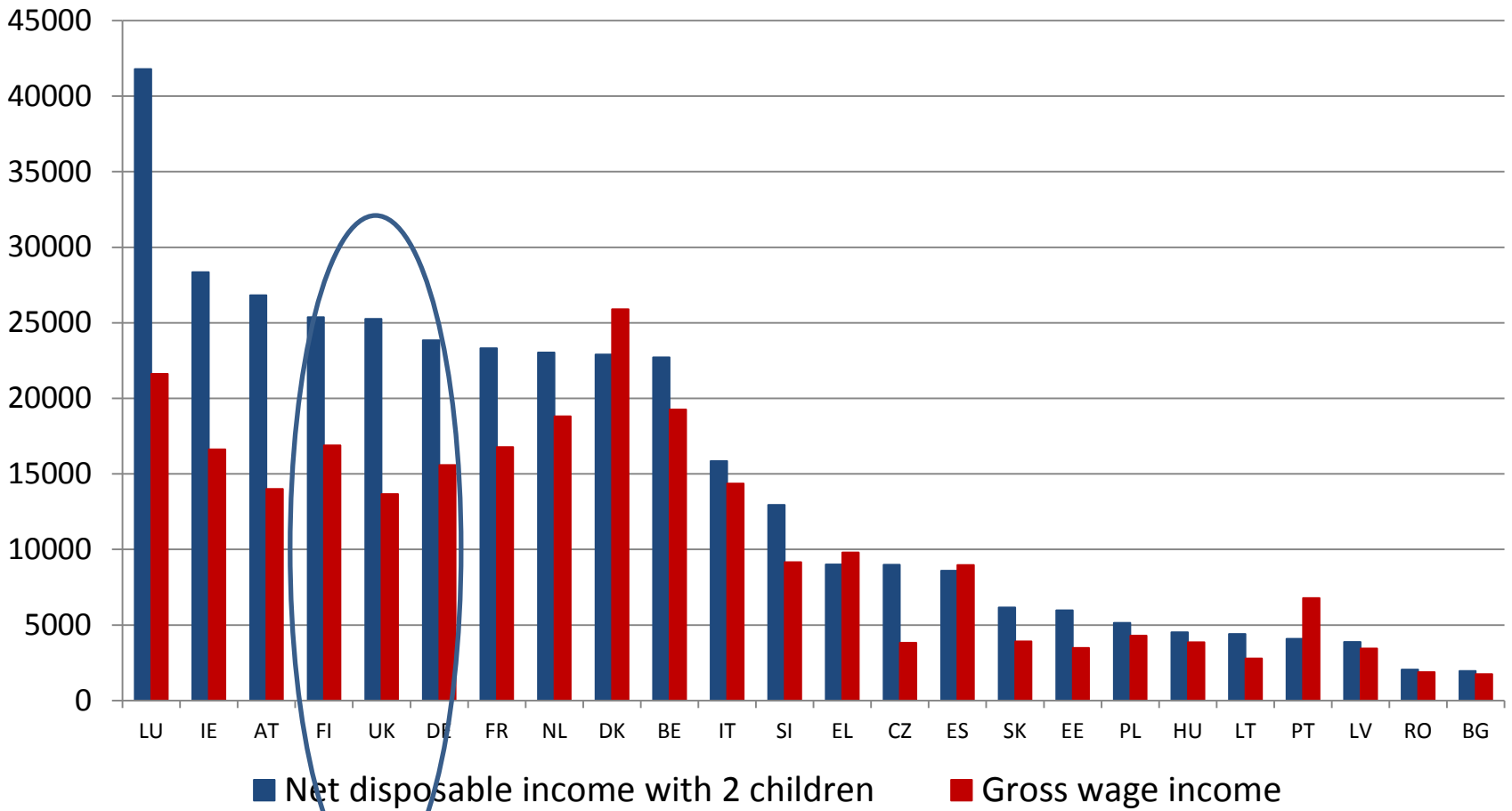
Bron: Eurostat, SILC 2005-2007; SILC 2013

The contribution of transfers (*not* pensions) in the reduction of poverty



Source: Eurostat, own calculation of 'poverty reduction by transfers (excl. pensions)', total population, SILC 2005-2007 en SILC 2013

What governments can do: net disposable income of couple with 2 children, one minimum-wage earner

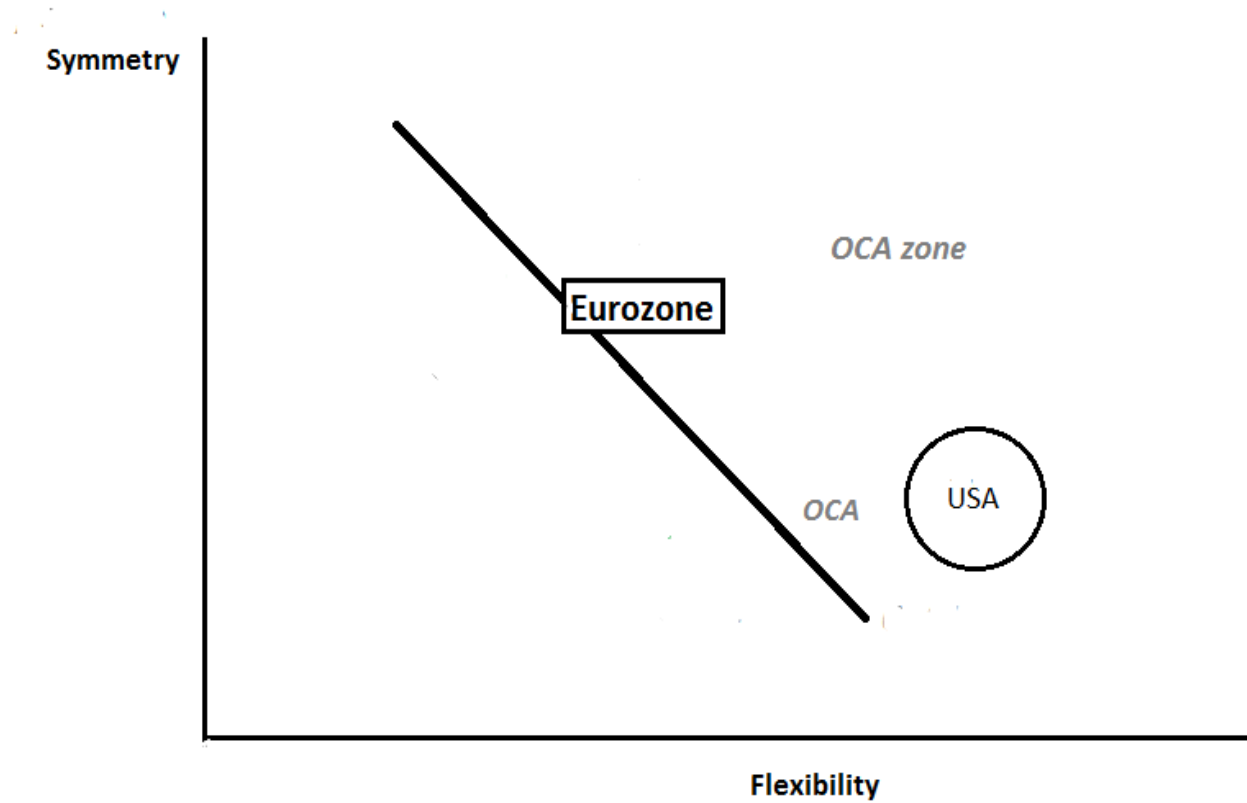


Bron: CSB/MIPI

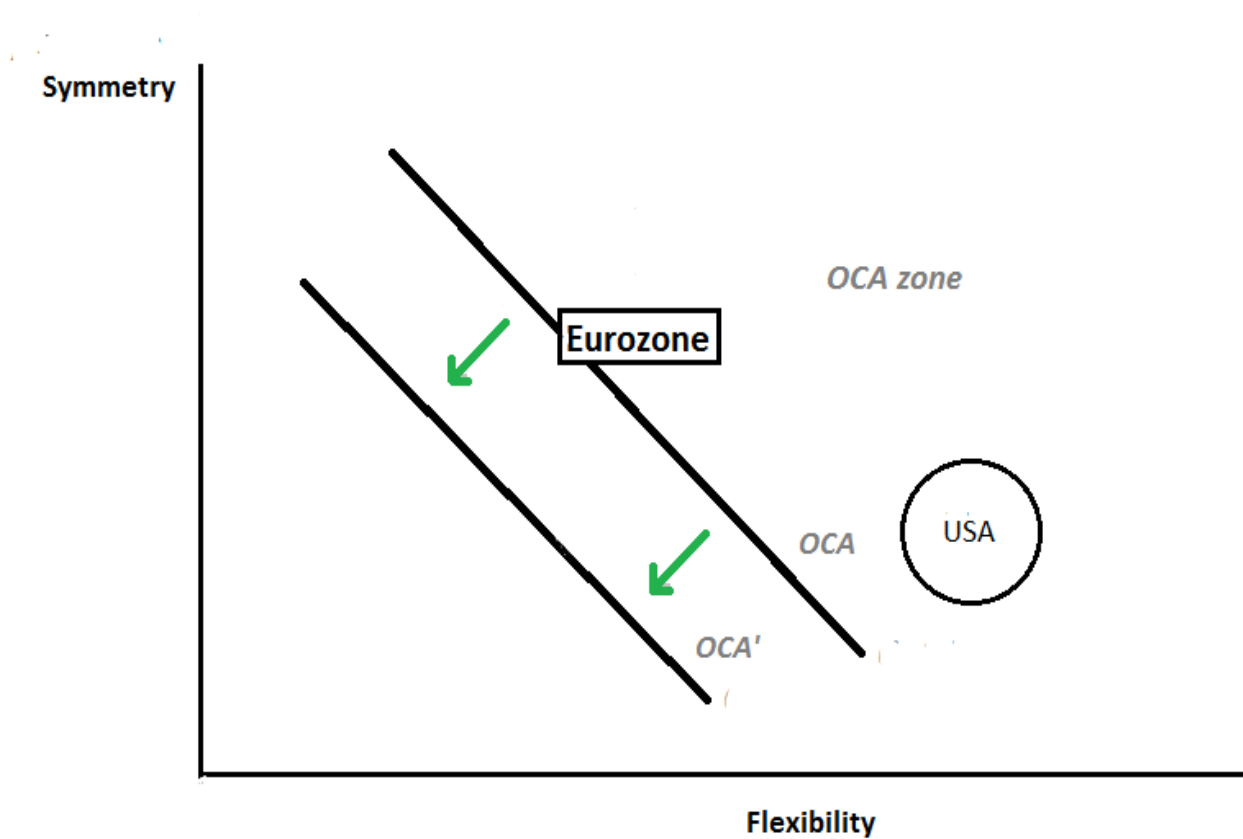
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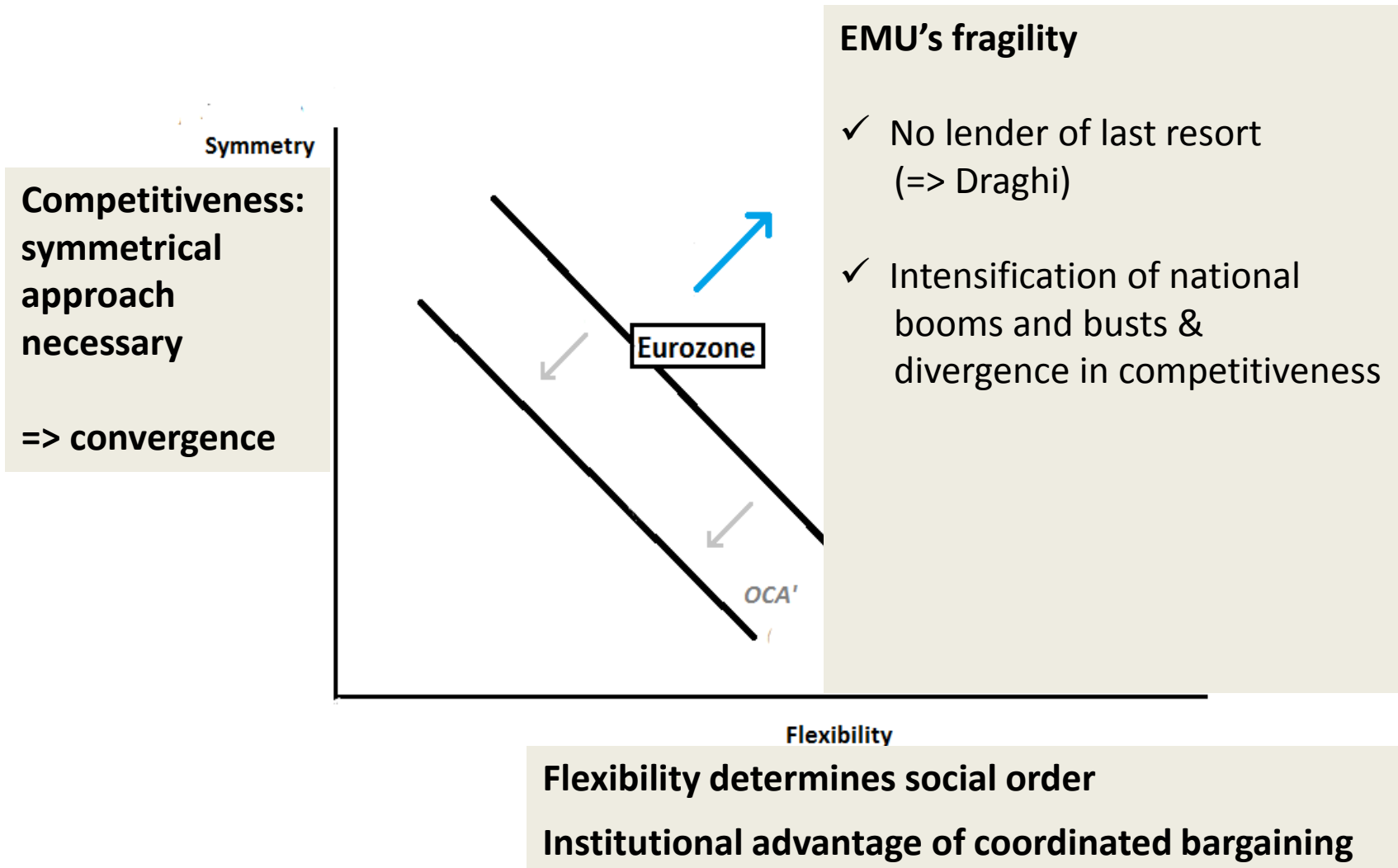
The consequences of monetary unification



Transfers might mitigate the symmetry/flexibility trade-off



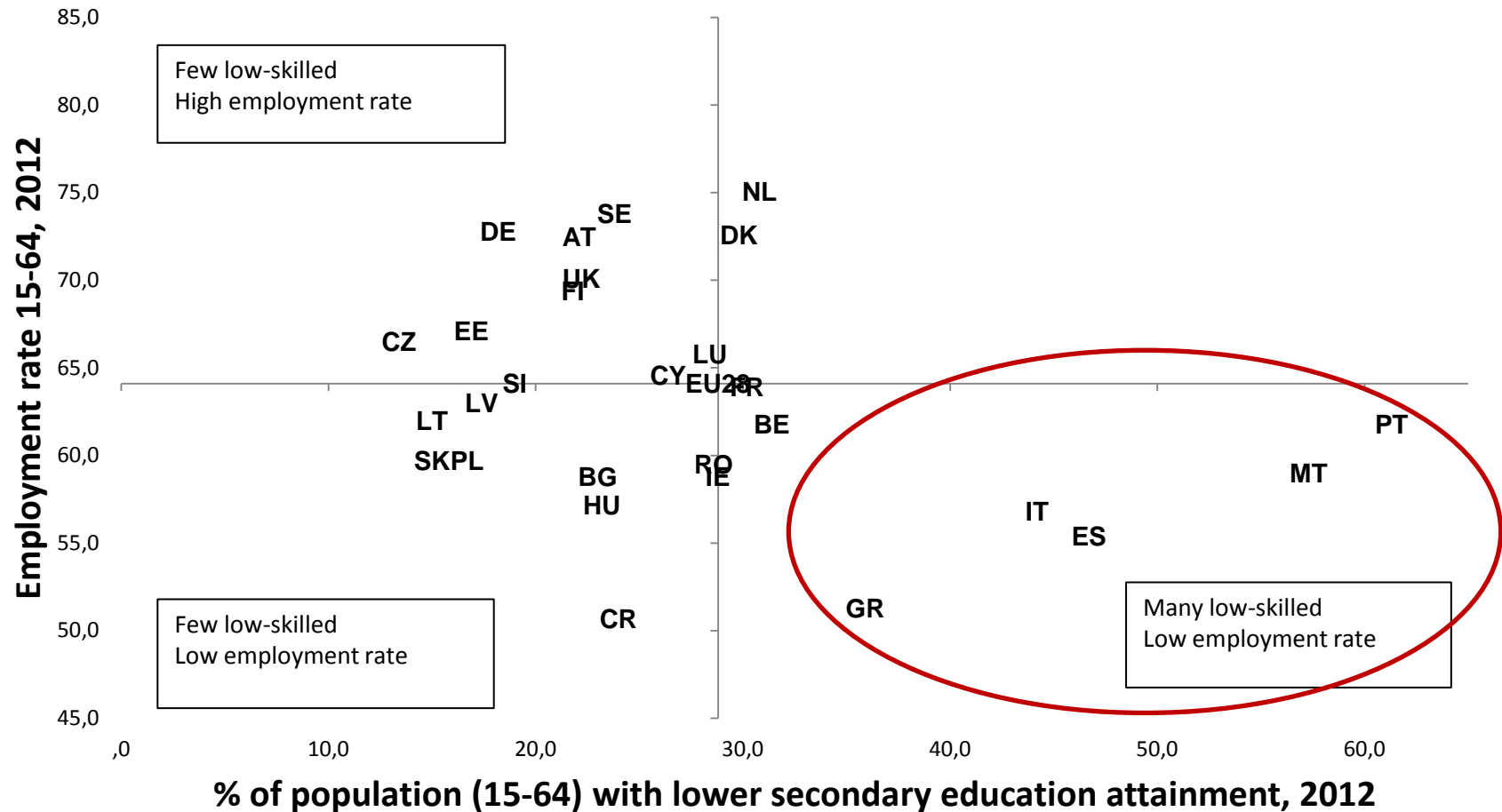
The EU's way: more symmetry, more flexibility



Defining the EMU's social objective is a necessity rather than a luxury

- EMU forces upon the member states a shared conception of flexibility
- A basic consensus on the functioning of the social model is necessary for the long-term sustainability of EMU
 - short term: stabilisation
 - mid term: a symmetric guideline on wage cost competitiveness & institutions that can deliver
 - long term: sustainability of pensions
- Just 'symmetry'? Legitimacy => convergence in prosperity

The human capital asymmetry: employment and formal educational attainment



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Main argument

- A *basic consensus* on the European Social Model and the role the European Union has to play (and not to play) in the domain of social policy...
 - ... is not a luxury.
 - ... but an existential *necessity*.
- The need for conceptual clarification: a *European Social Union*

Why is a basic consensus on the social dimension a necessity?

- an inevitability of European Monetary Union;
- Freedom of movement and national social cohesion in EU28:
 - ‘a balancing act’
 - Social dumping?
 - Economic freedoms ↔ right to strike (*Viking, Laval*)

A European Social Union

A Social Union would

- support national welfare states on a *systemic* level in some of their key functions
 - guide the substantive development of national welfare states – via general social standards and objectives, leaving ways and means of social policy to Member States – on the basis of an operational definition of ‘the European social model’.
- ⇒ European countries would cooperate in a union with an explicit social purpose, pursuing both national and pan-European social cohesion

The case for a *European Social Union*

- support national welfare states *on a systemic level* in key functions (e.g. stabilization)
- guide the *substantive development* of national welfare states
 - via general social standards and objectives
 - leaving ways and means of social policy to Member States

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- guide the *substantive development* of national welfare states
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 - ⇒ symmetric w.r.t. to competitiveness (wage policy & capacity to deliver)
 - ⇒ social investment
 - ⇒ solidarity in reform
 - leaving ways and means of social policy to Member States

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 - ⇒ social investment
 - ⇒ solidarity in reform
 - ⇒ minimum wages and minimum income protection
 - leaving ways and means of social policy to Member States

Thank you

- 1) Vandenbroucke and Rinaldi, Social inequalities in Europe – The challenge of convergence and cohesion. In: Vision Europe Summit Consortium (eds.): *Redesigning European welfare states – Ways forward*, Gütersloh (<http://www.vision-europe-summit.eu/>)
- 2) Vandenbroucke, The Case for a European Social Union. From Muddling through to a Sense of Common Purpose, in Marin, B. (Ed.), *The Future of Welfare in a Global Europe*, Ashgate: Aldershot UK, 2015, pp. 489-520.
- 3) Vandenbroucke, A European Social Union: Unduly Idealistic or Inevitable?, European Debates, 7, European Investment Bank Institute, September 2015 (<http://institute.eib.org/wp-content/uploads/2015/09/A-European-Social-Union-Unduly-Idealistic-or-Inevitable.pdf>)
- 4) Vandenbroucke, with B. Vanhercke, *A European Social Union. 10 Tough nuts to crack*, Friends of Europe, Spring 2014
http://www.friendsofeurope.org/Portals/13/Events/WorkingGroups/Social_Europe/03_03_14_Report_SocialUnion_FINAL_V.pdf