

## From the Gothenburg Social Summit to a European Social Union

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On 17 November, the European Parliament, Council and Commission proclaimed a *European Pillar of Social Rights* in Gothenburg. The launch of the *Pillar* signals a cautious but steady paradigm shift, away from austerity, at least at the level of the Commission. But will it lead to tangible results?

In essence, this paradigm shift is a fresh attempt to answer the challenges created by monetary integration. The upshot of the new thinking is that monetary unification imposes a degree of convergence in key features of the Member States' social and employment policies. Admittedly, the idea that there is a social policy corollary to monetary unification is not new. Already in the 1990s, reform in labour markets was justified by the advent of the monetary union; the emphasis was put on supply-side flexibility. In the immediate aftermath of the financial crisis, the drive for convergence in labour market policies gained new momentum in the EU's discourse, under the heading of 'structural reform'; one element of this was the call on Member States to decentralize their systems of collective bargaining, which can be seen as yet another instance of the need for flexibility. Now, the new paradigm adds 'stability' as a desideratum to 'flexibility': stability both in terms of the avoidance of large economic shocks, and of a stable development of the wage share in national income. This is an important step forwards, at least intellectually.

The basic insight, the one that has gained prominence in the Commission's thinking, is that nearly all existing monetary unions are true 'insurance unions'. They not only centralize risk management with regard to banks, they also centralize unemployment insurance. EMU is the one exception, but it is gradually developing policies driven by the need for mutual insurance, notably in its progress towards a Banking Union. Next to Banking Union, the Commission argues that EMU also needs fiscal stabilisers; to achieve this, one of the options would be the re-insurance of national unemployment benefit schemes at the Eurozone level. The reference to unemployment insurance is not happenstance. Monetary unions either opt for a downright centralisation of unemployment insurance (like in Canada or in Germany), or they demand some convergence in the organisation of unemployment insurance and provide a degree of reinsurance and centralisation when the need is really high (like in the US, which combines centralisation and decentralisation in unemployment insurance).

The concern with the Eurozone's stability entails a cluster of policy principles to sustain an effective stabilisation capacity in *each* Member State: sufficiently generous unemployment benefits, notably in the short-term; sufficient coverage rates of unemployment benefit schemes; no labour market segmentation that leaves part of the labour force poorly insured against unemployment; no proliferation of employment relations that are not integrated into systems of social insurance; effective [activation](#) of unemployed individuals. This cluster of principles features prominently in the *European Pillar of Social Rights*. They become *a fortiori* imperative, as *quid pro quo*, if the Eurozone were equipped with reinsurance of national unemployment insurance systems; but even without that perspective, such 'stability-related' principles should figure on the Eurozone's agenda. Well-functioning national insurance systems create an 'externality': a country that properly insures itself also helps its neighbours.

Eurozone members also need institutions that can deliver on wage coordination: totally decentralised and uncoordinated bargaining systems are an institutional liability rather than an asset. The stability of the wage share in national income can become a matter of common concern. This insight is also re-emerging. The one-sided insistence on decentralization of collective bargaining that dominated the European policy discourse for a number of years is abandoned.

In short, the new thinking implies that a well-functioning EMU needs a consensus on labour market institutions that support both flexibility and stability, and that not all types of flexibility are beneficial. Flexibility was associated with 'enabling' policies: equipping people with adequate skills would empower them and thus recreate individual security. To achieve stability, one needs collective action: collective bargaining, but also the organisation of collective insurance devices. Stability requires instruments that typically protect vulnerable individuals: unemployment insurance stabilises the economy, because it protects the purchasing power of the unemployed. Enabling and protective policies can be mutually reinforcing, in creating *resilient* social systems. This is not only relevant for Eurozone welfare states, but for the whole EU.

The communication on the *Pillar* is ambitious: it is said to be about "delivering new and more effective rights for citizens", and Commission President Jean-Claude Juncker called for agreement on the *Pillar* "to avoid social fragmentation and social dumping". So conceived, the year 2017 may indeed be a turning point. However, important questions are pending, both at the ideational level and with regard to delivery.

Although the Commission's work may be interpreted as signaling a new paradigm, the public debate remains handicapped by the absence of clear analytical thinking about the nature of a *European Social Union*, i.e. a European Union that is not itself a welfare state, but supports and facilitates the development of flourishing national welfare states. We need clarity about the role of the EU and the role of Member States. At the very moment that the *Pillar* is accepted, EU governments and social actors entertain contradictory discourses about what the exact role of the EU is in this endeavor. Some say that 'monitoring of results' is sufficient to implement the *Pillar*; others call for a conversion of the whole *Pillar* into binding EU legislation. Some emphasize that implementing the *Pillar* is the Member States' responsibility; others underscore the need for tangible European support. This confusion is worrying.

The proclamation of the *Pillar* creates a huge political risk: although it is not formally about justiciable 'rights', the language of the *Pillar* speaks to individual citizens. If the EU does not deliver on the promise enshrined in the *Pillar*, the initiative will backfire and create frustration. Hence, it is important that Commission, Council and Parliament develop a credible roadmap to deliver. Delivery presupposes that different instruments are combined to implement the *Pillar*'s principles: both binding EU legislation for some aspects of the *Pillar*, policy coordination and benchmarking for other aspects, and EU funding. The principles should play a tangible role in the European Semester and fiscal and macro-economic surveillance. A credible roadmap also requires the selection of priorities: a shortlist of priority actions that is fully implemented is much better than a long wish-list that is only implemented half-heartedly.

*The author and a range of colleagues explore the concept in a new book, A European Social Union after the Crisis, Cambridge University Press.*

