

A European Social Union is a necessity, not a luxury

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Structure

European integration and robust welfare states: a tragic dilemma?

1. The social dimension of the European project according to the *founding fathers*: a belief in convergence
2. Explanations: what stopped the 'convergence machine'?
 1. Increasing heterogeneity of Member States
 1. a tragic dilemma?
 2. erosion of welfare states
 3. policies (social investment)
 4. reconciling openness and domestic cohesion: the political challenge
 2. Design flaws in European integration
3. The European Pillar of Social Rights
4. The way forward: A European Social Union

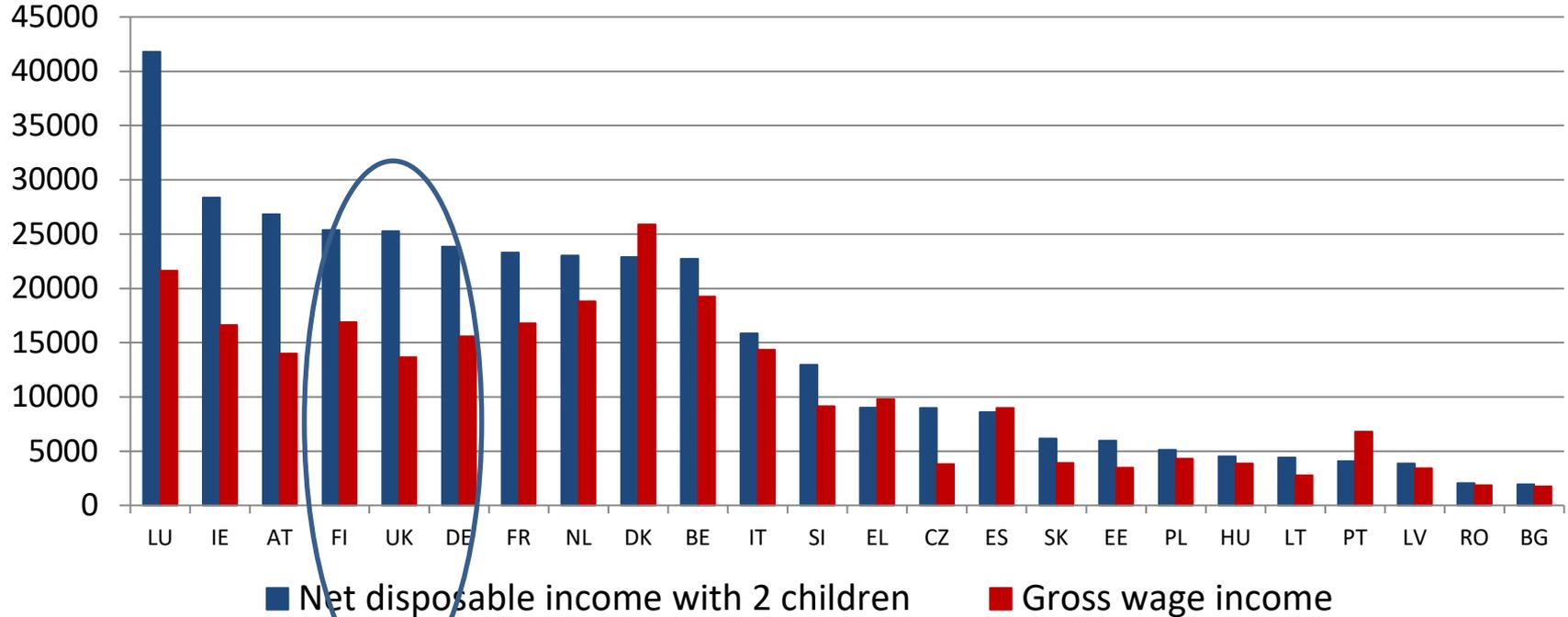
The social dimension of the European project according to the *founding fathers*: a belief in convergence

- 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)
- Initial division of labour:
 - economic development: supranational
 - coordination of social security rights & anti-discrimination: supranational
 - social development: national sovereignty (in theory)
- The convergence machine worked... more or less... until 2004/2008.

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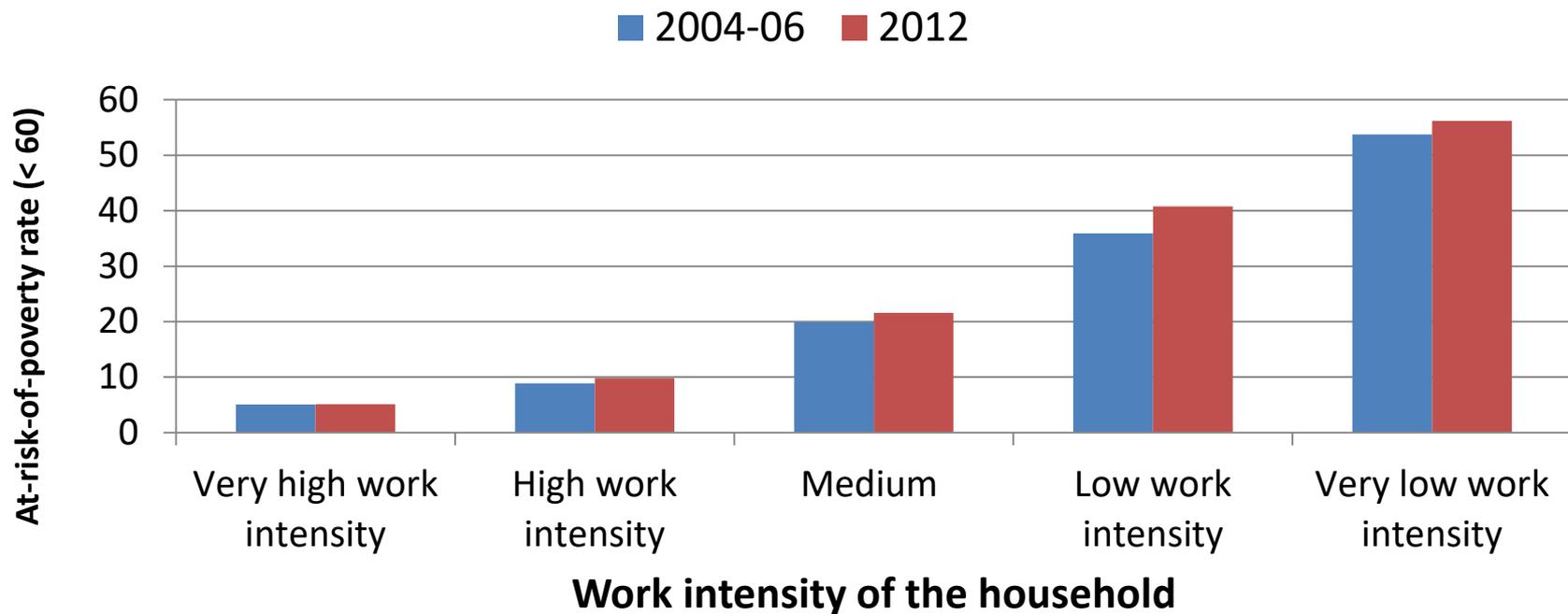
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- A **tragic dilemma** of integration (in the enlarged and heterogeneous EU)?

Minimum wages and what governments can do: net disposable income of couple with 2 children, one minimum-wage earner



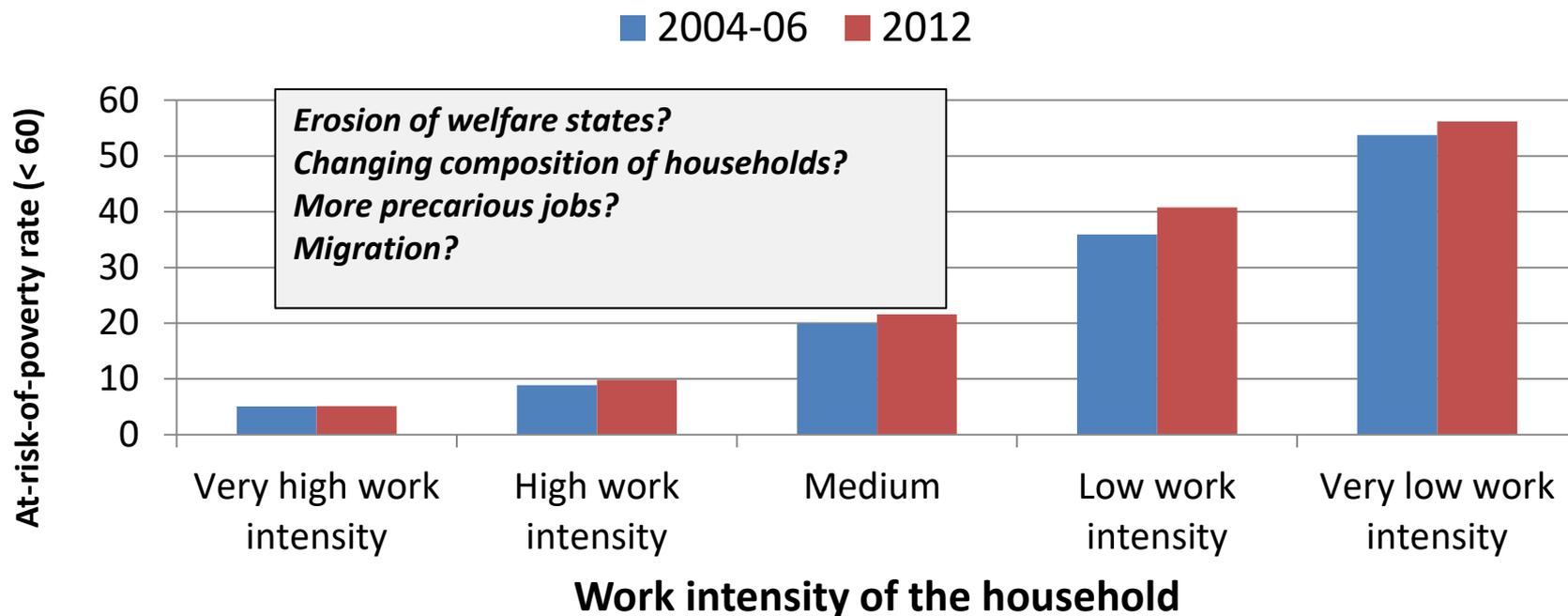
Source: CSB/MIPI

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



Bron: Eurostat, SILC 2005-2007; SILC 2013

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A long-term trend of increasing inequality and poverty: diagnosis and domestic policy lessons for EU welfare states

- There is no one-size-fits-all explanation, hence no silver bullet to tackle the trend of increasing inequalities
- We need a set of complementary strategies and instruments that can improve both the social protection and the employment perspectives of households with a weak attachment to the labour market.
- Improving our human capital requires a child-centred **social investment strategy** that addresses inequalities in opportunities.
- The EU should promote social investment policies.

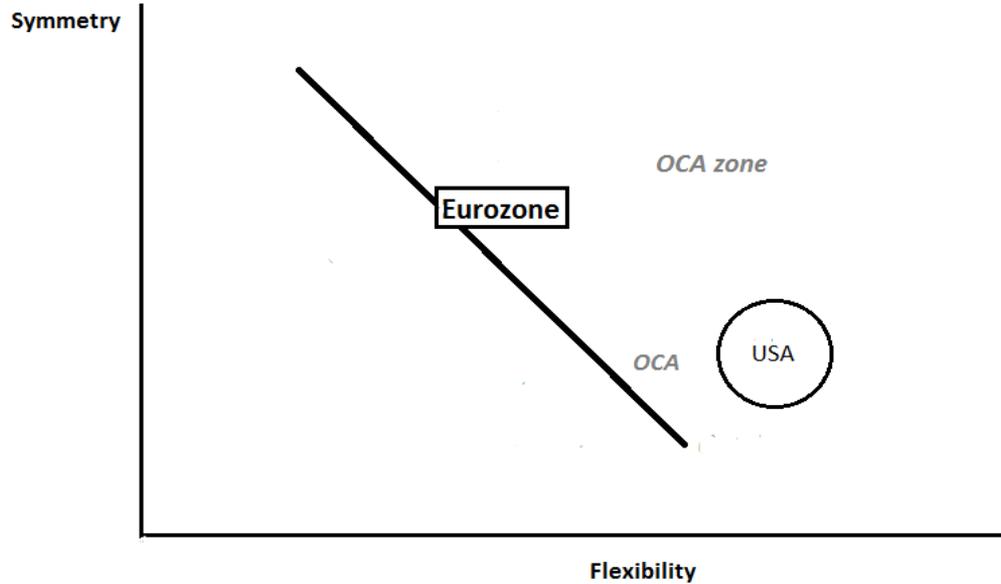
Reconciling openness and domestic cohesion: a political challenge

- Openness and domestic social cohesion: a 'balancing act' is feasible
- Access to social benefits: the general principle of non-discrimination
- The exception: posting of workers
- Transparency and coverage of minimum wage regimes

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- **Design flaws in the European project**

The consequences of monetary unification: the traditional view



Source: De Grauwe

EMU as an insurance union: a vaccination metaphor

- Why are stabilization instruments centralized in monetary unions?
 - Risk sharing (pooling)
 - Externalities of a national public good (vaccination)
- Vaccination: compulsory (minimum requirements) and subsidized (re-insurance)
- Minimum requirements for an effective stabilisation capacity:
 - 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;
 - no proliferation of employment relations that are not integrated into social insurance;
 - effective activation of unemployed individuals;
 - budgetary buffers in good times, so that automatic stabilisers can do their work in bad times.
- These principles become a fortiori imperative, if the Eurozone would be equipped with re-insurance of national unemployment insurance systems (to avoid ‘institutional moral hazard’)

EMU: common standards for *resilient* welfare states

- A shared conception of flexibility
 - Labour market institutions that can deliver on wage coordination (effective collective bargaining)
 - Cluster of policy principles for an adequate stabilisation capacity in MS:
 - 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
- ⇒ Convergence in **some**, key features of Eurozone welfare states
- ⇒ ***European Pillar of Social Rights***, Gothenburg Summit, 17 November 2017

=> Resilient EMU and upward convergence in the EU27

- effective collective bargaining
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- effective activation of unemployed individuals
- investment in education and ECEC
- better income protection and employment perspectives for households with weak attachment to labour markets (minimum income protection / positive incentives / support for low-skilled labour...)
- coverage, transparency and predictability of minimum wages

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European Pillar of Social Rights

How to *deliver* on the European Pillar of Social Rights?

- Clear priorities
- Credible roadmap, combining...
 - EU legislation
 - Policy coordination and benchmarking
 - Funding instruments (tangible support for MS)
- Mainstreaming in economic and fiscal surveillance, European Semester
- Completing EMU as an insurance union

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A European Social Union: a necessity, not a luxury

A Social Union would

- support national welfare states on a *systemic* level in some of their key functions (e.g. stabilization, fair corporate taxation, ...)
 - 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
- ⇒ based on reciprocity

Resources

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