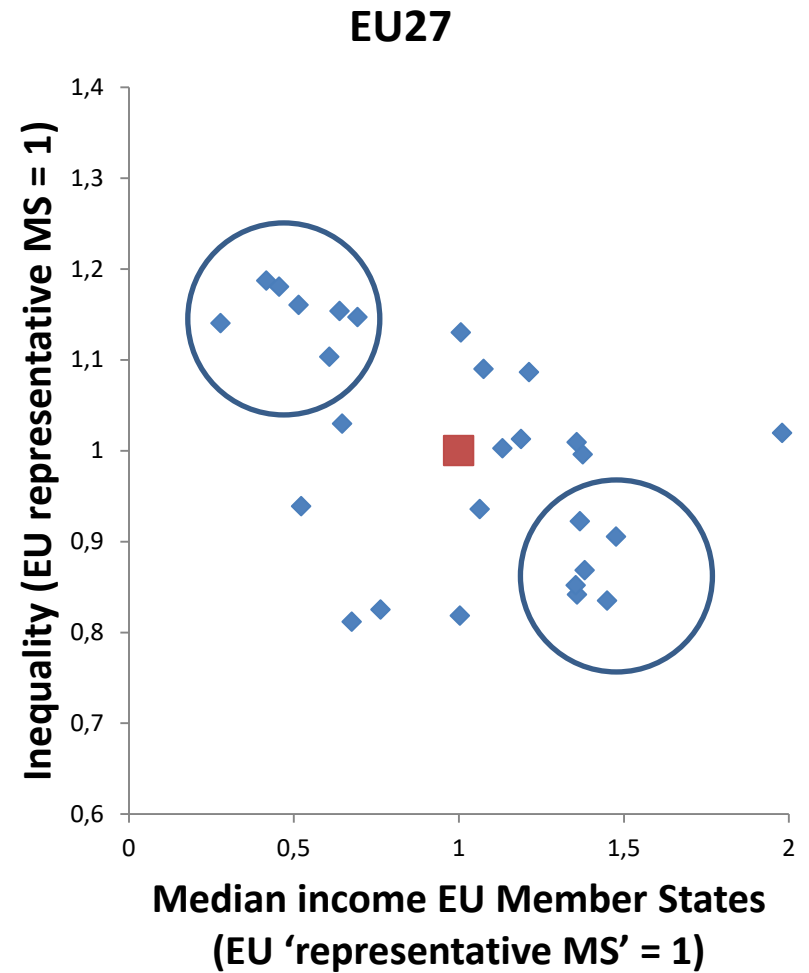
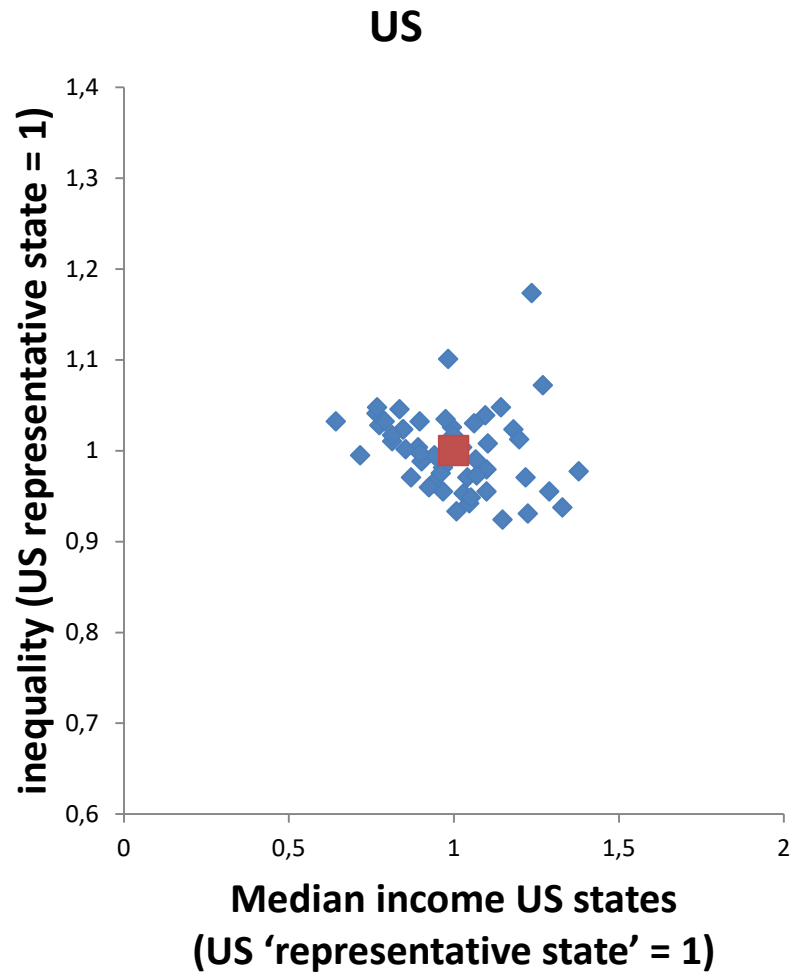


The EU and social policy

Frank Vandebroucke
University of Amsterdam
Summer School KULeuven
12 July 2019

Inequality in Europe and the USA compared



European income distribution: a moving scale



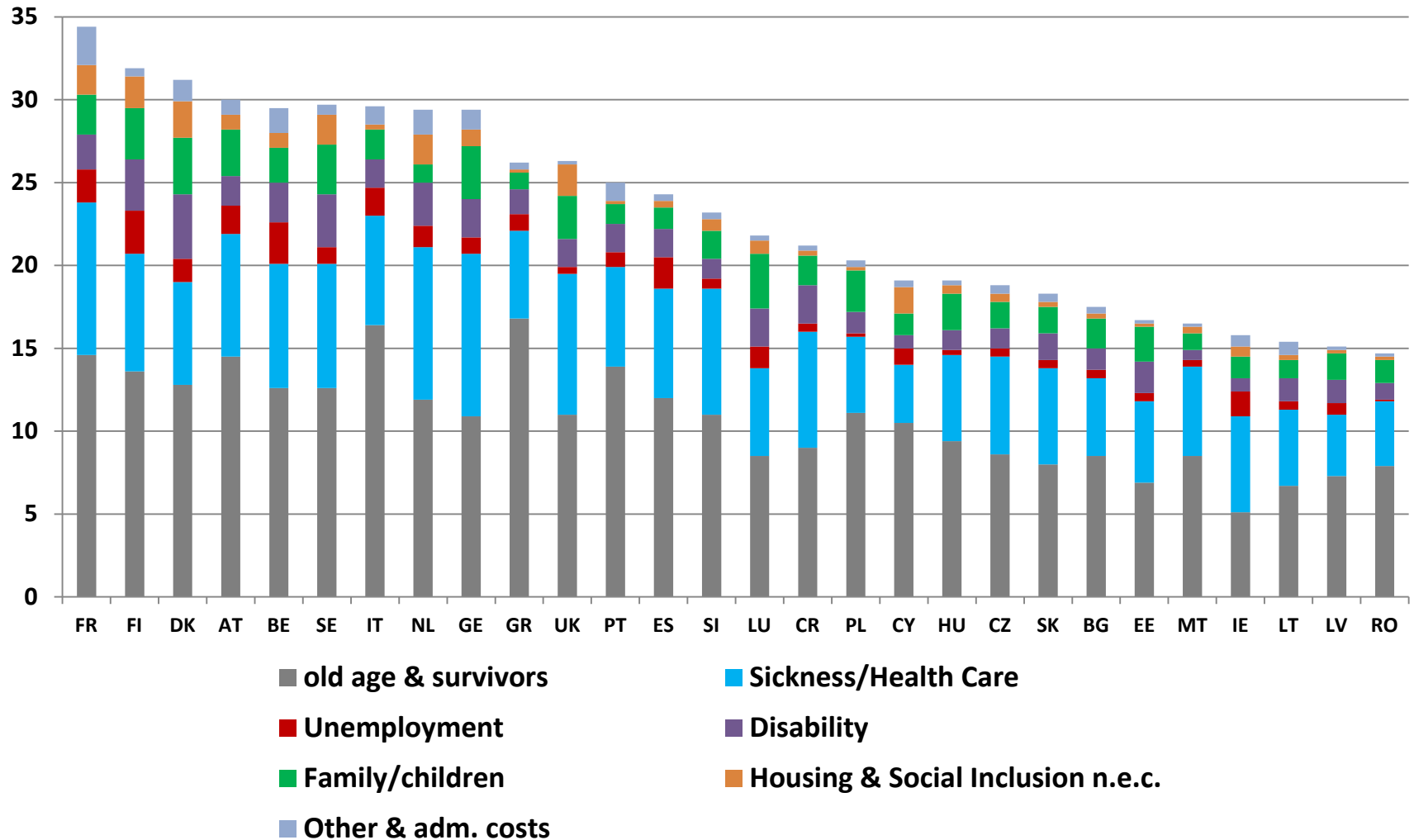
	Romania	Denmark
Top quintile 4	25% => 36%	123% => 125%
Top quintile 3	23% => 35%	132% => 132%
Top quintile 2	21% => 33%	139% => 136%
Top quintile 1	17% => 28%	144% => 144%

100% = average of 27 Member States

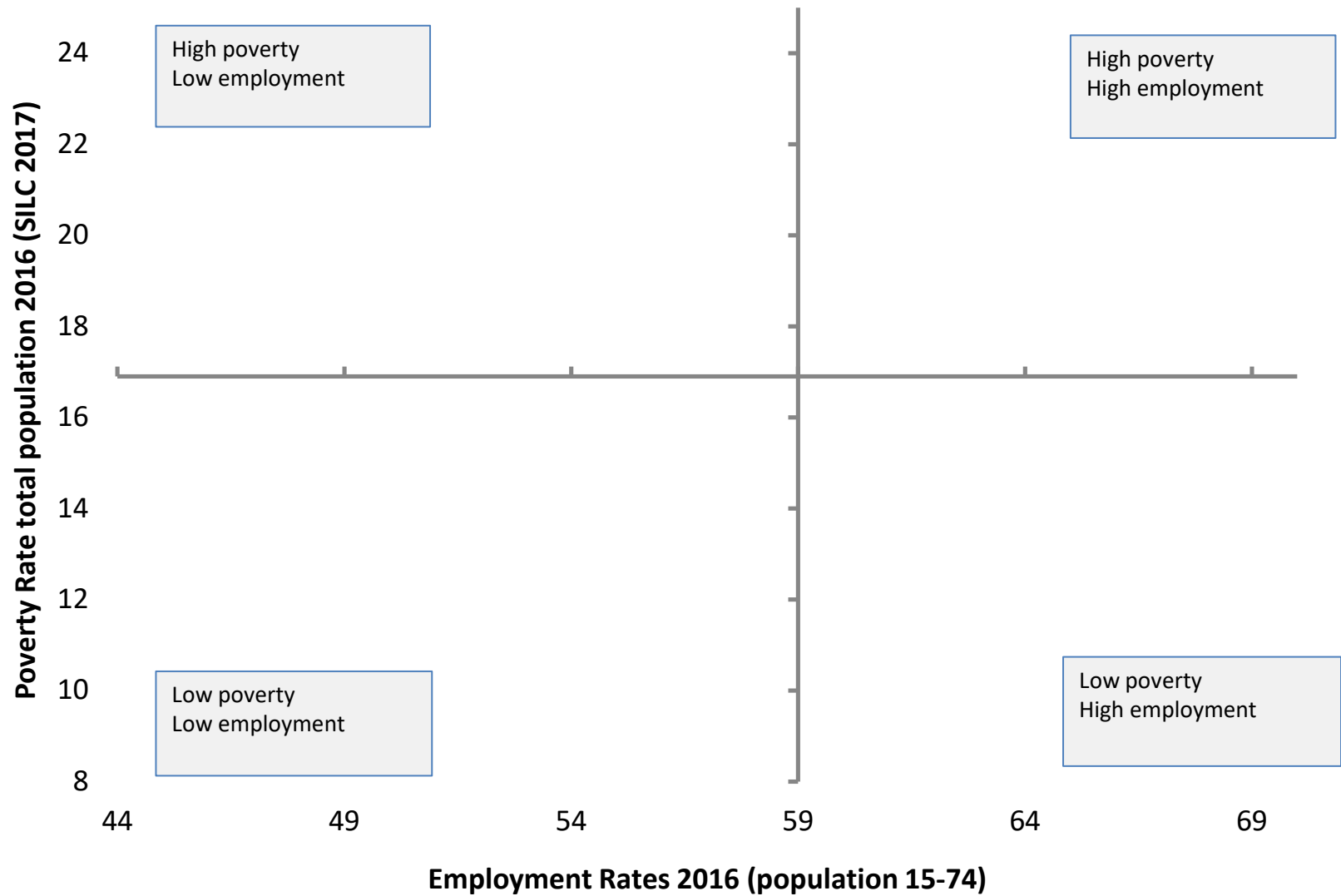
(excl. Croatia; data from SILC 2007 and SILC 2017, incomes 2006 and 2016, IE=2017)

The diversity of EU welfare states

Input: expenditure on social protection, gross, in % of GDP (2016)

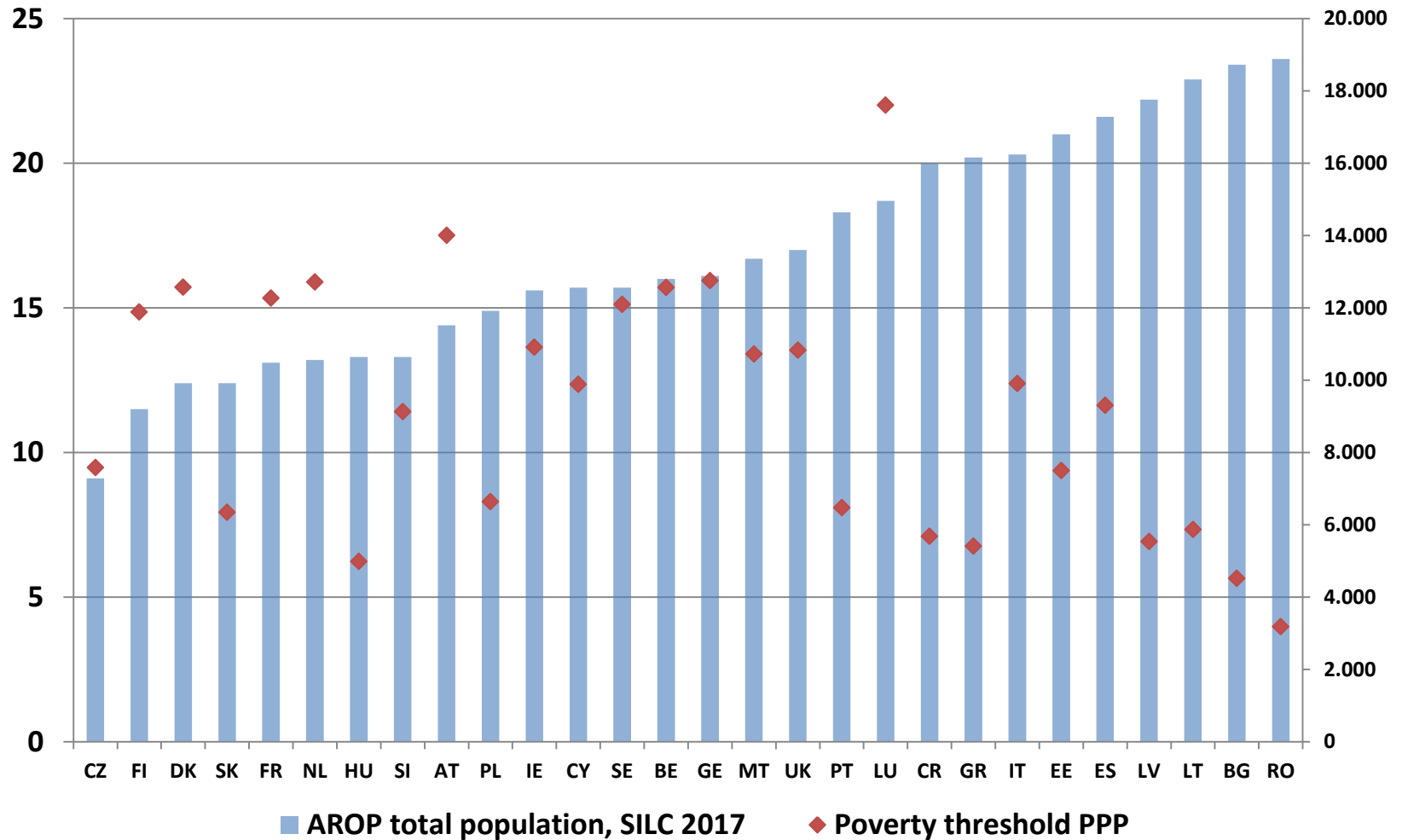


Output: a two-dimensional map

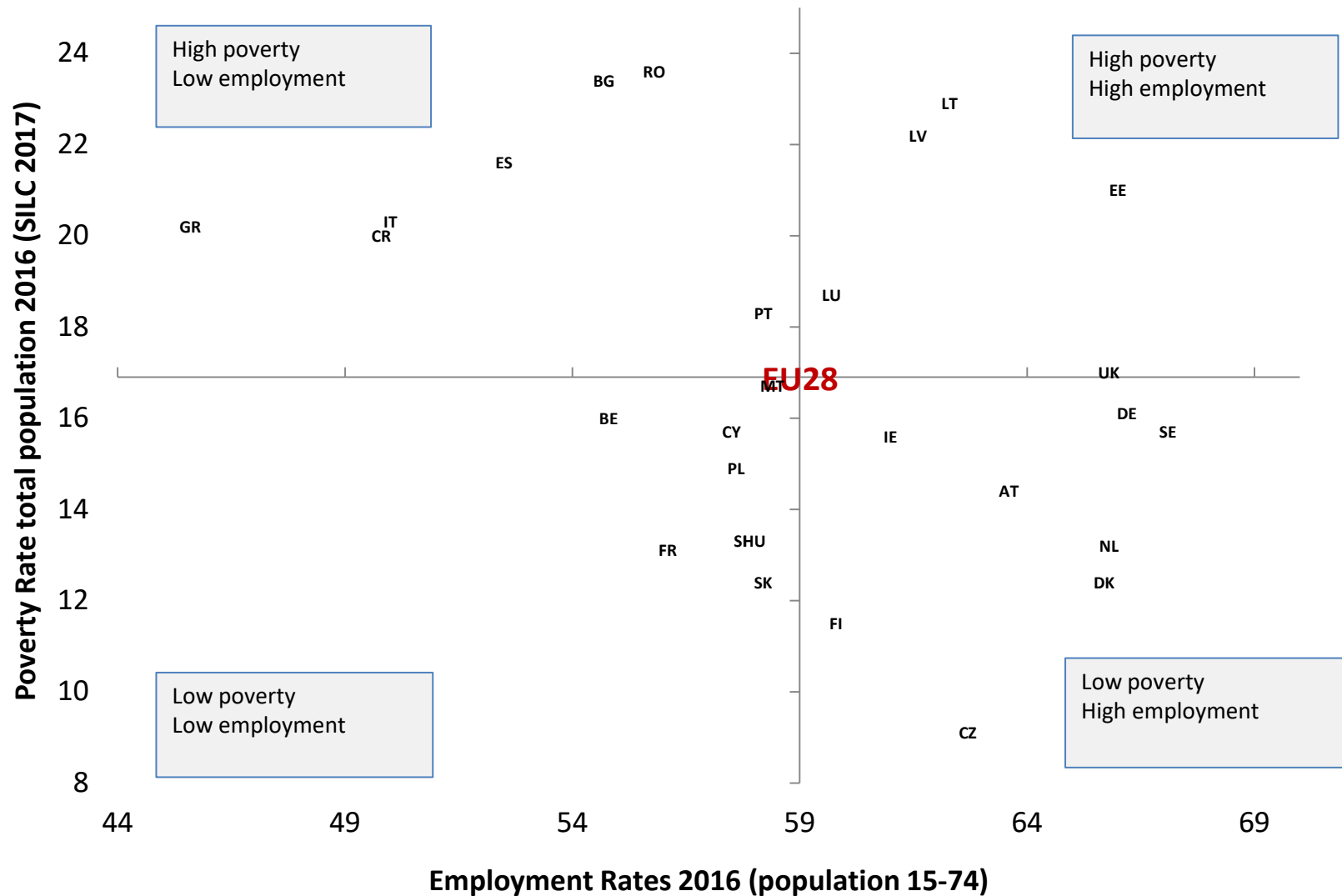


The diversity of EU welfare states: poverty

Poverty risk and poverty threshold: "national" conception (SILC 2017)



The performance of European welfare states



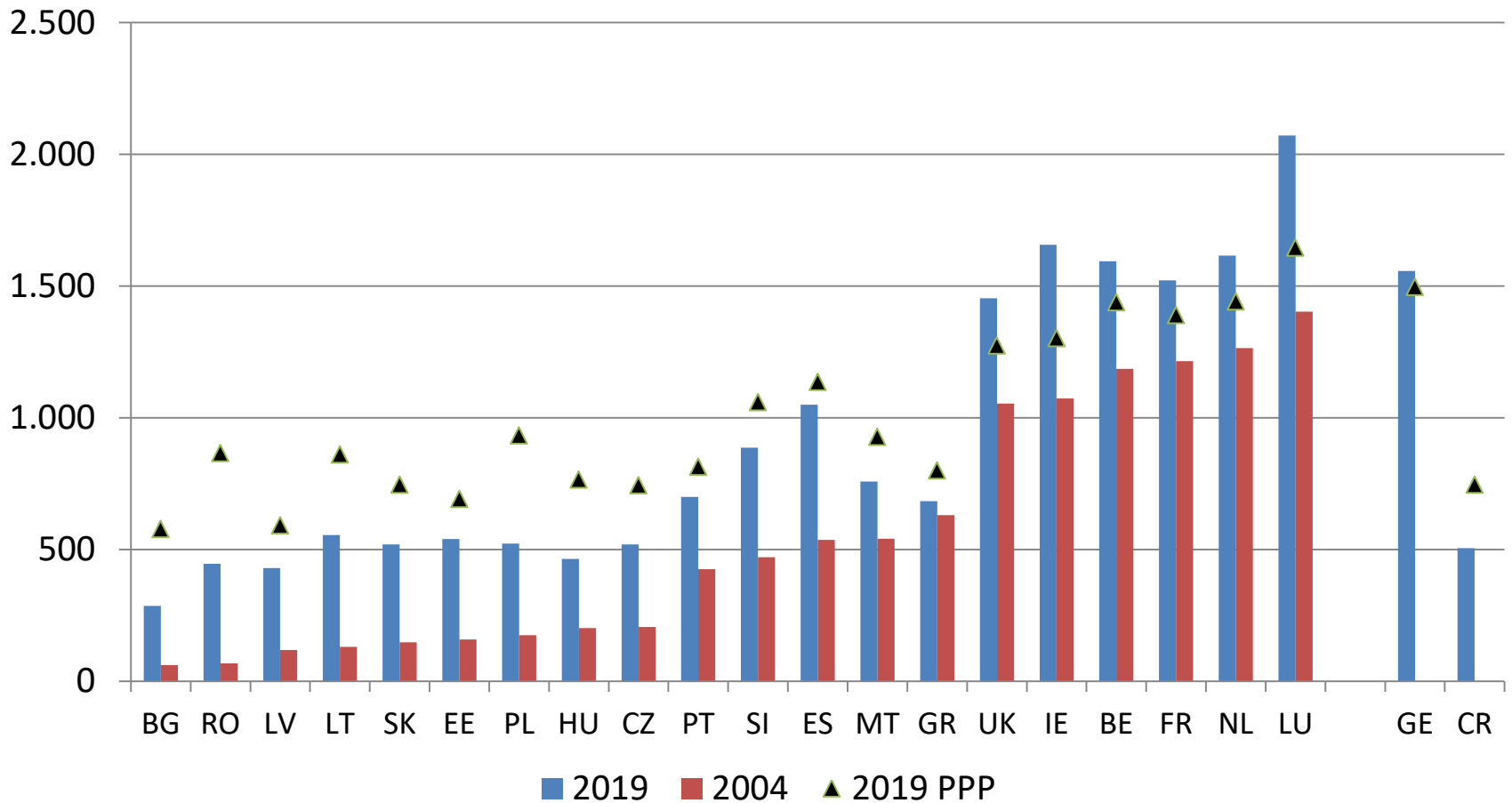
The social dimension of the European project according to the *founding fathers*: a belief in convergence

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

Monthly minimum wages: disparity but convergence East-West

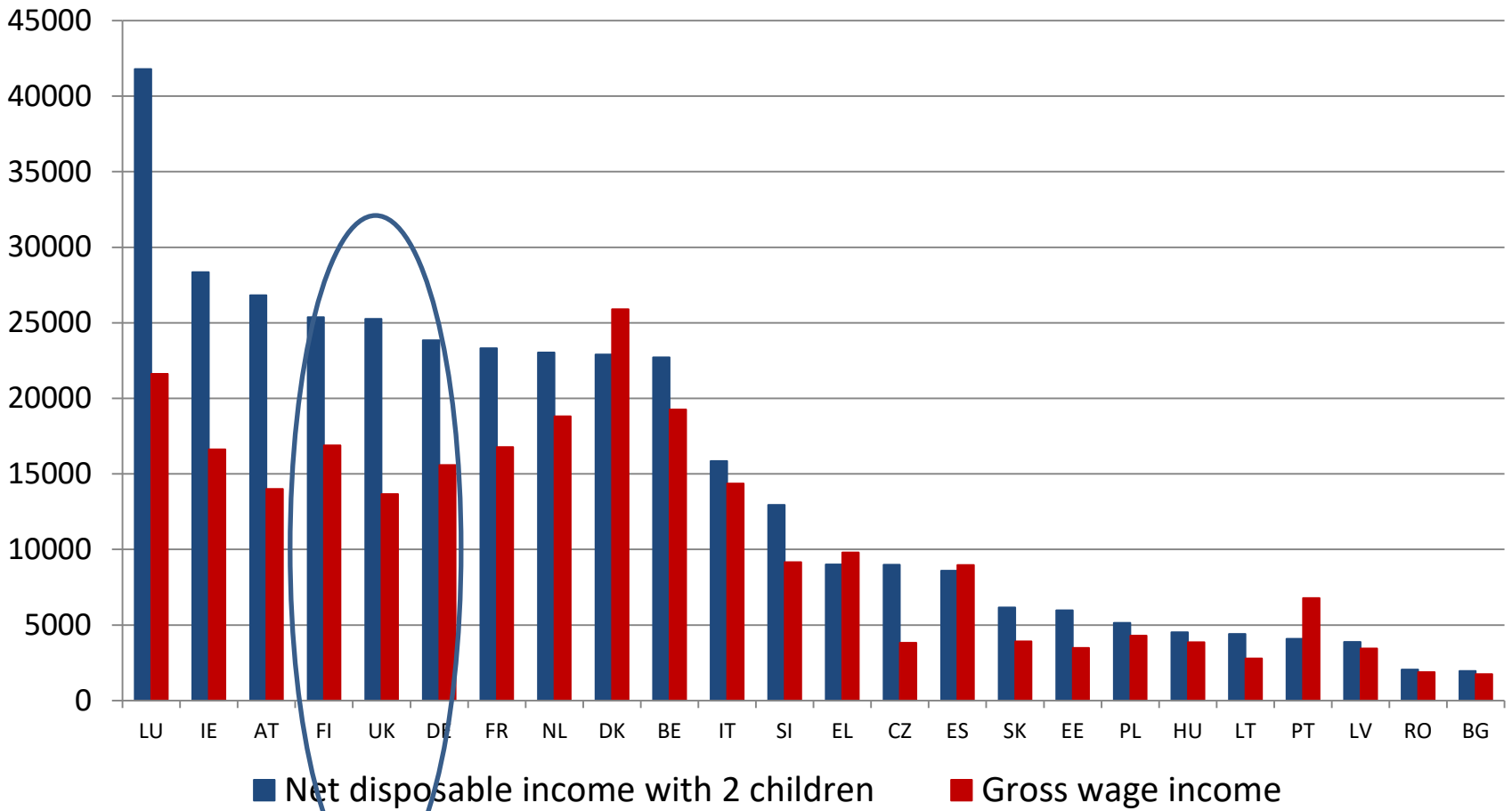


PPP = Purchasing Power Parities (correction for differences in price levels)

Reconciling openness and domestic cohesion: a political challenge

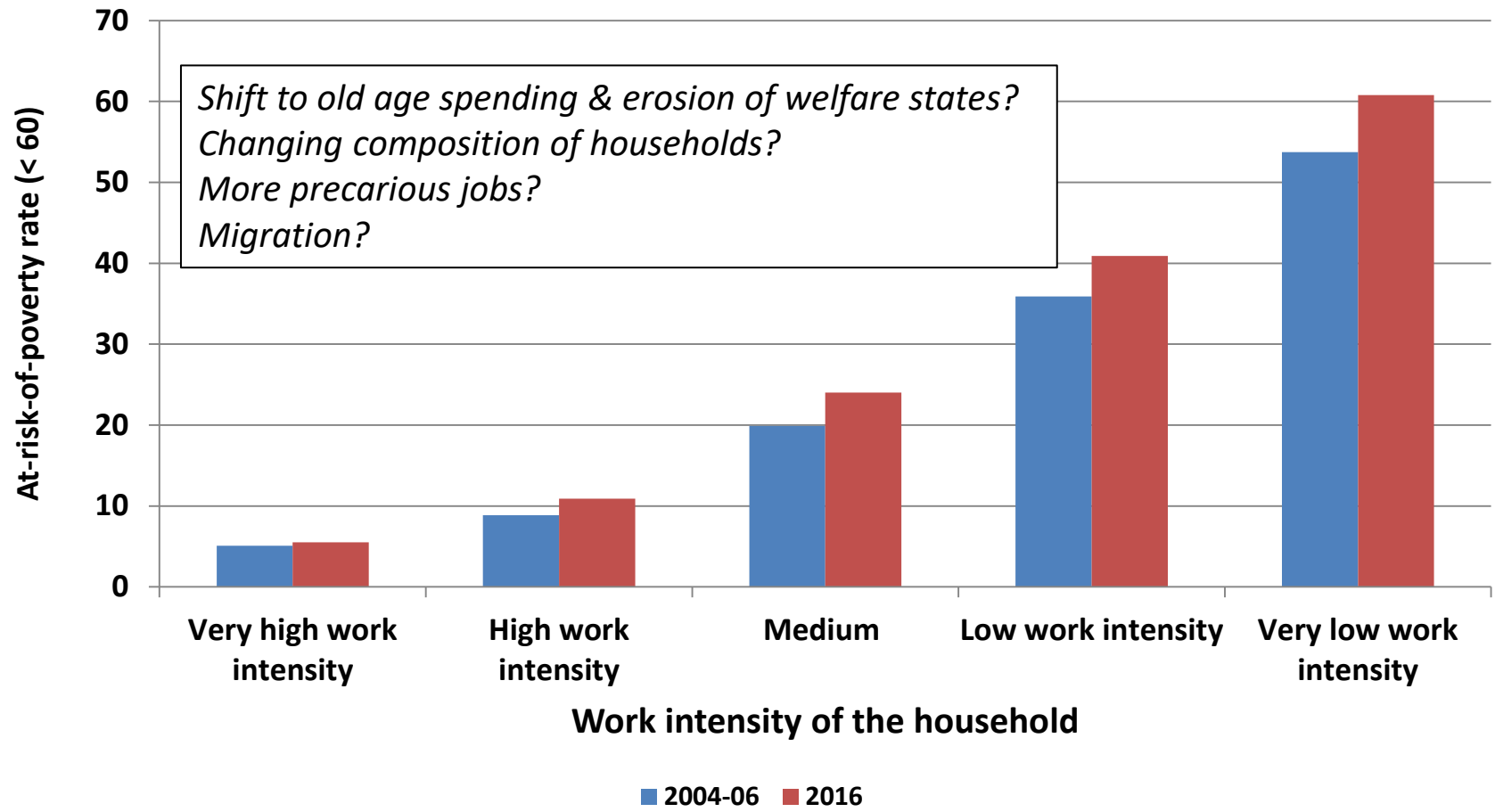
- Openness and mobility must not exert downward pressure on the level of minimum income protection (minimum wages, minimum social security entitlements, minimum social assistance)
- Access to social benefits: the general principle of non-discrimination
- The exception: posting of workers
- We do not see 'benefit tourism'
- Posting of workers needed reform
- Transparency and coverage of minimum wage regimes

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 2017

SILC year T refers to observation year T-1, except for IE

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 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 both social investment policies and minimum income protection.

(Vandenbroucke & Rinaldi)

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- **Design flaws in the European project**

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: institutional moral hazard

EMU: needs 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

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

A European Social Union

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 (1)

- 1) Vandenbroucke, Addressing Global Inequality: Is the EU Part of the Equation?, in: Diamond (ed), *The Crisis of Globalization: Democracy, Capitalism and Inequality in the Twenty-First Century*, I.B. Tauris, London & New York, 2019, pp. 235-258 (download via www.frankvandenbroucke.uva.nl)
- 2) Vandenbroucke, Social policy in a monetary union: puzzles, paradoxes and perspectives, in: Boone, Marc; Deneckere, Gita & Tollebeek, Jo (eds.), *The End of Postwar and the Future of Europe - Essays on the work of Ian Buruma*, Verhandelingen van de KVAB voor Wetenschappen en Kunsten. Nieuwe reeks, 31, Uitgeverij Peeters, 2017; download via www.frankvandenbroucke.uva.nl
- 3) 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 (download via <http://www.vision-europe-summit.eu/> or www.frankvandenbroucke.uva.nl)

Resources (2)

4) Vandenbroucke, *Social benefits and cross-border mobility. Sticking to principles may yield better practical results for everybody*, Tribune, Notre Europe Institut Jacques Delors, 17 June 2016 (download via www.frankvandenbroucke.uva.nl)

5) Vandenbroucke, Barnard, De Baere (eds.), *A European Social Union after the Crisis*, Cambridge: Cambridge University Press, September 2017, <https://doi.org/10.1017/9781108235174> (Introductory chapter in Open Access on www.frankvandenbroucke.uva.nl, item 263).

6) European Commission, *Commission Recommendation on the European Pillar of Social Rights*, COM(2017) 2600 final, 2017.

7) Vandenbroucke, *The European Pillar of Social Rights: from promise to delivery –Introduction to the ‘European Social Union (ESU) public forum debate’*, EuroVisions, 3 December 2018 + other contributions in this debate: <http://www.euvisions.eu/>

[www.frankvandenbroucke_uva.nl](http://www.frankvandenbroucke.uva.nl)