

# **The making of a European Social Union (and the role of the FEAD?)**

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# A European Social Union (ESU)

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
- ⇒ Subsidiarity as an organizing principle

# A European Social Union (ESU); arguments for FEAD?

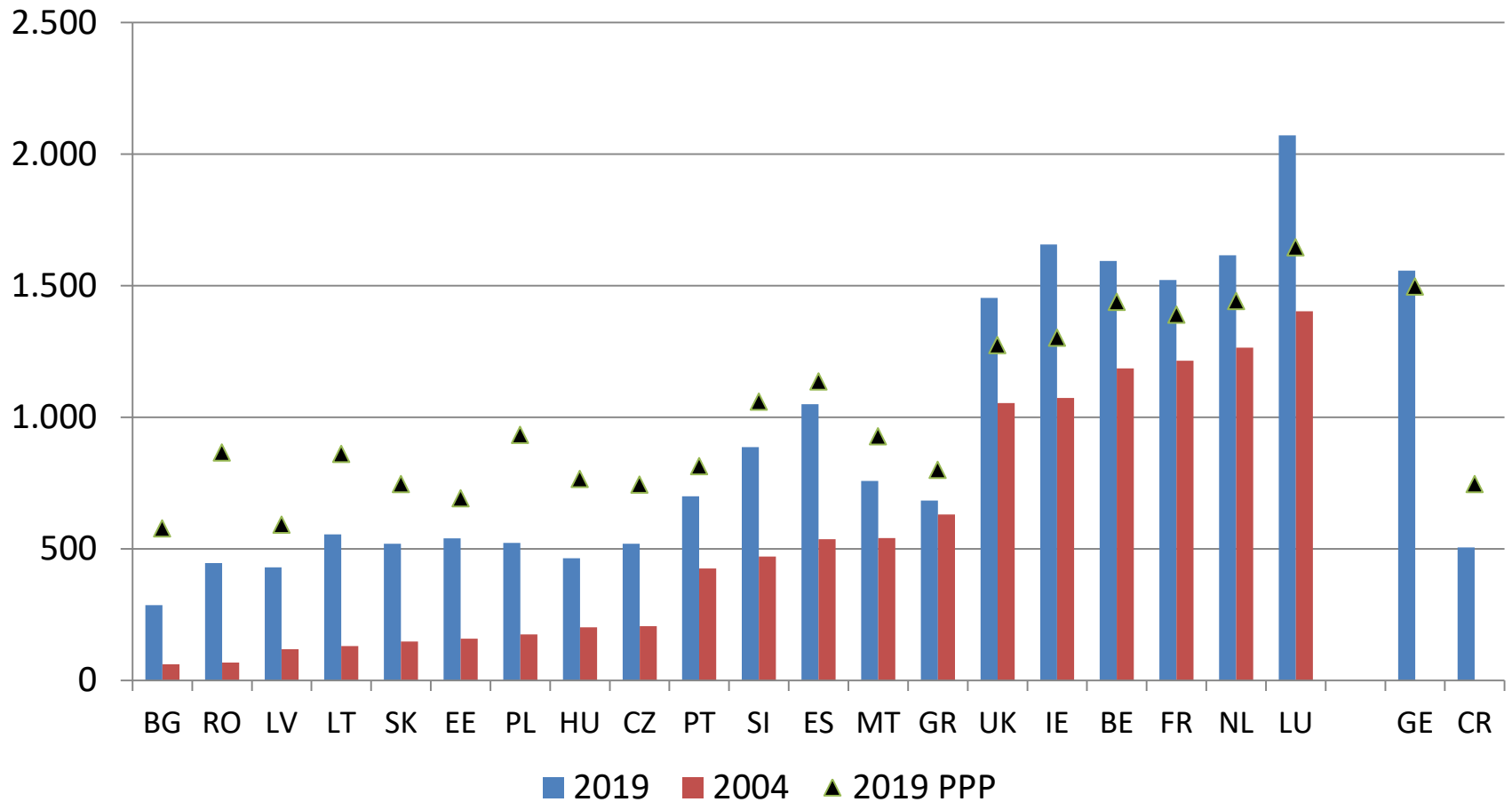
A Social Union would

- support national welfare states on a *systemic* level in some of their key functions (e.g. stabilization, fair corporate taxation, **cognitive support?** ...)
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- ⇒ Subsidiarity as an organizing principle
- *The EU cares*

# ESU reconnects with the *founding fathers* and the aspiration of convergence, but rethinks the division of labour

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

## Minimum wages: disparity but convergence East-West...



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

## ... yet, after enlargement, reconciling openness and domestic cohesion requires a more elaborate EU framework

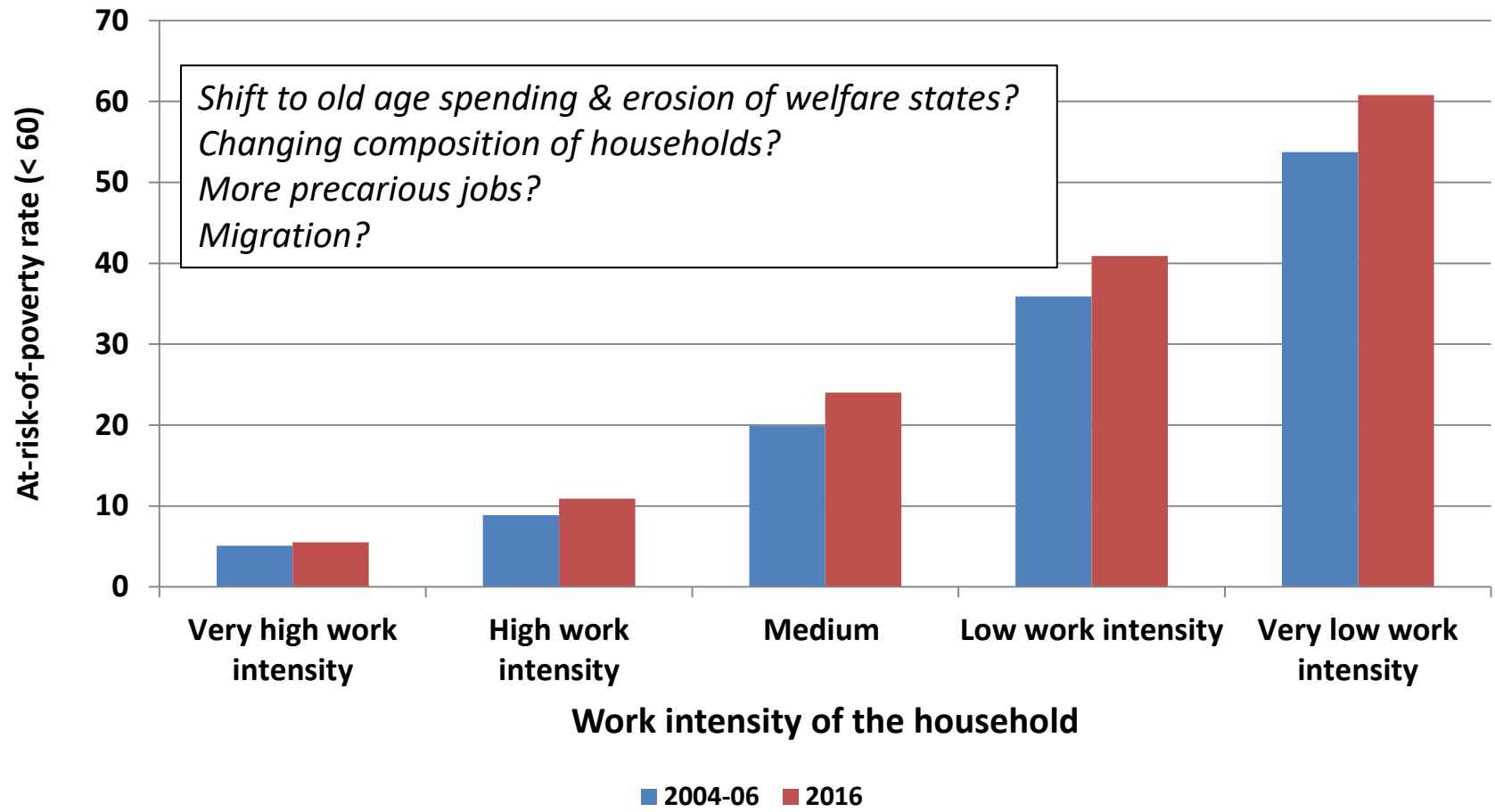
- Example: posting of workers needed reform
- Example: Transparency and coverage of minimum wage regimes
- “Fair mobility” and “Earned social citizenship”: two complementary logics can apply legitimately with regard to social citizenship if they are applied conjointly:
  - Economically active citizens have the right to take up employment opportunities across borders, and on the basis of employment they ‘earn’ non-discriminatory access to all social benefits in the Member State where they work, including protection against the consequences of involuntary inactivity (unemployment, illness).
  - A non-active citizen who needs protection cannot simply rely on any Member State of his (or her) choice: his nationality determines the Member State which is first and foremost responsible for his protection. Under carefully delineated conditions, another Member State to which he has no bond of nationality is allowed to say that the non-active citizen’s social protection would create an ‘unreasonable burden’ on its welfare state (these conditions must substantiate that, in the absence of a real link with the host Member State, the right of free movement was exercised solely in order to benefit from the host state’s social assistance). In contrast, **it would be ‘unreasonable’ for any Member State not to provide adequate social protection for its national citizens, whatever the causes of their vulnerability and dependence.**

# EMU needs common standards for *resilient* welfare states

- Resilience = flexibility & stability
  - 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
- ✓ These principles become a fortiori imperative, if the Eurozone would be equipped with re-insurance of national unemployment insurance systems (institutional moral hazard)
- ⇒ ***European Pillar of Social Rights***, Gothenburg Summit, 17 November 2017



# 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: complex 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
- ✓ If the EU *cares*, the EU should promote both social investment policies and minimum income protection; cf. 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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The risk of substitution: see Luigjes, Fischer & Vandenbroucke, 2019

# Resources

- 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](http://www.frankvandenbroucke.uva.nl), item 263).
- Cantillon, The European Pillar of Social Rights: ten arguments for prioritising principle 14 on minimum incomes in: *European Social Union: A Public Forum Debate* <http://www.euvisions.eu/issues/europea-social-union-public-forum-debate/>, 2019.
- Vandenbroucke, introduction and conclusion to: *European Social Union: A Public Forum Debate* <http://www.euvisions.eu/issues/europea-social-union-public-forum-debate/>, 2019.
- Luigjes, Fischer, Vandenbroucke, The Design of a European Unemployment (Re)Insurance Scheme: Lessons from US Experience, *Amsterdam Centre for European Studies Research Paper* 2019/06, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3436884](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3436884)