

The perspective of a *European Social Union*

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Defining the EU's social objective: necessity rather than luxury

- There is a social corollary to monetary unification: in order to function well, EMU requires a basic consensus on some key features of the member states' social model.
- There is a social corollary to the Single Market: for it to function well, it needs a social dimension.
- However, one should not overstretch functionalist arguments: what is 'needed' because of monetary unification/the Single Market in Europe, depends on the fundamental aspirations that drive the European project at large.
- A call for conceptual clarity: a *European Social Union* ≠ a European Welfare State

EMU as an insurance union: a vaccination metaphor

- Why are stabilization instruments centralized in monetary unions?
 - Risk sharing (pooling)
 - Externalities (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 reinsurance of national unemployment insurance systems.

The social dimension of EMU: an evolving paradigm

- In the 1990s, labour market reform was justified by the advent of EMU: supply-side flexibility and 'enabling' activation policies. Today, we need a broader approach : EMU requires a consensus on labour market institutions that support 'stability' and 'symmetry'. Therefore, collective action and 'protective' policies are in order. Enabling and protective policies can be mutually reinforcing, in creating *resilient social systems*.
- Symmetry: member states need labour market institutions that can deliver on wage coordination; this excludes totally decentralised and uncoordinated bargaining. Institutions that monitor competitiveness should be embedded in social dialogue, and distributive concerns should be mainstreamed in the monitoring of competitiveness.

The social dimension of the Single Market

- The Single Market needs both ‘posting’ and free movement of workers (and non-discrimination), as a matter of fairness.
- A ‘balancing act’ between domestic social cohesion and free movement is possible (*Viking* and *Laval* judgments).
- Reform of the Posted Workers Directive: compromise is needed
- National minimum wage regimes should be transparent, predictable and universal in coverage.
- Migration creates less pressure in adequately regulated labour markets: hence, the importance of collective bargaining and social dialogue, and access to social security for all workers.

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 (reconnecting with the *founding fathers’* inspiration)

A practical agenda (I): Fair mobility

- Robust defense of the idea that EU needs both non-discriminatory free movement of workers and posting, as a matter of fairness
- Reform of the Posted Workers Directive
- Improvements for mobile citizens
- Adequate labour market regulation, importance of collective bargaining and access to social security for all workers, cf. next slide

A practical agenda (II): Upward convergence in social standards & performance

- The *European Pillar of Social Rights*: important initiative, but to be made operational (legislative, financial & policy coordination instruments)
- Priority areas for the stabilisation capacity of welfare states and the successful integration of migrant workers:
 - Access to social protection for all workers
 - Quality of unemployment insurance & activation
 - Universality of minimum wage regimes
- Upward convergence in features supporting the stabilisation capacity of national welfare states is *a fortiori* needed with a view to the eventual organization of a Eurozone re-insurance scheme ('vaccination metaphor').
- [Wage coordination in Eurozone: can it be 'symmetrical' and linked with 'national conversations' on the functional distribution of incomes?]

A practical agenda (III): Investment in human capital

- Revisit the 2013 *Social Investment Package*
- Enhance importance of investment in human capital (child care, education) in European Semester (CSR's), and create budgetary leeway to implement such CSR's in fiscal surveillance of member states.

Resources

- **On the concept of ESU:** Vandenbroucke, Barnard & De Baere, *A European Social Union after the Crisis*, CUP, 2017
- **On the need for social convergence:** Vandenbroucke, Structural convergence versus systems competition: limits to the diversity of labour market policies in the European Economic and Monetary Union, ECFIN discussion paper 065, *European Commission Directorate-General for Economic and Financial Affairs*, Brussels, 20 July 2017 (<http://ssrn.com/abstract=3011847>)
- **In defense of free movement & non-discrimination:** Vandenbroucke, Basic income in the European Union: a conundrum rather than a solution, *ACCESS EUROPE Research Paper 2017/02*, 01 August 2017 (<http://ssrn.com/abstract=3008621>)
- **Practical agenda:** Fernandes and Vandenbroucke, *Making social Europe a reality for European citizens*, Notre Europe Jacques Delors Institute, Tribune – Viewpoint, Paris, 31 May 2017 (<http://www.institutdelors.eu/media/socialeurope-fernandesvandenbroucke-may2017.pdf?pdf=ok>)

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