

A European Social Union

Unduly idealistic or inevitable?

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Resources

- *Politique sociale et union monétaire: puzzles, paradoxes et perspectives*, Revue Belge de Sécurité Sociale, 58 (1/2016), pp. 7-38.
- *Sociaal beleid in een muntunie: puzzels, paradoxen en perspectieven*, Belgisch Tijdschrift voor Sociale Zekerheid, 58 (1/2016), pp. 5-35.

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A tragic dilemma?

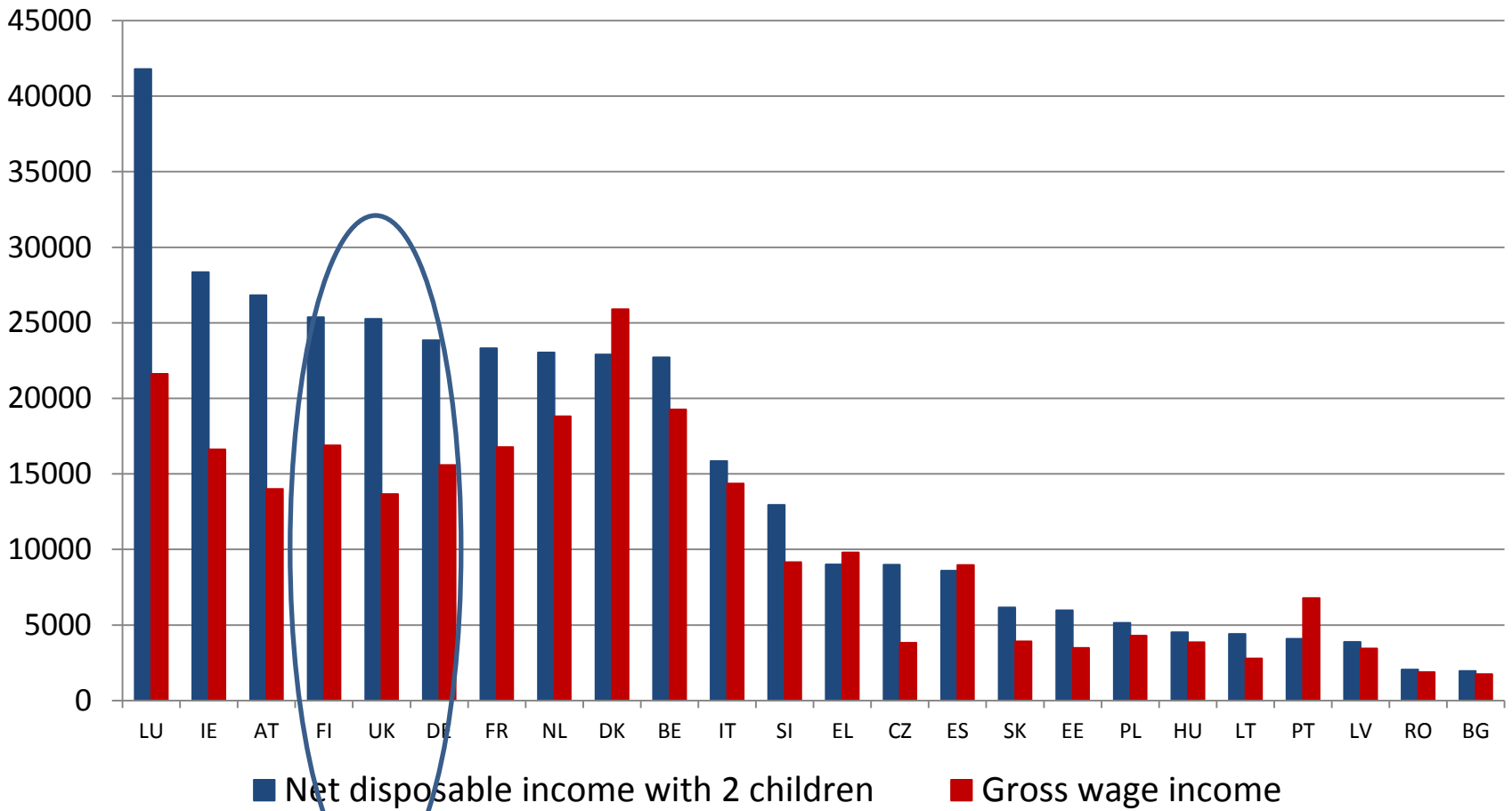
The social dimension of the European project according to the *founding fathers*: a belief in convergence

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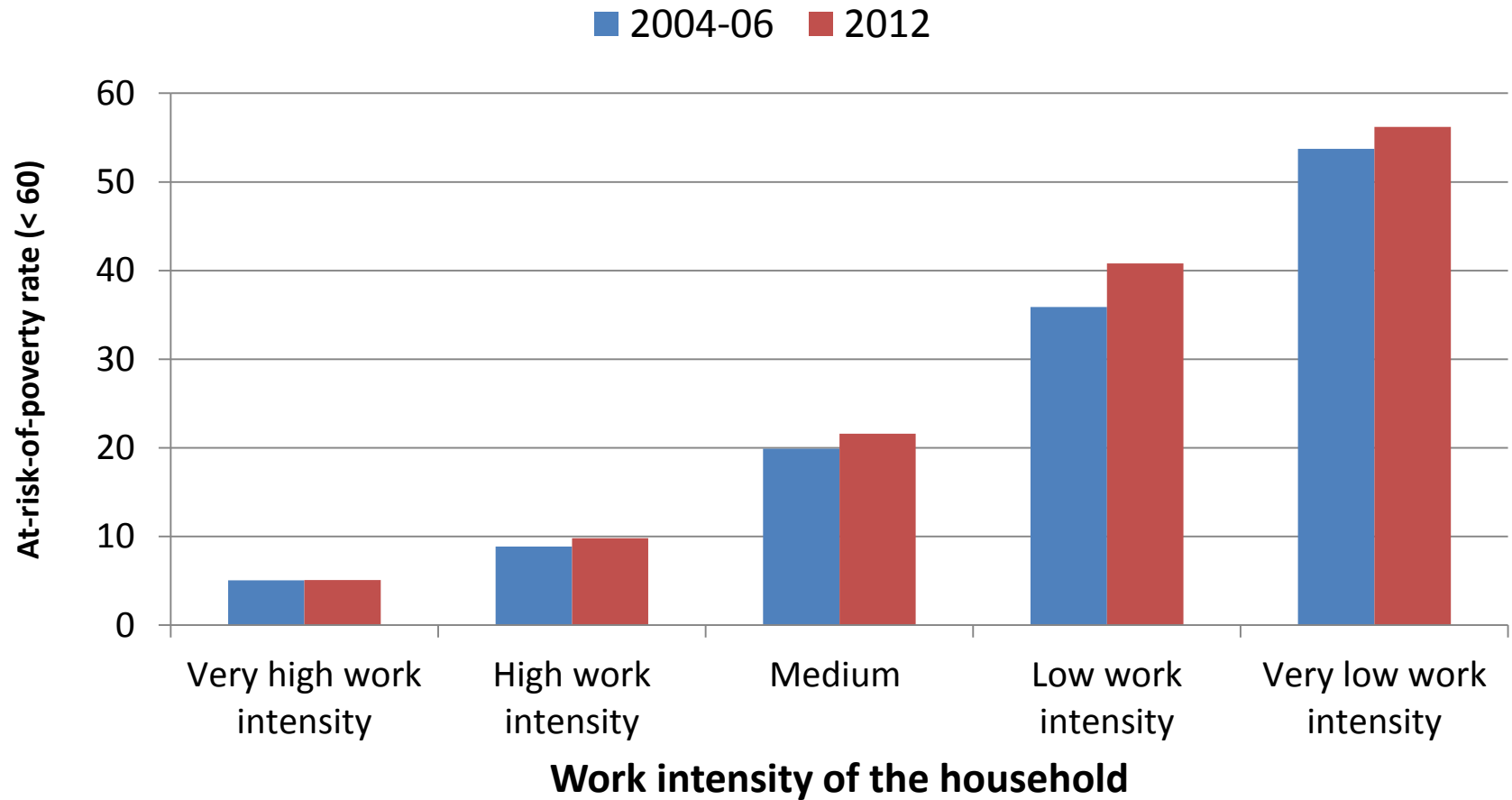
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- A tragic dilemma of integration (in the enlarged and heterogeneous EU)?

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



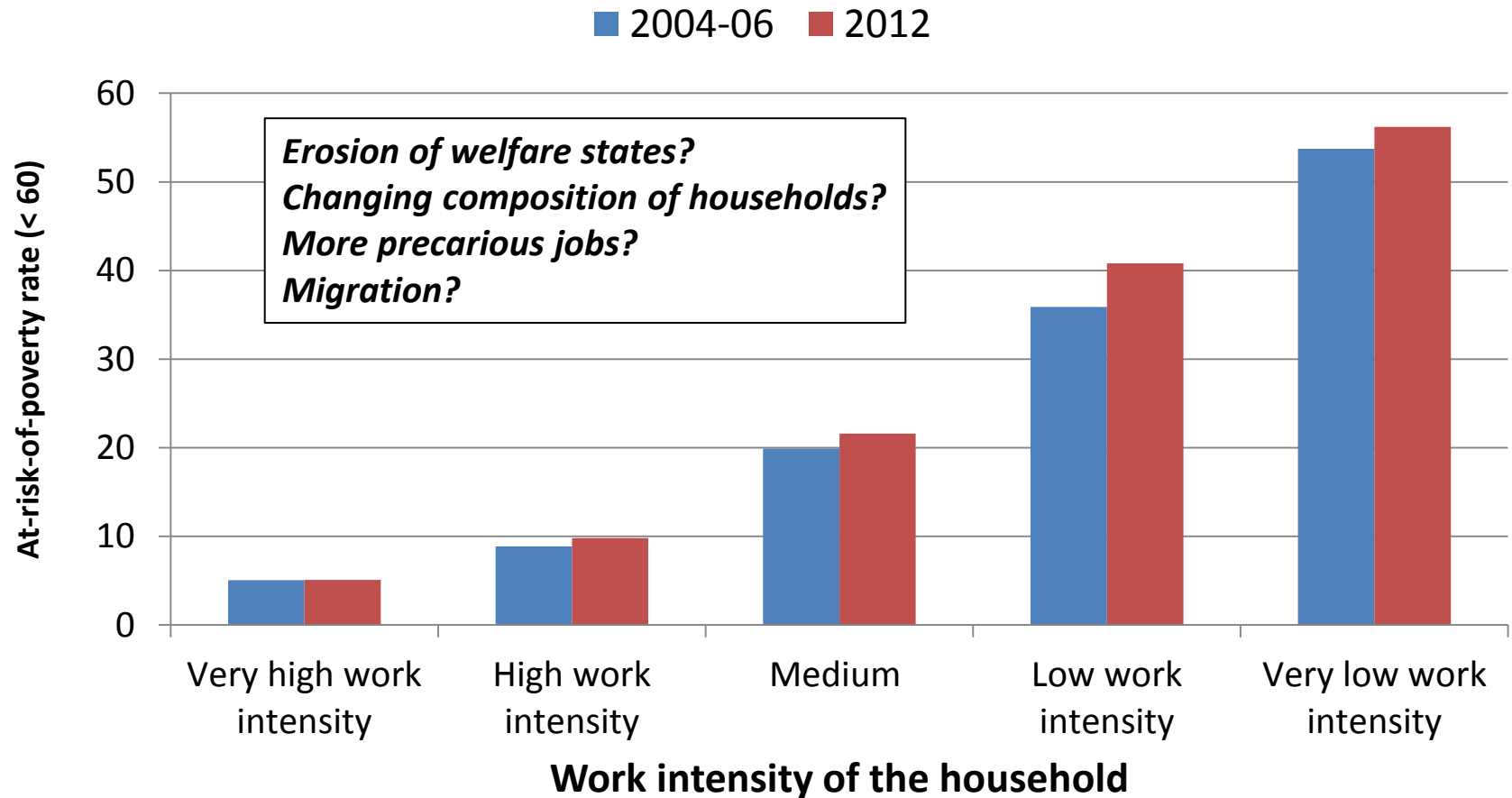
Bron: CSB/MIPI

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



Bron: Eurostat, SILC 2005-2007; SILC 2013

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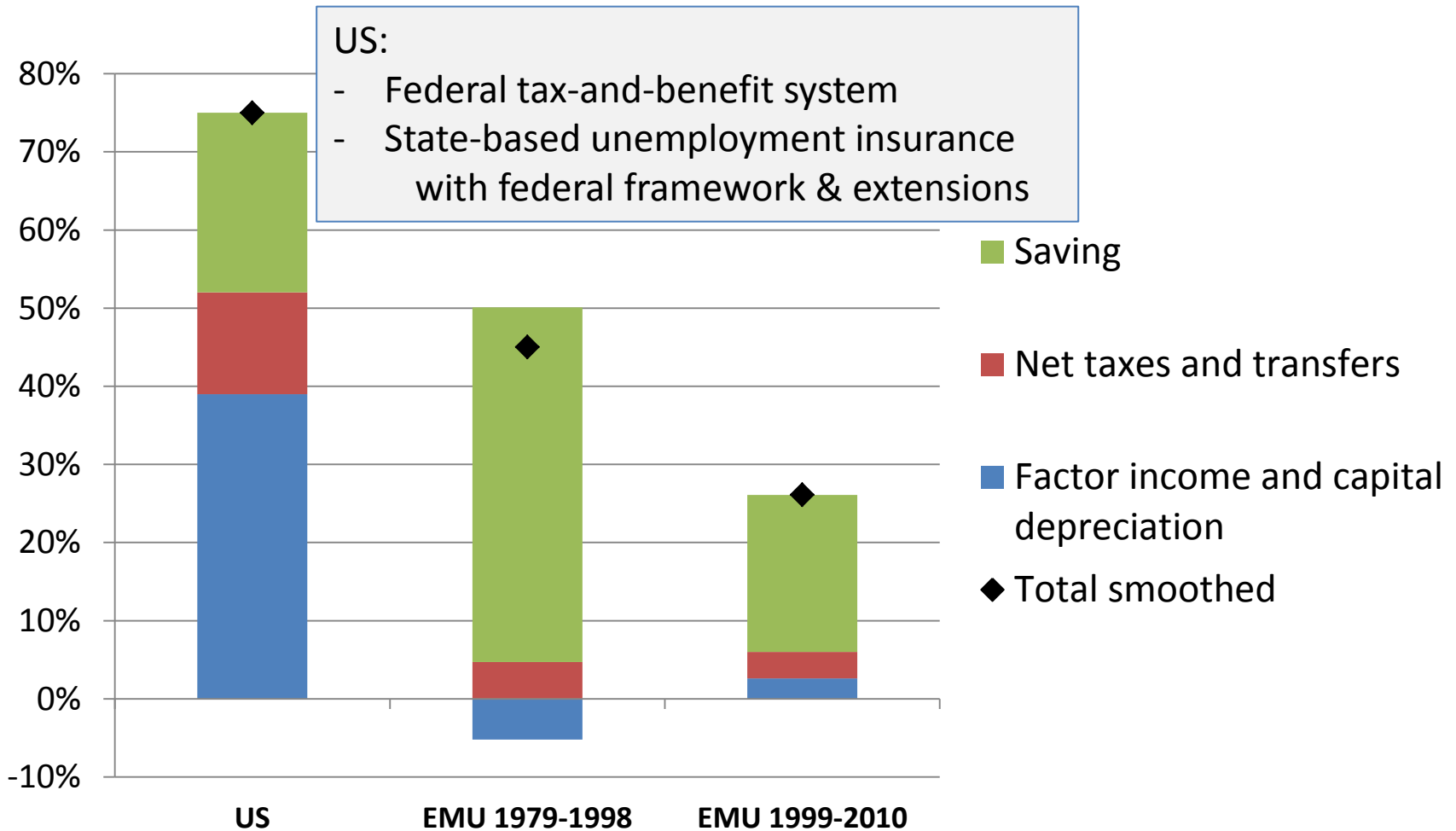


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- Design flaws in the European project?

Macro-economic stabilisation: smoothing of economic shocks: US vs. EMU



EMU: stability, sovereignty and solidarity

- Why are stabilization instruments centralized in monetary unions?
 - Risk sharing (pooling)
 - Externalities (vaccination)
- Paradox: in the US, solidarity systems at the state level are weak, but they are supported by solidarity mechanisms at the federal level; the EU is not ready to support strong mechanisms of solidarity at the member state level by solidarity at the EU level.
- Puzzle of:
 - Binding agreements \Leftrightarrow sovereignty
 - Distrust \Leftrightarrow solidarity
 - Legitimate concern about *moral hazard*, which has become an obsession

Defining the EMU's social objective is a necessity rather than a luxury

- EMU forces upon the member states :
 - a shared conception of labour market flexibility
 - symmetric guidelines on wage cost competitiveness & institutions that can deliver
 - long term: sustainability of pensions
- Any 'Eurozone re-insurance' of 'national stabilization policies presupposes (a) minimum requirements w.r.t. the adequacy of national unemployment insurance and the concomitant labour market regulation; and (b) general trust in the quality of each other's social fabric.
- The need for conceptual clarity: a *European Social Union* ≠ a European Welfare State

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, minimum wages)
 - 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

A European Pillar of Social Rights: arguments & *caveats*

- A basic consensus about the general features of the ‘social order’ that is associated with the Monetary Union is a necessity; the EPSR can contribute to such a consensus.
- Upward convergence across the EMU/EU28 requires a combination of social investment, sufficiently egalitarian background conditions and social protection, as embodied in the EPSR.
- *Caveat:* perception of ‘replay’ of earlier soft initiatives will backlash