

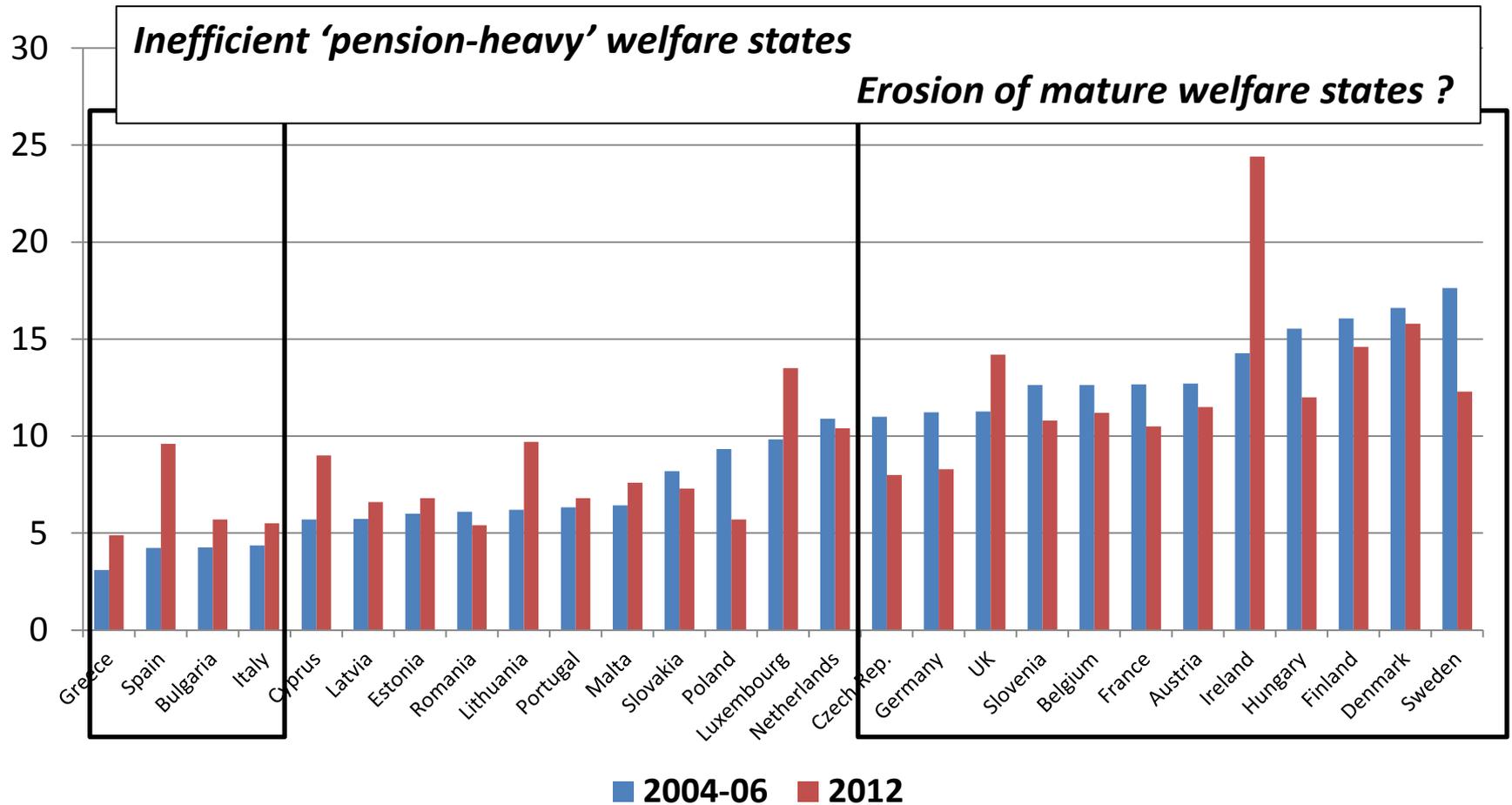
Risk sharing and social inclusion in EMU

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Eliamep European Seminar
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Social and economic stabilisation: a key function of welfare states

- 'Poverty stabilisation'
- Macro-economic stabilisation

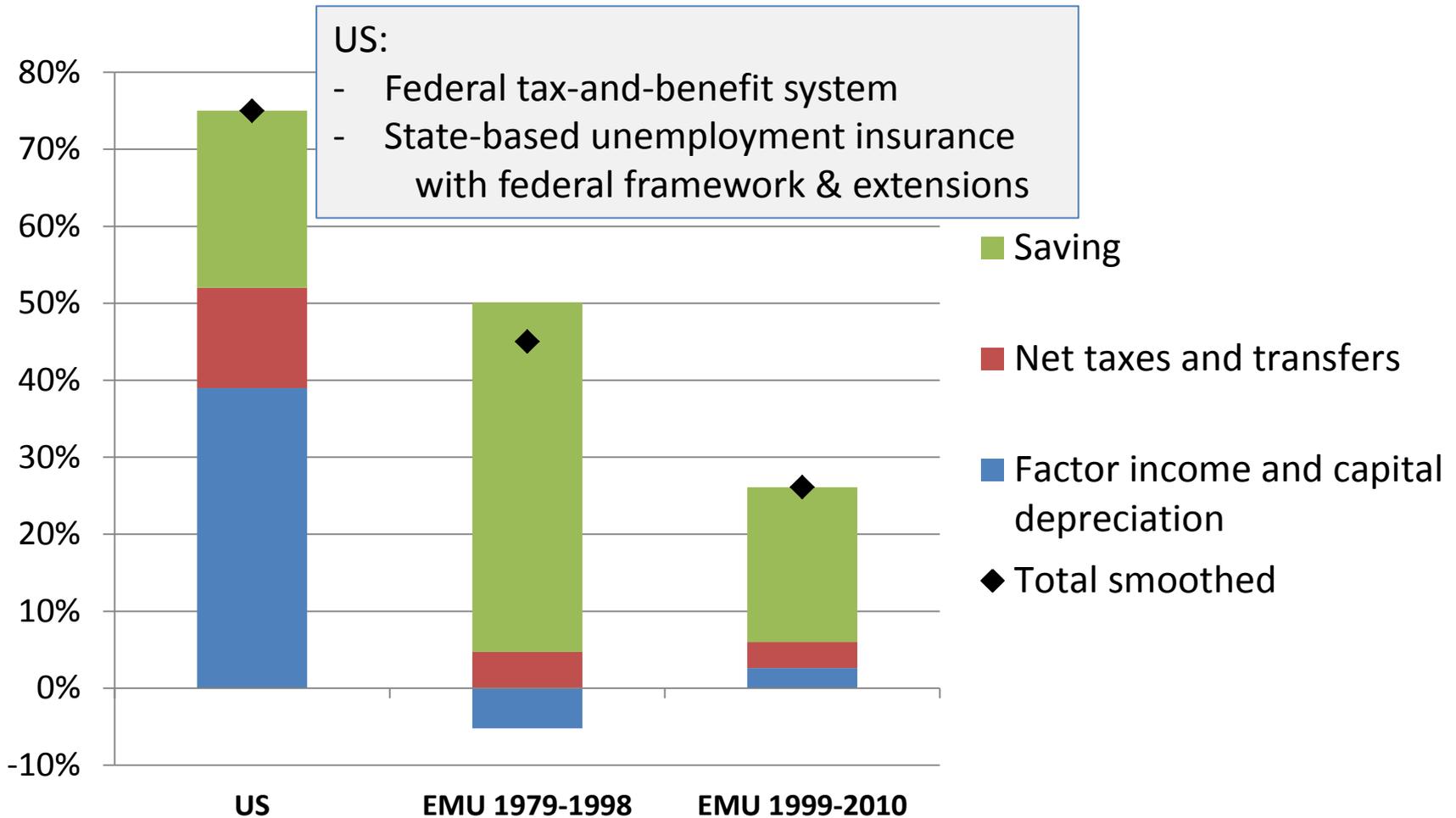
'Poverty stabilisation': the contribution of transfers (*not pensions*) in the reduction of poverty



Source: Eurostat, own calculation of 'poverty reduction by transfers (excl. pensions)', total population, SILC 2005-2007 en SILC 2013



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



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

- Any 'Eurozone re-insurance' of 'national stabilisation 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.
- 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
- 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. stabilisation)
 - 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

Thank you

- 1) Furceri, D. en A. Zdziencicka, *The Euro Area Crisis: Need for a Supranational Fiscal Risk Sharing Mechanism ?*, IMF Working Paper 13/198, 2013
- 2) Beblavy, M., G. Marconi en I. Maselli, *A European Unemployment Benefit Scheme. The rationale and the challenges ahead*, CEPS Special Report No. 119, 2015
- 3) Vandenbroucke, Sociaal beleid in een muntunie: puzzels, paradoxen en perspectieven, Inaugural Lecture at the University of Amsterdam, 1 June 2016 www.frankvandenbroucke.uva.nl
- 4) 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 (<http://www.vision-europe-summit.eu/>)
- 5) Vandenbroucke, The Case for a European Social Union. From Muddling through to a Sense of Common Purpose, in Marin, B. (Ed.), *The Future of Welfare in a Global Europe*, Ashgate: Aldershot UK, 2015, pp. 489-520.
- 6) Vandenbroucke, A European Social Union: Unduly Idealistic or Inevitable?, *European Debates*, 7, European Investment Bank Institute, September 2015 (<http://institute.eib.org/wp-content/uploads/2015/09/A-European-Social-Union-Unduly-Idealistic-or-Inevitable.pdf>)

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