

# **The EU's social dimension: comments on the Reflection Paper and the European Pillar of Social Rights**

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to the EESC hearing

“The impact of the social dimension and the European Pillar of Social Rights on the future of the EU”

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# Key assessment of the Reflection Paper and the Pillar of Rights

Background paper: 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.

- Both the Single Market and EMU need a social dimension, to function well. But, what is 'needed' also depends on the fundamental aspirations that drive the European project at large. (The social policy debate is not exhausted by what we may consider as the logical corollaries of monetary unification and market integration.)
- One should carefully distinguish between (i) the 'social corollary' of the Economic and Monetary Union and (ii) the 'social corollary' of the Single Market; they partly overlap, but are also different.
- The *Reflection Paper on the Social Dimension of Europe* of April 2017 is insufficiently clear about this.
- The *European Pillar of Social Rights* is an important initiative, which has to inform an operational agenda, applying legislative instruments, policy coordination, and financial instruments.

## The social dimension of EMU (1)

- 1) In the 1990s, reform in labour markets was justified by the advent of EMU. The EES emphasized supply-side flexibility and 'enabling' activation policies. Today, we need a broader approach : EMU requires a consensus on labour market institutions that support 'symmetry' and 'stability'. Therefore, collective action and 'protective' policies are in order. Enabling and protective policies can be mutually reinforcing, in creating *resilient social systems*.
- 2) 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. Mainstreaming distributive concerns into competitiveness makes the 'assignment' for national social partners complex and challenging, but such an encompassing approach may stand a better chance to achieve legitimacy.

## The social dimension of EMU (2)

- 3) Stability: for an effective stabilisation capacity member states need: 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; and the constitution of budgetary buffers in good times, so that the 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.)
- 4) In addition, EMU calls for integrated competitive markets for goods and services and cross-border mobility of labour. This in turn entails a social corollary. Next to reform in the regulation of posting, national minimum wage regimes should be transparent, predictable and universal in coverage. This reinforces the case against total decentralisation of collective bargaining.

## The social dimension of EMU (2)

- 3) Stability: to sustain an effective stabilisation capacity in each member state, they need: 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; and the constitution of budgetary buffers in good times, so that the 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.
- 4) In addition, EMU calls for integrated competitive markets for goods and services and cross-border mobility of labour. This in turn entails a social corollary. Next to reform in the regulation of posting, national minimum wage regimes should be transparent, predictable and universal in coverage. This reinforces the case against total decentralisation of collective bargaining.

*(4) = social dimension of the Single Market*

## Unequal Europe: a practical agenda

- Within many member states, the trend towards more inequality is ‘homespun’, rather than the *inevitable* result of globalisation or europeanisation
- EU must be a ‘holding environment’ for national welfare states, enabling them to address inequalities (‘European Social Union’)
- In terms of political communication, EU’s social dimension must speak to both mobile and non-mobile citizens, and create constituencies (e.g. world of education)

## 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
- 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, cf. next slide

# 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?]

## 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.

## Background documents

- **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>)
- **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>)
- **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>)

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