

# **The perspective of a *European Social Union***

Frank Vandembroucke  
University of Amsterdam

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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>)