

The social dimension of European integration

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Structure

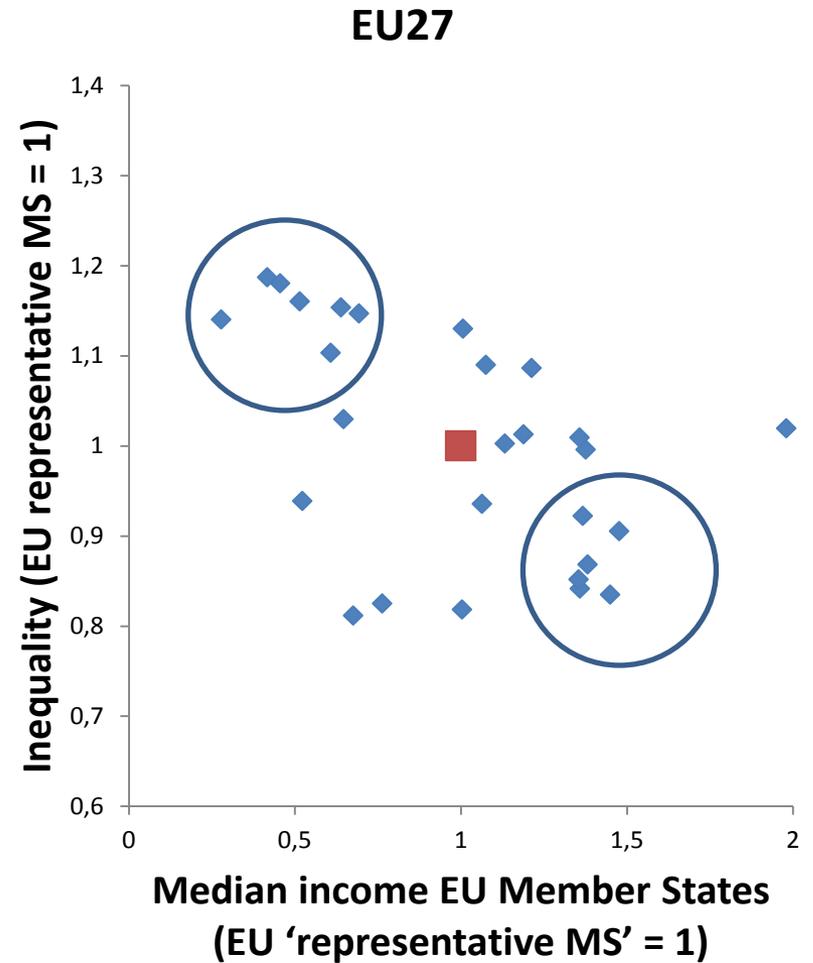
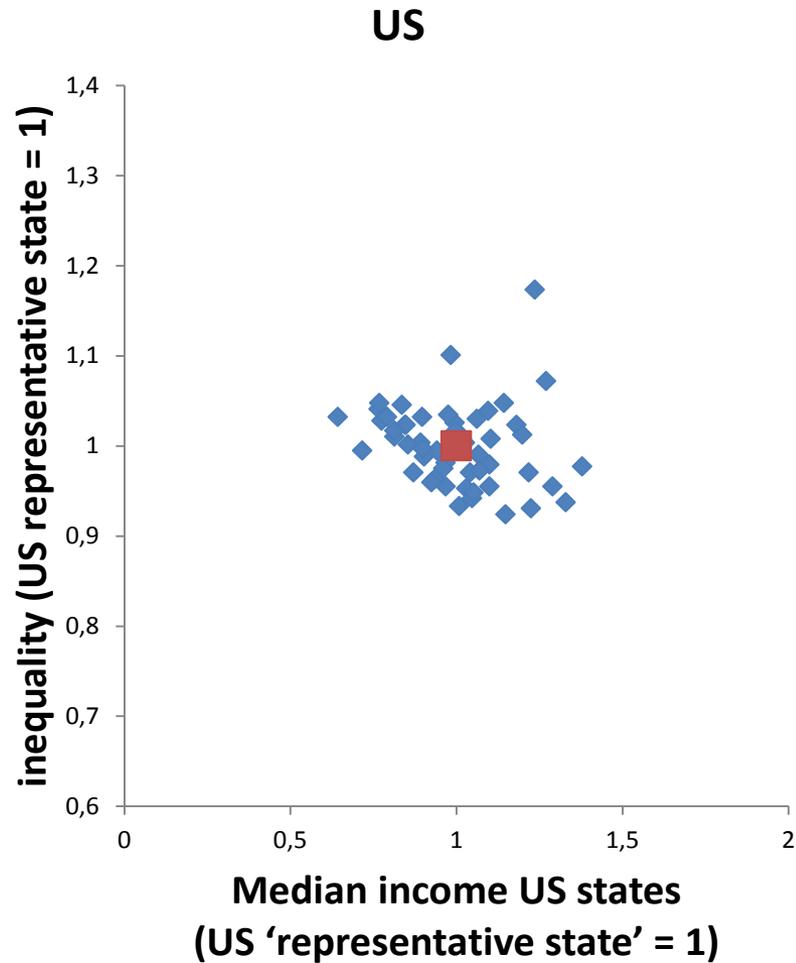
European integration and robust welfare states: a tragic dilemma?

1. The social dimension of the European project according to the *founding fathers*: a belief in convergence
2. Explanations: what stopped the ‘convergence machine’?
 1. Increasing heterogeneity of Member States
 1. a tragic dilemma?
 2. erosion of welfare states
 3. policies (social investment)
 4. reconciling openness and domestic cohesion: the political challenge
 2. Design flaws in European integration
3. The way forward: A European Social Union

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.

Inequality in Europe



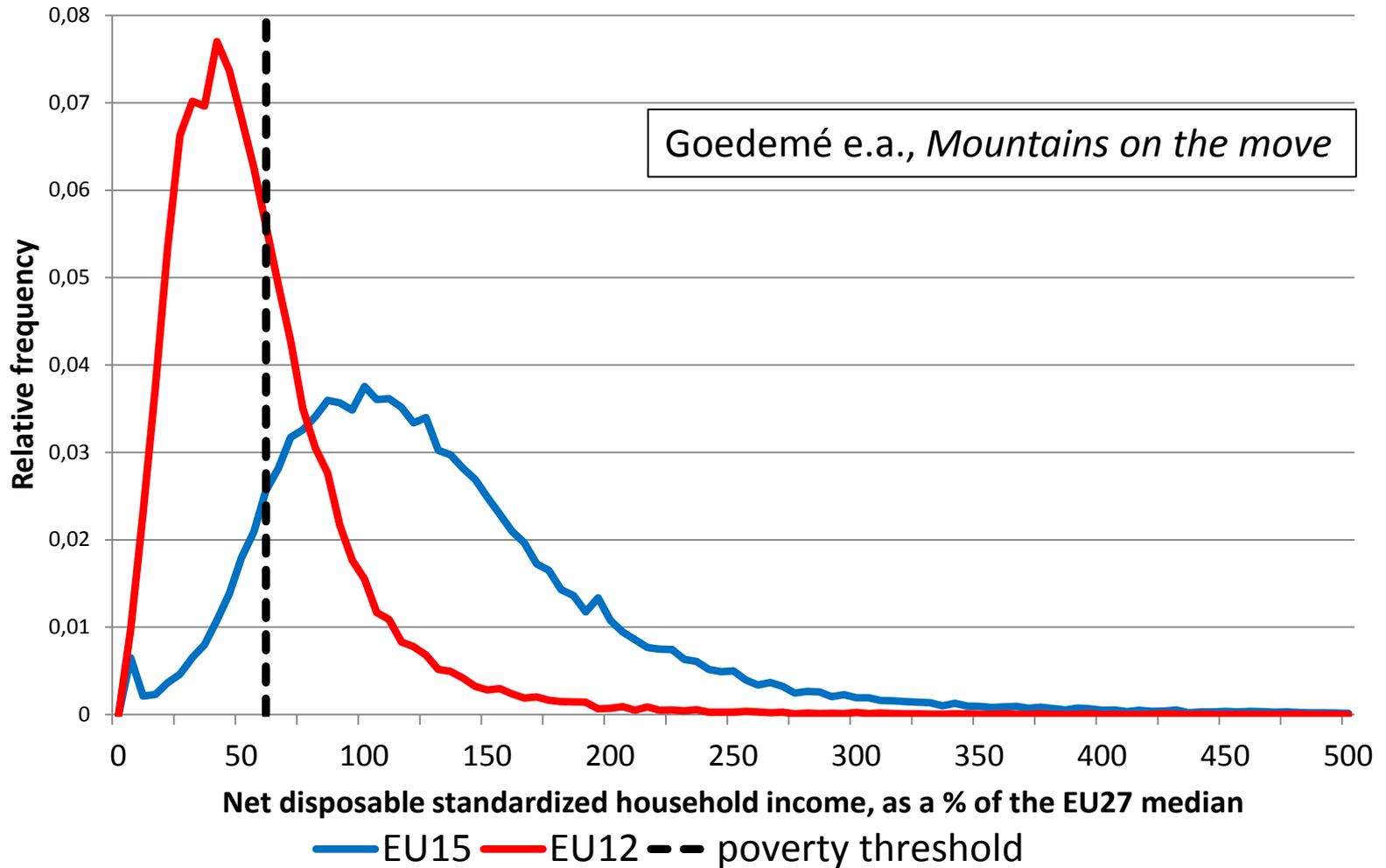
European income distribution: a moving scale



	Romania	Denmark
Top quintile 4	32%	133%
Top quintile 3	30%	140%
Top quintile 2	28%	145%
Top quintile 1	23%	152%

100% = average of 27 Member States

The pan-European distribution of income



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

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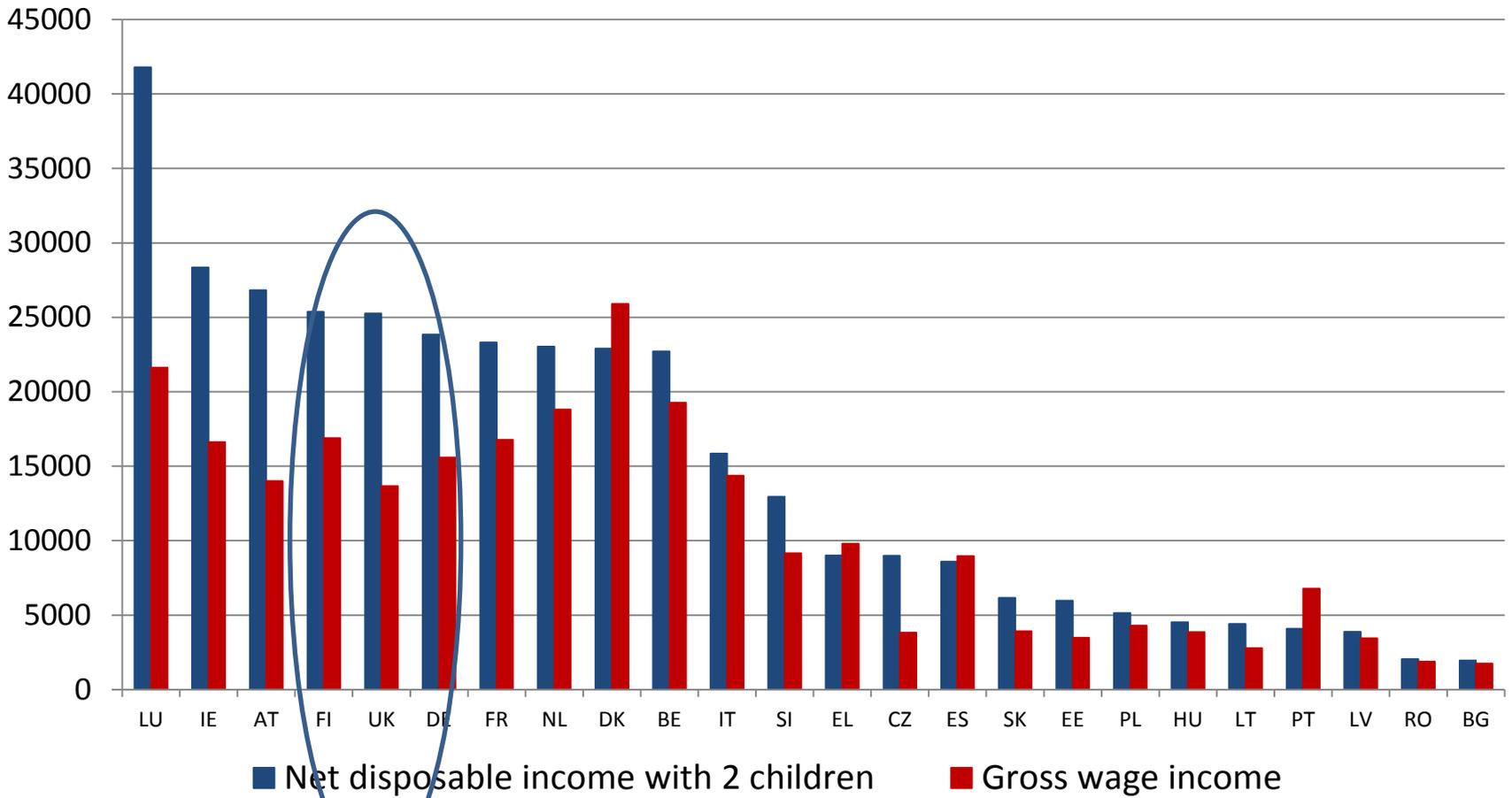
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- 1. a tragic dilemma?**
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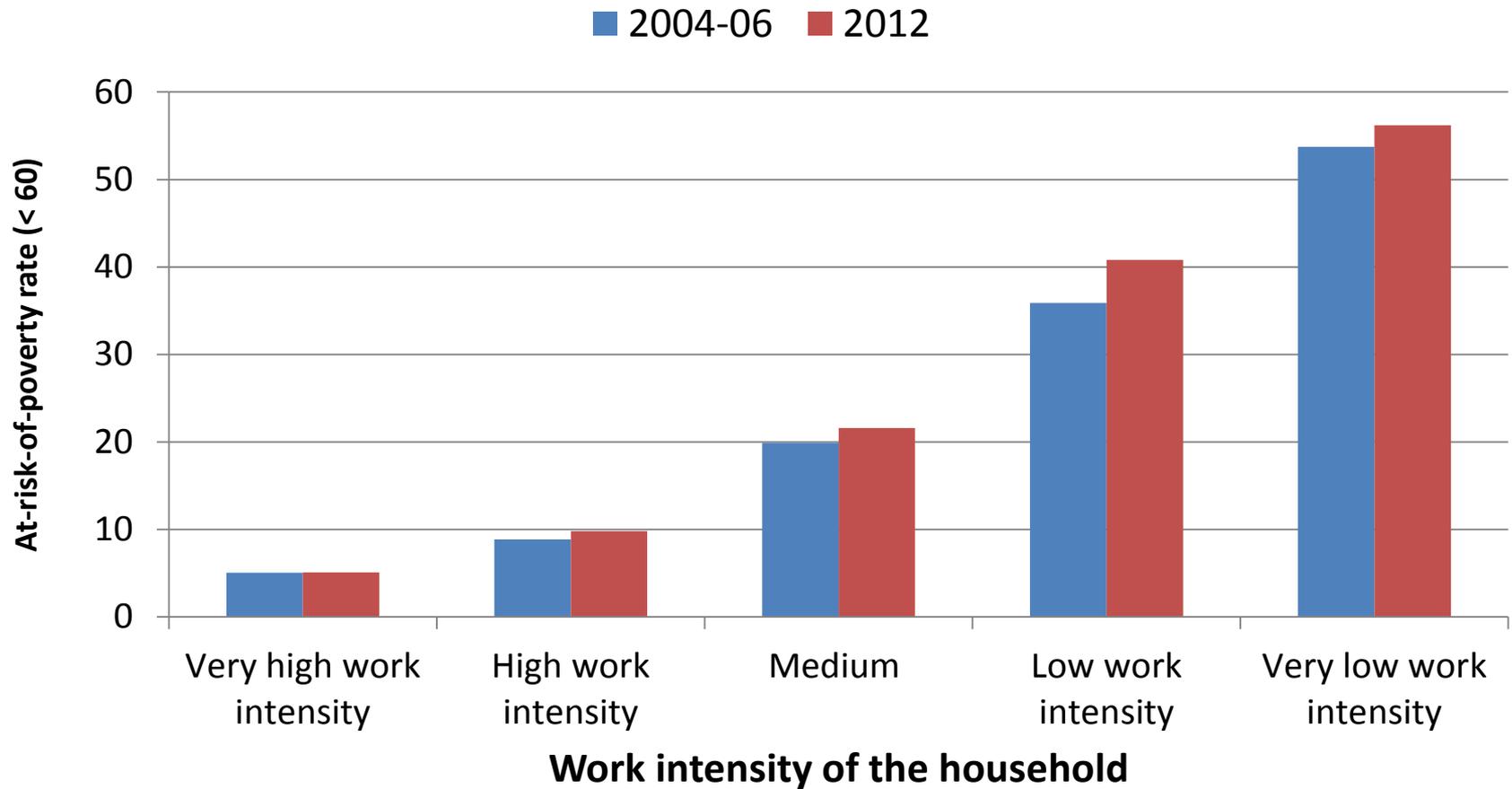
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Minimum wages and what governments can do: net disposable income of couple with 2 children, one minimum-wage earner



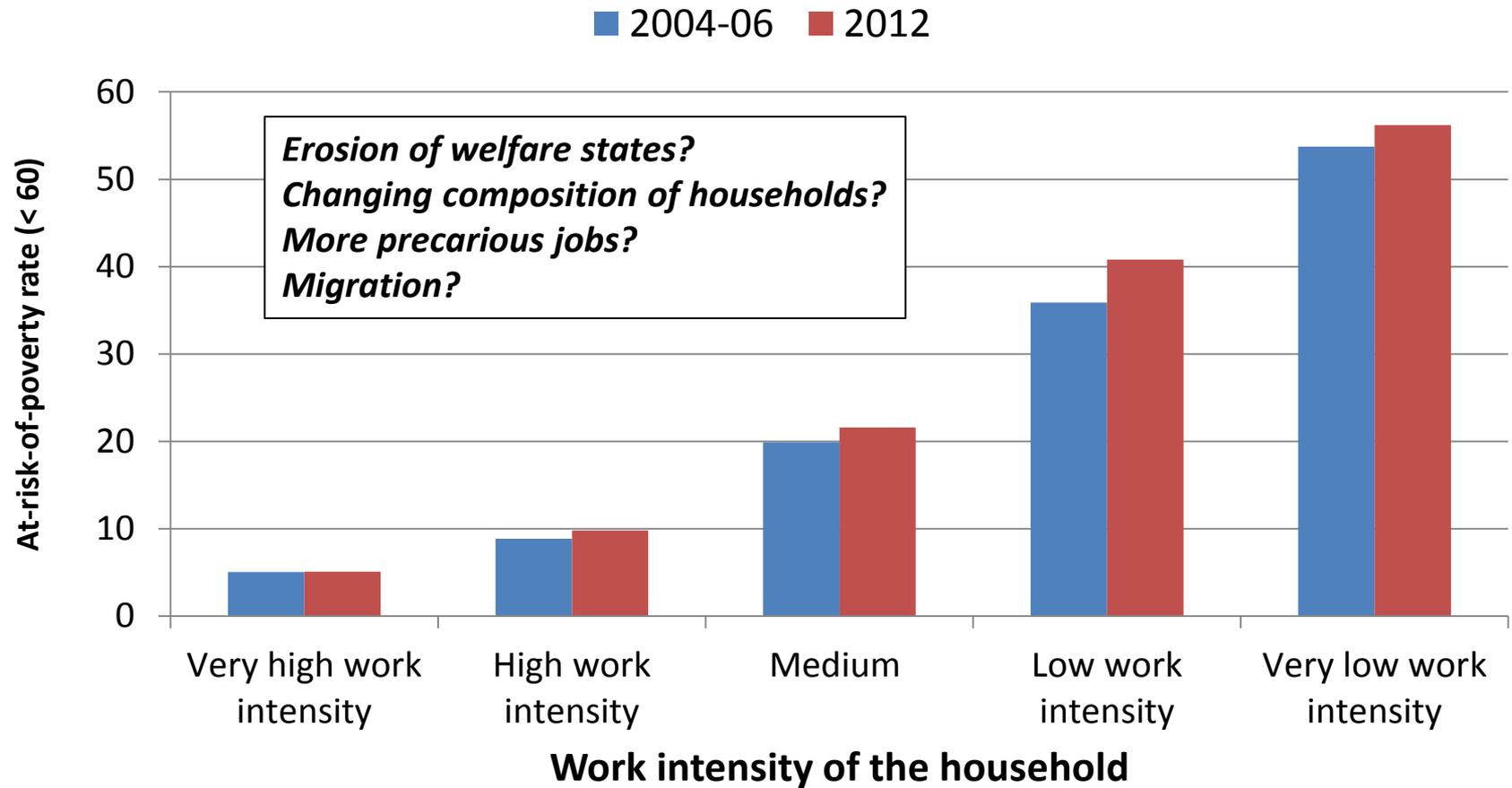
Source: CSB/MIPI

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



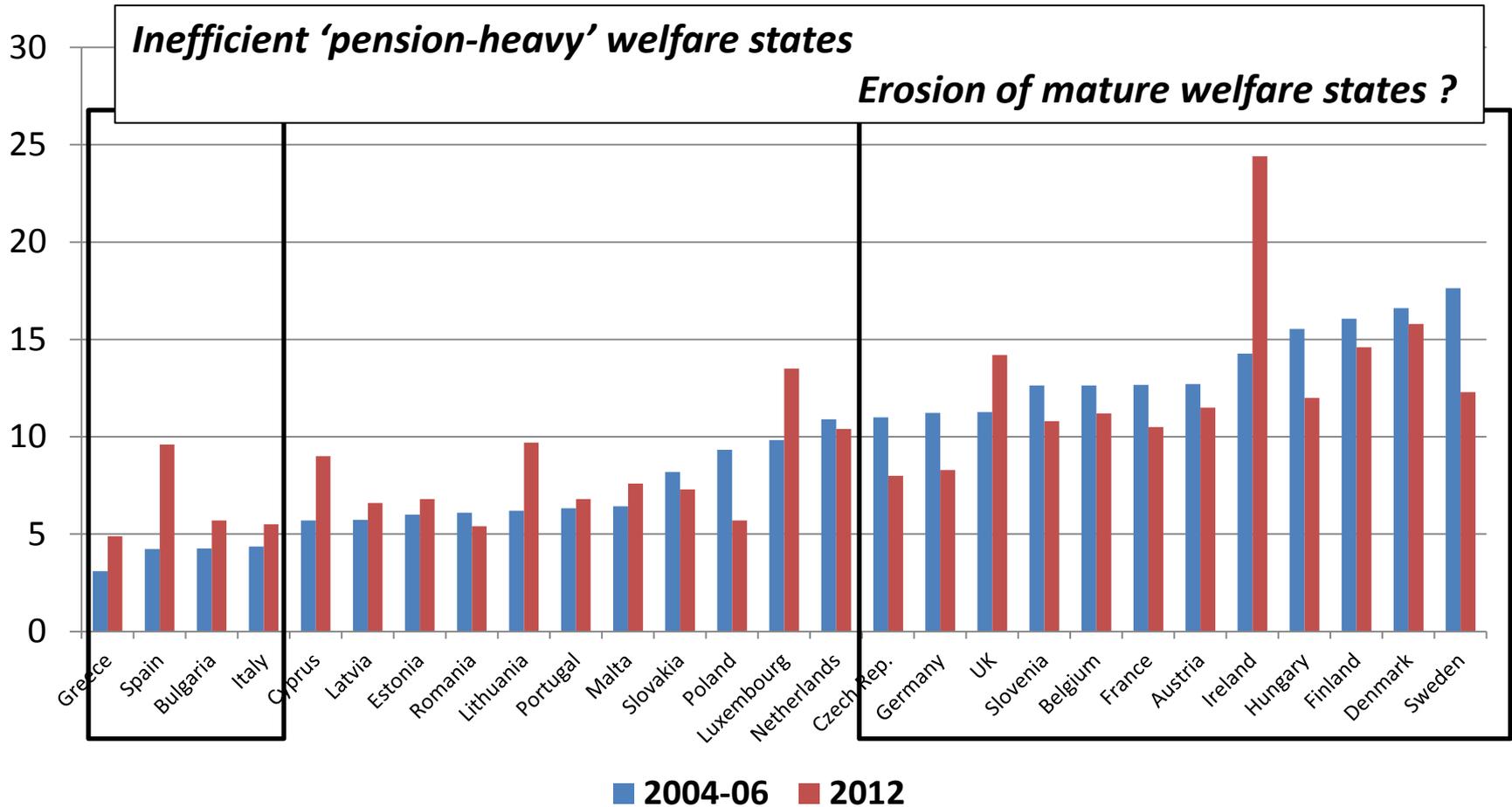
Bron: Eurostat, SILC 2005-2007; SILC 2013

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



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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

Increasing inequality and poverty: diagnosis and domestic policy lessons for EU welfare states

- There is no one-size-fits-all explanation, hence no silver bullet to tackle increasing inequalities
- We need a set of complementary strategies and instruments that can improve both the social protection and the employment perspectives of households with a weak attachment to the labour market.
- “Improving our human capital requires a child-centred **social investment strategy** that addresses inequalities in opportunities.”
- “The EU should promote social investment policies.”

Reconciling openness and domestic cohesion: a political challenge

- Access to social benefits: the general principle of non-discrimination
- The exception: posting of workers
- Transparency and coverage of minimum wage regimes

Structure

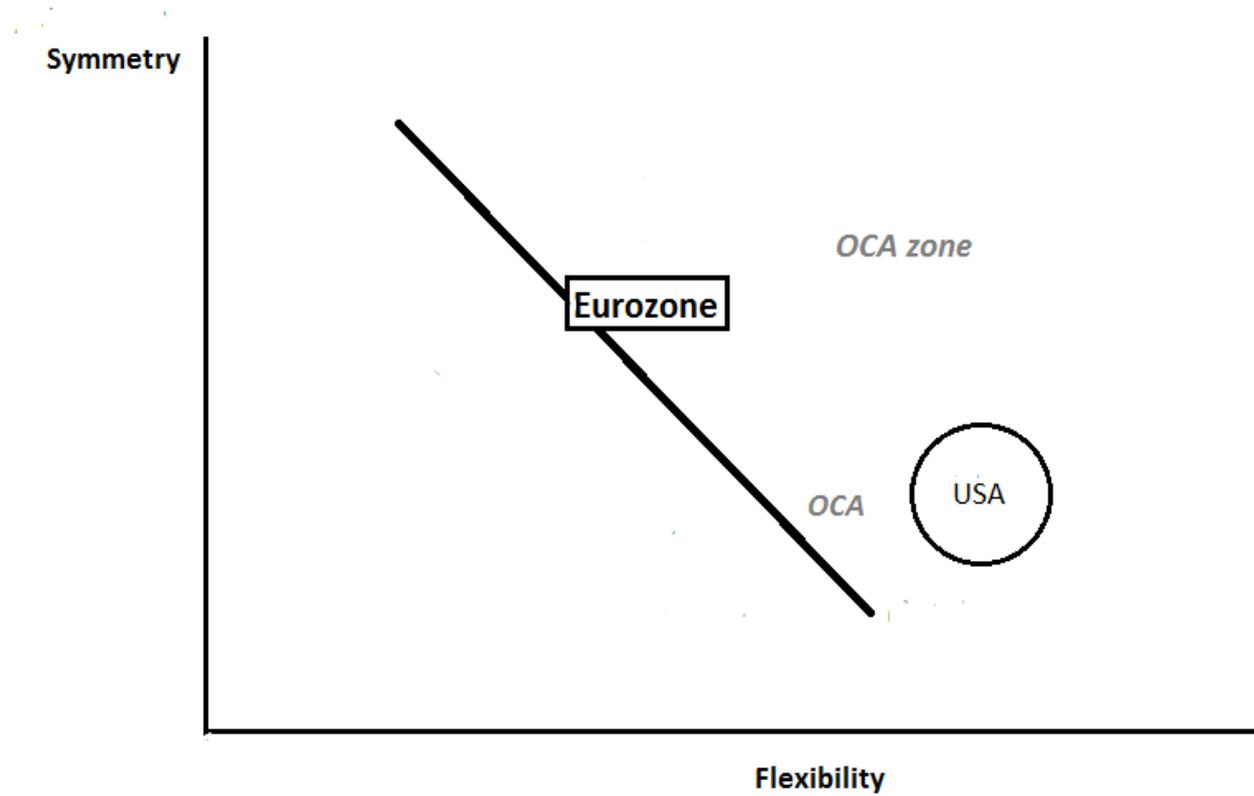
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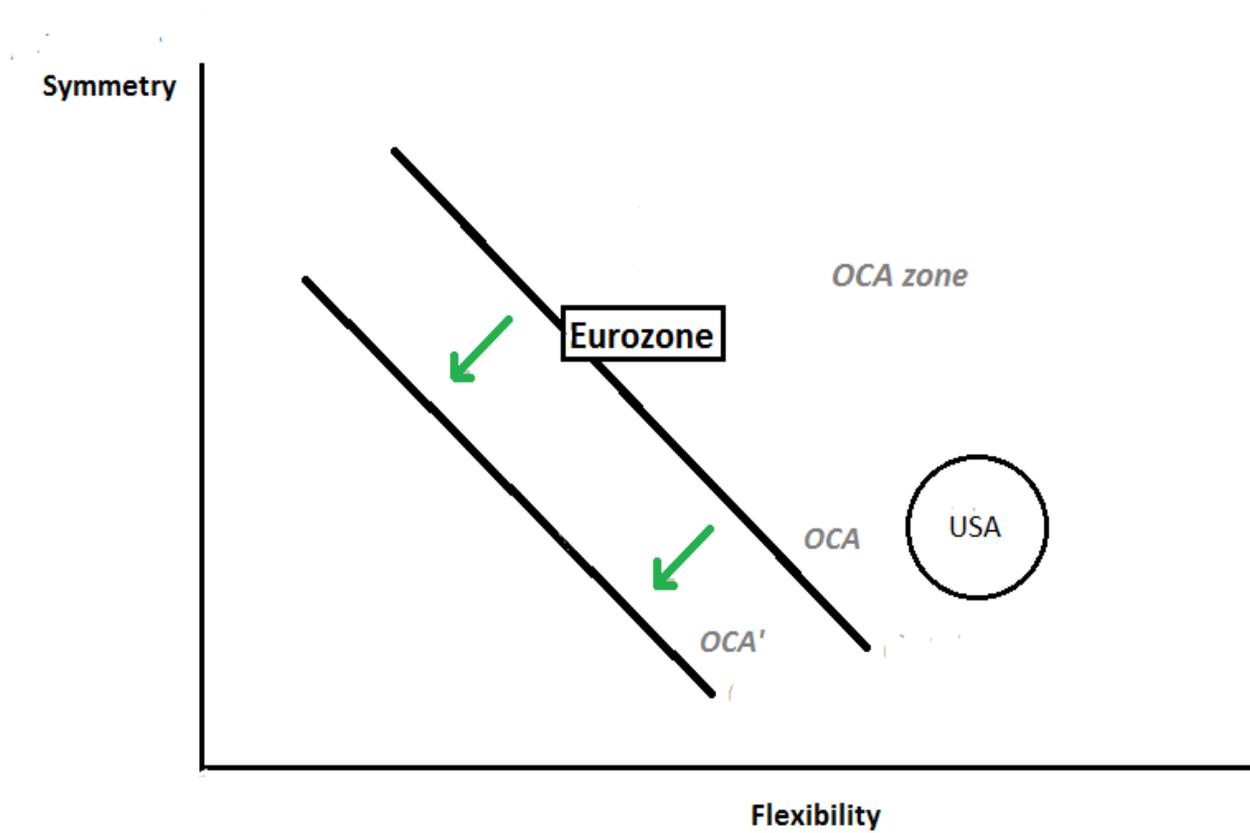
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- **Design flaws in the European project**

The consequences of monetary unification

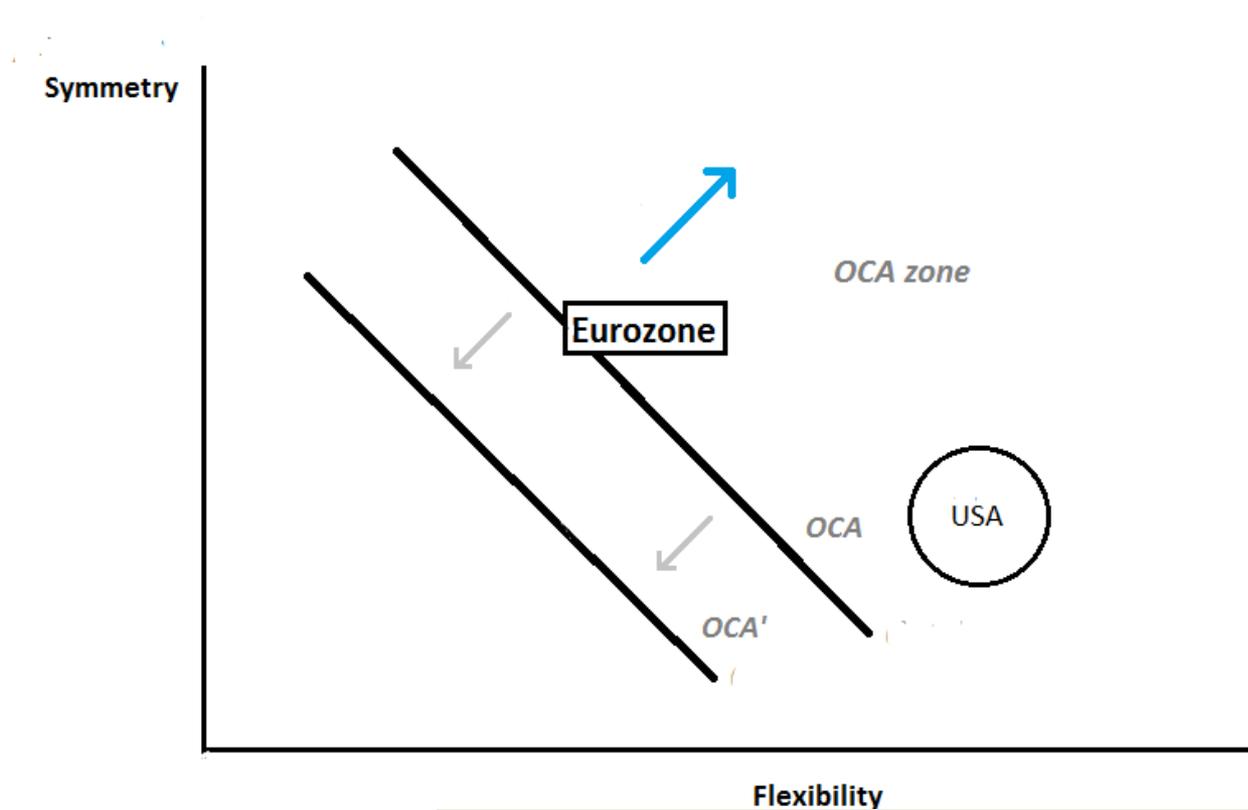


Source: De Grauwe

Transfers might mitigate the symmetry/flexibility trade-off

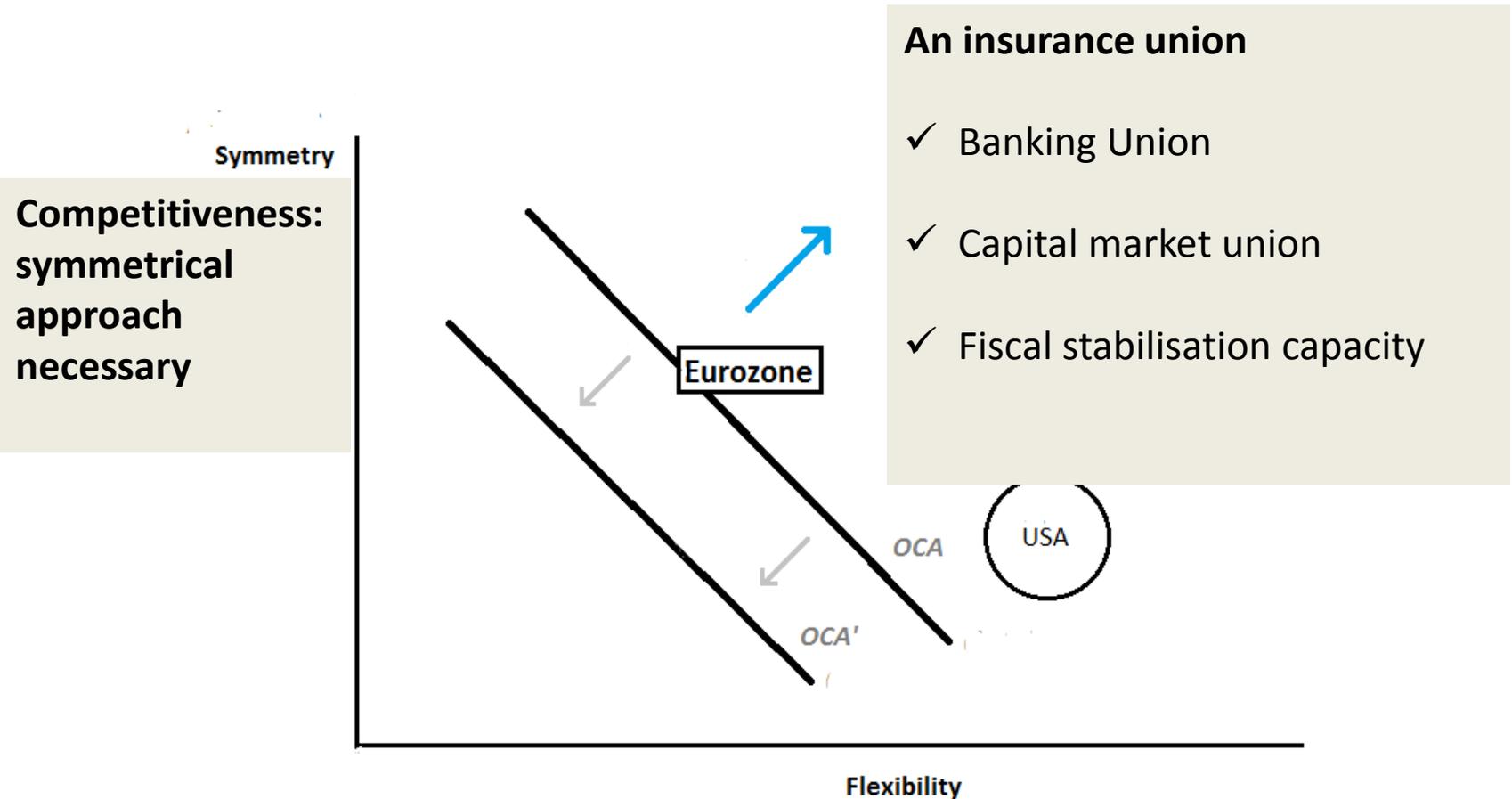


The EU's way, until recently: more symmetry, more flexibility



Flexibility determines social order

The EU's way, current roadmap: stability in an 'insurance union'



Institutional advantage of coordinated bargaining

EMU as an insurance union: a vaccination metaphor

- Why are stabilization instruments centralized in monetary unions?
 - Risk sharing (pooling)
 - Externalities of a national public good (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 re-insurance of national unemployment insurance systems: institutional moral hazard

EMU: common standards for *resilient* welfare states

- A shared conception of flexibility
 - Labour market institutions that can deliver on wage coordination (effective collective bargaining)
 - Cluster of policy principles for an adequate stabilisation capacity in MS:
 - 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
- ⇒ Convergence in **some**, key features of Eurozone welfare states
- ⇒ ***European Pillar of Social Rights***, Gothenburg Summit, 17 November 2017

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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
- ⇒ based on reciprocity

Resources (1)

- **Vandenbroucke, Social policy in a monetary union: puzzles, paradoxes and perspectives, in: Boone, Marc; Deneckere, Gita & Tollebeek, Jo (eds.), *The End of Postwar and the Future of Europe - Essays on the work of Ian Buruma*, Verhandelingen van de KVAB voor Wetenschappen en Kunsten. Nieuwe reeks, 31, Uitgeverij Peeters, 2017; accessible on www.frankvandenbroucke.uva.nl; also available on Blackboard**
- **Vandenbroucke, Barnard, De Baere (eds.), *A European Social Union after the Crisis*, Cambridge: Cambridge University Press, September 2017, <https://doi.org/10.1017/9781108235174>**
 - **Introductory chapter in Open Access on www.frankvandenbroucke.uva.nl, item 263; also available on Blackboard.**
- **Vandenbroucke, Risk Reduction, Risk Sharing and Moral Hazard: A Vaccination Metaphor, *Intereconomics*, Vol. 52, May/June 2017, Number 3, pp. 154-159.**
- **Vandenbroucke, From the Gothenburg Social Summit to a European Social Union, *Social Europe*, 27 November 2017, <https://www.socialeurope.eu/gothenburg-social-summit-european-social-union>**

Resources (2)

- 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=3008621>
- 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/>)
- Goedemé, Collado, Meeusen, *Mountains on the move. Recent trends in national and EU-wide income dynamics in old and new EU member states*, Improve Working Paper, July 2014, www.improve-research.eu
- Goedemé, Trindade, Vandenbroucke, *A pan-European perspective on low-income dynamics in the EU*, CSB Working Paper 17/03, Antwerp: Herman Deleeck Centre for Social Policy (University of Antwerp), 2017.

All publications can be downloaded from: www.frankvandenbroucke.uva.nl