The EU and social policy

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Inequality in Europe and the USA compared

US

Median income US states (US ‘representative state’ = 1)

Inequality (US representative state = 1)

EU27

Median income EU Member States (EU ‘representative MS’ = 1)

Inequality (EU representative MS = 1)
### European income distribution: a moving scale

<table>
<thead>
<tr>
<th></th>
<th>Romania</th>
<th>Denmark</th>
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<tbody>
<tr>
<td><strong>Top quintile 4</strong></td>
<td>25% =&gt; 36%</td>
<td>123% =&gt; 125%</td>
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<tr>
<td><strong>Top quintile 3</strong></td>
<td>23% =&gt; 35%</td>
<td>132% =&gt; 132%</td>
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<tr>
<td><strong>Top quintile 2</strong></td>
<td>21% =&gt; 33%</td>
<td>139% =&gt; 136%</td>
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<tr>
<td><strong>Top quintile 1</strong></td>
<td>17% =&gt; 28%</td>
<td>144% =&gt; 144%</td>
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100% = average of 27 Member States
The diversity of EU welfare states

*Input*: expenditure on social protection, gross, in % of GDP (2016)
Output: a two-dimensional map

- High poverty
- Low employment
- Low poverty
- High employment

Poverty Rate total population 2016 (SILC 2017)

Employment Rates 2016 (population 15-74)
The diversity of EU welfare states: poverty

Poverty risk and poverty threshold: “national” conception (SILC 2017)
The performance of European welfare states

Poverty Rate total population 2016 (SILC 2017)

Employment Rates 2016 (population 15-74)

High poverty
Low employment

Low poverty
Low employment

Low poverty
High employment

High poverty
High employment
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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• A tragic dilemma of integration in the enlarged and heterogeneous EU?
Monthly minimum wages: disparity but convergence East-West

PPP = Purchasing Power Parities (correction for differences in price levels)
Reconciling openness and domestic cohesion: a political challenge

- Openness and mobility must not exert downward pressure on the level of minimum income protection (minimum wages, minimum social security entitlements, minimum social assistance)
- Access to social benefits: the general principle of non-discrimination
- The exception: posting of workers
- We do not see ‘benefit tourism’
- Posting of workers needed reform
- Transparency and coverage of minimum wage regimes
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


SILC year T refers to observation year T-1, except for IE

At-risk-of-poverty rate (< 60)

Shift to old age spending & erosion of welfare states?
Changing composition of households?
More precarious jobs?
Migration?

Work intensity of the household

2004-06 2016

SILC year T refers to observation year T-1, except for IE
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 both social investment policies and minimum income protection.

(Vandenbroucke & Rinaldi)
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- Division of labour:
  - economic development: supranational
  - cohesion policy
  - coordination of social security rights & anti-discrimination: supranational
  - social development: national sovereignty (in theory)

- The convergence machine worked... more or less... until 2004/2008.

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

- **Design flaws in the European project**
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: needs 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
How to *deliver* on the European Pillar of Social Rights?

• Clear priorities

• Credible roadmap, combining...
  
  – EU legislation
  – Policy coordination and benchmarking
  – Funding instruments (tangible support for MS)

• Mainstreaming in economic and fiscal surveillance, European Semester

• Completing EMU as an insurance union
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)


4) Vandenbroucke, *Social benefits and cross-border mobility. Sticking to principles may yield better practical results for everybody*, Tribune, Notre Europe Institut Jacques Delors, 17 June 2016 (download via www.frankvandenbroucke.uva.nl)


7) Vandenbroucke, The European Pillar of Social Rights: from promise to delivery –Introduction to the ‘European Social Union (ESU) public forum debate’, EuroVisions, 3 December 2018 + other contributions in this debate: http://www.euvisions.eu/

www.frankvandenbroucke_uva.nl