

# **The European Pillar of Social Rights**

## **Consistence, risks and delivery**

Frank Vandebroucke  
University of Amsterdam  
Universidad Carlos III de Madrid  
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## ***The European Pillar of Social Rights signals a new paradigm***

- The functional necessities of EMU:
  - EES: supply-side flexibility
  - New insight: labour market institutions that support stability

# 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* (flexibility/stability)

- 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
- Labour market institutions that can deliver on wage coordination (effective collective bargaining)
- A shared conception of flexibility

⇒ Convergence in **some**, key features of Eurozone welfare states

## ***The European Pillar of Social Rights signals a new paradigm***

- The functional necessities of EMU:
  - Traditional view: supply-side flexibility
  - New insight: labour market institutions that support stability
- The European aspiration: the simultaneous pursuit of economic progress and social cohesion, both *within* countries (development of the welfare states) and *between* countries (upward convergence across EU)
  - Traditional view: market integration and cohesion policy
  - New insight: human capital, through social investment policies

## Upward convergence, human capital and inequality

- EU should stimulate and support Member States to develop policy packages that pursue both upward convergence across Member States and internal cohesion within Member States ('dual use' policy packages).
- Upward convergence in the quality of human capital is a key condition for long-term upward convergence across the EU. Reducing background inequalities between families with children and investing in child care and education contribute both to national cohesion and to EU-wide convergence.
- “Rising income inequality has a significant impact on economic growth, in large part because it reduces the capacity of the poorer segments – the poorest 40% of the population, to be precise – to invest in their skills and education.” (OECD, *In it Together*, ... 2015)

# The single market after enlargement: reconciling openness and domestic cohesion requires a more elaborate EU framework

- A 'balancing act' is possible: 'fair mobility':
  - Openness and mobility must not exert downward pressure on the level of minimum income protection (minimum wages, minimum social security entitlements, minimum social assistance)
  - Mobility should create real opportunity
- Access to social benefits: the general principle of non-discrimination
- The exception: posting of workers, which needed reform
- Transparency and coverage of minimum wage regimes

## Overlapping priorities, for resilient EMU, upward convergence and fair mobility

- 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
  
- effective collective bargaining
  
- investment in education and ECEC
  
- better income protection and employment perspectives for households with weak attachment to labour markets (minimum income protection / incentives / support for low-skilled labour...)
  
- coverage, transparency and predictability of minimum wages

## How to *deliver* on the European Pillar of Social Rights?

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

→ ‘action plan’ promised by Ursula von der Leyen
- Mainstreaming in economic and fiscal surveillance, European Semester
- Completing EMU as an insurance union (automatic fiscal stabilizers, e.g. re-insurance of national unemployment insurance systems)
- Clear priorities (cf. EuVisions forum debate, [www.euvisions.eu](http://www.euvisions.eu))

## Need for a clear perspective: 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

## Are European citizens ready to share the risk of unemployment? A survey experiment (13 countries, 19.500 citizens)

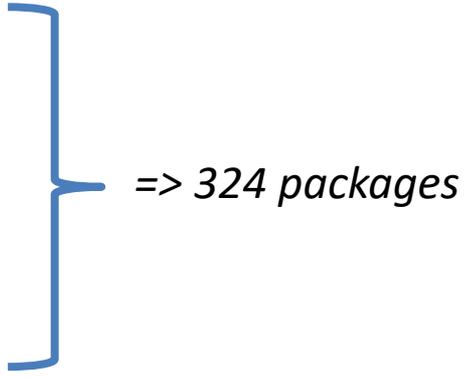
- *Fixed points* of all the policy packages:
    - disbursement of EU support for a MS is triggered by significant increases in unemployment in that MS;
    - EU support is used to subsidize national unemployment systems;
    - common (minimum) floor to the generosity of unemployment benefit levels in all the participating countries.
  - *Moving parts*:
    - generosity (3);
    - conditions w.r.t. training and education (2);
    - between-country redistribution (3)
    - Taxation (3);
    - EU or national administration (2);
    - conditions w.r.t. job search effort dimension (3).
- 
- => 324 packages

Figure 3: Support for Package (by country)

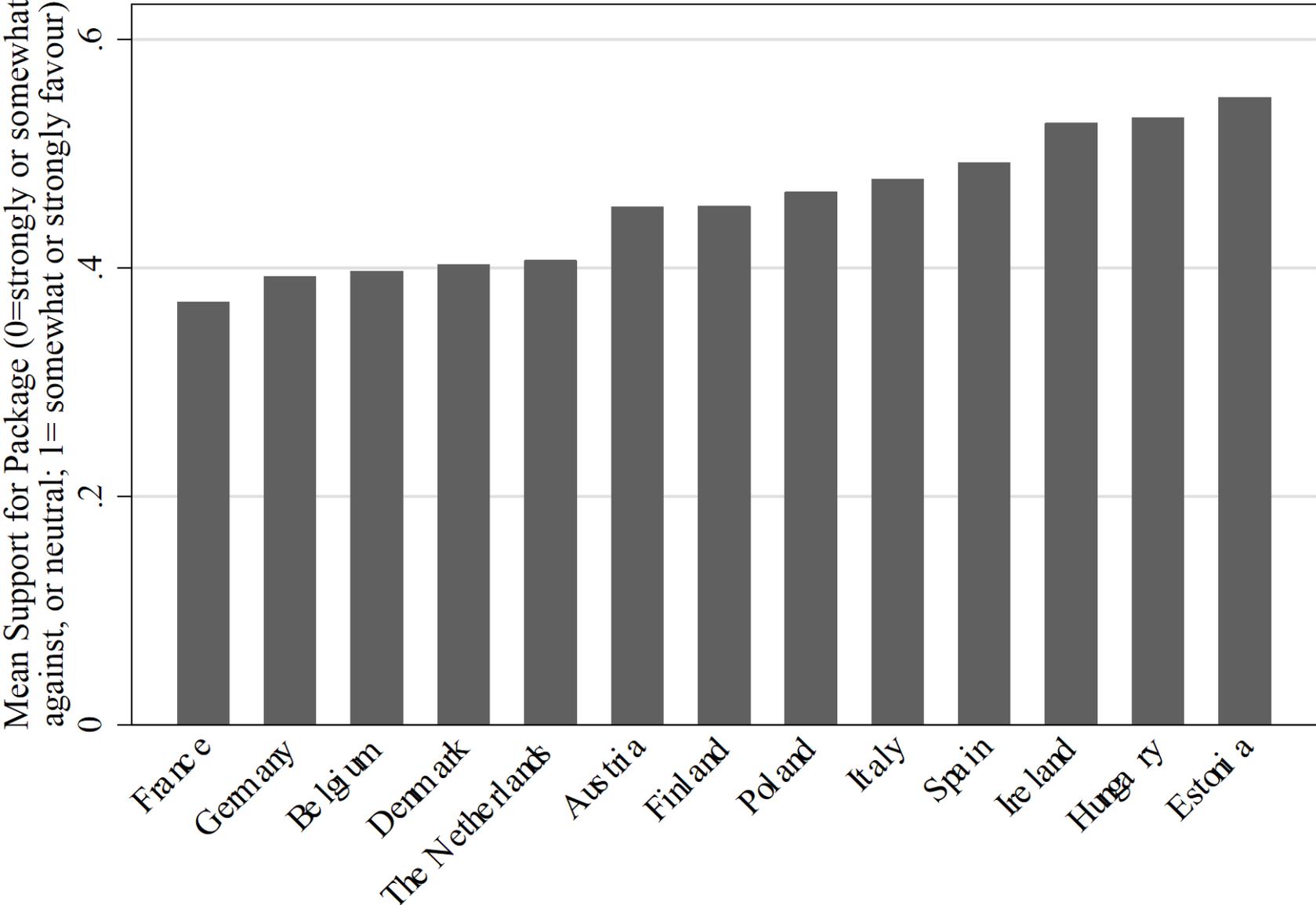
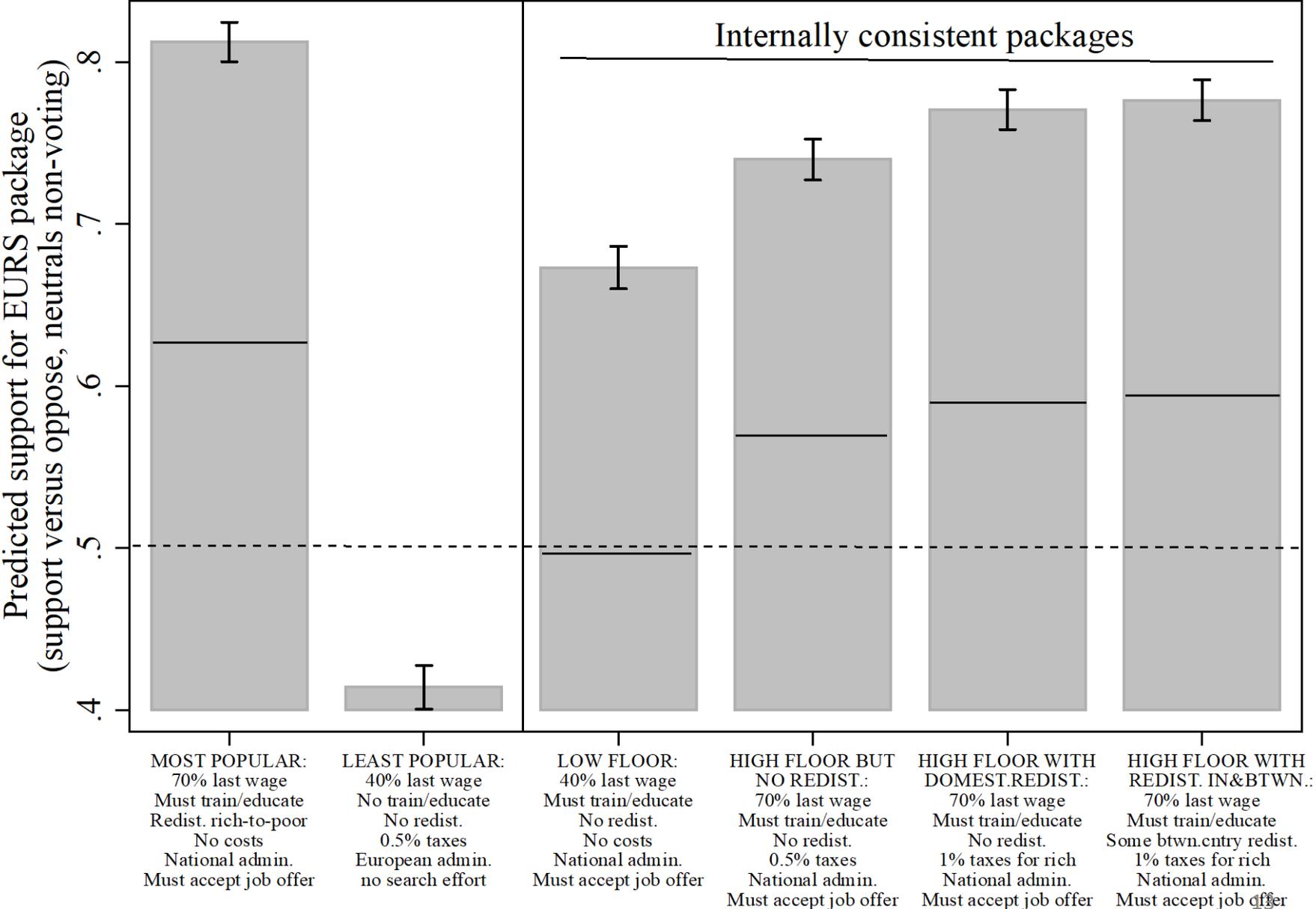


Figure 14: Predicted Vote for Sample Packages, Pooled Sample (13 countries)



## Conclusions of the survey experiment on European unemployment risk-sharing (EURS)

- Fundamental opposition to EURS is confined to a relatively small segment of the population.
- Citizens are sensitive to the design of EURS.
- Generous packages can carry majorities in each of the countries in our sample, even if a generous package would require additional taxation. In some countries, domestic redistribution from rich to poor of the eventual tax burden (if there would be a tax burden) is necessary to rally sufficient support.
- In most countries, support is larger if the implementation of EURS is decentralized.
- In all countries, support increases if EURS is associated with *social investment* policies.
- A debate that exercises the policy community a lot, i.e. the question how tolerant the scheme should be with regard to structural between-country redistribution, seems less important for citizens, when they express preferences, than for policymakers. This is not to say that such debates are not important; but other issues – such as education, training and activation requirements – seem to carry more weight for citizens' judgment.

## Resources

- 1) EuVisions 'Special Issue' on European Social Union, [http://www.euvisions.eu/](http://www.euvvisions.eu/)
- 2) 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](http://www.frankvandenbroucke.uva.nl), item 263)
- 3) Vandenbroucke, Burgoon, Kuhn, Nicoli, Sacchi, van der Duin, Hegewald, Risk Sharing When Unemployment Hits: How Policy Design Influences Citizen Support For European Unemployment Risk Sharing (EURS). 2018. AISSR Policy Report 1 (December) <http://aissr.uva.nl/news>
- 4) Vandenbroucke, Nicoli, European unemployment insurance: what citizens really think, Notre Europe Jacques Delors Institute, Brief 'Europe for all', 13 February 2013. <http://institutdelors.eu/publications/european-unemployment-insurance-what-citizens-really-think/?lang=en>
- 5) Vandenbroucke, Rinaldi, The challenge of convergence and cohesion, [www.frankvandenbroucke.uva.nl](http://www.frankvandenbroucke.uva.nl)