

**Defining the EU's objective is a necessity rather than a luxury**

**The EU needs a social investment pact**

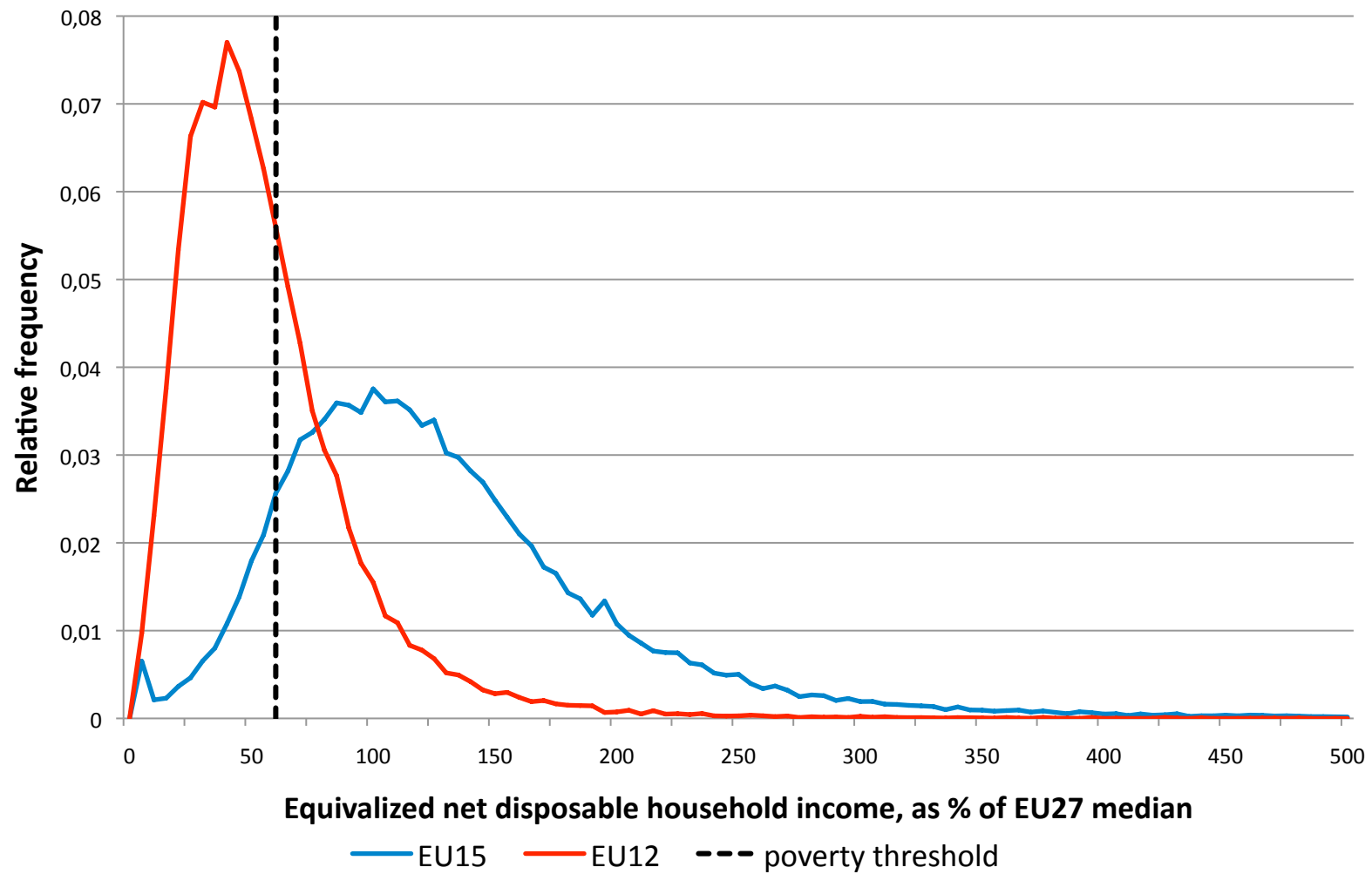
Frank Vandenbroucke

Vienna 5.12.2012

## Structure

- Defining the EU's social objective is a necessity rather than a luxury
- The EU needs a social investment pact

# Inequality in the EU

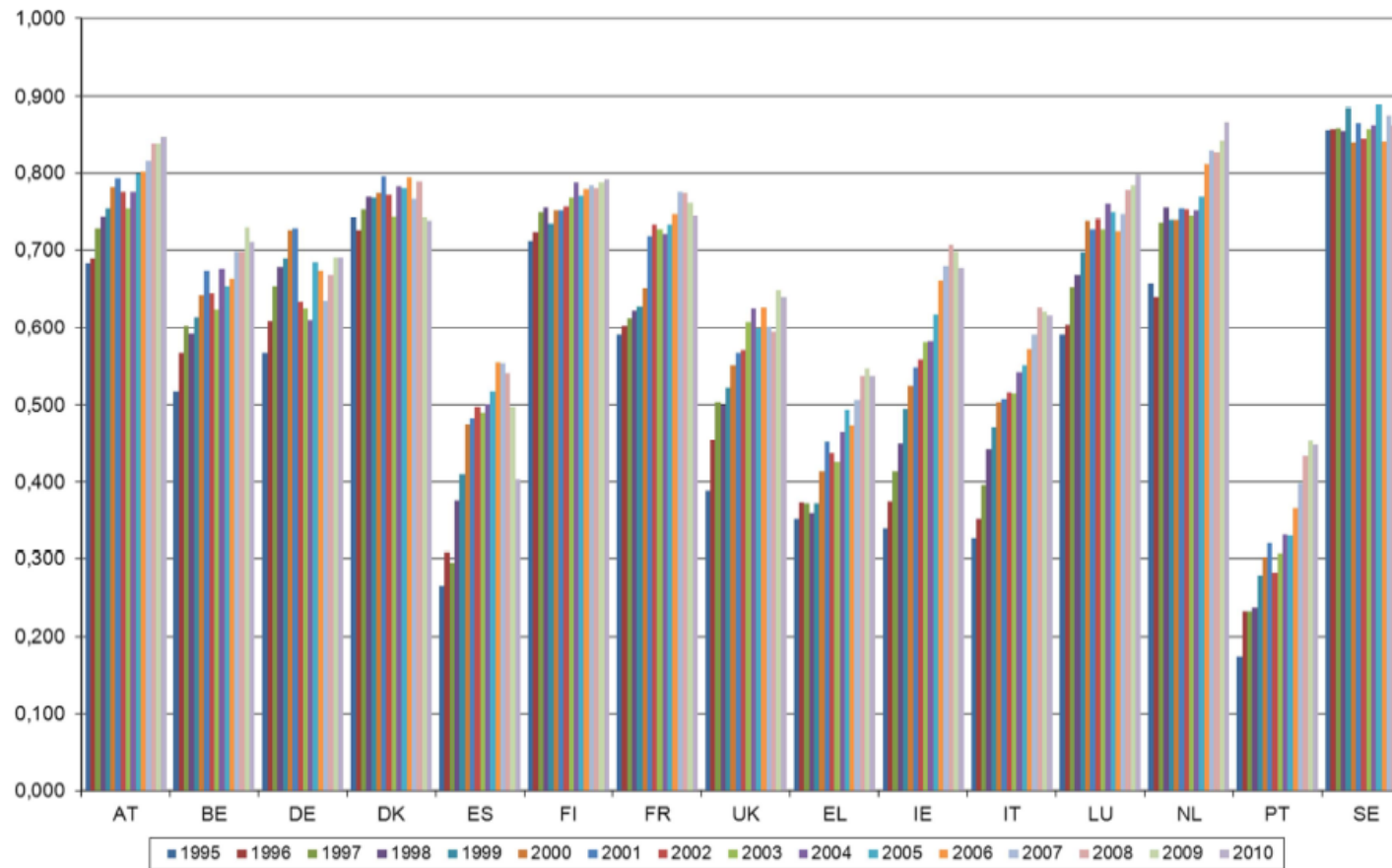


## ***Why 'a social Europe'?***

- a safeguard against social dumping;
- a protective barrier around national social sovereignty;
- an inevitability of European Monetary Union;
- the very core of the European project.

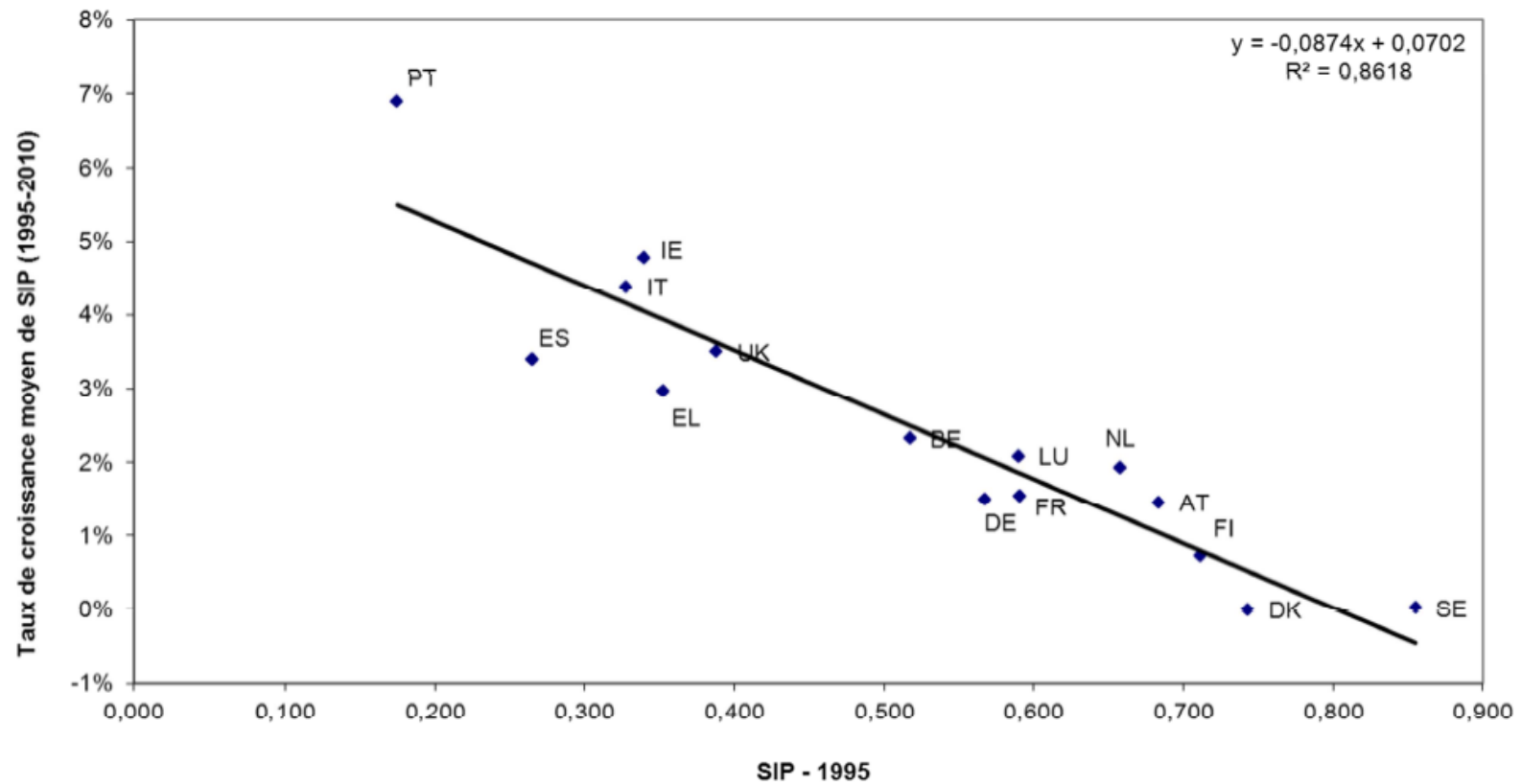
## Social dumping...

Figure 5 : Evolution des SIP, UE15 1995-2010



... or “convergence machine”?

Figure 6 : Convergence des SIP, UE15 1995-2010



Source: Lefebvre and Pestieau, *Peut-on mesurer la performance de l'Etat Providence?*

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## National social sovereignty: the Leibfried analysis

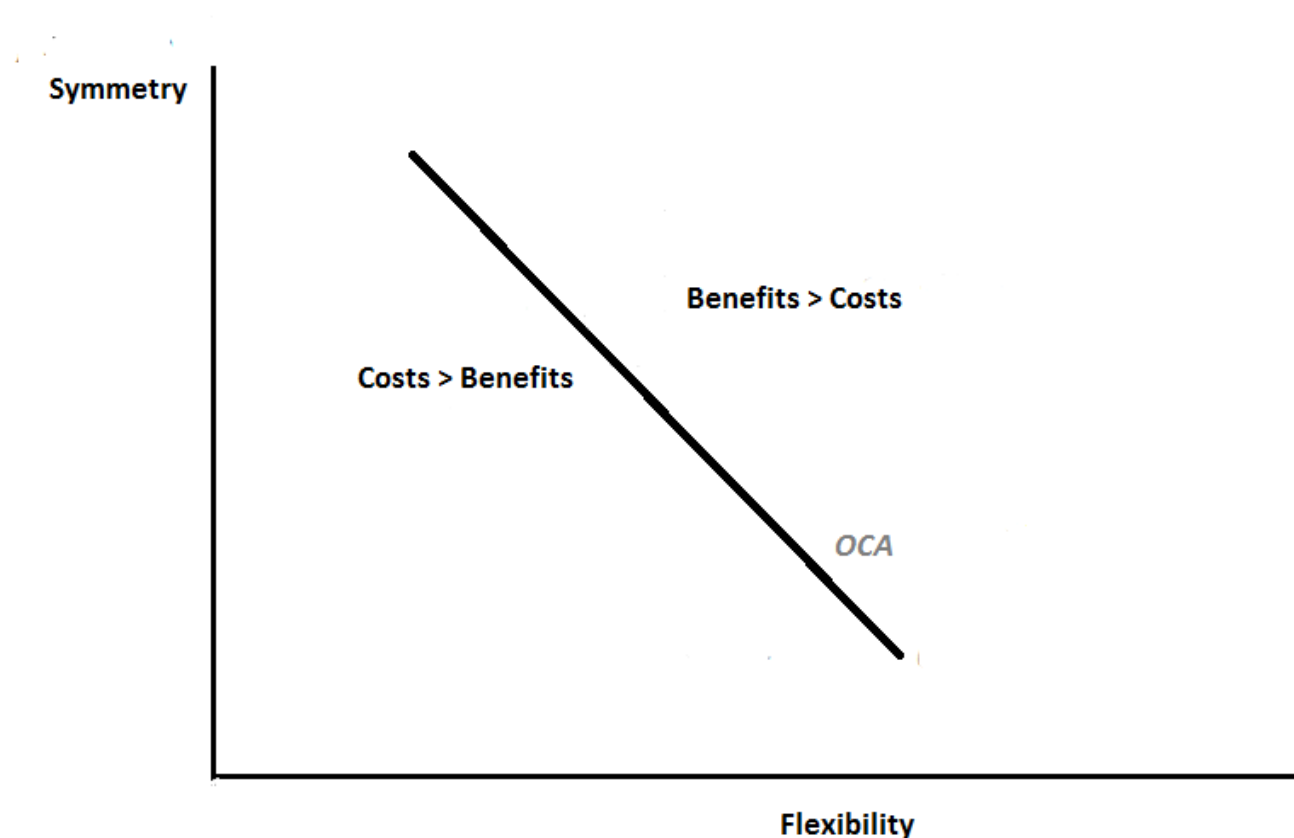
- The process of European integration has eroded both the sovereignty (the legal authority), and autonomy (de facto regulatory capacity) of member states in social policy.
- The neat separation between 'market issues', belonging to the supranational sphere, and 'social issues', belonging to the national spheres, is unsustainable.
- The Treaty constellation seems to provide two polarized trajectories: it sets contours for protecting core welfare state components (redistribution, pay-as-you-go); but, when redistribution recedes, it moves the welfare state (in whole or in part) over the borderline into the sphere of 'economic action', thus slowly submerging its activity in a single European 'social security *market*'



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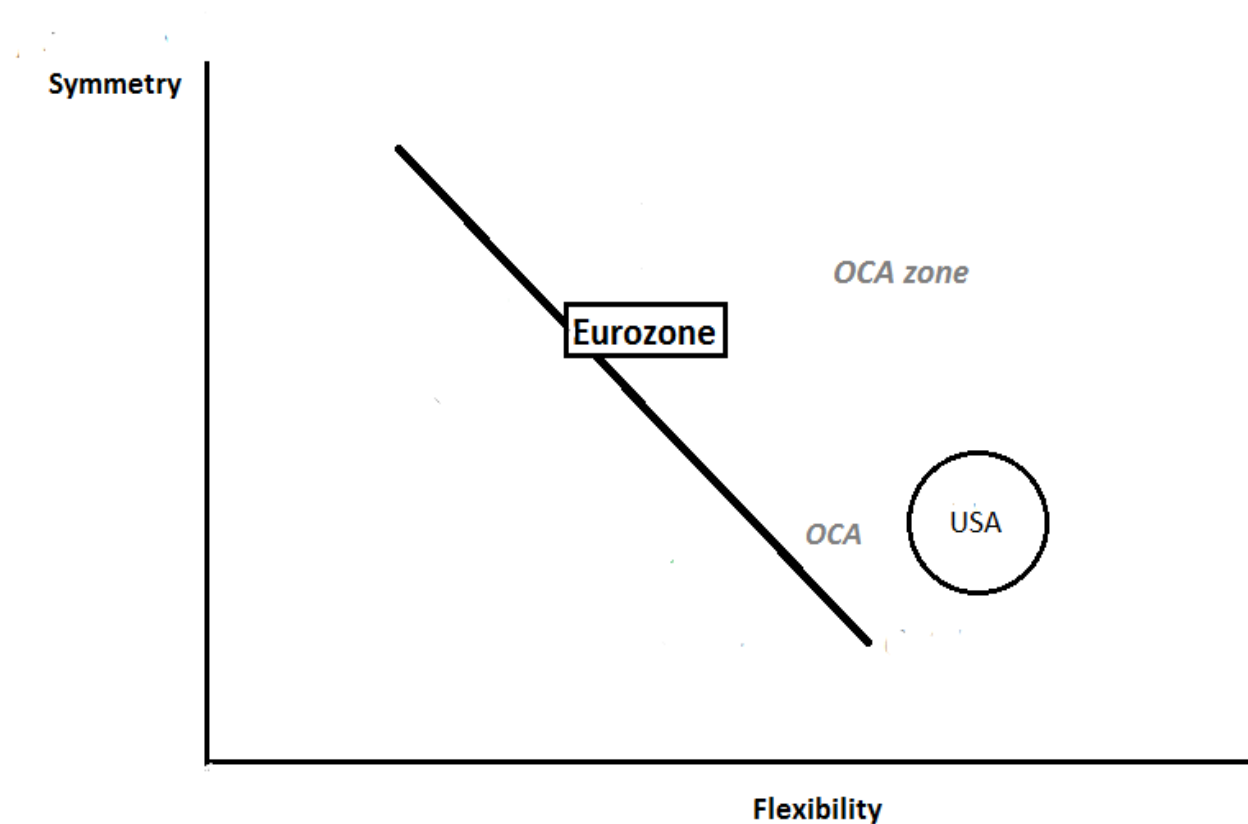
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## Defining the EU's social objective is a necessity rather than a luxury: the consequences of monetary unification

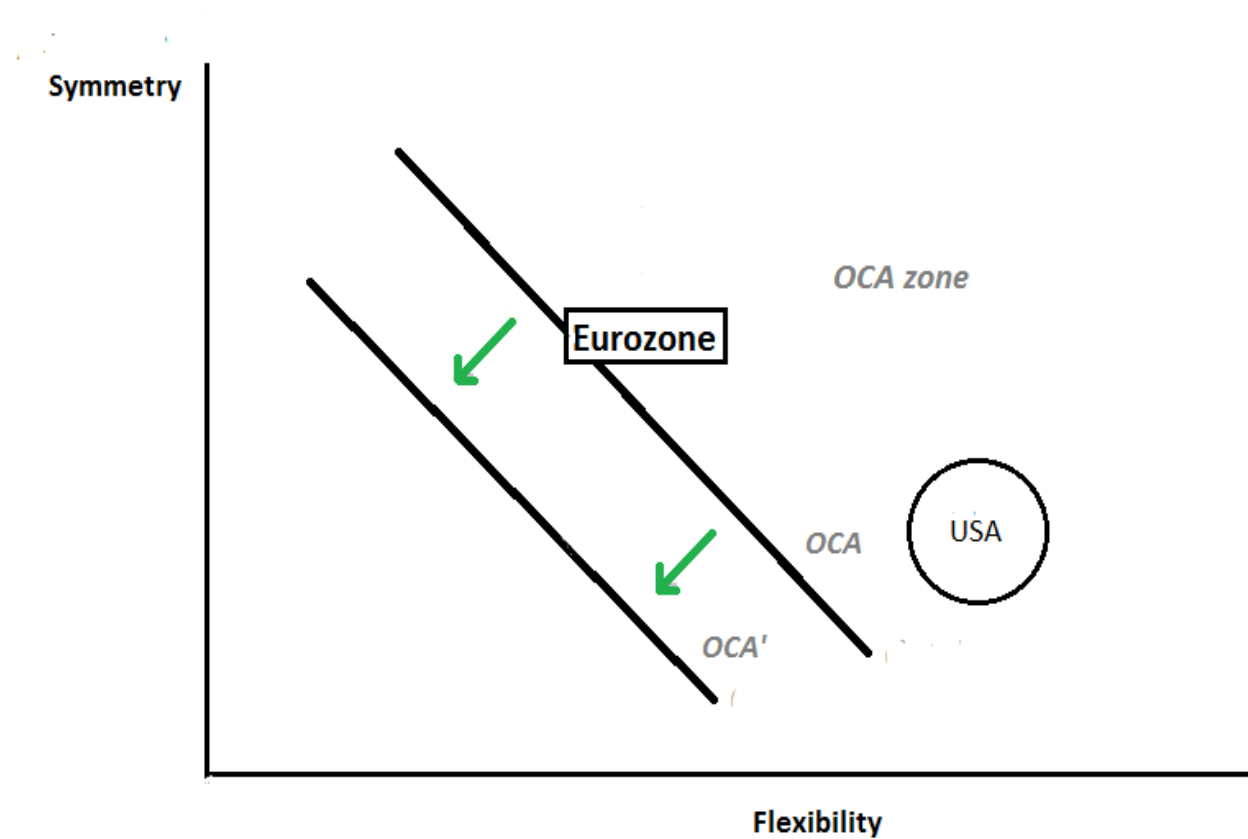


De Grauwe, *Economics of Monetary Union*

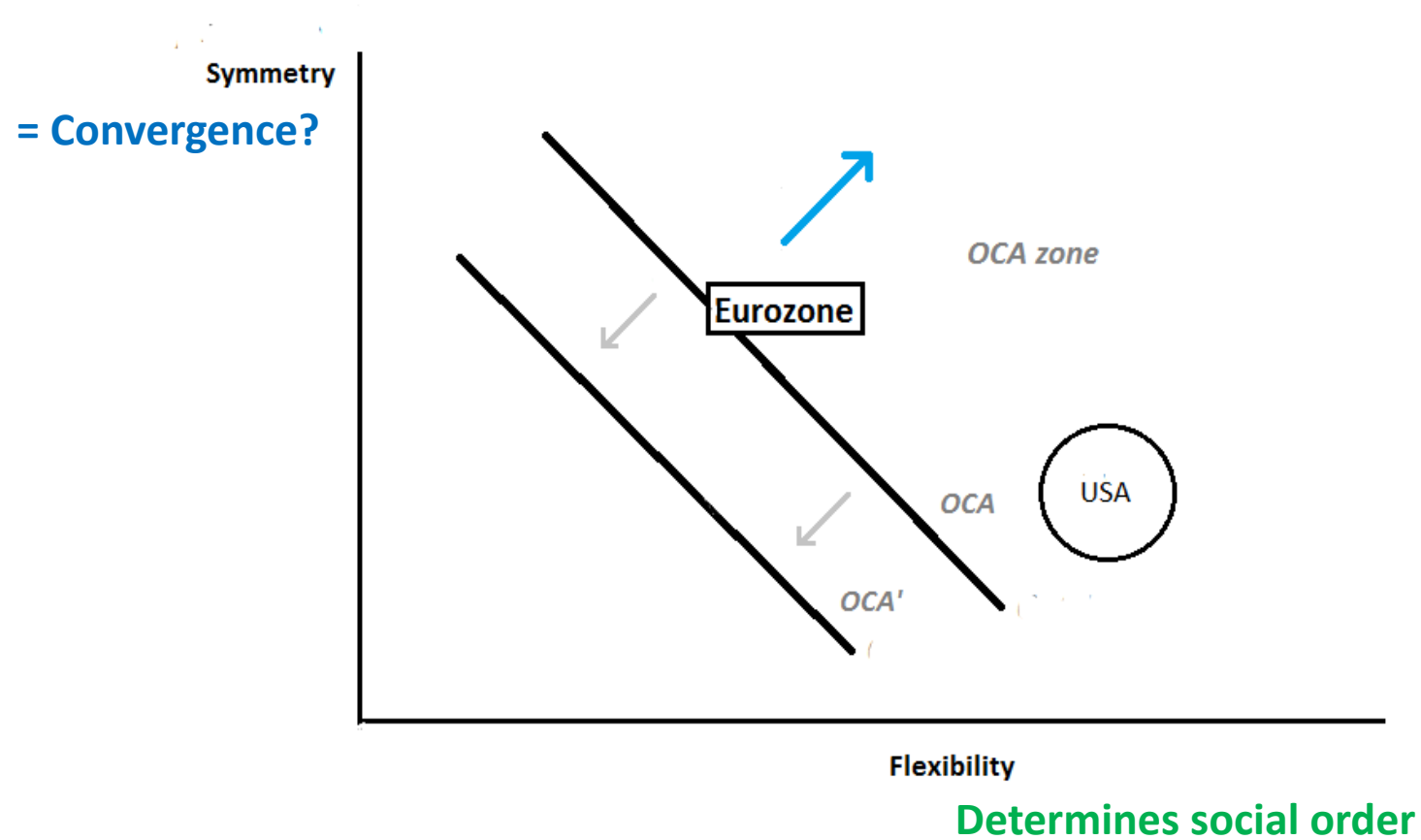
## Defining the EU's social objective is a necessity rather than a luxury: the consequences of monetary unification



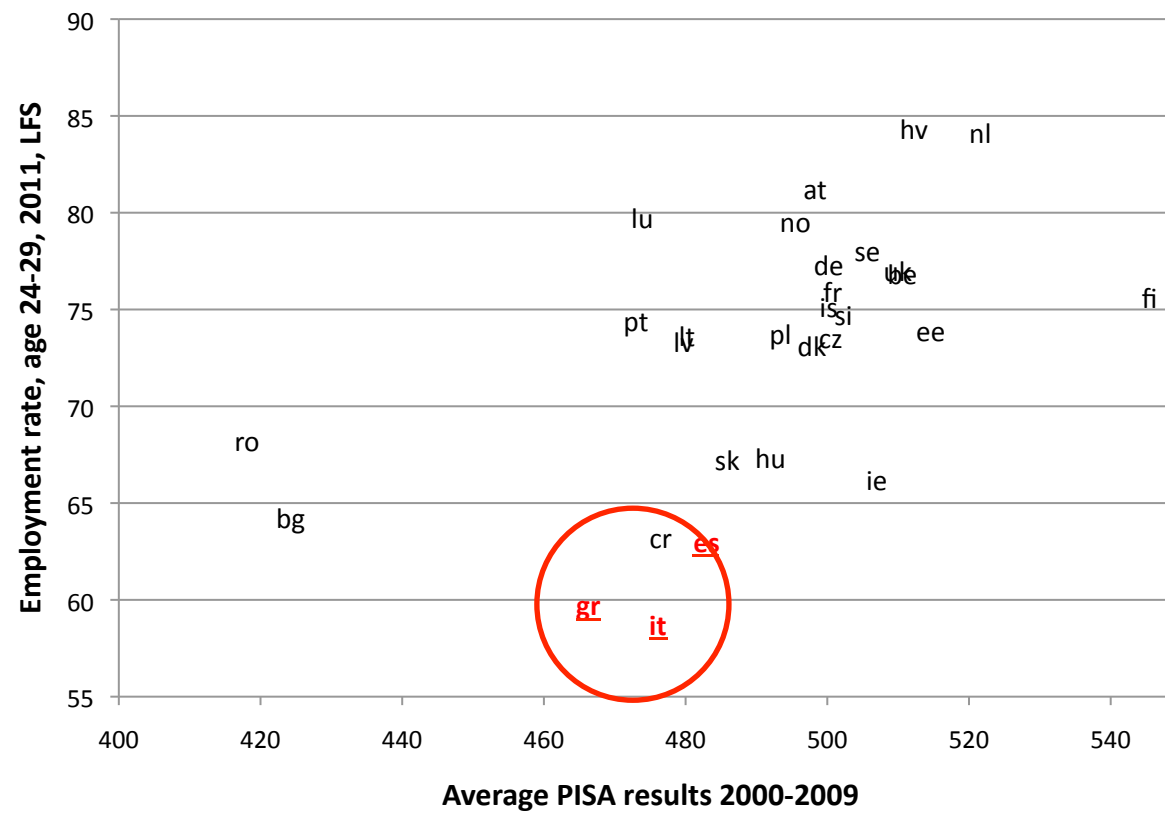
## Transfers might mitigate the symmetry/flexibility trade-off

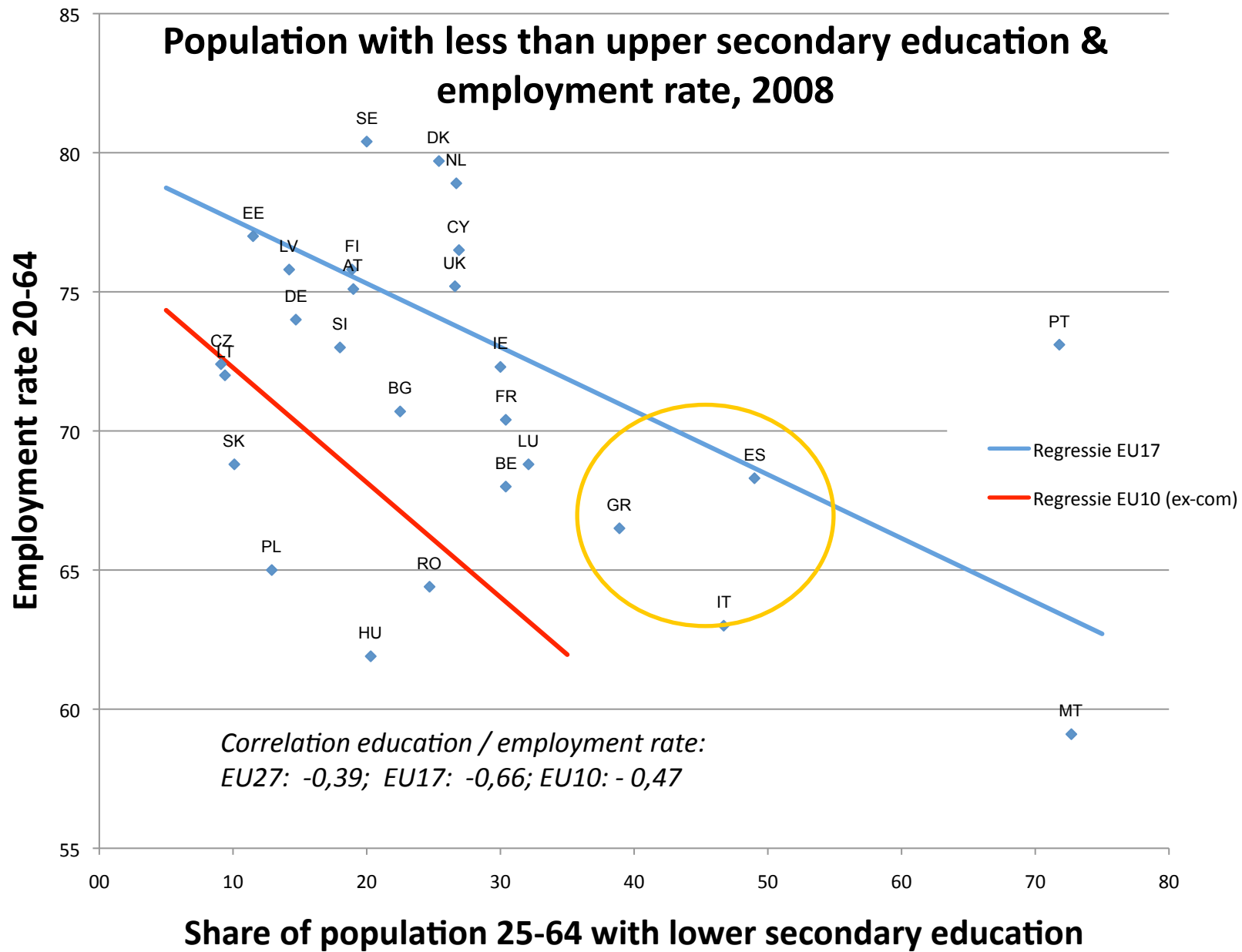


## The EU's way: more symmetry, more flexibility



## The education asymmetry: an “excessive imbalance”





## **Defining the EU's social objective is a necessity rather than a luxury**

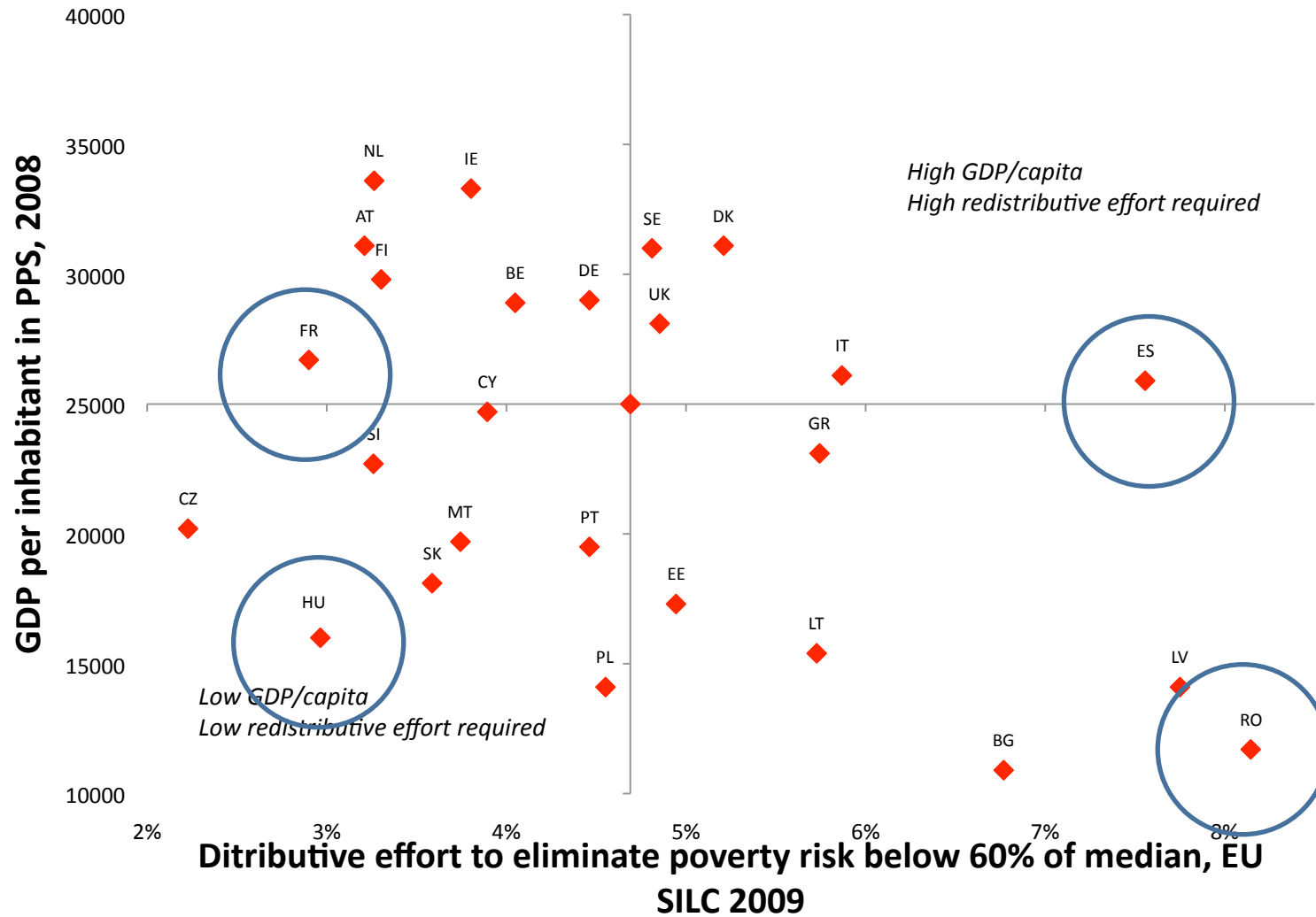
- A basic consensus on social objectives is an existential necessity for the long-term sustainability of EMU
- Shared objectives
- Reciprocity in adjustment



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# Social inclusion as core value of the EU project: which solidarity?



## Which solidarity in the EU?

- Without EU transfers such a **binding EU directive on minimum income protection** down to the richer segments in the EU cynically asking some of the poorer segments to show greater solidarity... among themselves

## **Which solidarity in the EU?**

- Without EU transfers a binding EU directive on minimum income protection boils down to the richer segments in the EU cynically asking some of the poorer segments to show greater solidarity... among themselves
- EU transfers to compensate for the redistributive effort required to close the poverty gap boils down to externalizing internal policy failures and/or domestic unwillingness to redistribute

## **Which solidarity in the EU?**

- Should our normative benchmark with regard to income inequality and poverty be pan-European?
- What is the responsibility of national governments with regard to poverty alleviation?

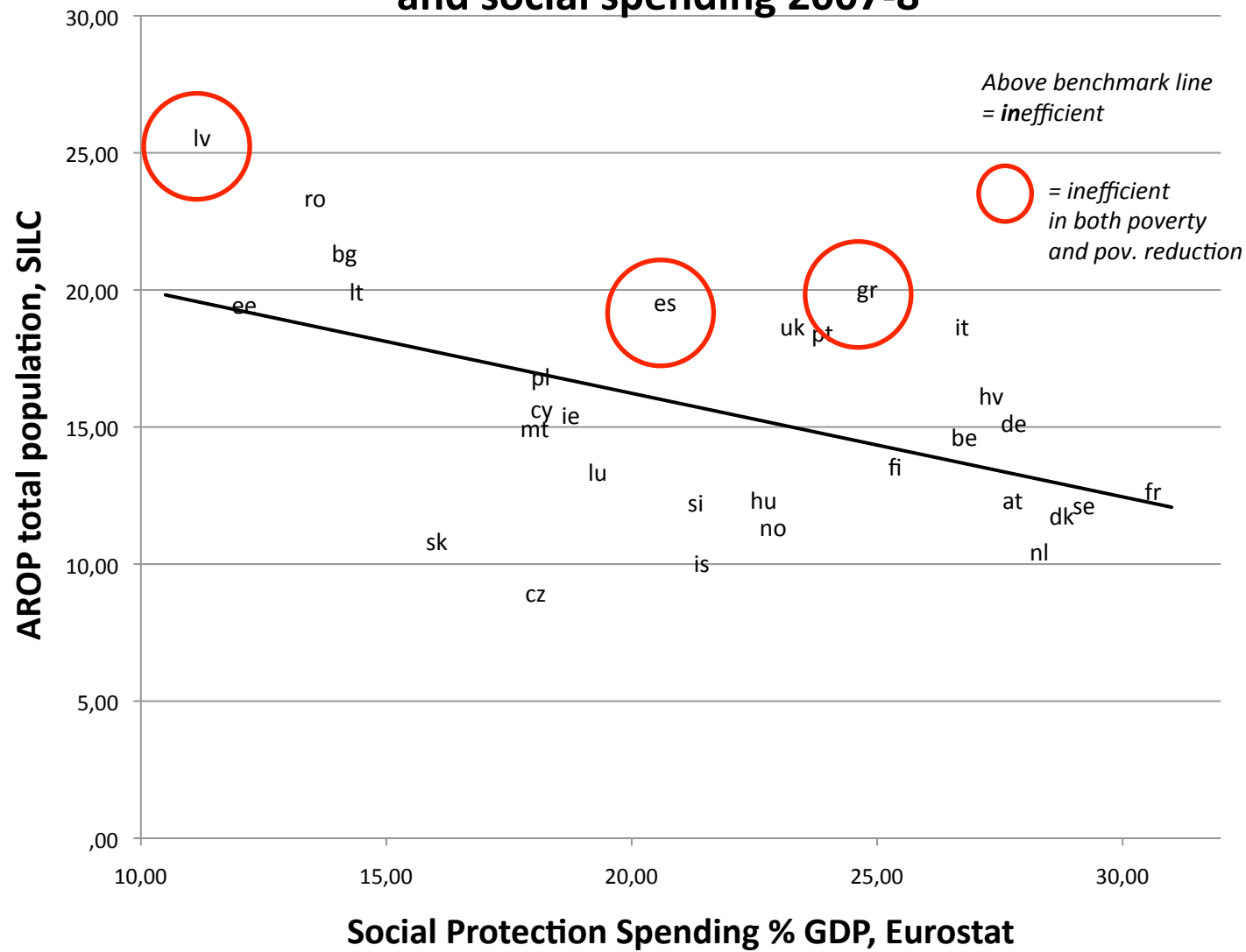
## Which solidarity in the EU?

- Should our normative benchmark with regard to income inequality and poverty be pan-European?
    - both pan-European and national: *irreducible evaluative dualism*
    - this is intrinsic to the European project (pan-European cohesion and domestic cohesion)
- => but EU social policy ≠ extrapolation or *replica* of national social policy

## Which solidarity in the EU?

- Should our normative benchmark with regard to income inequality and poverty be pan-European?
- What is the responsibility of national governments with regard to poverty alleviation?
  - Reciprocity:
  - *A caring Europe should care for poorer Member States and demand social efficiency everywhere*
  - *A virtuous circle of solidarity in Europe would be one where both internal (domestic) and external (pan-European) solidarity are enhanced: sustainable convergence*

## Differences in comparative efficiency: *poverty risk* and social spending 2007-8





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## **The social investment imperative**

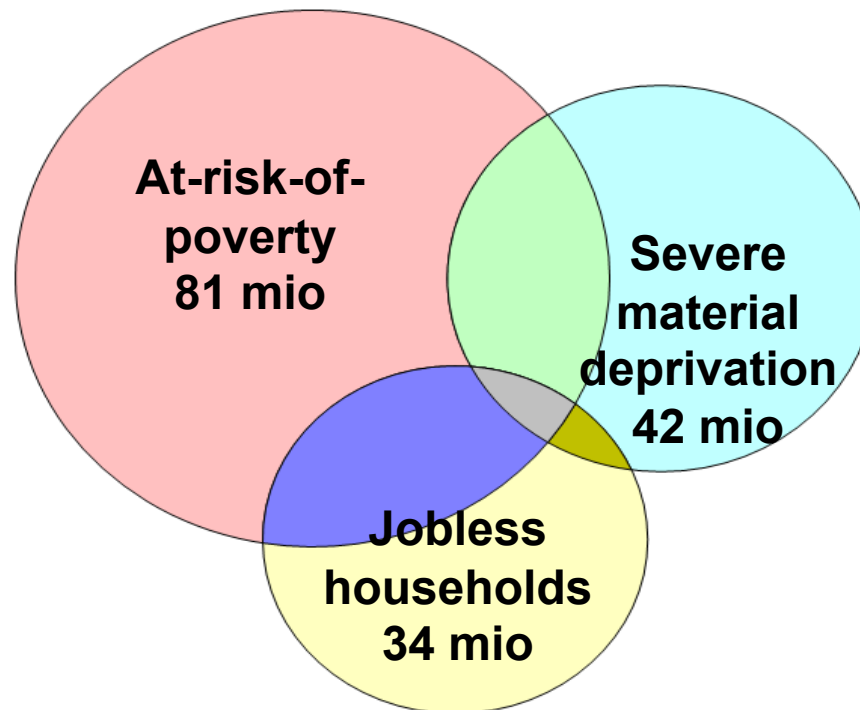
- The fundamental societal trends that necessitated a social investment strategy are as relevant and important today as they were ten years ago, perhaps even more so because of adverse demography

# The social investment imperative

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- Investment agenda
  - Child-centred social investment strategy
  - Human capital investment push
  - Reconciling work and family life
  - Later and flexible retirement
  - Migration and integration through education and participation
  - Minimum income support and capacitating service provision

## Taking Europe 2020 seriously

- While certainly not perfect, the Europe 2020 objectives translate a social investment ambition which merits full support
- Example: poverty, severe material deprivation, very low work intensity



## The social investment imperative

- The long-term social investment imperative must not fall victim to short-term policy orientations, i.e. ill-guided austerity (short-term ⇔ long-term)
- Fiscal discipline must be allowed to deliver, i.e. collective action & support needed, e.g. symmetrical adjustment, Eurobonds, Funds... (supranational solutions ⇔ welfare chauvinism)

## The EU needs a social investment pact

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- Fiscal discipline must be allowed to deliver, i.e. collective action & support needed, e.g. symmetrical adjustment, Eurobonds, Funds... (supranational solutions ⇔ welfare chauvinism)
- The political deal the EU needs is one wherein *all* governments pursue budgetary discipline and social investment, and are *supported* therein in a tangible way by the EU.
- Such a reform-oriented, forward-looking deal may contribute to creating a real sense of “**reciprocity**” in the EU (e.g. conditionality of Funds).

## Thank you

- Vandenbroucke, *Europe: The Social Challenge. Defining the Union's social objective is a necessity rather than a luxury*, OSE Opinion Paper No. 11, 2012
- Vandenbroucke, Hemerijck & Palier, *The EU needs a social investment pact*, OSE Opinion Paper, No. 5, 2011
- Vandenbroucke & Vleminckx, "Disappointing poverty trends: is the social investment state to blame?" in: *Journal of European Social Policy*, 21 (5), 450-471, 2011.
- Vandenbroucke, Cantillon, Van Mechelen, Goedemé & Van Lancker, 'The EU and Minimum Income Protection: Clarifying the Policy Conundrum', forthcoming in Marx & Nelson, *Minimum Income Protection in Flux*, Palgrave MacMillan, 2012