Defining the EU’s objective is a necessity rather than a luxury

The EU needs a social investment pact

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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

Equivalized net disposable household income, as % of EU27 median

- EU15
- EU12
- Poverty threshold
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...
... or “convergence machine”?

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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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

Determines social order
The education asymmetry: an “excessive imbalance”
Population with less than upper secondary education & employment rate, 2008

Correlation education / employment rate:
EU27: -0.39; EU17: -0.66; EU10: -0.47
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?

Distributive effort to eliminate poverty risk below 60% of median, EU SILC 2009

GDP per inhabitant in PPS, 2008

High GDP/capita
High redistributive effort required

Low GDP/capita
Low redistributive effort required
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?

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  – 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

Above benchmark line = inefficient

= inefficient in both poverty and pov. reduction

Social Protection Spending % GDP, Eurostat
Structure

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• The EU needs a social investment pact
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
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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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• 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


