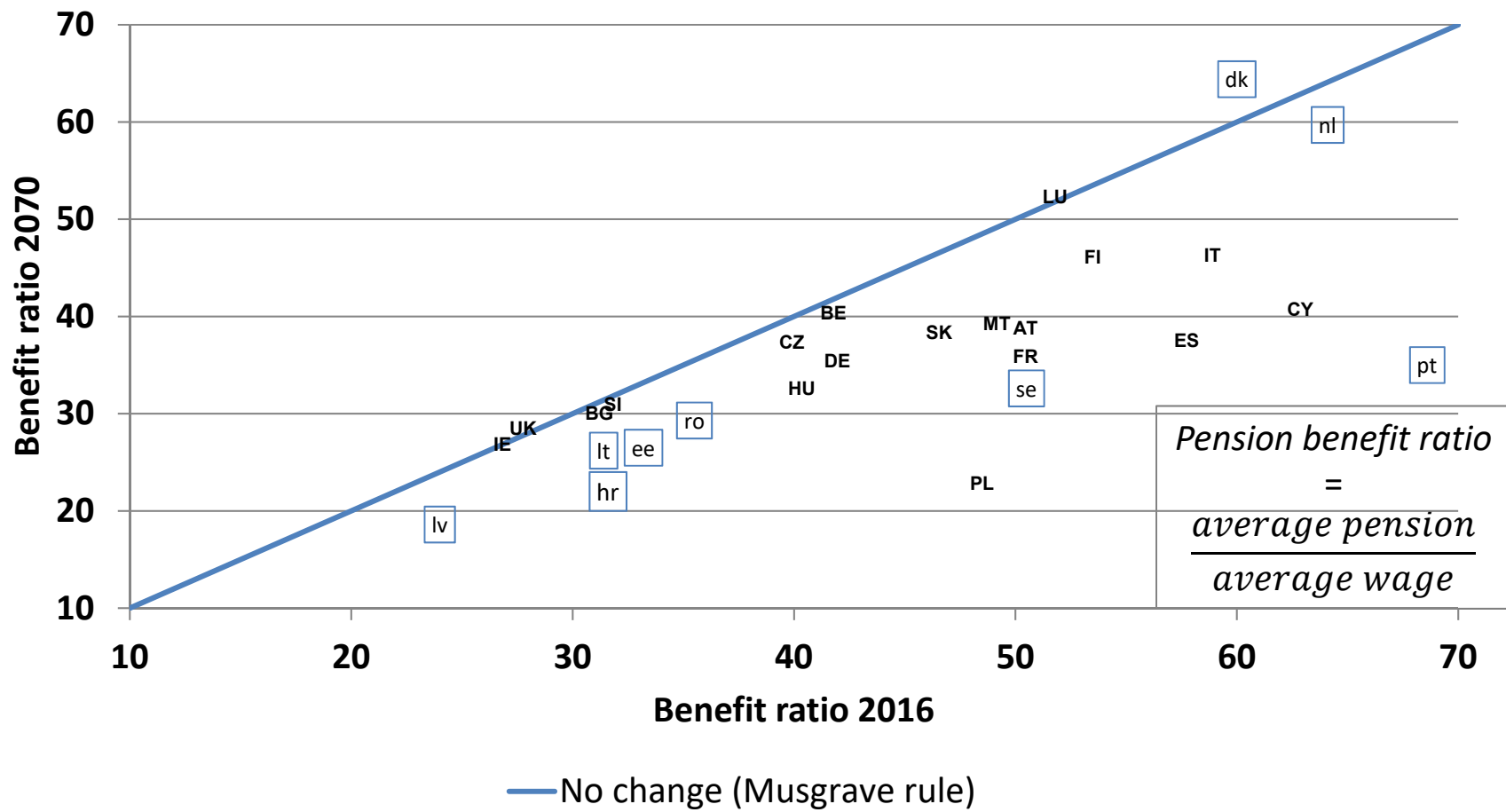


**Common European standards for resilient welfare states:
adequate social insurance and social investment**

Frank Vandenbroucke

Contribution to
ETUI conference
'The World-s of Work in transition'
Brussels, 28 June 2018

Intergenerational risk sharing under pressure: change in pension benefit ratios, incl. private pensions ()



Based on data from Ageing Report 2018

The social dimension of EMU: an evolving paradigm

- In the 1990s, labour market reform was justified by the advent of EMU: supply-side flexibility and '*enabling*' activation policies.
- Today, we need a broader approach : EMU requires a consensus on labour market institutions that support both *flexibility* and *stability*. Therefore, '*protective*' policies and collective action are in order. Enabling and protective policies can be mutually reinforcing, in creating *resilient social systems*.
- Stability through collective bargaining: member states need labour market institutions that can deliver on wage coordination; this excludes totally decentralised and uncoordinated bargaining. Institutions that monitor competitiveness should be embedded in social dialogue, and distributive concerns should be mainstreamed in the monitoring of competitiveness.

EMU needs common standards for *resilient* welfare states

- Cluster of policy principles for an effective stabilisation capacity in MS:
 - sufficiently generous unemployment benefits;
 - 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

=> Convergence in **some**, key features of Eurozone welfare states

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A European perspective

- The social dimension 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

Priorities for resilient EU welfare states

- Cluster of policy principles for an effective stabilisation capacity in MS:
 - sufficiently generous unemployment benefits;
 - sufficient public expenditure on social services
 - no large gaps in social insurance for force poorly
 - no large gaps in social insurance; integrated into systems of social insurance;
 - effective activation of unemployed individuals
- Effective collective bargaining
- Investment in ECEC and education (and sufficiently egalitarian background conditions)

=> Rather than 'basic income *in cash*', free & top quality education & ECEC, and affordable health care!

Resources

- 1) Vandenbroucke, Risk Reduction, Risk Sharing and Moral Hazard: A Vaccination Metaphor, *Intereconomics*, Vol. 52, May/June 2017, Number 3, pp. 154-159.
- 2) Vandenbroucke, Basic income in the European Union: a conundrum rather than a solution, *ACCESS EUROPE Research Paper 2017/02*, 01 August 2017, downloadable at <http://ssrn.com/abstract=3011847>.
- 3) 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>
- 4) European Commission, *Ageing Report 2018*, Brussels, May 2018..
- 5) On 'Musgrave rule': Schokkaert, Devolder, Hindriks, Vandenbroucke, Towards an equitable and sustainable points system. A proposal for pension reform in Belgium, *Journal of Pension Economics and Finance*, First View, 27 April 2018, pp. 1-31.

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