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

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

\[ \text{Pension benefit ratio} = \frac{\text{average pension}}{\text{average wage}} \]

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
EMU needs common standards for **resilient 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

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  – sufficiently comprehensive unemployment benefit schemes;
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• 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


All publications: [www.frankvandenbroucke.uva.nl](http://www.frankvandenbroucke.uva.nl)