socialplatform

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Rebalancing economic and social stabilisation in the EU

Contribution to Workshop II: EMU-wide automatic stabilizers: towards a common Unemployment Benefit Scheme?

Key messages

I. Stabilisation as part of a long-term approach

A common Unemployment Benefit Scheme (UBS) would offer short-term support during significant economic shocks that leads to social shocks such as high unemployment. However we still need a long-term approach to avoid a social crisis from happening and to support the sustainability of the European Social Model.

II. Minimum requirements and common standards for member states

If a concrete proposal for a European UBS would be put forward, it should include minimum requirements and common standards on how member states should translate such a scheme into concrete unemployment benefits, while taking into account the different national contexts.

III. Complementing member states' responsibilities

An E(M)U-wide automatic stabiliser such as a UBS should only support and not replace member states' own national responsibility to put in place adequate and well-functioning social protection systems.

Introduction: The importance of strong and well-functioning social protection systems

In 2013 the European Commission stated in its Communication on *Strengthening the Social dimension of the Economic and Monetary Union* (EMU) that in the future it should become possible to establish a common European level macroeconomic stabiliser as an *"insurance system to pool the risks of economic shocks across member states,…"*. It was suggested that such a scheme could provide a system of earmarked payments to counter certain cyclical effects, such as a sudden increase in unemployment rates, as happened during the crisis.[1]

For a few years the possibility of developing an EU level automatic stabiliser and in particular a common UBS, has caught the attention of both academics and policy makers.[2]

The general idea of such a scheme would be that if the unemployment rate in a member state rises and reaches a certain level, the member state would receive European financial support for the payment of unemployment benefits.

The attention paid to this idea can be seen as an **acknowledgement of the importance of having well-functioning and strong social protection systems**. This is not a surprise as such systems have an important role to play as economic stabilisers, and also in supporting the functioning and solidarity of our society. It was shown already often before that member

[1] EC Communication on Strengthening the Social Dimension of the Economic and Monetary Union, October 2013, following the Four Presidents' Roadmap Towards a genuine economic and Monetary Union, December 2012, suggesting to establish *"a well-defined and limited fiscal capacity to improve the absorption of country-specific economic shocks, through an insurance system set up at the central level".*

[2] For example: S. Dullien, A euro-area wide unemployment insurance as an automatic stabilizer: Who benefits and who pays?, January 2013; Bertelsmann Stiftung (ed.), *A European Unemployment Benefit Scheme*, 2014; EC Paper on automatic stabilisers, October 2013.

states with good social protection systems are among the most competitive and prosperous, and better resisted the negative impacts of the crisis, both in terms of social as well as economic stabilisation.[3]

Social Platform therefore welcomes the initiative to explore the possibility of having an E(M)U-wide automatic stabiliser such as a common UBS. If developed properly, such mechanism could not only help stabilising economies in times of crisis, but could also be a first step towards greater solidarity across the EU and an example of balancing economic and social concerns.

The proposals for a common UBS as currently discussed, consider this system primarily as an economic tool.[4] **However if such a system would be created at least the following key social issues have to be taken into account for it to work.**

I. Stabilisation as part of a long-term approach

A common UBS would offer short-term support during significant economic shocks that leads to social shocks such as high unemployment. However we still need a long-term approach to avoid a social crisis from happening and to support the sustainability of the European Social Model.

It would therefore be important to:

- Articulate any proposal for an E(M)U-wide automatic stabiliser with the development of a broader "Social Plan" in particular in view of implementing the inclusive growth pillar of the Europe 2020 Strategy and its objectives on employment, poverty and education.
- Accelerate the implementation of the Recommendation on Active Inclusion, combining the equally important strands of adequate income protection, inclusive labour markets and access to high-quality social services.
- Support the development through a social investment approach of adequate and accessible social protection systems across member states that work in times of crisis as well as in times of economic stability. This includes ensuring adequate minimum income schemes in all member states as a corner stone of quality social protection across the life-span and serve as a benchmark for identifying other social benefits.[5]

II. Minimum requirements and common standards for member states

If a concrete proposal for a European UBS would be put forward, it should include minimum requirements and common standards on how member states should translate such a scheme into concrete unemployment benefits, while taking into account the different national contexts. This would support the development of common European social standards and would help to avoid social divergences between member states.

It would therefore be important to:

- Set the unemployment benefits provided under the common scheme at a level that is above what is considered as adequate minimum income in the member state concerned and at least not lower than the current national levels of unemployment benefits.
- Ensure that if the European UBS would only apply to cyclical unemployment, all people that become victim of such unemployment are covered and eligible, including young people [6], even if they have only contributed to the system for a limited period.

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[3] Commissioner Andor, Speech to the EC Seminar on Improving Minimum Income Support, April 2014.
[4] See for example F. Fichtner, "Euro area-wide unemployment insurance: useless, desirable, or indispensable", in OSE and ETUI, *Social Developments in the European Union 2013*, June 2014, p. 115-117.
[5] Social Platform Contribution to the informal EPSCO on Economic recovery and social policies: the role of minimum income schemes, April 2014 and Position Paper on an EU Directive on Adequate Minimum Income, June 2014.
[6] Unemployment among young people increased significantly during the crisis. According to Eurostat, the EU youth unemployment rate was at 15.6% in 2008 and 22.2% in May 2014. The general unemployment rate was at 7% in 2008 and 10.3% in May 2014.

- Ensure that if the benefits provided under the European UBS would be limited in time, some flexibility would be allowed for people who are expected to need more time to find a new job after becoming unemployed, such as older workers.[7]
- Include common approaches on how to ensure the accessibility and take-up of benefits.
- Support the creation of quality and sustainable jobs, and the provision of accessible and quality training alongside employment services that provide personalised support in finding these. Exploit the potential of the social economy and social enterprises and refrain from conditionalities that force people to take up any kind of job such as the punitive withdrawal of benefits.

III. Complementing member states' responsibilities

An E(M)U-wide automatic stabiliser such as a UBS should only support and not replace member states' own national responsibility to put in place adequate and well-functioning social protection systems.

It would therefore be important to:

- Provide universal coverage in social protection at adequate levels for people to live a life in dignity throughout the life cycle.
- Organise social protection systems to be rights-based, accessible and inclusive, and ensure social protection bodies should work in a reliant, transparent, efficient and proactive way.

  Invest sufficient resources in social policies including social services, applying a social investment approach, and ensure policy reforms are not dismantling social protection systems, but are pursued with a social investment approach.

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[7] According to OECD data, the average duration of unemployment for people over 55 in Europe is between 21.2 months for women and 19 months for men, while it is of 15.7 months for the whole population, see OECD stat *Average duration of unemployment*, data 2012.