

**“GOING FORWARD OR BACKWARD?  
PERSPECTIVES ON AN EUROPEAN SOCIAL CITIZENSHIP”**  
WSI of the Hans Böckler Foundation, University of Konstanz

# Towards a Social Union

*Overcoming intra-EU imbalances and external shocks*

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**FEPS**  
FOUNDATION FOR EUROPEAN  
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# Europe's Social Integration

## Welfare Models and Economic Transformations

"This book on Europe's social integration makes vividly clear that welfare state and social policy is again at the core of political debate in Europe. The twenty-first century's megatrends require Europe to implement bold policies that fit today's challenges."

— Anna Diamantopoulou, chair of the High-Level Group on the future of social protection and of the welfare state in the EU

"According to Andor, four 'apocalyptic riders' challenge the fates of the European social model: globalization, monetary union, Eastern enlargement and digitalization. As a former EU Commissioner for Social Affairs, the author represents the rare synthesis of a top policy maker and a profoundly knowledgeable political economist. His book offers both first-rate analysis and imaginative ideas for the reforms needed to cope with those apocalyptic riders. Anyone interested in the future of the EU's 'social dimension' will greatly profit from studying this excellent work."

— Claus Offe, Professor Emeritus of Political Sociology, Hertie School

"It is debatable whether there is a European social model at all, but what is certain is that there are many threats to social cohesion and sustainability in Europe. László Andor's book takes stock of some of the main threats and highlights where common EU policy can be part of the solution, rather than part of the problem, which was too often the case in the past."

— Ann Pettifor, director of PRIME (Policy Research in Macroeconomics) and fellow of the New Economics Foundation

"What makes the European Union a 'community'? A systematic search for the 'social reform of capitalism' is possibly the best answer. Andor analyzes this quest using a rigorous conceptual framework, leading us through the 'ups' of post World War II policy design in the West and the vision of a post-communist regime in the Centre-East. He goes on to examine the EU-wide 'downs' due to cultural neo-conservatism and the trajectory of EU macro governance, concluding with a discussion of today's issues and challenges."

— Fabrizio Barca, former minister for territorial cohesion in Italy and coordinator of the Forum on Inequalities and Diversity

"As Gandhi once said of Western civilization, so one might say of European social democracy: it would be a very good idea. Combining knowledge, experience and hope, László Andor here presents a comprehensive and yet potentially realistic vision of how true solidarity across Europe might yet be designed and achieved."

— James K. Galbraith, Lloyd M. Bentsen Jr. Chair in Government/Business

László Andor is a Hungarian economist. He was the EU Commissioner for Employment, Social Affairs and Inclusion between 2010 and 2014 and a member of the Board of Directors of the EBRD between 2005 and 2010. He has taught courses on economics, politics and the European Union at his alma mater Corvinus University (Budapest) and at the Hertie School in Berlin, the ULB in Brussels, Sciences Po in Paris, and the European University Viadrina (Frankfurt, Oder).

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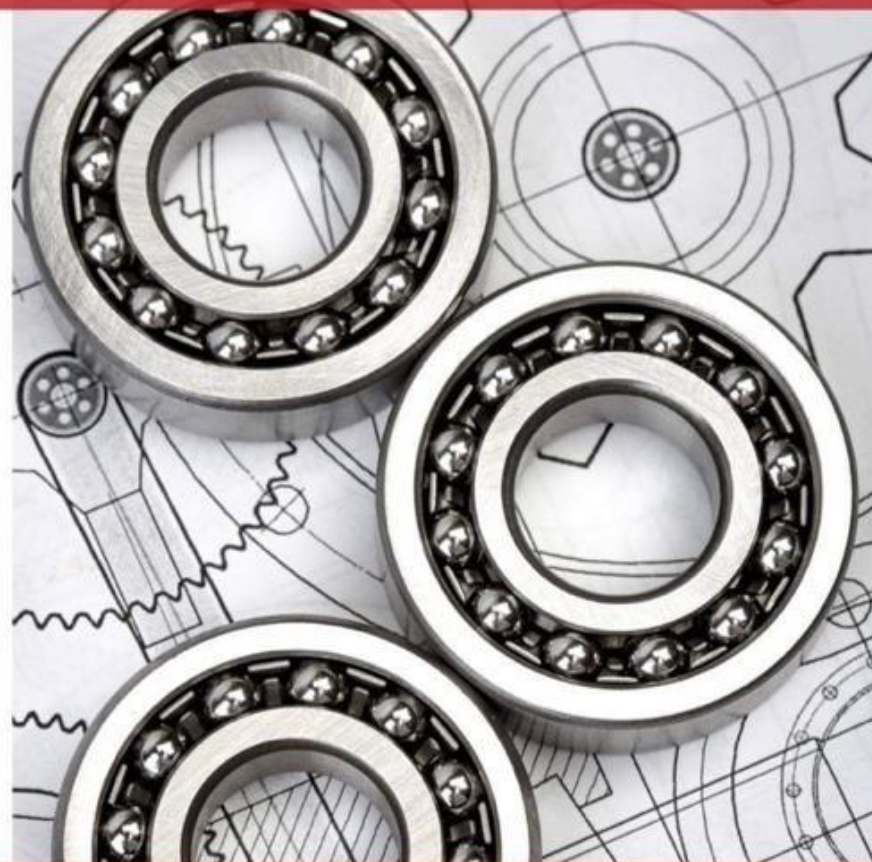


# EUROPE'S SOCIAL INTEGRATION

WELFARE MODELS AND ECONOMIC TRANSFORMATIONS

EUROPE'S SOCIAL INTEGRATION

László Andor



# The „Lost Paradise”

## **Within nation states (*fundamental role*):**

- Advanced industrial relations; social dialogue
- Advanced social protection; welfare safety nets, public services
- Capacity to limit:
  - unemployment
  - poverty
  - income inequality

## **At EU level (*supportive role*):**

- EU level social dialogue
- Social legislation (mainly on working conditions e.g. WTD, maternity)
- Enforcement of social rights in context of cross-border mobility
- Social investment capacity (ESF and other instruments)
- Long-term coordination programs:
  - Lisbon Strategy
  - Europe 2020



# „Threats to the European Social Model”

- **Globalisation**
  - loss of industrial jobs, „hollowing out” effect
  - capital mobility puts pressure on fiscal base
- **Monetary union (Maastricht)**
  - ...without fiscal (and social) union; polarised eurozone
  - bias for „stability” and internal devaluation
- **EU enlargement**
  - internalising social dumping
  - weak commitment to social standards („Maquiladora”)
- **Digital revolution (disruption)**
  - allows „extreme” flexibilisation
  - new forms of employment (without social security)



# Progressive strategy: a Social Union?

## Stronger pillars needed

- EU safety nets for national safety nets (guarantees, unemployment insurance)
  - preventing divergence
- Social investment strategies integrated in Cohesion Policy
  - facilitating convergence
- Keeping economic and social policies connected
  - avoiding marginalisation

## Beyond the Delors paradigm

- Pre-Maastricht model:
  - pact with labour aristocracy (V-D);
  - centrality of definition of rights (1989, 2017); non-binding at EU level
- Post-Maastricht model:
  - inclusion of marginal /vulnerable groups;
  - focus on values, resources and policy coordination
  - promote EMU reform

# Social Union: theory and practice

## Academic perspective

- 2015: Cambridge conference on Social Union (F. Vandenbroucke et.al.)
- 2018: A. Hemerijck: Towards a 'Holding Environment' for Europe's (Diverse) Social Citizenship Regimes
- 2018: M. Ferrera and F. Vandenbroucke launch debate on concept of Social Union
- 2020: C. Crouch: Social Europe – A *Manifesto* published (using Polanyian argument for social policy integration)

## EU level progress

- 2017: European Pillar of Social Rights adopted in Gothenburg
  - Positive shock: Brexit
- 2021: Action Plan adopted by European Commission, restoring targets for employment, training and poverty reduction
- 2021: Social Summit in Porto (hosted by PT presidency)
  - Positive shock: Covid-19

# Corona effects on EU: deepening integration

## Budgetary framework

- 1 % „glass ceiling” is broken
  - Combined ratio: 1.8 % of GNI
- EU countries will borrow jointly
  - Counter-cyclical stabilisation
- Cross-country transfers from borrowed resources
  - Repayment by 2058

## Social crisis response

- SURE – EU support for Kurzarbeit
- Reinforced Youth Guarantee
- Child Guarantee initiative
- Minimum wage coordination
- Pay transparency (gender equity)
- *Unemployment re-insurance?*



# Protecting jobs and incomes

- Temporary Support to mitigate Unemployment Risk in Emergency (SURE) - €100bn in loans
  - It provides MSs with loans useful to provide support for people with a work-contract that are temporarily out of employment, i.e. the state pays the salaries...
- What about the unemployed?
  - The progressive family has advocated a stabilisation tool that could take the form of an EU-wide unemployment re-insurance – it is among the commitments of the von der Leyen commission
  - National support to SMEs has been made conditional to a no-lay-off policy, but when such ban will be lifted there can be a surge of unemployment



## SURE: A QUICK FIX TO BE WELCOMED, IN SEARCH FOR LONG TERM SOLUTIONS

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## SAVING JOBS AND PROTECTING INCOMES FROM NATIONAL SCHEMES TO A EUROPEAN DOUBLE SAFETY NET

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# Need for automatic stabilisers in EMU

- Countering „asymmetric shocks” and resulting imbalances with *rule-based, conditional and temporary* fiscal transfers
- Supporting **aggregate demand → economic activity → employment → social cohesion** in zones of economic downturn (lacking autonomous fiscal/monetary policy)
- Options:
  - --automatic income support (based on „output gap”)
    - needs fund to be accumulated in „good times”
  - --reinsurance of national unemployment insurance funds
    - transfers triggered by major crises; impact only in „shock time”
  - --partial pooling of unemployment benefit systems
    - need for some harmonisation of labour market regulation and institutions

