

Economic and Monetary Union

One step closer to European unemployment benefit system

By Sophie Petitjean | Monday 09 September 2013

The EU is seriously considering the idea of an unemployment insurance system as an automatic stabiliser for the eurozone. On 5 September, the European Parliament's Committee on Employment and Social Affairs (EMPL) supported the launch of a pilot project on the feasibility and added value of a European unemployment benefit system. Meanwhile, the European Commission has established a working group – which includes, among others, the heads of DGs Employment and Ecfm – to discuss this idea. It is possible that the Commission will adopt a favourable position on such a mechanism in its communication on the social aspects of the Economic and Monetary Union (EMU), scheduled for publication in October 2013.

DAMPEN GDP FLUCTUATIONS

In its 28 November 2012 communication 'A blueprint for a deep and genuine Economic and Monetary Union' ⁽¹⁾, the Commission has been pondering – officially, for the first time – the need to establish automatic stabilisers ⁽²⁾. The Commission notes that "The absence of a central budget with a stabilisation function has long been identified as a potential weakness of the euro area in comparison with other successful monetary unions."

The Commissioner for Employment and Social Affairs, László Andor, openly supported the idea of a European unemployment benefit scheme: "It could help to dampen fluctuations in real GDP in case of asymmetric shocks affecting some parts of the EU more than others (insurance function), and maybe also if symmetric shocks affect everybody (stabilisation function)," he said at a round table meeting on the state of Europe, on 11 October 2012. In Andor's view, "The EU-level scheme would represent a supplement, or perhaps a basic provision, which would then be topped up by the member states as they so wish".

Even though Andor was fairly specific, no initiative has yet seen the light of day. According to several sources, this could be one of the main points of the communication on the social aspects of the EMU, which the Commission has pledged to publish by the end of the year.

FEASIBILITY STUDY

At the European Parliament, the EMPL committee is keen to be part of the conversation. EMPL organised, on 9 July, a public hearing on how and why to establish a European unemployment benefit scheme. The answer by the political advisor of the German Institute for Economic Research (DIW), Ferdinand Fichtner, to 'why' was unambiguous: such a system, in his view, would have helped fight the volatility of the economy. "Such a tool would not have avoided the crisis, but it would no doubt have mitigated its impact. According to our calculations, GDP in Spain would have dropped by 20% less and by 10% in Greece," Fichtner explained to MEPs. As for 'how', all the experts in attendance had recommendations of their own. Overall, they tended to agree on the following: a basic insurance with a low common denominator coupled with incentives to make sure that countries resort to the

mechanism as little as possible. Georg Fischer, director for analysis, evaluation and external relations at DG EMPL, called for a “transparent and light system that can foster change”. During the 5 September meeting, EMPL MEPs called on their BUDG colleagues – who are, ultimately, in charge – to incorporate a feasibility study in the draft resolution on the EU’s general budget for the 2014 budgetary discharge. The aim of the pilot project is to assess the feasibility and the advantages of introducing a European unemployment insurance or benefits that could take the shape of a minimum unemployment allowance. The final goal would be to pave the way to the concrete implementation of that idea, notes the report penned by Csaba Öry (EPP, Hungary). Under Öry’s report, €3 million in commitments and €1.5 million in payments would be allocated to this project.

EMPL is also calling for the creation of a network aimed at facilitating the exchange of best practice between the various stakeholders (member states, local and territorial administrations, trade unions and associations), as well as the hosting of a high-level conference aimed at communicating and discussing the results of the study. Frédéric Daerden (S&D, Belgium) is one of the main defenders of this idea. Daerden justified this budget line: “If under European economic governance the Union can interfere with salary levels in the name of competitiveness, then the subsidiarity argument to prevent action in the field of social protection does not stand – particularly in this period of high unemployment levels”.

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⁽¹⁾ *The document is available at eur-*

lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0777:FIN:EN:PDF

⁽²⁾ *A structural mechanism that partially compensates for loss of income when an economy goes into recession*

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