

## PROPOSAL FOR A RESOLUTION [2.3.] OF THE UEF CONGRESS “A EUROPEAN UNEMPLOYMENT (RE-)INSURANCE TO STABILISE THE EUROZONE AND STRENGTHEN EUROPEAN SOLIDARITY”

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### 1 **The Union of European Federalists:**

- 2 Recalling that the Euro remains one of Europe’s most pressing policy challenges and that both
- 3 structural and functional changes to the institutional and policy design of the Eurozone are mandatory
- 4 in order to maintain economic stability, build resilience and preparedness for future economic shocks
- 5 and enable long-term economic growth in the Union;
  
- 6 Being aware that the current cyclical economic recovery in the Eurozone has led to some complacency
- 7 but reminding that the Eurozone remains ill-equipped for countering both symmetric and asymmetric
- 8 economic shocks;
  
- 9 Recalling that in a monetary union traditional policies to tackle economic shocks, such as the
- 10 adjustment of exchange and interest rates, might not be available given the diverse economic cycles
- 11 and performances across the union;
  
- 12 Considering that a fiscal capacity for the Eurozone to act as a first line of defence against economic
- 13 shocks is a necessary condition for a more sustainable architecture;
  
- 14 Recalling that proposals for various tools for macroeconomic stabilisation financed through a fiscal
- 15 capacity have been made, including a rainy day fund, investment protection schemes and European
- 16 unemployment Insurance and Re-Insurance schemes; considering further that for an effective
- 17 response to economic shocks a policy mix of several such tools might be delivering most effectively;
  
- 18 Considering that an Unemployment Insurance scheme is particularly attractive as a stabilisation tool
- 19 as it alleviates directly the most visible immediate negative effects of an economic crisis on citizens,
- 20 i.e. growing unemployment and reduced net demand, reduces the fiscal strain on governments in bad
- 21 times and encourages anti-cyclical fiscal policies;
  
- 22 Recalling that in order to achieve a macroeconomic impact a funding of up to 3% GDP might be
- 23 required; acknowledging, however, that an Unemployment Insurance scheme with less financial
- 24 resources can already have tangible stabilisation effects;
  
- 25 Acknowledging the risk of moral hazard associated with all solidarity tools and recalling that further
- 26 reforms of the Eurozone must involve progress made on both, strengthening responsibility, that is risk-
- 27 reduction, and solidarity, that is risk-sharing;
  
- 28 Deploring that many European citizens, especially those citizens who have entered the labour market
- 29 during the last decade in crisis countries, associate the Euro and the European Union with an
- 30 aggravating economic situation, austerity policies and a lack of European solidarity;
  
- 31 Acknowledging that the absence of stabilisation and solidarity mechanisms has resulted in a growing
- 32 north-south divide in growth and social welfare in the Eurozone which leads to a gradual erosion of
- 33 the sense of European belonging;
  
- 34 Recalling that the stabilisation effect of a European Unemployment Insurance scheme could either be
- 35 obtained by moving all unemployment insurance schemes from the national level on the European

36 level, which would achieve the highest degree of risk-sharing, by paying parts of the national  
37 unemployment benefits from the European level or by a re-insurance scheme which would make  
38 payments from a European fund towards the national budgets to be used for the pay-out of  
39 unemployment benefits;

40 Acknowledging that while full and direct European unemployment insurance schemes would have the  
41 advantage of making European solidarity visible for the recipients of European benefits, these schemes  
42 would require deep harmonisation of labour market law and welfare policies and would probably  
43 require treaty changes, given that the use of the flexibility clause pursuant to Article 352(1) TFEU  
44 remains uncertain; acknowledging, therefore, that a re-insurance scheme is politically the most viable  
45 option for the time being;

46 Welcoming in this context that the Meseberg declaration includes the proposal that a European  
47 Unemployment Re-insurance scheme should be considered;

48 Considering that the CJEU's ruling in the Pringle case regarding the ESM sets precedent for the legal  
49 possibility of a subset of Member States acting on their own accord where unanimous approval of the  
50 Council cannot be reached.

51 **The Union of European Federalists, therefore:**

52 Calls for the introduction of a European unemployment insurance scheme encompassing all Eurozone  
53 countries as soon as possible;

54 Demands that Member States make real progress towards the development of a sound compromise  
55 proposal ahead of the European elections in order to signal to citizens that the European Union  
56 remains able to act and to solve problems;

57 Encourages in this context especially the German and French governments to make rapid progress on  
58 the operationalisation of the proposal for a European Unemployment Re-Insurance scheme as  
59 suggested in the Meseberg declaration;

60 Considers that a credible Re-Insurance scheme, supporting but not replacing national unemployment  
61 benefit systems would contribute significantly to the stability of the Eurozone through increased risk-  
62 sharing if funded at an appropriate size, while minimising risks of moral hazard;

63 Calls on Member States to focus on the introduction of a Re-Insurance scheme in the first instance in  
64 order to make swift progress and start building up funds already during the current cyclical economic  
65 upswing in the Eurozone ("fix the roof while the sun is shining");

66 Underlines that for political viability any European Unemployment Insurance or Re-Insurance scheme  
67 should not lead to continuous and permanent fiscal transfers and that it should be fiscally neutral for  
68 all Member States in the long run; underlines further that a European Unemployment Insurance or Re-  
69 Insurance scheme is not an appropriate policy instrument to pursue long-term convergence of incomes  
70 across the Eurozone;

71 Considers that a European Unemployment Insurance or Re-insurance scheme should act as an  
72 automatic stabiliser and therefore automatic triggers for pay-out should be defined ex-ante, such as,  
73 for example, an increase of the unemployment rate in a Member States by a certain percentage as  
74 compared to a five-year average;

75 Calls for the European Unemployment Insurance or Re-insurance fund to be funded in the long run  
76 through an autonomous budgetary capacity for the Eurozone, and in the meantime with annual  
77 national contributions to the fund based on GDP; further calls for a revision of the funding scheme  
78 three years after introduction of the scheme;

79 Calls for full involvement of the European Parliament in decisions regarding the European  
80 Unemployment Insurance;

81 Underlines that should no unilateral agreement in the European Council be achievable, willing Member  
82 States are encouraged to move ahead making use of the possibilities of enhanced cooperation as  
83 contemplated in Article 20 TFEU or by means of an international agreement accorded by participating  
84 Member States following the precedent given by the construction of the ESM.