

RESOLUTION “A EUROPEAN UNEMPLOYMENT (RE-)INSURANCE TO STABILISE THE EUROZONE AND STRENGTHEN EUROPEAN SOLIDARITY”

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Recalling that the euro remains one of Europe’s most pressing policy challenges and that both structural and functional changes to the institutional and policy design of the eurozone are mandatory in order to maintain economic stability, build resilience and preparedness for future economic shocks and enable long-term economic growth in the Union;

Being aware that the current cyclical economic recovery in the eurozone has led to some complacency but recalling that the eurozone remains ill-equipped for countering both symmetric and asymmetric economic shocks;

Recalling that in a monetary union traditional policies to tackle economic shocks, such as the adjustment of exchange and interest rates, might not be available given the diverse economic cycles and performances across the union;

Considering that a fiscal capacity for the eurozone to act as a first line of defence against economic shocks is a necessary condition for a more sustainable architecture;

Recalling that proposals for various tools for macroeconomic stabilisation financed through a fiscal capacity have been made, including a rainy day fund, investment protection schemes and European unemployment insurance and re-insurance schemes; considering further that for an effective response to economic shocks a policy mix of several such tools might deliver most effectively;

Considering that an unemployment insurance scheme is particularly attractive as a stabilisation tool as it alleviates directly the most visible immediate negative effects of an economic crisis on citizens, namely growing unemployment and reduced net demand, reduces the fiscal strain on governments in bad times and encourages anti-cyclical fiscal policies;

Recalling that in order to achieve a macroeconomic impact a funding of up to 3% GDP might be required; acknowledging, however, that an unemployment insurance scheme with less financial resources can already have tangible stabilisation effects;

Recalling that the heterogeneity of national unemployment insurance schemes and the effects on these schemes of other national social policies such as housing allowances or other fiscal measures must be taken into account; therefore, the effect of an EU unemployment insurance scheme must not foster interstate competition or reduce the need for structural reforms where long-term unemployment rates are high;

Acknowledging the risk of moral hazard associated with all solidarity tools and recalling that further reform of the eurozone must involve progress to both strengthen responsibility (risk reduction) and solidarity (risk sharing);

Deploring the fact that many European citizens, especially those who have entered the labour market during the last decade in crisis countries, associate the euro and the European Union with an aggravating economic situation, austerity policies and a lack of European solidarity;

Acknowledging that the absence of stabilisation and solidarity mechanisms has resulted in a growing north-south divide in growth and social welfare in the eurozone which leads to a gradual erosion of the sense of European belonging;

Recalling that the stabilisation effect of an EU unemployment insurance scheme could either be obtained by moving all unemployment insurance schemes from the national to the EU level (which would achieve the highest degree of risk sharing), by paying parts of national unemployment benefit at the EU level or by a re-insurance scheme which would make payments from an EU fund towards national budgets to be used for paying unemployment benefit;

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

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

Considering that the CJEU's ruling in the Pringle case regarding the ESM sets precedent for the legal possibility of a subset of member states acting on their own accord where unanimous approval of the Council cannot be reached;

The Union of European Federalists, therefore:

- calls for the introduction of a European unemployment insurance scheme encompassing all eurozone countries as soon as possible;
- demands that member states make real progress towards the development of a sound compromise proposal ahead of the European elections in order to signal to citizens that the European Union remains able to act and to solve problems;
- encourages in this context especially the German and French governments to make rapid progress to give effect to the proposal for an EU Unemployment Re-Insurance scheme as suggested in the Meseberg Declaration;
- considers that a credible re-Insurance scheme, supporting but not replacing national unemployment benefit systems would contribute significantly to the stability of the eurozone through increased risk-sharing if funded at an appropriate size, while minimising risks of moral hazard;
- calls on member states, in the first instance, to focus on the swift introduction of a re-insurance scheme in order to build up funds during the current cyclical economic upswing in the eurozone (“fix the roof while the sun is shining”);
- underlines that for political viability any EU unemployment Insurance or re-insurance scheme should not lead to continuous and permanent fiscal transfers and should be fiscally neutral for all member states in the long run; underlines further that such schemes are not an appropriate policy instrument to pursue long-term convergence of incomes across the eurozone;

- considers that an EU unemployment insurance or re-insurance scheme should act as an automatic stabiliser from which payment should be defined ex-ante, for example, by increased unemployment rates in a member state by a certain percentage over a five-year average;
- calls for the EU unemployment insurance or re-insurance fund to be funded in the long run through an autonomous budgetary capacity for the eurozone, and in the meantime by annual national contributions to the fund based on GDP; further calls for a revision of the funding scheme three years after introduction of the scheme;
- calls for full involvement of the European Parliament in decisions regarding EU unemployment insurance;
- underlines that should no agreement in the European Council be achievable, willing member states are encouraged to move ahead making use of the possibilities of enhanced cooperation as contemplated in Article 20 TFEU or by means of an international agreement accorded by participating states following the precedent given by the construction of the ESM.