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"Social Europe", a lever for euro zone integration

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Abstract :
With the speed-up effects of the crisis, Europe managed to hammer out federal instruments to steer the euro with the Stability Mechanism and Fund – the premise of Banking Union. It also moved on to a new phase in terms of budgetary policy integration, with the European Semester, the unique standard to gauge budgetary deficit and it facilitated the ECB's development – a central bank in its own right – towards becoming a lender of last resort. But Europe now has to rise to the challenge of its "social convergence". In the face of massive structural unemployment related to the rigidity of its national labour markets, the euro comprises a condition for Social Europe and at the same time it could also become a lever for the establishment of the latter. The issue's urgency is governed by the need to rise to the expectations of our societies which are being undermined by unemployment. This is especially true of young people and it is also a factor of the stabilisation and sustainability of the euro due to specific mechanisms which govern the functioning of an integrated monetary zone. Given that the Welfare State is mainly the domain of national competence the issue is a sensitive one. Using the effective pragmatism of the Schuman method as its support Europe now has to move forward by way of experimentation and in successive stages. With unemployment as the dominant issue Europe should lay the foundation for an unemployment insurance agreement as the first stage towards social integration – even if this means initially with a small number of States.

2012 culminated with the monetary and financial stabilisation of the euro zone. Badly shaken by the financial crisis and its moult into a sovereign debt crisis the euro zone became aware of the lack of – even absence of – instruments and institutions that are coherent with a single currency regime. Generally speaking the Member States undertook a strategy which was mirrored by a drastic budgetary adjustment and structural reform programme, notably in the labour market and by the introduction of federal financial regulation instruments: the European Financial Stability Facility, the European Stability Mechanism, and Banking Union, now in progress. Finally and possibly the most important factor, the European Central Bank – supported by the extent of the reforms launched and the adjustment programmes, continued its transformation into lender of last resort.

But the source of European imbalance – as highlighted with the Lisbon Strategy (2000) generally lies in a lack of competitiveness but also because of the disparity in performance between Member States, which increased sharply up to the start of the crisis. According to ECB data, unit labour costs increased by 13% in the euro zone between 1999 and 2007. Although they were stable in Germany, they rose by 16% in France, but across Southern Europe as a whole the increase ranged from 22% in Italy to 28% in Spain.

A development like this raises the issue of whether the euro zone aims to become a true single currency or simply an adjustable exchange rate via the compression of wages and prices as was the case when there was market pressure between 2010 and 2012 by way of the sovereign debt.

The gradual emergence from the crisis in 2013 provides a valuable opportunity to address matters clearly. The structural imbalances of the euro zone Member States are not as much due to the austerity programmes but rather more to national policies, which after making the required effort to join the euro, maintained social pensions and financial bubbles at little cost instead of mobilising the collective good embodied by the euro to undertake the vital structural reforms in view of strengthening potential mid-term growth.

The result is that in 2013 the euro zone – even though the situation has stabilised somewhat, is one of massive unemployment with 12% of the active population out of work. Young people in the euro zone have been particularly hard struck – except in Germany and in Austria – with an unemployment rate of 24%, which is double the general level. Southern Europe is of course the most heavily affected: 63% in Greece, 56% in Spain, 39% in Italy, 37% in Portugal. It is difficult to imagine a worse situation in terms of undermining the adherence of national societies to the European project since it has accentuated the rupture between Northern and Southern Europe and the contrast between a convalescent economic Europe and a social Europe which is declining into mass unemployment.

This is why social Europe is an imperative in response to citizens' expectations in terms of the legitimacy of political integration. In this regard social Europe cannot be limited to the compassionate. It involves turning the European social dimension into a powerful lever to revive a competitiveness strategy to raise growth rates in the euro zone. Civilisation is also at stake, because, above all Europe embodies the highest respect of human dignity by way of its social economic market model, which is officially laid out in the treaties. Social integration and effective competitiveness are two aspects of the same strategy.

WHAT KIND OF EUROPE DO WE WANT?

A grand market vs political integration: a conflict of goals

2013 heralded increasing awareness of the challenge facing the euro zone notably vis-à-vis young people. Several initiatives have been launched – the most emblematic of them probably being the Franco-German declaration on 30th May last [1]. In the domain of employment as in many others the root of the problem is national whilst the solutions are European. Mobilising all of its power in support of each of its Member States forms the logic behind the European political project. The federal dimension of Europe has revealed itself to be the solution to the turbulence caused by the sovereign debt: Greece, Spain and Ireland have made enormous sacrifices but European solidarity – €435 billion since 2010 – has nonetheless been significant.

Europe is also facing structural, notably social imbalances, the resolution of which requires the clarification of the European project. Twenty-one years after Maastricht there are two goals inherent to Europe, which as time passes, have increasingly become rivals. There is the Europe as a grand market – the vision that is mainly, and not exclusively, held by the UK. In this regard the community's institutions are especially oriented to establishing rules which unify and facilitate the markets. The other project is of a political nature: it deems that Europe's final goal is political integration. Hence the euro is the engine in a dialectic process striving for monetary and then budgetary integration and from there on to political integration, in virtue of the fundamental principles of representation: no taxation without representation.

Running in the race alongside these two goals is the Europe of methods [2]. On the one hand, and especially after Maastricht, Europe approved the method of competition between States by way of the discretionary use of fiscal and social norms in national policies: hence in spite of a significant European bail-out (€45 billion) Ireland refused to modify its corporate tax rate of 12.5%. On the other hand the settlement of the sovereign debt crisis ended quite logically in tighter community supervision of national budgetary policies and an identical standard in terms of deficits. In one instance we have competition and integration in another. We should highlight the fundamental difference between the two. In an integrated economic area competition occurs in goods and services markets in which social and fiscal standards are mainly homogeneous. Identical rules are not necessary as on a national level. Differences between tax rates and contribution levels help to iron out differences in productivity from one region to another but their limited nature does not cause competition between regions. Hence in the USA competition is encouraged on the goods market but in terms of governing standards it is strictly limited; the same goes for Germany, a cooperative model of federalism: Lower Saxony does not aim to relocate companies based in Bavaria. On a European level it is

1. *La France et l'Allemagne ensemble pour renforcer l'Europe de la Stabilité et de la Croissance*, 30 May 2013

2. *Christian Saint-Etienne, L'incohérence française, Grasset, 2012.*

very different: some States openly use fiscal and social standards to foster the relocation of businesses or workers from other European States.

The restoration of the Welfare State: a European issue

With the choice by most European countries of an ambitiouis Welfare State pursued since the Second World War – social spending represents 26% of Germany's GDP, 33% in France – social transfers have played a major role in the formation of macro-economic imbalances between the euro zone States, whilst the single currency prevents their adjustment via devaluation. Moreover, in a system of set exchange rates, as in an optimal monetary zone, adjustment occurs via real flows in virtue of the mobility of labour and capital, but in this case the markets are integrated by standards. If the unemployed do not find work in one State where activity is declining, they find work in another where activity is increasing. Compensation takes place on a federal level which unites these two States. This is the case in the USA. This is what happens in Germany where there is both a federal level which plays the role of "compensation chamber" and in virtue of "cooperative federalism rules", which includes equalising mechanisms between poor and rich Länder. On the other hand however the deficit standards of the Länder are strictly defined.

This logic covers the social dimension economically in more ways than one. Social choices mainly affect labour costs. Hence according to 2012 data provided by Destatis (the Federal German Statistics Office) a gross wage of 100€ in 2011 implied 28€ in social charges in Germany, 50€ in France. Moreover changes to social norms via public spending stimulate or impede domestic demand. If this exceeds a State's output the latter will see a deficit in its external balance; in the opposite case it will be in surplus. Two situations then emerge: either the State in surplus accepts to pay his neighbour's deficit, who in exchange then issues debt securities; or it refuses and the State in deficit has to reduce its demand unilaterally, because there is no devaluation, by reducing its production costs and by cuttuing its public and social spending.

In the countries of Europe social spending often represents an overwhelming share of total public spending. Its macro-economic role in an integrated monetary zone is therefore of major importance because of its impact on the increase or, the converse, the reduction in tension in terms of current deficit and surplus between States and also because of its weight in labour costs and in the formation of unemployment rates. In other words, whilst social spending, and the way it is financed affects labour costs, probably plays the most important role in the functioning of the euro zone, it is still the competence of national policies: it is not coordinated and are far from being integrated – much less than the State budgets whilst its federal integration would enable it to play a more effective role in an economic zone comprising States which share the same currency.

The adoption of the same currency by 17 European States radically changed the nature of everything social. For example, when Germany introduced the Deutschemark (DM) into the Länder in the east it had to consent to significant transfers: 4% of the GDP of the Western Länder for a 20 year period. For the Europe of the euro the paradox was that at the height of the crisis we saw it provide major federal means to resolve crises and to guide national budgetary policies. But it was national solutions which settled structural issues – the labour market, the Welfare State – which challenged each State in a similar manner. This dimension -, this "dialectic" - was highlighted by Jacques Delors [3].The issue of restoring the Social State has been raised in almost the same way for the last twenty years. Most euro zone States have adopted a Bismarkian-type social protection regime, in other words one that is based on a logic of insurance, which mainly relies on contributions shared by employers and employees. The issues raised by the ageing population are almost the same everywhere: the fertility rate is the same in Italy, Spain and Germany – 1.3 and although countries like France have a higher rate – 1.8 – it is still below the required level of 2.1 – to guarantee the renewal of the population. The solutions implemented for retirement pensions for example obey a similar logic in most States. Hence in 2007 Germany delayed the legal retirement age to 67 in 2019 and Italy in

3. "Further social progress will not be possible without the strengthening of European governance. Moreover, to move forwards we must accept a minimum financial pooling, within the euro zone, and as a counterweight of course, a tightening of common discipline. I cannot see how it will be possible to consolidate and strengthen the social model without a political leap and a reshaping of industrial relations," les Echos, 26th August 2013 - www.lesechos.fr/economie-politique/monde/interview/0202940145921-jacques-delors-il-faut-un-saut-politique-pour-consolider-le-modele-social-europeen-597827.php

2011; under Mario Monti it lay at 66 in 2018. Since the Hartz Laws (2003-2005) and the Pforzheim Agreement of 2004 reforms in the labour market undertaken in Europe have been based on the German experience, not due to any lack of imagination, but because issues were very similar. Italy copied the German competitivenes/employment solutions with the November 2012 bill after FIAT concluded an agreement of this kind. The French agreement of January 2013 also follows the same path.

No collective solidarity without individual responsibility

To some extent we might be pleased at this natural convergence towards European solutions. But the sum of 17 national solutions does not have the same clout, does not have the same economic and social power as an overall European solution. This is firstly because of the differences in dimension, national in one instance and European in the other. Hence it is because Europe – and this is also true within a State – comprises healthy regions and others which are not. In other words, if we reason as if there were implicit balances of payment, there are regions which produce surpluses: Ile-de-France, Baden-Württemberg and there are regions which produce deficits: Mecklenburg-Western Pomerania, Limousin. This means that in the present organization of the euro zone Ile-de-France automatically pays Limousin's deficit, Baden-Württemberg that of Mecklenburg-Western Pomerania. But Ile-de-France does not help Baden-Württemberg pay off Mecklenberg-Western Pomerania's deficit nor does Baden Württemberg support Ile-de-France in the effort towards paying off Limousin's debt.

The four Länder and regions quoted above share the same currency but this way of managing intra-zone differences in the Monetary Union is not self-evident. It is based on an implicit idea that these four entities have a set exchange rate between them but not a single currency. With the illusions of the Stability and Growth Pact there has been no control of national policies on a federal level and there has not been any bail-outs either – the sovereign debt crises clearly revealed the true nature of the single currency: the euro is not the currency of each and everyone of us like the national State, but the currency of all, as in a European collective. The real translation of this principle is as follows: because the Greeks share the same currency as the 16 other euro zone members the parliament in Athens can raise taxes on taxpayers other than its own citizens, which was not the case with the EMS (1979-1999) – because it was different in nature – in which exchange rates were adjustable. And because of this non-Greek European taxpayers have the right – and even the duty to control the budget approved by the Greek parliament. Otherwise they are obliged to pay the taxes approved by a parliament other than their own without protest. But apart from accepting that a national parliament pay unlimited taxes on euro zone Member States – supposing this were possible – such unlimited taxes would have negative impact on the economic situation and would threaten the future of the euro.

The crisis has revealed a vital principle in the functioning of the euro zone and that is that integration and solidarity are counterbalanced and in real terms this is a necessary condition, by an effort to be made by each Member State. This is something that the fundamental principles of the social market economy constantly highlight – no rights without obligations, no collective solidarity without individual responsiblity. Even if those States whose economy is working well – positive growth, public accounts under control – accepted that other States linked to them by the single currency, undertake expansionist policies indefinitely, this benevolence would be impeded sooner or later by the limits of the means available to them. In this instance, by paying the deficits of badly managed States indefinitely, those that are well managed would simply end up with no means to fund their own generosity. The badly managed States would then find themselves with an ineffectual economy and their sponsors would be ruined by their solidarity. A single currency demands an economic system that is shared by its members which means undertaking the same economic strategy. In Europe the social market strategy serves as a base for each State's policy. In this a single currency regime does not lead to policy coordination – some increase their deficits others reduce them – but their integration: policies are not necessarily the same but they must head in the same direction. Hence, membership of an economic and monetary area, far from letting everyone off effort, supposing that the "others" will pay for you, introduces a greater demand for everyone to make a personal effort in order to make the collective dimension of mutual solidarity effective.

In this regard the social element holds a vital position and it is important to define the content and the method of a project whose power of integration is extremely strong for Europe.

THINKING OF "SOCIAL EUROPE" AS A LEVER FOR INTEGRATION

The social dimension of euro zone Member States' policies is potentially an extremely powerful component for the dynamics of budetary federalism in terms of economic and political integration. From a quantitative point of view the weight of social spending is more or less the same as the States' central spending. Across the entire euro zone, central administrative spending [4] totals 23% of the GDP in comparison with 20% on social security. In France the rates are higher: 27% against 22%. Italy they are slight lower: 20% against 23%. Germany spends the same on social administration as Italy: 20% [5].

Social Europe now comprises a significative element in the community's architecture. It has occupied this position since the beginning, with the ECSC treaty in 1951, which introduced the structural funds. This was the first demonstration of the effective nature of European solidarity and its social dimension, which is typical of the social market economy model. The concept of solidarity introduced by European integration is indeed of a financial nature. The creation of the internal market has gone hand in hand with unprecedented budgetary transfers to the benefit of the Union's poorest countries and regions: with the wealthiest European countires taking over the financing of these transfers. The regional and cohesion policies, which were established as European integration developed, have grown constantly to the point of now representing slightly more than one third of the community budget (36%). These structural policies have enabled the cofunding of many infrastructures (roads, bridges, airports etc.), reconversion activities and environmental projects, whose existence is sometimes demonstrated by the billboards or signage bearing the European flag.

The social dimension has also featured high in the treaties since the European Charter of Social Rights in 1989, which was taken up again in the social protocol of the Maastricht Treaty. Europe turns social dialogue and the active role played by social partners into key instruments in the implementation of the convergence of States in these areas in virtue of the subsidiarity principle: social partners have acknowledged competence in terms of community standards.

However as it stands social Europe does not act as a lever for European integration. It focuses on some specific points such as non-discrimination rules. In a system, whose principle is the free movement of people, it monitors the rules governing the transfer rights of workers from one State to another. However the Welfare State remains the sole preserve of the Member States. The state of play before the single currency is no longer valid since the latter now exists. Indeed it is the single currency which works towards social Europe. The euro is social Europe's true lever and this will be the condition for its long term sustainability.

Cooperative Federalism and Subsidiarity

Advocacy for budgetary federalism emphasises State public spending. From a community point of view this is part of the European Semester which aims to integrate budgetary policy. But in spite of the rationality of this view the situation is extremely complex and could only become reality after an extremely long, sensitive political process. Since central government spending is the realm of parliamentary sovereignty its partial federalisation would suppose modifying sovereignty and would require constitutional reforms. This would be a particularly difficult process from the point of view of the political architecture of European States. Social spending affects rather more civil society since it is mainly the realm of the social partners, employers' organisations and unions. Although the States are not

4. Public spending in each of the States divides into three branches: central, which brings together all spending by the government and national parliaments; local, which cover all spending undertaken by the regional communities « independently » of the State; social spending brings together healthcare spending, retirement pensions, family, obligatory long term care even if this is not managed by the State or local civil service.

5. Source : Eurostat

excluded – this is far from the truth since public revenues play an increasing role in the balance of social systems – the driving role is played all the same by social partners. Their role should both be respected and supported since this would enable an energetic, powerful use of the subsidiarity principle. Their real effect would effectively be visible since this involves Europeans' daily lives. To a certin extent the Europe of social partners is above all that of its citizens.

However mobilising social partners to foster an integrated approach to the social State across Europe is not spontaneously self-evident. This practice, which is quite natural in Germany, an archetype of autonomous social negotiation in virtue of the Tarifautonomie principle, is not the case in France where tradition tends toward state regulation of the social sphere. French trade unionism – notably the CGT - has historically rejected the German model of social dialogue in order to avoid "approving" the system and also because of its weak representation. However the reform of union representation in France in 2008 was based on the European directive: the State intervenes to transpose an agreement between social partners according to the example agreement of January 2013. Moreover across Europe the national level continues to dominate the decision making process between businesses and unions. In the public's opinion the State draws a major share of its legitimacy – the right to have rights as expressed by Hannah Arendt – because it forms a part of social solidarity. Finally the mass financing of the elements comprising the social State are a significant objection to this kind of change.

It is precisely because of the mass financing of social spending by each European States that a European integration lever supposes the prior definition of the desired content and method. The difficulty of the principle when we speak of social Europe is twofold. The first is the fear – maybe the hope in France – that social Europe will in reality be a project to harmonise social rules, either towards the bottom or to the top or to an average level, which might prove particularly difficult to achieve. There is a danger of weakening the competitiveness of some with the social pensions of others or conversely the means - which has not been unassumed nationally to dismantle social acquis. Caricatural representations – in both ways –of the neighbour's situation are used as a means to encourage national opposition. Here we recall the atmosphere created over the Bolkestein Directive (2004-2005).

In principle these fears are not totally unfounded: harmonisation would increase the feeling of technocratic dispossession on the part of civil society and would inevitably cause undesired economic effects, notably against the weakest countries in the euro zone.

This is why the path to follow – copying the Schuman-Monnet method of progressive solidarity – should be that of experimentation in a small number of countries, which is gradually extended to others, rather more than a grand European social solution of liberal or social democratic inspiration. As was first suggested in the declaration made on 9th May 1950 we have to consider that social Europe "*will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity.*" The aim would be to cover all euro zone Member States in a time span of ten to fifteen years, area by area: healthcare, retirement, unemployment, family, long term care. The starting point of this process should comprise "a Schuman declaration" for social Europe on the part of a personality or a group of leading European politicians or unions. This declaration would launch a kind of dynamic process comparable to that started by Helmut Schmidt and Valéry Giscard d'Estaing in the monetary domain with the EMS in 1978-1979. In short an EMS of Social Europe that would establish a kind of "tunnel" within which contribution rates and social cover rules would converge.

Before analysing what the first content of Social Europe might be some precautionary comments have to be made.

From European Solidarity to Social Europe

With the crisis the need to develop the European Union's social dimension and notably that of the euro zone has become increasingly urgent [6].

The euro zone crisis has made financial solidarity

6. Cf. Benoît Coeuré, « Revisiting the European Social Contract », speech delivered at the University of Harvard on 2nd March 2013. We might also refer to Jürgen Habermas, « Democracy, Solidarity and the European Crisis », speech delivered at the University of Leuven, Netherlands, 26th April 2013 between its member states vital in terms of it being a factor of stability in monetary union. With the Greek and Irish crises of 2010 the euro zone drew up the necessary instruments to overcome the shocks, which, as they affected some of its members, weakened the single currency in itself. In all, and if we include the funds allocated to Spain to consolidate its banking system, the sum of European interventions in the name of financial solidarity in the euro zone rose at the end of 2012 to nearly 435 billion €. We should remember at this stage how the crisis and the solutions it led to, as far as the functioning of the single currency is concerned, notably in the application of solidarity in support of the weakest States, implied a change in the economic functioning of each of the States and in the euro zone as a whole.

Indeed beyond this requirement for financial solidarity in the strict sense of the term the European Union must now take into account the need for social cohesion which is necessary for a stable society. Even though the gap between representation and reality has to be reduced [7], the examples of social competition, which are sometimes aggressive, are now fact, notably in the agrofood, transport and construction sectors. Moreover in the crisis the unemployment rate rose sharply in Europe. The crisis reminded us of the structural fragility of some categories of the population whose inclusion on the labour market is feeble: young people (under 25's), senior citizens (the over 50's), temps, and even single women and solo mothers.

Although strengthening the European Union's social dimension, and notably that of the euro zone, has become self-evident the debate over the "social" remains difficult on a European level. Not all Member States have the same definition (redistribution, management and organisation of labour relations, individual protection of people at work – for example, the fight to counter discrimination at work opened the way to the acknowledgement of social rights, about which in contrast French law is often more reticent and more restrictive than European law). In addition to this we have to gauge the difficulty in reaching a major European consensus in the social sphere, whilst most competences like this remain national and the 28 Union members have different traditions and histories in these areas [8]. The Danish researcher Esping Andersen showed that the generic idea of the Welfare State was expressed in terms of solidarity which varies from one group of European countries to another [9]. Although we cannot proscribe all thought about social questions on a European level it means clearly identifying what the levels of action and responsibility of each will be (States and European Union).

In an ideal world the aim is not to rob the States of their prerogatives. Making Europe does not mean dismantling the States. The experience of federal Germany reminds us that the competence of common law belongs to the Länder and the competence of attribution to the Bund. Moreover German federalism is cooperative in essence: the Länder cooperate – there are reciprocal financial compensation mechanisms – and also with the Federal State.

The discourse over "Social Europe" as it has been put forward in France over the last few years often goes unheard by many of its partners. It is not for example by pushing through a "European minimum wage" that we shall magically reduce wage differences between France and the countries in Eastern and Central Europe, where the minimum wage is naturally very low (less than 100 € per month in Bulgaria and Romania), except if we set a "minimum European wage" as a percentage of the median wage of each Member State. The percentage would be the same across all participating States and the absolute level of the minimum wage would vary according to the median wage of the State in hand.

With the definition of these precautionary ideas the adoption of measures in the social domain is now vital otherwise the idea that the European Union is doing nothing for its workers will spread! In this regard we constantly have to recall that it is wrong to say that nothing has been done: adjustment fund for globalisation; agreement during the European Council of June 2013 over a 6 billion € package to counter unemployment, in particular youth unemployment etc …) Then in a context in which intra-European mobility is increasing because of the crisis, we must launch debate over

7. Cf. Kristina Maslauskaité, « Concurrence sociale dans l'UE : mythes et réalités », Etudes et Rapports, Notre Europe – Institut Jacques Delors, June 2013.

8. It is possible to distinguish different socio-economic models in the European Union – Latin, Scandinavian, Anglo-Saxon, German. Cf. the work by Michel Albert, Capitalisme contre capitalisme, Le Seuil, 1991.

9. Gosta Esping Andersen, The Three Worlds of Welfare Capitalism. Cambridge, Polity Press & Princeton, Princeton University Press, 1990.

the transferability of rights, on the rapprochement of rules relative to collective agreements in the case of transnational companies operating in several Member States in order to prevent dumpinig etc … To this end the work towards convergence between Member States in the social and fiscal spheres has to be resumed, undoubtedly with just a few States to start with.

The test bed of Social Europe: an unemployment insurance agreement for the euro zone

It is most important to launch a space for European social dialogue that would address the first emblematic, driving issue. Given that the most sensitive social issue in Europe is employment this would be the right method, sending out the right message: the euro zone social partners would define together an unemployment compensation agreement for the 17 States in the euro zone [10]. Building Social Europe by defining the fight to counter unemployment as the foundation stone in the structure would contribute to the work undertaken since the start of the crisis, in view of inspiring the populations who have suffered most due to the sacrifices they have had to make.

The issues at stake are significant for Europe: if we want to encourage an extended labour market in Europe the conditions for unemployment benefits is a decisive factor. The goal of facilitating the flow of the European labour market as shown by the media regarding Spanish workers, notably engineers as they meet the requirements of German companies seeking qualified labour, would be made easier if there were similar unemployment rules within the euro zone.

Since this action will be taken without any request being made of the States or the Commission it is important that the social partners in at least two member countries take the initiative. Symbolically we might hope for France and Germany to be the pioneers in this initiative. It would be good if countries like Italy and Spain join the movement. Moreover it would be with an initial group in this European adventure that critical size would be reached.

Several factors favour unemployment insurance as being the first stage in European social integration. It is the core of the present "malaise" in Europe. Major reforms involving the social State have been made notably in southern Europe. Hence there would be no objections to European solidarity on the part of wealthier States. Budgetary situations have recovered their balance; economic growth seems to be toning up - +0.3% in the zone euro in the 2nd quarter of 2013 – and unemployment, which is still high, seems to be stabilising – for example in a State that has been sorely affected like Spain where easing on the employment market seems to be the most visible.

Unemployment benefit is an area in which differences are particularly striking: - affiliation: 12 months in Germany, 4 in France; contribution level: 3% in Germany (1.5% by the employer; 1.5% by the employee); 6.4% in France (4% employer, 2.4% employee); 7.05% in Spain (5.5% employers, 1.55% employee); - benefit period duration: 12 months (24 months for the over 50's) in Germany; 24 months (36 months for the over 50's) in France; 24 months in Spain; 38 months in the Netherlands and in Belgium.

The social partners' task would be to look into the reforms that have been made in Europe over the last ten years. The degree and the major role of the leading euro zone economy, analysis of the Hartz laws (2003-2005) will necessarily draw their attention in that re-employment levels are a maximum three months before the end of the benefit duration. In Germany the Hartz laws have shown the way in terms of eradicating long term unemployment whose figures have been halved over the last seven years.

Based on an analysis of unemployment in Europe social partners would define a target for each of the elements comprising unemployment benefit – level, duration, affiliation – and set a progressive convergence timetable for each of the participant States. It would be necessary to have at least two participating states initially with the other euro zone members joining as and when. In an area as sensitive as this, the method employed for convergence will have to be flexible and progressive: setting maximum gaps in the beginning and planning a timetable for their gradual convergence mid-term – and the possible disappearance of these differences by 2020 for example. Hence at the start of the next decade there would be two or three pilot States in the euro zone who would share the same unemployment insurance agreement. The steering of progressive convergence would be managed by European social parnters and not their States, transposal into positive legislation after social negotiation.

A European unemployment benefit agreement would serve as the base and method for each of the risk categories in the social State. Since the aim is to achieve an integrated European social State, not in a centralised, collective manner but according to a flexible, adjustable method of cooperative federalism, which is

10. Cf Làzslo Andor, Commissioner for Employment and Social Affairs "Europeans want and deserve a monetary union with a human face", a speech delivered in Madrid on 28th January 2013. Thought about pooling a share of unemployment insurance has started on a European level cf. documents of a public hearing by the European Parliament's "Employment and Social Affairs" Committee: http://www.europarl.europa.eu/committees/en/empl/events.html#menuzone the perspective and rational logic of the euro zone. The important thing at this stage is to define a European method to create social protection without the State i.e. to enable social partners – employers and unions – to gauge their joint responsibility in the creation of "prosperity for all" according to the title of the one of Ludwig Ehrard's most famour works.

CONCLUSION

The euro zone crisis has illustrated the limits of marginal policy adjustments which simply perpetuate the mistakes of old methods that have undergone a minimal cosmetic surgery. It has also shown the need to accept the creation of a system to steer the euro zone, whilst resolutely acknowledging its federal nature in virtue of the fundamental features of the single currency. Who might have imagined the concessions the Europeans have finally had to grant to each other on behalf of the single currency? Who might have imagined such major changes to the structure of the euro zone in such little time?

The same applies to the social domain. The successive reforms in Europe - in Germany in 2003 with the Agenda 2010 and beyond, in Italy, Spain and Greece – have highlighted the need to break with the habits of the past and not just to patch over a worn out system. The major effort and sacrifices made in southern Europe are proof that when the vital question is set, it is Europe's choice that wins over the populists' call. In all of these countries and in spite of appearances – and sometimes because of the media – governments which have managed to act during the crisis all declare their firm establishment in an integrated Europe. This has been the case with Mariano Rajoy (2011), Antonis Samaras (2012) and Enrico Letta (2013). This courage needs to be stressed all the more and praised since it is not easy to endure months of unemployment and a decline in living standards, representing an even greater effort on the part of the countries in crisis than a simple voting slip in the ballot box.

If Europeans have endured this effort it is because they have accepted the promise that structural problems and notably massive unemployment would be settled mid-term. It is because the stakes are so high, both in terms of social cohesion in the euro zone and for the rise in its growth potential that social Europe is the response to the challenge of "the day after" the sovereign debt crisis.

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