



# Proč Eurozóna potřebuje vlastní rozpočet?

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# Motivace

- Měnová unie bez společného, dostatečně robustního rozpočtu, je jako „dům bez střechy“.
- Krize odhalila neschopnost EU (Eurozóny) a jednotlivých členských států „bojovat“ s asymetrickými šoky. Rozpočet Evropské unie není dostatečně velký (robustní), aby prováděl stabilizační funkci (pouhé 1 % HDP EU). Rozpočet Eurozóny neexistuje.
- Pod časovým tlakem v průběhu vrcholící krize vytvořila Eurozóna stabilizační mechanismus – mimo rozpočtový rámec EU i primární evropské právo.
- Policy paper navrhuje zavedení společného pojištění v nezaměstnanosti, které by tvořilo základní kámen budoucího rozpočtu Eurozóny.
- Je nezbytné zajistit, aby navržený systém nevedl k trvalým transferům mezi členskými zeměmi. Z tohoto důvodu je nutné monitorovat čisté zůstatky jednotlivých členských států a zavést opatření zabráňující vzniku trvalých transferů.



## Vstupní argumenty

- Eurozóně chybí mechanismy pro stabilizaci asymterických šoků
  - common mon. policy is not effective
  - fiscal policies of MS have limited flexibility  
(stability and growth pact, 6-pack, 2-pack)
  - Possible default of some MS endangers the rest of Eurozone
  - Monetary union needs common fiscal policy



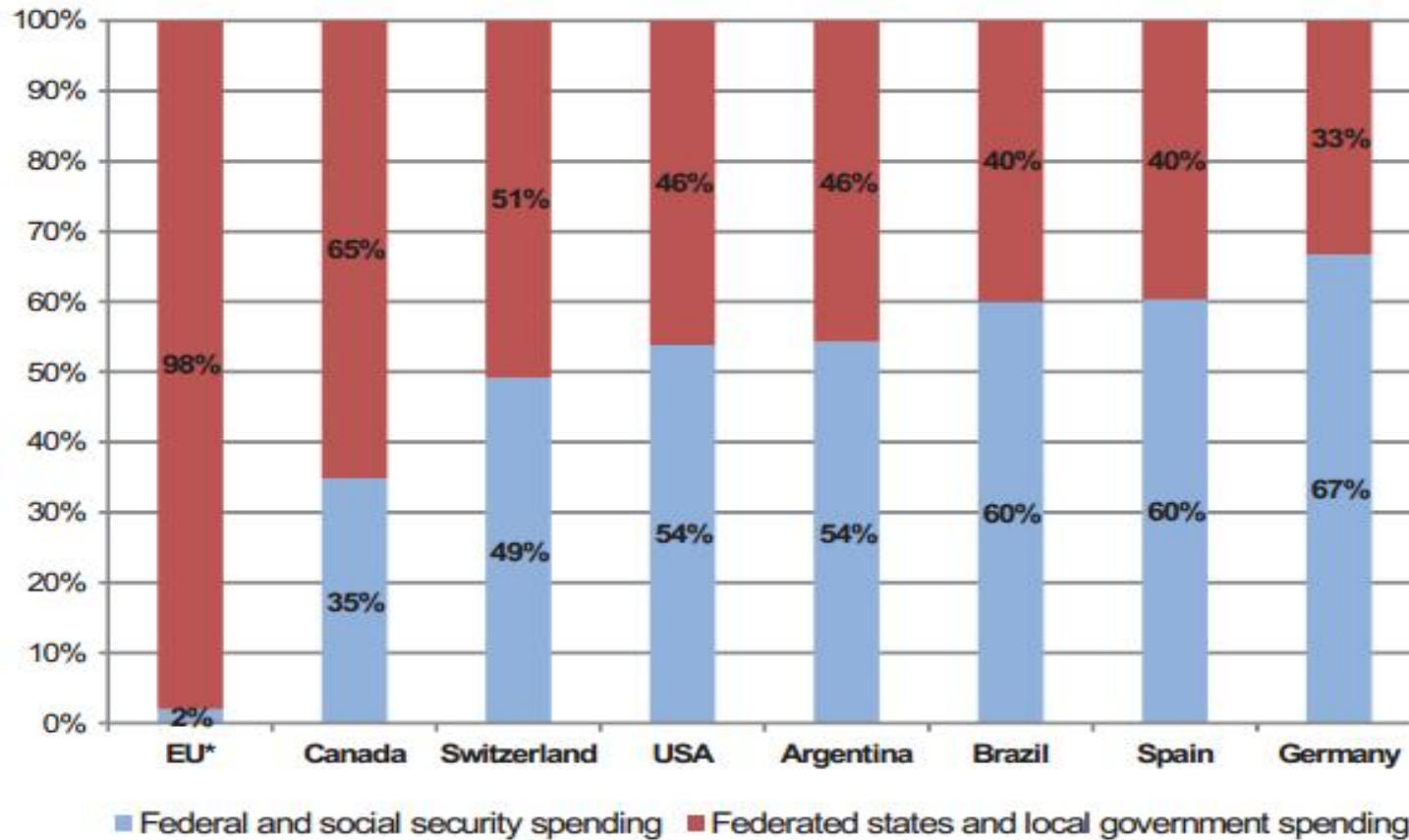


# Literature review

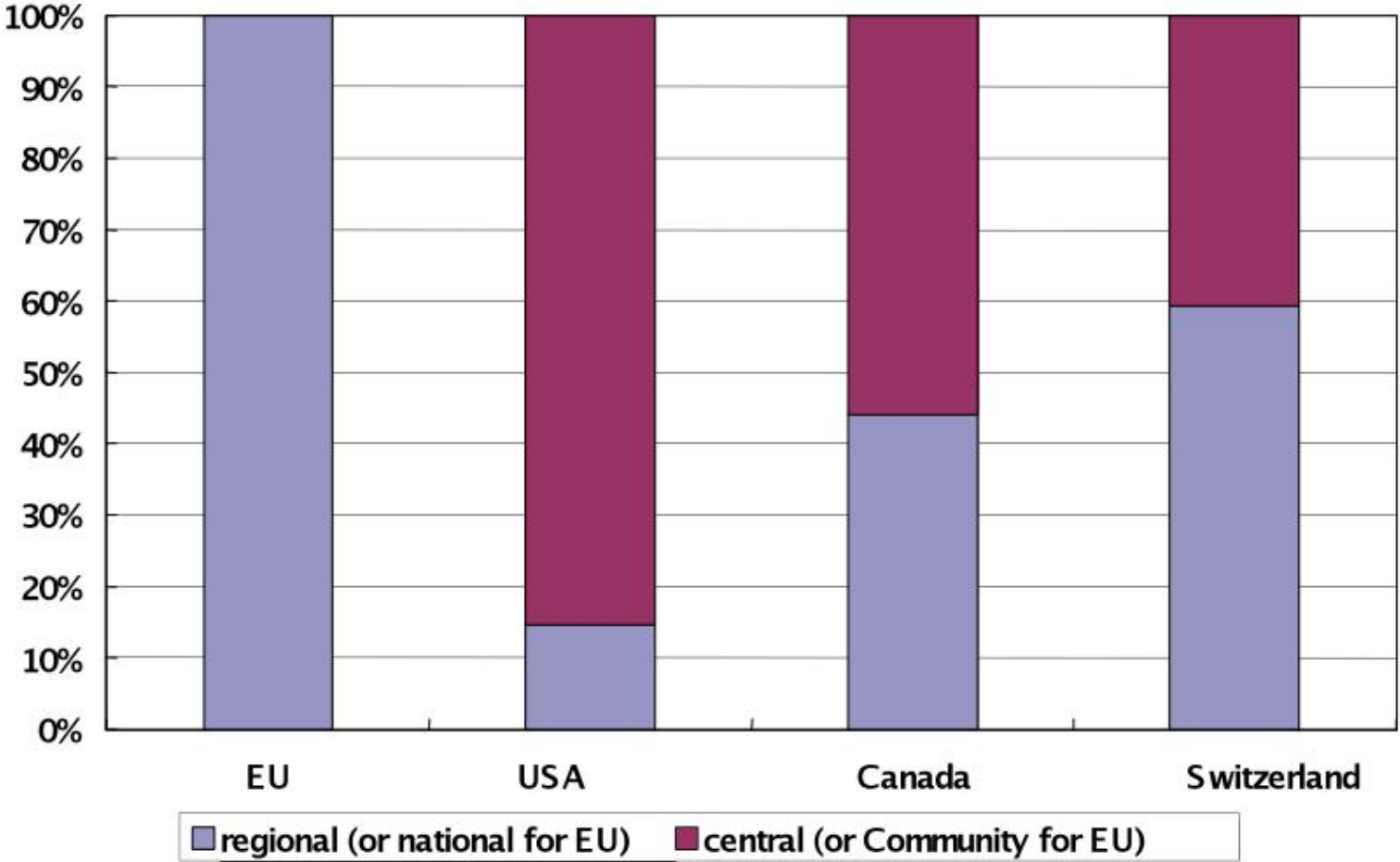
- Stabilization function of EU budget requires changes both on revenues side as well as on the side of expenditures. (Sebastian Dullien and Daniela Schwartz, 2011)
- Eurozone budget should provide financial help to its MS in case of an asymmetric shock. (Eulalia Rubio, 2012)
- Unemployment scheme is the best way to boost the resistance of the Eurozone (László Andor (commissioner for employment), 2014)
- Analysis of two proposals of European unemployment support (M. Beblavý and Ilaria Maselli, 2014)



# Breakdown of public spending on social security by level of government in 2010



# Distribution of spending for social welfare in 2008 as a % of tot. public spending





# Objectives

- Design Eurozone unemployment insurance scheme that will
  - perform stabilization function in case of asymmetric shocks
  - be politically acceptable
  - be possible to realize in 5-10 years
  - hinder permanent financial transfer
  - hinder moral hazard





# Research questions

- How could the unemployment scheme provide stabilization function against asymmetric shocks?
- How would be revenues of such scheme funded and how would be unemployment benefits paid out?
- What would be the relation of Eurozone unemployment scheme and national schemes and what would be the financial flows like?
- How to prevent permanent transfers of the suggested scheme?
- What is the minimal politically accepted level of Eurozone unemployment insurance scheme?
- How could be the scheme put into reality?





# Methodology

- Analysis of existing national systems of unemployment support
- Analysis of systems of unemployment support in federations such as US, Germany Canada
- Definition of shock and unemployment that would be solved by the Eurozone unemployment insurance scheme
- Determining parameters of the scheme (scenarios)
- Simulation of financial flows in designed scenarios based on data from Eurostat and national statistical offices





# Key parameters of the scheme

Parameter	Description
Scheme size	1 – 5 % of GDP
Replacement rate	40 – 70 %
Eligibility criteria	All unemployed registered at unemployment offices / unemployed with previous long-term employment / excluding self-employed etc.
Sources or revenues	Payroll tax / contributions from national schemes / other
Rules hindering permanent transfers	Net balances ceilings / variable contribution rates / other

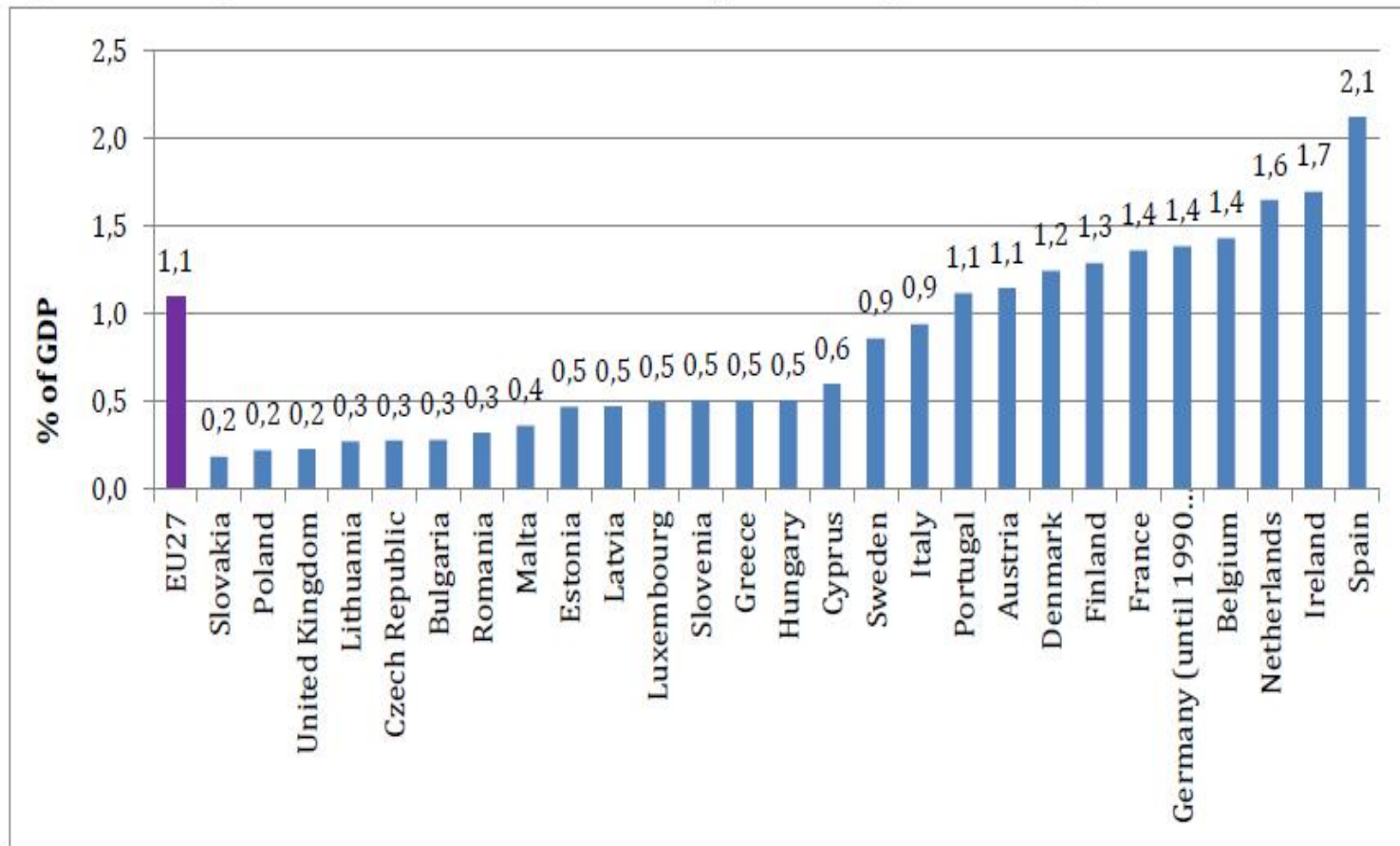


# What is to be done before implementation?

- MS have to agree on characteristics of unemployment scheme
  - Net replacement: 60 % of wage
  - Duration of support: 4 months
  - Eligibility criteria: people registered at national unemployment offices
  - Financing: extra payroll tax vs. contributions from nat. schemes
- Hindering permanent transfers
  - Monitoring net balances -> precautions
  - Reforms of labor market
- Preventing moral hazard



# Unemployment support as % of GDP (average for years 2005 - 2011)





# Budget size

- Minimum size to perform stabilization function (big budget would not be politically acceptable due to transferring too much powers to the EU level)
- Based on size of current stabilization mechanisms (5.22 % of GDP)+ MacDougall Report (2 % of GDP)
- Determined to be 3 % of GDP= € 285 billion



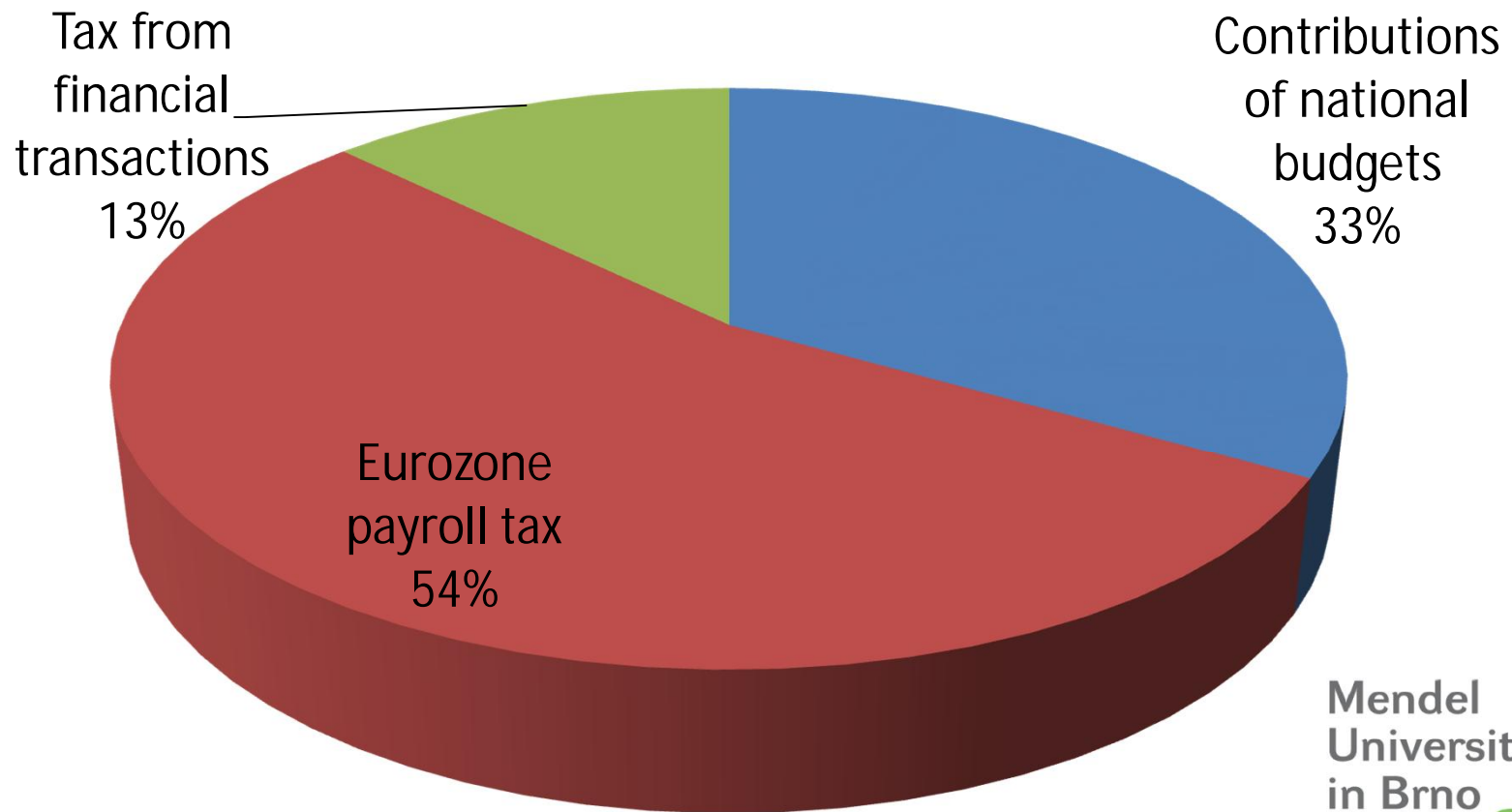


- Key part of the budget: Eurozone Unemployment Scheme
- Budget as a whole designed to be balanced
- Solving only temporary asymmetric shocks
  - Otherwise not politically acceptable
  - Risk of moral hazard
  - Reforms of labor markets of net gainers (Hartz reforms)
  - Improving competitiveness





# Budget revenues





# Revenues of Eurozone unemployment scheme

Eurozone payroll tax = € 150 bil.

= #of employed ppl. × average wage × tax rate (2.5 %)







# Expenditures of Eurozone unemployment scheme

Unemployment benefits = € 150 bil.

= #of unemployed ppl. × average wage × 4 mths. × replacement rate  
(60 %)

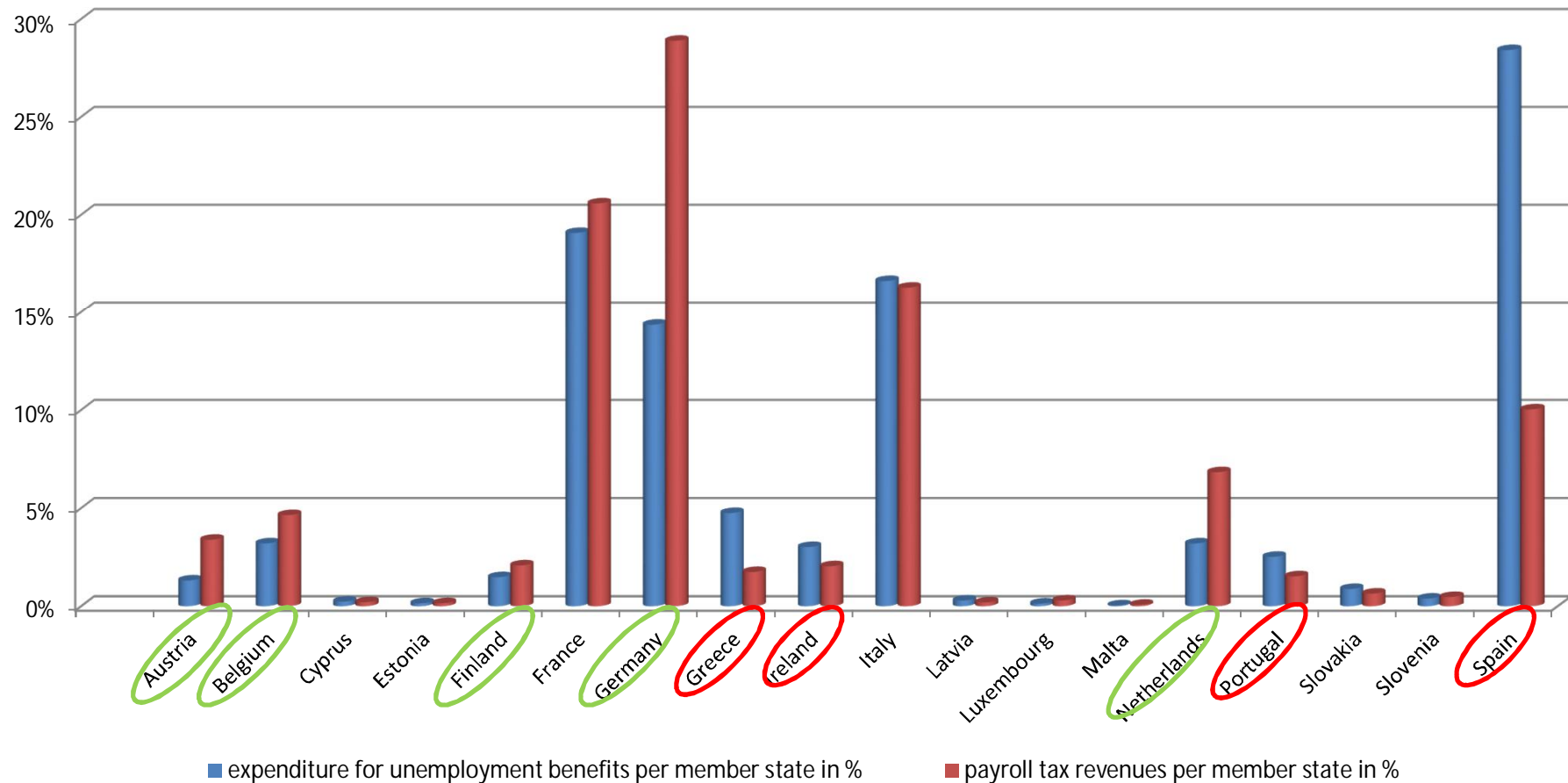
- duration of unemployment support and replacement based on comparison of unemployment schemes in MS



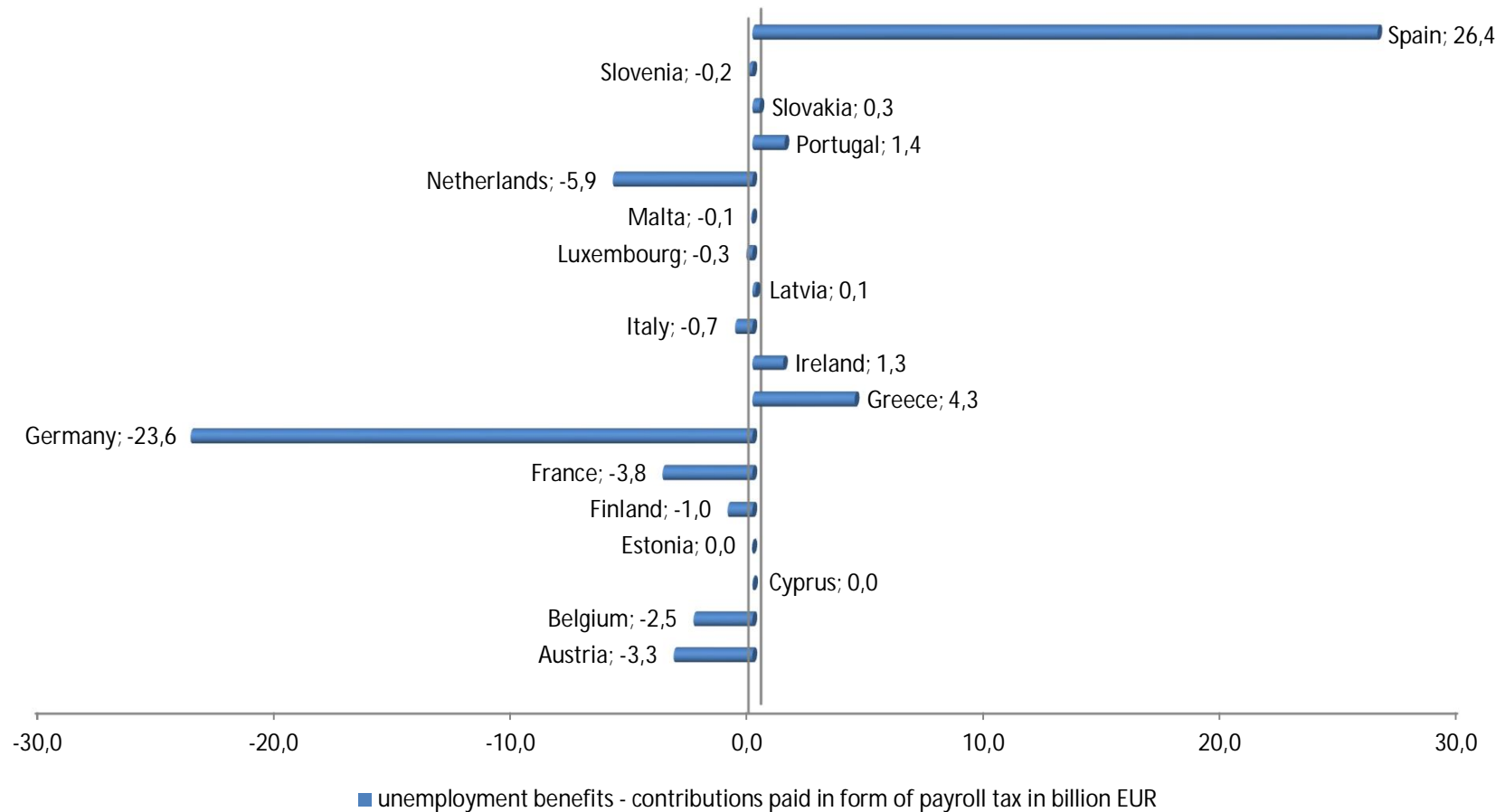


# Results

- Unemployment scheme: contributions and benefits in % per MS



# Net gainers vs. net contributors of Eurozone budget



Difference between unemployment benefits received and payroll tax paid per member state in EUR billions



# Conclusion

- Budget performs stabilization functions and addresses asymmetric shocks
- Very complex and broad topic -> need for limiting conditions
- Further research needed in many fields
  - Impact on national budgets and national taxation
  - Detailed analysis of unemployment schemes in MS
  - Detailed analysis of how to improve competitiveness of net gainers





# Limiting conditions

- Politically acceptable: stabilization function can be restricted so that the scheme is politically acceptable
- Hindering permanent transfers among MS
- Hindering creating of forever growing deficits
- Focus on stabilization function only in case of asymmetric shocks





Thank you for your attention!

