Introduction

Upward convergence in both economic and social terms is a long-standing political promise of the EU: Member States – and their citizens – joined the EU with the legitimate expectation that membership would improve their living and working conditions. In recent decades, substantial and continuous progress has been made towards upward convergence in both dimensions. However, following the economic crisis, EU convergence in some important aspects of Europeans’ lives stalled or even reversed. Disparities between Member States increased, not only economic and financial differences but social gaps too, especially those related to poverty and labour market participation.

The economic and social dimensions of the EU have traditionally been seen as separate entities, and it was assumed that social progress would follow as a logical outcome of economic growth. However, the economic crisis and the widespread discontent among Europeans in its wake have prompted new thinking. It is now broadly accepted that economic and social convergence must go hand in hand. The European Pillar of Social Rights was launched in 2017 as a major initiative – or ‘compass’ – to guide, support and promote convergence.

The Pillar serves particularly to strengthen the social dimension of the EU, conferring on it an equal standing in policymaking as the economic dimension. The Pillar is accompanied by a Social Scoreboard, which comprises several employment and social indicators, to monitor Member States’ progress towards upward convergence in the social dimension.

Against this background, the aim of this policy brief is to investigate upward convergence in the headline indicators of the Social Scoreboard for the period 2008–2018. The analysis demonstrates the trends in each indicator over this period and whether Member States are converging upward in relation to it. This exercise will serve to identify the areas where upward convergence was most affected by the economic crisis and those that should be a focus for policy in the future.
Upward convergence in living and working conditions is the goal of the European Pillar of Social Rights. There are two aspects to this. Firstly, there is convergence, meaning that the EU Member States become more similar – differences between them in poverty rates, in employment rates, in wages and so on diminish over time. What this means, in effect, is that poorer-performing countries catch up with the better-performing countries. The second aspect is that convergence is upward, meaning that living and working conditions develop along an upward trajectory, improving across the EU as a whole.

European Pillar of Social Rights

The European Pillar of Social Rights was proclaimed in 2017 by EU leaders at the Social Summit for Fair Jobs and Growth in Gothenburg, Sweden. Its aim is to build a fairer Europe with a strong social dimension by means of 20 principles to support inclusive and well-functioning labour markets and welfare systems. It serves to deliver new and more effective social rights for citizens, structured around three people-centred categories:

- **Equal opportunities and access to the labour market**, covering education, gender equality and equal opportunities
- **Fair working conditions**, addressing labour force structure, labour market dynamics and income
- **Social protection and inclusion**, covering fair outcomes through public support and social protection, mainly relating to the provision of services and social safety nets

One of several major initiatives launched in recent years, the Pillar seeks to revitalise the concept of social Europe, which is of the utmost importance for sustaining the cohesion and legitimacy of the European project. Economic divergence undermines the promise of shared economic prosperity, while social divergence between Member States and increasing inequalities within them undermine cohesion and the ultimate goal of the European integration project: improving the lives of all Europeans.
The concept of convergence is one of the cornerstones of the Pillar, based on the principle of social investment in citizens, and is expected to result in both social inclusion and economic growth. In this regard, the Pillar should be seen as an important tool for ensuring that social objectives counterbalance the essentially macroeconomic objectives in the EU’s new social and economic governance tools. Making the Pillar a reality for citizens is the joint responsibility of Member States, social partners and civil society, with EU institutions setting the framework and providing direction.

Social Scoreboard
A Social Scoreboard accompanies the Pillar, to track the Member States’ progress towards meeting its goals. Developed by the European Commission in cooperation with the Employment Committee and the Social Protection Committee, the scoreboard provides several indicators (headline and secondary) to assess the performance of Member States in the three broad measurable policy dimensions of the Pillar. It records the annual level of each indicator and the changes in it, enabling developments in the Member States to be evaluated and key employment and social problems to be identified.

The Social Scoreboard complements existing monitoring tools, especially the Employment Performance Monitor and the Social Protection Performance Monitor, and feeds into the economic policy coordination of the European Semester.

Policy action
Commission President Ursula von der Leyen in her political guidelines has advocated for the full implementation of the European Pillar of Social Rights. Doing so would constitute a decisive step to strengthen economic and social resilience of Member States against future macroeconomic shocks and their uneven knock-on effects in the social domain.

Policy interventions to achieve the goals of the Pillar could include automatic stabilisers that would act as important transnational fiscal shock-absorbers by limiting the impact of idiosyncratic negative shocks on sustainable upward convergence. One stabilising mechanism that has been widely debated is a European unemployment reinsurance scheme, which ties into the Pillar right to unemployment benefits of reasonable duration.

While there are several ways in which such a scheme could be designed, in principle this would comprise a central EU fund that would pay out to national unemployment schemes during an economic downturn to provide some slack for national public finances and help Member States to rebound from economic crises. This would help reduce macroeconomic risk and, at the same time, support convergence in the socioeconomic conditions of the unemployed. It would prevent divergence among Member States by acting as a rapid automatic counter-cyclical mechanism. Ms von der Leyen has undertaken to propose such a scheme during her term in office.

The implementation of the Pillar – and the social convergence it is intended to support – could itself highlight the need for new legislative initiatives in the EU. It could also encourage Member States to take individual action to reach a higher level of convergence not only in labour market policy but, especially, in the capacity and quality of institutions. This joint effort would further contribute to building both resilience and sustainable upward convergence in living and working conditions.
There has been upward convergence since 2008 in most of the headline indicators of the Social Scoreboard that accompanies the European Pillar of Social Rights. However, the dynamics of upward convergence differ across the indicators, and they can be classified into three groups on this basis.

For one group of indicators, upward convergence has been steady and robust over 2008–2018, and the economic crisis in the first half of that period appears to have had a limited effect. The performance of the EU has improved on all these indicators and the variability across the Member States has declined. This trend is evident in the early school-leavers rate, the gender employment gap and the take-up of formal childcare for children under three.

For a second group of indicators, upward convergence patterns are unstable and linked to the business cycle. Here, upward convergence occurs when the economy is growing, but when it enters a downturn, the pattern changes to one of downward divergence – a combined worsening of the indicators and growing dissimilarities between the Member States. This trend is evident in the employment, unemployment and long-term unemployment rates, as well as the NEET rate, the share of people at risk of poverty and social exclusion, earnings, household income, and unmet medical needs.

The link between unstable upward convergence in these indicators and business cycle fluctuations highlights the areas where Member States should strengthen their economic and social resilience in order to support sustainable and inclusive convergence. These areas include employment participation and exclusion, as well as poverty and access to social services.

The third group comprises the two indicators on which the Member States have performed worst. One is income inequality, which is growing while the disparities between Member States are increasing. The other is the impact of social protection on poverty reduction, which has fallen over a decade. And while there is convergence between Member States on this indicator, it is downward, meaning they are converging towards a poorer state of affairs. These two areas demand concerted effort to improve Member States’ performance.

The European Pillar of Social Rights provides a framework for creating a more equal, resilient and sustainable Europe, which will prepare Member States to address some of the challenges that Europe is facing. The implementation of a European unemployment reinsurance scheme could help bolster resilience by reducing macroeconomic risk and, at the same time, supporting convergence in the socioeconomic conditions of the unemployed and preventing divergence in poverty and material deprivation.
Exploring the evidence

The analysis of this policy brief focuses on the upward convergence of Member States in 13 of the 14 headline indicators that make up the Social Scoreboard accompanying the European Pillar of Social Rights. (The indicator measuring individuals’ levels of digital skills is excluded due to limited data availability.) These indicators, listed in Table 1, represent key areas in which the EU aims to advance its social agenda.

The indicators are grouped in three domains:
- equal opportunities and access to the labour market
- dynamic labour markets and fair working conditions
- public support/social protection and inclusion

Table 1: Headline indicators of the Social Scoreboard analysed in this study

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal opportunities and access to the labour market</td>
<td></td>
</tr>
<tr>
<td>Early school-leavers rate</td>
<td>Percentage of people aged 18–24 who have completed lower secondary education and are not involved in further education or training.</td>
</tr>
<tr>
<td>Gender employment gap</td>
<td>Percentage point difference in the employment rate of men and women.</td>
</tr>
<tr>
<td>Income inequality</td>
<td>Measured by the income quintile share (Q80/Q20) ratio, which is the ratio of total income received by the 20% of the population with the highest income (the top quintile) to that received by the 20% of the population with the lowest income (the bottom quintile).</td>
</tr>
<tr>
<td>AROPE rate</td>
<td>Percentage of the total population at risk of poverty or social exclusion.</td>
</tr>
<tr>
<td>NEET rate</td>
<td>Percentage of the population aged 15–24 who are not in employment, education or training (NEET).</td>
</tr>
</tbody>
</table>
Measuring upward convergence

Convergence patterns

Eurofound (2018c) defined upward convergence as an improvement in the EU average level of a given indicator, moving towards a policy target or to a societally acceptable level, combined with a reduction of disparities in this indicator across Member States. As such, upward convergence does not always imply a numerical maximisation of the indicator; rather, the upward direction depends on the nature of the indicator and the political target behind it. For example, upward convergence in the early school-leavers rate implies a reduction in the percentage together with a reduction of the disparities between Member States, while upward convergence in the employment rate implies an increase in the rate together with a decrease in the disparities.

If all Member States improve their performance on the indicator while disparities are reduced, it is described as strict upward convergence.

While upward convergence is the most desirable outcome, other patterns are possible:

- upward divergence (an improvement in average EU performance on the indicator and an increase in disparities)
- downward convergence (a decrease in average EU performance and a reduction in disparities)
- downward divergence (a decrease in average EU performance and an increase in disparities)

Convergence measures

The analysis of the headline indicators of the Social Scoreboard was carried out using a methodological toolbox developed by Eurofound. Eurofound (2018c) provides an in-depth methodological discussion of the measurement of convergence. The current study looks at convergence from three perspectives, which are measured differently:

- whether poorer-performing Member States are catching up with better-performing Member States (beta-convergence)

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1. This is available on the Eurofound website at https://www.eurofound.europa.eu/data/convergence-hub/convergence-methodology.
whether there has been an overall decrease in disparities between Member States (sigma-convergence)

whether there has been an overall decrease in the gap between the best-performing and the worst-performing Member States (delta-convergence)

In the presentation of results that follows, the charts represent the results of the sigma-convergence analysis.

The period of investigation begins at the end of the economic expansion in 2008, which also marked the beginning of the Great Recession, and extends until 2018. For some indicators, data was available only up to 2017 and for net earnings up to 2016.

For each indicator, the trend over 2008–2018 is presented, indicating an upward or a downward pattern. The extent of disparities in each year, measured by the standard deviation, is also given, which indicates convergence or divergence.

Main trends

Three main trends were identified in the analysis and the results are presented according to these.

- **Strong and stable upward convergence**: Indicators for which upward convergence is steady and robust over the entire period of investigation.

- **Upward convergence in good times**: The largest group of indicators, these demonstrate an unstable trend of upward convergence: upward convergence was recorded in good times, while downward divergence was recorded during the years of the recession. These indicators represent areas where Member States should strengthen their resilience in order to absorb future economic shocks.

- **Downward trends**: Indicators that do not yet demonstrate upward convergence and which demand additional focus to improve Member States’ performance.

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**Strong and stable upward convergence**

For one group of indicators, upward convergence trends are steady and robust over the entire period investigated. Between 2008 and 2018, these indicators show a consistent pattern of overall improvement and reduced divergence. This was not affected by the crisis, and there was very limited fluctuation relating to the business cycle.

Three indicators follow this stable upward convergence trend: the rate of early school-leavers, the gender employment gap and the rate of children under age three in formal childcare (see Table 2). In terms of the Social Scoreboard, the first two belong to the Equal opportunities and access to the labour market dimension, while the third comes under Public support/social protection and inclusion. No indicator from Dynamic labour markets and fair working conditions has a pattern of stable upward convergence.

For all three indicators, the worst-performing countries have moved closer towards the best-performing countries. The reduction in disparities among Member States is particularly pronounced for the early school-leavers rate and the gender employment gap. Disparities in the rate of children under three years in formal childcare have reduced less, although there is an overall narrowing of the distance between the best and worst performers.

Convergence in these indicators has been driven especially by southern European Member States, which have caught up at a faster pace, particularly in terms of early school-leavers and the gender employment gap.
Early school-leavers

A reduction in the rate of early school-leavers to 10% is one of the Europe 2020 targets. This indicator has decreased remarkably over a decade, from 13.4% in 2008 to 9.2% in 2018 (unweighted averages, Figure 1). The overall level of disparity between the Member States also decreased in that period, with the standard deviation dropping from 7.3 to 3.9.

All but five Member States improved their performance on this indicator, reducing early school-leaving among young people. In addition, the worst-performing countries strongly caught up with the best-performing ones. The rate in Greece, for example, dropped from 14.4% to 4.7%, while in Latvia, it dropped from 15.5% to 8.3%. Among all the Member States, the largest decrease was in Portugal (−23.1 percentage points), followed by Spain (−13.8 percentage points), and Malta and Greece (−9.7 percentage points each). Although the early school-leaver rate in the first three of these remains higher than the EU average, the decreases are significant.

Simultaneously, the rate of early school-leavers increased in Czechia, Hungary, Romania, Slovakia and Sweden, but the increases have been small (less than 3 percentage points in all five).

Gender employment gap

Closing the gender employment gap is a central goal in the EU’s path to gender equality. This gap decreased from 14.5 percentage points in 2008 to 10.6 percentage points in 2018, marking a reduction – hence an improvement – of almost 4 percentage points (unweighted averages, Figure 2). During that period, the range of variation – that is, the distance between the best-performing and worst-performing Member States – decreased, with all but two Member States improving their performance.

The gender employment gap narrowed considerably during the years of the crisis, but, interestingly, a slight increase in the gap was recorded in 2018 in comparison with the previous year. Although the labour market participation of women grew in 2018, the gap widened due to a larger relative increase in the share of men in work.
Southern European Member States had the largest gender employment gap reductions. Malta led with a 17-percentage-point decrease, followed by Spain, Cyprus and Greece. The gap also narrowed substantially in Luxembourg, by 10 percentage points. Increases were recorded only in Hungary and Romania.

**Figure 2: Upward convergence in the gender employment gap, EU, 2008–2018**

![Graph showing upward convergence in gender employment gap]

**Formal care of under-threes**

To give a fair start to all children, especially those from disadvantaged backgrounds, the Commission adopted a Council Recommendation in 2019 to improve the quality of and access to early childhood care systems (European Commission, 2018c).

During the period observed, Member States’ performance on the share of children under three in formal care improved. The rate rose steadily from 23.5% in 2008 to 32.2% in 2017, an increase of more than 9 percentage points (unweighted averages). Similarly, the overall gap between the best-performing and worst-performing Member States decreased.

All but five Member States recorded an increase in the percentage of under-3s in formal childcare. Luxembourg and Malta demonstrated especially large increases, of 34.8 and 21.6 percentage points, respectively. However, the two countries followed different patterns. Luxembourg was already one of the top performers in 2008, and the percentage of children in childcare increased steadily between 2008 and 2017. Malta, on the other hand, started from a level lower than the EU average (15% against the 23% EU average) and has caught up, though not at a steady rate. Big improvements were also recorded in Latvia, the Netherlands and Portugal.

Conversely, performance decreased in five countries, the largest in Slovakia, Cyprus and the United Kingdom, with falls of 2.4, 1.9 and 1.8 percentage points, respectively.

**Upward convergence in good times**

The convergence trends in a second group of indicators are characterised by marked instability, where a strong cyclical component affects both the average level of each indicator and the variation between Member States.

For the indicators in this group, upward convergence is recorded when the economy is growing, with improvements in performance and a reduction in disparities between Member States. But when the EU goes into recession and the economy takes a downturn, downward divergence is recorded, meaning a deterioration in the indicator and an increase in disparities across the Member States.

This group includes eight headline indicators from all three dimensions of the Social Scoreboard (see Table 3): two from the dimension of Equal opportunities and access to the labour market; all five from Dynamic labour markets and fair working conditions; and one from the Public support/social protection and inclusion dimension.
Generally, in this group of indicators, the turning point was 2013: this year marks the end of the decline and the beginning of the recovery. In fact, for all eight indicators, downward divergence was recorded from 2008 to 2013, while upward convergence was recorded from 2013 to 2018. The extent to which these indicators demonstrate downward divergence and upward convergence varies, however.

For one subgroup of indicators – AROPE, employment rate and unmet need for medical care – upward convergence is found over 2008–2018 as a whole. For these indicators, the upward convergence trends from 2013 to 2018 were stronger than the downward divergence from 2008 to 2013, both in terms of levels and variability. Hence, an overall upward convergence trend was identified.

For a second subgroup of indicators – the NEET rate and household disposable income – the improvement during the recovery period was higher than the decrease in the years of the crisis. However, these improvements were unevenly distributed among Member States, whose disparities are now greater than they were in 2008. Overall, therefore, upward divergence is found.

For a third subgroup – the unemployment and long-term unemployment rates – downward divergence was recorded over 2008–2018. For these, the recovery from 2013 to 2018 was not strong enough to compensate for the deterioration during the years of the crisis. Given the cyclical trend observed, the improvement in these indicators could be consolidated and upward convergence restored in the coming years if the recovery remains steady.

Finally, the net earnings indicator decreased in variability between Member States during the recovery, but the improvement so far has not reached the pre-crisis level.

The strong cyclical components of these trends show that upward convergence of Member States on these indicators is unstable and not sustainable. Member States therefore need to strengthen their resilience in these policy domains to avoid future divergence in the case of recession.

**AROPE rate**

Reducing poverty and social exclusion is one of the targets of Europe 2020. The share of the population at risk of poverty and social exclusion (AROPE) decreased from 24% in 2008 to 22.8% in 2017, despite peaking in 2012 at 25.6% (see Figure 3). The disparities in the performance of Member States decreased, with the standard deviation dropping from 7.6 to 6.4. The levels and variability observed in 2017 were below those of 2008, as more than half of Member States recorded decreases. The trend for the period, therefore, is one of upward convergence.
The worst-performing countries, including Romania, Bulgaria and Latvia, caught up with the best performers. Poland is especially noteworthy: the AROPE rate was above the EU average in 2008 (30.5% compared to 24%) but decreased steadily by 11 percentage points up to 2017, falling below the EU average. Not all countries showed a decrease in the AROPE rate, however. In Greece, for example, there was an increase of 6.7 percentage points; starting from a higher level than the EU in 2008, the rate has been diverging from the rest of the EU since then. Luxembourg inverted the trend: starting at a low level in 2008, its AROPE rate increased by 6 percentage points between 2008 and 2017, coming very close to the EU average in 2017.

The NEET rate
Reducing the number of NEETs is part of the EU strategy to prevent social exclusion among young people. The convergence analysis shows that the NEET rate in the EU decreased on average from 9.9% in 2008 to 9.6% in 2018 (unweighted averages) despite a peak in 2013, when it reached 12.8%. While some of the worst-performing countries caught up with the best-performing countries, the overall variability among Member States increased from 3.1 in 2008 to 3.4 in 2018. This indicates a pattern of upward divergence during the period of analysis.

The largest reduction was observed in Latvia (4 percentage points), which has a lower NEET rate than the EU average. It also fell in Ireland, by 3.8 percentage points. Conversely, increases in the NEET rate were recorded in Romania (2.9 percentage points), Greece (2.7 percentage points), Italy (2.6 percentage points) and Croatia (2 percentage points), all of which were already among the worst performers in 2008.

Employment rate
Europe 2020 set a target of increasing the employment rate of the working age population to 75% by 2020. The rate increased from 71% in 2008 to 73.8% in 2018, despite the decrease recorded in 2008–2013, when it fell to 68% (unweighted averages, see Figure 4). The variability, as measured by the standard deviation, decreased from 5.4 in 2008 to 5.3 in 2018. Overall, therefore, upward convergence is found from 2008 to 2018.

The largest increase was observed in Malta, which was the worst-performing country in 2008, with a rate of 59.2%. Employment there reached the EU average in 2015 and then continued to increase, rising to 75% in 2018. Similarly, Hungary showed a steady increase of 12.9 percentage points between 2008 and 2018. Starting below the EU average in 2008, it finished above the average in 2018, at 74.4%.

All but four Member States improved between 2008 and 2018: Greece recorded the sharpest employment decrease (−6.8 percentage points), followed by Spain (−2.6 percentage points), Cyprus and Denmark (both −1.5 percentage points).
A more equal Europe? Convergence and the European Pillar of Social Rights

Unemployment rate

The unemployment rate in Europe in 2018 was 6.5% – still slightly higher than in 2008, when it was at 6.4%, but much better than the rate in 2013, which was 11.2% (unweighted averages, see Figure 5). A positive trend has been recorded in all the Member States since 2013. The variability of Member States has grown, however, from 1.8 in 2008 to 3.5 in 2018. As a result, the overall trend is one of downward divergence.

Despite the strong recovery in more recent years, the unemployment rate in Greece was three times the EU average in 2018. It rose from 7.8% in 2008 to a striking 27.5% in 2013, followed by a decrease to 19.2% in 2018. The pattern in Cyprus is also noteworthy: this country had one of the lowest unemployment rates in the EU in 2008, but it increased by 4.7 percentage points between 2008 and 2018. Some positive patterns also emerge. The most significant decreases were observed in countries such as Germany and Hungary, where unemployment fell 4 percentage points from 2008 to 2018. These were followed by Poland and Slovakia, which had reductions of 3.2 and 3.1 percentage points, respectively.

Long-term unemployment rate

Despite the strong economic recovery since 2013, the long-term unemployment rate in Europe in 2018 was 2.7% – still slightly higher than in 2008, when it was 2.4% (unweighted averages). The overall variability across Member States, as measured by standard deviation, increased from 1.4 in 2008 to 2.5 in 2018. Hence, the pattern of long-term unemployment is downward divergence.

Slovakia and Germany were the best performers, with decreases of 2.6 and 2.5 percentage points, respectively. However, rates increased in more than half of the Member States in the period analysed. Greece, Spain and Italy recorded the highest increases in long-term unemployment. This was not the case in all southern European countries: Malta and Portugal both had decreases, of 1.5 and 0.5 percentage points, respectively.

The analysis of Member State performance indicates different trends. On the one hand, over 2008–2018, the worst-performing countries recorded greater decreases in long-term unemployment than the best-performing countries. On the other hand,
the overall disparities among Member States and the distance between the best performer and the worst performer increased, indicating a divergence trend.

**Household disposable income**

Increasing the disposable income of households is desirable as it reduces risk of poverty and improves the living standards of Europeans. Gross disposable household income is measured on a scale with an average value set to 100 for 2008. This value increased to 105.6 in 2017, demonstrating an overall improvement. Two distinct trends can be identified within this. First, from 2008 to 2013, the level dropped to 96.4 as a result of the crisis and rising unemployment. Then, in line with the recovery, the value increased, to 105.6 by the end of the period. Although some of the worst-performing countries moved closer to the best-performing countries, the overall variability increased from 4.1 in 2008 to 13 in 2017. Overall, therefore, the trend is one of upward divergence.

The largest increases occurred in eastern European Member States, particularly Bulgaria, Poland and Romania, all of which recorded a value close to 130 in 2017. Conversely, the worst performers were the southern European Member States, with Greece having the lowest value, at 69.

**Net earnings**

For most people, income from work is their main means of ensuring a decent standard of living. Developments in income from labour are captured in the Social Scoreboard by measuring the net earnings of a full-time single worker without children earning an average wage. The change in this indicator decreased from 3.27% in 2008 to 2.56% in 2016 (unweighted averages, see Figure 6).² The variability also decreased from 4.4 in 2008 to 2.7 in 2016. Despite the cyclical components affecting Member States’ performance, therefore, the trend is one of downward convergence.

More than half the Member States recorded a decrease in this indicator. The largest occurred in Slovakia, which dropped from 12.4% to 3.1%, followed by Lithuania and Latvia (with reductions of 7.5 and 6.2 percentage points, respectively). From 2013, however, these Member States recorded significant increases, and in 2016, they performed better than the EU average.

Not all Member States recorded a reduction. Romania had very low fluctuation, and the indicator mostly increased in the period analysed, with an overall growth of 7.2 percentage points. Hungary and Bulgaria were among the best performers, with rises of 4.2 and 2.4 percentage points, respectively.

**Unmet medical need**

Adequate healthcare provision for all citizens is a mark of social equality and a fundamental right, and the EU actively charges Member States to ensure that their healthcare systems meet the medical needs of their populations.

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² Due to lack of available data, this analysis was performed without Cyprus and Croatia.
Our analysis shows that the share of people reporting unmet need for medical care in the EU decreased from 3.4% in 2008 to 2.5% in 2017 (unweighted averages, see Figure 7). Two distinct trends can be identified. First, from 2008 to 2014, the share increased from 3.4% to 3.8% because of public spending cuts in the wake of the economic crisis. Then, at the point of recovery in 2014, the share started to decrease, dropping to 2.5% in 2017. For this reason, the overall trend has been one of upward convergence during 2008–2018.

More than half the Member States recorded a decrease in the shares of people reporting unmet medical need. The largest improvement occurred in Bulgaria (−13.2%), followed by Romania (−6.4%). Conversely, Estonia and Greece showed the biggest deteriorations, with increases of 6.5% and 4.6%, respectively.

### Downward trends

Downward convergence was recorded in a relatively small group of indicators over 2008–2018. These indicators did not move towards their policy targets but deteriorated. The trend is steady and does not fluctuate substantially over time. No tangible effect of the economic crisis was observed, either in the level or in the variability. This indicates that in order to reverse these trends, additional policy efforts should be made in these areas.

This group includes just two indicators: income inequality and the impact of social transfers on poverty reduction (Table 4). The former comes under the dimension of Equal opportunities and access to the labour market, while the latter is from the dimension of Public support/social protection and inclusion.

While both indicators have a common downward pattern, only the inequality indicator shows a widening of disparities among Member States. And it is in the countries that had a lower level of inequality originally that the indicator increased most.

The pattern for the impact of social transfers on poverty reduction is different: while convergence among Member States was recorded, the level of the indicator decreased consistently from 2010 onwards. As such, the impact of social transfers was lower in 2018 than it was in 2008, and a downward trend was recorded along with convergence in all three convergence measures.

### Table 4: Indicators showing downward trends

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Dimension of the Pillar</th>
<th>Trend 2008–2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income inequality</td>
<td>Equal opportunities and access to the labour market</td>
<td>Downward divergence</td>
</tr>
<tr>
<td>Impact of social transfers</td>
<td>Public support/social protection and inclusion</td>
<td>Downward convergence</td>
</tr>
</tbody>
</table>

Figure 7: Upward convergence in self-reported unmet need for medical care, EU, 2008–2017

![Graph showing upward convergence in self-reported unmet need for medical care, EU, 2008–2017](image)
Exploring the evidence

**Income inequality**

There was downward divergence in income inequality during 2008–2018. This indicator is measured as the ratio of the income of the top income quintile to that of the bottom income quintile. This ratio increased from 4.8 in 2008 to 4.9 in 2018 (unweighted averages, Figure 8), reflecting a rise in inequality. The trend was not constant over time. The indicator remained almost unchanged until 2012, but this was followed by an increase over 2013–2015. Since 2015, income inequality has decreased steadily. Disparities increased across the Member States, indicating a slightly divergent trend.

**Figure 8: Downward divergence in income inequality, EU, 2008–2018**

Overall, income inequality has increased in half the Member States. Between 2008 and 2018, Lithuania and Bulgaria had the biggest increases (from 6.1 to 7.3 and from 6.5 to 7.6, respectively). These were already among the worst-performing countries in 2008, and inequality continued to rise even when the rest of the EU saw a decrease. A large increase was also recorded for Luxembourg (from 4.1 to 5).

Nevertheless, not all the Member States saw an increase: there were reductions in Poland (from 5.1 to 4.2) and Portugal (from 6.1 to 5.2). These countries, however, followed different patterns. Poland had a higher level than the EU average in 2008 but has since caught up – reaching 4.2 in 2018, lower than the EU average. Portugal, on the other hand, was higher than the EU average in 2008, and it remained above the average in 2018, at 5.2.

**Impact of social transfers**

The impact of social transfers on poverty reduction is measured by calculating the percentage reduction in the risk-of-poverty rate due to social transfers, excluding pensions. Over 2008–2017, the impact of social transfers fell from 36.7% to 34.5%, marking a decrease of more than 2 percentage points (unweighted averages). At the same time, overall disparities between Member States decreased from 13.6 in 2008 to 11.5 in 2017. The trend is therefore one of downward convergence.

The decline in the impact was not constant over the entire period. In 2008–2010, the indicator increased from 36.7% to 39.1%. However, after 2010, a constant decrease brought it down to the 34.5% average recorded in 2017.

All but nine Member States recorded decreases in this indicator. The largest reductions were observed in Czechia, Hungary and Slovakia, each of which recorded a drop of around 12 percentage points. In Hungary, this decrease was linked to the business cycle, while the decrease in Czechia was steadier with the exception of increases in 2013 and 2017.

In contrast, some countries have performed relatively well, showing increases in the impact of social transfers. The largest increases were observed in Latvia and Finland, of 7.6 and 6.7 percentage points, respectively. Latvia has
been catching up with the EU average, although in 2017, it remained below this level, at 21.3%. Finland was already performing well in 2008, and in the period 2008–2017, it outperformed the average EU growth, becoming the best-performing country in the EU from 2016.

Summary

Table 5 summarises the convergence trends in the Social Scoreboard's headline indicators found by this study.

Table 5: Summary of convergence trends

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Result</th>
<th>Trend 2008–2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equal opportunities and access to the labour market</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early school-leavers rate</td>
<td>Upward convergence</td>
<td>Strong and stable</td>
</tr>
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<td>Gender employment gap</td>
<td>Upward convergence</td>
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<td>AROPE</td>
<td>Upward convergence</td>
<td>Upward convergence in good times</td>
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<td>NEET rate</td>
<td>Upward divergence</td>
<td>Upward convergence in good times</td>
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<td>Income inequality</td>
<td>Downward divergence</td>
<td>Downward trend</td>
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<td><strong>Dynamic labour markets and fair working conditions</strong></td>
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<td>Employment rate</td>
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<td>Unemployment rate</td>
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<td>Long-term unemployment rate</td>
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<tr>
<td>Household disposable income</td>
<td>Upward divergence</td>
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<tr>
<td>Net earnings</td>
<td>Downward convergence</td>
<td>Upward convergence in good times</td>
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<td><strong>Public support/social protection and inclusion</strong></td>
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<td>Formal care of under-threes</td>
<td>Upward convergence</td>
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<td>Unmet medical care</td>
<td>Upward convergence</td>
<td>Upward convergence in good times</td>
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<td>Impact of social transfers</td>
<td>Downward convergence</td>
<td>Downward trend</td>
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Sustainable upward economic and social convergence is recognised as fundamental for both the stability of the EU as well as the further integration and future cohesion of Member States and regions. The European Pillar of Social Rights is a major policy intervention to promote upward convergence and is accompanied by a Social Scoreboard, the aim of which is to track the performance of Member States in their implementation of the Pillar.

This policy brief has examined the trends in the headline indicators of the Social Scoreboard to discover the extent to which there has been improvements in those indicators since 2008 and whether the differences between Member States on those indicators are diminishing. The analysis found that, notwithstanding the negative effects of the crisis, EU Member States are converging towards better employment and socioeconomic conditions. However, the patterns of convergence across the indicators are not uniform, and these differences must be acknowledged in strategies to build resilience against future economic shocks.

One of the key findings of the analysis is that more than half the indicators fluctuated considerably with the business cycle, in terms of both the performance of the EU overall and the variability between Member States. In good economic times, there was upward convergence, with improving performance and increasing similarity between the Member States. But in bad times, there was deterioration and the Member States diverged. This pattern was characteristic of all indicators in the Dynamic labour market and fair working conditions dimension of the Pillar, as well as the rates of NEETs, poverty and social exclusion, and unmet medical need.

This link between social progress and the business cycle highlights those areas where Member States should strengthen their economic and social resilience in order to support sustainable and inclusive growth and mitigate against future asymmetric shocks. In this regard, the Pillar provides a framework to create a more equal, resilient and sustainable Europe, with a view to ensuring that Member States are prepared for future challenges.
The EU has performed worst on income inequality and the impact of social transfers on poverty, both of which have deteriorated over the decade. While income inequality is still lower in Europe than in other developed areas of the world, action must be taken on this indicator to prevent the sense of social unfairness, and its consequences, spreading among the EU population.

Making the Pillar a reality for citizens is the joint responsibility of the Member States, social partners and civil society, with EU institutions supporting their interventions by setting the framework and providing direction. While the Commission has put forward a number of legislative and non-legislative initiatives related to the Pillar – including those addressing work–life balance, transparent and predictable working conditions, access to social protection and working time – targeted investment and political weight are necessary to ensure the implementation of the 20 principles.

Among the various policy options to fully implement the Pillar and strengthen the resilience of Member States, the proposal for a European unemployment reinsurance scheme has recently been relaunched under the new political guidelines of Commission President, Ursula von der Leyen. Such a scheme would reduce macroeconomic risk and, at the same time, improve convergence in socioeconomic conditions for the unemployed. It could also help limit the unbalanced impact of periods of economic recession across Member States and reduce the potentially negative economic and social consequences of unemployment for European citizens.

However, moral hazard and distributional effects across countries make the implementation of this scheme difficult. Notwithstanding design complexities, policymakers are increasingly recognising the need for greater coordination of unemployment benefit systems, not only for cycle stabilisation but also to ensure that unemployed EU citizens have access to similar unemployment benefits.
Resources

All Eurofound publications are available at www.eurofound.europa.eu

Eurofound web topic ‘Monitoring convergence in the European Union’: http://eurofound.link/convergence

EU convergence monitoring hub: http://eurofound.link/convergencehub


Eurofound (2019b), Upward convergence in employment and socioeconomic factors, Publications Office of the European Union, Luxembourg.


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The European Pillar of Social Rights is designed to act as a compass for a renewed process of upward convergence among Member States towards better working and living conditions. It is accompanied by a Social Scoreboard to monitor the progress made by Member States.

This policy brief presents the results of an investigation into the upward convergence patterns of the headline indicators of the Social Scoreboard and the relationship between convergence and the business cycle from 2008 to 2018. The results show that although the economic crisis that engulfed Europe from 2008 slowed down the convergence of Member States on some indicators, upward convergence on several has been restored, including the indicators on employment and risk of poverty. While the analysis uncovers different dynamics of upward convergence for most indicators, some very stable and some more unstable, few indicators still show a downward trend over the decade.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.