

# Upward convergence in employment and socioeconomic factors

## Introduction

Against the backdrop of rising concern over disparities in the social progress being made by Member States, Eurofound's work programme for the period 2017–2020 includes a commitment to investigating upward convergence in Europe, with the ultimate aim of determining whether and where socioeconomic trends are converging or diverging across countries.

This report is the first thematic output of the research strand entitled 'Monitoring convergence in the European Union'. Using the conceptual and methodological work carried out by Eurofound in 2018, the report investigates upward socioeconomic and employment-related convergence using a set of 21 indicators, most of which are part of the Social Scoreboard of the European Pillar of Social Rights.

The report is organised in three main parts: first, upward convergence is investigated at the European level, with a distinction made between countries that are in the euro zone and those that are not. Next, some selected indicators are investigated at the regional level, and factors influencing convergence are discussed. Finally, the role of two possible policy initiatives – the European unemployment insurance (EUI) scheme and the European minimum wage (EMW) policy – are discussed and assessed in terms of how well they promote convergence.

## Policy context

Upward convergence – a trend whereby EU Member States' performance in a given domain or range of domains improves while the gaps between Member States diminish – has always been seen as a political promise on the part of the EU, particularly in the economic and social spheres. Member States, along with their citizens, join the EU with the expectation that various socioeconomic objectives will be reached and that living and working conditions will ultimately improve.

These expectations were largely met until the 2008 economic crisis, when upward convergence stalled or even reversed, with Member States experiencing downward trends and increased disparities in the economic and social domains.

Diverging performances among Member States and increasing inequalities within them threaten the cohesion of the Union and contradict the expectations of Member States and their citizens. This phenomenon thus warrants serious concern: economic divergence undermines the promise of shared economic prosperity across Europe, while social divergence poses an obstacle to the European integration project's ultimate goal of improving living and working conditions.

In order to address these concerns, economic and social convergence have moved to the fore of policy discourse. The concept of convergence is the thematic backbone of the European Pillar of Social Rights, which was launched in November 2017 and 'designed as a compass for a renewed process of upward convergence towards better working and living conditions in the European Union'.

## Key findings

Despite the negative effects of the economic crisis, the analysis reveals that, since the beginning of the 2000s, Member States have converged towards better employment and socioeconomic conditions overall. Furthermore, though downward trends and divergence were recorded for a few indicators, two different patterns of upward convergence can be identified.

For the first group of indicators – which includes the education and gender gaps, as well as the activity rate – the upward convergence trends found were steady and robust over the entire period considered. The improvement in the levels of these indicators and the reduction of disparities among Member States' performances in them were marked, with only a limited number seeing levels and variability fluctuate due to the business cycle. For this group of indicators, upward convergence progressed at a faster rate in the euro zone than in the non-euro zone.

Conversely, for the second group of indicators – which includes labour market participation and exclusion, as well as poverty – upward convergence exhibits a considerable degree of correlation with the business cycle. A cyclical trend can be observed in terms of both averages and variability, suggesting upward convergence in good times (with improvements and lower dispersion) and downward divergence in bad times (with deterioration in levels and higher dispersion). Interestingly, for these indicators, non-euro zone countries converge more quickly than their euro zone counterparts. Given the correlation with the business cycle, these are the indicators in which Member States should become more resilient in order to avoid future asymmetric shocks.

Downward trends are identified in income inequality and in indicators related to employment conditions, particularly in terms of atypical employment and transitions from temporary to permanent work.

Notwithstanding the upward convergence trends identified, it is important to highlight that, for some indicators, disparities in socioeconomic and labour market indicators are generally greater among EU regions than between countries, which see a more pronounced convergence process. Furthermore, analysis of certain population groups reveals that age and education also impact convergence patterns.

## Policy pointers

Sustainable upward economic and social convergence is seen as increasingly fundamental to the stability of the single currency and the integration of Member States and regions.

A number of different initiatives have been explored by various European institutions in the hope of enhancing Member States' resilience and capacity for economic and social convergence. This report investigates the possible effects of two such initiatives: a European unemployment insurance (EUI) scheme and a European minimum wage (EMW) policy.

An EUI scheme would promote both macroeconomic risk reduction and convergence in socioeconomic conditions for the unemployed. Such a scheme could help reduce the asymmetric impact of recessionary periods across Member States, as well as diminish the economic and social consequences of unemployment. However, moral hazard and distributional effects across countries make implementation difficult. Notwithstanding design complexities, the need for greater coordination of unemployment benefit systems is now recognised – not only for cycle stabilisation, but also to harmonise the treatment of unemployed persons across Europe.

An EMW policy could potentially support greater convergence in disposable incomes and reduce the number of working poor, as well as prevent social dumping. Increased incomes among workers at the lower end of the income distribution could also support access to basic services where needs are still unmet. The main drawbacks of an EMW policy relate to the potential negative effects of minimum wages on youth and low-skilled employment, and on the autonomy of national and social partners in wage determination.

While the implementation of these two policies has the potential to be long and uncertain, continuous monitoring of the convergence of national policies and greater coordination at the EU level would help ensure that economic and social convergence proceeds at the required rate. Particular effort needs to be made to reduce economic and social disparities, not only among countries but also among regions and different population groups.

### Further information

The report *Upward convergence in employment and socioeconomic factors* is available at <http://eurofound.link/ef18042>

Research manager: Massimiliano Mascherini  
[information@eurofound.europa.eu](mailto:information@eurofound.europa.eu)