



European Foundation
for the Improvement
of Living and Working
Conditions

The tripartite EU Agency providing knowledge
to assist in the development of better social,
employment and work-related policies

Upward Social Convergence in the EU

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Outline

- The paradigm shift: From economic convergence to economic and social convergence
- Upward convergence in employment and socio-economic factors
- Towards sustainable upward convergence



Convergence, an economic matter

- **Economic convergence** at core of **European policy discourse**
- **‘Convergence’** in the **Treaty on European Union in 1992** relates to monetary and fiscal convergence
- Reflected climate of the European founders: **Economic integration was organised at EU level** and **domestic social policies redistributed fruits of economic progress**

United in Diversity?

- And it worked! The **European convergence Machine**
- ... until the **economic crisis** of 2008 caused Member States to **diverge in their performance** in the social dimension
 - **Unemployment in Greece** was more than **seven times** higher than in the **Czech Republic**
 - **Italy's long-term youth unemployment** rate was more than **20 times** higher than the figure for **Denmark**
- **United in diversity, but these are not the differences we are proud of**

- **Diverging economic and social performance** among Member States **warrant common concerns** and **threaten the stability of the Union**
- They **contradict** the promise of **shared prosperity** and may signal a general **lowering** of **living** and **working** conditions
- In recent years, the term ‘convergence’ went beyond the economic dimension and increasingly **greater emphasis** was given to the need to promote also **social convergence**

The paradigm shift





The European Pillar of Social Rights

European Pillar of Social Rights serves as a **compass for the renewed process of upward convergence** among Member States performances in the **economic and social** dimension of the EU

European
Pillar of
Social Rights



Is Europe converging upward in the social dimension?

Activity Rate

Employment Rate

Weekly worked hours

NEET rate

Unemployment rate

Long Term Unemployment

Involuntary temporary

Involuntary part-time

Transition Rate Temp → Perm

Minimum Wage in PPS

Disposable income in PPS

AROPE

Income Inequality

Early School Leavers

Tertiary Education Attainment

Unmet medical need

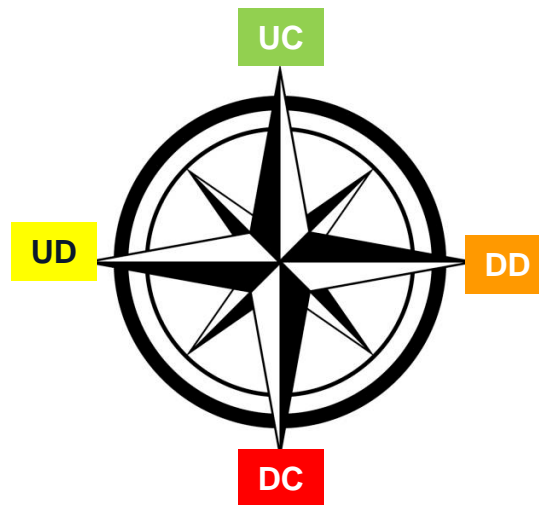
Children in formal Childcare

Gender Employment Gap

Gender Gap in ESL

Gender Gap in AROPE

Gender Gap in National Parliament



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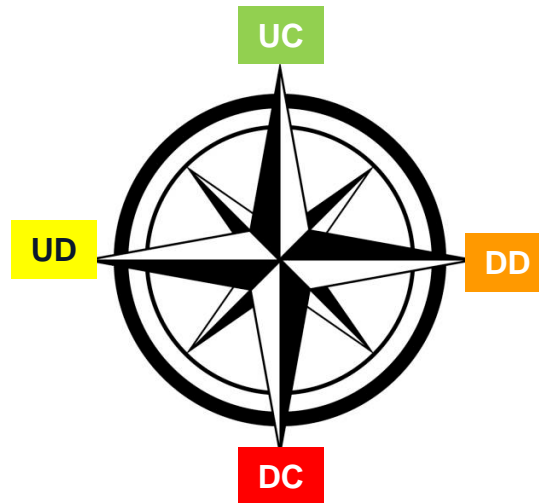
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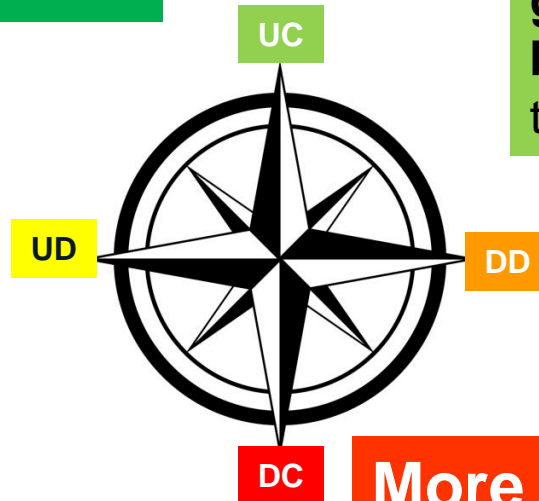
Gender Gap in National Parliament



Different forces at play in different areas

Strong and Steady:
not affected by business
cycle fluctuations

In Good Times:
greatly affected by
business cycles both in
terms of levels and variability



More Work to Do:
Downward trends and
decreasing performances still
recorded

Strong and Steady

- The effect of the crisis was very limited with only **limited fluctuations** of the average and of the **variability around the business cycle** was recorded

Education
Related

Gender
Gaps

Activity Rate

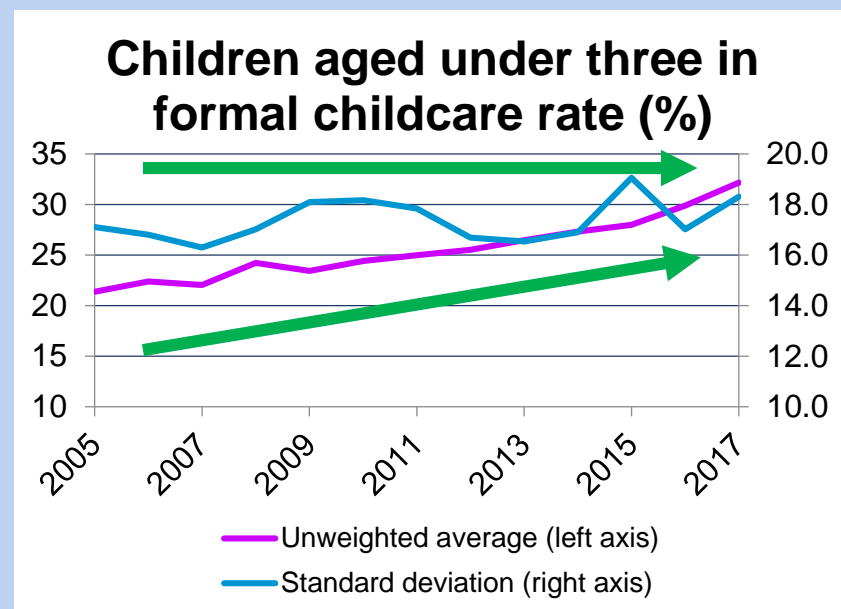
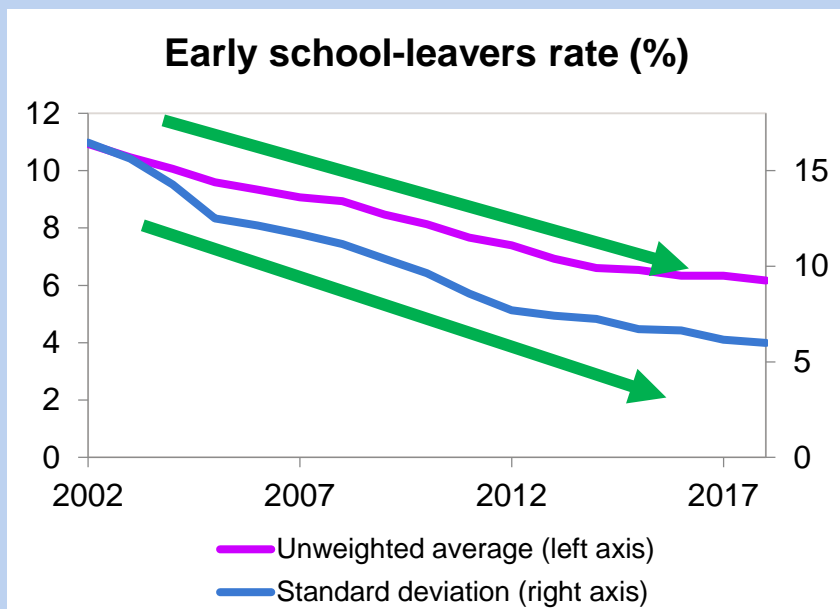
Children in
formal
childcare

Income
Related

- For these indicators, **Euro Area** converge **more than non-Euro Area**

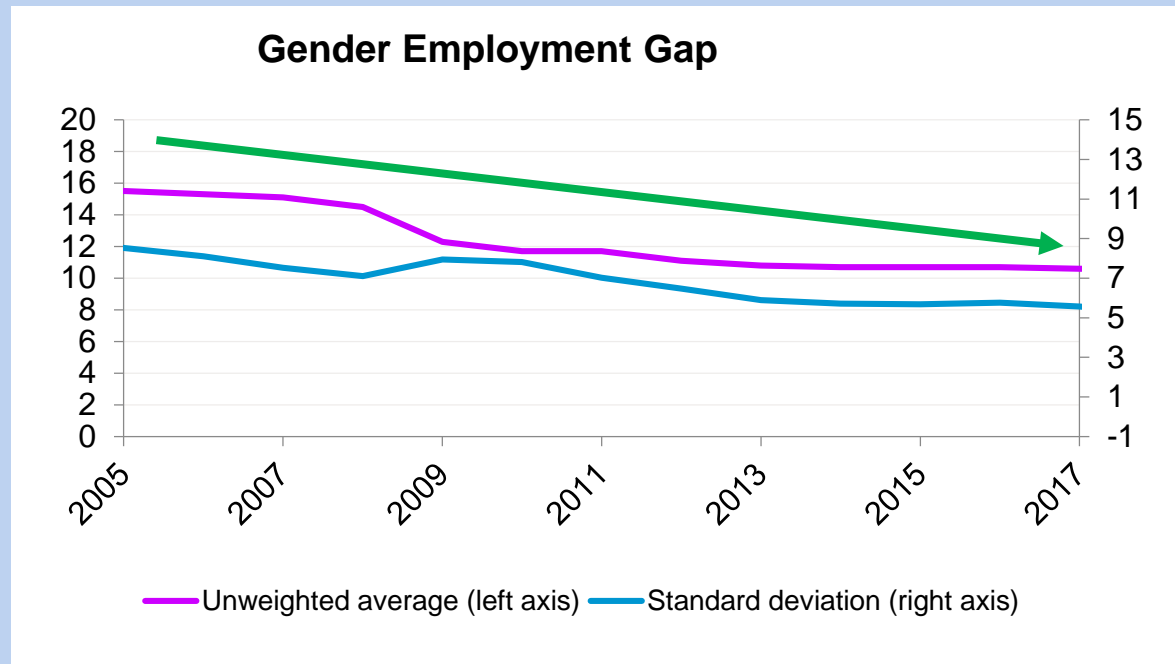
Strong and Steady

- Limited fluctuations around the business cycle



Strong and Steady: EuroArea vs NonEuroArea

- Gender Employment Gap



In Good Times

- For other indicators the **upward convergence** trends are **greatly affected by the economic crisis** showing a **strong cyclical evolution** in both averages and variability
- In **good times** there is **upward convergence** (with improvements and lower dispersion) while in **bad times** there is **downward divergence** (with deterioration in levels and higher dispersion).

In Good Times

Employment rate

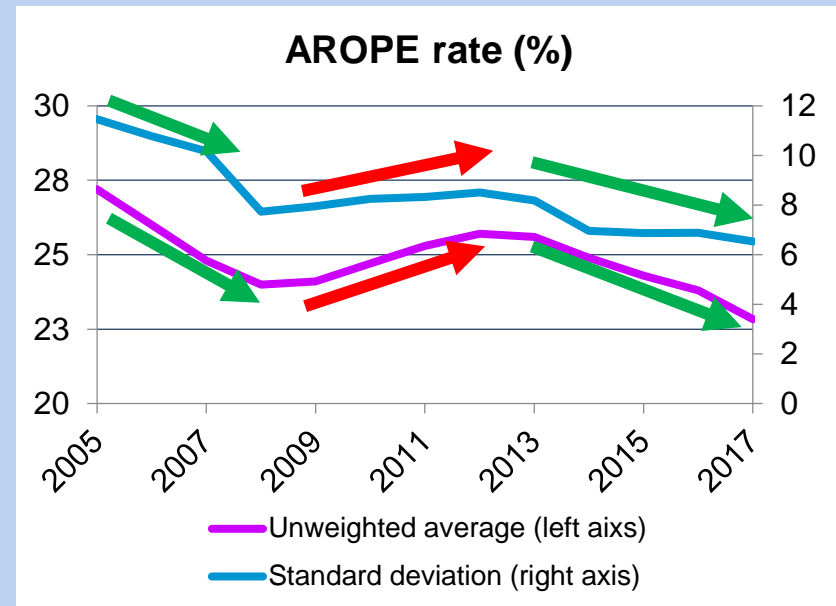
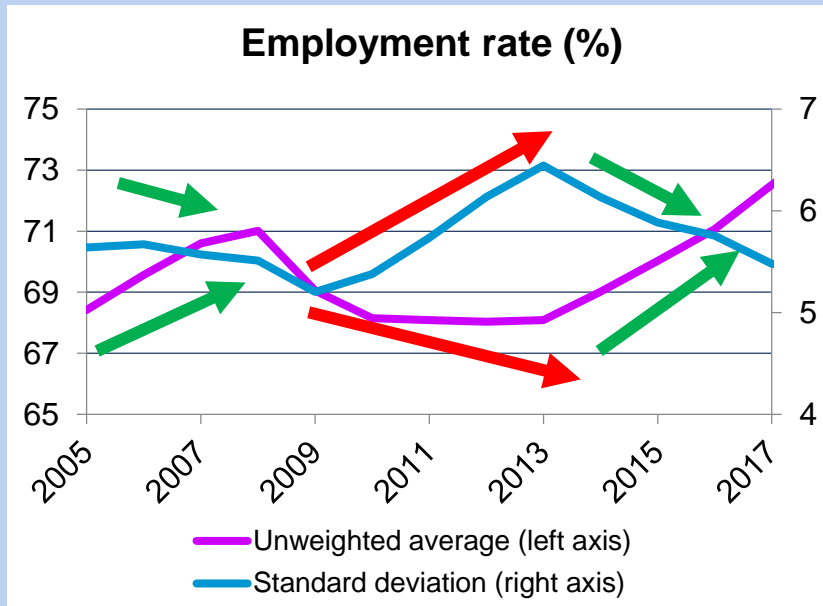
All labour market
exclusion
indicators

Poverty and
material
deprivation

- For these indicators **non-Euro Area** Member States **perform better than Eurozone**
- These are the indicators for which Member States **resilience should be strengthened** in order to prevent future asymmetric shocks and build sustainable convergence

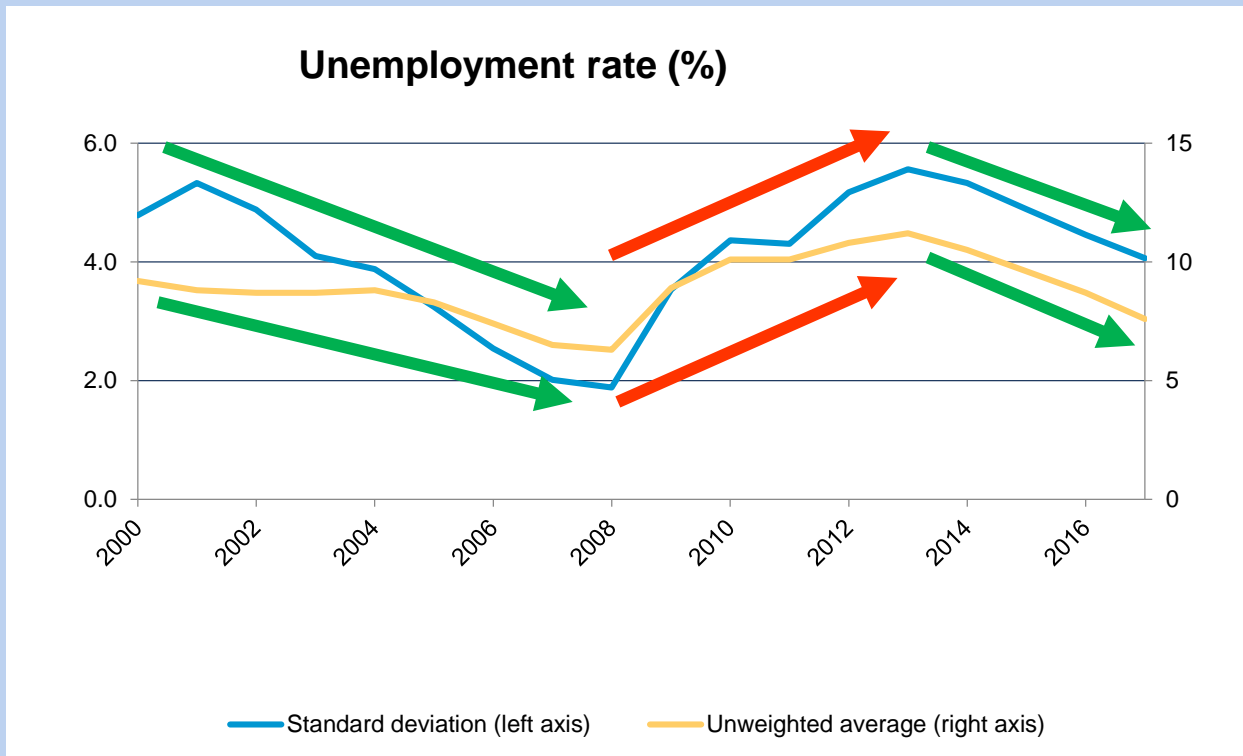
In Good Times

- Major fluctuation around the business cycle



In Good Times

- Unemployment rate



More work to do: Downward trend

- There are also areas where Europe is still moving **downward with no tangible effect of the crisis**

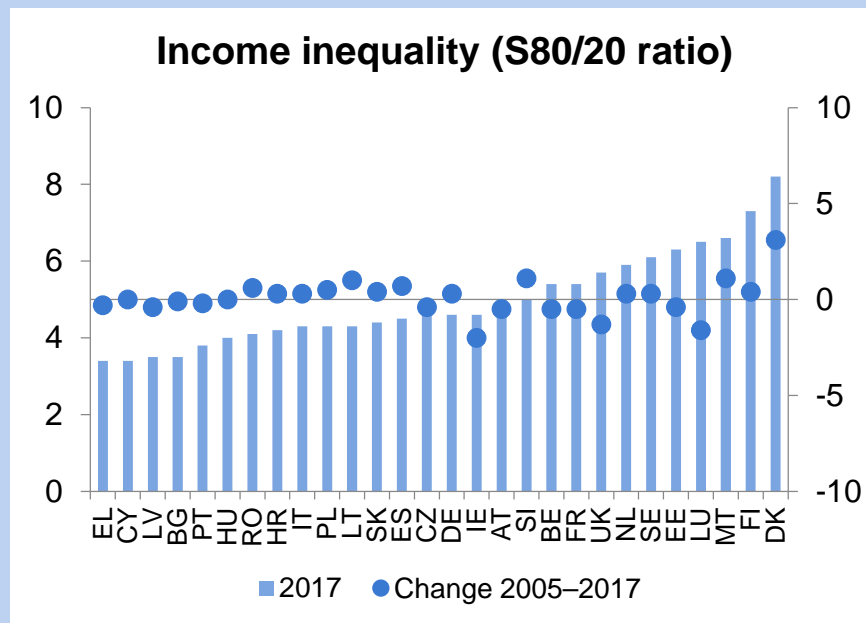
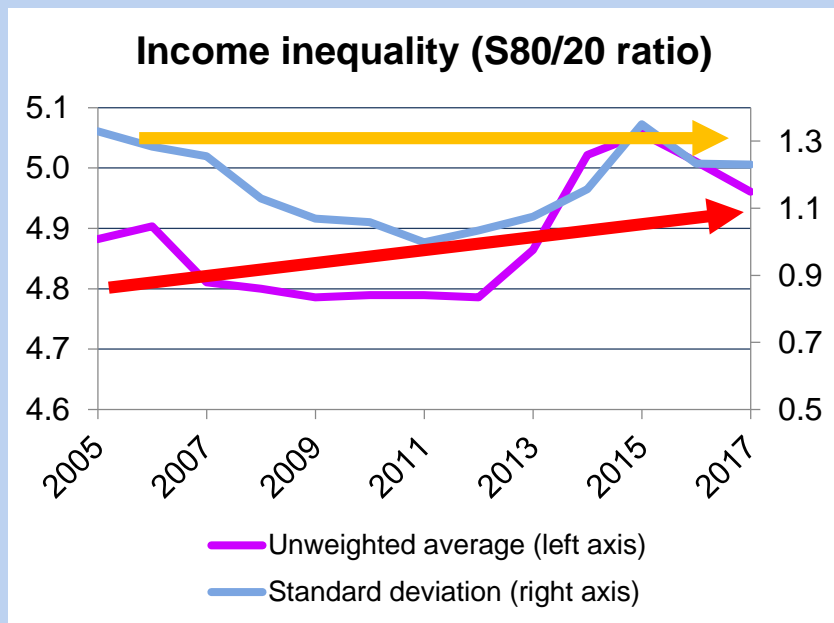
Income Inequality

Precarious
attachment to
labour market

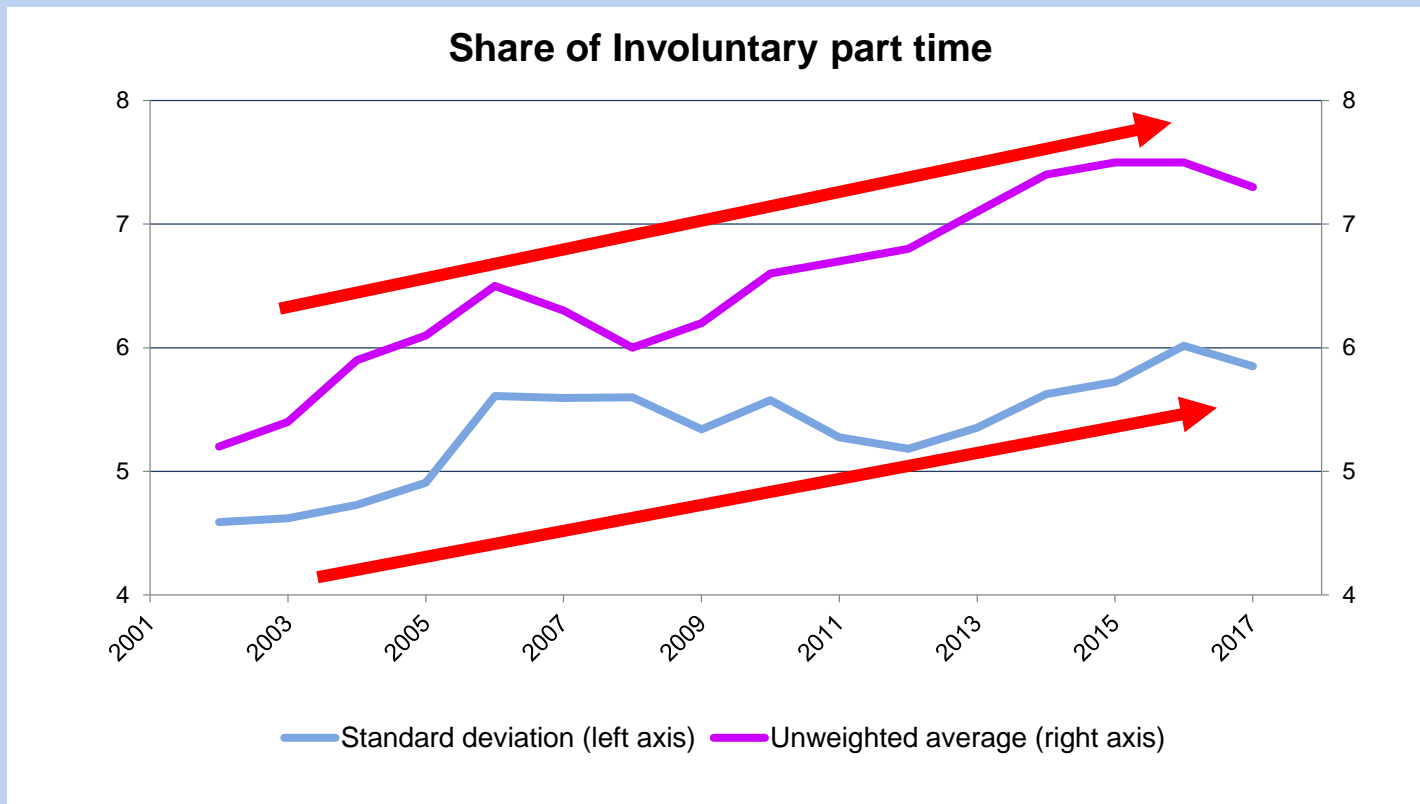
Working hours

- For these indicators there is not a clear better performance of Euro Area against non-Euro Area and vice-versa

More work to do: Income inequality



More work to do: Share of Involuntary part time



The overall picture

Disposable income in PPS

Minimum Wage in PPS

Gender Gap in ESL

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Tertiary Education Attainment

Early School Leavers

Activity Rate

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UC

AROE

Gender Gap in National Parliament

UD

DD

Employment Rate

Unmet medical need

Gender Gap in AROPE

Weekly worked hours

DC

NEET rate

Unemployment rate

Involuntary temporary

Long Term Unemployment

Involuntary part-time

Income Inequality

Transition Rate Temp → Perm

Steady and Robust

In Good Times

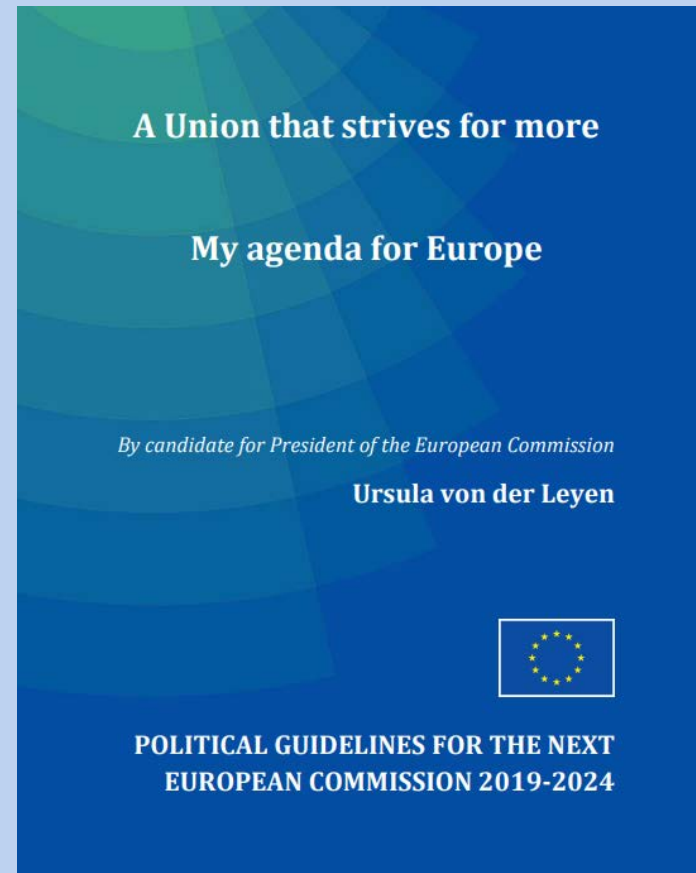
More Work to Do

The importance of upward social convergence

- **Upward convergence is happening**
- However, in **employment and poverty** the **fluctuations** around the **business cycle** are ringing alarm bells
- It is important for Member States to **strengthen economic and social resilience** against future shocks and to build **sustainable convergence**
- **Social convergence** is important for the **legitimacy of the European Union** but has also **cross-national implications**
- Keeping **monitoring convergence trends** and **implementing policies** to avoid future divergence is **essential**

Implementation of the Pillar and promoting social convergence

- The political guidelines of the **President-elect Ursula von der Leyen** advocate for the **full implementation** of the **European Pillar of Social Rights**
- **Implementation** of Pillar is the **responsibility** mainly of **Member States** with the **EU**, who can support through the use of **legislation, budgetary instruments** and **policy coordination**



Options for action

- The **European Unemployment Reinsurance** scheme is one of the different options to promote macroeconomic risk reduction and, at the same time, **convergence in socio-economic conditions** for the unemployed
- **A fair minimum wage** could increase lower wages and would **reduce in work poverty** and poverty risks improving the quality of life and also reinforcing domestic economy
- **Quality of institutions.** Social dimension is national responsibility but raises expectations about European Union. EU should not be seen as a threat against welfare systems but as a helpful body. Ensuring that funds are efficiently invested is important.

Conclusions

- The great recession revealed the **importance of social convergence**
- There is now a general consensus that **economic and social convergence are mutually reinforcing and should go hand-in-hand**
- Patterns of **upward convergence** are recorded in several **employment and socio-economic indicators**. However, fluctuations around business cycle are ringing alarm bells for the **sustainability** of these trends
- Implementing policies to **strengthen Member States'** economic and social **resilience** is essential to avoid future divergence and to build **sustainable convergence**.

Eurofound work

- Monitoring upward convergence towards better working and living conditions!

Employment



SocioEconomic



Working Conditions



Living Conditions



<https://www.eurofound.europa.eu/data/convergence-hub>

STATA R Studio

Shiny
by RStudio
Interactive Web Apps Presentation
Using Shiny & R

Eurofound