



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

Convergence and Divergence in the Social Dimension of the EU

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Outline

- What is upward convergence?
- The Importance of Upward Convergence for the European Union
- The revamped interest around that and the path towards the European Pillar of Social Rights
- Upward Convergence in the Social Scoreboard accompanying the EPRS

Upward Convergence:

When the performance of Member States improves, getting closer to an ideal policy target, alongside a narrowing of the disparities among them.

Eurofound, 2018



....the Recovery Fund [..] is trusted by all Member States, and designed for investment, for cohesion and convergence

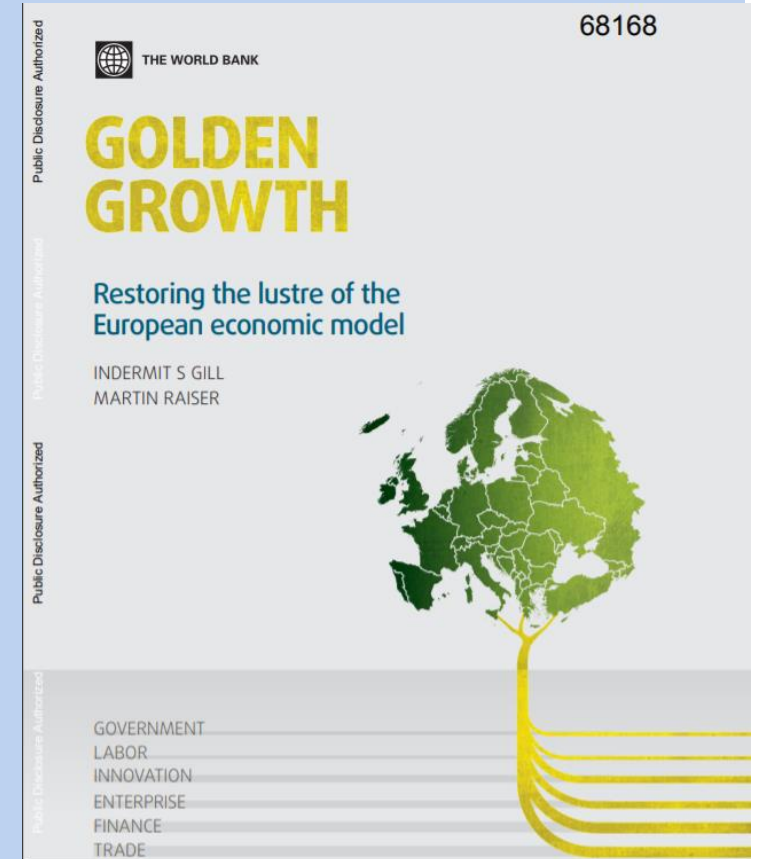
.... solidarity, cohesion and convergence are crucial to succeed.

Convergence, a long path..

- The concept of **economic convergence** is at the **heart of the European policy discourse**.
- The term '**convergence**' first appeared in the **Treaty on European Union** in **1992** in relation to the monetary and fiscal convergence required for membership of the Economic and Monetary Union (EMU).
- It probably reflects the original paradigm of the **founders** of the European project where **economic integration was organised at EU level** and **domestic social policies** were to **redistribute the fruits of economic progress**.

United in Diversity?

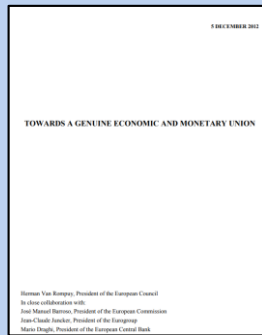
- And it worked! The **European convergence Machine**
- ... until the **economic crisis** of 2008 brought these trends to **stalling patterns of convergence** and caused Member States to **diverge in their performance** in the social dimension.
 - **Unemployment in Greece** was more than **seven times** 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.**



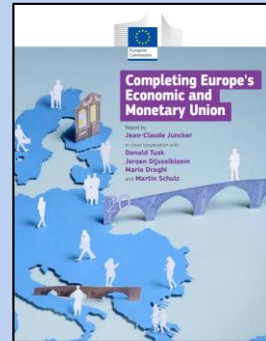
The importance of upward convergence

- **Upward convergence** has always been an European Union political promise.
- **The Union as a win-win game!**
- **Diverging performances** among Member States and increasing inequalities within Member States warrant serious concerns as they **contradict the expectations** of Member States and citizens.
- They **contradict** the promise of **shared prosperity** and may signal a general **lowering** of **living** and **working** conditions.
- As a result of the crisis, the term '**convergence**' went beyond the economic dimension and increasingly **greater emphasis** was given to the need to promote also **social convergence**.

The importance of convergence and the paradigm shift



2012 –
The Four
Presidents
Report



2015 –
The Five
President
Reports



2017 –
The White
Paper on
the Future
of the EU



2017 –
The European
Pillar of Social
Rights

**From Economic....
....to Economic and
Social**

The European Pillar of Social Rights

- The European Pillar of Social Rights is structured around **20 principles** divided in **3 people-centred** categories:



Equal opportunities and access to the labour market

- covering aspects of fairness related to youth, education, gender gap, skills



Fair working conditions

- covering labour force structure, labour market dynamics, and income;



Social protection and inclusion:

- covering fair outcomes through public support and/or social protection.

European Pillar of Social Rights



— The overarching aim of the European Pillar of Social Rights is to serve as a **compass for the renewed process of upward convergence** among Member States performances in the economic and social dimension of the EU. —

Upward convergence in the Social Scoreboard

- In order to track progresses of Member States towards upward social convergence the European Pillar of Social Rights is accompanied by the **Social Scoreboard**.

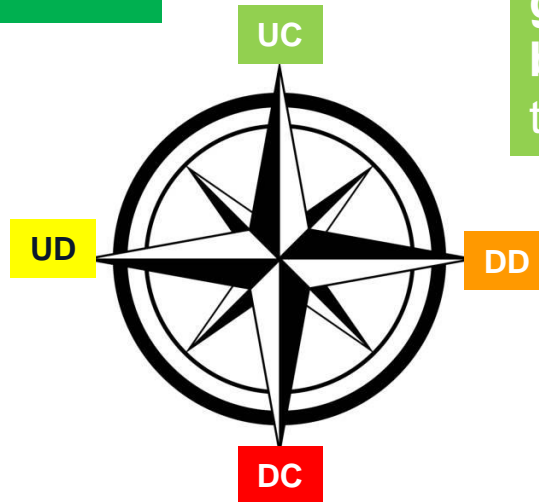
Equal opportunities and access to the labour market:	Dynamic labour markets and fair working conditions:	Public support / Social protection and inclusion
Share of early leavers from education and training, age 18-24	Employment rate, age 20-64	Impact of social transfers (other than pensions) on poverty reduction
Gender gap in employment rate, age 20-64	Unemployment rate, age 15-74	Children aged less than 3 years in formal childcare
Income inequality measured as quintile share ratio - S80/S20	Long-term unemployment rate, age 15-74	Self-reported unmet need for medical care
At-risk-of-poverty or social exclusion rate (AROPE)	Gross disposable income of households in real terms, per capita	Share of population with basic overall digital skills or above.
Young people neither in employment nor in education or training (NEET rate), age 15-24	Net earnings of a full-time single worker without children earning an average wage	

- What happened in the period 2008-2019 in such indicators?

2008-2019: upward convergence but 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

- For these indicators, improvements are strong and the effect of the crisis is very limited with only **limited fluctuations** of the average and of the **variability around the business cycle** was recorded.

Education
Related

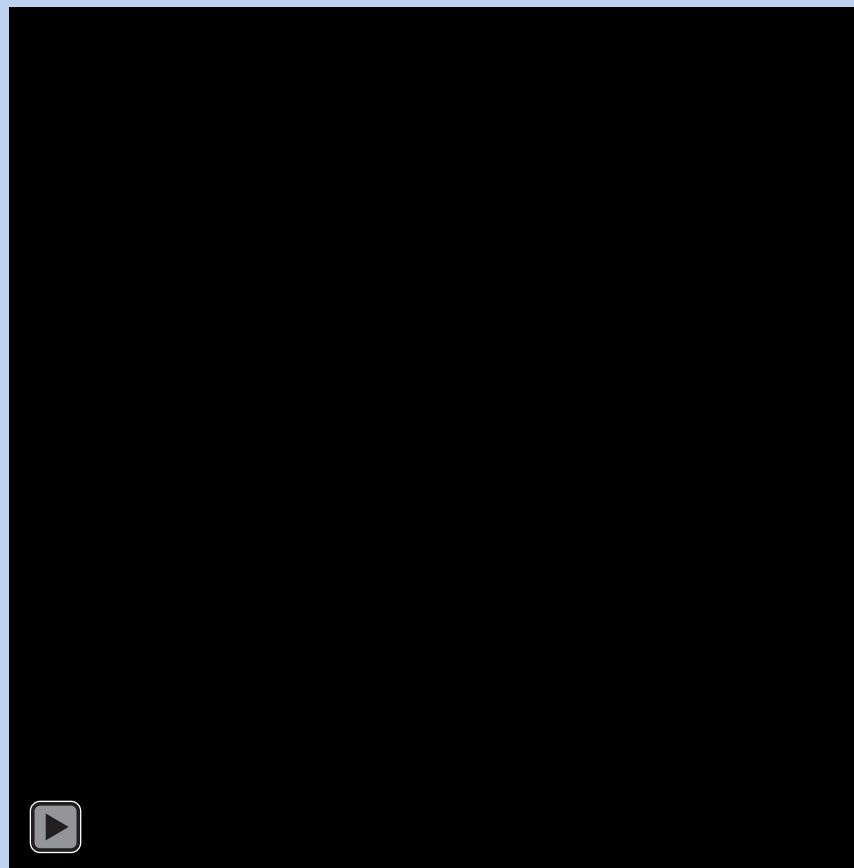
Gender Gaps

Children in
formal childcare

- For these indicators, **Euro Area** converge **more than non Euro Area** and variability is higher among MSs than Regions

Gender Employment Gap

- **Green: Average**
- **Blue: Standard Deviation**



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).

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 fluctuations around the business cycle but already recovered the crisis shock.**
- Employment Rate
(yearly
Beta convergence)

AROPE

- **Green: Average**
- **Blue: Standard Deviation**

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

Impact of social
policy on poverty
reduction

- For these indicators there is not a clear better performance of EuroArea against Non EuroArea and viceversa.

Income Inequality

- The trends are rather unclear.

Different forces at play in different areas

Strong and Steady:
not affected by business
cycle fluctuations

Early School Leavers

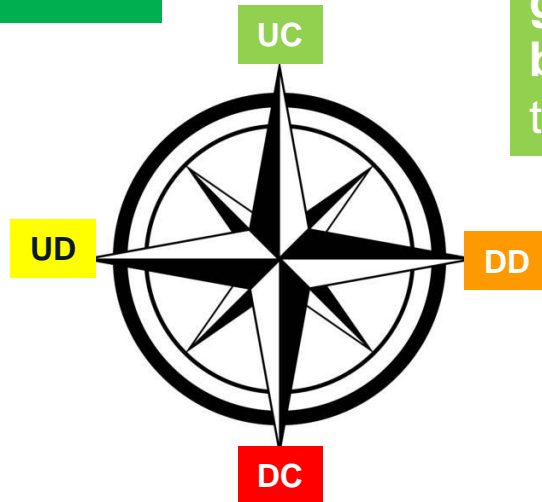
Gender Employment Gap

Children in formal childcare

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

Income Inequality

Impact of Social Protection
on Poverty reduction



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

AROPE

Employment rate

Unmet need for medical care

Unemployment Rate

LT Unemployment Rate

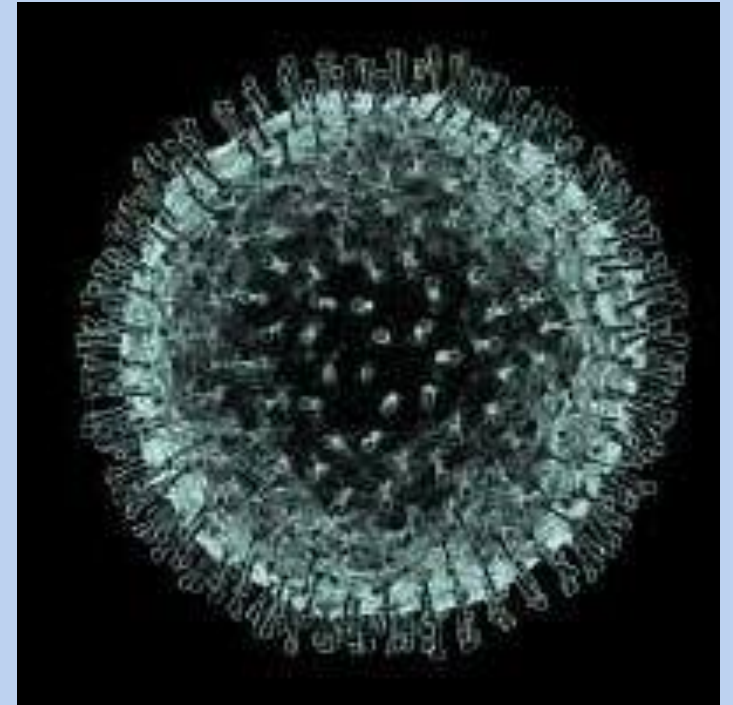
NEET rate

Per Capita GHDI

Net Earnings

Conclusions

- Since 2008, **Upward convergence** is recorded in most of the indicators of the EPRS
- While this is a very good news, **labour market and poverty indicators** show a considerable **fluctuations around the business cycle**, with disparities that decreases in good time and increase in bad times.
- *“This link between upward convergence and business cycle fluctuations should warn Member States **to build a stronger economic and social resilience** in order to support sustainable convergence and avoid the propagation of future asymmetric shocks.”*
- Then the **COVID19** arrived...
- **Have they build more resilience societies?**



Further resources

EU convergence monitoring hub:

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

Perform convergence analysis in the EU using the **convergEU** app:

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

See latest publications:

- Eurofound (2020), *Upward convergence in the EU: Definition, measurement and trends*, <https://www.eurofound.europa.eu/publications/customised-report/2020/upward-convergence-in-the-eu-definition-measurement-and-trends>
- Eurofound (2020), *Upward convergence in material well-being: Is a COVID-19 setback inevitable?*, <https://www.eurofound.europa.eu/publications/policy-brief/2020/upward-convergence-in-material-well-being-is-a-covid-19-setback-inevitable>
- Eurofound (2019), *A more equal Europe? Convergence and the European Pillar of Social Rights*, <https://www.eurofound.europa.eu/publications/policy-brief/2019/a-more-equal-europeconvergence-and-the-european-pillar-of-social-rights>

Measuring Upward Convergence

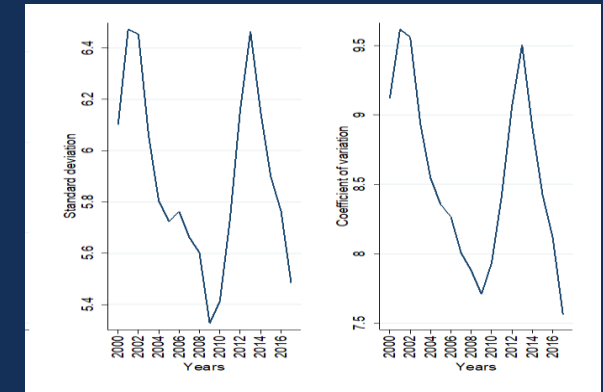
Upward Convergence:

When the performance of Member States improves, getting closer to an ideal policy target, alongside a narrowing of the disparities among them.

- **Upward:** change in levels
- **Convergence:** change in disparities

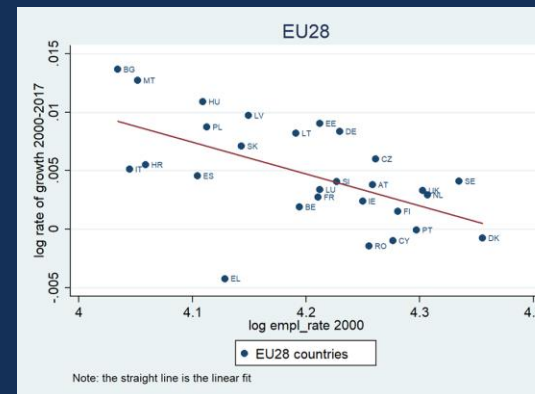
Sigma-convergence

Defined as a decrease in variation of outcomes or performances.



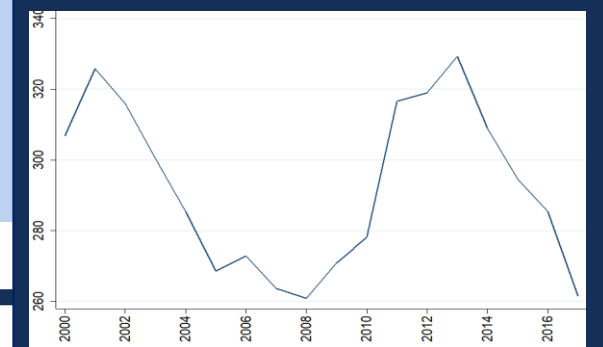
Beta-convergence

Laggards catch up to leaders in regard to a specific outcome.



Delta-convergence

Which analyses countries' distance from an exemplary model or group of countries



Our approach:

Upward

Convergence

Changes in **unweighted averages** across time towards policy target/desirable outcome

Sigma convergence measured through **Standard Deviation**.

Why unweighted average:

- All Member States are equally important,

Why Standard Deviation and not CV?

- STD is an absolute measure of variability while coefficient of variation is a ratio between std and average. Robustness test shown that sometimes convergence registered by CV is only driven by increase in average and not by a reduction of actual disparities.
- Measuring upward convergence with CV means that the average is used twice in a single measure (for measuring upward direction and convergence). This could bias the result.