

# **Policy packages for upward convergence**

Frank Vandembroucke

Contribution to the session on 'Convergence and  
Inequalities'

**Eurofound Forum 2017**

Dublin, 14 November 2017

# Bridging aspirations and functional necessities of European integration

- The functional necessities of EMU:
  - EES 1997: supply-side *flexibility*
  - New insight: labour market institutions supporting *stability*

## EMU: common standards for *resilient* welfare states

- Cluster of policy principles for an effective stabilisation capacity in MS:
  - sufficiently generous unemployment benefits, notably in the short-term;
  - sufficient coverage rates of unemployment benefit schemes;
  - no labour market segmentation that leaves part of the labour force poorly insured against unemployment;
  - no proliferation of employment relations that are not integrated into systems of social insurance;
  - effective activation of unemployed individuals
- Labour market institutions that can deliver on wage coordination:
  - institutions that monitor competitiveness should be embedded in social dialogue, and distributive concerns should be mainstreamed in the monitoring of competitiveness.

=> Convergence in **some**, key features of Eurozone welfare states

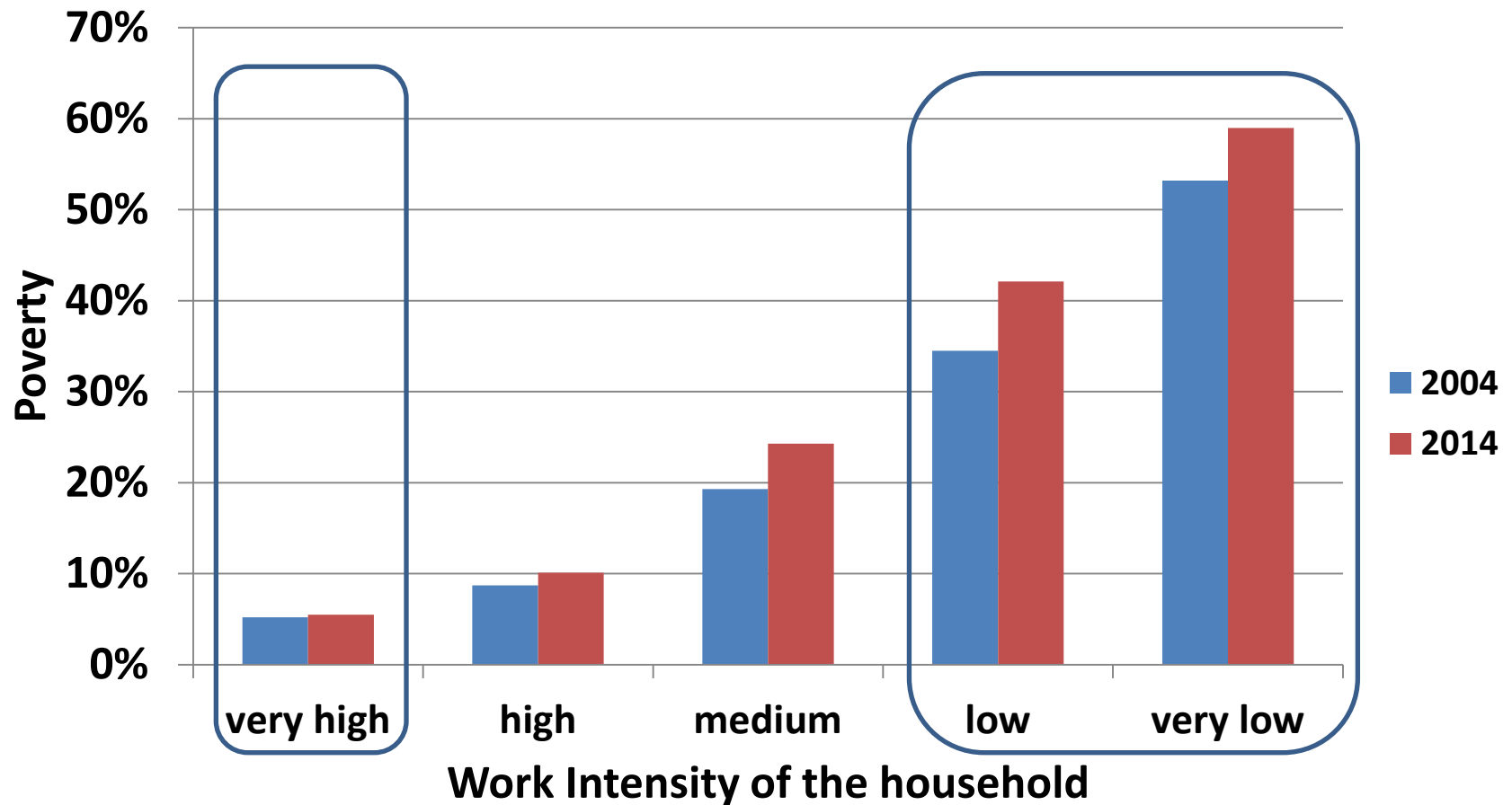
# Bridging aspirations and functional necessities of European integration

- The functional necessities of EMU:
  - Traditional view: supply-side *flexibility*
  - New insight: labour market institutions supporting *stability*
- The aspiration: the simultaneous pursuit of economic progress and social cohesion, both *within* countries (development of the welfare states) and *between* countries (upward convergence across EU)
  - Traditional view: market integration and cohesion policy
  - New insight: human capital, through social investment policies

## Upward convergence, human capital and inequality

- EU should stimulate and support MS to develop ‘*dual use*’ policy packages that pursue both upward convergence across MS and internal cohesion within MS.
- Upward convergence in the quality of human capital is a key condition for long-term upward convergence across the EU. Reducing background inequalities between families with children and investing in child care and education contribute both to national cohesion and to EU-wide convergence.
- “Rising income inequality has a significant impact on economic growth, in large part because it reduces the capacity of the poorer segments – the poorest 40% of the population, to be precise – to invest in their skills and education.” (OECD, *In it Together*, ... 2015)

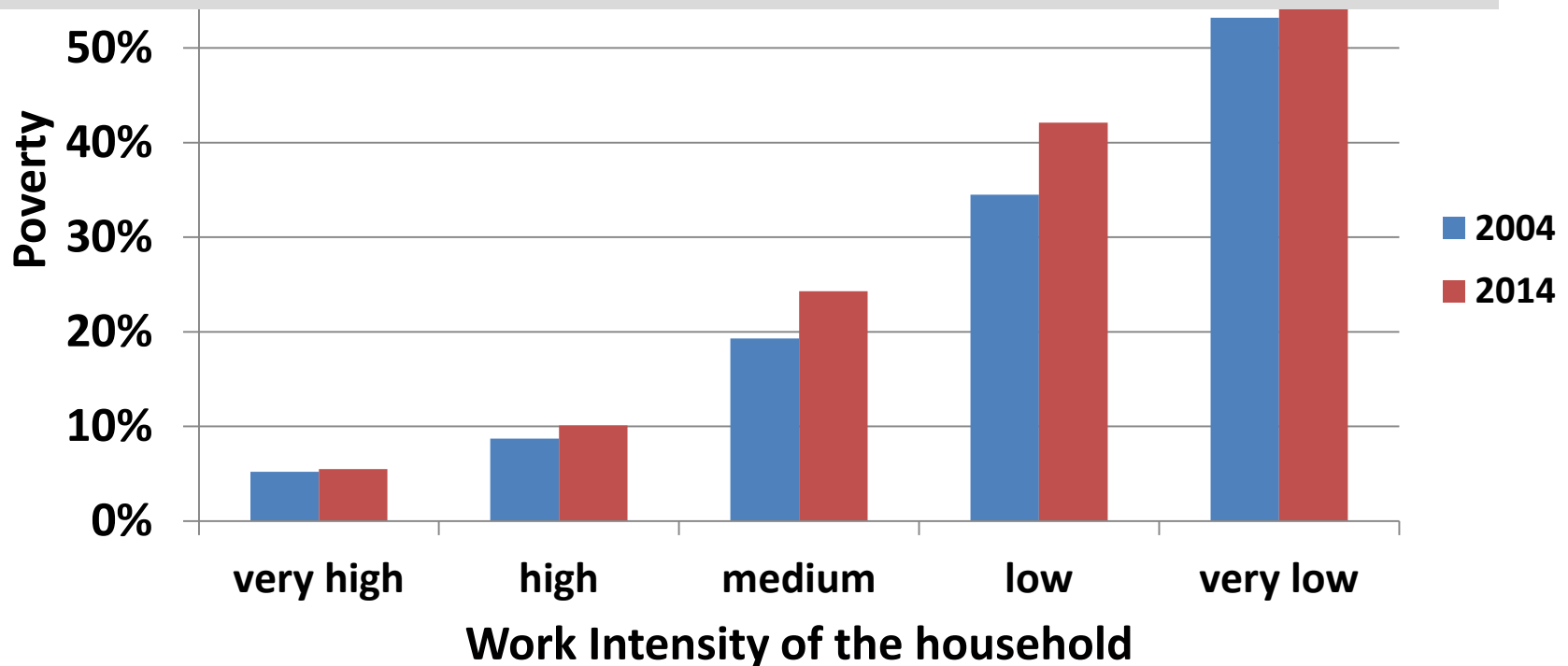
# Inequality: employment and income protection (EU27; population 0-59)



## Inequality: employment and income protection

No one-size-fits-all explanation: benefits, labour markets, demography

Complementary strategies to improve both protection and employment of households with weak attachment to the labour market.



# Overlapping priorities, for resilient EMU and upward convergence

- sufficiently generous unemployment benefits, notably in the short-term;
- sufficient coverage rates of unemployment benefit schemes;
- no labour market segmentation that leaves part of the labour force poorly insured against unemployment;
- no proliferation of employment relations that are not integrated into systems of social insurance;
- effective activation of unemployed individuals
  
- effective collective bargaining
  
- coverage, transparency and predictability of minimum wages
  
- better income protection and employment perspectives for households with weak attachment to labour markets
  - minimum income protection / incentives / support for low-skilled labour...
  
- investment in education and ECEC



## Resources

- Vandenbroucke, *Structural convergence versus systems competition: limits to the diversity of labour market policies in the European Economic and Monetary Union*, ECFIN discussion paper 065, European Commission Directorate-General for Economic and Financial Affairs, Brussels, 20 July 2017.
- Vandenbroucke and Rinaldi, Social inequalities in Europe – The challenge of convergence and cohesion. In: Vision Europe Summit Consortium (eds.): *Redesigning European welfare states – Ways forward*, Gütersloh, pp. 38-77, 2015 forward, Gütersloh; (Consortium website: <http://www.vision-europe-summit.eu/>)
- Vandenbroucke, Barnard, De Baere (eds.), *A European Social Union after the Crisis*, Cambridge: Cambridge University Press, September 2017.

All publications: [www.frankvandenbroucke.uva.nl](http://www.frankvandenbroucke.uva.nl)