Inequality and poverty in Europe.
The challenge of convergence and cohesion

Frank Vandenbroucke
University of Amsterdam
European Dialogue 2017
ETUI – Hans Böckler Stiftung
Brussels, 27 April 2017
Material deprivation: an absolute notion of poverty
Inability to afford 3 or more items on a list of 9; a true pan-European benchmark
Material deprivation in clusters of EU countries
Unweighted averages for clusters of EU countries
Inequality *within* EU countries: at-risk-of-poverty rates
(unweighted averages of country clusters)

! Years are survey-years; incomes refer to t-1
The contribution of transfers (*not* pensions) in the reduction of poverty

Inefficient ‘pension-heavy’ welfare states

Erosion of mature welfare states?

Diagnosis and policy lessons (1)

• The EU has stopped being a ‘convergence machine’. Europe is becoming more unequal, both between and within countries.

• There is no one-size-fits-all explanation for inequalities within countries, hence no silver bullet to tackle increasing inequalities.

• We need a set of complementary strategies and instruments that can improve both the social protection and the employment perspectives of households with a weak attachment to the labour market.

• Improving our human capital requires a child-centred social investment strategy that addresses inequalities in opportunities.
Diagnosis and policy lessons (2): EU

• The EU should support both convergence in aggregate prosperity across the member states and convergence towards more equality within the member states.

• The EU should stimulate and support the member states to develop policy packages that pursue both aims simultaneously.

• Human capital: 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.

• Governments pursuing such a strategy deserve encouragement and opportunities to learn from other EU governments, but also tangible support from the EU, notably when they are in budgetary dire straits. We need more ‘solidarity in reform’.
Diagnosis and policy lessons (3): EMU

• The EU has stopped being a ‘convergence machine’. Europe is becoming more unequal, both between and within countries

• Design flaws in EMU and ill-guided policies are a major explanation for divergence across the Eurozone

• Completing Monetary Union requires risk-sharing across the Eurozone (Banking Union, Re-insurance of national unemployment insurance schemes): this in turns requires convergence in standards for unemployment insurance and activation.
Thank you


www.frankvandenbrouckе.uva.nl