Briefing

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Social convergence and EU accession

SUMMARY

The European Pillar of Social Rights should serve as a 'compass for a renewed process of convergence towards better working and living conditions in the EU Member States'. Convergence of policies, regimes and outcomes happens either by 'growing together' or 'catching up'. There is, however, no consensus in the literature concerning the effect of European integration on welfare states. It is also difficult to discern whether European policy or the extent of its domestic implementation led to a certain result. While analysing gross domestic product and income levels alongside the social expenditure of individual Member States are the most common ways of measuring social convergence, new methods for producing synthetic measures and indexes emerge. Recently, in addition to countries' different starting points in terms of their history, institutional, political, economic and cultural contexts, the importance of micro-politics and micro-sociology are stressed as an explanation of different paths of development. For better policy design, a move beyond analyses based on traditional groupings of welfare regimes is suggested.

Although both modern Spain and Portugal, and the central and eastern European countries, developed from authoritarian or totalitarian regimes, their social convergence paths differed greatly. In Spain and Portugal, the transition towards democratic stabilisation that began in the mid-1970s was further encouraged by EU accession. The countries followed distinct paths, but both experienced upward convergence. Following the 2008 crisis, however, their situation deteriorated steadily. Central and eastern European countries entered the accession process with many institutional, political and social challenges stemming from their transition to democracy since 1989. Their social convergence varied following accession, but was generally weak. After 2008, social convergence in the Baltic States declined greatly, but picked up quickly later, while the other countries showed some progress up to 2011, before deteriorating.

In this briefing:

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Background

Policy context

The history of 'Social Europe', or the social dimension of the EU, goes back to the Treaty of Rome. Since powerful austerity measures in the wake of the 2008 financial crises have combined with fragile economic growth, there is a growing tendency within the EU to focus on policies that help to achieve greater upward social convergence. Nevertheless, most of the competence of implementing social policies still remains with the Member States. Most recently (April 2017), the European Commission has proposed a European Pillar of Social Rights that is a collection of 20 principles and rights to support the renewal of current labour markets and welfare systems. According to the Commission, it should serve as a 'compass for a renewed process of convergence towards better working and living conditions among participating Member States'. The outcomes of the reflection process on the future of Europe, including its social dimension, by the end of 2017, will significantly affect the extent to which the Social Rights Pillar proposal impacts social policies across Member States.

It is in this context that this briefing aims to understand the different interpretations of social convergence and its development in two groups of countries during their accession process and beyond – up to the present: Spain and Portugal in 1986, and the 'new Member States' (NMS)[1] in 2004 and 2007. The commonality of these two groups of countries is that they emerged from regimes with centralised state power (authoritarian or totalitarian) when they became EU Member States. While this briefing considers two groups of countries, however, the very diverse contexts and developments of each country within the two groups is emphasised throughout. Cyprus and Malta were not post-totalitarian regimes at the time of their accession, and therefore are not included in the analysis.

What is social convergence?

Convergence is a difficult term to define. Historically the convergence theory goes back to the 18th and 19th centuries. The principle idea of convergence theory is that once societies approach each other in their economic development, they will also become similar in several aspects of their social lives. At that time the concept of convergence was linked to the modernisation of nations and states. It has been associated with the idea that the experience of developing nations will follow the path paved by Western industrialised nations. The quantitative terminology to describe convergence – that can equally be used for the qualitative – distinguishes four types: growing together (i.e. variation decreases); catching up; change in ranking; minimising distance from example.[2] Most analysis mainly uses the first two types. Convergence can be of policies, but also of regimes, as well as of outcomes, such as poverty rates, for example.

In the European Union context, convergence is usually defined in economic terms and means economically less developed countries catch up with more developed ones. When it comes to real convergence, it is most often measured according to gross domestic product (GDP). Rates of inflation, interest, or exchange are measured, which in practice means meeting the Maastricht criteria, when it comes to nominal convergence.

Since the European Union's, foundation, social convergence is an explicit goal, aiming to bring European Member States and their people closer to each other. The idea behind a 'social Europe' is to create cohesive and inclusive societies within the EU with converging social standards. In this context, convergence always implies positive, upward convergence, in contrast to divergence.

European integration literature looks into the development of policies and institutions that promote integration at EU level. In the EU context the 'convergence literature' is one category of literature that discusses the impact of European integration on welfare states alongside the literature on comparative political economy and on Europeanisation.[3]

There is no consensus across these literature types as to whether European integration has any effect on European welfare states at all. Moreover, the literature also shows that even if welfare state reforms have converged, the question remains as to whether this is due to European policies. Additionally, there is an emphasis on the need to distinguish between simple transposition of regulations and real compliance with them in practice, not to mention the implementation of 'soft' policies, such as recommendations.

The methodology used in the literature is overwhelmingly the 'small N approach', which entails looking in depth for causal relationships in a small number of cases. There have also been experiments using the 'large N approach' that analyses a large number of cases. With a 'large N approach' it is possible to analyse whether case studies' findings can be generalised across EU countries. However, the NMS are often underrepresented in these studies, partly due to their lack of reliable quantitative data, but also because of the huge differences between them in terms of policy configurations and social protection levels.

In relation to the enlargement towards the east in 2004, expectations and scenarios developed two competing narratives concerning the effect of the enlargement on the welfare state.[4] One narrative offered scenarios that were developed based on the experience of the enlargement to Spain and Portugal. This engendered literature that emphasised the important role of EU integration in welfare expansion and the 'catch-up modernisation of welfare systems'. This literature continued to underline that in these countries there had been a wide spread political support for welfare state development in the name of 'catching up with Europe', implying that economic convergence is followed by social convergence. Another narrative offered possible 'race-to-the-bottom scenarios' following enlargement. This stance claimed that the NMS might drive social standards down across Europe, and out-liberalise 'old Europe', both in economic and social terms.

These narratives also treated the NMS as a homogenous group. However, since then it has become clear that no homogenous post-totalitarian or post-communist model of development exists. New methodological approaches have been developed so as to understand the specificities of the contexts of the NMS and their diverse developmental trajectories better.[5] Already, theories like 'diversity of capitalism' (DoC) and 'varieties of capitalism' (VoC) challenged the idea of having a single model of capitalism. In addition, DoC challenged the static stance and the sole emphasis on the business side of capitalism of VoC, and promoted attention to the dynamics of structures. The theory therefore encouraged examination of a variety of players, such as individuals, firms, producer groups or governments. Finally, the most recent theory of 'dependent capitalism' (DC) or 'dependent market economies' challenged the VoC, its binary approach (liberal vs coordinated market economies), and its primary focus on enterprises as agents of transformation, and put more emphasis on the social and political forces in the process of institutional change. This latter theory suggested also examining micro-politics and micro-sociology in addition to macro-, and institutionalism-centred or structural frames, so as to capture the distinct developments of capitalism in the NMS. According to the DC theory, dependency results not only from hierarchical and pervasive power exerted by foreign capital, but also through international trade channels, and by transfer of migrant remittances. Moreover, DC is not only driven by economic forces, but also through institutional, political and cultural channels. In addition, dependences are also grounded in the mid- and long-term history of these countries. Consequently, this theory discusses the complementary powers of local alliances and actors (labour, state, some domestic business), or external forces (such as International Labour Organization experts, or international trade union federations), in addition to the impact of multinational companies in policy processes.

Social policy in the European Union

Social policy within the EU has been developed since the Treaty of Rome, which made provisions for the establishment of the European Social Fund (ESF) and the coordination of national social security systems to enable free movement. In the beginning, a set of legislative initiatives for selected employment rights were introduced. In 1986, the Single European Act established a Community policy of economic and social cohesion to counterbalance the effects of the completion of the internal market on the less developed Member States and to reduce discrepancies in development between the regions. These were then followed by a non-binding Community Charter of Fundamental Social Rights of Workers in 1989. In 2009, social and labour rights became legally binding through the Charter of Fundamental Rights of the European Union (CFREU). Major milestones in the development of European social policy have included: the social protocol of the Maastricht Treaty, expanding areas of EU action in 1992; the Amsterdam Treaty in 1997, agreeing to incorporate the Agreement on Social Policy into the text of the Treaty on European Union ((TEU) Maastricht), as well as supporting high level of employment through the European Employment Strategy; and the 2001 Treaty of Nice, which set up the Social Protection Committee to monitor the development of social conditions in the Member States and to cooperate on policies. Since the late 1990s, Member States have been using the open method of coordination (OMC) for non-binding coordination of their national policies. Finally, Article 3(3) of the TEU included the concept of achieving a highly competitive social market economy. The horizontal social clause (Article 9 of the Treaty on the Functioning of the European Union (TFEU)) placed balanced economic growth and sustainable development on equal footing with full employment, high level of social protection, equality, promotion of social justice and respect for diversity.

There are two main kinds of EU policies: on the one hand, hard regulations (i.e. directives) through supranational legislation and soft *acquis*, harmonised mainly through the open method of coordination with benchmarks, targets and non-binding regulations. The main fields relevant for social policy covered by EU directives are: information and consultation of employees; restructuring; health and safety (including working time); equal opportunities; integration of vulnerable groups into the labour market; and social security regulation. It is important to mention that, following a rather active period from about 1991 up to 2004, there has been a period of stagnation (up until the 2008 crisis and beyond), during which no major social directives have been ratified.[6]

In the immediate aftermath of the financial crisis in 2008, the Commission published a renewed social agenda, 'Opportunities, access and solidarity in 21st century Europe', which sought to enhance the impact of existing financial instruments, such as the ESF and the European Globalisation Fund (EGF). In addition, inclusive growth was put at the heart of the Europe 2020 strategy with four headline targets directly linked to social policy, on poverty, employment, early school leavers and tertiary graduates. In the following years the Social Investment Package (2013) called for greater allocations (with increased effectiveness) for the social field, while, since 2014, 20 % of the ESF has been earmarked for social inclusion and combatting poverty. Finally, the Five Presidents Report (2015) set the ambitious goal of achieving a 'social triple A' across the EU, which implies fair and balanced growth, decent jobs, and labour protection.

The accession countries were not only influenced by the EU social *acquis*, but also voluntarily adopted some policies that they found necessary on observance of the old Member States (OMS) systems. Moreover, they were also constrained by wide ranging conditionality. The World Bank report describing the development of labour market and social policies in the NMS at the time of accession emphasises, for example, that conditionality was not only defined by EU wide social and labour market policies, but also by broader economic and budgetary policies. It presented four main conditions that it finds decisive: the Copenhagen criteria which was the strategic conditionality for accession, the *acquis communautaire* on how the economies should operate, the Stability and Growth Pact together with its convergence (Maastricht) criteria that focused mainly on budgetary issues, and finally the Lisbon strategy to fight social exclusion, which included the European employment strategy.

Accession and its impact in different contexts

Spain and Portugal became members of the European Union in 1986, followed by the NMS in 2004 and 2007. Although both groups of countries emerged from regimes characterised by the concentration of political power in the hands of a single leader or of a group (authoritarian or totalitarian), their development paths in terms of social convergence were very different after their accession to the European Union, as well as in the aftermath of the 2008 financial crisis.

While Spain and Portugal were authoritarian regimes, the NMS countries were totalitarian. According to Huntington,[7] the principal difference between the two regimes is that totalitarian regimes are characterised by an all-embracing ideology, where decision making and enforcement are politically motivated and political motivations overwrite the rule of law. Moreover, totalitarian regimes are characterised by a single party system, led by one person, a powerful secret police, encompassed by an overarching ideology of an ideal society, and government penetration and control of mass media and of all social and economic organisations. Conversely, an authoritarian regime, although led by a single person or by a small group of leaders, has a weak or no political party, no mass mobilisation, no dominant ideology, and limited government with a degree of ineffective political pluralism.

In theory, for both groups of countries the opportunities offered by EU accession encouraged political stabilisation, economic recovery, and democratic consolidation, but they had very different starting points, in terms of history, institutional set-up, the state of society and the economy. This, in turn, also gave them very different negotiation positions in the accession process, and later development paths.

Facts and figures on the two groups of countries

The socioeconomic context

Historically, Spain and Portugal were two of the old European nations, with a strong sense of national unity and with a past position as superpowers in the 16th century. Their transition following the fall of authoritarian regimes – of Franco in Spain, Salazar and Caeteno in Portugal – began in the 1970s.[8] The Spanish transition was labelled as an example for other countries, the Portuguese transition was more turbulent, but resulted in parliamentary democracy and the country's return to the international arena. Studies emphasise the distinct development of both Spain and Portugal, and the strong interlinkages between democratisation and European integration. Unlike the NMS, by the time of their accession Spain and Portugal were market economies with fully institutionalised market mechanisms, with strong modern states, well-developed civil societies, trade unions and interest groups in place, and a high degree of integration of the two Iberian economies. Moreover, the Iberian enlargement coincided with the end of the economic recession, the lowering of oil prices, the beginning of a period of economic expansion within the European economies, and a new period of compromise between the Soviet Union and the United States.

According to a World Bank report on the NMS accession, there was huge diversity among the countries in terms of major challenges, cultures, performance, institutional development (decentralisation and governance), living standards (including income), and poverty. In all of these systems, existing central planning had to move towards a market system. Other features of the old order that marked the transition were: work was guaranteed; wages were low and not highly differentiated; they were supplemented by universal benefits; and resources were mostly allocated centrally. As a result there was no unemployment, and hence no policy for unemployment eradication; and officially no poverty, therefore no poverty relief mechanism was in place. By the time of their accession (2004), there were barely functional market economies in the NMS, and democracies were unstable. The NMS had to build up new institutions, a free press, and an entrepreneurial class from scratch. In addition, there was scarce previous tradition of democracy in the region. There was increasing opposition both within and without the NMS about enlargement. As to the state of the whole of the EU at the time, the effects of a worldwide economic recession and political uncertainties (the 'war on terrorism' which followed 9/11, as well as the conflict in the Middle East, Iraq, and North Korea), combined with economic difficulties in Germany and other EU Member States (as well as in the United States and Japan). Moreover, the EU already had a single market and Economic and Monetary Union (EMU) in place.

Available quantitative data further reveals the differences between and within these two groups of countries. A significant outcome of the NMS transition by the time of accession was that, following a major fall in output immediately after 1989, output picked up by 2003, and exceeded the 1989 level by 19 %. At the same time, the distribution of income and earnings widened and job security ended, posing problems to women with families, older workers, unskilled workers and ethnic minorities in particular. In addition, on a political level, in both public and the newly emerging private sphere, competition increased and democratic pluralism emerged.

Despite the NMS' positive growth at the time of their accession, these countries were significantly poorer upon entry than their EU counterparts. Half of them remained at below 40 % of the average EU GDP, while Spain and Portugal were 71 % and 51 % of the EU average.[9] One study compared Portugal and the NMS according to the state of their welfare systems, as reflected in infant mortality rate and in terms of social expenditure. Infant mortality rate in Portugal was double that of the EU15, whereas in the NMS it was 2.4 times greater. Both groups had considerable welfare spending levels, which did not seem sustainable. In terms of social cohesion (according to rates of divorce, suicide, the proportion of the immigrant population, and the proportion of atheists[10]), the NMS countries were in a considerably worse situation than Portugal. According to OECD rankings at the time of the 2004 accession, comparing those Member States already in the EU, southern European Member States (particularly Portugal) generally had stricter employment protection arrangements and provided greater protection to the unemployed than several northern European countries (e.g. Ireland, the United Kingdom). In 2004, the EU15 (including Spain and Portugal) had, generally speaking, greater social protection levels than the NMS (although a lot of data is missing for the latter countries). The variation in social protection across countries was partly determined by history. In Spain and Portugal, much welfare contribution was expected from broader family networks, as these countries had a family based social model. In contrast, the NMS aimed at assuring adequate consumption levels for all citizens, through flat wage structures and wide-ranging benefits, a system that soon collapsed in the early years of the transition to democracy.

Accession and impact: what kind of social convergence

In both groups of countries, accession took place within the transition process. In the case of Spain and Portugal, most studies emphasise the extent to which accession helped to continue the transition process. However, it is debated as to whether the 'politics of transition in the two Iberian cases could be understood as prior to and deeper' than European integration. In the case of the NMS, the situation was more complex. Here, the policy direction was shaped by the transition, but the specificities of the reform by the accession process, i.e. countries voluntarily adopted strategies that were constrained by EU conditionality.

Both Spain and Portugal restructured their economies before joining the EU, during the pre-accession period, and they were both members of the EU actively contributing to the creation of the single market and the Amsterdam and Maastricht Treaties. Following their accession, GDP per capita in Spain and Portugal has experienced cyclical evolution, with important increases during periods of economic expansion and sharp decreases during economic recessions. Between 1990 and 1998, for example, average growth in Spain was 2.1 %, in Portugal 2.5 %, whereas in Ireland in the same period growth reached 7.3 %. From 1997 onwards, inflation in Spain exceeded the EU average every year, while in Portugal real convergence started to slow from 1998 onwards and became negative after 2000. Upgrading of social standards took place, social dialogue was institutionalised, more universal policies (targeting people both outside and inside the labour market), and tax funded non-contributory benefits were introduced. In both Spain and Portugal, social policy development was tied strongly to the democratisation process. These were different in nature however in the two countries, in both quantitative and qualitative terms. Spain began from higher levels of welfare effort than Portugal. When observing the development of the 1980s and the 1990s, Spain was characterised by an intensive expansion of the welfare state tied to strong economic growth up to the early 1990s, when this tendency came to a halt. The slowing of growth in expenditure on social policy in the later 1990s was due to austerity measures imposed by the Maastricht Treaty convergence criteria, as well as the extensive spending in the period mentioned previously. In Portugal in the 1980s and early 1990s, following a very short expansion, governments went through severe economic difficulties. Consequently, some of the most important social reforms, such as the introduction of a national health service, could not be fully introduced. However, Portugal was able to undergo a period of austerity in the later 1990s without a negative impact on the growth of social expenditure.

In sum, Spain has been less successful in quantitative approximation to the European average in terms of expenditure over GDP. However, qualitative progress was more important in terms of gains on equity and social citizenship. Social citizenship was particularly enhanced in healthcare, non-contributory benefits, social services for dependent people and labour integration policies. Portugal demonstrated greater capacities for quantitative approximation, but advancement was difficult throughout the whole period. In general, except for labour integration, Portugal lagged behind Spain in qualitative approximation. In both cases, there was a clear departure from path dependency towards more universal social policies.

The main challenges following from the transition in the NMS welfare states included: falling employment; rising poverty; ineffective targeting of benefits (i.e. not managing to serve those most in need); deteriorating nutrition and health; and inappropriate education outcomes (i.e. skills and competences not matching labour market needs). Following accession, however, the NMS caught up rather quickly in economic terms. According to a 2009 Commission report, the NMS caught up so strongly that accession was supposed to have given a 1.75 % growth boost to their economies, which contributed to very fast economic growth between 2000 and 2008. While the NMS registered 3.4 % GDP growth before accession, between 1999 and 2003; it reached 5.6 % between 2004 and 2008; while in the EU15 (including Spain and Portugal), growth was 2.2 % throughout the whole period. If we consider social spending per capita, there was modest convergence. At the same time, convergence in terms of welfare policies and welfare outcomes (e.g. employment rate, accessing unemployment benefits (and related to that at risk of poverty rate) was weak. Generally speaking, the gap grew between the EU15 and NMS between 2000 and 2006, however there were great variations between and within the countries. In terms of social expenditure the tendency was the same, while EU15 increased social expenditure by 1.43 percentage points in the same period, in the NMS it fell by 1.31 percentage points.[11]

Nevertheless, there were different patterns of convergence in the different Member States. A 2014 study – based on EU28 data from 2001-2012 – concluded that convergence existed. It indicated that countries with low GDP per capita in the initial period of analysis were characterised by the highest growth dynamics. These were countries, such as Romania, Bulgaria, Lithuania, and Latvia. Simultaneously those with high GDP, such as Belgium, France, Ireland, Italy, and the Netherlands, experienced low or even negative growth rates. Another study criticised a measurement based exclusively on GDP development, and carried out a multivariate analysis of social convergence. This showed that after 2004, the intensity of asymmetry between countries decreased, but it still had a character of negative asymmetry. In the following years, especially during 2006-2007, the distribution could be regarded as moderately symmetrical. This trend (i.e. there was convergence) was caused by the EU enlargements in 2004 and 2007, which concerned poorer countries. In the EU, the participation of less developed countries in convergence increased, which was also confirmed by the decreasing value of the median. Thus, by the year 2006/2007, the process of convergence in the Union took place primarily due to the development of poorer countries. The study also showed a clear division in social development between EU15 and NMS, a divide between North and South among the EU15, and a divide between Baltic States and NMS (i.e. Romania and Bulgaria not included).

Further studies looked at the issues behind the convergence or divergence and tried to link them to policies (European and/or national). These studies tended to group countries according to their different policy responses. One study,[12] for example, grouped post-communist welfare states into three distinct groups: the neoliberal states (Estonia, Latvia, Lithuania, Slovakia), the dual regimes (Hungary, Poland) and the 'social corporativist' (the Czech Republic, Slovenia). The study emphasised that these were not static categories, as countries could and have changed groups. The first group was characterised by radical economic reforms, minimal social commitments and poor welfare performance; the second by welfare policies locked between strong neoliberal and neopopulist political agendas that created a 'stop-and-go' attitude towards welfare reforms. In this group, social commitment remained fragmented, volatile and subject to economic policies or politically motivated interventions. The third group was based on strong popular and political consensus, which resulted in coherent public policy supporting an inclusive capitalist regime. In terms of outcomes, the first group demonstrated, for example, the fastest progress towards the Lisbon goals, but at a very high social cost.

Similarly, another piece of research on the idea of the 'dependent capitalism' in the NMS mentioned previously, pointed out that the theory did not challenge the common grouping of these countries into central Europe (Visegrad), Baltic, and south-eastern Europe, but that economic, institutional, political and cultural dependencies remained unequally distributed. Consequently, Baltic Europe and south-eastern countries with weak states left larger room for manoeuvre for dominant actors to design public policies and reforms, had fragile economies and were unable to promote more balanced 'social compromises'.[13] Therefore, in the NMS the implementation of the *acquis communautaire* was slow, patchy, and dependent on internal actors. Moreover, specific choices by national policy-makers and employers could lead to social deregulation.

The 2008 crisis and its aftermath

The economic crisis of 2008/2009 had a very negative impact on the process of social convergence in the European Union. The escalation of negative trends took place in 2011, where the gap between the most developed and the least developed countries in the Union was greatest in terms of social progress. In the following years, i.e., 2012 and 2013, there was already a closer relationship among the countries in terms of social development, which followed from a tendency in which poorer countries were catching up with the richer ones. The article mentioned above with multivariate analysis showed that a large discrepancy in terms of social development primarily occurred in countries at a lower level of development. Southern countries, including Spain and Portugal, as well as Greece and Italy, remained a homogenous group as early as 2000 (third group in terms of social development after Luxembourg, Ireland, United Kingdom, Netherlands, France, Belgium, Finland, Sweden, Denmark, Germany, and Austria and Malta), and beyond the 2008 crisis. In terms of social convergence, their results deteriorated after 2010. A very strong deterioration can also be observed in the case of the Baltic States, but these started to pick up quickly later on. The other NMS showed some progress up to 2011, before beginning to deteriorate.

Another study working with a convergence/divergence index[14] based on 35 sub-indices (ranging from labour standards and relations, through indicators describing economic development, incomes and living standards, labour market conditions, social protection, taxation and state budgets, education trends, and gender and inter-generational equality) showed similar trends and emphasised that there were relative constant proportions of the convergence index in both snapshots (i.e. 2007/2008 and 2012/2013) in northern and western Europe (Denmark, Sweden, Belgium, the Netherlands, Finland, France, Austria, Germany, the United Kingdom) and in the NMS (Slovenia, the Czech Republic, Lithuania, Estonia, Slovakia, Hungary, Poland, Latvia, Bulgaria, Romania), with an evident exception in the southern European countries (Ireland, Italy, Cyprus, Portugal, Spain, Greece). The situation in the last group of countries should mainly be due to austerity measures, while the article also stressed that path dependency became less relevant with time. It also pointed out that NMS on the north-eastern and south-eastern periphery (Estonia, Lithuania, Latvia, Romania, Bulgaria) with high inequality showed much higher risks of poverty than other countries with inequality below the European average.

Up to the financial crisis, welfare convergence in the NMS was considered weak. One publication explained that the combined effects of EU policies and those of domestic actors also led to negative attitudes towards the European project. The effects of new EU instruments, such as the fiscal compact, six-pack, and two-pack on social development were considered as detrimental.[15] As a result, social policy could be 'degraded' to become an adjustment variable of the EMU. The same publication explained that the Commission's call to deregulate labour markets and to use the social regimes as a lever for competitiveness could have contributed to further fragmentation of the European social model. This situation, coupled with growing territorial competition, complemented the resistance initially orchestrated by domestic actors and called for consideration of the role of the EU as a potential driver of divergence, and thus implicitly pressing towards de-Europeanisation. In this context some domestic business organisations created new alliances, and claimed greater state protectionism for national businesses. They criticised neoliberal measures and promoted 'selective economic nationalism'. They have often become, in turn, supporters of political illiberalism and populism.

The publication also pointed out that the crisis increased ambivalence concerning dependencies in the NMS. The promises of investment vanished with the crisis, the practice of transferring benefits from eastward subsidiaries to headquarters has deprived host countries of tax resources. Moreover, foreign direct investment (FDI) inflows have underlined the inherited economic segmentation of the host countries in two cumulative ways: spatial concentration to urban affluent areas that as a result became even more affluent; plus FDI has reinforced the productive divide between high value-added production that is strongly connected to the international markets and more low cost and domestic oriented activities.

Policy challenges in relation to social convergence

Two groups of challenges arise from the literature. One is related to the interpretation and measurement of social convergence, while the other concerns the impact of the 'Europeanisation' of policies.

In relation to the first, measuring social convergence is a complex issue. Moreover, it is difficult to compare the results stemming from different theoretical approaches, using diverse quantitative and qualitative data for different timespans, countries, or regions. Some literature points to the fact that different convergence analyses lead to different results. For example, through 'catching-up' (beta) convergence analysis looking at GDP per capita in purchasing power standards (PPS) in EU28 between 2001-2012, initially poorer countries showed a higher average rate of economic growth than initially richer states. Thus, the analysis showed convergence. Looking at GDP per capita in purchasing power parity (PPP) in EU28 in the same time period through 'growing together' (sigma) convergence analysis, a trend in reduced disparities in economic performance of EU countries could not be monitored.

The next question is what kind of data is used for analysing convergence. The most commonly used data is GDP. The measurement is considered to be the most telling for comparing economic activity and economic convergence, but less so for income developments and social convergence. Measuring GDP is not entirely suitable for presenting income distribution. While still stating the validity and importance of GDP, additional data, such as the distribution of incomes across households can show a strong relationship between economic and social convergence. Other studies used in this briefing used synthetic measures or an index based on sub-indicators to describe social development and convergence. Another frequently used data source for analysing social convergence is international comparison of social expenditure. Although higher social expenditure is generally correlated with less inequality, this method has often been criticised. The main arguments are that it does not tell us much about welfare restructuring, coverage, effectiveness, and the broader context including political, institutional and cultural factors. However, this measurement does show a link between welfare efforts and outcomes.

A number of additional data is proposed by the Commission to measure social progress (and in turn social convergence) mainly as a follow-up and in the vein of the 'Stiglitz' report. This report argued that the GDP measure might be sufficient in itself, but could be wrongly interpreted, and that it does not take into account well-being, particularly its economic, environmental and social dimensions. Consequently, in addition to economic performance, assessment should also take quality of life and sustainability into account.

The second challenge regards the impact of EU policies and the difficulties of linking certain outcomes to distinct policies. Moreover, it is difficult to discern whether a particular result is due to the European policy or the extent of its domestic implementation. Some commentators proposed use of a control group of non-European countries to see what kind of welfare convergence is really due to European policies.[16] They also showed that using higher levels of aggregation of data can show stronger patterns of convergence.[17]

To conclude, it is important to stress that Europeanisation is not a synonym for convergence, but that there is a strong link between them. There is an underlying rationale behind some of the convergence literature that internationalisation (including Europeanisation) does fuel demand for more social protection and thus for social convergence or divergence. Some new theories looking into welfare state transformation in Europe after 2008 look beyond the idea of convergence and suggest including concepts such as 'structured diversity' and 'beyond continuity' when describing the changes in the welfare state.[18] The first theory puts great emphasis on different institutional frameworks and argues that policy responses are strongly shaped by those in the different political, social and economic contexts. The second argues that the direction of transformation is not dominated by the different welfare regimes or other models, but is very diverse, and convergence in some policy areas can be observed across countries (e.g. more focus on social investment, or privatisation or individualisation of policies).

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Endnotes

[1] The New Member States are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia (2004), Bulgaria, Romania (2007). Cyprus and Malta also joined the EU in 2004, but are not included in the analysis.

[2] Growing together (i.e variation decreases) ó (sigma); catching up â (beta); change in ranking ã (gamma); minimising distance from example ä (delta). O'Connor, J.S., 'Socio-economic convergence in the European Union: conceptualisation and measurement issues', in Vural, I. E. (ed.), *Converging Europe: transformation of social policy in the enlarged European Union*, 2011, p. 53.

[3] *Ibid.* pp.1-11. While Europeanisation literature looks into the effects and the impacts of EU policies, political economy looks into the developments of production, trade, and their relationship with income, wealth and distribution.

[4] Lendvai, N., 'EU integration and post-communist welfare: catch-up convergence before and after the economic crisis', in: Vural, I. E. (ed.) *Converging Europe: transformation of social policy in the enlarged European Union*, 2011, p.182.

[5] Delteil, V. and Kirov, V. (eds.), *Labour and social transformation in Central and Eastern Europe*, Routledge, 2017.

[6] With the exception of the directives on seafarers and on workers in cross-border railways of 2005. The directive on work-related musculoskeletal disorders was stalled.

[7] Huntington, S. P., *The third wave: democratisation in the late twentieth century*, University of Oklahoma Press, 1991, p.12.

[8] Francisco Franco (1892-1975) was a Spanish general who ruled over Spain from 1939 until his death. António de Oliveira Salazar (1889-1970) was Portuguese Prime Minister between 1932 and 1968. He developed the Estado Novo, a nationalist, corporatist authoritarian regime in Portugal. Marcello José das Neves Alves Caetano (1906-1980) acted as Prime Minister of Portugal (last in the Estado Novo) from the end of 1969 to early 1970, as Salazar was officially removed from his office due to a stroke.

[9] Barr, N. (ed.), Labor Markets and Social Policy in Central and Eastern Europe: The Accession and beyond, The World Bank, 2005, p.32.

[10] As a rule believers belong to an association (i.e. a church) whereas atheists are isolated individuals, as defined in the study.

[11] Lendvai, N., 'EU integration and post-communist welfare: catch-up convergence before and after the economic crisis', in: Vural, I. E. (ed.), *Converging Europe: transformation of social policy in the enlarged European Union*, 2011, p.192.

[12] *Ibid.*

[13] Delteil, V. and Kirov, V. (eds.), *Labour and social transformation in Central and Eastern Europe*, Routledge, 2017, p.10.

[14] The balance of these indicators makes it possible to provide a comprehensive picture that illustrates the state of affairs at each date in different EU regions. With this cumulative balancing procedure a summarising index at each point for each EU country can be established, based on a standardised evaluating method.

[15] Delteil, V. and Kirov, V. (eds.), *Labour and social transformation in Central and Eastern Europe*, Routledge, 2017.

[16] Van Vliet, O., *Convergence and Europeanisation: the political economy of social and labour market policies*, Leiden University Press, 2011.

[17] *Ibid.*, p.6.

[18] Taylor-Gooby, P., Leruth, B., and Chung, H., (eds.), *After austerity: welfare state transformation in Europe after the great recession*, Oxford University Press, August 2017.

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