



The future of the welfare state in the Western Balkans  
Policy Analysis Laboratory School

# The EU policy framework for defining, monitoring and addressing inequality

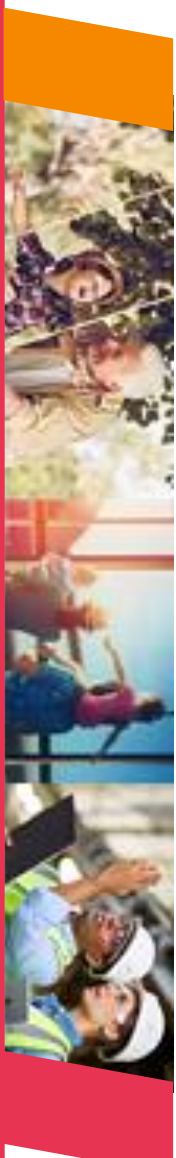
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Bečići (Montenegro), 22 Oktober 2019



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- Inequality of outcomes, of opportunity, and inclusive growth
- Drivers of inequality
- Policy response: pre-market, in-market and post-market policies
- EU economic governance with the Western Balkans :  
Economic Reform Programmes



## European Commission President-elect Ursula von der Leyen





## Political Guidelines of the European Commission President-elect Ursula von der Leyen (July 2019)

- "I want Europe to strive for more when it comes to social fairness and prosperity. This is our Union's founding promise. "
- "I am proud of our unique European social market economy. It is what allows our economies to grow – and what drives poverty and inequality to fall. It ensures that social fairness and welfare come first. "

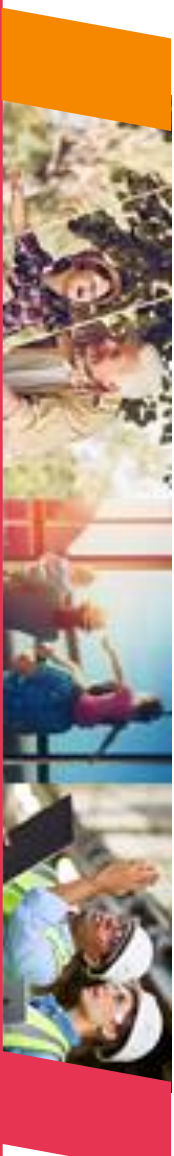


## Pillar principle on Equal Opportunities & Social Scoreboard

### Equal opportunities

Regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, everyone has the right to equal treatment and opportunities regarding employment, social protection, education, and access to goods and services available to the public. Equal opportunities of under-represented groups shall be fostered.

**Social Scoreboard headline indicator:** S80/S20 income quintile share ratio



## Inequality of outcomes, of opportunity, and inclusive growth

- Inequality of income, and in particular of disposable income, is the most prominent dimension in the policy debate. Income inequality can be measured through different indicators which condense or summarise information from a distribution of income. EU –SILC data. Income quintile share ratio, GINI co-efficient, S40 (SDG10).
- A limitation of all headline indicators is that, by using a single number, they do not allow for an understanding of how changing income inequality is being caused.
- Distribution of wealth attracted increasing attention in recent years. Wealth inequality is much more pronounced than income inequality in all euro area countries. Attention to calculation of indicators and contextual indicators impacting on wealth (taxation, capital levels, home ownership etc)
- Health: unmet medical needs – ("catastrophic") out of pocket payments – strong correlation with education levels
- Spatial dimension: regional implications of inequality – gaps in access to services (such as health, transportation, education)



## Inequality of outcomes, of opportunity, and inclusive growth

- Creating a level playing field begins in childhood.
- At Risk of Poverty or Social Exclusion (AROPE) rate for children
- AROPE for children by educational attainment of their parents is another key indicator for assessing inequality of opportunity
- Access to good quality early childhood education and care
- Assessing level of opportunities for 15-year-olds extent to which low educational achievement can be explained by socio-economic status (PISA results on low achievers by socio-economic status)
- Performance of students with vulnerable socio-economic background
- A caveat on social mobility indicators comparing generations: low data frequency, underlying trends may vary (macroeconomic, social, etc)



## Inequality of outcomes, of opportunity, and inclusive growth

- Inclusive growth: complex concept involving a number of dimensions and aimed at capturing whether the fruits of economic growth are shared broadly.
- Concept includes the distributional effects of growth, the inclusiveness of labour markets, and the improvement in the well-being of the worst-off.
- Comparison GDP per capita growth with change in household disposable income. Underlying reasons of gaps are country-specific.
- Benefit of growth in net real disposable income to the households in the different segments of the income distribution.

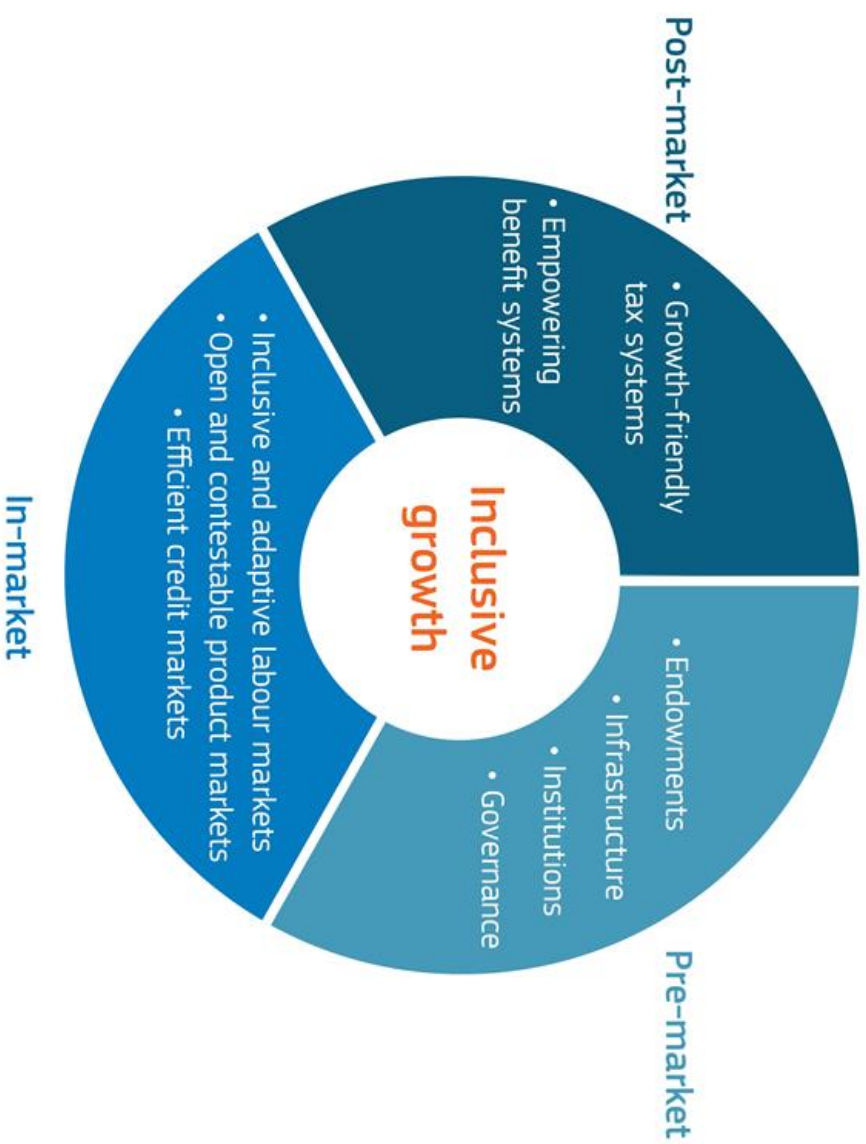


## (Some) drivers of inequality

- Technological change
- Changing capital share of income
- Demographic change (household composition)
- Migration
- Market structures, institutions, regulations



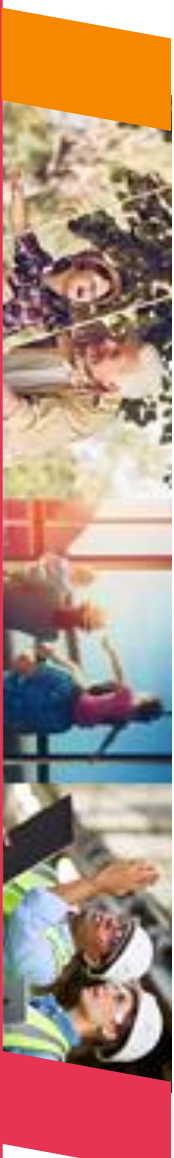
# Policy response: pre-market, in-market and post-market policies





## EU economic governance with the Western Balkans : Economic Reform Programmes

- Since 2016
- Country programme – Commission assessment – Joint policy guidance at Ministerial level
- Complements alignment to EU aquis
- Since 2019 also for roll-out of the European Pillar of Social Rights



## ERP joint policy guidance 2019

### Albania

- Improve the **targeting of active labour market policies**
- and implement the prepared **Vocational Education and Training reform package**.
- Under the steer and with financial support from central government, establish capacities at the level of all local government units for **assessing social care needs** and preparing social care plans.
- Increase **investment in early childhood education and care**, especially for increasing enrolment of children from vulnerable families.



## ERP joint policy guidance 2019

### Bosnia and Herzegovina

- Undertake a **review of secondary and higher education enrolment policies** in order to improve their links to the current and prospective needs of the domestic labour market.
- **Reduce the tax wedge**, especially for low-income workers, and disincentives to work in order to incentivise formal employment.
- **Disburden public employment services** from administrative duties related to health insurance for registered unemployed in order to free their capacities for more active support to jobseekers.

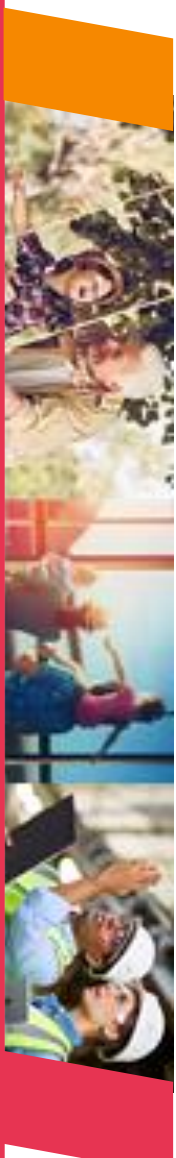


## ERP joint policy guidance 2019

### KOSOVO\*

- Develop **active measures** for increasing **female labour market participation** and employment.
- Increase the **provision of vocational education and training** for professions in demand.
- Increase **investments in education** with particular focus on **expanding early childhood education**.

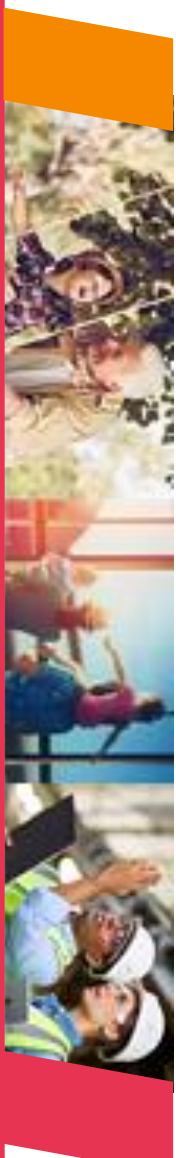
\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



## ERP joint policy guidance 2019

### Montenegro

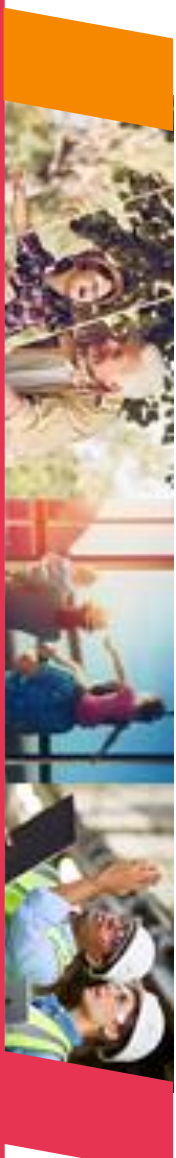
- Increase labour market participation, in particular for youth, women and the low skilled, by strengthening **employment activation measures**, including through better provision of upskilling and reskilling measures.
- Improve **coordination between employment and social services**.
- Establish a solid monitoring and evaluating mechanism on the implementation and results of **practical learning at vocational and higher education**.



## ERP joint policy guidance 2019

### North Macedonia

- **Implement the Youth Guarantee** in the whole territory with an emphasis on underdeveloped regions by ensuring sufficient and qualified human resources of the Employment Agency, and the participation of relevant stakeholders.
- Strengthen the **governance in the education sector** in order to accelerate the modernisation of the education system at all levels through improving infrastructure, curricula and teachers' qualifications.
- Adopt and implement the **new social protection legislation** for improving the impact of social transfers on poverty reduction.



## ERP joint policy guidance 2019

# Serbia

- Significantly increase **funding and the implementation of active labour market measures** adjusted to the needs of the unemployed, in particular women, youth, including highly skilled persons.
- Adopt measures to **incentivise the formalisation of labour** in non-agricultural sectors.
- **Reduce the high non-wage labour cost** of jobs at the lower sections of the wage distribution.



**More information at:**

[https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en)

[https://ec.europa.eu/commission/interim\\_en#political-guidelines](https://ec.europa.eu/commission/interim_en#political-guidelines)

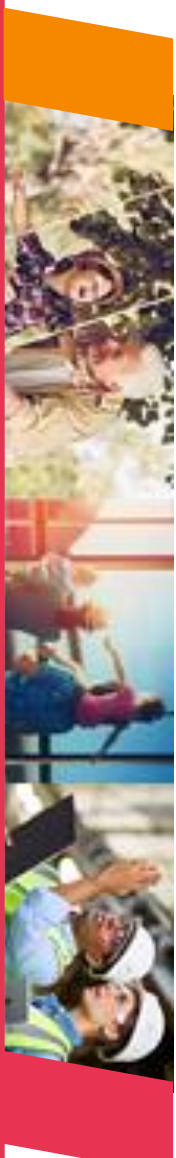
<https://ec.europa.eu/commission/interim/commissioners-designate>

<https://www.consilium.europa.eu/en/press/press-releases/2019/06/12/eu-western-balkans-meeting-on-employment-and-social-affairs-luxembourg-12-june-2019/>

[https://ec.europa.eu/info/publications/2019-economic-reform-programmes-albania-montenegro-north-macedonia-serbia-turkey-bosnia-and-herzegovina-and-kosovo-commissions-overview-and-country-assessments\\_en](https://ec.europa.eu/info/publications/2019-economic-reform-programmes-albania-montenegro-north-macedonia-serbia-turkey-bosnia-and-herzegovina-and-kosovo-commissions-overview-and-country-assessments_en)

[https://ec.europa.eu/neighbourhood-enlargement/countries/package\\_en](https://ec.europa.eu/neighbourhood-enlargement/countries/package_en)

[www.esap.online](http://www.esap.online)



# Thank you!

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