

# The development of social inequalities in Europe

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# 1. Social inequalities – a crucial challenge for the EU

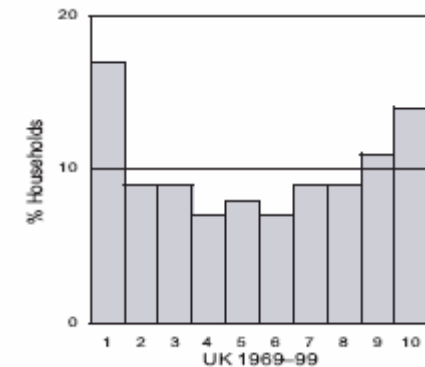
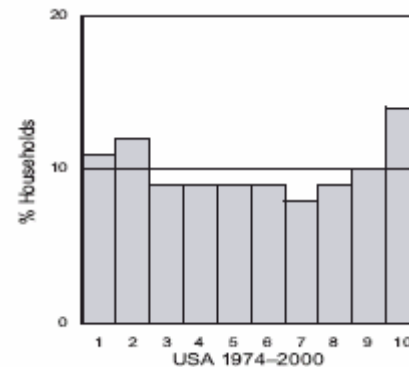
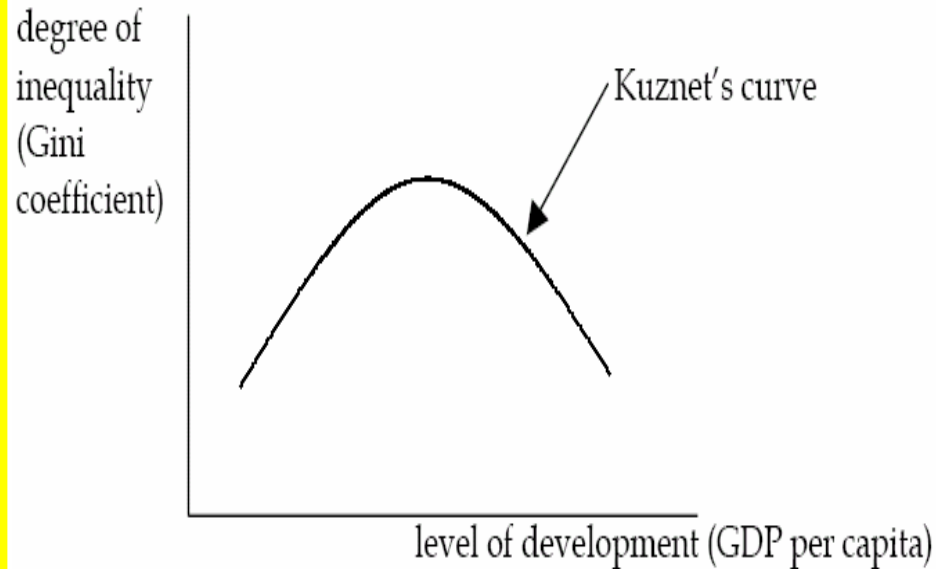
- Dimensions and reasons of the current crisis of the EU:
  1. Fifth EU Enlargement => Increased wage and tax competition
  2. Euro: Inflexible labor market structures => Slower adaptation to asymmetric shocks => Contribution to slow growth and high unemployment?
  3. Constitutional treaty: Ratification depends on public support. At least in France and Germany fear of liberalized markets => Failed ratification
- Common denominator: Erosion of public support for European integration:

Thesis: A political deepening of the EU depends on the ability to develop new ways of dealing with social inequalities. This requires a careful analysis of the development of social inequalities in Europe and a new conception of the European space

## 2. Trends of between-nation and within-nation inequality in Europe. Four scenarios

	<b>Development of within-nation income inequalities in Europe</b>	<b>Development of between-nation income inequalities in Europe</b>
Increasing inequalities	b) A European version of the great U-turn-thesis (Al-derson/Nielsen 2002): “Un-freezing” of national cleavages and patterns of inequality due to the Europeanization of national spaces <b>(H1)</b>	c) Economic liberalisation, Europeanisation and globalisation => Europe as an open space without boundaries result in a differentiation of economic performance and living conditions
Stable or decreasing inequalities	a) A European version of the “inverted-U curve” hypothesis (Kuznets 1955): Institutional inertia and more inclusive labour markets may explain reduced inequality	d) Structural coupling of functionally differentiated systems within a territorial segment of the world society may result in the creation of a relatively homogeneous European space (Luhmann-Stichweh) <b>(H2)</b>

# The “inverted-U curve” hypothesis (Kuznets) and the great U-turn-thesis (Alderson)



## c) Europe as an open space without boundaries

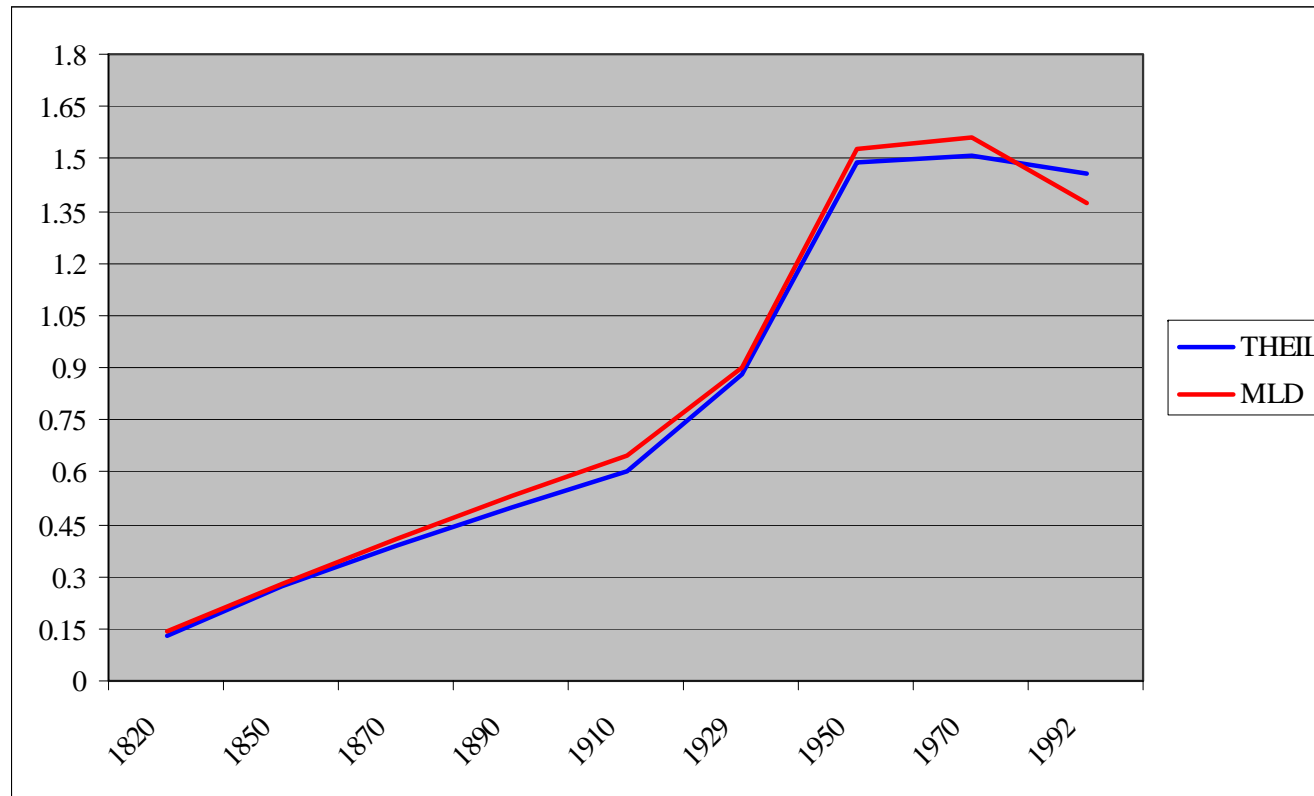
- Economic liberalisation, Europeanisation and globalisation => “unfreezing” of European cleavages and status barriers
- Europe as an open space: „fundamental *openness* of the new system and in its limited capacity to generate European-wide territorial consolidation while actively removing inner-European boundaries“ (Bartolini 2005)
- „the European single market becomes only a section of the global market ... This openness of the national as well as European legal systems can be seen as (...) a ‘privatisation’ and ‘de-territorialisation’ of the production of rights and of stabilised and generalised behavioural conformity associated with the truly transnational character of the new ‘Lex Mercatoria’ (...)The EMU cannot be used to reintroduce a level of closure of the European economies that is coherent and useful to the desired structure of the European system, and, in the end, functional to the EU interests and economic hegemony (...) the current ongoing and apparently unbound enlargement process ... continuously redefining the borders of the system, also continuously redefines the scale and the complexity of its decision-making processes..” (Bartolini 2005)

## d) The Europeanisation of social inequalities between segmentary and functional differentiation

Two forms of differentiation

1. Segmentary differentiation: Society is subdivided into homogeneous parts of equal ranking (families, villages...)
  2. Functional differentiation: A subsystem is characterised by the exclusive “responsibility” for a specific social function
    - No superior social system integrating the functionally differentiated subsystems into the global system
    - Functionally differentiated society as a world society: No common boundaries of different subsystems beyond the global level => “Europe” or nation-states as inherently instable forms of social organization
    - Social differences as result of inclusion and exclusion processes at the level of different subsystems
- Nation-state (or Europe): Segmentary form of differentiation (especially of the political, administrative and legal system) in an primarily functionally differentiated and economically and culturally integrated world
  - Structural coupling: “the intensification of certain paths of reciprocal irritation accompanied by high indifference towards other aspects of the environment“ (Luhmann 1997)
  - Regionalisation as a by-product of particular forms of structural coupling between functionally differentiated systems (e.g., economy) and territorial segments of the global political or legal system (e.g. the European community acquis) (cf. Stichweh)

# Ratio of Between-Nation to Within-Nation Income Inequality for 33 Nations Groups, 1820-1992



Source: Firebaugh, Glenn (2003), *The New Geography of Global Income Inequality*, Harvard University Press, Cambridge/London, p. 25.

Phase 1 (1820-1970): From within- to between-nation inequality

Phase 2 (since the 1990s): From between-nation back to within-nation inequality



# Two hypotheses

1. Since the European integration did not only liberalise the European markets, but also increased the integration of the European countries in the global markets, it can be expected that the Europeanizing and globalization of the economy resulted in an **increase of within-nation income inequality in Europe**
2. The European regulation of the European goods, services, capital and labor markets by the *acquis communautaire*, the coordination and harmonization of national social and employment policies in Europe and redistributive EU policies contribute to the decrease of **between-nation inequality in Europe**

### 3. Rising disposable income inequality in most European countries

D9/D1 ratios for earnings among full-time employed individuals, 1979–2000			D9/D1 ratios for disposable income, working-age households, 1979–2000			
Time period	Earliest observation	Most recent observation	Time period	Earliest observation	Most recent observation	
Austria	1996	2,78	1987-2000	2,89	3,17	
Belgium	1986-1993	2.4	1988-2000	2.77	3.31	
Czech Rep.	1996-1999	2.82	1992–1996	2.37	3.01	
Denmark	1980-1990	2.13	1987-1992	<b>3.22</b>	<b>2.85</b>	
Finland	1980-1999	2.47	1987–2000	2.59	2.90	
France	1979-1998	3.25	1979-1994	3.47	3.54	
Germany	1984-1998	2.88	1981-2000	2.89	3.29	
Hungary	1986-2000	2.6	1991-1999	3.39	3.57	
Ireland	1994-1997	4.06	1987-2000	4.23	4.56	
Italy	1986-1996	2.22	1986-2000	4.05	4.48	
Netherlands	1979-1999	2.57	1983-1999	2.94	2.98	
Poland	1980-1997	2.88	1986-1999	3.51	3.59	
Portugal	1985-1993	3.63				
Spain	1995	4.22	1980-2000	4.37	4.78	
Sweden	1980-1998	2.03	1981-2000	2.43	2.96	
Slovakia			1992-1996	2.25	2.88	
Slovenia			1997-1999	<b>3.24</b>	<b>3.15</b>	
UK	1979-2000	2.95	3.4	1979-1999	3.53	4.59



Sources: [www1.oecd.org/scripts/cde/members/lfsindicatorsauthenticate.asp](http://www1.oecd.org/scripts/cde/members/lfsindicatorsauthenticate.asp); [www.lisproject.org/keyfigures/ineqtable.htm](http://www.lisproject.org/keyfigures/ineqtable.htm)

D9/D1 ratios for disposable income, 1995–2001 =>  
decreasing European (but also national) inequalities

	1995	1996	1997	1998	1999	2000	2001
Finland		2.53	2.56	2.64	2.79	2.74	2.86
Austria	3.32	3.18	3.09	2.98	2.95	2.88	2.90
Germany	3.57	3.33	3.00	2.99	2.99	2.92	2.99
The Netherlands	3.12	3.26	2.97	2.96	2.96	2.90	3.05
Belgium	3.41	3.24	3.25	3.28	3.06	3.11	3.15
Luxembourg	3.55	3.30	3.11	3.12	3.30	3.31	3.34
France	3.64	3.55	3.56	3.42	3.46	3.47	3.45
UK	4.18	4.02	3.97	4.16	4.10	4.04	3.90
Italy	4.49	4.36	4.31	4.10	4.05	3.87	4.03
Ireland	3.97	3.97	3.94	3.84	4.00	3.97	4.04
Spain	4.67	4.68	5.17	4.77	4.60	4.51	4.42
Greece	5.37	5.13	5.43	5.08	4.93	4.94	4.78
Portugal	5.68	5.29	5.36	5.30	5.04	5.04	4.95
<b>European Union (15)</b>	<b>3.88</b>	<b>3.71</b>	<b>3.59</b>	<b>3.55</b>	<b>3.52</b>	<b>3.47</b>	<b>3.49</b>

Source: Eurostat, on the basis of the European Community Household Panel.

## Income inequality in selected European countries (mean logarithmic deviation; 1997 to 2001)

Country	Year 1997		Year 2001		Change (in percent)
	Rank	MLD	Rank	MLD	
Denmark	1	0.066	1	0.075	12.0
Finland	2	0.077	2	0.095	18.9
Shweden	3	0.078	4	0.098	20.4
Austria	4	0.100	2	0.095	-5.3
Luxembourg	5	0.101	6	0.110	8.2
Germany	6	0.103	5	0.103	0.0
Nethderlands	7	0.106	7	0.111	4.5
Belgium	8	0.121	9	0.130	6.9
France	9	0.133	8	0.116	-14.7
UK	10	0.146	12	0.154	5.2
Italy	11	0.168	11	0.147	-14.3
Ireland	12	0.175	10	0.134	-30.6
Spain	13	0.208	13	0.176	-18.2
Greece	14	0.211	14	0.177	-19.2
Portugal	15	0.219	15	0.218	-0.5
EU total	-	0.159 (100%)	-	0.147 (100%)	-8.2
Within nations	-	0.142 (89.3%)	-	0.133 (90.5%)	-6.8
Between nations	-	0.017 (10.7%)	-	0.014 (9.5%)	-21.4

Source: Härpfer and Schwarze, 2006: Wie 'gleich' ist Europa? In: Heidenreich (ed.): *Europäisierung sozialer Ungleichheiten*. Frankfurt/New York on the basis of the ECHP 1997 and 2001.

## 4. Regional economic inequalities

Country	1995	1996	1997	1998	1999	2000	2001	2002	Change
Poland	0.26	0.25	0.25	0.25	0.28	0.43	0.43	0.46	77%
Latvia	0.34	0.34	0.39	0.46	0.50	0.52	0.50	0.56	64%
Czech Republic	0.31	0.30	0.33	0.38	0.39	0.40	0.44	0.44	44%
Portugal	0.26	0.26	0.27	0.29	0.29	0.29	0.29	0.37	43%
Hungary	0.38	0.40	0.42	0.42	0.44	0.49	0.47	0.51	34%
Sweden	0.14	0.15	0.17	0.18	0.18	0.19	0.18	0.18	30%
Estonia	0.23	0.24	0.26	0.28	0.27	0.29	0.29	0.30	27%
Finland	0.20	0.21	0.21	0.23	0.25	0.24	0.24	0.25	26%
Ireland	0.21	0.22	0.23	0.26	0.25	0.24	0.23	0.26	25%
Slovakia	0.42	0.42	0.43	0.44	0.44	0.45	0.47	0.48	16%
France	0.43	0.44	0.46	0.46	0.46	0.47	0.48	0.48	10%
Netherlands	0.19	0.20	0.20	0.20	0.21	0.21	0.22	0.21	10%
Slovenia	0.23	0.23	0.22	0.23	0.24	0.24	0.24	0.25	10%
UK	0.52	0.52	0.55	0.58	0.57	0.57	0.56	0.57	10%
Germany	0.40	0.40	0.40	0.41	0.41	0.42	0.42	0.42	7%
Greece	0.23	0.25	0.23	0.22	0.21	0.23	0.23	0.23	1%
Belgium	0.37	0.38	0.37	0.38	0.38	0.37	0.37	0.37	0%
Denmark	0.28	0.27	0.27	0.25	0.27	0.27	0.27	0.28	-1%
Spain	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.21	-1%
Austria	0.30	0.30	0.30	0.29	0.29	0.29	0.29	0.29	-2%
Italy	0.35	0.35	0.34	0.34	0.34	0.34	0.34	0.33	-7%
<b>EU 21 average</b>	<b>0.48</b>	<b>0.48</b>	<b>0.48</b>	<b>0.49</b>	<b>0.49</b>	<b>0.48</b>	<b>0.48</b>	<b>0.48</b>	<b>1%</b>

Change of the national coefficient of variation 1995-2002 of the regional – NUTS III – GDP per inhabitant)

Source: Eurostat, Regio Database (accessed 4/12/2005)

# Disparities of the economic performance (GDP per capita) in the NUTS3-regions in the enlarged European Union (1995-2002)

	Gini-coefficient	Theil entropy measure	Mean logarithmic deviation (MLD)	Atkinson-Maß ( $\epsilon=0.5$ )	Atkinson-measure ( $\epsilon=1$ )	Atkinson-measure ( $\epsilon=2$ )
1995	0.2336	0.0979	0.1014	0.04828	0.09641	0.19602
1996	0.2319	0.0966	0.0989	0.04739	0.0942	0.18996
1997	0.2318	0.0968	0.0974	0.04708	0.09283	0.18472
1998	0.2324	0.0972	0.0970	0.04706	0.09241	0.18273
1999	0.2322	0.0975	0.0976	0.04725	0.09295	0.18484
2000	0.2295	0.0948	0.0942	0.04582	0.08986	0.17778
2001	0.2394	0.1038	0.1019	0.04982	0.0969	0.18795
2002	0.2316	0.0967	0.0959	0.04667	0.09142	0.18007
<b>Development</b>	<b>99%</b>	<b>99%</b>	<b>95%</b>	<b>97%</b>	<b>95%</b>	<b>92%</b>
EU15 (2002)	0.1888	0.0686	0.0610	0.0316	0.0591	0.1073
NMS10 (2002)	0.2289	0.0963	0.0853	0.0443	0.0818	0.1408

Source: Own calculations on the basis of the REGIO database (NUTS3 regions)

**=> Reduced regional inequalities in Europe**



# The origins of regional inequalities in the enlarged EU (Nuts3)

**Ratio of within-nation and between-nation regional inequalities in Europe (EU21)**

<b>MLD</b>	<b>Within-nation regional inequalities (%)</b>	<b>Between-nation regional inequalities (%)</b>
1995	48.5%	51.5%
1996	50.0%	50.0%
1997	52.4%	47.6%
1998	54.3%	45.7%
1999	55.5%	44.5%
2000	59.3%	40.7%
2001	54.2%	45.8%
<b>2002</b>	<b>60.3%</b>	<b>39.7%</b>
EU15 (2002)	91%	9%
NMS10 (2002)	82%	18%

## Potential sources of increasing regional inequalities in Europe (EU25): Strong disparities in the distribution of innovation inputs and outcomes (Nuts2)

	<b>Gini</b>	<b>MLD</b>
Gross domestic product (GDP) per inhabitant (PPS)	0.1989	0.0720
R&D Expenditure in % GDP (1999-2003)	<i>0.3807</i>	<i>0.2752</i>
High tech and medium-high tech manufacturing (in % of total employment; 2002)	<i>0.2895</i>	<i>0.1571</i>
Patent applications (EPA) per million inhabitants		
High tech manufacturing (in % of total employment; 2002)	<i>0.3847</i>	<i>0.3246</i>
Knowledge-intensive services (% of total employment; 2002)	0.1654	0.0493
Wissenschaftler und Techniker (Ausbildung und/oder Tätigkeit; in % aller Beschäftigten)	0.1423	0.0354
Human resources in science and technology – education (% of total employment)	0.2002	0.0698
Human resources in science and technology – occupation (% of total employment)	0.1410	0.0330
Human resources in science and technology – education and occupation (% of total employment)	0.1845	0.0553



Source: Own calculations on the basis of the REGIO database.



## 5. Conclusion

1. Increase of within-nation income and regional inequalities in many European countries since the 80s, but decrease of individual and regional between-nation inequalities in Europe  
=> Economic and social cohesion of Europe despite increasing national inequalities => Europe as an increasingly integrated economic and social field
2. Structural bases of transnational forms of solidarity: market integration; homogeneous rules (*acquis communautaire*), coordination and harmonization of national social and employment policies; redistributive EU policies
3. Sociopolitical dilemma of the European Union: Many inhabitants of richer European countries won't consider the reduction of European inequalities as a success due to their deteriorated relative (!) position => A "social Europe" requires other norms of equality, solidarity and justice than a nation-state