

**CLASS 12**

<b>TOPIC</b>	<i>Incomes Policy</i>
<b>LEARNING CONTENT - DETAILED CHARACTERISTICS</b>	<p>We present the national income concept and consider social distribution of income and wealth as well as functional distribution of income. We view the collective labour agreement as an instrument of functional income distribution. When referring to personal income distribution, we consider income inequality coefficients (S80/S20 and the palma ratio), the Lorenz curve, and the Gini coefficient. Specific indicators and aspects of income inequality are studied. We consider two sets of regulatory instruments for government intervention in income distribution. According to the International Labour Organisation, labour market policies include all types of regulatory instruments that influence the match between labour supply and demand. Labour market policies can use the following tools: employment services, including counselling individuals seeking and offering work, managing labour market programmes and administering unemployment benefit systems; training; subsidised employment, including direct job creation in the public and private sectors, as well as help and support to the unemployed to start a business or move to self; special measures targeting youth and people with disabilities; unemployment benefits, and early retirement schemes. The abovementioned policies are differentiated into active and passive labour market policies. We consider their characteristics, advantages, and disadvantages. Effects of public labour market policies on the economy are assessed.</p>
<b>KEY WORDS</b>	Income distribution, collective labour agreement, S80/S20, palma ratio, Lorenz curve, Gini coefficient, active and passive labour market policies, trainings, subsidised employment, unemployment benefits, early retirement schemes.
<b>SUGGESTED TOOLS</b>	<p>Power-point presentation          Interpretation of economic data          Real-world personal observation          Interactive and group discussions          A personal study plan</p>
<b>TIPS / METHODOLOGICAL REMARKS (if applicable)</b>	Learning-by-doing and case studies activities. The focus is on functional and personal income distribution and the active and passive labour market policies.

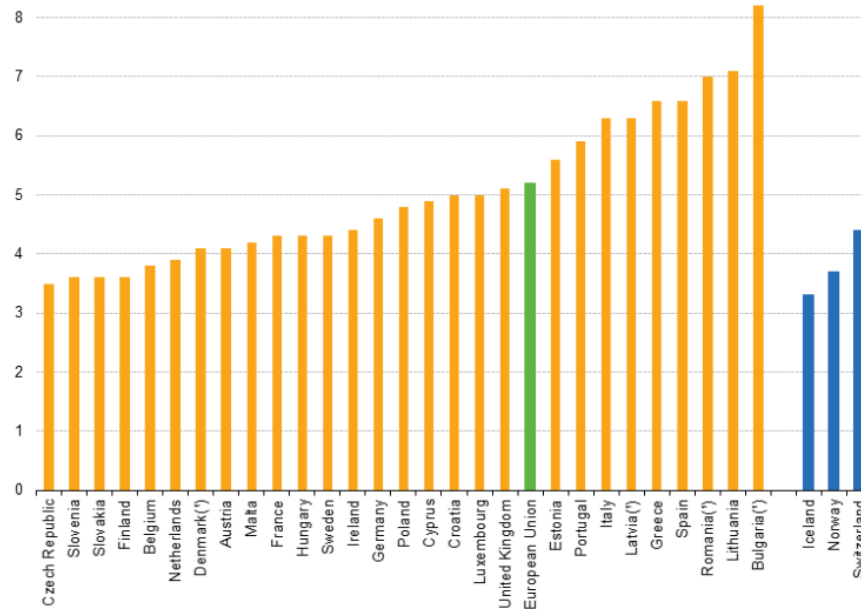
<b>IMPLEMENTATION OF THE CLASSES</b>	<b>STEP 1</b>	We present the national income concept. We differentiate functional income distribution (the distribution of national income among the various factors of production and the share of income derived from capital and labour) and personal income distribution (reflects the way in which aggregate income is distributed among different economic agents). The students are aware that main instrument for functional income distribution is the collective labour agreement.
	<b>STEP 2</b>	We consider some indicators and income inequality coefficients (S80/S20 and the palma ratio), the Lorenz curve, and the Gini coefficient. The students are familiarized with their specificities and calculation specifics. See work card 1.
	<b>STEP 3</b>	The students become familiar with labour market policies tools: employment services; training; subsidised employment; special measures targeting youth and people with disabilities; unemployment benefits, and early retirement schemes. Some aspects of taxation are considered.
	<b>STEP 4</b>	The students are aware of passive labour market policies that aim at providing income replacement or compensation and active labour market policies to integrate those who are unemployed or at risk of unemployment. Active labour market policies focus on both unemployed individuals and inactive individuals, encouraging them to join the labour force. The purpose of passive labour market policies is to provide temporary financial assistance to unemployed individuals and their families.
	<b>STEP 5</b>	Students are provoked to discuss effects of public labour market policies on the economy (economic growth, labour productivity, social effects). See work card 2.

**ADDITIONAL MATERIAL 1 (WORK CARD, PICTURE, RECORDING, QUIZ, PRESENTATION, ASSIGNMENTS)**

**WORK CARD 1 – INCOMES POLICY**

According to the Eurostat data, In the EU, the top 20% of the population (with the highest income) received 5.2 times as much income as the bottom 20%. The ratio varied considerably across the Member States, from 3.5 in the Czech Republic and 3.6 in Slovenia, Slovakia, and Finland, to 6.0 or more in Bulgaria (8.2), Lithuania (7.1), Romania (7.0 in 2017), Spain and Greece (both 6.6), Latvia and Italy (both 6.3).

Income inequality - quintile share ratio, 2016



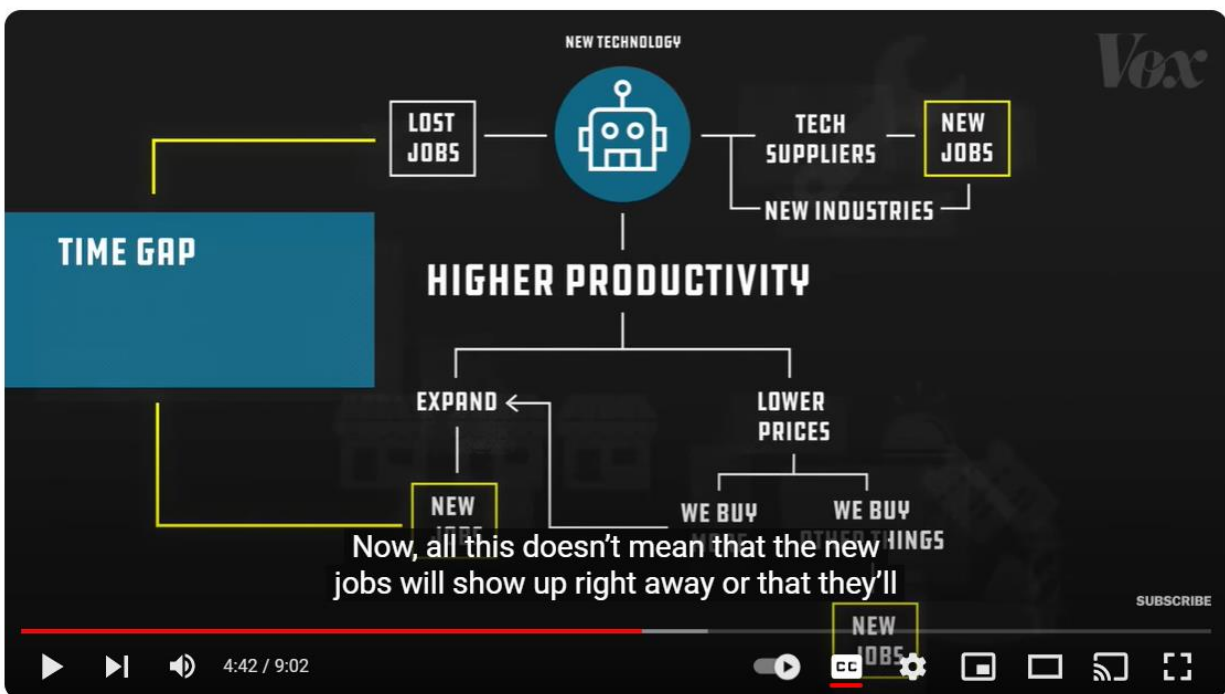
(\*) 2017 data

ec.europa.eu/eurostat

Discuss the Eurostat data on the Gini coefficient. What do you think are the big differences between the countries? What are the reasons for the observed income inequality in your country? How can it be improved?

**ADDITIONAL MATERIAL 2 (WORK CARD, PICTURE, RECORDING, QUIZZ, PRESENTATION, ASSIGNMENTS)**  
**WORK CARD 2 – INCOMES POLICY**

Watch the video *The big debate about the future of work, explained:*  
<https://www.youtube.com/watch?v=TUmyygCMMGA>



The big debate about the future of work, explained

Comment on how the digitalisation of the economy will affect the labour market. What is the difference between Industry 4.0 and Industry 5.0 as regards the labour market? What are your expectations for the future of the labour market in your country?