European Researsh Series

European Research Series

Recovery in Europe: uneven and incomplete

Review of the Social Situation in Europe and Considerations for a More Sustainable and Inclusive Future

Social Justice Ireland
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Preface

'Recovery in Europe: uneven and incomplete' is the twelfth publication in *Social Justice Ireland's* European Research Series.

The purpose of our European Research Series is to contribute to the debate and discussion on policy issues that affect all members of the European Union. To date this research series has produced comprehensive reviews of Ireland's performance towards its Europe 2020 targets, a comprehensive examination of the impact of policies pursued by the European Union and its members states after the financial crisis of 2008 and an extensive analysis of how European member states have been performing in terms of social and economic targets after the crisis. Some of this research focussed on those countries most affected by the crisis.

Social Justice Ireland's European Research Series provides a comprehensive and detailed analysis of key issues, and it also makes a series of policy proposals at local, NGO, national and EU level. These proposals are aimed at ensuring a more sustainable and inclusive future for European citizens.

'Recovery in Europe: uneven and incomplete' reviews the social situation in the 28 EU member states and makes some proposals and recommendations for a more sustainable and inclusive future. The report analyses performance in areas such as poverty and inequality, employment, access to key public services and taxation. These areas are examined in light of the key social policy responses of the European Union to the crisis including the social investment package.

The report also points to some policy proposals and alternatives for discussion. These include the right to sufficient income, meaningful work and access to key quality services. These policy proposals explore how these areas might be delivered upon in a changing world.

We hope that this report can make a timely and significant contribution to the development of the European Pillar of Social Rights and the post Europe 2020 Strategy policy process. The aim of the European Pillar of Social Rights is to take account of the changing realities of Europe's societies and the world of work. Failure to deliver a balanced policy approach between economic and social policy across the European Union for several decades has contributed to the crisis that Europe finds itself in today.

Focusing on this century alone we see that the original Lisbon Strategy also known as the Lisbon Agenda or Lisbon Process, was deemed to be such a failure that it had to be revised half way through its ten-year lifespan. The revised version eliminated the social aspects of policy that had been a feature of the original iteration of the Lisbon Strategy. This seemed to suggest that it was the social aspects of policy that were holding back the economic priorities of job creation. This analysis in turn proved to be false as the Lisbon Strategy in its second iteration also was deemed to be a failure.

In 2010 the Lisbon Strategy was replaced by the Europe 2020 strategy. In practice this, too, has not had the positive impact on social aspects of policy that it is meant to address. Of particular significance is its failure to reduce poverty substantially or to even make major progress towards reaching the target set. The European Union is strong on rhetoric but weak on delivery where the social aspects of policy are concerned. Failure to deliver on social aspects of policy, in particular on reducing poverty and long-term unemployment and improving access to quality services, will have major implications for the future of the EU as it will strengthen the growing conclusion that it is not a democratic project but is, rather, focused on delivering outcomes that favour the economically powerful.

Our research has consistently shown that a more integrated social dimension across the European Union is required to ensure the European Social Model can meet the challenges of new realities and that the damage to social cohesion across the Union caused by the crisis can begin to be repaired. This publication points to the need to examine alternatives and to develop a social welfare and support system that can adapt to changing realities and withstand future shocks. Minimum income schemes, the Living Wage, Basic Income schemes, the changing nature of work, adequate investment, access to quality services, representation and sustainability are policy areas which are discussed and examined in this research. We present this research as part of our ongoing contribution to the European policy process.

Social Justice Ireland would like to thank Dr Ann Leahy in particular for her work in preparing and producing the research for this publication. She brought a great deal of experience, research, knowledge and wisdom to this work and contributed long hours and her obvious talent to ensuring that this publication is a worthwhile contribution to the ongoing discussion on how to secure a more sustainable and inclusive future for all in the European Union.

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Chapter 1

1 Introduction and Context

This report is one of a series that *Social Justice Ireland* has published addressing the social situation in Europe. In previous reports, we considered the background to the economic crisis of 2008, its aftermath and the European policy response to it at some length. In this report we briefly refer to the background to the crisis and the response to it and then consider more recent social policy developments in Europe. In the Chapters that follow we look more closely at issues of poverty and inequality, employment and unemployment, education and health services and taxation. We also include a Chapter in which alternative policy approaches are discussed to address some of the challenges that the report highlights. We finish with some recommendations.

In the first report in this series, we reviewed progress (or the lack of it) in key areas of social policy focusing on the period 2008 and 2013 and we subsequently updated this. Like the last reports in this series, this year's report is essentially an annual review focusing on development in the most recent years.

1.1 Background: The Crisis and its Aftermath

The origins of the global economic crisis and the official reaction to it are discussed in previous reports in this series. In short, its origins lie in bad regulation and bad financial practices in the United States. These practices can be linked to attempts to maintain and to boost demand in an economy in which poorer people were encouraged to keep borrowing and spending and which led to a massive debt finance bubble (Stiglitz 2009). Amartya Sen and other distinguished figures pointed out that what began as a clear failure of the market economy (particularly amongst financial institutions) was soon interpreted as a problem of the overstretched role of the state leading to a prioritisation of austerity policies (2015). Thus, austerity became seen as the dominant priority of the financial leaders of Europe (Sen 2015).

As the crisis spread, a series of measures were adopted in Europe, including consolidation and adjustment - reducing deficits through fiscal consolidation and lending to distressed countries with requirements to pursue austerity policies. They also included creating supervisory structures to enable the European Commission and other member states to monitor the budgets of individual states through new fiscal governance mechanisms, and the enshrining of fiscal rules into the law of each member state through the Fiscal Compact. These governance provisions seek to limit budget deficits to no more than 3 per cent of GDP (within that to target a structural deficit of below 0.5 per cent), which means that governments now have little scope to slow the pace of consolidation or to undertake investment policies that support growth.

Another policy was to bolster the Euro currency and to ensure that no bank should fail, as this risked collapsing the European financial system. This led to a socialisation of the debt accumulation of private banks in the peripheral countries – meaning that citizens were forced to adopt the debts accrued by financial institutions. Budgetary consolidation, economic recovery and protecting the euro were the dominant political priorities. By contrast, efforts to create a more socially just society 'have remained rather feeble, at least as perceived by the general public' (Schraad-Tischler and Kroll, 2014: 85).

The union, especially the currency union, seemed to become a question of signing up to rules, as if central bankers and not the elected representatives of member nations should make the fundamental decisions in any kind of democratic confederation (Mazower 2015). Of course, this happened at a time when the capacity of politicians to deliver on decisions is limited by the fact that much power now rests with globalised entities, entities that in many cases have little or no interest in promoting a fairer future or in delivering well-being for all.

Austerity policies and structural reforms pursued during the crisis had negative effects on social justice in most countries (Schraad-Tischler and Kroll, 2014). Sen (2015) is critical of the policy leaders of Europe for not allowing more public discussion that might have prevented policy errors. Against this backdrop, people affected both by the economic crisis of 2008 and by subsequent austerity measures became disenchanted with the European project in many countries. This was given expression in the rise of Eurosceptics, populists and the far-right. Disenchantment with the European project (albeit from a range of different, sometimes contradictory, perspectives) was particularly notable in the 2016 Brexit vote in Britain.

While the Europe 2020 Strategy introduced in 2010 focused on achieving high levels of employment, productivity and social cohesion, it is well recognised that, following the crisis, trust in democratic institutions declined (Gallie 2013) and social cohesion came under new pressure (Eurofound and Bertelsmann Stiftung 2014). As we noted previous reports in this series, this is due not only to the economic and employment crisis and the response to it, but also due to longer-term trends such as growing inequality, immigration and increased cultural diversity and also increasing social disparities in relation to issues of poverty, labour market access, health and equitable education.

1.2 Post-Crisis

A report from the European Social Protection Committee (2017) notes that despite recent improvements, labour market exclusion, especially for young people, increased income inequality, depth of poverty, and challenges related to housing access remain areas of great concern (Social Protection Committee 2017). The Annual Growth Survey from the European Commission for 2018 acknowledges that too many people are unemployed in Europe, that investment is still too low and that wage growth is subdued, while also highlighting positive developments of recent years such as growth surpassing expectations (European Commission 2017d). The Survey suggests the need for targeted investment in areas such as infrastructure, education, training, health, research, digital innovation and the circular economy. Additional measures are needed, they suggest, to enable investment and to increase future economic output, in particular by focusing on sustainable projects with longer term economic benefits.

The OECD employment outlook for 2018 notes that employment rates are now high in most OECD countries, but the report also signals problems with how the employment picture is developing. For example, nominal wage growth remains significantly lower than before the crisis, low paying jobs have increased and there is a rise in involuntary part-time employment in several countries. The previous report in that series (OECD 2017 Employment Outlook) found that people in a number of countries were expressing rising dissatisfaction with core economic policies, including the promotion of international trade and investment. That report also acknowledged that many of the concerns underpinning that position are real and highlighted areas where employment, skills and social protection policies need to be reinforced and adapted to a changing economic environment (OECD 2017).

An issue that the crisis and the subsequent years has highlighted is the significant shares of unemployed people not covered by standard safety nets, such as unemployment benefits or social assistance income or schemes of 'last resort'– even in some of the 'older' countries of the EU. Well-established minimum income schemes are not the norm in Europe; out of 30 European countries, only 15 have comprehensive and accessible schemes (European Commission 2015). Greece, Italy and Bulgaria are amongst the countries with very limited, partial or piecemeal schemes which fail to cover all those in need of support.

The European Union has set specific goals in the area of social policy and we will look at these below and in the rest of this report. However, it is argued that despite the formulation of specific social policy objectives at the EU level – for example, the goals of the Europe 2020 strategy– there is as yet no integrated EU strategy that consistently and comprehensively combines the two key objectives: growth *and* social justice (Schraad-Tischler and Kroll, 2014). Overall we conclude that the EU needs to find a way to rebalance its policy focus and give greater prominence to social priorities, which were neglected, especially during the crisis, 2008-2013. *Social Justice Ireland* believes that the European project must reassert its credibility in the face of current challenges by strengthening its social foundations.

1.3 EU – Key Social Policy Responses

A key response to the economic crisis has been the adoption by the European Council of the Europe 2020 Strategy in 2010, which set out to develop a more balanced and sustainable approach for the future and was designed to address the economic and financial crisis that had wiped out 'years of economic and social progress', while also exposing what were considered to be structural weaknesses in Europe's economy (European Commission 2010). The strategy was seen as a step forward in the development of EU policymaking, because it recognised the importance of social issues. It committed member states of Europe to work towards targets in a range of areas including on poverty and social exclusion, employment and education and established an agreed set of indicators designed to measure progress toward meeting those targets. We will refer to how well, or otherwise, Europe is doing relative to those targets in this report.

Adopted in 2013, the European Commission's Social Investment Package reiterated the importance of an active inclusion approach and set out how well-designed social policies can contribute to economic growth as well as protecting people from poverty and providing economic stabilisers. The European Commission argues that addressing excessive inequality in Europe requires adequate levels of social investment, investment in lifelong learning, and social expenditure that is more responsive to the economic cycle (that is, periods of growth and periods of recession) and integrated welfare reforms supported by well-functioning labour markets (2015a). The 2017 annual review from the European Commission (2017b) refers to research evidencing that there is considerable potential for social investment policies to promote employment and productivity growth and reduce poverty.

These approaches reflect what Claus Offe indicated more than a decade ago - that maintaining popular support for the European project requires that the EU must be able to present itself to citizens as a credible institution of protection against economic insecurity and not as a threat to care, cohesion and solidarity (Offe 2003). We will return to what is meant by 'social investment' below.

In March 2017, the Commission presented a White Paper setting out a broader vision for the future of the EU and the Economic and Monetary Union (EMU). The White Paper presents five scenarios of the potential state of the Union in 2025. However, *Social Justice Ireland* and other civil society organisations pointed to the fact that social issues or social policy barely feature in any of these scenarios, confirming a perception that the EU has become an economic project that has failed to come to terms with social issues. *Social Justice Ireland* believes that an alternative option for the future of the EU should ensure the engagement of all sectors of society in decision-making processes, something that is essential for the kind of partnership that is required to address the current challenges.

The European Pillar of Social Rights is the European Commission's latest major initiative in the field of employment and social affairs. It is understood as official recognition that the reactions to the Eurozone crisis neglected the EU's social dimension. It was proclaimed by the European Parliament, the Council and the Commission in November 2017. It articulates 20 key principles, structured around three categories: equal opportunities and access to the labour market; fair working conditions, and social protection and inclusion. But there is no specific focus on addressing inequality, it does not confer legally-binding rights and there is no concrete implementation plan. Accompanying the Social Pillar, the Commission has put forward a number of legislative and non-legislative initiatives related to work-life balance, information of workers, access to social protection and working time. A parallel process has also been established involving a social Scorecard, whereby 12 indicators are used to measure member states' performance on a range of issues – labour market access, poverty and social exclusion, inequality, living conditions, childcare, healthcare and digital access (European Commission 2017c). Following up on the Pillar, a renewed European Social Fund (ESF+), and a strengthened European Globalisation Adjustment Fund (EGF) are intended to invest in people: ensuring they are equipped with skills needed to deal with challenges and changes on the labour market (European Commission 2018d).

Overall reactions to the Social Pillar were mixed. Some welcomed it as representing a renewal of Europe's social model (Menéndez-Valdés 2017). A criticism is that it fails to provide for social rights rather than guidelines and principles (Poulou 2016). The question of how this fits with the EU's fiscal discipline remains open and, according to Crespy (2017), raises questions about the coherence of the EU's socio-economic strategy as a whole. It is also true that in reality the EU's mandate in social affairs is limited, and both successes and failures result from responsibility shared with Member States (Menéndez-Valdés 2017). The Conference of INGO's of the Council of Europe recently (2018) sought to strengthen the Pillar by recommending that the European Union and its Member States translate their political commitment into concrete actions, accede to the Revised European Social Charter as the social constitution of Europe, and develop national strategies aimed at eradicating poverty and ensuring equal opportunities for all, especially for the most deprived.

Thus, much needs to be done to make the Social Pillar anything more than a tentative step in the right direction. For example, Vesan and Corti (2017) suggest that the EU budget 2018 proposal, on which EU institutions came to an agreement the day after the proclamation of the Social Pillar, does not take due consideration of the principles enshrined in the Pillar. Overall, it is clear that its implementation will require a commitment to its aims and actions not only at European level, but by Member States, social partners and governments at national and regional level (Menéndez-Valdés 2017).

Returning to the concept of social investment, it is characterised by policies that 'prepare' individuals and families to respond to new social risks of the competitive knowledge society by investing in human capital from early childhood on, rather than simply to 'repair' damage after moments of economic or political crisis (Hemerijck 2014). The European social investment package calls for social protection systems that guard against risks across the lifecycle, emphasising the need for well-targeted, comprehensive and enabling benefits and services. It stresses that welfare systems fulfil three functions: social investment, social protection and stabilisation of the economy. The social investment approach relies on the assumption that social and economic policies are mutually reinforcing and that the former, when framed from a social investment perspective, represents a "precondition" for future economic and employment growth. The Social Investment Package aims for quality employment for those who can work and for resources sufficient to live in dignity for those who cannot (European Commission 2013b). Social investment approaches need consistent policy packages, where different measures complement and reinforce each other and reach those most in need of support (European Commission 2017b).

In this context, it is interesting to note that as well as investment, the OECD Chief Economist now places an emphasis on policy coherence, that is to say, looking at how a range of different approaches to policy impact on the overall well-being of a country's citizens and more broadly on the world (OECD 2016a). This arises from a recognition that mistakes were made in the response to the economic crisis (OECD 2015b). Measures suggested include a greater focus on well-being and its distribution to ensure that growth delivers progress for all. This is based on the fact that the gap between rich and poor is at its highest level in 30 years in OECD countries, that large income inequalities undermine growth and wellbeing, and requiring, amongst other things, that taxation systems are reformed to ensure that they are progressive enough (OECD 2015b).

1.4 This Report

When the experts who are part of the European Social Policy Network assessed the implementation of the Social Investment Package in EU Member States, they found its implementation to be very limited (Bouget *et al* 2015). These experts grouped countries of the EU into the following three categories as to how they perform relative to social investment:

- **Group 1** Has well established social investment approach to many social policies; tend to have good linkages between different policy areas when addressing key social challenges;
- **Group 2**: Still to develop an explicit or predominant social investment approach, while showing some increasing awareness in a few specific areas; and
- **Group 3:** Social investment approach has not made many significant inroads into the overall policy agenda.

The first group includes mainly Nordic and central European countries while the third grouping includes mainly newer accession countries from Eastern Europe along with some southern countries. See **Table 1.** We set out these groupings here as we will return to this categorisation in later sections of this report as we review the performance of countries under a number of social indicators.

Table 1 Social Investment: EU Countries and Main Policy-Making Trends

Groupings	Countries	
Group 1: Has well established social investment approach to many social policies; tend to have good linkages between different policy areas when addressing key social challenges	Austria Belgium Germany Denmark Finland	France Netherlands Sweden Slovenia
Group 2: Still to develop an explicit or predominant social investment approach, while showing some increasing awareness in a few specific areas	Cyprus Spain Hungary Ireland Luxembourg	Malta Poland Portugal United Kingdom
Group 3: Social investment approach has not made many significant inroads into the overall policy agenda	Bulgaria Czech Republic Estonia Greece Croatia	Italy Latvia Lithuania Romania Slovakia

Source: Three groups defined by European Social Policy Network; this report also acknowledges that the line between the groups is not always a sharp one (Bouget *et al* 2015).

For *Social Justice Ireland* every person has seven core rights that need to be part of the vision for the future: the right to sufficient income to live with dignity, to meaningful work, to appropriate accommodation; to relevant education, to essential healthcare, to real participation and the right to cultural respect. See **Table 2.** *Social Justice Ireland* believes that deliberative processes are crucial to the future of Europe founded on the idea of deliberative democracy in which decisions are made based on reasoned evidence-based and enlightened debate in which decision ns taken are justified and accessible to the general public. This report is intended to be complementary to another published annually by *Social Justice Ireland* in which we track Ireland's progress in a European context in reaching the Sustainable Development Goals (over the short and long term)(see Clark and Kavanagh, 2017, Clark, Kavanagh and Lenihan 2018, Clark and Kavanagh, 2019).

In Sections 2 to **4** of this report, we will discuss issues relevant to the realisation of some of the above rights by looking at social indicators under the headings of poverty and social exclusion, employment/unemployment, and services in health and in education. We will also look at how countries compare in respect of total taxation[1] (**Section 5**). Throughout the report we will review how the groupings of countries relative to their performance under social investment and set out in **Table 1** perform in relation to some of these headings. We will then set out some alternative approaches to policy-making in **Section 6,** and finish by drawing some conclusions and making some recommendations in **Section 7.**

Table 2 Social Justice Ireland - Seven Core Rights

Seven Core Rights						
sufficient income to live with dignity	meaningful work	appropriate accommodation	relevant education	essential healthcare	real participation	cultural respect

[1] That is, taxes on production and imports, income and wealth, capital taxes, and compulsory social contributions paid by employers and employees (see Eurostat 2014:268)

Chapter 2

2 Poverty, Social Exclusion and Income Inequality

Social Justice Ireland includes the right to sufficient income to live with dignity amongst its list of core rights that need to guide policy-making in the future. (For the full list, see **Table 2**.) The Global Goals for Sustainable Development which came into effect in January 2016 mean that world leaders have committed to 17 Global Goals (also known as Sustainable Development Goals or SDGs) containing targets to achieve certain aims including to end poverty and fight inequality over the next 15 years (as well as tackling climate change). *Social Justice Ireland* believes these goals should be at the core of policy-making in the years ahead.

In 2010 the EU set a target in the 2020 Strategy to reduce the number of Europeans living in or at risk of poverty or social exclusion by 20 million by 2020. In this section, we take that as a starting point by referring to how Europe is progressing in relation to that target and we will also look at some further indicators of poverty/inequality as well as impacts on certain groups. We will finish this section by looking briefly at income inequality and at financial distress.

2.1 Poverty and Social Exclusion and other Measures

First it is necessary to refer to the issue of how poverty is defined. Used in the Europe 2020 strategy, the indicator, 'poverty or social exclusion' is based on a combination of three individual indicators – an income measure which is related to the median income of each country, a measure of a lack of resources and a work-exclusion measure. Specifically, these take the form of the following three indicators:

(1) **people who are at risk of poverty** - people with an equivalised disposable income below the risk-of-poverty threshold set at 60 per cent of the national median (or middle) equivalised disposable income (after social transfers) (Eurostat, t2020_50)[2];

(2) **people who are severely materially deprived** - have living conditions severely constrained by a lack of resources; they experience at least 4 out of a list of 9 deprivation items (See **Glossary** for the full list) (Eurostat, t2020_50); or

(3) **people living in households with very low work intensity** - those aged 0-59 living in households where the adults (aged 18-59) work less than 20 per cent of their total work potential during the past year (Eurostat, t2020_50).

Thus the combined 'poverty or social exclusion' indicator corresponds to the sum of persons who are at risk of poverty or severely materially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. It is also possible to examine each of the indicators separately and we will do so in this report. In **Table 3** we set out a summary of the position relative to each of these indicators

[2] The 60% threshold is adopted in the Europe 2020 Strategy. It is also possible to examine incomes below other thresholds such as 40%, 50% or 70%.

(using 2008 as a baseline and comparing information between 2016 and 2017), and we discuss each of them further below. The **Glossary** at the back of this report contains more detailed definitions of the indicators used in the EU 2020 Strategy.

It may also be worth noting here that attention is beginning to be paid to the dynamics of poverty or looking at poverty over time and at issues around probability of exiting and entering poverty in different groups of the population (Vaalavuo 2015). These results show great variations between countries even when those countries have similar at risk of poverty rates, and there are also differences between age groups in the patterns of poverty exit and entry. However, as these dynamic measures are not widely adopted yet in Europe in this report we focus mainly on the most commonly used measures.

Table 3 People Experiencing Poverty, EU-28, 2008, 2013 to 2017

Poverty Indicators 2008 and 2013 - 2017								
	People at risk of poverty or social exclusion		**People at risk of poverty (60% threshold)**		**People experiencing Severe Material Deprivation**		**People in households with very low work intensity**	
EU-28* (current composition)	Number	%	Number	%	Number	%	Number	%
Total population								
2008**	116m	23.7	80.9m	16.6	41.5m	8.5	34.6m	9.2
2013	122.8m	24.6	83.4m	16.7	48m	9.6	41.1m	11
2014	122m	24.4	86.m	17.2	44.4m	8.9	42.1m	11.3
2015	119m	23.8	86.7m	17.3	40.3m	8.1	39.8m	10.7
2016	118m	23.5	87m	17.3	37.8m	7.5	39.1m	10.5
2017	113m	22.5	85m	16.9	34.8m	6.9	34.4m	9.3
Children (under 18)								
2008**	25m	26.5	19.2m	20.4	9.3m	9.8	7.3m	7.8
2013	26.3m	27.9	19.3m	20.5	10.5m	11.1	9m	9.6
2014	26.2m	27.8	19.9m	21.1	9.8m	10.4	9.2m	9.9
2015	25.5	27.1	19.9m	21.2	8.9m	9.6	8.8m	9.4
2016	24.9m	26.4	19.8m	21	8.02m	8.5	8.7m	9.3
2017	22.7m	24.5	18.6m	20.1	6.8m	7.3	6.9m	7.5
Older people (over 65s)								
2008**	19.2m	23.3	15.6m	18.9	6.1m	7.5	n/a	n/a
2013	16.4m	18.2	12.3m	13.7	6.2m	7	n/a	n/a
2014	16.3m	17.8	12.6m	13.7	5.7m	6.3		
2015	16.3m	17.4	13.2m	14.1	5.1m	5.6		
2016	17.2m	18.2	13.8m	14.6	5.5m	5.8		
2017	17.6m	18.1	14.1m	14.6	5.7m	5.8		

Source: Eurostat Online Databases: t2020_50, t2020_51, t2020_52, t2020_53,ilc_lvhl11, ilc_li02, Ilc_mddd11, ilc_peps01.

* anticipating a change in the EU composition (due to Brexit), Eurostat has made some changes in how it presents and labels data; what was previously referred to as EU28 is now called European Union (current composition) (see link)

** Rates for 2008 relate to EU-27 countries, not EU-28, as this was prior to the accession of Croatia

We discussed social developments in Europe between 2008 and 2013 in previous reports in this series. Overall what we concluded was that, having set targets to reduce poverty and promote inclusion in 2010 in the Europe 2020 Strategy, Europe moved farther away in subsequent years from achieving those targets and countries were very divergent in their experiences. The **risk of poverty or social exclusion rate** (the combined indicator of poverty used in the Europe 2020 strategy) increased between 2008 and 2012. It has improved since then. As mentioned already, in this report our main focus is on recent years, especially the period between 2016 and 2017 (2017 being the latest year for which comparable rates are available across Europe).

The risk of poverty or social exclusion rate has improved each year since 2012 but stands at 22.5 per cent (EU-28), still representing more than one in 5 Europeans, and amounting to almost 113 million people (in 2017) (Eurostat online database code t2020_50). There has been a notable decrease between 2016 and 2017 (-5.1m people), which is welcome. In fact, 2017 is the first year in which the numbers affected are lower than those affected in 2008[3] – which shows the very long shadow cast by the 2008 crisis and its aftermath.

All of this means that Europe is still very far off-track in meeting the target to reduce the numbers affected by 20 million by 2020. As the European Social Protection Committee said in its report for 2016, there is evidence of stagnation at a high level (Social Protection Committee 2016). The most recent report from the Social Protection Committee (2017) notes that improvements have occurred in household disposable incomes and decreases in rates of poverty or social exclusion. But the Committee also discusses how, when you look at longer-term developments since the start of the Europe 2020 Strategy, for most social areas the situation still remains noticeably worse as a result of the economic crisis. Thus, despite recent improvements, there is still reason for concern about a range of issues that include labour market exclusion, especially for young people, increased income inequality, depth of poverty, and challenges related to housing access (Social Protection Committee 2017).

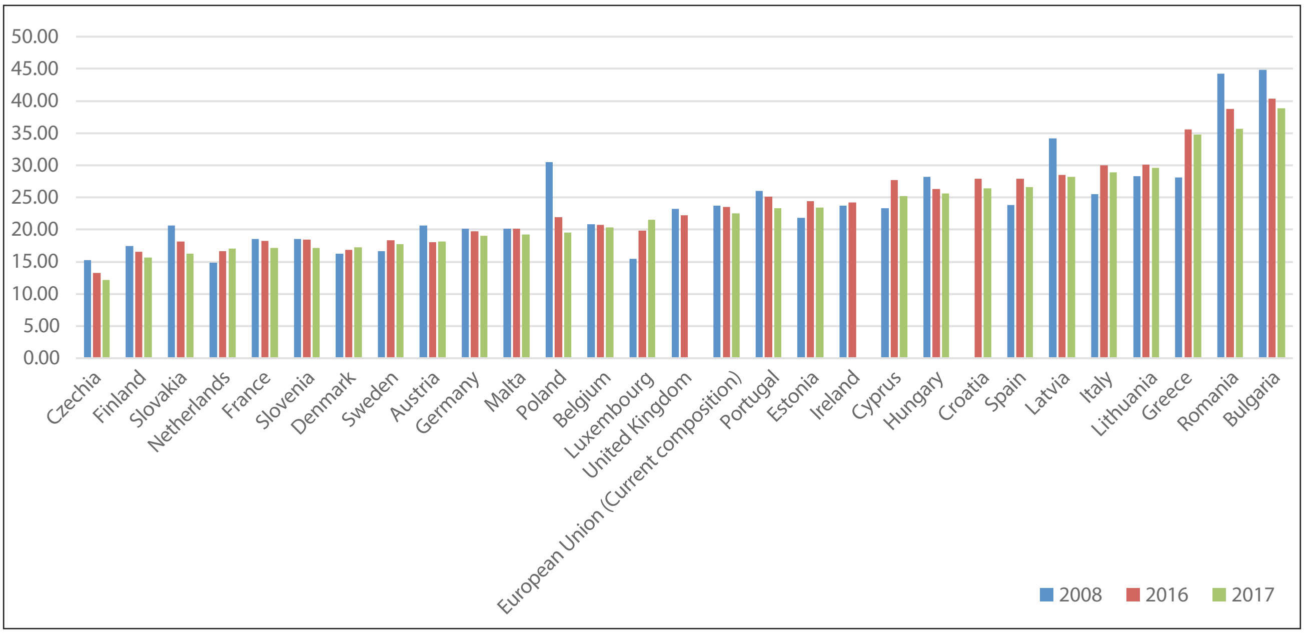
The groups most vulnerable to poverty or social exclusion tend to be young people, unemployed and inactive persons, single parents, households consisting of only one person, people with low educational attainment, foreign citizens born outside the EU, and those residing in rural areas (European Commission 2018e). Of all the groups examined by the Commission (2018e), the rate of risk of poverty is the highest among the unemployed and single parents with one or more dependent children.

In 2017, the highest rates of poverty or social exclusion were to be found in Bulgaria, Romania, and Greece where the rates were above 30 per cent. In 7 other countries (Lithuania, Italy, Latvia, Spain, Croatia, Hungary and Cyprus) the rate was over 25 per cent. The lowest rates were found in Czech Republic (Czechia) (12.2 per cent) and Finland (15.7 per cent). Even though there have been improvements in the most recent year in some countries with typically high rates, there continues to be great divergence between countries. For example, there was a difference of nearly 27 percentage points between the country with the highest rate (Bulgaria at 38.9 per cent) and that with the lowest (Czechia 12.2 per cent) (Eurostat, code: t2020_50). See **Figure 1.**

Figure 2 illustrates the changes in the poverty or social exclusion rates amongst EU countries between 2016 and 2017. Disimprovements were observed in a few countries which have traditionally relatively low rates – Austria, Netherlands, Denmark and, especially Luxembourg. (Eurostat t2020_50) (the 2017 rate was not available for Ireland or the UK). The greatest improvements occurred in the newer accession states of Romania, Cyprus and Poland. In Ireland and the UK (countries whose data were not available for 2017), between 2015 and 2016 there had also been improvements (-1.3 pps, UK; -1.8 pps, Ireland).

[3] In 2008, the numbers affected (EU27) were 116m people. Note: This is by reference to EU27 for 2008 as Eurostat doesn't publish the EU-28 figure for 2008 as that was before the accession of Croatia.

Figure 1 People at Risk of Poverty or Social Exclusion (%), EU-28, 2008, 2016 and 2017



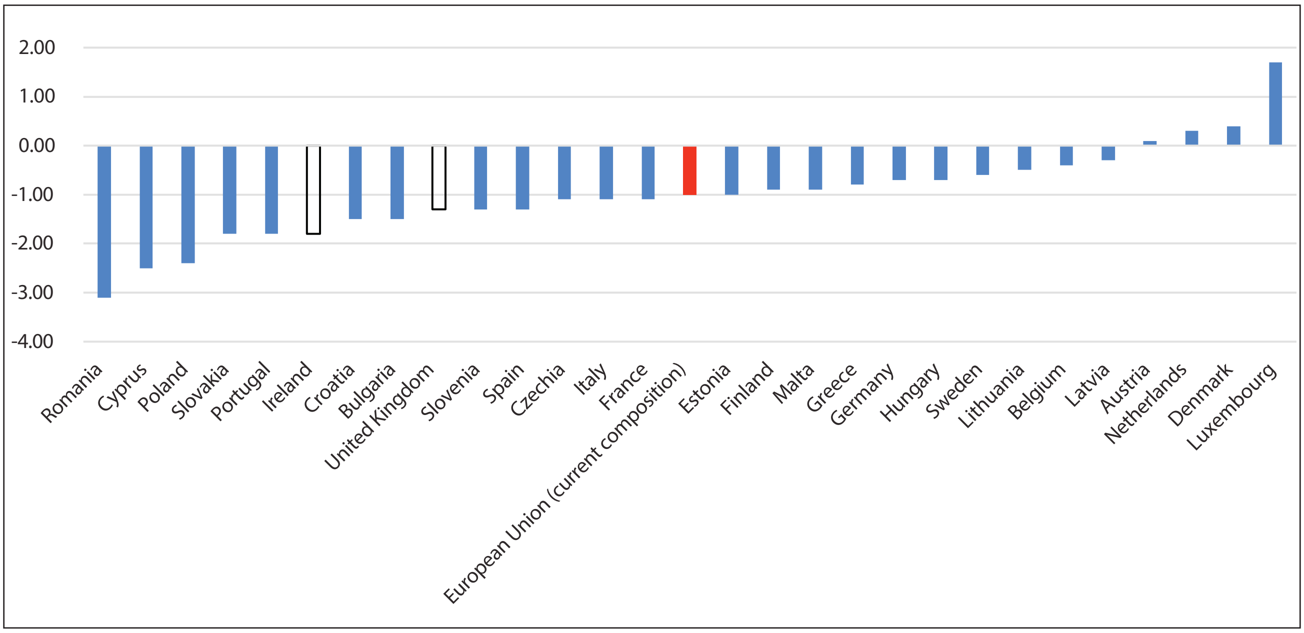
Source: Eurostat online database code: t2020_50. **Note:** rate not available for Croatia for 2008 thus EU rate for 2008 refers to EU-27
Note: Rates for 2017 not available for Ireland and the UK.

Going back for a moment to the review that we referenced in **Section 1**, above, of the extent to which countries take a social investment approach in their policies (Bouget *at al* 2015), we can also review the performance of countries in preventing poverty or social exclusion, in light of how well they are constituted in relation to social investment. All of the countries that are in Group 1 for social investment (identified by the European Social Policy Network as having a well-established approach to many social policies, Bouget *et al* 2015) and set out in **Table 1,** are ranked better than the EU average in terms of protecting people from poverty or social exclusion – this is true for 2017 and for prior years. These countries are Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia. When it comes to how the ten countries that are in Group 3 in relation to social investment (that is, the social investment approach has made the least inroads into the overall policy agenda), it appears that in 2017 (consistent with prior years), 8 out of ten of them have above average rates of poverty or social exclusion and several have the highest rates of poverty or social exclusion, including Bulgaria, Romania, Greece and Lithuania. From Group 3 (with the least developed social investment approach), only the Czech Republic (or Czechia as the country is now known) and Slovakia achieve rates of poverty or social exclusion lower than the EU-28 average. As we discussed in previous reports Czechia is an interesting case. Ranked as having the best (lowest) poverty or social exclusion rate, it is considered, in a Europe-wide review of social justice, to demonstrate merely middling economic performance, but to be relatively more effective at delivering fairness in society, illustrating how social policy plays a critical role in achieving social justice (Schraad-Tischler 2015). Slovakia is considered to do relatively well in terms of protecting its population from poverty because of its comparatively even income distribution patterns (Schraad-Tischler 2015).

We turn now to look at the **risk of poverty rate**, a relative income measure representing a percentage (in this case 60 per cent) of the median income in a given country and the most commonly agreed measure of poverty across Europe prior to the adoption of the 2020 Strategy. In 2017, 16.9 per cent of the population (EU-28) was living at risk of poverty (over 85 million people). The 2017 rate was slightly lower than that for 2016 (17.3 per cent, 2016) (Eurostat online database, code t2020_52). However, the 2017 rate was still marginally higher than the 2008 rate (16.6 per cent, EU-27) and more people were affected in 2017 than in 2008 (see **Table 3,** (Eurostat online database, code t2020_52).

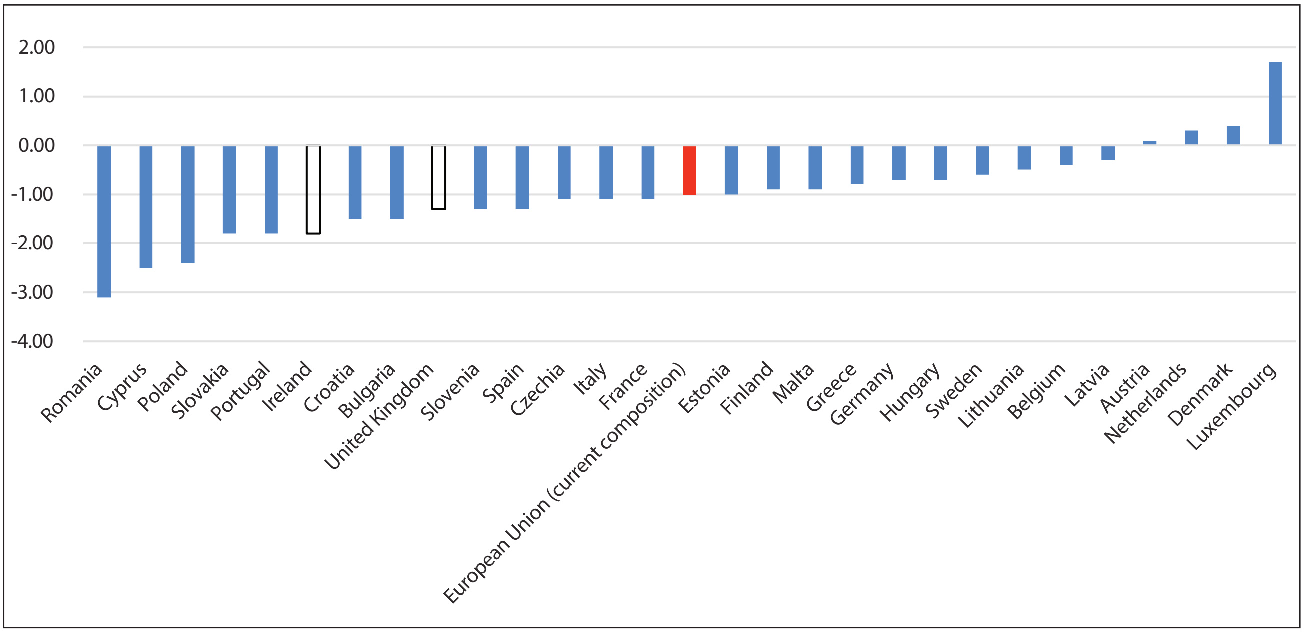
There was a large divergence between member states with a 14.5 percentage point difference between the highest rate (Romania, 23.6 per cent) and the lowest (Czechia, 9.10 per cent). See **Figure 3**.

Figure 2 At Risk of Poverty or Social Exclusion, EU-28, PP Change in Rate, 2016 TO 2017



Source: Eurostat online database code: t2020_50. **Note:** 2017 rates not available for Ireland or the UK – the changes shown for them, above, relate to the 2015 to 2016 period

Figure 3 People at Risk of Poverty (%), EU-28, 2008, 2016 and 2017



Source: Eurostat online database code: t2020_52 **Note:** EU average rate for 2008 relates to EU27 (as this was prior to the accession of Croatia). **Note**: Rate for 2017 not available for Ireland of UK.

We can also look at their performance on the risk of poverty indicator in light of how well they perform in relation to social investment and set out in **Table 1**, in **Section 1**. Again we find that all of the countries that are in **Group 1** for social investment (identified by the European Social Policy Network as having a well-established approach to many social policies, Bouget *et al* 2015), are ranked better than the EU average in terms of protecting people from relative poverty (again, Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia). By contrast, several countries with the least developed social investment approach have the highest rates of poverty (including Romania, Bulgaria, Lithuania and Latvia).**Figure 4** shows the percentage point changes in the risk of poverty rates between 2016 and 2017 for EU-28 countries. The risk of poverty indicator rose in several countries and not only amongst the countries with traditionally high rates. The rate has increased most in Luxembourg, Lithuania and Netherlands. The most significant decreases occurred in Poland and Romania.

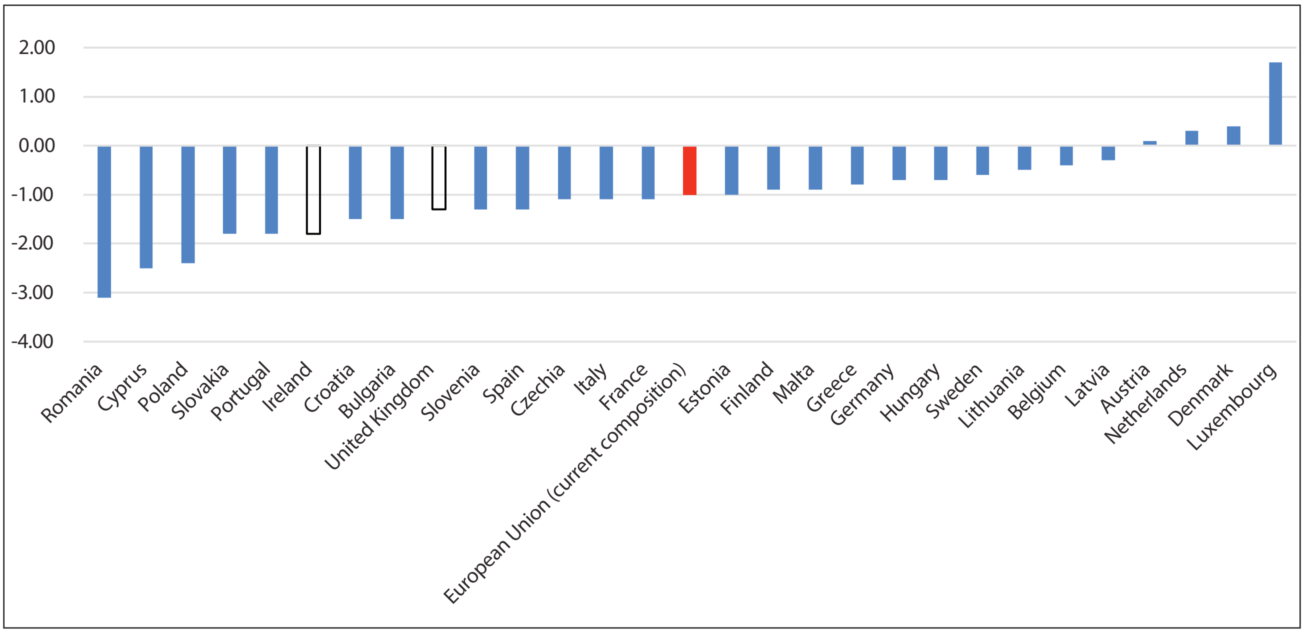
Severely Materially deprived people have living conditions severely constrained by a lack of resources. (See **Glossary** for a list of the resources that are taken into account). As we reported in previous reports in this series, following 2008 some substantial increases occurred in this indicator. The numbers affected increased each year between 2008 and 2012 (Eurostat online database, code t2020_53).

In 2017 rate of severe material deprivation was 6.9 per cent, representing nearly 35 million people, but down from a rate of 7.5 per cent in 2016 (representing 37.8 million people). It is a positive development that there have been improvements in this indicator in recent years - associated with household incomes increasing again in many countries (Social Protection Committee 2016).

As **Figure 5** shows, there is a good deal of divergence across EU-28 in relation to severe material deprivation, with very high levels in some countries, particularly amongst the newer members of the union, and very low rates in other countries. The rates in 2017 were highest in Bulgaria, Greece. Romania and Hungary; lowest in Sweden, Luxembourg, Finland, Netherlands and Denmark.

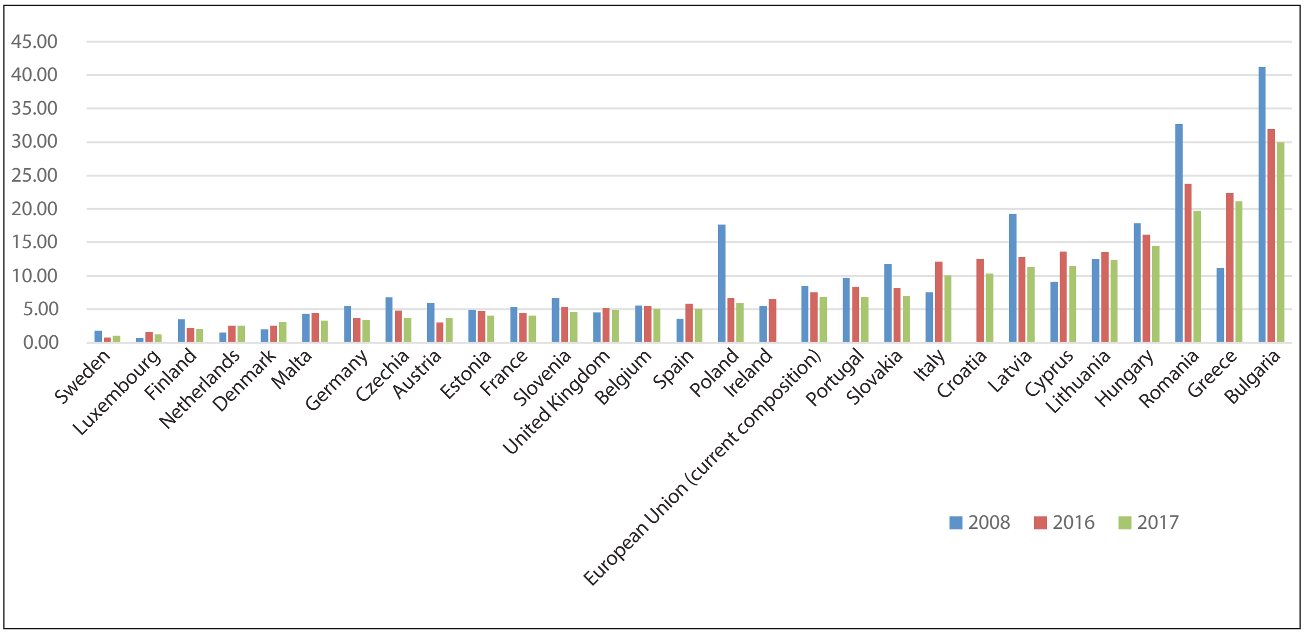
Figure 6 shows that the rate fell in most countries between 2016 and 2017, which is welcome. However, there was some deterioration in a small number of countries where the rates are traditionally low – Austria, Denmark and Sweden.

Figure 4 Risk of Poverty, EU-28, PP Change in Rate 2016 to 2017



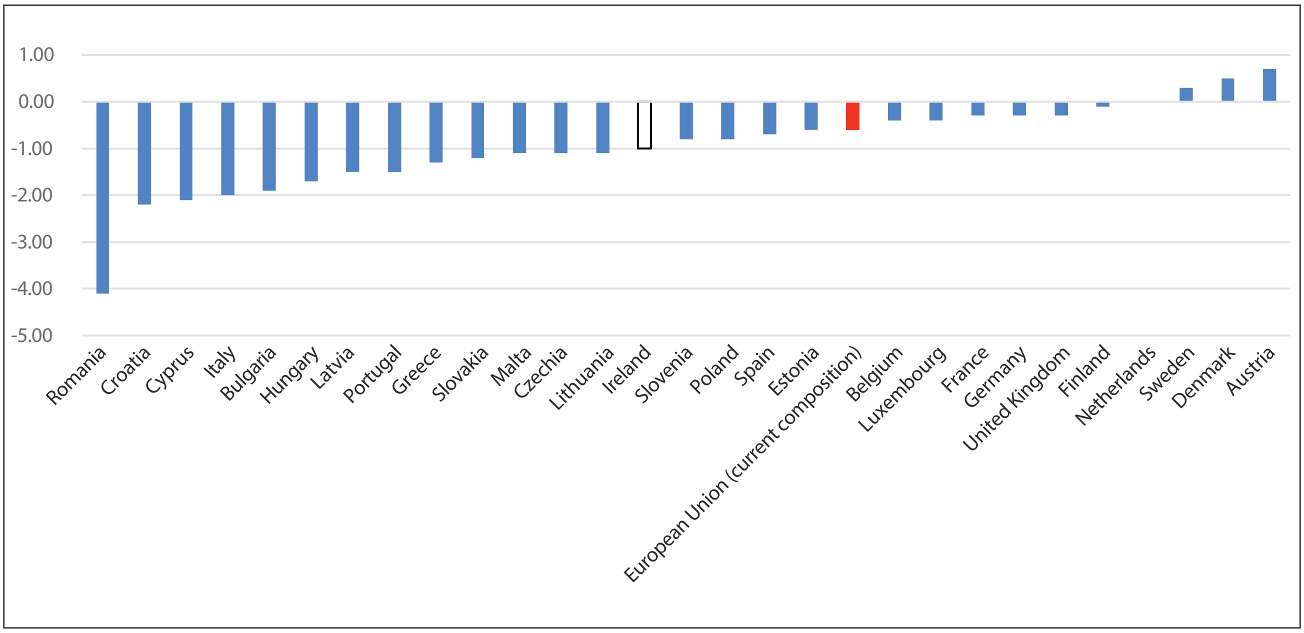
Source: Eurostat online database code: t2020_52. **Note:** 2017 rates not available for Ireland or the UK – the changes shown for them relate to the 2015 to 2016 period

Figure 5 Severely Materially Deprived Persons, Rate (%), EU-28, 2008, 2016 and 2017



Source: Eurostat online database, code t2020_53. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27. **Note:** 2017 rate is not available for Ireland.

Figure 6 Severe Material Deprivation, PP Change in Rate, 2016 to 2017



Source: Eurostat online database, code t2020_53. **Note:** 2017 rate not available for Ireland– the change shown for Ireland relate to the 2015 to 2016 period

The third and final measure of poverty that we review - called **Very Low Work Intensity** – is used in the Europe 2020 Strategy to measure labour market exclusion. It takes account of those aged 0-59 living in households where the adults (aged 18-59) work less than 20 per cent of their total work potential during the past year. In the previous report in this series we reported on the very significant increases in this measure from 2008, something related to very great increases in unemployment. The 2017 rate was 9.3 per cent (down from 10.5 in 2016). The highest rates were found in Ireland (2016 rate[4]), Greece, Belgium, Spain and Croatia (Eurostat code t2020-51).

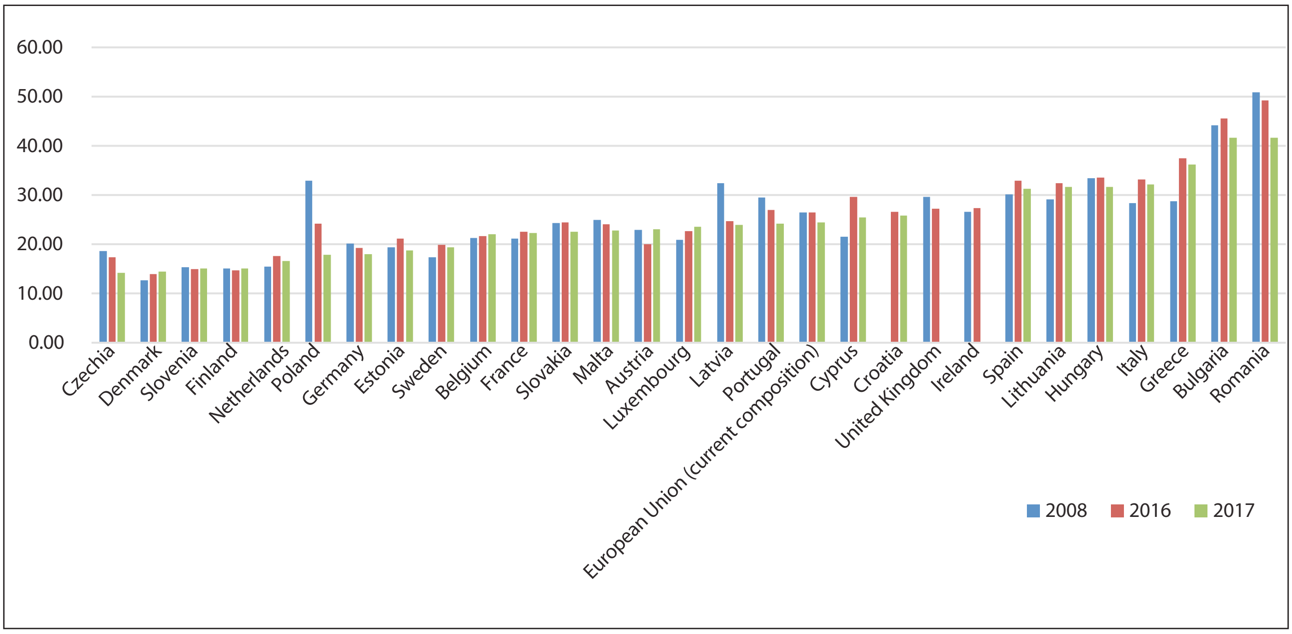
2.2 Poverty and Social Exclusion and other Indicators – Specific Groups

In this section we will look at some groups in more detail, again using the poverty measures that are most used at European level.

Children - Children were strongly affected by the economic crisis and the rate of poverty or social exclusion they experience continues to be higher than for the general population. Thus, when we look at the position of children (under 18), those who are considered to be **at risk of poverty or social exclusion** numbered nearly 23 million in 2017 (24.5 per cent) (Eurostat online database, code ilc_peps01). The 2017 rate was down from 26.4 per cent in 2016 (when they numbered some 24.9 million). The 2016 rate had been similar to what this rate had been in 2008, before the crisis (2008 rate for EU-27). Thus, little improvement in the situation of children occurred in many years but there has been some welcome improvement in 2017 (when looked at using the combined indicator developed for the Europe 2020 strategy).

There is great divergence in the rates across the EU. The highest rates are in Romania, Bulgaria, Greece, Italy and Hungary. The lowest rates are in Czechia, Denmark, Slovenia, Finland and Netherlands. See **Figure 7**. In some of these countries the percentage of children affected is very high indeed (over 40 per cent in Romania and Bulgaria and over 30 per cent in 5 other countries). The fact that such very high numbers of children continue year on year to experience poverty or social exclusion is a major concern and has long-term consequences for the people and families concerned as well as for the EU as a whole. As the

Figure 7 Children (u 18): Poverty or Social Exclusion Rate (%), EU28, 2008, 2016 and 2017



Source: Eurostat Online Database ilc_peps01. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27. **Note**: 2017 rate unavailable for Ireland and UK

[4] We used the 2016 rate for Ireland, as the 2017 rate was not available as we prepare this report. For other countries, the 2017 rate was available.

European Commission (2017a) has noted, children growing up in unfavourable conditions are less likely than their better-off peers to do well in school, enjoy good health and realise their full potential later in life.

Figure 8 shows the percentage point changes in the rates of member states between 2016 and 2017 (though no rate was available for Ireland of the UK for 2017 as we prepare this report). Some dis-improvements occurred in countries that traditionally have relatively low rates, including Austria, Luxembourg and Denmark. By contrast countries with relatively high rates such as Romania, Poland and Cyprus showed the greatest improvements.

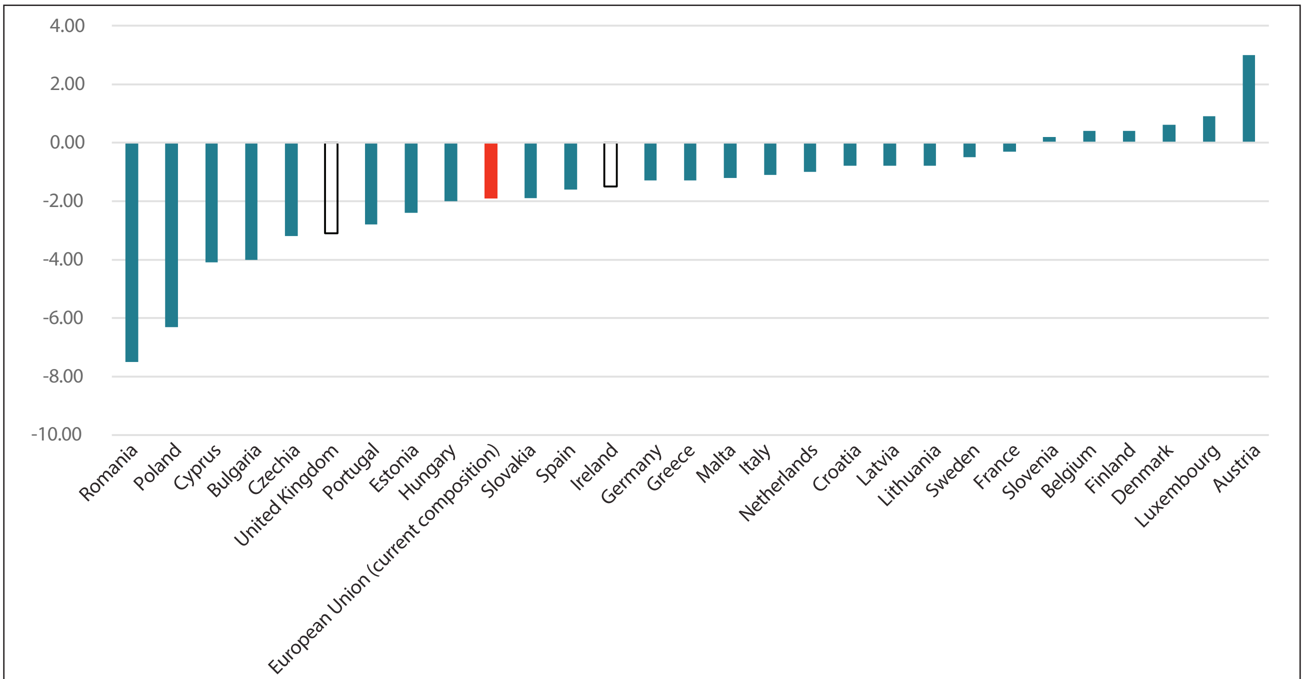
Taking the second indicator, children who are **at risk of poverty** (a measure of income poverty)**,** they numbered 18.6 million in 2017 (down from 19.8 million in 2016) and the rate was 20.1 per cent (down from 21 per cent in 2016) (Eurostat online database, code ilc_li02). Thus, there was a decrease in the year. However, it still means that around one fifth of Europe's children are still living in situations of income poverty (that is, below the 60 per cent threshold of median income in their countries).

As **Figure 9** shows, in 2017, the rates were highest in Romania (32.2 per cent), Bulgaria, Spain, Italy, Lithuania and Greece. Rates were lowest in Denmark and Finland (both around 9 per cent), Again, there are large divergences between countries.

The greatest improvements occurred (2016-2017) in three newer accession states – Poland, Hungary and Romania. The greatest disimprovements occurred in Austria, Luxembourg and Croatia.

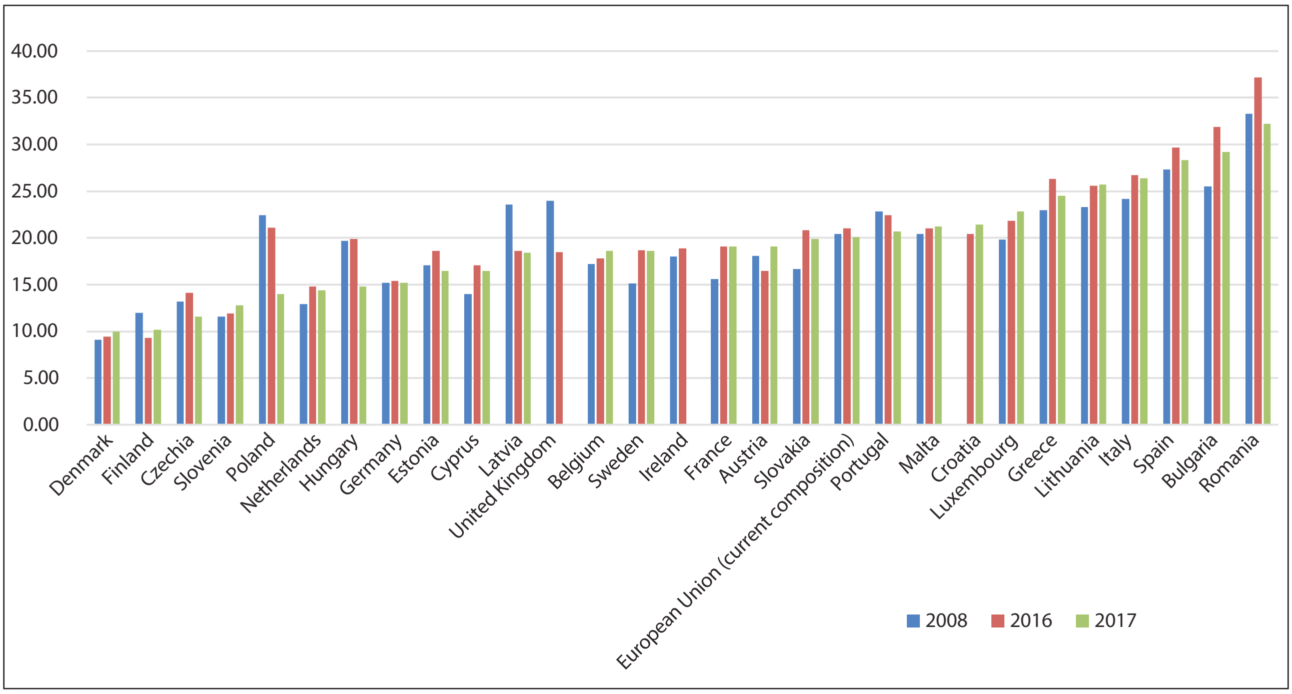
As we discussed in the previous report in this series, childhood **severe material deprivation** worsened in most member states following 2008. The rate was 7.3 per cent in 2017 (representing some 7.3 million children) but it had been reducing since 2012 (when it was 11.8 per cent, and then representing over 11 million children) (EU-27 for 2008) (Eurostat online database, code ilc_mddd11). Again, the newer accession countries are represented amongst the countries with the highest rates. Bulgaria (33.1 per cent) had the highest rate. This was followed by Greece, Romania and Hungary. While the rates in some newer accession countries (Bulgaria and Romania) are considerably lower than in 2008, there remains a very striking increase in the rate in other countries such as Greece and Cyprus (that is, as compared to 2008).

Figure 8 Children: Risk of Poverty or Social Exclusion, PP Change in Rate 2016 to 2017



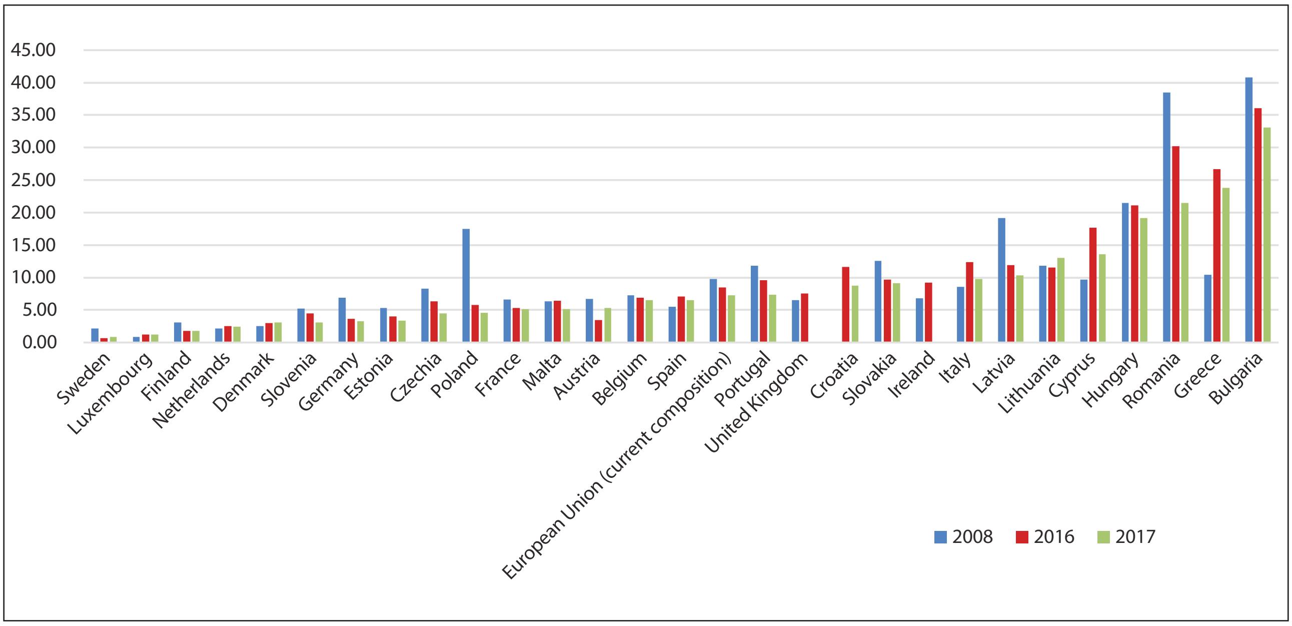
Source: Eurostat Online Database ilc_peps01. **Note:** 2017 rate not available for Ireland– the change shown for Ireland, above, relate to the 2015 to 2016 period

Figure 9 Children (u 18): Risk of Poverty Rate (%), 2008, 2016 and 2017



Source: Eurostat online database, code ilc_li02. **Note** 2008 average rate is for EU-27 as rate for Croatia not available. 2017 rates for Ireland and the UK not available.

Figure 10 Children (u18): Severe Material Deprivation Rate (%) 2008, 2016 and 2017



Source: Eurostat online database, code ilc_mddd11. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27. No data available for Ireland and UK for 2017

By contrast very low rates are in evidence in Sweden, Luxembourg, Finland and Netherlands (all with rates below 3 per cent). See **Figure 10**.

Focusing on changes between 2016 and 2017, the rate has decreased in a majority of member states. The countries where the rate improved most in the period were Romania, especially, and also Cyprus, Bulgaria and Greece.

These improvements are welcome, but overall, it is clear that the dangers of ongoing high levels of child poverty, social exclusion and deprivation are very serious. The risk of poverty or social exclusion tends to be passed on to the next generation (European Commission 2018e). For example, the European Commission (2018e) notes that almost 70 per cent of adults with a low ability to make ends meet grew up in a household in the same situation (2011 data). Moreover, it is true that the risk of poverty or social exclusion particularly affects families where parents could not benefit from an extensive education. For example, between 2010 and 2016 the increase in the risk of poverty or social exclusion was particularly high for children of parents with the lowest educational attainment, while the increase was minimal for other children. Thus, education, which is a strong determinant of poverty or social exclusion for adults, also strongly influences whether children are at risk of poverty or social exclusion (European Commission 2018e).

This poses challenges for the longer-term future of European countries. A dynamic perspective on poverty (that is, experience of poverty over time) underlines the key role of proactive policy measures, like social investment, or preventative social protection and services, whose results are only visible in the long run and, unfortunately, are often not prioritised (Vaalavuo 2015). One survey of social justice across Europe concludes that the northern European countries, in particular, offer a positive example of how child poverty can be quite effectively fought if socially disadvantaged groups receive targeted support through a functioning tax-and-transfer system; that study also points to the need to work towards a more sustainable remedy through achieving greater equality in the education system and the labour market (Schraad-Tischler *et al*. 2017). The ability to tackle the challenges of child poverty and youth exclusion will be decisive in Europe's capacity to guarantee a long-term future to its citizens (Social Protection Committee 2015a).

Older People - Where older people are concerned (usually taken to mean those over 65), and again using the most commonly used poverty indicators, the European average rate for **poverty or social exclusion** was 18.1 per cent in 2017 (representing 17.6m people). This was a slight decrease on the 2016 rate. The rate was higher for those aged 75+ (19.5 per cent) (Eurostat online database, code ilc-peps01).

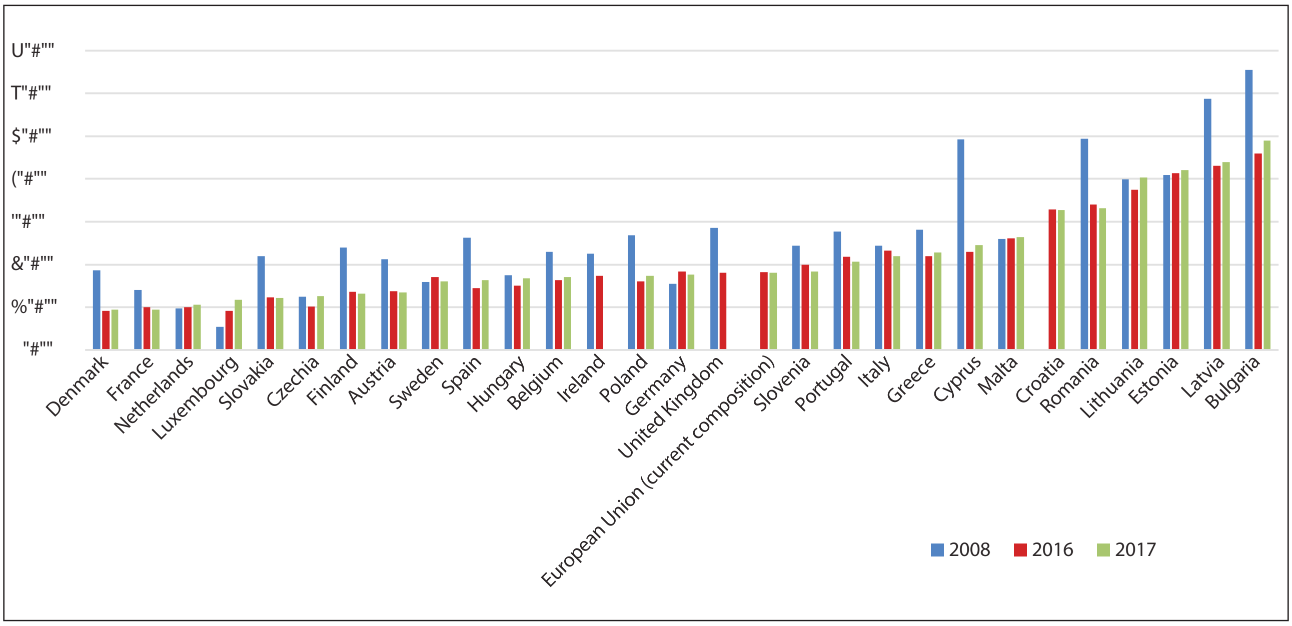
Poverty or social exclusion affects very many more women than men in older age – for those aged 65+, the rate for women was 20.5 per cent (11.2m people), whereas for men it was 15.1 per cent (6.39m people) (2017). The rate for women aged 75+ is even higher – 22.6 per cent (6 million people), whereas that for men aged 75+ is 15.2 per cent or 2.8million people (2017).

There is great variation in the rate. The newer accession countries tend to have higher rates. These include Bulgaria, Latvia, Estonia and Lithuania (all with rates over 40 per cent) and also Romania and Croatia (both over 30 per cent (2017). Between 2018 and 2017, the largest increases occurred in Bulgaria, Lithuania, Luxembourg, Czechia and Spain (all with increases of 2 pps or more) and Cyprus and Hungary (both +1.7pps). The lowest rates are found in Denmark, France, Netherlands and Luxembourg. See **Figure 11**.

When we look at the **at risk of poverty rate** (that is, a measure of income poverty), it affected nearly 14.6 per cent of people aged over 65 in EU-28 in 2016 and 2017 (Eurostat ilc_li02). However, it affected more people in 2017 – because populations are ageing (14.1m people in 2017, 13.8 in 2016).

In fact, the rate has been increasing from 2013 (when it had been 13.7 per cent) (Eurostat ilc_li02). It is also important to note, that apparent worsening or improvements in this indicator can sometimes occur not due to changes in the real income levels of the groups involved, but due to relative change when the median levels in a country decrease or increase overall. For example, apparent improvements relative to poverty in the past (that is, post 2008) for pensioners have to be seen in relation to declines in the poverty thresholds rather than as improvements

Figure 11 Older People: Poverty or Social Exclusion Rate (%), EU-28, 2008, 2016 and 2017



Source: Eurostat online database, code ilc-peps01 **Note** 2008 average rate is for EU-27 as rate for Croatia not available. **Note** 2017 rate for Ireland and the UK not available

in the economic situation of people aged 65+ in real terms (Social Protection Committee 2012, p.20).

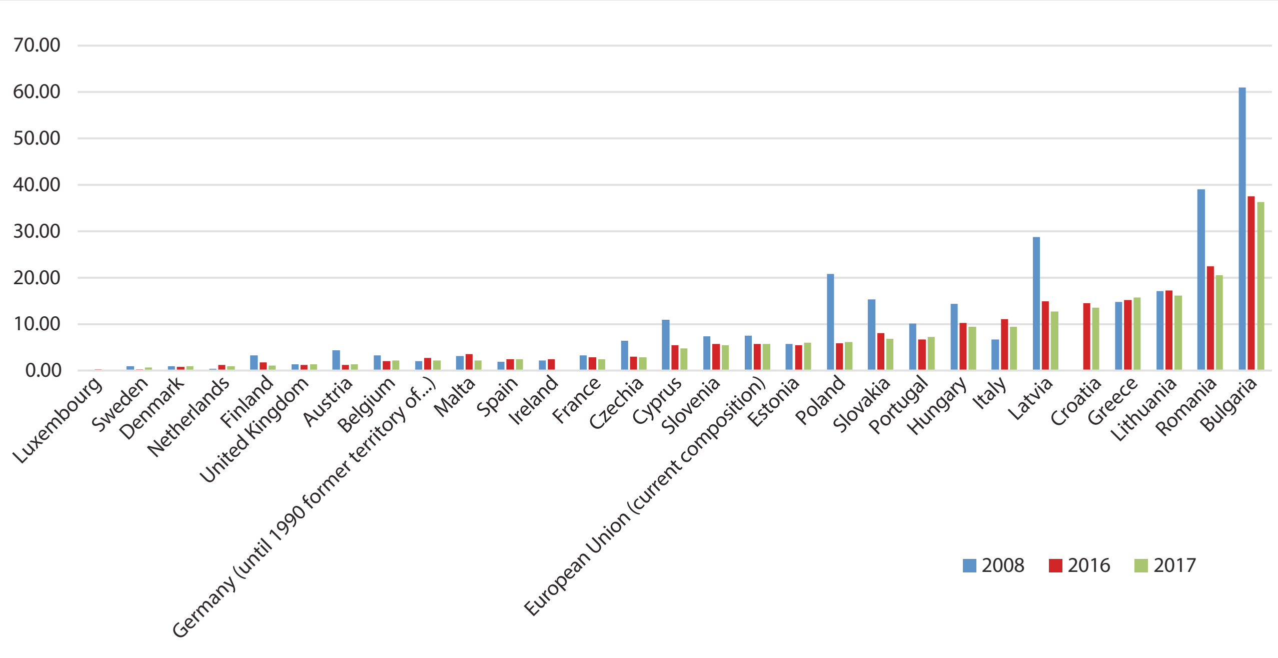
As we discussed above (relative to the poverty or social exclusion measure), there is a significant gender difference between men and women at older ages, with the rate considerably higher for older women (16.6 per cent in 2017) than men (12 per cent in 2017) (65+ EU-28). Because women live longer than men, this means that almost twice the number of older women are affected than older men (some 5 million men as opposed to some 9 million women in 2017) (Eurostat ilc_li02). When we look at age 75+, there is an even greater divergence between women and men (18.4 per cent of women or 4.9 million women and 12.3 per cent of men or 2.3million men).

The highest rates occurred in 2017 (65+) in some of the newer accession countries of Estonia (41.2 per cent), Latvia, Lithuania and Bulgaria (all over 30 per cent). The lowest rates were seen in Slovakia, France, Denmark and Hungary (Eurostat online database ilc_li02).

The average **severe material deprivation** rate for this age group was 5.8 per cent representing nearly 5.7 million people aged 65+ (EU-28) in 2017 (Eurostat online database, code ilc_mddd11). The rate (5.8 per cent) was the same as in 2016 but the numbers affected increased (from approximately 5.4 million in 2016 to 5.7 million in 2017). Again the rate is higher for older women than older men and many more of them are affected (6.8 per cent of women, representing 3.7 million women and 4.6 per cent of men, representing 1.97 million men).

There is great variation in the levels of this form of deprivation across Europe, with approximately 36 percentage points difference between the country with the highest rate, Bulgaria, and those with the lowest, Luxembourg, Sweden, Denmark and Netherlands (in these three, it represents less than 1 per cent). See **Figure 12**. Again some of the newer accession states tend to have the highest rates such as Bulgaria (36.3 per cent), Romania (20.6 per cent) and Lithuania (16.2 per cent). The rate is also high in Greece (15.2 per cent) and it has been rising there since 2009 (when it was 12.1 per cent) – and it is notable that this is in contrast to some newer accession countries where it has fallen considerably since 2008. This is a negative trend signalling how the situation of some groups in Europe (in this case, Greek older people) is worsening at a time when the overall position of the EU economy is improving.

Figure 12 Older People: Severe Material Deprivation Rate (%), 2008, 2016 and 2017



Source: Eurostat online database, code ilc_mddd11. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27. No data available for Ireland for 2017

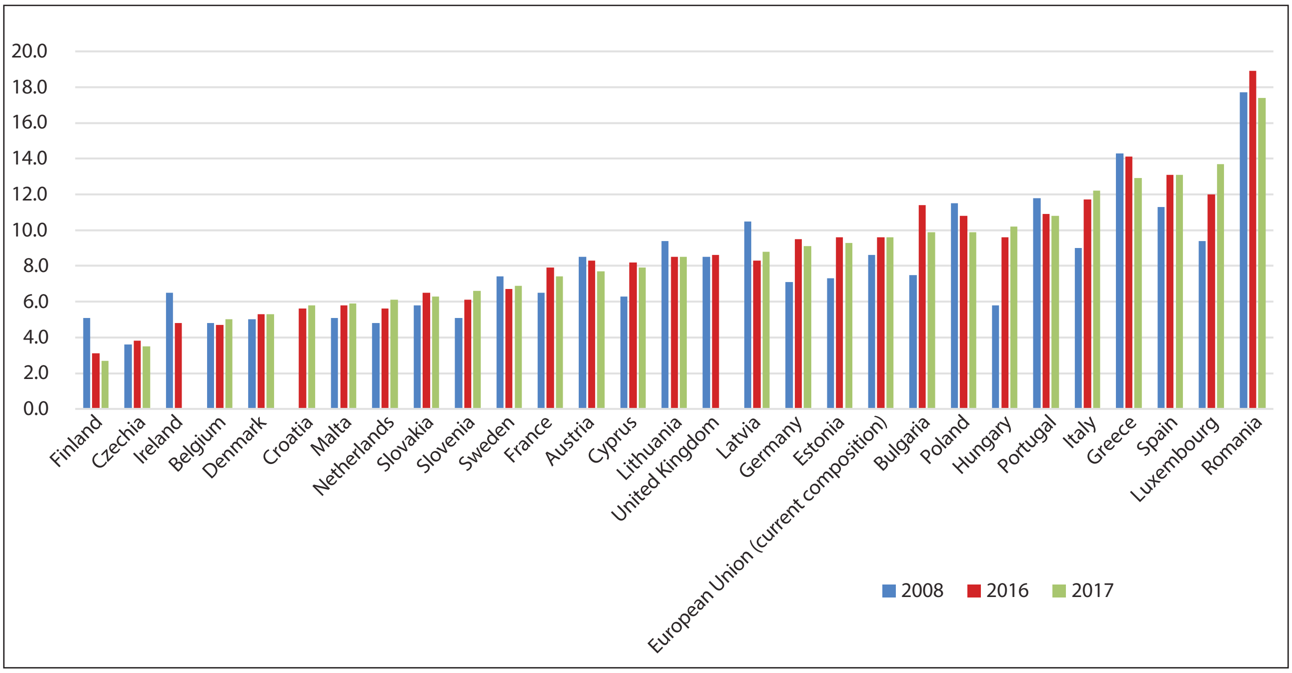
Dis-improvements in this rate occurred in 9 member states between 2016 and 2017 – albeit relatively small dis-improvements. The countries showing the worst dis-improvements were Greece, Estonia and Portugal. While disimprovements were slight, the fact that they are happening at all at a time of growth and recovery in Europe continues to make this a trend to watch for the future, as we noted in last year's report in this series.

Working Poor – In 2017, 9.6 per cent of employed people (aged 18+) were living under the poverty threshold (EU-28) and it has been at similar levels since 2014 (Eurostat Online database, code ilc_iw01). Thus, about 10 per cent of employed people in the EU live in poverty. In 2008, the rate had been 8.6 per cent. Although it is difficult to discern clear trends, Eurofound (2017a) links non-standard forms of employment in many countries to the expansion in the proportion of Europeans at risk of in-work poverty.

The highest rates occurred in Romania (17.4 per cent), Luxembourg (13.7 per cent), Spain (13.1 per cent), Greece (12.9 per cent) and Italy (12.2 per cent). The lowest rates occurred in Finland and Czechia. See **Figure 13**.

The EU Social Protection Committee (2017) notes that rising levels of in-work poverty are key challenges to address in order to raise income and living standards in Europe. This means that getting people into work is not always sufficient to lift them out of poverty. Limited policy attention is paid to this group (there is not, for example, a specific focus on them in the Europe 2020 strategy). Eurofound (2017a) has reported on their experiences and found that the working poor face significantly more social problems than the population as a whole: in-work poverty is associated with lower levels of subjective and mental well-being, problems with accommodation, as well as poorer relationships with other people and feelings of social exclusion (Eurofound 2017a). These findings demonstrate the need for a specific policy focus on this group and better documenting their social situation.

Figure 13 In-Work Risk of Poverty Rate, EU-28, 2008, 2016 and 2017



Source: Eurostat Online database, code ilc_iw01. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27. **Note:** The 2017 rate is not available for Ireland and the UK.

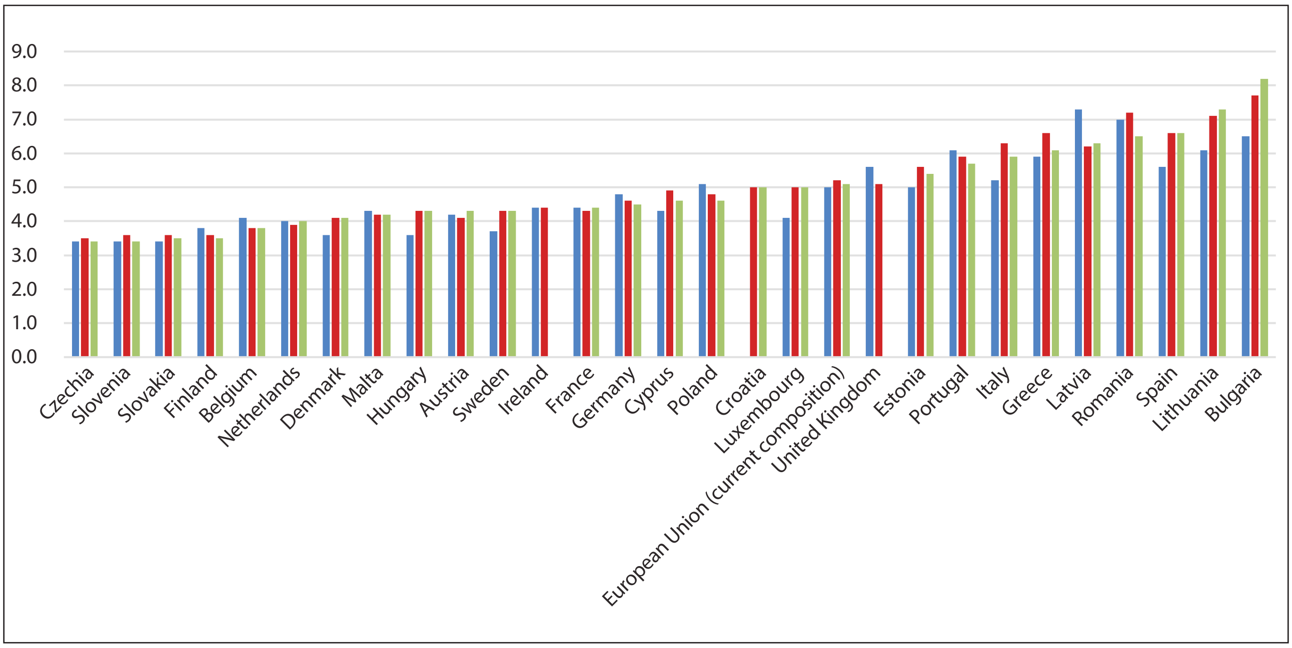
2.3 Income Inequality

Widening income inequality is considered a defining challenge of our time (see, for example, OECD 2015c; Dabla-Norris *et al* 2015; Piketty 2013). One of the Sustainable Development Goals is to reduce inequalities (SDG 10) focusing on inequality within and between countries. Inequality is about exclusion; exclusion from participating up to one's capabilities in the economic, social and political life of the community.

In Europe, the great recession (from 2008) has intensified concern about inequality due in part to perceptions that the increase in equality may have been a factor in triggering the crisis (Eurofound 2017b). Piketty's influential book, *Capital in the 21st Century*, documents a stark rise in inequality within developed economies in North America and Western Europe over decades. Estimates suggest that almost half of the world's wealth is now owned by just 1 per cent of the population, amounting to $110 trillion—65 times the total wealth of the bottom half of the world's population (Dabla-Norris 2015). In OECD countries, the richest 10 per cent earn incomes 9.6 times that of the poorest 10 per cent (OECD 2015c). Again, in OECD countries, wealth is even more concentrated than income – the top 10 per cent of wealthiest households hold almost half of total wealth, the next 50 per cent hold almost the other half, while the 40 per cent least wealthy own little over 3 per cent (OECD 2015c). These are very striking inequalities.

High levels of income inequality are associated with a wide range of health and social problems across countries (Wilkinson and Pickett 2007). The International Monetary Fund (IMF) has shown that income inequality also matters in economic terms – that is, for growth and its sustainability. Income distribution itself impacts on growth (Dabla-Norris *et al* 2015). Specifically, if the income share of the top 20 per cent (the rich) increases, then GDP growth actually declines over the medium term, suggesting that the benefits do not trickle down, contrary to what has been the received wisdom. In contrast, an increase in the income share of the bottom 20 per cent (the poor) is associated with higher GDP growth. That report concludes that poor people and the middle classes matter the most for growth through a number of interrelated economic, social, and political channels.

Figure 14 Income Inequality EU-28, S80/S20, 2008, 2016 and 2017



Source: Eurostat online database, code ilc_di11 Note the 2017 rate is not available for Ireland or the UK.

One measure of income inequality is the **GINI coefficient**, an index ranging from 0 to 100 where 0 represents a perfectly equal distribution of income and 100 represents a perfectly unequal distribution. See **Glossary.** The higher the GINI coefficient, the greater the income inequality. According to the GINI coefficient indicator, there was a very slight decrease between 2016 and 2017 in average levels (from 30.8 to 30.3) within EU-28 (Eurostat ilc_di12). The countries with the greatest income inequality (according to the GINI coefficient) in 2017 were Bulgaria, Lithuania, Latvia, Spain, Portugal, Greece and Romania. Those with the lowest included Slovakia, Slovenia, Czechia, Finland, Belgium and Netherlands. Bulgaria was the country where the greatest increase occurred between 2016 and 2017 (+2.5pps).

Another measure of income inequality is the **income quintile share ratio** or the **S80/S20 ratio,** which is a measure of the inequality of income distribution. It is calculated as the ratio of total income received by the 20 per cent of the population with the highest income (the top quintile) to that received by the 20 per cent of the population with the lowest income (the bottom quintile). The average European S80/20 ratio increased in recent years but only slightly and overall has remained relatively stable (5.0 2008, EU-27; 5.1, 2017, EU-28). See **Figure 14**.

However, there are substantial differences between countries. In 2017, while in some Nordic and some Central European countries, the rich earned around four times as much as the poor, in Bulgaria and Lithuania the value is above 7, and in Spain, Romania, Latvia and Greece, the value is above 6. The most 'equal' countries were Czechia, Slovenia and Slovakia.

Between 2016 and 2017, the ratio increased in 6 countries (Bulgaria, Lithuania, Austria, France, Netherlands and Latvia) (no 2017 data available for Ireland or the UK as we prepare this report).

The results of analysis using the GINI coefficient and using this indicator (S80/20) show that both indicators suggest a somewhat similar list of countries that can be considered most unequal. In Europe, after 2008, there was significant decline in relative income levels in some countries in the European periphery in the initial years (mainly the Baltic States, some Mediterranean Member States, and Ireland), but not so much in core European countries (Eurofound 2017b). After 2011, paths began to diverge within the peripheral group, with the Baltic states and other eastern European countries recovering rapidly, while income levels experienced downward adjustments in Mediterranean Member States. But there is also concern that the impact of the crisis revealed by real income levels is not always reflected by relative inequality indices (or by other indicators such as GDP per capita) (Eurofound 2017b). Based on a more in-depth analysis (using top and bottom quintiles of the whole EU out of the national data), Dauderstadt (2017) shows that the resulting EU-wide S80/20 ratio was higher than the average published by Eurostat - 9.47 (Euros) (6.26 PPS).

According to Eurostat, income inequality would have been greater in all countries if social transfers had not been included (European Commission 2017b). Social transfers reduced income inequality by less than 7 per cent in Bulgaria, Cyprus, Estonia Greece, Italy, Latvia, Poland and Romania but by more than 25 per cent in Belgium, Denmark, Finland and Ireland (in the period 2012-2015) (European Commission 2017b).

2.4 Disposable Income and Financial Distress

In order to assess how disposable incomes compare across Europe as well as the changes to them over time, we look at **disposable median net income** per country for the total population. Disposable net income is the total gross disposable income (that is, all income from work, private income from investment and property, transfers between households and all social transfers received in cash including old-age pensions) minus social security contributions and income taxes payable by employees (Eurostat ND). This means it represents income available to individuals and households for spending or saving.

But the living standards achievable by a household with a given disposable income depend on how many people and of what age live in the household and thus household income is 'equivalised' or adjusted for household size and composition so that the incomes of all households can be looked at on a comparable basis. See **Glossary for** definition of Household Disposable income, which explains the Eurostat approach to equivalisation in more detail. It is to be noted that national statistical agencies may take different approaches to equivalisation and thus publish different levels[5]. However, in this report, in order to facilitate comparison across countries, we are using the Eurostat calculations.

We will look at the median income value, which involves dividing a population into two equal-sized groups: exactly 50 per cent of people fall below that value and 50 per cent are above it, because the average or mean household disposable income can be skewed by very high or very low incomes of a few having a disproportionate impact.

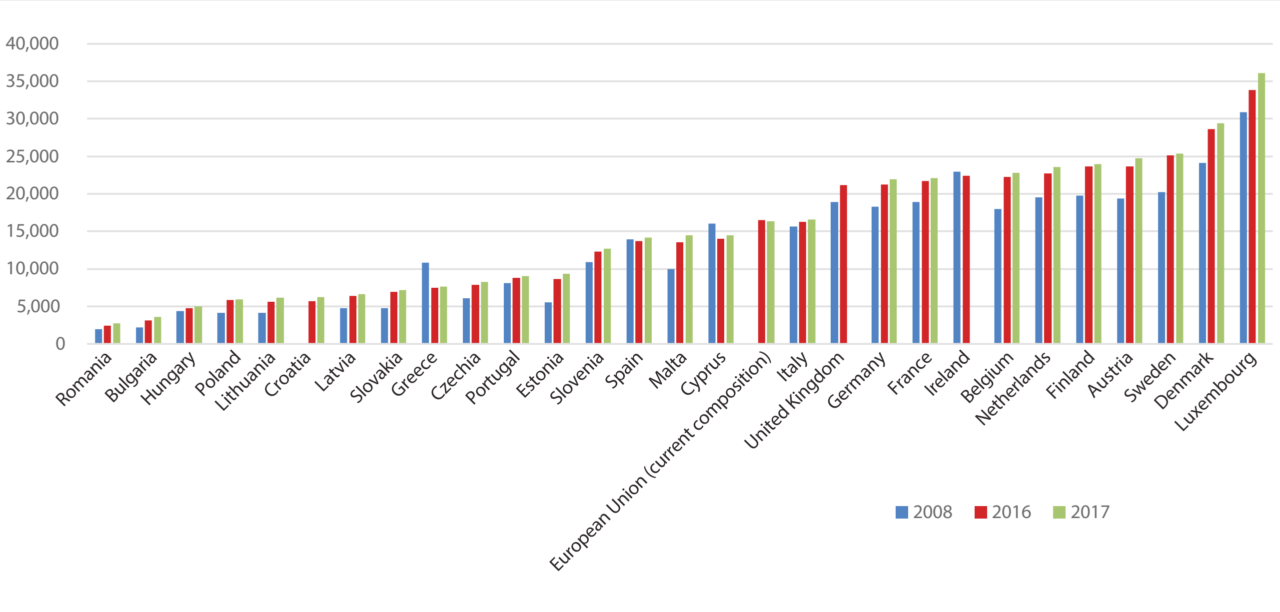
See **Figure 15,** which shows that in 2017 the highest levels of disposable income occurred in Luxembourg, Denmark, Sweden, Austria, Finland and Netherlands, the lowest in Romania, Bulgaria, Hungary and other newer accession members. There is also great variation in the levels between the highest countries and the lowest. For example, the 2017 figures in the top two countries, Luxembourg and Denmark, were €36,076 and €29,383, respectively; those in the countries with the lowest levels, Romania and Bulgaria, were €2,742 and €3,590, respectively. (This means that half of the people of these countries are considered to have disposable incomes above those amounts and half below.)

In previous reports in this series, when we looked at the countries where the greatest changes occurred between 2008 and 2013, we saw that by far the greatest reductions were in Ireland and Greece, while by far the largest increase occurred in Sweden followed by Belgium, Finland, Denmark and Austria. For improvements between the latest years (2016 to 2017) (Eurostat online database: ilc_di03), see **Figure 16.**

However, nominal changes do not tell the whole story about income changes, as inflation also has a significant influence - 'real' means that nominal figures are deflated using the consumer price index. In its review for 2017, the European Commission

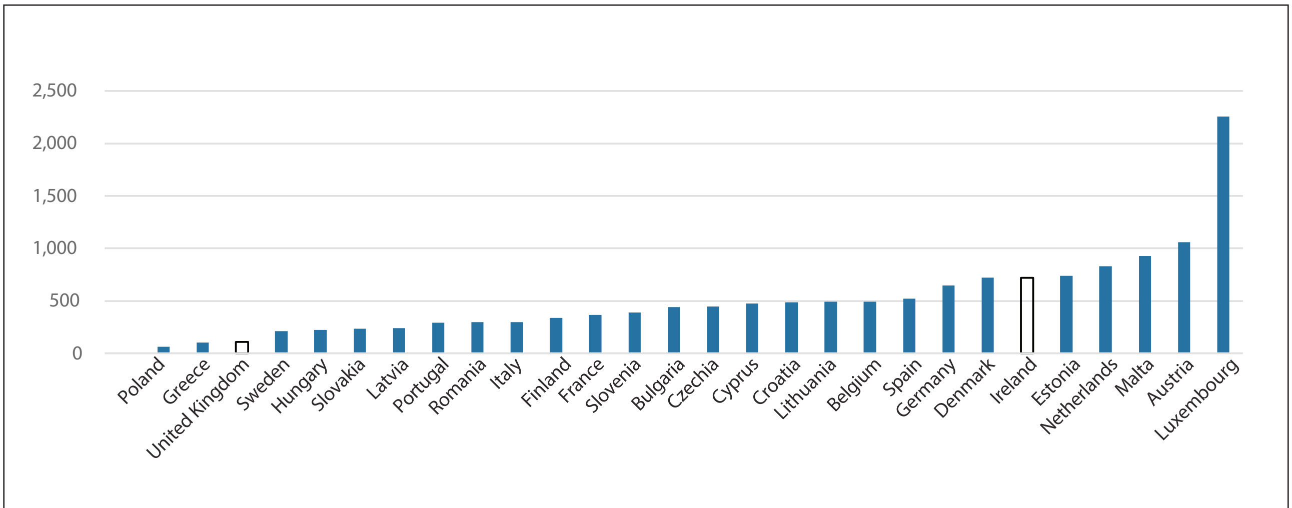
[5] Equivalence scales are used to calculate the equivalised household size in a household. For example, the equivalence scale used in Ireland attributes a weight of 1 to the first adult, 0.66 to each subsequent adult (aged 14+) living in the household and 0.33 to each child aged less than 14. The weights for each household are then summed to calculate the equivalised household size. Disposable household income is divided by the equivalised household size to calculate equivalised disposable income for each person, which essentially is an approximate measure of how much of the income can be attributed to each member of the household. This equivalised income is then applied to each member of the household. Eurostat uses a different equivalence scale attributing a weight of 1 to the first adult, 0.5 to each subsequent adult and 0.3 to each child – see Glossary.

Figure 15 Median Disposable Annual Income (€): EU28, 2008, 2016 and 2017



Source: Eurostat online database ilc_di03 (source: SILC) **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27. **Note:** The 2017 rate is not available for Ireland and the UK.

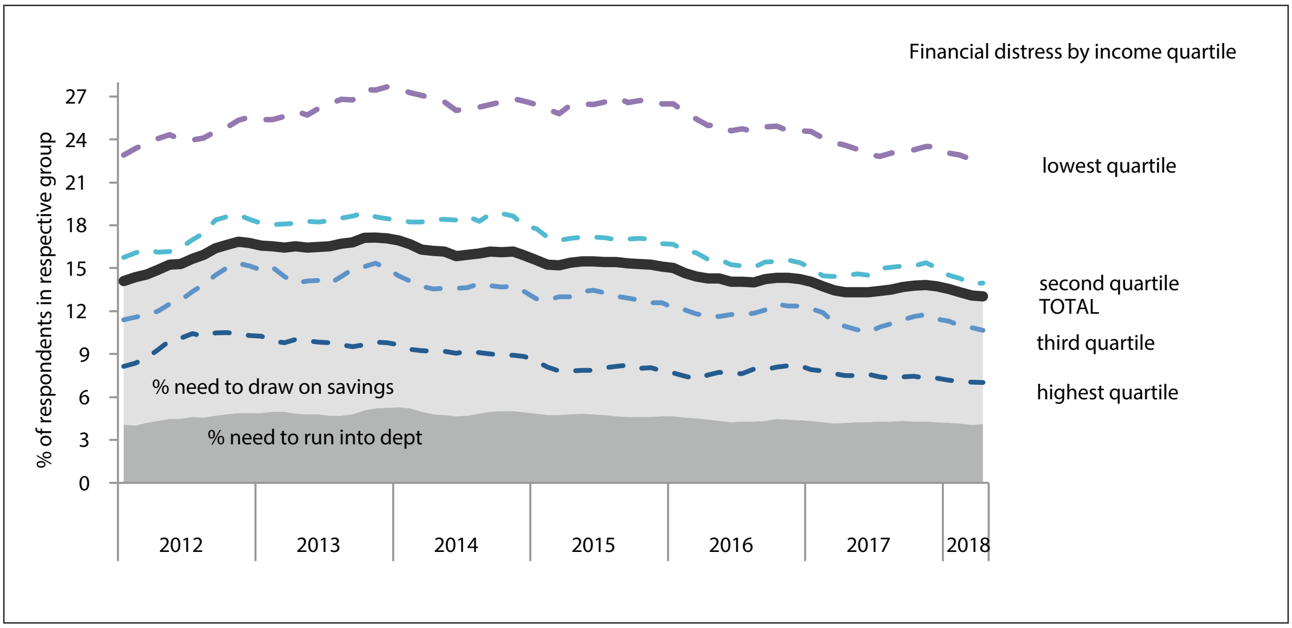
Figure 16 Change in Median Disposable Income (€), EU, 2016 to 2017



Source: Eurostat online database ilc_di03 (source: SILC). **Note:** 2017 rate not available for Ireland or the UK. Average for EU-28 not included in diagram[6]

[6] We omitted it as it was still estimated by Eurostat (due to the non-availability of data from UK and Ireland) and there appeared to be some technical issues as we prepared this report.

Figure 17 Household Financial Distress (%) 2012-2018: Total, and by Income Quartiles



Source: European Commission (2018f Chart 31): European Commission, Business and Consumer Surveys, data not seasonally adjusted, 5-months moving average (DG EMPL calculations). **Note:** Horizontal lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey areas, which together represent total financial distress.

(2017b:43) notes that while median income increased in most Member States, there are different distributional patterns in different countries – looking at disposable income in different quintiles of the distribution.

The European Quality of Life Survey showed that a decrease in material hardship and increase in satisfaction with standard of living occurred across all income quartiles between 2011 and 2016 (Eurofound 2017e). However, the level of difficulties in making ends meet is still higher in seven countries than it was before the crisis in 2007 (Croatia, France, Greece, Ireland,

Italy, Slovakia, Spain). Also on average in the EU, two people in five (39 per cent) report difficulties in making ends meet although this proportion had reduced between 2011 and 2016,

(Eurofound 2017e). Even in the most affluent European countries, at least 30 per cent of people in the lowest income quartile experience difficulties in getting by.

Financial distress of households (defined as the need to draw on savings or to run into debt to cover current expenditures and based on personal perceptions) is still running at high levels having reached historically high levels in 2013 (European Commission 2017b). It is welcome that financial distress has gradually declined over the last three years (which means that the shares declined of households reporting running into debt and having to draw on their savings).

However, financial distress for low-income (lowest quartile) households continuously reduced since 2015 but remained well above 20 per cent in the first quarter of 2018. By comparison, financial distress was down to 13 per cent for the total population and to 7 per cent for the wealthiest quartile. In the second quarter of 2018, the overall level of financial distress for households in the lowest income quartile remained stable or decreased in the majority of Member States, compared with the same quarter of the previous year. It ranges from around 7 per cent in Estonia, to over 30 per cent in UK, Slovakia, Spain and France for the total population. See **Figure 17,** where rates are shown for household distress across income quartiles, 2012-2018. It shows how the greatest distress is being experienced, especially by the lowest income quartile (or lowest 25 per cent) but also by the second quartile (lowest 50 per cent).

2.5 Poverty, Social Exclusion and Income Inequality: Summary and Conclusions

The review set out in this Section shows how Europe moved further away from the targets set in the Europe 2020 Strategy in the years following its adoption in 2010. The picture that emerges in the 2016-2017 period (the latest for which Eurostat has published rates as we prepare this report) suggests that years of dis-improvement have been followed by stagnation for many Europeans who are vulnerable and that recent improvements in employment and growth are not raising all boats. Improvements have failed to reach many people.

The risk of poverty or social exclusion rate stands at 22.5 per cent (EU-28, 2017), still representing more than one in five Europeans, and amounting to almost 113 million people (in 2017). It is only now (that is, 2017) that the numbers affected have for the first time dropped lower than those affected in 2008 (when it affected 116 million people). However, Europe is still very far off-track in meeting the target set in 2010 to reduce the numbers affect by 20 million (by 2020). When you look at longer-term developments since the start of the Europe 2020 Strategy, for many social areas the situation still remains noticeably worse as a result of the economic crisis. Thus, despite recent improvements, there is reason for concern about a range of issues and the length of time that high levels of poverty or social exclusion have persisted is unacceptable in human and societal terms.

Another key issue is that there continue to be very steep divergencies between countries. It is notable that those countries identified by the European Social Policy Network as having a well-established approach to social investment (mainly Nordic and central European countries) tend to do well at protecting their populations from poverty or social exclusion relative to other countries with a less well developed social investment approach. Some of the newer accession countries and some Mediterranean countries tend to be more negatively affected by poverty (as measured by the three indicators that are used for the Europe 2020 strategy) than Nordic or central European countries.

In general terms, the groups most vulnerable to poverty or social exclusion tend to be young people, unemployed and inactive persons, single parents, households consisting of only one person, people with low educational attainment, foreign citizens born outside the EU, and those residing in rural areas (European Commission 2018e).

When we look beneath the headline indicators, we find that in 2017, 16.9 per cent of the population (EU-28) was living at risk of poverty (over 85 million people) – a rate that is still marginally higher than the 2008 rate. Furthermore, more people were affected in 2017 than 2008. But there are improvements showing in other indicators. In 2017 the rate of severe material deprivation was 6.9 per cent, representing nearly 35 million people. But this rate has been showing considerable and welcome improvement in recent years, which is associated with household incomes increasing again in many countries (Social Protection Committee 2016).

Children: We also highlighted ongoing high levels of poverty or social exclusion amongst children and suggest that this is one of the most challenging and serious issues faced by Europe, not least because it can affect the rest of one's life and a tendency to live in poverty can be passed on to future generations. The rate of poverty or social exclusion that children experience continues to be higher than for the general population. For children (under 18) **at risk of poverty or social exclusion** the 2017 rate was 24.5 per cent (representing nearly 23 million children) (Eurostat online database, code ilc_peps01). The 2017 rate represents a reduction on the 2016 level (from 26.4 per cent). Thus, while little improvement in the situation of children occurred in many years, some welcome improvement is evident in 2017. Levels of severe material deprivation have, fortunately, improved for children in recent years, but there are also some reasons for concern, because the rates still remain at very much higher levels than in 2008 in some countries (notably, Greece and Cyprus). In short, poverty in all its forms still affects far too many children and childhood poverty remains a pressing problem because of its long-lasting effects on society and on the lives of individuals.

Older People: Where older people are concerned (those over 65), over 18 per cent experienced poverty or social exclusion in 2017 (representing 17.6m people). The rate was higher for those aged 75+ (19.5 per cent) (Eurostat online database, code ilc-peps01).

The situation of older people varies greatly as between countries, with very high levels of income poverty and material deprivation especially in newer accession countries and also in some Mediterranean countries. Between 2016 and 2017, the largest increases occurred in Bulgaria, Lithuania, Luxembourg, Czechia and Spain and (to a lesser extent) in Cyprus and Hungary. The lowest rates are found in Denmark, France, Netherlands and Luxembourg. However, the numbers of older people affected by severe material deprivation increased in the latest year (2016-2017) and this means that this is a concerning trend. The gender dimension of this issue is striking – there are far more older women affected by income poverty and material deprivation than older men.

Working Poor: About 10 per cent of employed people in the EU live in poverty and the rate is higher now (2017) than it was in 2008 (8.6 per cent). They are a group that does not always receive much policy focus, but a recent study shows that they face significantly more social problems than the population as a whole.

When **income inequality** is examined there are concerns overall about increases over time. There are substantial differences between countries in Europe. For example, when we look at the income inequality rate for 2017 (S80/20 indicator), while in Scandinavia and some Central European countries, the rich earn less than four times as much as the poor, in several Eastern European countries and some Mediterranean countries the equivalent ratio is above 6 (and above 7 and 8 in some).

When we examine **median disposable income**, the highest levels occur in Scandinavian and central European countries, the lowest in other newer accession members and there are very great variations in the levels. In recent times, median income has increased in all Member States.

Financial distress (defined as the need to draw on savings or to run into debt to cover current expenditures) has gradually declined over the last three years as the share of households reporting running into debt or having to draw on their savings declined. However, while financial distress for low-income (lowest quartile) households continuously reduced since 2015, it remained well above 20 per cent in the first quarter of 2018.

Overall, while there have been some improvements in the latest years (2016-2017), Europe is still far off-track in relation to meeting its poverty reduction targets. The social indicators suggest little improvement for very many people living in Europe, with dis-improvements for some groups in several countries. These include older people in some countries, an issue that particularly affects older women. Those working who still live in poverty is another group to be concerned about and this issue now affects a greater proportion of people than it did in 2008. The position of children, in particular, while improved somewhat continues to be strikingly negative for very many children with potentially very serious long-term consequences. Thus, recovery has yet to be felt across social groups.

Chapter 3

3 Employment and Unemployment

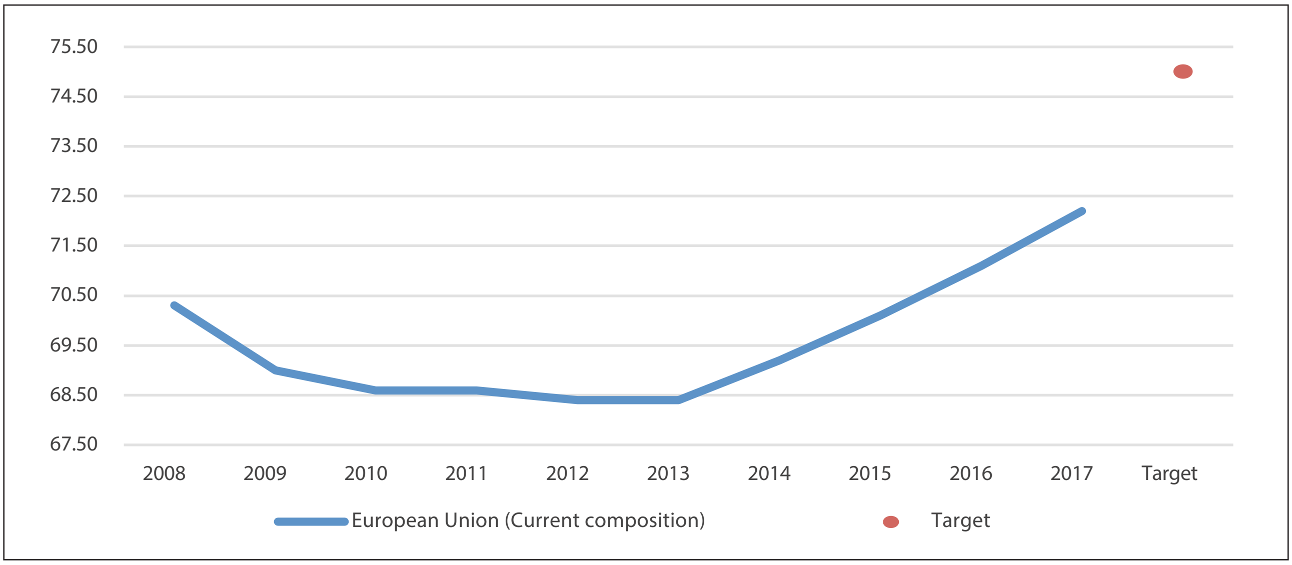
Social Justice Ireland includes the right to meaningful work amongst its core rights that need to guide policy-making in the future (see **Section 1**, above).

3.1 Employment

The Europe 2020 strategy set a headline target that 75 per cent of 20-64 year-olds would be employed by 2020. **Figure 18** shows the drastic job losses in Europe as a whole following 2008 and the very significant improvements since 2013. The average rate is still nearly 3 percentage points from the target set for 2020 – although the European Commission expects that the target will be reached (2018c). The average rate in 2017 was 72.2 per cent; it had been 70.3 per cent in 2008 (Eurostat t2020_10). In the first quarter of 2018, numbers employed increased by 0.4 per cent in both the euro area (EA19) and the EU28 compared with the previous quarter (Eurostat 2018a). Thus, in the first quarter of 2018, an estimated 237.9 million people were employed (EU28), the highest levels ever recorded (seasonally adjusted) (Eurostat 2018a). These are welcome developments. However, as, Marianne Thyssen, EU Commissioner for Employment, Social Affairs, Skills and Labour Mobility, has commented, now is the time to make the most of this positive economic momentum and deliver on new and more effective rights for citizens (European Commission 2018a).

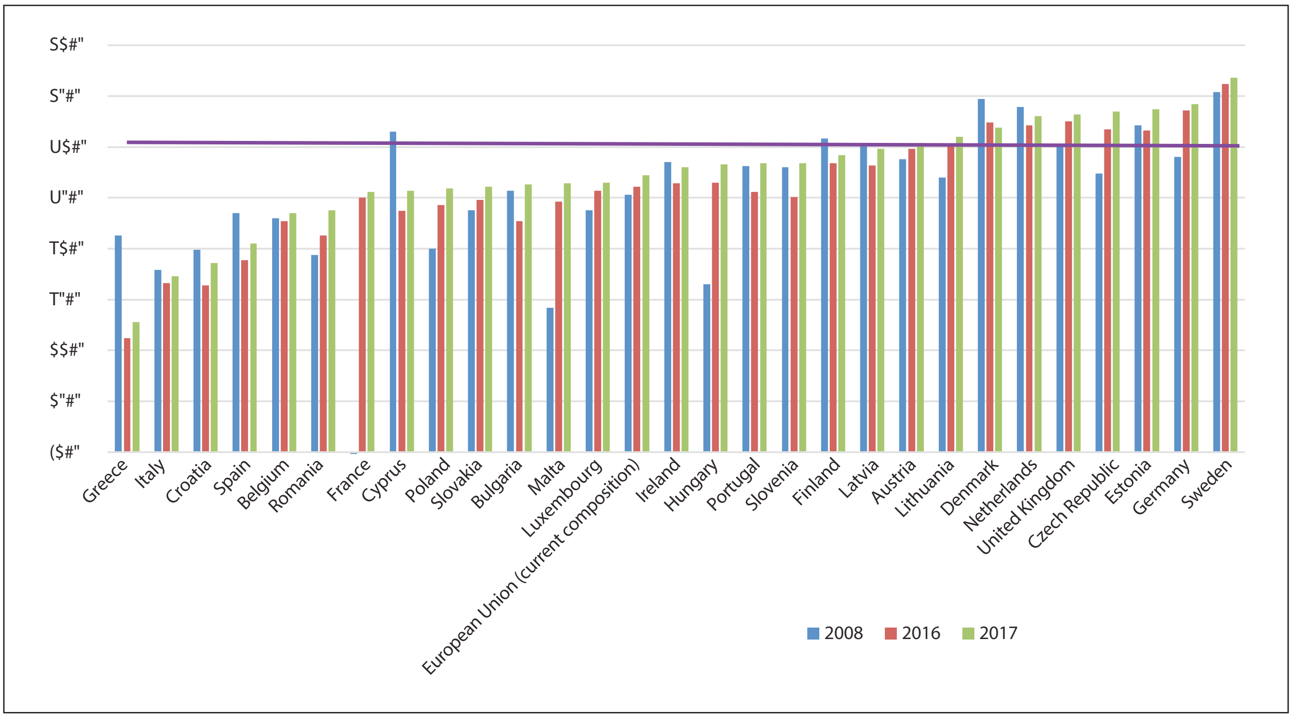
As **Figure 19** shows, there are significant variations in the employment rates in different countries. In many Member States, employment rates have still some way to go to recover from the crisis. Sweden continues to have the highest rate (81.2 per cent in 2016, 81.8 per cent in 2017), while Greece continues to have lowest (56.2 per cent in 2016, 57.8 in 2017),

Figure 18 Employment in Europe (%), Ages 20-64, EU-28, 2008-2017



Source: Eurostat online database, code t2020_10

Figure 19 Employment (%), ages 20-64, EU-28 Countries, 2008, 2016 and 2017



Source: Eurostat online database, code t2020_10. Line shows EU 2020 strategy target of 75%. **Note:** 2008 rate not available for France

a 24 percentage point difference between the two countries. Thus, some countries, especially in central and northern Europe, have exceeded the Europe 2020 strategy target of 75 per cent (including Sweden, Germany, Estonia, Czechia, U.K., Netherlands and Denmark who top the table in 2017), while other countries, especially in the south and periphery are very far away from achieving it (again, looking at ages 20-64). The lowest employment rates in 2017 were found in Greece, Italy, Croatia and Spain. Some countries still have rates of employment that are a good deal lower than in 2008 – this is very notable in Greece, Cyprus and Spain but also in Denmark. For example, in Greece the 2017 rate was 8.5 percentage points less than the 2008 rate. A report from Eurofound (2018) suggests that Germany and the UK account for most of the new jobs (net of jobs lost) created in the EU between 2008 and 2016, while most of the jobs lost in Greece and Spain in this period have not yet been recovered.

It is important to look beyond the headline rates to see what is happening in labour markets and why, as there are concerns about the way that the employment picture is evolving. Eurostat (2017a) has noted some important issues relative to the overall improvements in employment. For example, a much lower rate exists for young people aged 20 to 29 than for those aged 30 to 54, and this employment gap has been increasing over the past years. Older workers (characterised as aged 55 to 64 years) are another vulnerable group in the labour market. Although their employment rate has grown continuously over the past decade, it still remains low compared to younger age groups. Another striking disparity relates to educational attainment - just slightly more than half of those with at most primary or lower secondary education in the EU were employed in 2016, compared to 83.4 per cent for those with tertiary education (Eurostat 2017a).

A fundamental issue is that since 2008, the underlying structure of the labour market has changed, notably in its composition, characteristics and in the quality of jobs (European Commission 2017b). A focus of concern relates to growth in temporary, part-time and precarious work and falling or stagnating wages.

In the year to the third quarter of 2017, full-time employment grew faster than part-time

employment (European Commission 2018a). However, part-time employment never reduced following 2008, and now still stands at nearly 5 million jobs above its 2008 level, while full time employment still underperforms its pre-crisis 2008 level by 1.5 million (European Commission 2018a). Part-time work has risen with the growth of services in the economy, many subsectors of which require flexible working-time arrangements from their workforces. One-fifth of jobs in the EU are now part-time (Eurofound 2018). While, as noted above, employment has never been higher in the EU, the number of hours worked per person employed are still below 2008 levels (European Commission 2018c). According to Eurofound (2018), when you take account of the numbers of unemployed, involuntary part-timers and inactive people who are willing to work, it amounts to over 40 million people in all, and, thus, the supply of labour currently well outstrips demand (Eurofound 2018). Involuntary part-time work grew most in countries where unemployment increased most since 2008 – Cyprus, Greece and Spain, and underemployment puts workers at significant risk of poverty (Eurofound 2018).

As we noted in last year's report in this series, young people (15–24 years) have experienced much greater increases in part-time employment than others (Eurofound 2017c). Non-permanent contracts are also more prevalent among younger workers, and there is also a considerable country variation, with Spain, Portugal and Poland recording the highest shares, with around one-fifth of workers being on such contracts. There is a considerable pay gap – 29 per cent – between workers with a permanent contract and workers with a fixed-term contract (based on aggregate earning statistics of gross monthly pay in the EU28 from 2014) (Eurofound 2017c).

As the OECD notes, low pay and in-work poverty were already major policy challenges before the onset of the economic crisis and have become more acute since then as pay levels have fallen or stagnated in many countries (OECD 2015a). Even though growth has returned and employment is expanding, wage growth is not following suit causing concern amongst mainstream economists and economic institutions (Schulten and Luebker 2017).

3.2 Unemployment

Previous reports in this series detail the rise in unemployment following the 2008 crisis. The total unemployment rate for EU-28 in 2008 was 7 per cent, a rate that increased to 10.9 per cent by 2013 (annual average, proportion of active population) (Eurostat code une_rt_a). It represented an increase of 9 million in the number of people who were out of work (spring 2008 to spring 2013) (European Commission 2016a). Very great differences between the rates in different member states occurred.

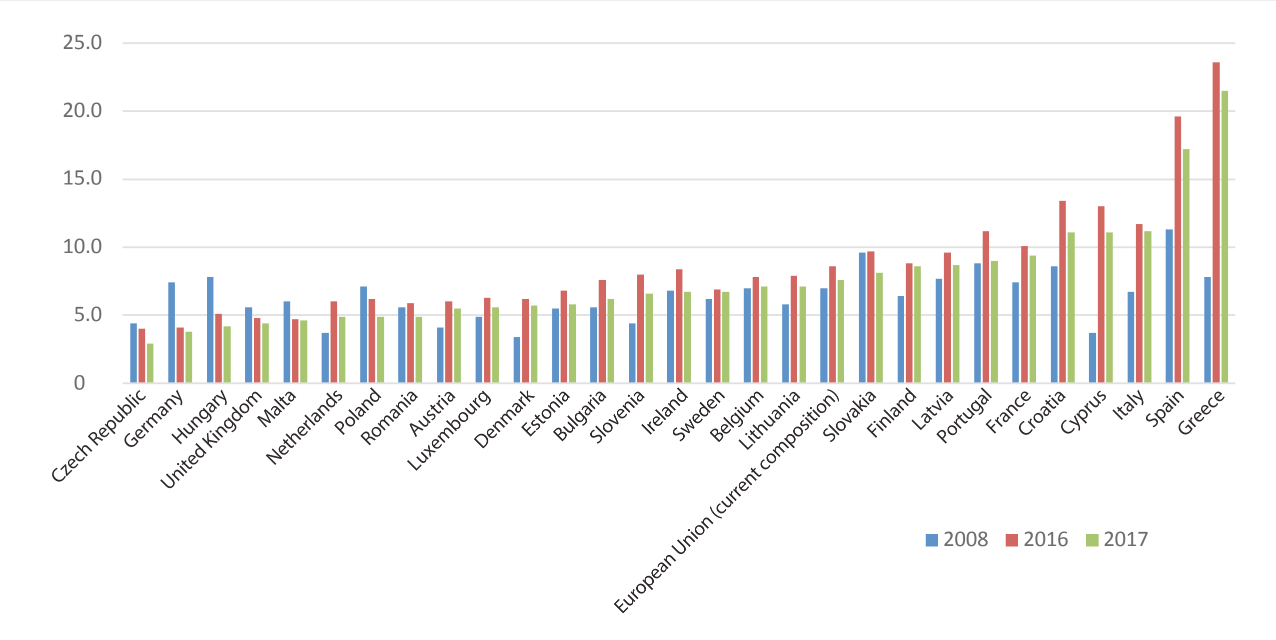
In 2017, the annual unemployment rate (EU-28) was 7.6 per cent, down from 8.6 per cent in 2016, but still slightly higher than the 2008 rate (of 7 per cent) (Eurostat une_rt_a). The unemployed represented some 18.7 million people (EU-28) and that there were still some 2 million more people unemployed in 2017 than in 2008, although the number had greatly reduced on the 2013 figure, when unemployment reached its peak (Eurostat une_rt_a).

Figure 20 illustrates the very great divergence between countries both in terms of the rate of unemployment and in the degree of change between 2008 and 2017. The countries with the highest rates in 2017 were Greece (21.5 per cent) and Spain (17.2 per cent), followed by Italy, Cyprus and Croatia. Those with the lowest rates were Czechia, Germany, Hungary and United Kingdom (all with rates under 4.5 per cent).

We can also see from **Figure 20** how in some countries (notably in Greece, but also in Cyprus, Spain, Italy and Croatia, for example), unemployment levels remain very much higher than pre-crisis. In others (Czechia, Germany and Hungary, for example) rates are better now than they were in 2008.

In 2018, the trend for unemployment to improve continues. The unemployment rate was 7.0 per cent in May 2018 (EU-28), stable compared with April 2018 and down from 7.7 per cent in May 2017. This is the lowest rate recorded in the EU-28 since August 2008 (Eurostat 2018b).

Figure 20 Unemployment (% active population), EU-28, 2008, 2016 and 2017



Source: Eurostat online database une_rt_a

There are supplementary indicators used to monitor the evolution of underemployment: 'available but not seeking,' 'underemployment', and 'seeking but not available for work' [7]. There were reductions in the proportion of workers in the EU in each of these three categories, during 2017 (European Commission 2018a). But, as already mentioned, those who are unemployed, those who are involuntary part-time workers, and those who are inactive but willing to work represent somewhat over 40 million people (Eurofound 2018).

In the third quarter of 2017, Italy was the country with the highest combined level of supplementary indicators accounting for 14.7 per cent of its labour force (although there was a reduction in 2017) (European Commission 2018a).

In previous reports in this series we reported on how the **long-term unemployment** rate (that is, long-term unemployment as a percentage of the total number of active persons in the labour market) had doubled between 2008 and 2014 at EU level. Long-term unemployment (unemployment for 12 months or more) continues to be a major concern with implications in human and social terms and with financial costs and possible impacts on social cohesion. Long periods of unemployment make being rehired more difficult with long-term unemployed workers having about half the chance of finding employment than short-term unemployed workers (European Commission 2016a).

The long-term unemployment rate has been decreasing in recent years, but the issue remains a significant employment legacy of the crisis. It means that in the third quarter of 2017, in the EU there were around 8.2 million people unemployed for more than a year, including 5.1 million for more than two years (European Commission 2018a). In 2018 the number of long-term unemployed is still 7.4 million and those unemployed for more than 2 years number nearly 4.8 million (end of quarter 1,

[7] 'available for work but not seeking' (includes 'discouraged' job seekers - people who have given up looking for a job, even if they would like to have one), 'underemployed' (persons who work part-time, but who want to work more, and are available to do so and 'seeking but not available for work' (European Commission 2017b).

2018, Eurostat online database une_ltu_q; data not seasonally adjusted).

That high proportions of Europe's unemployed people continue to be long-term unemployed can be seen from what is called the *share* of unemployment that is constituted by long-term unemployment (that is, long-term unemployment -12 months or more- as a percentage of total unemployment). The share of long-term unemployed as a percentage of total unemployment is still high, around 44 per cent (EU-28), even though it has been decreasing for the last two years (European Commission 2018a). In the first quarter of 2018, it is still 43.3 per cent (Eurostat online database lfsq_upgal). The share within the Euro Area is higher - 46.8 per cent (Q1, 2018) (Eurostat online database, code lfsq_upgal).

Greece (68.4 per cent), Slovakia (62.2 per cent) and Italy (58.8) had the highest shares of long-term unemployment (Q1, 2018) (Eurostat online database, code lfsq_upgal). The lowest ratios were found in Sweden (19.1 per cent) followed by Denmark and Finland. Thus, some countries have higher transition rates from long-term unemployment back to employment than others. In Denmark, Austria, Finland, Sweden, Germany and Latvia less than 20 per cent of the short-term unemployed became long-term unemployed in the following year (referring to labour market status in 2014 of people long-term unemployed in 2013) (European Commission 2016a) By contrast in Bulgaria, Greece and Slovakia, the proportions were of the order of 40 per cent (European Commission 2016a).

As mentioned already, both younger people and older workers experience lower employment rates than other age groups (Eurostat 2017a). The lowest employment rate among the working age population was reported for the group aged 55 to 64 years, but employment in this

group has risen more or less continuously since 2002 (Eurostat 2017a).). Young people remain one of the most vulnerable groups on the labour market and in the next section, we take a closer look at unemployment amongst them.

3.3 Youth Unemployment

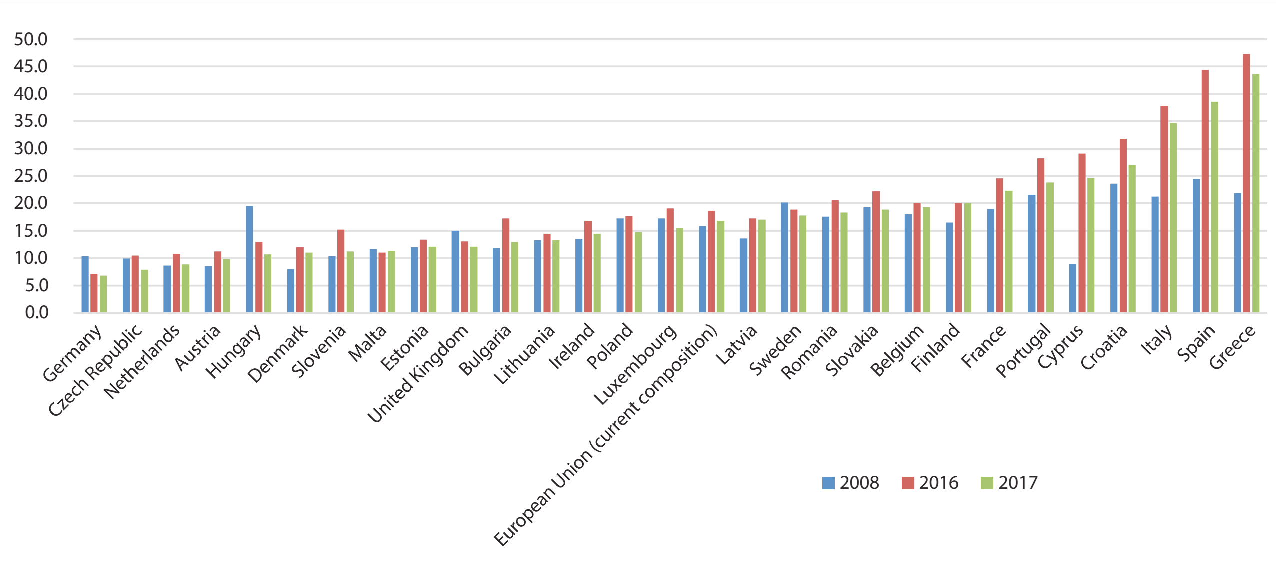
In previous reports in this series, we reported on the great dis-improvement in the youth unemployment position following 2008. The degree of change seen between different countries was striking and this is the backdrop against which recent improvements must be seen. For example, looking at the longer-term developments since 2008 the EU's Social Protection Committee noted that youth exclusion is one area exhibiting the most substantial deterioration compared to 2008 (Social Protection Committee 2017).

The average youth unemployment rate in 2017 was 16.8 per cent (EU-28), down from 18.7 per cent in 2016 (as a % of active population) (Eurostat online database une_rt_a). It had been 15.9 per cent in 2008. At the end of 2017 some 3.8 million young people (under 25) were unemployed in the EU-28 (Eurostat une_rt_a). The risk of unemployment is particularly high for young people with lower educational levels who have completed only lower secondary (Eurostat 2017a).

Figure 21 shows, **that** there is great variation in the rates of youth unemployment across Europe and there were very great variations in the rate of its increase after 2008. The rates (2017) were highest in Greece (43.6 per cent), Spain (38.6 per cent) and Italy (34.7 per cent) notwithstanding an improvement in all those countries between 2016 and 2017 (Eurostat online database une_rt_a). By contrast, at the other end of the scale, the 2017 rate in Germany was 6.8 per cent and it was less than 10 per cent in three other countries (Czechia, Netherlands and Austria).

Recent statistics suggest that in May 2018, 3.37 million people under 25 were unemployed (EU-28) (15.1 per cent) (Eurostat 2018c). Compared with May 2017, youth unemployment had decreased by some 519,000 people (Eurostat 2018c). The lowest rates were in Malta (4.8 per cent), Germany (6.1 per cent), Estonia (6.8 per cent in April) and the Netherlands (6.9 per cent), while the highest were in Greece (43.2 per cent in March), Spain (33.8 per cent) and Italy (31.9 per cent). In a report into long-term unemployment amongst young people, Eurofound (2017d) notes that the young people concerned are difficult to reach and often lack education and work experience, and that they are

Figure 21 Youth Unemployment (% of active population), EU-28, 2008, 2016 and 2017



Source: Eurostat online database **une_rt_a**. Youth unemployment refers to those under 25 years.

also more likely to face additional challenges such as care responsibilities, poor health and lower levels of well-being than their peers. Eurofound suggests that they are not in a position to take advantage of the economic improvements but instead will need a holistic, individualised and young-people-centred approach if they are to be re-integrated into the world of work.

Overall, it is clear that particularly in the southern European countries, the share of young people being left behind by the labour market remains far too great (Schraad-Tischler *et al.* 2017).

A related area of concern involves young people who are neither in education nor employment (known as NEETS). The NEET rate is one of the most concerning indicators relative to young people with its indication of detachment and discouragement in relation to both work and education and reducing it was one of the key aims of the EU's Youth Guarantee scheme. It includes young people who are conventionally unemployed as well as other vulnerable groups such as young disabled people and young carers (Eurofound 2016). It had been decreasing for all age categories across Europe prior to the crisis (Eurofound 2016). Young women are more likely to be NEET than young men, and it varies a lot between member states as does the extent to which it increased following 2008 (Eurofound 2016). Having lower levels of education has been identified as the main risk factor for being NEET; young people with lower education levels face a three times greater risk than those with tertiary education (European Commission 2017b).

The EU-28 average NEET rate (ages 15-24) was 10.9 per cent in 2017, down from 11.6 per cent in 2016, and down from a high of 13.2 per cent in 2012. The rate is now at a similar level to its 2008 (10.9 per cent) (Eurostat edat_lfse_20). This means that almost 11 per cent of this age group were neither in employment nor in education or training in 2017. The 2017 NEET rate (ages 15-24) was highest in Italy at 20.1 per cent and there were 5 other countries where it exceeded 15 per cent (Cyprus, Croatia, Greece, Bulgaria and Romania). At the other end of the scale, the countries with the lowest rates were the Netherlands (4 per cent), Luxembourg, Sweden, Czechia and Germany. While improvements took place in the NEETs rate in most countries between 2016 and 2017, Denmark is one country where there has been a notable increase in the rate (+1.2 percentage points, 2016-2017).

Furthermore, when we look at the NEETs rate for a slightly older age group (20-24), the average rate in 2017 was 15.5 per cent (just higher than the 2008 rate of 15 per cent) (EU-28) (Eurostat edat_lfse_20). Looking at an even older group (ages 20-34), the 2017 rate was 17.2 percent (still slightly higher than the 2008 rate of 16.5 per cent for this group).

Serious concerns have also been flagged about the so called 'missing' NEETS – young people who have a low level of education, have no work experience and are not registered with public employment services, and are therefore very difficult to reach and at risk of becoming deeply alienated (Eurofound 2016). In the EU in 2013 some 19 per cent of NEETs (aged 15-24) were classified as 'missing.' According to the European Commission's review of the Youth Guarantee Scheme, in 2016, the estimated proportion of NEETs registered in such schemes was 38.5 per cent, marginally higher than in 2015 (European Commission 2018b). This leads them to conclude that, while there has been progress, taken together, Youth Guarantee schemes are still some way off the objective of reaching the vast majority of young people that become NEET. The report also recognises that young people experiencing multiple disadvantage need support over a lengthy period, and that schemes that process them quickly to meet timescales are not meeting their needs.

Overall, while there have been welcome improvements in youth unemployment within recent years, the situation of young people is still extremely difficult especially for some groups and in some countries.

3.4 Employment - Summary and Conclusions

As in the last report in this series, we welcome the fact that employment has continued to increase in the EU since 2013. This, we suggest, makes it time to make the most of this positive economic momentum and deliver on new and more effective rights. There is, however, great variation between member states in relation to employment levels. Thus, some countries, especially in central and northern Europe, have exceeded the Europe 2020 strategy target of 75 per cent employment, while other countries, especially in the south and periphery are very far away from achieving it. The lowest employment rates in 2017 were found in Greece, Italy, Croatia and Spain. Some countries still have rates of employment that are a good deal lower than in 2008, notably Greece, Cyprus and Spain.

There are also concerning patterns in the way the employment situation is evolving. These include increased rates of temporary employment and part-time employment (much of it involuntary) especially in some member states and especially for some groups (such as young workers). Part-time employment still stands at nearly 5 million jobs above its 2008 levels, while full time employment still underperforms its pre-crisis 2008 level (European Commission 2018a). Those who are unemployed, those who are involuntary part-time workers, and those who are inactive but willing to work represent over 40 million people (Eurofound 2018). Another issue relates to pay levels, which are decreasing or stagnating in many countries especially for disadvantaged groups. Without decent jobs, some workers continue to experience poverty.

In 2017, the annual unemployment rate (EU-28) was 7.6 per cent (18.7 million people) (Eurostat une_rt_a) and a trend for unemployment to improve is continuing in 2018. However, there were still some 2 million more people unemployed in 2017 than in 2008, although the number had greatly reduced since 2013. There are great divergences between countries, both in terms of the rate of unemployment and in the degree of change between 2008 and 2017. The countries with the highest unemployment rates in 2017 were Greece, Spain, Italy, Cyprus and Croatia, while those with the lowest rates were Czechia, Germany, Hungary and U.K. In some countries (notably in Greece but also in Cyprus, Spain, Italy and Croatia), unemployment levels remain very much higher than pre-crisis.

Long-term unemployment remains a significant employment legacy of the crisis. In 2018 the number of long-term unemployed people is 7.4 million and (amongst them) those unemployed for more than 2 years number nearly 4.8 million (end of quarter 1, 2018, Eurostat online database une_ltu_q). The share of long-term unemployed as a percentage of total unemployment continues to be high, at 43.3 per cent in the first quarter of 2018 (Eurostat online database lfsq_upgal).

There are particular challenges both for older and younger workers. In May 2018, 3.37 million people under 25 were unemployed (EU-28) although the situation had improved on the previous year (Eurostat 2018c). The share of young people being left behind by the labour market remains far too great particularly in southern European countries. Almost 11 per cent of those aged 15-24 in the EU were neither in employment nor in education or training (NEET rate) in 2017, a trend that continues to be concerning. The NEET rate (ages 15-24) continues to be highest in Italy (20.1 per cent). When we look at an older cohort (ages 20-34), the 2017 rate was 17.2 percent still slightly higher than the 2008 rate for this group.

Overall, while there are welcome improvements in the employment situation in Europe, there are also some concerning issues with the way the nature of employment is evolving, a legacy of long-term unemployment and significant employment challenges facing young people, in particular, and some other groups, and there also continue to be divergent experiences across countries.

Chapter 4

4 Key Services

Social Justice Ireland includes the right to appropriate accommodation, to relevant education, to essential healthcare, to real participation amongst its core rights that need to guide policy-making in the future. See **Table 2** in Section 1, above.

At least three functions of welfare systems are recognised: social investment (through education, for example), social protection (providing safeguards across the life-cycle) and stabilization of the economy (by cushioning shocks when unemployment increases). As well as income support, access to enabling services (such as early childhood education and care, education and training, transport, housing, job assistance, health care and long-term care) also play an essential role in reducing depth of poverty and supporting people to improve their living conditions and employment prospects (Social Protection Committee 2015a).

In this Section, we look at two of these vital supports – education and health. Access to both is now listed amongst the European Pillar of Social Rights.

4.1 Education

As mentioned in **Section 1**, above, *Social Justice Ireland* includes the right to relevant education amongst its core rights that need to guide policy-making in the future. The Europe 2020 Strategy sets the following targets in the field of education –

- Reducing early school leaving rate to below 10 per cent, and
- Completion of third level education by at least 40 per cent of 30-34 year-olds.

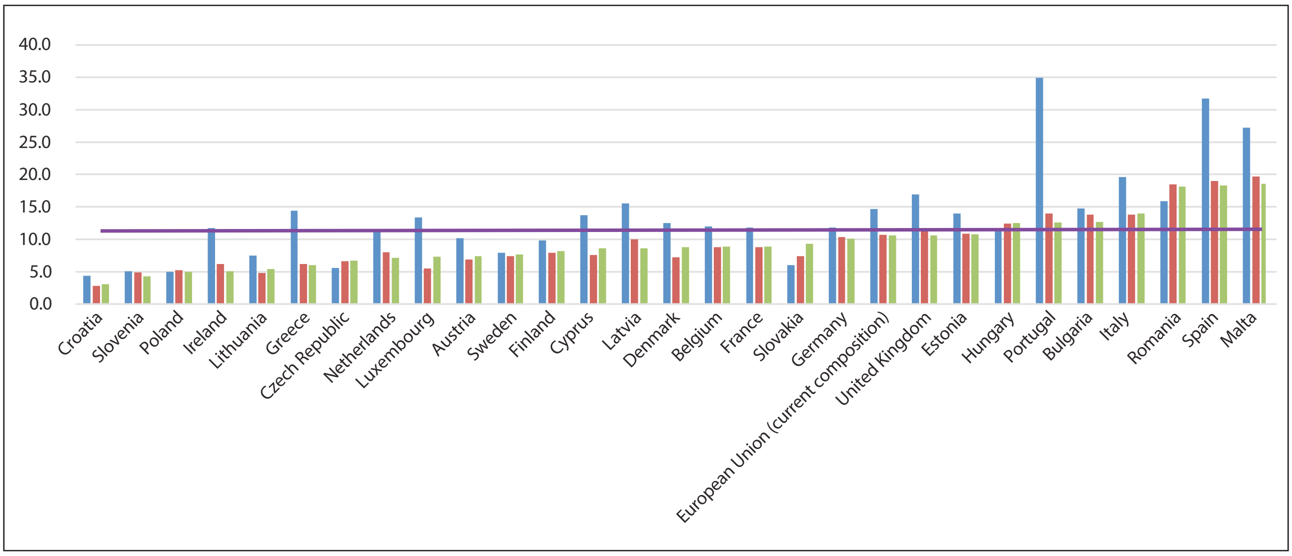
In this section we will look at progress towards achieving these targets along with the situation in relation to lifelong learning and adult literacy. It is worth noting that Sustainable Development Goal 4, 'Quality Education', the European Union seeks to ensure access to equitable and quality education through all stages of life, aim to increase the number of people with relevant skills for employment, decent jobs and entrepreneurship and envisage the elimination of gender and income disparities in access to education (Eurostat 2017b). The achievement of universal literacy and numeracy and the acquisition of knowledge and skills to promote sustainable development are also considered crucial for empowering people to live independent, healthy and sustainable lives.

Early School-Leaving

Improving educational achievement of young people is a cross-cutting measure that addresses two priority areas of the Europe 2020 Strategy - that for 'smart growth' by improving skills levels, and 'inclusive growth' by tackling one of the major risk factors for unemployment and poverty. Reducing early school-leaving is seen as a 'gateway' to achieving other Europe 2020 Strategy targets. For example, in other parts of this report, we have pointed to how lower levels of education leaves people at greater risk of a range of negative outcomes – such as unemployment, which is particularly high for young people with lower educational levels who have completed only lower secondary education (Eurostat 2017a). Early leavers from education and training are defined as those aged 18-24 with at most lower secondary education and who were not in further education or training during the last four weeks preceding the survey[8].

[8] Lower secondary education refers to ISCED (International Standard Classification of Education) 2011 level 0-2 for data from 2014 onwards and to ISCED 1997 level 0-3C short for data up to 2013. The indicator is based on the EU Labour Force Survey (Eurostat online database t2020_40)

Figure 22 Early School-Leaving (%), EU-28, 2008, 2016 and 2017



Source: Eurostat online database, t2020_40. Line shows the <10 per cent target set in the Europe 2020 strategy

The average early school leaving rate across Europe in 2017 was 10.6 per cent (similar to its 2016 rate of 10.7 per cent). It has fallen significantly from 2008, when it was 14.7 per cent, but it has not decreased to any extent in the most recent years (for example, in 2015 it was 11 per cent) (Eurostat online database, t2020_40). Therefore, while in recent years it has been approaching the <10 per cent target set in the Europe 2020 strategy, improvement rates have, unfortunately, levelled off. See **Figure 22.**

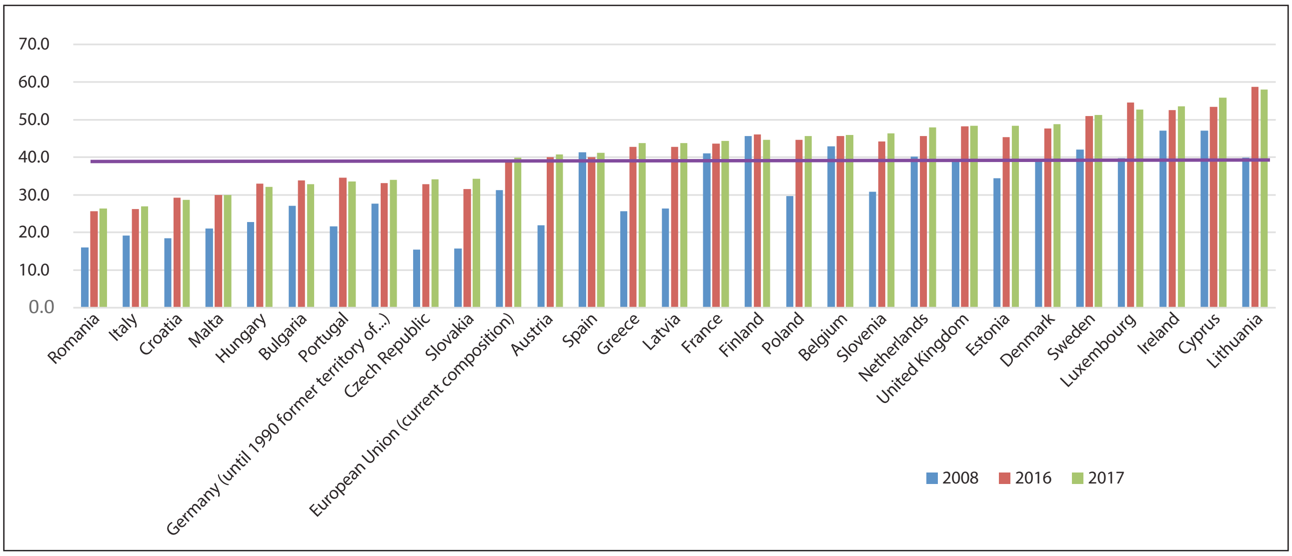
There are wide disparities between European countries when it comes to the rate. As we reported in the last report in this series, this rate has been improving in most European countries since 2008. There have been particularly notable decreases in the rate in countries with relatively high levels such as Portugal (-22.3 percentage points) and Spain (-13.4 percentage points) (that is, between 2008 and 2017). In 2017 the highest rates of early school leaving were to be found in Malta (18.6 per cent), Spain (18.3 per cent), Romania (18.1 per cent) and Italy (14 per cent) followed by Bulgaria, Portugal and Hungary. There is still a very great gap between the countries with the highest rates (Malta, Spain and Romania), and that with the lowest rate, Croatia (with a rate of 3.1 per cent).

Improvements in the rate of early school leaving are welcome. However, because its consequences for individuals and for society are so grave in terms of increased risk of unemployment, poverty and social exclusion (European Commission 2013a), it is an issue that requires ongoing attention from policy-makers. In 2016, about 58 per cent of 18 to 24 year old early leavers from education and training were either unemployed or inactive (Eurostat 2017a). One survey of social justice in Europe suggests that to minimize the negative influence of socioeconomic background on educational outcomes, it is important that socially weaker families receive targeted support allowing them to invest in good education (for instance through minimising fees for preschools and whole-day schools) (Schraad-Tischler *et al.* 2017). That report highlights how the Nordic states, in particular, stand out with regard to policy strategies that support young people and families with exemplary preschool, whole-day school and flexible parental-leave offerings and suggests that their successful approach to combining parenting and working life thus offers a model for reform in other countries.

Completion of Third Level Education

When it comes to third-level education, the target set in the Europe 2020 strategy was for completion of third level education by at least 40 per cent of 30-34 year-olds by 2020. In 2017, the EU-28 average was 39.9 per cent, which had improved considerably since 2008 when it had been 31.1 per cent (Eurostat online

Figure 23 Tertiary Education Attainment (%), EU28, (ages 30-34) 2008, 2016 and 2017



Source: Eurostat online database code t2020_41. Line shows the 40 per cent target set in the Europe 2020 strategy

database code t2020_41). Many countries have already exceeded the target, as **Figure 23** shows, with Lithuania, Cyprus, Ireland, Luxembourg, and Sweden at the top of the league (all with rates at or over 50 per cent), and Romania, Italy and Croatia at the bottom (all with rates under 30 per cent). There is nearly a 32 percentage point gap between the country with the highest rate (Lithuania) and that with the lowest (Romania) (2017).

The rate improved between 2016 and 2017 in many countries but disimproved in 7 countries, amongst which were Luxembourg (-1.9 percentage point), Finland, Portugal and Bulgaria. The greatest improvements (more than 2 percentage points) occurred in seven countries: Estonia (+3 percentage points), Slovakia, Cyprus, Netherlands and Slovenia, all of which saw increases of over 2 percentage points.

In previous reports we have made the point that progress not only needs to continue to be made to address the Europe 2020 strategy targets in education, but also to manage problems that have emerged/worsened since 2008. For example, the results of the latest (2015) PISA[9] tests in maths, reading and science have once again created alarm about the level of competence of 15-year-old Europeans (European Commission 2018a). In all three (maths, reading and science), one in five pupils is a low achiever and the trend has strengthened recently. As the Commission notes (2018c:14), there is strong evidence that low achievers at the age of 15 will remain low achievers as adults, because the lack of basic skills strongly reduces the likelihood of a person achieving a satisfactory labour market outcome:

> 'In effect, there is an employability threshold which a high number of people in the EU cannot yet cross because of their poor initial educational achievement and its link to the ability to benefit from lifelong learning'.

The poor PISA scores are linked to social background, measured by parents' education attainment level – having parents with only low-level education reduces students' chances of achieving high scores in PISA and attaining high skill levels during adulthood (European Commission 2018c). As the European Commission notes, in some countries, the relatively tight connection between parental background and a person's achievement means that the educational system is unable to ensure equality of opportunity. Along with lifelong learning, promoting early childhood education for all can be

9 The OECD's Programme for International Student Assessment (PISA) is a triennial international survey which aims to evaluate education systems worldwide by testing the skills and knowledge of 15-year-old students. See http://www.oecd.org/pisa/aboutpisa/.

effective in establishing a level playing field that reduces inequalities at an early stage in the life and work cycle (European Commission 2018c).

A related issue is the cohort of young people neither in education nor employment – or NEETs, as discussed in **Section 3** of this report. As mentioned there, this is considered one of the most concerning indicators relative to young people, and the 2017 NEETs rate for those aged 15-24 is at a similar level to 2008, while the 2017 NEETs rate for those aged 20-34 is at a slightly higher level than in 2008 (Eurostat edat_lfse_20). A review from Eurofound concerned with NEETS identified education as playing a key role in keeping people out of this category, as the probability of becoming NEET decreased as educational level increased (Eurofound 2016).

The transition from school to employment had become almost impossible for millions of young people in OECD countries (2015). Among the factors that the OECD points to in terms of integrating young people into the world of work are education systems that are flexible and responsive to the needs of the labour market, access to high-quality career guidance and further education that can help young people to match their skills to prospective jobs (OECD 2015).

Lifelong Learning

Lifelong learning can play many important roles in the life of an individual, not least offering a second chance for people who may not have had good experiences in school first time around. In economic terms it is recognised that countries need to invest not just in initial education and training systems but also in lifelong learning to ensure that skills are used, maintained and updated. This is obviously of particular importance in ageing societies, not just in human terms, but also because there is more and more emphasis on extending working lives. Furthermore, reviewing the very great difficulties that some young people (millions within OECD countries) have in transitioning from school to the world of work, the OECD notes how many leave education without the skills needed for the labour market or to continue further in education (2015). Hence, they argue, efforts should concentrate on ensuring that those with low-skills participate in adult learning as well as improving adult learning programmes.

Despite their apparent greater need for training, the participation of low-skilled people in lifelong learning/training activities (both when employed and unemployed) is much lower than for other groups (European Commission 2016a).

In 2017 the average rate of participation in lifelong learning was 10.9 per cent, and it has been at a similar level since 2013 (when it was 10.7) (measured through the participation rate for people aged 25-64 in training and education in the past four weeks[10]). It is higher than it had been in 2008 (when it was 9.5 per cent) (Eurostat online database, tsdsc440). The European Commission argues that such a relatively low rate (representing just one in ten of those aged 25-64 regardless of labour-market status) represents a real lost opportunity (2016a).

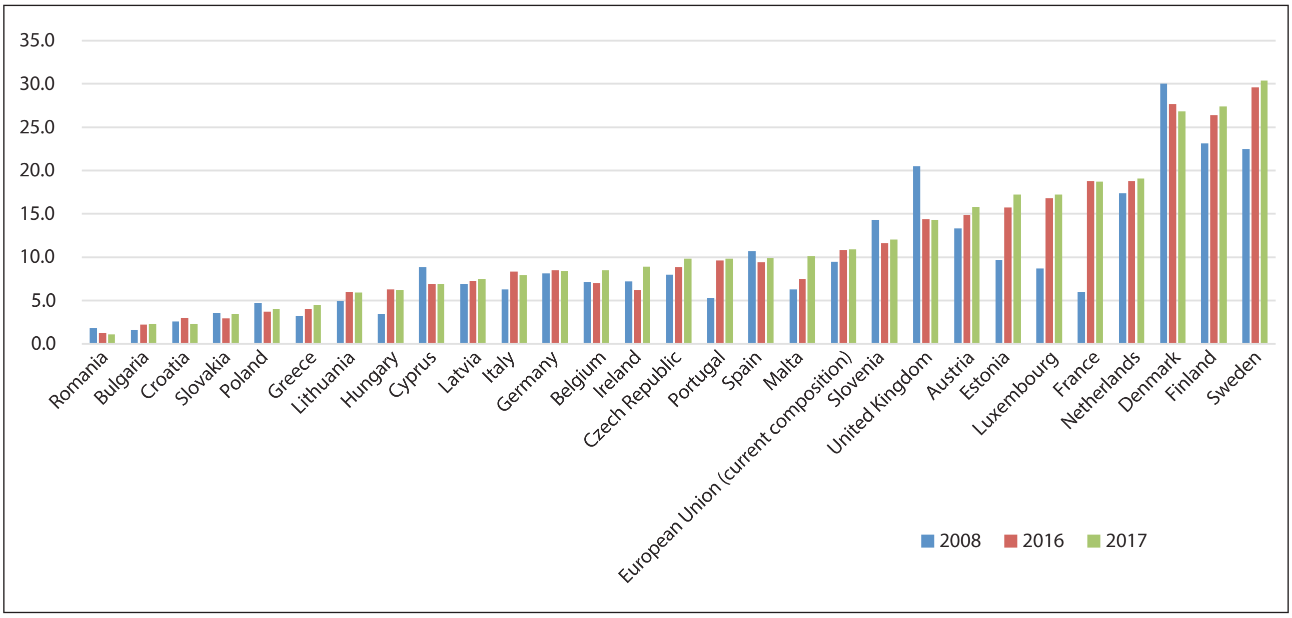
There is great variation across Europe in terms of the rates of participation. Nordic countries tend to top the table; in 2017 the top three countries were Sweden (30.4 per cent), Finland (27.4 per cent) and Denmark (26.8 per cent). They were followed by the Netherlands, France, Luxembourg and Estonia. At the other end of the scale, the rate was lowest in Romania (1.1 per cent), Bulgaria and Croatia. Thus, there is close to a 30 percentage point difference between Sweden with the highest rate and Romania with the lowest. See **Figure 24.**

There have been dis-improvements (often slight) in the rates in 9 countries between 2016 and 2017 and there was no change in one country (Cyprus). The most notable decline for the second year running was in Demark (-0.9 percentage points, 2016-17), which, as noted already, is one of the countries that typically has relatively very high levels. Improvements occurred in 18 countries (again often slight), with the

[10] Lifelong learning refers to persons aged 25 to 64 who stated that they received education or training in the four weeks preceding the survey (numerator). The denominator consists of the total population of the same age group, excluding those who did not answer to the question 'participation in education and training'. Both the numerator and the denominator come from the EU Labour Force Survey. The information collected relates to all education or training whether or not relevant to the respondent's current or possible future job (Eurostat tsdsc440).

Chapter 4

Figure 24 Lifelong Learning, (%) EU-28, 2008, 2016 and 2017



Source: Eurostat online database**, tsdsc440**

most notable improvement (+2.7 percentage points) in Ireland – a country with a traditionally relatively low rate. Malta (+2.6 percentage points), Estonia and Belgium (both +1.5) also showed improvements Finland, a country that already has a relatively very high level, increased its rate by 1 percentage point in the year (as it also did between 2015 and 2016).

European countries with the highest levels of participation in lifelong learning for both employed and unemployed people also have the highest transition rates out of unemployment and lowest transition rates from employment to unemployment, which obviously has positive implications for the prevention of long-term unemployment (European Commission 2015a). The European Commission draws attention to the fact that several countries with the highest rates of participation in lifelong learning are also the world's most competitive (European Commission 2015a). This is evidenced consistently by reports from the World Economic Forum. For example, in 2017-2018, the Netherlands, Sweden, Finland and Denmark, which are amongst the top four countries in terms of lifelong learning participation rates, are also ranked as 4th, 7th,10th and 12th, respectively, amongst 137 economies in terms of competitiveness (World Economic Forum 2017).

Adult Literacy

As we noted in previous iterations of this report, problems relating to **adult literacy** represent a challenge for individuals and for societies and are a potentially significant barrier to achieving the aims of the 2020 Strategy for inclusive growth, given that those with low literacy skills are almost twice as likely to be unemployed than others, are more likely than those with better literacy skills to report poor health, to believe that they have little impact on political processes, and not to participate in communal or volunteer activities (OECD, 2013). According to the OECD (2015), even amongst new graduates, 10 per cent have poor literacy skills and 14 per cent have poor numeracy skills, while more than 40 per cent of those who left school before completing their upper secondary education have poor numeracy and literacy skills.

Assessments of literacy across countries can be complicated processes. As in last year's report in this series, we look briefly at one indicator of adult literacy across Europe – the OECD's Survey of Adult Skills, including results for the second round (study conducted 2014-2015) (OECD, 2013; 2016c). This study now includes 20 countries of the EU, but no new outcomes have been published since we last prepared this report.

The Survey of Adult Skills (PIAAC) defines literacy as the ability to 'understand, evaluate, use and engage with written texts to participate in society, achieve one's goals, and develop one's knowledge and potential' (OECD 2013: 61). It also examined reading digital texts and involved 5 levels of skill graded from below level 1 to level 4/5. The results from the assessment are reported on a 500-point scale; a higher score indicates greater proficiency; to help interpret the scores, the scale is divided into proficiency levels. Each level of proficiency is described within the study. For example, an indication of the types of tasks that respondents can complete at level 1 in literacy is as follows:

A person who scores at Level 1 in literacy can successfully complete reading tasks that require reading relatively short texts to locate a single piece of information, which is identical to or synonymous with the information given in the question or directive and in which there is little competing information (OECD 2016c: 21).

Numeracy is defined as: 'the ability to access, use, interpret and communicate mathematical information and ideas in order to engage in and manage the mathematical demands of a range of situations in adult life' (OECD 2013: 75). **Table 4** shows the findings in respect of the 20 European countries that participated in rounds 1 and 2.

Table 4 Average Literacy/Numeracy Proficiency among Adults, Ages 16-65

	Average Literacy proficiency (alphabetical order)	Average Numeracy Proficiency (alphabetical order)
Significantly above average	Austria Czechia Denmark England (UK) Estonia Finland Flanders (Belgium) Germany Netherlands Slovakia Sweden	Austria Czechia Denmark Estonia Finland Flanders (Belgium) Germany Netherlands Slovakia Sweden Lithuania
Not significantly different from the average	Ireland Cyprus Lithuania Northern Ireland (UK) Poland	Cyprus England (UK)
Significantly below the average	France Greece Italy Slovenia Spain	France Greece Ireland Italy Northern Ireland (UK) Poland Slovenia Spain

Source: OECD 2016c: Figure 1.1, p.22. OECD member countries that are outside the EU omitted from this table. OECD mean proficiency scores: literacy 268; numeracy 263.Results were presented separately for England and Northern Ireland, the two participating regions of the UK; for Belgium, Flanders was the participating area. **Note:** The mean score across all participating countries differs from those calculated during round 1 (due to the addition of further countries)[11]

[11] In the results of the first round, which included fewer countries, the average literacy score for the OECD member countries participating was 273 points; in numeracy it was 269 (OECD 2013:70,80).

The average literacy score for the OECD member countries participating in the assessment was 268 points. The lowest average scores were observed in Italy (250 points) and Spain (252 points) (that is, amongst EU countries), while Finland (288 points), the Netherlands and Sweden record the highest. This means that an adult with a proficiency score at the average level in Italy can typically only successfully complete tasks of level 2 literacy difficulty; in Finland the corresponding level of difficulty is higher - level 3.

The average numeracy score among the OECD member countries participating in the assessment is 263 points. Looking only at participating EU countries, Finland has the highest average score (282 points) followed by Belgium, the Netherlands, Sweden and Denmark, while Spain (246 points) and Italy (247 points) record the lowest average scores.

Notwithstanding this, overall the variation in literacy and numeracy proficiency between the adult populations in the participating countries is considered relatively small (OECD 2013).

In both literacy and numeracy proficiency, some participating countries do significantly better than average – Finland's performance (topping the table in both literacy and numeracy) is notable. Also scoring relatively high in both are the Netherlands, Sweden and Belgium. Amongst the three countries added in round 2 of the survey (Greece, Slovenia and Lithuania), Lithuania has a score that places it at the average in literacy, but above average in numeracy.

We can also look at these countries in light of the education indicators already discussed (early school leaving, third level attainment of 30-34 year olds, and participation in lifelong learning of adults). Lithuania also scored relatively well in respect of participation in tertiary education (where it topped the rankings) and early school-leaving, but relatively less well on lifelong learning (see above). While Slovenia ranks above average in the EU on early school-leaving and tertiary-level participation and lifelong learning, its performance in adult literacy (both literacy and numeracy) was below average.

It is interesting to note that certain countries tend to be better performers across all indicators (looking at their performance in 2016). These include, in particular, Finland, Sweden, Denmark and the Netherlands, and also Estonia and Belgium. Austria and Luxembourg too do well on several indicators (though Luxembourg did not participate in the adult literacy study). This examination suggests that the policies pursued by these countries seem to impact a range of different groups positively.

Denmark, Sweden and Finland, as well as Slovenia, Lithuania and Estonia are considered to perform well in terms of granting equal access to education (Schraad-Tischler *et al.* 2017). Finland and Estonia are singled out surveys of social justice from Bertelsmann Stiftung for education systems that provide both equity *and* quality education where children even from socially disadvantaged family homes experience prospects equal to those of children from socially better-off families (Schraad-Tischler 2015; Schraad-Tischler *et al.* 2017).

It is clear that these are complex and dynamic issues involving policy impacts on different groups and age cohorts over time and in which the policies pursued can have quite different outcomes in relation to different indicators and for different groups. It is also true that certain countries seem to pursue policies that produce better outcomes across a range of groups.

4.2 Education - Conclusion

It is welcome that progress has been made in reaching targets set in the European 2020 Strategy to address early school leaving and to improve third level educational attainment. However, there are great divergencies between countries, there is scope for improvement in many countries, and progress also needs to be made on other indicators.

Improvements in the average (EU-28) rate of early school leaving since 2008 are welcome, as is the fact that they average is now close to the <10 per cent target set in the Europe 2020 strategy. However, there is still a very great gap between the countries with the highest rates and those with the lowest and progress relative to this indicator appears to have largely stalled. In 2017 the highest rates of early school leaving were to be found in Malta, Spain, Romania and Italy followed by Bulgaria, Portugal and Hungary. The lowest was found in Croatia. Furthermore, in recent years, the levelling off of improvements seen in many countries is unfortunate. Because its consequences for individuals and for society are so grave in terms of increased risk of unemployment, poverty and social exclusion, this requires ongoing attention from policy-makers – especially for socially-disadvantaged families and groups.

There have been improvements in the rate for participation in tertiary education in many countries since 2008 though divergencies persist between countries. The EU-28 average (39.9 per cent in 2017) has all but reached the 40 per cent target set in the Europe 2020 strategy (that is, for 30-34 year-olds). Many countries have already exceeded the target with Lithuania, Cyprus, Ireland, Luxembourg, and Sweden at the top of the league (all with rates at or over 50 per cent), and Romania, Italy and Croatia at the bottom (all with rates under 30 per cent). Thus, there is nearly a 32 percentage point gap between the country with the highest rate (Lithuania) and that with the lowest (Romania) (2017).

One of the problems that Europe now faces is that progress not only needs to continue to be made to address the areas in which targets were set in the Europe 2020 strategy, but also to manage other issues such as low basic skills amongst disadvantaged socio-economic groups and the phenomenon of NEETs, young people neither in education nor employment. For some age groups, NEET levels continue to be higher in 2017 than they were in 2008. Education plays a key role in keeping people out of this category (Eurofound 2016).

When we look at lifelong learning, relatively very low rates of participation in many EU countries represents a lost opportunity both for individuals and for societies and economies. Unfortunately, participation levels are now stagnating or declining even though basic skills are lacking for many adults in many countries. In 2017 the average rate of participation in lifelong learning was 10.9 per cent, and it has been at a similar level since 2013. There is great variation across Europe with Nordic countries tending to top the table; in 2017 the top three countries were Sweden, Finland and Denmark followed by the Netherlands, France, Luxembourg and Estonia.

There is also much to be done to improve adult literacy in many countries. Taking in additional indicators of lifelong learning and one measure of adult literacy suggests that policies pursued by some countries, seem to impact a range of different groups positively, notably, Finland, Sweden, Denmark and the Netherlands, and also Estonia and Belgium. Finland and Estonia are notable for both the quality of their education and equity (the latter meaning that children even from socially disadvantaged family homes experience prospects equal to those of children from socially better-off families) (Schraad-Tischler 2015; Schraad-Tischler *et al*. 2017).

4.3 Health Services

As mentioned in **Section 1**, above, *Social Justice Ireland* includes the right to essential healthcare amongst its core rights that need to guide policy-making in the future. The

Europe 2020 strategy underlines the need to reduce health inequalities and ensure better

access to healthcare systems, as access to high-quality health services is essential for good quality of life and inclusive growth, a main objective of the Europe 2020 strategy. The EU Sustainable Development Goals (SDG 3) also aims to ensure health and well-being for all at all ages.

As we reported in previous reports in this series, in the years before the crisis, unmet need for health services had been falling across the EU, whereas following the economic crisis, many people in EU member states experienced an erosion of health coverage (Thomson, Evetovits and Kluge, 2016). One recent report from the European Observatory on Health Systems and Policies evidences, for example, that in Greece alone nearly 2.5 million people lost their health insurance coverage – and thus access to health services – during the crisis due to unemployment or inability to pay social health insurance contributions (Economou 2017). A series of measures tried unsuccessfully to address the situation before remedial legislation restored coverage for the whole population in 2016. Consistently, the OECD reports that in all its member countries, people with low incomes are more likely to report unmet care needs than people with high incomes (OECD, 2014). A recent report (Alvarez-Galvez and Jaime-Castillo, 2018) provides new evidence of the positive effect of social spending on reducing inequalities in health in a broad sample of European countries across a long period of time.

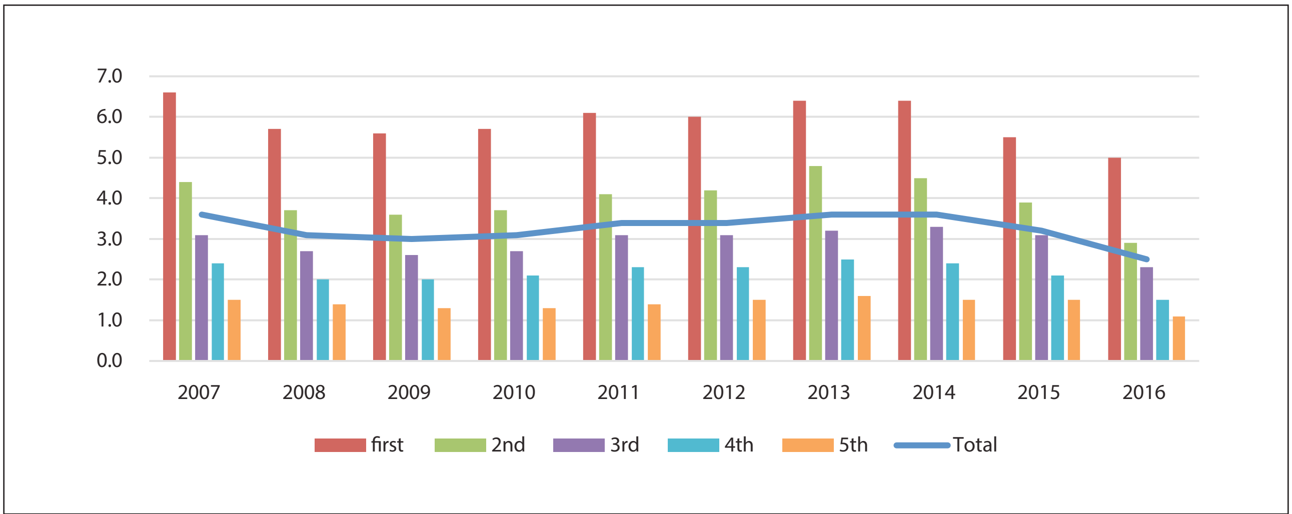
The progress EU countries made in meeting universal health coverage goals in the decade before the crisis has been partly undone as a result of the crisis (Thomson, Evetovits and Kluge 2016). Over 3 million more people reported unmet need for health care in 2014 than in 2009 (Thomson, Evetovits and Kluge 2016). The fact that so many countries failed to prevent erosion of health coverage for the most vulnerable people (as seen in rising unmet need, especially amongst poorest households) should be a matter of concern to national and international policy makers in the EU. Fortunately, there are also some signs of improvement in recent years, though a challenge remains to ensure that all groups benefit from good quality healthcare and that vulnerable groups are protected in the future.

There are difficulties in comparing health systems, health expenditures and health outcomes for different groups across countries, particularly in identifying meaningful indicators for which data are available for all EU states. When self-reported measures of the experience of health services are used, there is a danger of cultural differences and divergent local expectations affecting the outcomes, which makes cross-country comparisons challenging.

As in previous iterations of this report, we will look at different approaches that allow an examination over time. The first is self-reported unmet need for medical help from Eurostat. The second, is a combined approach to assessing and comparing health impacts over time using a range of different indicators is the index of social justice published by Bertelsmann Stiftung (Schraad-Tischler et al 2017). This report has not been produced yet for 2018. A third approach involves looking at overall perceptions of the quality health services from the European Quality of Life Survey (2007-2016) (Eurofound 2017e).

Eurostat publishes rates of self-reported unmet need defined as the share of the population perceiving an unmet need for medical examination or treatment (online database hlth_silc_08). The latest year for which comprehensive data are available is 2016. This is one of the social protection indicators used in the social protection performance monitor (SPPM) by the EU's Social Protection Committee (The Social Protection Committee 2015; 2016; 2017).

Figure 25 Self-reported unmet need for Medical Examination or Treatment Due to Problem of Access (%), EU-28, 2007-2016, By income Quintile



Source: Eurostat online database tsdph270/ hlth_silc_08. Reasons associated with problems of access: 'could not afford to, waiting list, too far to travel'. Rates prior to 2010 refer to EU27.

A number of reasons may be given for inability to avail of medical treatment, but in this case we look at reasons associated with problems of access (could not afford to, waiting list, too far to travel). The average rate of perceived unmet need for medical treatment (due to difficulties with access) was falling up until 2009 when it started to increase again. It rose from 3 per cent (EU27) in 2009 to 3.6 per cent in 2013 and 2014 (EU28). It has fallen since to 2.5 per cent in 2016 (the latest year in respect of which rates are published by Eurostat - Eurostat online database code hlth_silc-08).

However, as **Figure 25** shows, the perception is very different between different income quintiles with more perceived unmet need in the poorer quintiles As in previous years, in 2016, it was least perceived in the top (or 5th) quintile (1.1 per cent) and most in the bottom quintile (5 per cent) (2016). As the EU's Social Protection Committee (2017) notes, there is a clear income gradient as those in the lowest income quintiles more often report an unmet need for medical care, and the gap between the lowest and highest quintiles rose during the crisis years. However, even though the gap remains between the poorest people and the wealthiest, comparison between 2015 and 2016 shows some reduction in the rate across all quintiles: -0.5 percentage points (1st quintile); -1 percentage points (2nd quintile); -0.8 percentage points (3rd quintile). -0.6 (4th quintile); -0.4 percentage points (fifth quintile) (Eurostat hlth_silc-08).

The situation is also different between countries. According to the latest annual report from the EU's Social Protection committee (2017), ten Member States have a key challenge concerning access to health care, based on self-reported unmet needs for medical care again due to cost, waiting time, or distance (Estonia, Greece, Finland, Hungary, Ireland, Italy, Lithuania, Latvia, Poland and Romania).

Divergencies between countries are highlighted in a recent report from the OECD (2017), evidencing very different waiting times in different countries for different kinds of procedures or elective surgeries[12]. For example, the average waiting time for cataract surgery in the Netherlands is, at one end of the scale, 37 days, but it is 464 days in Poland at the other (looking at EU countries only). Similarly, the Netherlands has the lowest waiting times for hip replacements (42 days) while Estonia (290 days) and Poland (405 days) have the highest.

The second approach to the performance of health systems in recent years that we have looked at in previous reports in this series is the social justice index from Bertelsmann Stiftung, the most recent iteration of which is for 2017 and on which we also reported in last year. That report uses a combination of indicators to arrive at a basic impression of differing degrees of fairness, inclusiveness and quality between health systems in EU countries and it allocates a score to each country (Schraad-Tischler *et al.* 2017). There are three quantitative indicators used and one qualitative[13].

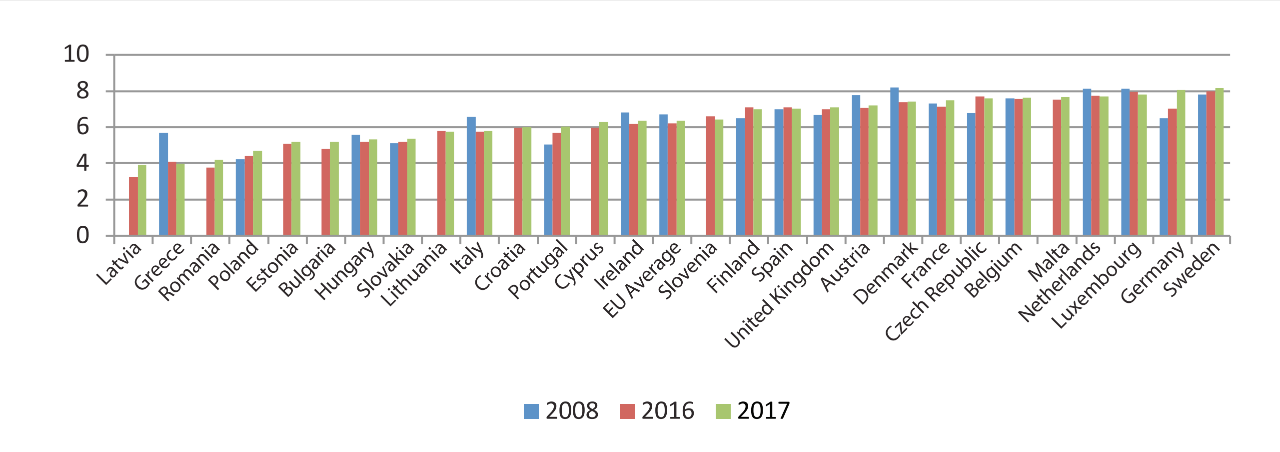
Overall, the authors of this report consider quality of healthcare as high in Europe. But

amongst the 19 countries for which comparison is possible with 2008, deterioration between then and 2017 is noted in 10 countries. The largest deterioration is seen in Greece. Based on this assessment of health for 2017, Sweden, Germany and Luxembourg hold the top three places followed by the Netherlands, Malta, Belgium, Czechia and France. By contrast, conditions have deteriorated the most since 2008 in Greece, which is second from the bottom. The worst deficits are identified in Latvia, Greece and Romania. See **Figure 26**.

[12] The refers to the time from when a Medical Specialist adds someone to a waiting list to the time treatment is received.

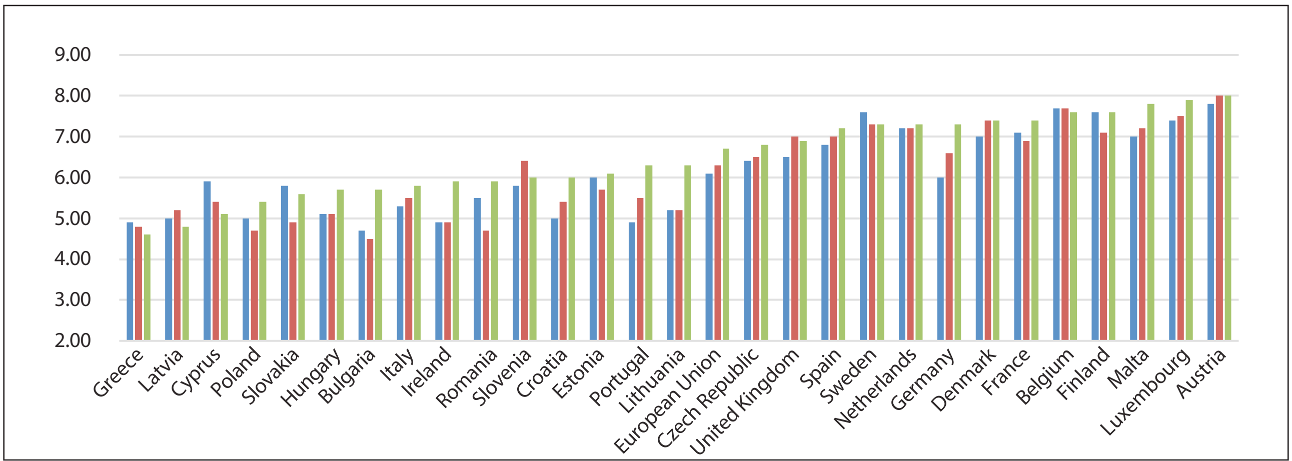
[13] One captures the outcome performance of each country's health system; the second addresses the question of accessibility and range of services. (These two are from the EHCI, European Health Consumer Index). Two come from Eurostat using the indicators "healthy life expectancy at birth" and "self-reported unmet needs for medical help" (the latter being the indicator already discussed above). The qualitative indicator looks at policy and is drawn from a Sustainable Governance Indicators survey assessing to what extent policies provide high-quality, inclusive and cost-efficient health care; of the three criteria – quality, inclusiveness and cost efficiency – quality and inclusiveness are given priority over cost efficiency.

Figure 26 Health Score based on Social Justice Index, 2008, 2016 and 2017 (From Bertelsmann Stiftung)



Source: Schraad-Tischler *et al.* 2017 (from Figure 36). **Note**: some countries were not surveyed in earlier years.

Figure 27 European Quality of Life Survey: Perceived Quality of Health Services, 2007, 2011, 2016



Source: From Eurofound 2017f (online database, EQLS, Data visualisation, year 2016) and Eurofound 2017e, Table 12, p 54. **Note:** Rating on a scale 1–10, where 1 means very poor quality and 10 means very high quality. Q59: 'In general, how do you rate the quality of the following two healthcare services in [COUNTRY]? Again, please tell me on a scale of 1 to 10, where 1 means very poor quality and 10 means very high quality'.

The third indicator that we look at comes from the European Quality of Life Survey (carried out at the end of 2016), which found that how people rated the quality of public services had improved overall since 2011. See **Figure 27**. In particular, satisfaction with healthcare and childcare improved in several countries where ratings were previously low. But, unfortunately, in several countries, participants rated the quality of health services less favourably in 2016 than in 2011 (Latvia, Slovenia, Cyprus, Greece, UK and Belgium). Thus, the perceived quality of public services still varies markedly across EU countries (Eurofound 2017e).

Furthermore, people in lower income groups report less improvement in the quality of services. For example, when you compare how people from different income groups rated the quality of their health service, those from lower income groups (quartile 1 or lowest 25%) were more inclined have a less favourable view than those in higher income groups (which is consistent with the findings already reported, above, relative to unmet need). For example, in 17 countries, those from Quartile 1 rated the quality of their health service more negatively than those in the top quartile (Quartile 4, top 25%) (in 2016) (calculated from EQLS2017 data visualisation Eurofound online database, Eurofound 2017f). The European Quality of Life Survey concludes that there are persistent inequalities on some indicators and it is clear that the rising tide of the post-crisis recovery has not lifted all citizens equally (Eurofound 2017e). For low-income groups, improvements on several dimensions were more limited in terms of overall quality of public services, perception of social exclusion and risk to mental health (women in the lowest income quartile being consistently at higher risk over the last decade). However, the self-reported health of the population, which had deteriorated in the aftermath of the crisis, is now better than it was in 2007, including in the lowest income quartile (Eurofound 2017e).

Finally, one health issue relating to children is highlighted in recent research showing that eligibility for health care services for certain groups of children is not always clearly defined or well-established and only a few Member States have legislation guaranteeing children a right to health care, regardless of legal status (Palm 2017). Children with no regular residence status are the most vulnerable group, and others may fall between the cracks or be left with insufficient coverage.

All of the above suggests that there have been improvements in recent years, at least in perceptions relative to health care systems, but that low-income people are amongst those, along with certain other groups, who need a special focus to ensure that they benefit from general improvements.

4.4 Health - Conclusion

In the years following the economic crisis, many people in EU member states experienced an erosion of health coverage and those who are poorer experienced more unmet need than others. As we noted in previous reports in this series, the fact that so many countries failed to prevent erosion of health coverage for the most vulnerable should be a matter of concern to national and international policy makers in the EU.

While the quality of health care is high in most EU countries, there are significant variations between countries with regard both to quality and inclusivity (that is equality of access) (Schraad-Tischler et al 2017). Based on an assessment of health systems for 2017, Sweden, Germany and Luxembourg hold the top three places followed by the Netherlands, Malta, Belgium, Czechia and France (Schraad-Tischler et al. 2017). Those performing worst were Latvia, Greece and Romania.

Other indicators that we have reviewed suggest that there have been improvements in respect of access to, and perceptions of quality of, health services in recent years, and this is welcome. But, unfortunately, in several countries, participants rated the quality of health services less favourably in 2016 than in 2011 (Latvia, Slovenia, Cyprus, Greece, U.K. and Belgium) (European Quality of Life Survey, Eurofound 2017e). Furthermore, perceptions of unmet need for health care and perceptions of poorer quality of healthcare continue to be greater amongst poorer people in Europe than richer. There also continues to be great variation in these perceptions across different countries. This means that despite the economic recovery, certain groups, such as those with low-incomes, need a special focus to ensure that they benefit from general improvements and that the health systems and policies pursued in some countries need ongoing improvement.

Chapter 5

5 Taxation

Taxation plays a key role in shaping societies by funding public services, supporting economic activity and redistributing resources to make societies more equal. Appropriate and equitable taxation levels and their targeting is also a subject of much debate and contestation within individual countries. Eurostat publishes information on taxes which allows comparison across countries and we will look at total taxation across countries in this section. We will then consider this in light of some indicators of social inclusion and social investment.

5.1 Total Taxation as a percentage of GDP

Taxation can be analysed as including or excluding compulsory social security contributions. One definition used by Eurostat encompasses all direct and indirect taxes received including social security contributions[14] – and that is the one used in this section. The tax-take of each country is established by calculating the ratio of total taxation revenue to national income as measured by gross domestic product (GDP). Taken as a whole, the European Union is a high-tax area relative to some other countries such as the United States and Japan.

Ratios are currently available up to 2016. As a ratio of GDP, in 2016 tax revenue (including net social contributions) accounted for 40 per cent of GDP in the European Union (EU-28). In absolute terms, tax revenue in 2016 continued the growth from its low-point of 2009. Compared with 2015, slight increases in the ratio are observed for the EU and the euro area. At 41.3 per cent, the ratio of tax revenue to GDP in the euro area (EA-19) was higher than in the EU-28.

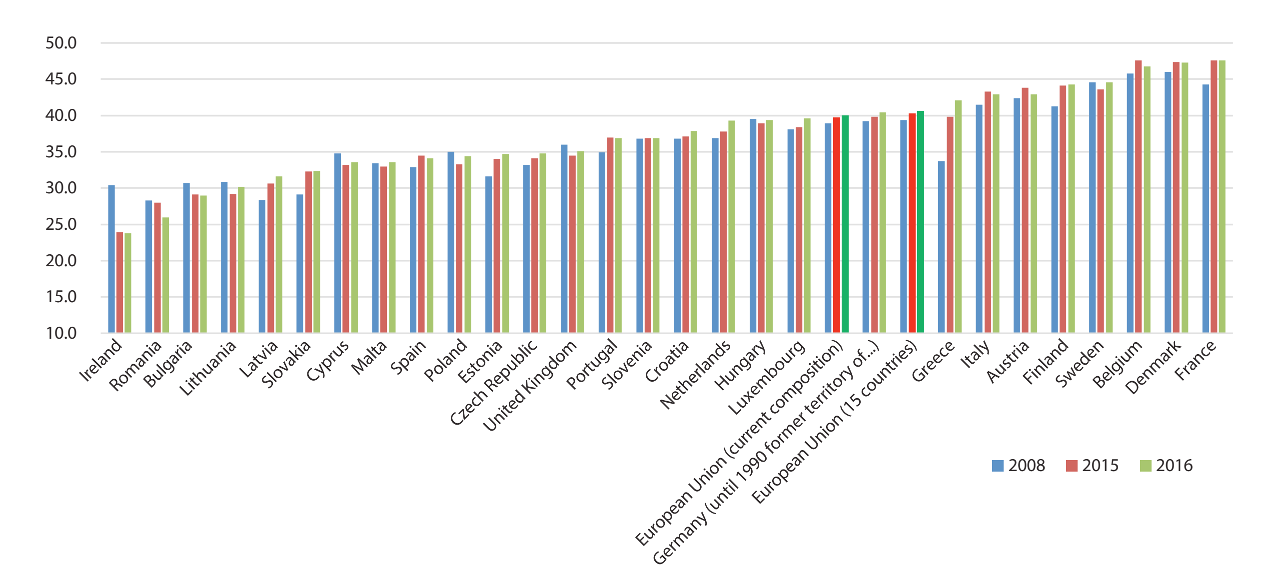
However, as **Figure 28** shows, there is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. Nine countries had total taxation ratios greater than the EU average of 40 per cent (in 2016). The highest levels are found in the 'older' countries of the EU, including France, Denmark, Belgium, Sweden and Finland (47.6, 47.3, 46.8, 44.6 and 44.3 per cent, respectively). At the other end of the scale were Ireland (23.8 per cent), Romania (26 per cent), Bulgaria (29 per cent) and Lithuania (30.2 per cent). Overall, the range is broad with a difference of 23.8 pps between the country with the lowest ratio (Ireland) and that with the highest (France).

Between 2015 and 2016, decreases in the tax-to-GDP ratio were observed in nine EU Member States (Romania (-2 pp), Austria (-0.9pp), Belgium (-0,8 pp), Italy, Spain, Denmark, Portugal, Bulgaria and Ireland). The tax-to-GDP ratio remained stable in France and Slovenia. Increases in the tax-to-GDP ratios were observed in the remainder of countries, with the highest increases in % of GDP from 2015 to 2016 (in percentage points) being recorded by Greece (2.3 pp.), the Netherlands (1.5 pp.) and Luxembourg (1.2 pp.).

Already before the 2004 enlargement, several member states had tax ratios close to 50 per cent (such as the Scandinavian countries and Belgium), and also several low-tax Member States (such as Ireland, Spain, the UK and Greece) (Eurostat 2008). The generally lower tax ratios in the accession countries meant that the 2004 and 2007 enlargement resulted

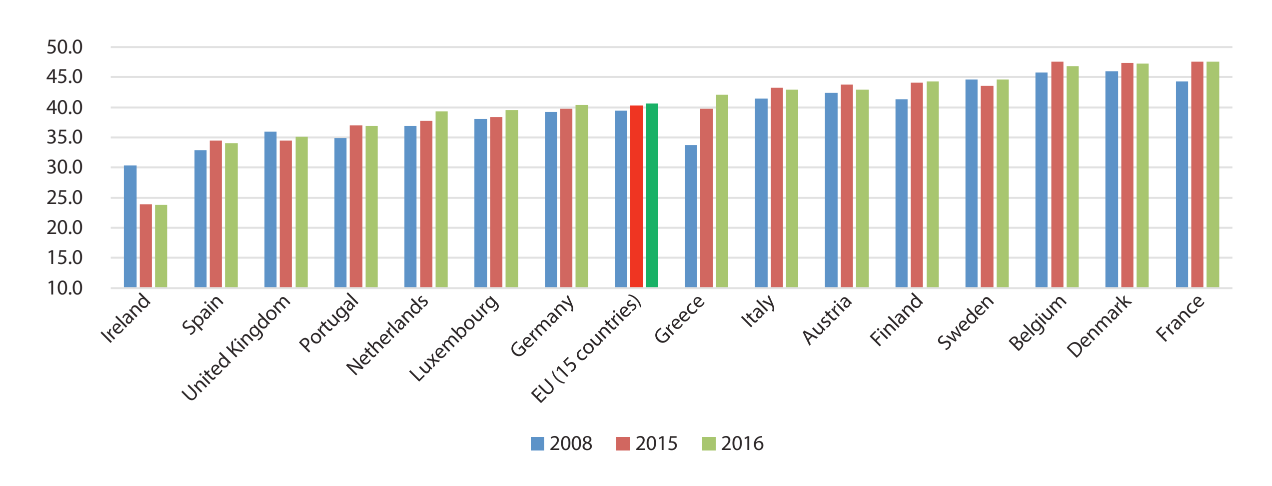
14 That is, taxes on production and imports, income and wealth, capital taxes, and compulsory social contributions paid by employers and employees (see Eurostat 2014:268)

Figure 28 EU-28 Total Taxes (incl ssc) as a % of GDP, 2008, 2015 and 2016



Source: Eurostat Online database: **gov_10a_taxag**. Includes social security contributions.

Figure 29 EU-15 Total Taxes (incl SSC) as a % of GDP, 2008, 2015 and 2016



Source: Eurostat Online database: gov_10a_taxag. Includes social security contributions.

in a significant decline for the EU average value. Thus, in **Figure 29** the tax ratios are set out for EU-15 countries. This shows an average ratio of 40.6 per cent for EU-15 for 2016, slightly higher than the average for EU-28 countries. When looked at in this way it is again Ireland that has the lowest ratio, followed by Spain, United Kingdom and Portugal. It must also be acknowledged in the case of Ireland that the highly globalised nature of the Irish economy as well as taxation policies pursued inflates GDP as a measure of activity – but even notwithstanding this, Ireland's ratio compares poorly with many other countries, especially with its peers amongst the older accession countries.

Eurostat appears to take 35 per cent of GDP as a ratio that represents a relatively low-tax approach (Eurostat 2008:5). In EU-15 (the 'old member states of the EU), Ireland is the only country with a tax take that is appreciably lower than the 35 per cent threshold, with the next lowest ratios in Spain and the UK (34.1 and 35.1 per cent, respectively). Nine of these countries have ratios that are 40 per cent of GDP or greater (France, Denmark, Belgium, Sweden, Finland, Austria, Italy, Greece and Germany).

It is also worth noting that amongst the countries with the highest total taxation ratios relative to GDP are some of the countries considered the most competitive in the world. According to the World Economic Forum report for 2017-18, Germany, Sweden and Finland are all amongst the world's ten most competitive countries (World Economic Forum 2017). Denmark was ranked 12th, Austria 18th and Belgium, 20th.

5.2 Total Taxation in light of Some Social Inclusion Indicators

We can also review total taxation in light of a number of the issues that have already been considered in previous sections of this report such as how well countries perform in relation to poverty and social exclusion as well as social investment. We are again talking in this section about total taxation (including social security contributions) as a percentage of GDP.

In **Table 5** we rank them for taxation to GDP ratio. We divide countries into three groups – those with total taxation levels above the EU average, a middle grouping with taxation levels below the average but at/above a level of 35 per cent, and a third group with taxation levels below 35 per cent.

We can look at these taxation levels in light of levels of poverty or social exclusion set out in Section 2 of this report. There are 15 countries that have below average rates (in 2017[15]) of poverty or social exclusion. The majority of these (11 out of 15) have taxation ratios above 35 per cent. Thus, central and Scandinavian countries such as Finland, Netherlands, France, Denmark, Sweden, Austria, Germany and Belgium are amongst those that do best on protecting their populations from poverty or social exclusion also have taxation ratios above the 35 per cent threshold (threshold that signals a low-tax economy).

Table 5 EU-28: Total Taxation as % GDP (2016)

	2016
Above EU-28 Average	
France	47.6
Denmark	47.3
Belgium	46.8
Sweden	44.6
Finland	44.3
Austria	42.9
Italy	42.9
Greece	42.1
Germany	40.4
Below European Union (current composition) average: 40.0%	
Luxembourg	39.6
Hungary	39.4
Netherlands	39.3
Croatia	37.9
Portugal	36.9
Slovenia	36.9
United Kingdom	35.1
Below 35% threshold	
Czechia	34.8
Estonia	34.7
Poland	34.4
Spain	34.1
Cyprus	33.6
Malta	33.6
Slovakia	32.4
Latvia	31.6
Lithuania	30.2
Bulgaria	29.0
Romania	26.0
Ireland	23.8

Source: Taxation: Eurostat 2015 Online database: gov_10a_taxag.

15 Having to take the 2016 rate for two countries (UK and Ireland), given that their 2017 rates are not available

The only countries with taxation levels below 35 per cent that also have below average rates of poverty or social exclusion (in other words, that also perform better relative to the average in protecting populations from poverty) are Czechia, Slovakia, Malta and Poland (again in 2017). Czechia, as we already noted, is considered to perform extremely well in preventing poverty; Slovakia is also considered to perform relatively well in poverty prevention due mainly to the country's comparatively even income distribution patterns (Schraad-Tischler, 2015). As part of the context, it must be acknowledged, that income levels in post-communist countries are still considerably below those in Western Europe. In addition to the overall level of taxation, a range of historical and institutional factors are probably also relevant to the outcomes achieved as are the social policies pursued (Schraad-Tischler and Kroll 2014).

We can also look at income inequality in light of taxation ratios. In **Section 2, above**, we looked at the S80/20 measure of income inequality (Eurostat ilc_di11). Amongst the countries with the highest total taxation ratios are also some of the countries with the lowest rates of income inequality (for example, Finland, Belgium, Netherlands, Denmark and others). And, correspondingly, amongst those countries with the highest levels of inequality are also those with the lowest levels of taxation (again relative to GDP). Looking at 2017 rates, countries with the highest levels of income inequality include newer accession countries of the EU such as Bulgaria, Lithuania, Romania and Latvia – each of which has a S80/20 ratio of 6 or over (meaning that the richest 20 per cent earn at least 6 times more than the lowest 20 per cent – and the ratio is over 7 in Lithuania and over 8 in Bulgaria). They (along with Ireland) are at the bottom of the table in relation to taxation to GDP ratio. Spain also has a S80/20 ratio of over 6, and it too is amongst the countries with a total tax take of under 35 per cent of GDP. Greece and Italy are unusual in having relatively high S80/20 ratios (6.1 and 5.9, respectively) and still a total taxation ratio of above the EU average.

It is also of interest, that the social justice index use by Bertelsmann Stiftung consistently finds that opportunities for every individual to participate broadly (in things like education, health services and the labour market) tend to be best developed in northern countries. For example in this year's index (2017) northern European states of Denmark, Sweden and Finland top the list for social justice – all countries with tax ratios above the EU-28 average - followed by Czechia, Slovenia, the Netherlands, Austria and Germany (Schraad-Tischler *et al*. 2017) – all of which, except for Czechia, have ratios above the 35 per cent mark. In previous years the top countries have also been Sweden, Denmark, Finland and the Netherlands (Schraad-Tischler, 2015).

Social Investment

How well countries perform on social investment is discussed in **Section 1.4,** above. In **Table 6** we compare countries' rankings for total taxation against the way that they have been ranked on their approach to social investment (following the schema of Bouget *et al* 2015 – see the Introduction to this Report.

As we reported in previous years, all of the countries that are in Group 1 for social investment (identified by the European Social Policy Network as having a well-established approach to many social policies, Bouget *et al* 2015), have tax takes that are above the 35 per cent line, and almost all are also above the EU average. These countries are Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia.

When it comes to how the ten countries that are in Group 3 in relation to social investment (the lowest group - that is, the social investment approach has not made significant inroads into the overall policy agenda), it appears that eight have taxation levels below the EU average and seven have taxation rates that are below the 35 per cent line (many of them considerably so).

Two of these countries (Italy and Greece) have taxation ratios that are above the EU average. In a previous report, Italy was the only country in this category – but it has since been joined by Greece. Thus Italy and Greece represent exceptions, having a taxation ratio above the EU-28 average and still appearing in the worst grouping in terms of the development of a social investment approach.

Table 6 EU-28 Total Taxation as % of GDP (2016) and Social Investment Approaches

Taxation to GDP ratio		Social Investment Approach
Above EU-28 Average		
France	47.6	Group 1*
Denmark	47.3	Group 1
Belgium	46.8	Group 1
Sweden	44.6	Group 1
Finland	44.3	Group 1
Austria	42.9	Group 1
Italy	42.9	Group 3***
Greece	42.1	Group 3
Germany	40.4	
Taxation below European Union (EU-28) average: 40.0%		
Luxembourg	39.6	Group 2**
Hungary	39.4	Group 2
Netherlands	39.3	Group 1
Croatia	37.9	Group 3
Portugal	36.9	Group 2
Slovenia	36.9	Group 1
United Kingdom	35.1	Group 2
Below 35% threshold		
Czechia	34.8	Group 3
Estonia	34.7	Group 3
Poland	34.4	Group 2
Spain	34.1	Group 2
Cyprus	33.6	Group 2
Malta	33.6	Group 2
Slovakia	32.4	Group 3
Latvia	31.6	Group 3
Lithuania	30.2	Group 3
Bulgaria	29.0	Group 3
Romania	26.0	Group 3
Ireland	23.8	Group 2

Source: Taxation: Eurostat 2015 Online database: I gov_10a_taxag. Approach to Social investment: Bouget et al 2015.
* **Group 1**: Has well established social investment approach to many social policies; tend to have good linkages between different policy areas when addressing key social challenges
** **Group 2**: Still to develop an explicit or predominant social investment approach, while showing some increasing awareness in a few specific areas
*** **Group 3:** Social investment approach has not made many significant inroads into the overall policy agenda

5.3 Taxation - Conclusion

Without raising resources, countries cannot invest in infrastructure and services required to promote inclusion and to sustain development. Our conclusions on taxation are very much in line with our conclusions in previous years.

There is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. The highest ratios tend to be found in the 'old' 15 members of the EU. At the top end, the highest levels were found in the 'older' countries of the EU, including France, Denmark, Belgium, Sweden and Finland (in 2016). At the other end of the scale were Ireland, Romania, Bulgaria and Lithuania.

All of the countries that are identified by the European Social Policy Network as having a well-established approach to many social policies (Bouget *et al*. 2015), have tax takes that are above 35 per cent of GDP, and most are also above the EU average.

Countries in Scandinavia and Central Europe tend to demonstrate higher levels of taxation, and also better protection of their populations from poverty and social exclusion. Amongst these countries are several deemed the world's most competitive notwithstanding their relatively high taxation levels. They also include countries that demonstrate the greatest income equality (based on the S80/20 indicator) and that are associated with the highest levels of social justice – that is to say, according to one index they create the greatest opportunities for their populations to participate in society in a broad range of areas like education and health services.

In general, countries in the south and east of Europe tend to have lower levels of taxation and also less well-developed social investment approaches, and higher rates of poverty or social exclusion. Amongst the newer accession countries – and with a taxation ratio just below 35 per cent of GDP - Czechia is notable for its performance in relation to prevention of poverty or social exclusion.

6 Alternatives: Some Issues for Discussion

6.1 Introduction

Good social protection systems are vital not only to social wellbeing but also to economic development. Wellbeing is a fundamental objective of EU policies: Article 3 of the *Treaty on the Functioning of the European Union* states that the Union's aim is to promote 'the well-being of its peoples'. The European Commission has noted how the best performing Member States in economic terms have developed more ambitious and efficient social policies, not just as a result of economic development, but as a central part of their growth model (European Commission 2016b). The European Commission acknowledges that countries providing high quality jobs and effective social protection as well as investment in human capital proved more resilient in the economic crisis (European Commission 2015a). As we mentioned in the introduction to this report, some lessons are being drawn from the impact of the 2008 crisis and the way it was handled, with the OECD Chief Economist emphasising investment and policy coherence, which involves looking at how a range of different approaches to policy impact on overall well-being of a country's citizens and more broadly on the world (OECD 2016a).

As already alluded to, during and following the crisis years, the political discourse at European level has focused on fiscal consolidation and economic recovery as well as on protecting the euro. People in many countries affected by the economic crisis followed by harsh austerity policies that followed associate this with the European Union. Meanwhile talk of an economic recovery has yet to be experienced amongst many groups in Europe and the EU's efforts to create a more socially just Europe have not been as comprehensive, visible or as effective. Added to all of this is the fact that societies are now faced with profound questions for public policy based on emerging technologies, the changing nature of the workforce, and the differential impact on various demographic groups (West 2015).

This is the context in which the future of the EU must be decided – and, in the opinion of *Social Justice Ireland*, it must be one in which it is recognised that economic development, social development and environmental protection are complementary and interdependent. This means that Europe must be seen as not only concerned with economic issues, but also with promoting justice, equality and social inclusion. Action to achieve this is required at European level.

As we outlined in the introduction to this report, for *Social Justice Ireland,* every person has seven core rights that need to be part of the vision for the future: right to sufficient income to live with dignity, to meaningful work, to appropriate accommodation; to relevant education, to essential healthcare, to real participation and the right to cultural respect. In this report, we have looked at how these rights are currently being realised or otherwise in the areas of income, work, education and healthcare. In this Section, we discuss some current debates and point to some potential policy alternatives in the areas of income, work and service-provision. Our intention is not to prescribe any particular approaches, but rather to outline some pointers toward strategies that are currently being employed or are currently the subject of increasing debate and consideration.

6.2 Right to Sufficient Income

Debates about how to achieve adequate income often involve discussions of (1) minimum wage, and, increasingly, the living wage, (2) minimum income schemes, and (3) basic income schemes. We will briefly discuss each of these approaches.

Minimum Wage and Living Wage

As part of its Decent Work Agenda, the International Labour Organization encourages the use of a minimum wage to reduce working poverty and provide social protection for vulnerable employees (2013). A minimum wage is the lowest remuneration (set hourly, daily or monthly) that employers may legally pay to workers. It is recognised that setting minimum wages at appropriate levels can help prevent growing in-work poverty (European Commission, 2012). According to the International Monetary Fund (2016), minimum wage policy typically aims to improve income distribution and it may also have important implications for economic efficiency.

Twenty-two out of 28 EU countries apply a generally binding statutory minimum wage (Eurofound 2016a). In the majority of EU Member States where there is no statutory minimum wage, the minimum wage level is de facto set in (sectoral) collective agreements. Thus, countries tend to have different mechanisms for setting the minimum levels and their impact can differ considerably. Bulgaria and Romania have the lowest minimum wage in the EU, while Luxembourg has the highest (Eurofound 2016a). However, the IMF points to non-compliance being widespread in both advanced and emerging economies; they instance, for example, a report from the U.K. which found that 11 per cent of workers in the social care sector were paid less than the minimum wage (Low Pay Commission 2014 cited in IMF 2016).

There are different opinions on the usefulness of minimum wages, one criticism being that they only apply to those in paid employment, not self-employed or those doing family work or caring (International Labour Organization, 2013). Despite limitations, the International Labour Organization has concluded that they remain a relevant tool for poverty reduction. Also, the International Monetary Fund has suggested that governments should consider broadening minimum wage coverage where it does not currently include part-time workers (Hong *et al.* 2017). They do so in the context of addressing the issue of why falling unemployment rates have not resulted in wage growth (in other words, why isn't a higher demand for workers driving up pay).

The European Pillar of Social Rights now asserts the right of workers 'to fair wages that provide for a decent living standard' and suggests that 'adequate minimum wages shall be ensured in a way that provide for the satisfaction of the needs of the worker and his / her family *in the light of national economic and social conditions*' (Principle 6 – emphasis added). As we mentioned in the Introduction, the Pillar of Social Rights is open to criticism for merely expressing good intentions (see Crespy 2017), but arguably there is an implicit acknowledgement in this wording that minimum wages should be *living* wages

The **Living Wage** assumes that work should provide an adequate income to enable people to afford a socially acceptable minimum standard of living. It differs from the minimum wage approach, in being an evidence-based rate grounded in consensual budget standards based on research to establish the cost of a minimum essential standard of living. It provides an income floor, representing a figure that allows employees to pay for the essentials of life. The concept is derived from the United Nations Convention on Human Rights which defined the minimum as 'things which are necessary for a person's physical, mental, spiritual, moral and social well-being'. A Living Wage is intended to meet physical, psychological and social needs at a minimum but acceptable level (Living Wage Technical Group, 2014). Earning below the living wage suggests that employees are forced to do without certain essentials to make ends meet.

The cost of a minimum essential standard of living or minimum income standard will vary by household type and composition, location, and employment pattern. Its calculation follows clearly stated and transparent processes specified for specific household compositions and situations (Living Wage Technical Group, 2014).

The Living Wage idea is not a new one. However, support is growing for it and research on it is expanding. The U.K's Living Wage Foundation suggests that over 4,300 employers in the UK have committed to paying it, including one third of the FTSE 100 and household names including Ikea, Aviva, and Nationwide as well as county and city councils, local authorities, charities, universities and diverse private sector companies of different sizes and scales. While small businesses are usually perceived as having fewer resources available and thus to be less able to afford to pay higher wages, research from the U.K suggests that private sector SMEs constitute over half of all accredited Living Wage employers (Werner and Lim 2016). SMEs that have adopted a living wage perceive benefits related to employee motivation and productivity, staff retention, employee relations and ability to attract high quality staff as well as benefits for business reputations (Werner and Lim 2016). It is interesting to note that the SMEs concerned were operating in so-called low-waged sectors such as hospitality, retail, social care and manufacturing in England, Wales and Scotland.

Minimum Income Schemes

Adequate and effective social protection systems are the bedrock of a truly Social Europe, within which minimum income schemes are a safety net of last resort to ensure that no one falls below an adequate minimum income (Frazer and Marlier 2016). Minimum income schemes are protection schemes of last resort aimed at ensuring a minimum standard of living for people of working age and their families when they have no other means of support. They vary in coverage, comprehensiveness (that is, their availability generally to low-income people) and effectiveness. The European Pillar of Social Rights adopted in 2017 enshrines the right to a minimum income as one of its 20 core principles:

> Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services (principle 14).

This is welcome, but, as mentioned in the introduction to this report, we do not yet know how effective the Pillar of Social Rights will be and it requires political will and involvement of a range of stakeholders to make it effective.

As we discussed in previous reports in this series, the lack of adequate minimum income schemes in several countries was highlighted following the 2008 crisis in Europe. A review of minimum income schemes across Europe found that they play a vital role in alleviating the worst impacts of poverty and social exclusion. However, in many countries

- their contribution is still limited;
- progress since 2009 has been disappointing, and
- lack of adequate payments coupled with limited coverage and poor take-up (due *inter alia* to poor administration, inadequate access to information, excessive bureaucracy and stigmatisation) means that they fall very far short of ensuring a decent life for the most vulnerable in society (Frazer and Marlier 2016).

Concerns about minimum income schemes focus on affordability and about fears that they will disincentivise work. However, according to the Independent Network of Experts on Social Inclusion, in countries with the most generous and effective minimum income schemes, there is also a clear recognition that they play a vital role in ensuring that people do not become so demoralized and excluded that they are incapable of participation in active inclusion measures and in seeking work (Frazer & Marlier, 2009).

The opinion of the EU Network of Independent Experts on Social Inclusion is that a Framework Directive is one of the best options for a legislative initiative on minimum income (Frazer and Marlier 2016). The European Parliament has called on the European Commission to launch a consultation on the possibility of a legislative initiative. However, there are also debates about whether the European Commission has the capacity to introduce a Framework Directive to achieve this (Frazer and Marlier 2016). A report for the Jacques

Delors Institute argued that "a European common framework to improve minimum income protection would give substance to the discourse on the 'Triple 'A' Social Rating[16]' (Rinaldi 2016:73-74).

Basic Income Schemes

Basic Income has the potential to play a key role in supporting people's rights to meaningful work, sufficient income to live life with dignity and real participation in shaping the world and the decisions that impact on them. The economic crisis of 2008 and its consequences have exposed the failure of current policy approaches to secure these rights for people, and as a result Basic Income is now being discussed and experimented with across several continents (Healy and Reynolds 2016). In 2018 the Council of Europe passed a resolution which acknowledges the benefits of a 'basic citizenship income', on account of the fact that 'introducing a basic income could guarantee equal opportunities for all more effectively than the existing patchwork of social benefits, services and programmes' (Council of Europe Parliamentary Assembly 2018).

The fact that the Basic Income concept is receiving more attention in recent times is partly in response to new technological developments including artificial intelligence and robotics, which are expected to transform the nature of work and the type and number of jobs. Put succinctly, if more jobs become obsolete, there still have to be ways for people to get health care, pensions, disability, and income supplements outside of full-time employment (West 2015). It is argued that a basic income scheme offers 'a powerful way of protecting all citizens from the great winds of change to be ushered in by the fourth industrial age, and of sharing the potentially massive productivity gains that it will bring' (Reed and Lansley 2016:8). Another argument in favour of changing our system of income generation is that it can address growing inequality and, it is argued, a universal basic income that grows in line with capital productivity would ensure that the benefits of automation go to the many, not just to the few (Skidelsky 2016).

A basic income is very different to a minimum income. A minimum income seeks to ensure a minimum standard of living for people of working age and their families with no other means of support. By contrast, a basic income involves giving everyone a modest, yet *unconditional* income, and letting them top it up at will with income from other sources (Van Parijs, 2000). It is paid directly with a smaller payment for children, a standard payment for every adult of working age and a larger payment for older people. It is never taxed but in essence replaces tax credits (for those with jobs) and social welfare payments (for those without jobs). Additional payments would be maintained for those with particular needs (such as those who are ill or have a disability). As defined by the Basic Income Earth Network, a basic income is: an income unconditionally granted to all on an individual basis, without means test or work requirement. It is a form of minimum income guarantee that differs from those that now exist in various European countries in three important ways:

a. it is being paid to individuals rather than households;
b. it is paid irrespective of any income from other sources;
c. it is paid without requiring the performance of any work or the willingness to accept a job if offered.

If social policy and economic policy are no longer conceived of separately, then basic income is increasingly viewed, according to the Basic Income Earth Network, as the only feasible way of reconciling two of their central objectives: poverty relief and full employment. Every person receives a weekly tax-free payment from the Exchequer while all other personal income is taxed.

Amongst its advantages is lack of stigma - there is nothing stigmatising about benefits given to all as a matter of citizenship, something that cannot be said, even with well-designed processes, about benefits reserved for 'the needy, the destitute, those identified as unable to fend for themselves' (Van Parijs, 2000). So it helps to overcome the problem of non-take-up of benefits, something observed in some EU countries (Eurofound 2015). It also removes unemployment

16 The Five Presidents' Report on Completing Europe's EMU stresses that "*Europe's ambition should be to earn a 'social triple A'*"

traps because it does not cease if someone takes up employment – one is bound to be better off working as you can keep the basic income and earnings on top of it - and it incentivizes increasing one's income while employed. It promotes gender equality also because everyone is treated equally and it respects forms of work other than paid work – like work in the home or informal caring. It is also considered more guaranteed, simple and transparent than current tax and welfare systems (Healy *et al,* 2012).

There are a range of basic income proposals. They differ in many respects including as to the amounts involved, the source of funding, the nature and size of the reductions in other transfers. Some propose financing through tax and welfare systems. In practice this would mean that those on low and middle-income would see net gains while the richest would be required to pay more tax as many tax breaks would be removed. Others propose that a Basic Income be financed by environmental taxation or a financial transactions tax. Current discussion is focusing increasingly on so-called partial basic income schemes, which would not be full substitutes for present guaranteed income schemes but would provide a low - and slowly increasing - basis to which other incomes, including the remaining social security benefits and means-tested guaranteed income supplements, could be added.

Growing interest in Basic Income across the world is being driven by both negative and positive factors. Among the negative drivers is the growing fragility of the jobs market and the acceptance that there will never be sufficient jobs for those seeking them. Other negative drivers include the continuing failure of the welfare system to protect people against poverty and the ongoing exclusion of vulnerable people from having a voice in the decisions that impact on them. Among the positive drivers of interest in Basic Income is the recognition that as a system it could address all three of these negative drivers by providing sufficient income to enable people to live life with dignity; by enabling people to do meaningful work that is not paid employment and by supporting people as they seek to play a participative role in shaping the decisions that impact on them (see Healy and Reynolds 2016).

A range of countries and cities have introduced basic income schemes (or partial schemes) or are considering doing so. A partial basic income system has existed for decades in the US state of Alaska financed by taxes paid on oil produced in the State. In 2012 The World Bank identified 123 Basic Income systems in various parts of Sub-Saharan Africa (Garcia and Moore, 2012). In Finland, a two-year trial introduced in summer 2016 involving 2,000 people (see Honkanen and Pulkka 2016) has been terminated. This was, strictly speaking, not a universal basic income (UBI) trial, because the payments were made to a restricted group and were not enough to live on. According to news reports an expert involved in the trial suggested that two years was not enough time to be able to draw extensive conclusions from such a big experiment (Henley 2018). In the Netherlands city of Utrecht and other municipalities, a pilot project called "Weten Wat Werkt," or "Know What Works" is taking place from 2017.

A report from the U.K estimated the net annual cost of a modified (transitional) basic income scheme there at around £8bn or just under 0.5 per cent of GDP, something that may be judged as a relatively modest sum in relation to the benefits and the reduction in poverty and inequality that it delivers such as a sharp increase in average income amongst the poorest; a cut in child poverty of 45 per cent; and a modest reduction in inequality (Reed and Lansley 2016). See Murphy and Ward (2016) as to how a system of basic income could be implemented in Ireland.

Healy and Reynolds (2016) conclude that for many decades, the European social model has been offering its citizens a future that it has failed to deliver and that it is time to recognise that current policy approaches are not working and that an alternative is required. They suggest that a Universal Basic Income system has the capacity to be the cornerstone of a new paradigm that would be simple and clear, that would support people, families and communities, that would have the capacity to adapt to rapid technological change in a fair manner, that would enable all people to develop their creativity and could do all of this in a sustainable manner.

6.3 Right to Meaningful Work

The dominant policy framework in Europe and elsewhere in response to persistent high unemployment focuses on the notion of full-employability and understands unemployment in terms of skills shortages, bad attitudes of individuals and/or disincentives to work that exist in welfare systems or other alleged rigidities like minimum wages or employment legislation (Mitchell and Flanagan 2014). It is a supply-side understanding, which can be considered to ignore other causes – such as lack of jobs and spatial spill-overs (Mitchell and Flanagan 2014).

Progressive approaches to jobs policy are investigating how to achieve full employment, as a key to well-being (there being evidence that high well-being is associated with low levels of unemployment and high levels of job security), something that involves satisfying work in the right quantities within a broader economy that respects environmental limits (Greenham *et al*, 2011).

Thus, basic questions are now being asked about whether the market economy is capable of delivering what is needed, particularly in light of the move away from industry and manufacturing towards a knowledge economy. Increasing developments in artificial intelligence also evoke anxiety about potential job losses. One influential study estimated that 47 per cent of workers in America had jobs at high risk of potential automation (Economist 2016). All of this poses the question whether the 'trickle-down effect,' that is, the wealth and job creation potential of entrepreneurs and wealthy individuals, can really deliver even full employment.

One of the debates that arises in this context is the need to recognise and value all work. Another relates to government guaranteeing work as a response to widespread unemployment, particularly long-term unemployment which has damaging consequences for individuals and for the wellbeing of society. A further approach relates to reductions in hours worked by everyone. Finally, the need for investment by government will be considered.

Valuing All Work

Ideas about who we are and what we value are shaped by ideas about paid employment and the priority given to paid work is a fundamental assumption of current culture and policy-making. Other work, while even more essential for human survival and wellbeing, such as caring for children or sick/disabled people, often done by women, is almost invisible in public discourse. But because well-being relies on work and relationships (and other things), there must be a fair distribution of the conditions needed for satisfactory work and relationships – and this is particularly important for gender equality.

There is a need to recognise all work, including work in the home, work done by voluntary carers and by volunteers in the community and voluntary sector. Their contribution to society is significant in terms of social and individual well-being, and in economic terms. The European Commission estimates that the time spent on housework and care per day could represent +/-830million hours per day in the EU or nearly 100 million full-time equivalent jobs (European Commission 2012a). Research from the UK suggests that if the average time spent on unpaid housework and childcare in 2005 was valued in terms of the minimum wage it would be worth the equivalent of 21 per cent of GDP (Coote *et al*, 2010). Introduction of a basic income (see above) is one means of enabling the recognition of all meaningful work in practice.

Jobs Guarantee Schemes

Many job guarantee proponents see employment as a right. Unemployed people cannot find jobs that are not there, notwithstanding activation measures. Thus, thinking has been developed around the idea of jobs guarantee schemes. High levels of unemployment co-exist with significant potential employment opportunities, especially in areas such as conservation, community and social care. A jobs guarantee scheme involves government promising to make a job available to any qualifying individual who is ready and willing to work. Jobs guarantee schemes are envisaged in different ways with the most broad approach being a universal job guarantee, sometimes also called an employer of last resort scheme in which government promises to provide a job to anyone legally entitled to work. Apart from a broad, universal approach, other schemes envisage qualifications required of participants such as being within a given age range (i.e. teens or under, say, 25), gender, family status (i.e. heads of households), family income (i.e. below poverty line), educational attainment and so on.

The concept involves government absorbing workers displaced from private sector employment. It involves payment at the minimum wage, which sets a wage floor for the economy. Government employment and spending automatically increases as jobs are lost in the private sector.

Amongst those championing the idea is the Centre of Full Employment and Equity, University of Newcastle, Australia. Based on an analysis across countries, they argue that the private sector has always only been able to employ around 77 per cent of the labour force; unless the public sector provides jobs for the remaining workers seeking employment, unemployment will remain high[17] (Centre of Full Employment and Equity, undated). Costs of Jobs Guarantee Schemes have been calculated for a number of countries and it is considered relatively cheap, in comparison with the costs associated with unemployment[18]. It also results in a multiplier effect from the contributions to the economy of the workers concerned (Centre of Full Employment and Equity, undated). Furthermore, such schemes are considered to promote economic and price stability, acting as an automatic stabilizer as employment (within the scheme) grows in recession and shrinks in economic expansion, to counteract private sector employment fluctuations (Wray 2009).

The Job Guarantee proposal acknowledges the environmental problem and the need to change the composition of final economic output towards environmentally sustainable activities. The required jobs could provide immediate benefits to society, and are unlikely to be produced by the private sector - they include urban renewal projects and other environmental and construction schemes (reforestation, sand dune stabilisation, river valley erosion control and the like), personal assistance to older people, assistance in community sports schemes, and many more (Centre of Full Employment and Equity, undated).

Such schemes are not intended to subsidise private sector jobs or to threaten to undercut unionised public sector jobs. Any jobs with a set rate of pay or in the private sector should not be considered. Only those jobs that directly benefit the public and do not impinge on other workers should be considered. Neither is a Job Guarantee Scheme intended to replace other social programmes. However, Job Guarantee Schemes could complement a social support system such as a Basic Income scheme (see above).

Job creation schemes have been implemented in different parts of the world, some narrowly targeted, others broadly-based. Examples include, the 1930s American New Deal which contained several moderately inclusive programmes; a broad based employment programme existed in Sweden until the1970s; Argentina created *Plan Jefes y Jefas* that guaranteed a job for poor heads of households; and India also has a scheme (Wray 2009). The EU Youth Guarantee scheme, in which member states committed to ensure that all young people up to the age of 25 receive a high-quality offer of a job, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education is an example of a partial jobs guarantee scheme. While a potentially valuable initiative, one problem that arises in schemes such as this, often introduced in difficult economic times, is that the additional resources required to be provided at national level are often taken from other services that may well have been supporting other unemployed or vulnerable people who were long-term unemployed or were outside the age group to whom the new initiative applies. The end result may not reduce the overall problem of unemployment or social exclusion.

17 Excluding, presumably, recent examples such as Ireland in the 2000s, where with hindsight it is evident that the very high levels of employment were based on an enormous boom in construction based on reckless lending and fuelled by what became one of the biggest banking crisis in the world.

18 For example, in Ireland, *Social Justice Ireland* has made proposals to Government for a Part-Time Job Opportunities Programme that has already been piloted and costed. Also a costed proposal has been published in Greece by the Observatory of Economic and Social Development and other organisations (Antonopoulos *et al,* 2014).

Shorter Working-Week

The starting point for debates about shortening the working week is that there is nothing 'normal' or inevitable about what is considered a typical working day today, and that what we consider normal in terms of time spent working is a legacy of industrial capitalism that is out of step with today's conditions. A number of proposals exist. The New Economics Foundation proposed a rebalancing of work and time involving a new industrial and labour market strategy to achieve high-quality and sustainable jobs for all, with a stronger role for employees in decision-making and a gradual move towards shorter and more flexible hours of paid work for all, aiming for 30 hours (4 days) as the new standard working week (Coote *et al* 2010).

These proposals are intended to address problems of overwork, unemployment, over-consumption, high carbon emissions, low well-being, entrenched inequalities and lack of time to live sustainably, to care for each other or to enjoy life. Crucial to this kind of proposal is that made already about moving toward valuing both paid work and unpaid work; it is intended to spread paid work more evenly across the population, reducing unemployment and its associated problems, long working hours and too little control over time. It is also intended to allow for unpaid work to be distributed more evenly between men and women, and for people to spend more time with their children and in contributing to community activities.

Mexican telecoms billionaire Carlos Slim (often identified as one of the richest people in the world) is amongst those who have expressed support for this, suggesting that a new three-day working week could and should become the norm as a way to improve people's quality of life and create a more productive labour force. A UK doctor, John Aston, President of the UK Faculty of Public Health (a body that represents over 3,000 public health experts in the UK), also called for a four day week to deal with the problem of some people working too little others too much and to improve the health of the public (Guardian, online).

Investment

Keynesian economic policies require active government intervention in ways that are 'countercyclical'. In other words, deficit spending when an economy suffers from recession or when unemployment is persistently high, and suppression of inflation during boom times by either cutting expenditure or increasing taxes: 'the boom, not the bust, is the right time for austerity at the treasury.'

Following the economic crisis with unemployment – including youth unemployment and the relative share of long-term unemployment - still high in some countries, there is a need for policy-makers to consider investment on a sufficiently large scale to create growth required to generate the jobs. In this context it is of interest that the OECD has recommended a stronger collective policy response to economic challenges, including a commitment to raising public investment to support future growth and make up for the shortfall in investment following the cuts imposed across advanced countries in recent years (2016b). A recent report from the European Investment Bank (2017) expressed concern about the level of investment in Europe despite the improved conditions of recent years and suggests that governments must prioritise investment.

Due to the new EU governance rules, any government investment might now have to come from off-balance sheet sources (such as Commercial Semi-State borrowing or European Investment Fund or pension fund investments). The areas for investment would need to be carefully chosen aiming for job-intensive investment in essential sectors with potentially substantial returns. Examples include building new infrastructure and facilities, which might include social housing, better public health or education facilities, investment in key infrastructure like water or in sustainable energy sources. Substantial investment of this kind would of itself lift economic growth rates and there would be a multiplier effect by creating further economic activity and growth, increases in taxes and decreases in social welfare spending.

It should be possible for the European fiscal governance rules to accommodate and indeed to encourage, when appropriate, investment of this nature as a basic tool of economic policy within the capacity of governments.

6.4 Right to Access to Quality Services

Access to high-quality services is an important aspect of social protection, contributing to 'inclusive growth', a main objective of the Europe 2020 strategy. At least five types of welfare systems are recognised as operating in Europe[19] and change happens all the time (Abrahamson, 2010). General trends that have been observed include expansionism (from the 1950s to the 1970s) followed by uncertainty and challenge associated with neo-liberalism and a newer trend, which can be described as 'productivist' (Taylor-Gooby, 2008). The 'productivist' approach, called a 'new social investment state' is promoted by the EU and the OECD and emphasises social investment with a desire to maintain the range of mass services but with pressure for cost-efficiency (Taylor-Gooby, 2008).

Following the economic crisis, policy-makers in Europe have sought to learn from the experience. Amongst the positives that have emerged is the commitment to the Social Investment Package as well as the principles articulated in the Pillar of Social Rights. We have discussed both in the introduction to this report. Typical social investment policies include gender-related child and elder-care, family-friendly labour market regulation, allowing especially women to move back and forth between full-time and part-time employment in relation to evolving informal care responsibilities (Hemerijck 2014). Social investment is not, however, a substitute for social protection and adequate minimum income protection is a critical precondition for an effective social investment strategy as a 'buffer' helping to mitigate social inequity while at the same time stabilizing the business cycle (Hemerijck 2014).

Ongoing challenges exist regarding quality and equity of public services, including healthcare, and to their sustainability. European population ageing, increased expectations of citizens, and other factors impinge on demand for services and require a range of responses across the life-course. Similar investments by different countries have different outcomes in terms of poverty, employment and health, suggesting that there is variation in the ways that resources are used (European Commission 2013b).

Some of the issues that are informing current debates include the following:

Securing Adequate Investment? Support for social investment in recent decades is based on the aspiration of men and women of all socio-economic backgrounds to be employed and to raise children. Consequently, they have been willing to provide the investment required to provide services capable of making that possible. In difficult economic times, however, there is more and more scrutiny of social spending. This danger that social spending will become more marginal is exacerbated in the Eurozone because national and EU monetary authorities have very little room for manoeuvre. The emphasis is on addressing and reducing deficits, which will continue to starve social provision of the financing required for ongoing development. There is a strong risk that support for social investment will decline. This situation is worsened as electorates seem to forget that the crisis of recent years originated in the excesses in deregulated financial markets, not in excess welfare spending. This leads to a rejection of welfare spending because they misunderstand it as being the cause of the crisis which it wasn't.

Who Provides? Public services are not synonymous with the public sector. A wide range of actors are now involved in service provision and the mix differs from country to country (and has done so historically). As well as the public sector, these include:

- people and families,
- non-profit organizations and social enterprises, and
- the private sector.

While it is considered that there is now more scope for private and civil society to be involved in service provision, the state is still in charge of regulation and to a large extent also in the financing of social entitlements (Abrahamson, 2010). In relation to the private sector, the European Commission notes that there needs to be encouragement to use the potential of social investment more through on-

[19] The regimes can be categorised in different ways; typically five are recognised: Continental North-western Europe, Scandinavian model, Southern/Mediterranean model, Atlantic Europe (UK and Ireland) and Eastern European (Abrahamson, 2010).

the-job training, in-house childcare facilities, health promotion and family-friendly workplaces (2013b).

Public Value? The central plank of the influential 'public value' approach to the public sector is that public resources should be used to increase value not only in an economic sense but also in terms of what is valued by citizens and communities. It is associated with Moore, who argues that public services are directly accountable to citizens and their representatives and it requires ongoing public engagement and dialogue as well as rigorous measurement of outcomes (1995). The approach involves the following building blocks:

- providing quality services for users, which are cost effective,
- ensuring fairness in service provision,
- concentrating more on the outcomes as well as on the costs and inputs,
- building trust and legitimacy by convincing people that policy is geared toward serving the overall public interest (NESF, 2006).

These building blocks are linked and the improvement of public services is intended to generate support for them amongst users and others who pay for them indirectly through taxation. User satisfaction is shaped by factors such as customer service (that is, how well they are treated), information, choice, availability and advocacy (that is, knowing that the services will be available to them when needed and that they will be supported in getting access to them).

Social wage: Public services such as healthcare and schooling, childcare and adult social care, can be said to comprise a 'social wage' that helps to determine how much earned income people consider 'enough' (Coote *et al* 2010). The extent to which these services relieve pressures on household income depends on their accessibility, reliability, quality, and overall affordability. In recent times in many countries, public services have been curtailed/targeted and in some countries stripped to essentials by outsourcing and competitive tendering, or have had some costs transferred to the user – as is the case in relation to healthcare costs in some European countries (European Observatory on Health Systems and Policies, 2012). While there are different definitions, discussions of the 'social wage' generally define it **as** disposable income plus public provision of goods and services (such as health care and education). It is sometimes used in discussions of government spending and it can be a way of characterising the contribution that public services make to individuals and households. For example, the South African National Development plan (to 2030) references the social wage and characterises is as complementing employment earnings and contributing to more equitable and inclusive economic growth (South African National Planning Commission, 2012).

It is a measure of how much better-off individuals are with the provision of publicly funded welfare services than they would be without these 'in kind' benefits (i.e. if they had to pay the full cost of these services). Thus, the value of services such as health and social care, education and housing can be thought of as an income in-kind – or a 'social wage' – that represents a substantial addition to people's cash incomes (Sefton 2002). Although most measures of poverty and inequality do not take account of the value of these kinds of benefits in kind, their inclusion is potentially significant in monitoring the impact of public policies on the poorest households (Sefton 2002).

Reduced public spending and a corresponding diminished social wage require individuals/households to spend on essential services and this increases barriers to access for poorer people (McCarthy 2015). Obviously, maintaining the social wage requires the state's revenue base is protected. More, better and free public services – for everyone, not just the very poor – would certainly make it easier to live on lower levels of earned income, but this would depend very largely on increasing tax revenues (Coote *et al* 2010) in many countries.

6.5 Other Key Issues

There are other issues of overarching importance that we are not focusing on in this report. However, we wish to refer to two of them briefly - the need for greater representation in policy-making and the need for environmental sustainability.

Representation

Any new policy directions are affected by the fact that Europeans have experienced a sense of frustration with consequent risks of alienation and social disruption. The European Social Survey tracked a decline between 2004 and 2010 in overall levels of political trust and satisfaction with democracy widely across much of Europe, with the extent to which this was the case varying by country (Gallie 2013). Many voters felt that the EU's dominance of national economic policy in the crisis meant they could change government but not policy (Leonard & Torreblanca, 2013). As discussed in the introduction to this report, this lesson has been underlined by the rise of populism and Euroscepticism across Europe. Fortunately, the most recent European quality of life survey suggests a general improvement in quality of society

Indicators between 2011 and 2016, including a decline in feelings of social exclusion, an increase in participation in clubs, societies or associations, and increased trust in

national institutions (Eurofound 2017e). However, at that survey notes, the rising tide of the post-crisis recovery has not lifted all citizens equally and improvements are often more limited for some groups including for low-income groups.

Ways of addressing a sense of alienation or disempowerment are associated with the concept of 'deliberative democracy' which champions informed debate, emphasising politics as an open-ended and continuous learning process (Held, 2006). The Europe 2020 Strategy envisages a partnership approach that would aim to foster joint ownership. But the views of the weaker stakeholders must be able to be heard and be capable of influencing decisions and results.

Potentially very valuable is the *Charter on Shared Social Responsibilities* which argues that having a well-defined deliberative process can ensure, among other things, that individual preferences are reconciled with widespread priorities in the field of social, environmental and intergenerational justice. It can also reduce the imbalances of power between stakeholders (Council of Europe, 2014).

Sustainability

As already stated, *Social Justice Ireland* believes that the future must be one in which it is recognised that economic development, social development and environmental protection are complementary and interdependent. Pollution and depletion of resources have thrown into doubt the reliance on untrammeled market forces as the key driver of wellbeing for everyone. The current approach is patently unsustainable and economic policy must be designed to prevent catastrophe. Indeed, several of the alternatives that we have outlined above have been developed taking account of environmental limitations.

A successful transition to sustainability requires a vision of a viable future societal model and also the ability to overcome obstacles such as vested economic interests, political power struggles and the lack of open social dialogue (Hämäläinen, 2013). A number of approaches to a sustainable economy have been outlined, all involving transformative change (for example the 'performance economy' associated with Stahel and the 'circular economy' associated with Wijkman). Another is the concept of the 'Economy of the Common Good', based on the idea that economic success should be measured in terms of human needs, quality of life and the fulfilment of fundamental values (Felber 2010). This model proposes a new form of social and economic development based on human dignity, solidarity, sustainability, social justice and democratic co-determination and transparency and involving the concept of the common good balance sheet showing the extent to which a company abides by values like human dignity, solidarity and economic sustainability.

All three pillars – economic, social and environmental - must be addressed in a balanced manner if development is to be sustainable and sustainability must be a criterion for all future public policies.

Chapter 7

7 Summary, Conclusions and Recommendations

7.1 Summary of Findings

This report has examined social developments in Europe under a range of indicators of poverty inequality and income, employment and unemployment, and has also looked at how European countries perform on certain indicators in respect of education and health. In each case, we looked at what the indicators tell us about the most recent years and we also looked back to 2008 in many cases. We also examined levels of total taxation as a proportion of GDP amongst European countries in light of these indicators and also in light of their respective approaches to social investment. Finally, we set out some alternative policy approaches in the previous section of this report. In this final Section, we summarise our findings, draw some conclusions and finish with some recommendations for European and national leaders.

Poverty and Income

The picture that emerges in the 2016-2017 period (the latest for which Eurostat has published rates as we prepare this report) suggests that years of dis-improvement have been followed by stagnation for many Europeans who are vulnerable. There are recent improvements but many people are still experiencing poverty or exclusion. The risk of poverty or social exclusion rate stands at 22.5 per cent (EU-28, 2017), still representing more than one in five Europeans, and amounting to almost 113 million people (in 2017). It was only in 2017 that the numbers affected dropped lower than those affected in 2008 (116 million people). However, Europe is still very far off-track in meeting the target to reduce the numbers affect by 20 million by 2020. Thus, despite recent improvements, there is reason for concern about a range of issues and the length of time that high levels of poverty or social exclusion have persisted is unacceptable in human and societal terms.

Another key issue is that there continue to be very steep divergencies between countries. It is notable that those countries identified by the European Social Policy Network as having a well-established approach to social investment (mainly Nordic and central European countries) tend to do well at protecting their populations from poverty or social exclusion relative to other countries with a less well developed social investment approach. Thus, some of the newer accession countries and some Mediterranean countries tend to be more negatively affected by poverty (as measured by the three indicators that are used for the Europe 2020 strategy) than Nordic or central European countries.

In general terms, the groups most vulnerable to poverty or social exclusion tend to be young people, unemployed and inactive persons, single parents, households consisting of only one person, people with low educational attainment, foreign citizens born outside the EU, and those residing in rural areas (European Commission 2018e).

When we look beneath the headline indicators, it is the case that in 2017, 16.9 per cent of the population (EU-28) was living at risk of poverty (over 85 million people) – a rate that is still marginally higher than the

Table 7 EU-28 Key Poverty Indicators 2017

Poverty Indicators 2008 and 2017								
	People at risk of poverty or social exclusion		People at risk of poverty (60% threshold)		People experiencing Severe Material Deprivation		People in households with very low work intensity	
EU-28 (current composition)	Number	%	Number	%	Number	%	Number	%
Total population								
2008*	116m	23.7	80.9m	16.6	41.5m	8.5	34.6m	9.2
2017	113m	22.5	85m	16.9	34.8m	6.9	34.4m	9.3
Children (under 18)								
2008*	25m	26.5	19.2m	20.4	9.3m	9.8	7.3m	7.8
2017	22.7m	24.5	18.6m	20.1	6.8m	7.3	6.9m	7.5
Older people (over 65s)								
2008*	19.2m	23.3	15.6m	18.9	6.1m	7.5	n/a	n/a
2017	17.6m	18.1	14.1m	14.6	5.7m	5.8		

Source: Eurostat Online Databases: t2020_50, t2020_51, t2020_52, t2020_53,ilc_lvhl11, ilc_li02, Ilc_mddd11, ilc_peps01 * the rate for 2008 refers to EU27 as this was before the accession of Croatia

2008 rate. More people are also affected in 2017 than 2008. In 2017 rate of severe material deprivation was 6.9 per cent, representing nearly 35 million people. It is very welcome, however, that there continue to be improvements in this rate in recent years associated with household incomes increasing again in many countries (Social Protection Committee 2016).

Children: For children (under 18) the 2017 **at risk of poverty or social exclusion** rate was 24.5 per cent (representing nearly 23 million children) (Eurostat online database, code ilc_peps01). The 2017 rate had reduced (from 26.4 per cent) in 2016. Thus, some welcome improvement is evident in 2017 although little improvement in the situation of children occurred in many years. But it still affects far too many children and childhood poverty remains a pressing problem because of its long-lasting effects on society and on the lives of individuals.

Older People: Where older people are concerned (those over 65), over 18 per cent experienced poverty or social exclusion in 2017 (representing 17.6m people). The rate was higher for those aged 75+. The situation of older people varies greatly as between countries, with very high levels of income poverty and material deprivation especially in newer accession countries and also in some Mediterranean countries. Furthermore, the fact that the numbers of older people affected by severe material deprivation increased in the latest year (2016-2017) makes this a concerning trend. The gender dimension of this issue is striking – there are far more older women affected by income poverty and material deprivation than older men.

Working Poor: About 10 per cent of employed people in the EU live in poverty and the rate is higher now (2017) than it was in 2008 (8.6 per cent). They are a group that does not always receive much policy focus, but a recent study shows that they face significantly more social problems than the population as a whole.

Where **income inequality** is concerned (2017, S80/20 indicator), while in Scandinavia and some Central European countries, the rich earn less than four times as much as the poor, in some Eastern European countries and some Mediterranean countries the equivalent ratio is above 6 (well above 6 in some cases). When we examine **median disposable income**, the highest levels occur in Scandinavian and central European countries, the lowest in other newer accession members and there are very great variations in the levels. In recent times, median income has increased in all Member States.

Financial distress[20] has gradually declined over recent years as the share of households reporting running into debt or having to draw on their savings declined. However, while financial distress for low-income (lowest quartile) households continuously reduced since 2015, it remained well above 20 per cent in the first quarter of 2018.

Overall, while there have been some welcome improvements in the latest years (2016-2017), Europe is still far off-track in relation to meeting its poverty reduction targets. The social indicators suggest little improvement for very many people living in Europe, with dis-improvements for some groups. These include older people in some countries and this issue particularly affects older women. Those working who still live in poverty is another group to be concerned about as this issue now affects a greater proportion of people than it did in 2008. The position of children, in particular, continues to be strikingly negative with potentially very serious long-term consequences for Europe. Thus, recovery has yet to be felt across social groups.

Employment

We welcome the fact that employment has continued to increase in the EU since 2013, which makes it time to make the most of this positive economic momentum and deliver on new and more effective rights. There is, however, great variation between member states in relation to employment levels. Some countries, especially in the south and periphery of the EU are very far away from achieving the target set in 2010 for employment in the Europe 2020 strategy. The lowest employment rates in 2017 were found in Greece, Italy, Croatia and Spain and some countries still have rates of employment that are a good deal lower than in 2008, notably Greece, Cyprus and Spain.

There are also concerning patterns in the way the employment situation is evolving, including increased rates of temporary employment and part-time employment (much of it involuntary), and low levels of pay. In 2018 unemployment continues to improve but there are still nearly 18.7 million people unemployed (2017 rate, Eurostat une_rt_a), which represents about 2 million more people unemployed in 2017 than in 2008. There are great divergences between countries. The countries with the highest rates in 2017 were Greece, Spain, Italy, Cyprus and Croatia. In some countries (notably in Greece but also in Cyprus, Spain, Italy and Croatia), unemployment levels remain very much higher than pre-crisis.

Long-term unemployment remains a significant employment legacy of the crisis – with around 7.4 million people long-term unemployed and (amongst them) nearly 4.8 million unemployed for more than 2 years (end of quarter 1, 2018, Eurostat online database une_ltu_q). At 43.3 per cent, the share of long-term unemployed as a percentage of total unemployment continues to be high (first quarter 2018, Eurostat online database lfsq_upgal).

Youth unemployment is still a major challenge. In May 2018, 3.37 million people under 25 were unemployed (EU-28) although the situation had improved on the previous year (Eurostat 2018c). The share of young people being left behind by the labour market remains far too great particularly in southern European countries. Almost 11 per cent of those aged 15-24 were neither in employment nor in education or training (NEET rate) in 2017, a trend that continues to be concerning. The NEET rate (ages 15-24) continues to be highest in Italy (20.1 per cent).

Overall, while there are very welcome improvements in the employment situation in Europe, there are also some concerning issues with the way the nature of employment is evolving, a legacy of long-term unemployment and significant employment challenges facing young people, in particular, and some other groups, and there also continue to be divergent experiences across countries.

Education

It is welcome that progress has been made in reaching targets set in the European 2020 Strategy to address early school leaving and to improve third

[20] Defined as the need to draw on savings or to run into debt to cover current expenditures

level educational attainment in many countries. However, there are great divergencies between countries, there is scope for improvement in many countries, and progress also needs to be made on other indicators.

Improvements in the average (EU-28) rate of early school leaving since 2008 are welcome, as is the fact that they average is now close to the <10 per cent target set in the Europe 2020 strategy. However, there is still a very great gap between the countries with the highest rates and those with the lowest and progress relative to this indicator appears to have largely stalled. In recent years, the levelling-off of improvements seen in many countries is unfortunate because its consequences for individuals and for society are so grave in terms of increased risk of unemployment, poverty and social exclusion. This issue, therefore, requires ongoing attention from policy-makers – especially for socially-disadvantaged families and groups.

There have been improvements in the rate for participation in tertiary education in many countries since 2008 though divergencies persist between countries. The EU-28 average (39.9 per cent in 2017) has all but reached the 40 per cent target set in the Europe 2020 strategy (that is, for 30-34 year-olds). Many countries have already exceeded the target with Lithuania, Cyprus, Ireland, Luxembourg, and Sweden at the top of the league (all with rates at or over 50 per cent). But there is nearly a 32 percentage point gap between the country with the highest rate (Lithuania) and that with the lowest (Romania) (2017).

One of the problems that Europe now faces is that progress not only needs to continue to be made to address the areas in which targets were set in the Europe 2020 strategy, but also to manage other issues such as the phenomenon of NEETs, young people neither in education nor employment – where for some age groups levels continue to be higher in 2017 than they were in 2008. Education plays a key role in keeping people out of this category (Eurofound 2016).

When we look at lifelong learning, relatively very low rates of participation in many EU countries represents a lost opportunity both for individuals and for societies and economies. Unfortunately, participation levels are now stagnating or declining even though basic skills are lacking for many adults in many countries. In 2017 the average rate of participation in lifelong learning was 10.9 per cent, and it has been at a similar level since 2013. There is great variation across Europe with Nordic countries tending to top the table; in 2017 the top three countries were Sweden, Finland and Denmark (all with rates greater than 25 per cent). At the other end of the scale, the rate was lowest in Romania (1.1 per cent), Bulgaria and Croatia.

There is also much to be done to improve adult literacy in many countries. Policies pursued by some countries, seem to impact a range of different groups positively, notably, Finland, Sweden, Denmark and the Netherlands, and also Estonia and Belgium. Finland and Estonia are notable for both the quality of their education and equity (the latter meaning that children even from socially disadvantaged family homes experience prospects equal to those of children from socially better-off families) (Schraad-Tischler 2015; Schraad-Tischler *et al*. 2017).

Health

As we noted in previous reports in this series, the fact that so many countries failed to prevent erosion of health coverage for the most vulnerable in the years following the 2008 crisis should be a matter of concern to national and international policy makers in the EU. While the quality of health care is high in most EU countries, there are significant variations between countries with regard both to quality and inclusivity (that is equality of access) (Schraad-Tischler et al 2017). Nordic countries and those from northern/central Europe tend to be assessed as providing the best health systems (Schraad-Tischler et al. 2017). Those performing worst tend to come from southern and Eastern Europe.

Our review suggests that there have been improvements in recent years regarding perceptions of access quality of health services, which is welcome. But, unfortunately, in several countries, participants rated the quality of health services less favourably in 2016 than in 2011 (Latvia, Slovenia, Cyprus, Greece, U.K. and Belgium) (European Quality of Life Survey, Eurofound 2017e). Furthermore, perceptions of unmet need for health care and perceptions of poorer quality of healthcare continue to be greater amongst poorer people in Europe than richer. There also continues to be great variation in these perceptions across different countries. This means that despite the economic recovery, certain groups, such as those with low-incomes, need a special focus to ensure that they benefit from general improvements and that the health systems and policies pursued in some countries need ongoing improvement.

Taxation

Without raising resources, countries cannot invest in infrastructure and services required to promote inclusion and to sustain development. Our conclusions on taxation are very much in line with our conclusions in previous years.

There is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. The highest ratios tend to be found in the 'old' 15 members of the EU. At the top end, the highest levels were found in France, Denmark, Belgium, Sweden and Finland (all with ratios above 44 per cent) (in 2016). At the other end of the scale were Ireland, Romania, Bulgaria (all under 30 per cent).

All of the countries that are identified by the European Social Policy Network as having a well-established approach to many social policies (Bouget *et al*. 2015), have tax takes that are above 35 per cent of GDP, and most are also above the EU average.

Countries in Scandinavia and Central Europe tend to demonstrate higher levels of taxation, and also better protection of their populations from poverty and social exclusion. Amongst these countries are several deemed the world's most competitive, notwithstanding their relatively high taxation levels. They also include countries that demonstrate the greatest income equality (based on the S80/20 indicator) and that are associated with the highest levels of social justice – that is to say, according to one index they create the greatest opportunities for their populations to participate in society in a broad range of areas like education and health services.

7.2 Conclusions and Recommendations

In this report we acknowledge positive developments of recent years such as increases in the employment rate and improvements in perceptions of health systems in some countries. It is also true that with improvements in the economic situation in many countries, now is the time to strengthen rights and to address vulnerabilities that the years following the crisis of 2008 have highlighted. Unfortunately, unemployment remains high in some parts of Europe as does the share of long-term unemployment, and the prolonged period of very high unemployment has taken a social toll. Poverty and social exclusion levels remain very high, despite improvements. Very great differences characterise the social situation across EU countries.

As we stated in the introduction to this report, for *Social Justice Ireland* seven core rights need to be part of the vision for the future of Europe: right to sufficient income to live with dignity, to meaningful work, to appropriate accommodation; to relevant education, to essential healthcare, to real participation and the right to cultural respect. For *Social Justice Ireland* economic development, social development and environmental protection are complementary and interdependent – three sides of the same reality - and we have long argued that all three must be given attention rather than allowing economic considerations to dominate.

Unfortunately, in Europe, economic issues are still allowed to dominate social issues, officials are perceived as at a distance from poor people, and this, unfortunately, is corrosive of trust in the whole European project and is capable of being exploited by certain politicians. Leadership at EU level in relation to vulnerable groups is critical not just to the future economic and social outlook but also to the democratic future of Europe.

7.2.1 Recommendations

We make the following recommendations aimed at EU Leaders and EU Institutions:

1. **Ensure Coherence of European Policy and the European Semester** by integrating the social objectives of the Europe 2020 strategy and the European Pillar of Social Rights in the economic processes of the European Semester.

For example, the priorities of Annual Growth Surveys should focus on long-term social objectives, and on building adequate, effective social systems that include both investment and protection dimensions and are better aligned to the EU Social Investment Package. This could be facilitated by:

- Making the European Pillar of Social Rights enforceable through legislative initiatives and turning it into a strategic tool to influence EU macroeconomic governance.
- Supporting efforts to promote growth and jobs while meeting deficit reduction targets in the medium rather than the short term.
- Taking account of the social impact when making Country Specific Recommendations, especially those requiring fiscal consolidation measures.
- Making country-specific recommendations that seek to achieve reductions in poverty and unemployment where rates are high or rising.

2. **Strengthen the EU 2020 Strategy: This requires:**

   - **Ex-ante appraisals:** Fiscal consolidation and structural measures must be designed with ex-ante knowledge of their longer term and cumulative impact on vulnerable groups.
   - **Improved Targeting:** Incorporate sub-targets for specific groups. For example, sub-targets might be agreed relative to groups most at high risk of poverty or social exclusion (such as children). Work with member states to ensure that their targets are adequate and to establish national sub-targets for poverty reduction amongst groups most at risk (based on the identification of the most appropriate groups in each country).
   - **Further Targets:** Consideration should also be given to agreeing further targets relative to unemployment, especially long-term unemployment and youth unemployment, and to address serious problems in some countries in respect of young people neither in employment nor education
   - **Ensuring Meaningful Input by Civil Society and Potentially Marginalised** people into the framing of National Reform programmes and Social Reports.

3. **Address inappropriate EU governance structures** that prohibit or inhibit legitimate investment by national governments.

4. **Advance proposals for a guarantee of an adequate minimum income or social floor in the** EU under a framework directive, and for minimum standards on other social protection measures (access to child care, access to education and healthcare) across member states and for other measures supportive of the implementation of the European Pillar of Social Rights.

5. **Monitor and Address Child Poverty:** Child poverty is such a serious issue that it requires further action. Monitor implementation of the Commission's Recommendation on Investing in Children through a strengthened process and work with member states with high levels of child poverty to help them access and deploy structural funds to address the issue.

6. **Focus on Youth Unemployment:** Youth unemployment continues to be a serious problem despite Youth Guarantee schemes that (in aggregate) are still some way from achieving targets set, and need to recognise that young people experiencing multiple disadvantage are likely to need support over a lengthy period.

7. **Support Developments in the Social Economy:** Leadership and support from the EU for social initiatives would benefit both people in need of support (through health and social care programmes) and societies generally. This would be consistent with the Social Investment Package and could provide valuable employment opportunities for people who are long-term unemployed.

8. **Improve Representation:** EU policy-making must engage meaningfully with stakeholders representing poorer people and those most at risk of exclusion.

9. **Structural Funds:** Structural funds must be of a sufficient scale to make an impact and should be given greater priority so as to ensure significant progress is made in bridging the gap between the economic and social dimensions of policy and in promoting a social investment approach to public policies where this is absent or insufficient.

10. **Adopt a Human Rights Strategy** to prevent the violation of the human rights of Europe's population.

We make the following recommendations for National Governments (and relevant local /regional authorities):

1. **Prioritise Investment:** Large-scale, investment programmes that operate in job-intensive areas could assist growth and address social and infrastructural deficits. The focus would need to be tailored to each individual country/ region but might include development of renewable energy sources, health and social care infrastructure, housing, education and early childhood care infrastructure. As already stated, inappropriate EU rules need to be adjusted that currently block needed, viable investment.

2. **Implement the European Pillar of Social Rights:** Establish processes involving social partners and civil society partners to implement the European Pillar of Social Rights in ways that are legally binding, aiming for equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion

3. **Strengthen Welfare Systems:** Governments need to introduce social protection schemes that are more resilient and that tackle inequalities within the present systems, ensuring equal access to services and to strengthen social cohesion. Where inadequate minimum income schemes exist they need to be strengthened.

4. **Adopt Effective Labour Market Measures:** Activation measures need to focus on supporting unemployed people, aiming to maintain and develop appropriate skills and to not be accompanied by the threatened loss of welfare benefits or assistance. Employment measures must not be implemented in a way that removes income security and increases in-work poverty.

5. **Tackle Low Pay by supporting the Living Wage concept and moving toward a Basic Income System:** Start to tackle low-paid employment by supporting the widespread adoption of the Living Wage, including giving public recognition to organisations (including SMEs) that commit to paying the Living Wage, and consider moving toward a basic income system.

6. **Develop Sustainable Approaches to taxation:** Sustainable and inclusive growth requires approaches to raising revenue that generate enough to support vital services and to move to a social investment approach (where that is absent or insufficiently realised). Measures should not disproportionately negatively affect low income groups, which means, amongst other things, avoiding increases in indirect taxes on essential items.

7. **Tackle Tax Evasion**: Tax evasion and the grey economy are a particular problem in some countries where a disproportionate burden falls on compliant tax-payers. Tax evasion must be tackled and fair taxation systems introduced in which all sectors of society, including the corporate sector, contribute a fair share and those who can afford to do pay more.

8. **Consider how Government could become an employer of last resort**: Given the ongoing impact of unemployment, governments in badly affected countries should consider being an employer of last resort through voluntary programmes framed so as not to distort the market economy.

9. **Ensure Inclusive Governance:** Engage with key stakeholders to ensure that groups at risk of poverty and social exclusion, and unemployed people can influence policy-direction and implementation, and that their experiences become part of the dialogue with European institutions to try and repair social cohesion and political legitimacy.

10. **Poverty Proofing and Monitoring**: All Government decisions should be subject to a poverty-proofing process that ensures actions taken will not increase poverty under any heading or cumulatively impact negatively on any particular groups. Integrate social assessments of the impacts of policy changes into decision-making processes that focus beyond short-term cost saving. Use macroeconomic modelling processes to assess the impact of proposed changes in social policies

11. **Avail of the social investment aspects of the programming of EU funds** to fund measures that address the social situation, including support for initiatives set out in the EU's Social Investment Package such as supporting social enterprises or facilitating the implementation of the Recommendation on Investing in Children.

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Glossary

The **S80/S20 ratio** (also known as the **income quintile share ratio**) is a measure of the inequality of income distribution. It is calculated as the ratio of total income received by the 20 per cent of the population with the highest income (the top quintile) to that received by the 20 per cent of the population with the lowest income (the bottom quintile). The calculation is based on **equivalised disposable income,** which is the total income of a household after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults; household members are equalised or made equivalent by weighting each according to their age.

GINI Coefficient: The Gini coefficient is defined as the relationship of cumulative shares of the population arranged according to the level of equivalised disposable income, to the cumulative share of the equivalised total disposable income received by them.

Europe 2020 Strategy - Adopted in 2010, the Europe 2020 Strategy aims to turn the EU into a 'smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion'. It sets targets to reduce poverty, raise employment, and raise educational levels amongst other things.

European Semester - A yearly cycle of economic policy coordination which involves the European Commission undertaking a detailed analysis of EU Member States' programmes of economic and structural reforms and provides them with recommendations for the next 12-18 months. The European semester starts when the Commission adopts its Annual Growth Survey, usually towards the end of the year, which sets out EU priorities for the coming year. For more: http://ec.europa.eu/europe2020/making-it-happen/index_en.htm

Eurostat – the statistical office of the European Union

GDP - Gross domestic product, which is a measure of the economic activity, defined as the value of all goods and services produced less the value of any goods or services used in their creation (Eurostat, tec00115)

Household disposable income is established by Eurostat by summing up all monetary incomes received from any source by each member of the household (including income from work, investment and social benefits) — plus income received at the household level — and deducting taxes and social contributions paid. In order to reflect differences in household size and composition, this total is divided by the number of 'equivalent adults' using a standard (equivalence) scale, which attributes a weight of 1.0 to the first adult in the household, a weight of 0.5 to each subsequent member of the household aged 14 and over, and a weight of 0.3 to household members aged less than 14. The resulting figure is called equivalised disposable income and is attributed to each member of the household. For a lone-person household it is equal to household income. For a household comprising more than one person, it is an indicator of the household income that would be needed by a lone person household to enjoy the same level of economic wellbeing. Source: Eurostat Statistics Explained: Living Standards Statistics: http://ec.europa.eu/eurostat/statistics-explained/index.php/Living_standard_statistics

In work at risk of poverty rate (or working poor) - The share of employed persons of 18 years or over with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 per cent of the national median equivalised disposable income (after social transfers) (Eurostat, tsdsc320)

NEET rate - The indicator on young people neither in employment nor in education and training (NEET) corresponds to the percentage of the population of a given age group not employed and not involved in further education or training (Eurostat, explanatory text, Code:yth_empl-150)

OECD - The Organisation for Economic Cooperation and Development, which has 34 member countries.

People at risk-of-poverty - Persons with an equivalised disposable income below the risk-of-poverty threshold, which is often set at 60 % of the national median equivalised disposable income (after social transfers) (Eurostat, t2020_50). The 60% threshold is adopted in the Europe 2020 Strategy. It is also possible to examine incomes at other thresholds such as 40 per cent, 50 per cent or 70 per cent.

People at Risk of poverty or social exclusion - The Europe 2020 strategy promotes social inclusion by aiming to lift at least 20 million people out of the 'risk of poverty and social exclusion'. This indicator corresponds to the sum of persons who are: (1) at risk of poverty or (2) severely materially deprived or (3) living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. (Eurostat, t2020_50)

Severe Material deprivation Severely materially deprived people have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) to keep home adequately warm, iii) to face unexpected expenses, iv) to eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone (Eurostat, t2020_50).

Very Low Work Intensity People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year (Eurostat, t2020_50).

Statistical Issues

A number of issues are to be noted:

Time lag: The main source of comparable data on poverty and social exclusion, the EU Survey on Income and Living Conditions (EU-SILC), has a significant time-lag. Most of the data available for this report relates to 2017, being the latest year for which Europe-wide data are available (for the vast majority of countries) as we prepare this report. Data from any given year relates to data collected during the previous year. Thus, there is virtually a two year time lag in the data and the most recent data available does not give the latest picture.

Indicators: Another important point relative to the data presented here is that there are different approaches to the measurement of poverty and social exclusion. Under the EU 2020 Strategy, headline targets have been set for reductions in poverty or social exclusion. The indicator, 'poverty or social exclusion' is based on a combination of three individual indicators:

(1) persons who are at risk of poverty - people with an equivalised disposable income below the risk-of-poverty threshold set at 60 per cent of the national median (or middle) equivalised disposable income (after social transfers) (Eurostat, t2020_50)[21].

(2) people severely materially deprived have living conditions severely constrained by a lack of resources; they experience at least 4 out of a list of 9 deprivation items (See Glossary for the full list). (Eurostat, t2020_50), or

(3) people living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20 per cent of their total work potential during the past year (Eurostat, t2020_50).

Relative Poverty: The first of the three indicators used in the Europe 2020 Strategy, 'at risk of poverty,' is a relative income poverty threshold, which means that it is used to assess poverty levels relative to the national median income, something that relates it to local conditions and that shifts in line with changes in general income/salary levels. It is also recognised that because relative poverty measures are related to current median (or middle, not average) income, it can be difficult to interpret at a time when the incomes of all households start to decline or rise (that is, during recessions or recoveries). In fact where the incomes of all households fall in a recession, but they fall by less at the bottom than at the middle, relative poverty can actually decline. This can mask or delay the full picture of poverty emerging.

Comparable Data: There can occasionally be slight differences of definition and differences of interpretation between national bodies and Eurostat. Using the figures from Eurostat makes it possible to compare like with like across countries.

21 The 60% threshold is adopted in the Europe 2020 Strategy. It is also possible to examine incomes below other thresholds such as 40%, 50% or 70%.