SOCIAL JUSTICE IRELAND
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Europe: A Union for the Powerless as well as the Powerful?

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

European Research Series

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Preface

'Europe: A Union for the Powerless as well as the Powerful' is the ninth 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 and a comprehensive examination of the impact of policies pursued by the European Union and its members states after the financial crisis of 2008. 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.

'Europe: A Union for the Powerless as well as the Powerful' 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 launch of the consultation on a European Pillar of Social Rights. 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. 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 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.

Contents

1. Introduction and Context

The financial crisis from 2008 led to the sharpest contraction of European economies since the Great Depression. In 2009, for example, the economic output in the countries of the European Union shrank 4.5 percent, the largest reduction in GDP since its creation (Sundaram *et al* 2014). The crisis led to a rapidly dis-improved social situation across Europe in which more than 6 million people lost their job. This, and a range of austerity measures, led to increases in poverty and social exclusion, growing inequalities and divergences between countries. These are the issues, along with access to key services, with which this report is mainly concerned.

1.1 Background

The background to the global economic crisis is associated with bad regulation and bad financial practices in the United States, which in turn affected the entire world. 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). The distinguished economist and philosopher Amartya Sen is amongst many distinguished economists and others pointing out that what began as a clear failure of the market economy (particularly associated with financial institutions) was soon interpreted as a problem of the overstretched role of the state leading to a prioritisation of austerity policies (2015).

Amongst the responses in Europe was an initial expansionary fiscal approach attempting to mitigate the effects of the crisis. However, as the crisis spread a series of measures were adopted including

- **Consolidation and Adjustment**- reducing deficits throughout the EU through fiscal consolidation along with lending to distressed countries with requirements to undertake structural adjustment programmes and austerity policies;
- **Fiscal Supervision -** 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 – see **Glossary** for a definition).

The new governance provisions seek to limit budget deficits to no more than 3% of GDP (within that to target a structural deficit of below 0.5%), which means that governments now have little scope to slow the pace of consolidation or to undertake investment policies that support growth. This limits the scope for Keynesian-style strategies to combat recession and thus penalises or rules out the use of some of the most effective weapons in any governmental toolkit for combating unemployment in a recession. The economic justification for the current EU approach remains hugely contested.

Another policy was to bolster the Euro currency and to ensure that no bank should fail as this risked collapsing the European financial system. A ‘no bond holder left behind’ policy resulted in a massive 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. The ongoing lack of acknowledgement that creditors and debtors alike contributed to the crisis and are responsible for their actions makes the situation even more difficult for many debtor countries. This has led to a situation where a perception of a democratic deficit at the heart of the EU has been reinforced and citizens of many countries experience a sense of powerlessness.

More recently (March 2015), the European Central Bank launched a programme of quantitative easing[1] intended to last until 2016 and designed to stimulate the economy by encouraging banks to make more loans. (Many other central banks had already done this during the recession).

Sen (2015) argues that the austerity approaches adopted both deepened Europe's economic problems, and did not help in its objective of reducing the ratio of debt to GDP to any significant extent – in fact, sometimes quite the contrary. Sen concludes that:

> "If things have started changing, over the past few years, even if quite slowly, it is mainly because Europe has now started to pursue a hybrid policy of somewhat weakened fiscal austerity with monetary expansion. If that is a half-hearted gesture towards Keynes, the results are half-hearted, too."

Sen is also critical of the policy leaders of Europe for not allowing more public discussion, which he argues might have prevented policy errors through the standard procedures of deliberation, scrutiny and critique.

Thus in recent years, the European political discourse has been dominated by issues of budgetary consolidation, economic recovery and protecting the euro. The union, especially the currency union, is often seen as 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). Against this backdrop people affected both by the economic crisis of 2008 and by subsequent austerity measures have become disenchanted with the European project in many countries. Opposition to austerity policies has been most visible in Greece throughout 2015, but the European elections in May 2014 had already confirmed voter discontent across Europe with mainstream politicians, voting instead for Eurosceptics, populists and the far-right and also (in Greece) for anti-establishment parties from the left.

Even in strict economic terms, as the European Commission has noted, unemployment, poverty and inequalities undermine sustainable growth by weakening demand in the short term and by affecting potential macro-economic growth in the longer term through reduced access for many households to education and health services and 'hence to sub-optimal use of human capital' (2015a:15). In its review for 2014, the Commission Directorate for Employment, Social Affairs and Inclusion concludes that, while there are improvements, Europe is facing an uncertain outlook (2015a).

1.2 The Crisis and its Aftermath

The OECD has described the economic crisis following 2008 as having cast long shadows on people's future well-being and pointed out that some of the social consequences of the crisis (such as in family formation, fertility and health) will only be felt in the long term (OECD, 2014). They instance cut-backs on essential spending by families, including on food, which is detrimental to their current and future well-being.

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[1] Quantitative easing essentially means creating money by buying securities, such as government bonds, from banks with electronic cash that did not exist before. The new money swells the size of bank reserves in the economy by the quantity of assets purchased (The Economist, 9 March 2015)

The European Commission has noted that during the crisis following 2008, the reduction in social spending was stronger than in past recessions (2014). They attribute this partly to fiscal consolidation (2014). While social expenditure on things like unemployment benefits, pensions and health helped maintain aggregate demand in the early years of the crisis, their capacity for stabilisation weakened over the prolonged recession due to factors such as increasing numbers of long-term unemployed people losing entitlements, austerity measures that meant cuts in public expenditure, and also due to the phasing-out of early stimulus measures taken to counter the crisis (European Commission 2015a). A EUROMOD analysis from 2014 illustrates the impact of measures introduced from 2008 to mid-2013 in twelve European countries, taking account of changes in taxes and social contributions and in cash benefits (pensions and others) – but not cuts in services (De Agostini *et al*, 2014). It found that the impact of these measures on household incomes was particularly strong in Ireland (-17 percentage points), Greece (-14 percentage points), Portugal, Spain and Lithuania.

While the Europe 2020 Strategy is focused on achieving high levels of employment, productivity and social cohesion, it is well recognised that social cohesion is declining or at least under new pressure (Eurofound and Bertelsmann Stiftung 2014). This is due not only to the economic and employment crisis 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.

The Bertelsmann Siftung foundation carried out a cross-country comparison in relation to social justice and found that social justice exists to very different extents within the EU, with countries varying a lot in their ability to create an inclusive society[2]. They also found that rigid austerity policies and structural reforms pursued during the crisis have had negative effects on social justice in most countries (Schraad-Tischler Kroll, 2014). Using a composite social justice index, they found an overall negative trend since 2008 in all but three countries of the EU (those being Poland, Germany and Luxembourg) and that the social justice index has decreased most obviously in Greece, Spain and Italy and also in Ireland and Hungary (Schraad-Tischler Kroll, 2014). They also found that opportunities for every individual to engage in broad-ranging societal participation are best developed in Sweden, Finland, Denmark and the Netherlands. Overall they conclude that some countries that perform in a middling way in economic terms, notably Czech Republic, Slovenia and Estonia, still demonstrate a comparatively high degree of social justice, while other countries, notably, Greece, Spain, Italy and Ireland, have a comparably high GDP per capita but a relatively low ranking on social justice and they recommend that these countries now plan not only for stable growth but also for improved participation opportunities for a broader portion of the population.

The capacity of national unemployment benefits to stabilise income when faced with an unemployment shock varies across countries and is limited in some member states. These include Italy, Greece, Slovenia and Estonia (where it is less than 10%), but this contrasts with the situation in continental and Nordic countries (where it is up to 25%) (Dolls *et al*, 2012 cited in Maselli and Beblavy 2015). Thus an issue that the crisis of 2008 and the subsequent years has highlighted is the significant shares of unemployed people not covered by standard safety nets,

[2] The study examined six dimensions of the goals of social justice: poverty prevention, equitable education, access to the labour market, social cohesion and non-discrimination, health and intergenerational justice.

such as unemployment benefits or social assistance income or schemes of 'last resort'– even in some of the 'older' countries of the EU. For example,

- Italy does not have a minimum income scheme at a national level although there are some regional/local schemes that can be piecemeal or partial (Social Protection Committee, 2014) and there have been some income support measures introduced since 2008 (Bouget *et al* 2015);
- Greece lacks a comprehensive minimum income scheme although a scheme is being implemented and a national roll-out is proposed; in Greece, people who are long-term unemployed also lost their health insurance cover - in 2013 800,000 were estimated to be affected (Social Protection Committee, 2013).

The share of the labour force covered by some form of unemployment insurance can be anywhere in between 50% and 100% in Europe, and replacement rates over the previous salary also vary a lot (ranging between 20% and 80% of the average gross wage) (Strauss *et al*, 2013 cited in Maselli and Beblavy 2015). In 2013, a very low share of long-term unemployed people were receiving unemployment benefits or assistance in Italy (2%), Croatia (10 %), Bulgaria (1%), Latvia (3 %) or Estonia (4 %) all of which also have higher than average shares of discouraged workers (European Commission 2015a). Analysis by the European Commission from 2014 seeking to quantify those people (aged 18-59) falling outside of social security safety nets (by, for example, being out-of-work but not eligible for unemployment benefits because they have never worked or have not worked long enough to be eligible) found that 15% of those living in (quasi-) jobless and households at risk of poverty receive no more than 10% of their income from social benefits. The share of individuals *not* receiving income support is especially large in Greece, Cyprus, Italy, Bulgaria and Portugal, where more than 40% of those living in (quasi-) jobless and poor households receive only up to 10% of their income from social transfers (Social Protection Committee, 2014a). Lack of coverage of these people would suggest a lack of effectiveness of the benefit system in reaching the most vulnerable. Access to the schemes in other countries, including Spain and Ireland, are considered complex.

The minimum income schemes that exist in European countries are often insufficient to lift the recipients out of poverty (Bouget *et al* 2015). But reforms have taken place of minimum income schemes in some countries since 2010 (including Austria, Germany, Spain, Portugal and others) or reforms have been announced or are being piloted (including Greece and Italy)

In recent years, the EU has become synonymous with issues of budgetary consolidation, economic recovery and protecting the Euro but efforts to create a more socially just society 'have remained rather feeble, at least as perceived by the general public' (Schraad-Tischler Kroll, 2014: 85).The European Union has set specific goals in the area of social policy and we will look at these below. 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 and the associated European Platform Against Poverty and Social Exclusion – there is as yet no integrated EU strategy that consistently and comprehensively combines the two key objectives: growth *and* social justice (Schraad-Tischler Kroll, 2014).

One influential commentator has called for a new deal for Europe, recognising that the social and economic policy challenge is to make social investments and fiscal consolidation mutually supportive and sustainable, through improved macroeconomic governance requiring a more realistic (slower) pace of fiscal adjustment coupled with productivity-enhancing social investments (Hemerijck 2014; 2013).

The EU Commission President, Jean-Claude Junker, in his opening statement to the European Parliament in July 2014 acknowledged that during the crisis mistakes were made, that there was a lack of social fairness and that democratic legitimacy suffered – and it is hoped by many that this signals the beginning of a new approach in Europe. There is now also an investment plan worth €315 billion. However, almost simultaneously, the position in Greece became critical during 2015 throwing into relief the question of whether the currency union can survive and indeed whether the EU in its present form has a future.

1.3 EU – Some Key Social Policy Responses

The global financial crisis provided the background in which the European Council adopted 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 is seen as a major step forward in the development of EU policymaking, because it recognised the importance of social issues and opened the way for a more coordinated approach to economic, social, employment and environmental governance (Frazer *et al.* 2010). The strategy committed member states of Europe to work toward targets in a range of areas including on poverty and social exclusion – and established an agreed set of indicators designed to measure progress toward meeting those targets.

In 2011, the European Parliament called on the European Commission to launch a consultation to explore initiating legislation to provide a sensible guaranteed minimum income system across Europe and similarly a related Opinion was passed by the European Economic and Social Committee (in 2013). The European Commission has concluded 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 European Commission is now working on a common methodology for developing reference budgets (which define the basis of a basket of goods/services considered necessary to reach an acceptable standard of living in a given country) and has referenced a potential initiative for a Social Protection Floor (European Commission 2015b). The Employment Commissioner has said that sustainable social protection systems need 'upwards social convergence' based on minimum standards of social protection across member states to show citizens that the EU is not just an "economic" project, something that would mean minimum unemployment benefits, a minimum income, access to child care, and access to basic health care in all 28 countries (Mahony 2015). These developments are welcome. They 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 (2003).

Social investment implies 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). Adopted in 2013, the European Commission's Social Investment Package argues that well-designed social policies can contribute to economic growth as well as protecting people from poverty and acting as economic stabilisers. It 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 in 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 (2013b). It refers to the use of European structural and investment funds for Member States in implementing the strategy set out in the package.

The Social Investment Package proposes that financing decisions for social policy be based on analysis in advance of their likely impact, intended to ensure that the longer-term outcomes of social investment be taken into account from the start (2013b). This would be a departure from many of the policy-making approaches that have occurred since 2008, where significant, ad hoc cuts have been made to social programmes like welfare, education and health without any analysis of long-term effects on people or on finances – and where the social impact of 'reforms' was not in general considered in advance by the Troika of the EU, ECB and the IMF in countries in receipt of assistance programmes (see Bouget *et al* 2015 and Leahy, Healy and Murphy, 2015 and other reports in the same series from Caritas Europa).

1.4 This Report

The experts who are part of the European Social Policy Network recently assessed the implementation of the Social Investment Package in EU Member States and found its implementation to be very limited and that, in many countries, a key factor in limiting the development, or in some cases leading to a decline in the development, of a social investment approach has been the impact of the economic crisis and a policy environment dominated by fiscal consolidation policies with a primary aim of reducing public budget deficits (Bouget *et al* 2015).

These experts grouped countries of the EU into three categories as to how they perform relative to social investment. See **Table 1.** Amongst the countries in the third grouping – that is, where a social investment approach has not yet had a significant impact – is Greece, a country which has been extremely hard-hit by the recession since 2008 and which has received a financial assistance package from the Troika of the EU Commission, the ECB and the IMF. Thus 'reforms' and austerity policies have had to be pursued in a country which did not have a well-developed social investment approach already. The same is true, to a lesser extent, of Spain, Ireland and Portugal (countries in the second grouping as far as a social investment approach goes) and indeed of other countries where austerity policies have been pursued to meet Europe's strict fiscal rules[3] for deficits, structural deficit and gross debt.

[3] The new European fiscal governance mechanisms (the Stability and Growth Pact augmented by the 'Sixpack,' and the Fiscal Compact) require governments to keep their deficits to 3% of GDP (the so called 'deficit brake'), and within that to target a structural deficit of below 0.5%. Government gross debt must not exceed a limit of 60% of GDP (the so called 'debt brake').

TABLE 1 SOCIAL INVESTMENT: EU COUNTRIES GROUPED IN RELATION TO 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.**

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

In **Sections 2** to **4** of this report, we will discuss issues relevant to the realisation of some of these rights by looking at the social effects of the crisis in more detail under the headings of poverty and social exclusion, employment/unemployment, and services in health and in education. We will also 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. In light of some of the findings of these sections, we will also look at how countries compare in respect of total taxation[4] (**Section 5**) before concluding the report with an outline of some alternative approaches to policy-making in **Section 6,** and by drawing some conclusions and making some recommendations in **Section 7.**

[4] 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)

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,** above.) The headline target set in the 2020 Strategy was 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 will 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 - Adults

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 % of the national median (or middle) equivalised disposable income (after social transfers) (Eurostat, t2020_50)[5].;
>
> (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 - 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).

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 in 2008 and 2014 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.

Measuring and monitoring poverty and other social conditions can be a challenging process. The Social Protection Committee of the European Union has introduced a new instrument – the social protection performance monitor (known as the SPPM) – intended to build on the existing indicators and to contribute to monitoring the European social situation. It involves a dashboard of indicators designed to monitor trends that are both positive and negative – and in this report we will refer to some of them also. The dashboard includes over 20 indicators (including those already discussed above and used to monitor the Europe 2020 strategy) that are broader than poverty/incomes and also take in issues like health, unemployment, housing cost over-burden,

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[5] 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%.

and early school leaving. For a full list of these indicators (which are not static and are designed to be capable of change) see **Glossary.**

TABLE 3 PEOPLE EXPERIENCING POVERTY, EU-28, 2008 AND 2013

Poverty Indicators 2008 and 2013								
	People at risk of poverty or social exclusion		**People at risk of poverty**		**People experiencing Severe Material Deprivation**		**People in households with very low work intensity**	
EU-28	Number	%	Number	%	Number	%	Number	%
Total population								
2008	116.5 m*	23.8*	81.3*	16.6*	42.3*	8.5*	34.4m*	9.1*
2013	122.9m	24.5	83.3m	16.6	48.3	9.6	40.7m	10.8
Children (under 18)								
2008	25.3m*	26.6*	19.4m*	20.4*	9.5m*	9.9*	7.3m*	7.7*
2013	26.3 m	27.7	19.2m	20.2	10.5m	11.1	8.99m	9.5
Older people (over 65s)								
2008	19.3m*	23.4*	14.97*	19*	6.2m*	7.5*	n/a	n/a
2013	16.4m	18.2	12.35m	13.8	6.2m	6.9	n/a	n/a

Source: Eurostat Online Databases: t2020_50, t2020_51, t2020_52, t2020_53,ilc_lvhl11, ilc_li02, Ilc_mddd11, ilc_peps01. * relates to EU-27 countries, not EU-28, as this was prior to the accession of Croatia

The Social Protection Committee has monitored the countries in which the social situation has deteriorated using its comprehensive Social Protection Performance Monitor or dashboard. Between 2008 and 2013, they noted that the countries with the most worrisome outcomes are Cyprus, Greece, Spain and Slovenia where there is deterioration in at least 15 of the indicators (2015). In a further 3 countries, Hungary, Italy and Ireland, deteriorations have occurred in more than 12 of the indicators, But other countries, notably, Austria, the Czech Republic, Finland and Germany have registered deterioration in far fewer of the indicators (4 or fewer).

This is consistent with an overall picture in which Europe is moving farther away from the target set in the Europe 2020 Strategy. The **risk of poverty or social exclusion rate** (the combined indicator of poverty used in the Europe 2020 strategy) increased between 2008 and 2013 (the latest year for which statistics are available from Eurostat for most countries). It amounts to just under 123 million people (EU-28) or 24.5% of the population of the EU (that is, almost 1 in 4 people) (Eurostat online database code t2020_50). The numbers affected have increased by over 6 million people (in EU-28)[6] between 2008 and 2013. It is also higher by nearly 4.9 million people than in 2010 when the EU 2020 strategy was adopted, meaning that Europe is getting further away from, not closer, to its agreed target – and needs to lift some 25 million people out

[6] Eurostat doesn't publish the figure for 2008 for EU28 as that was before the accession of Croatia and 2008 rates are not published for Croatia

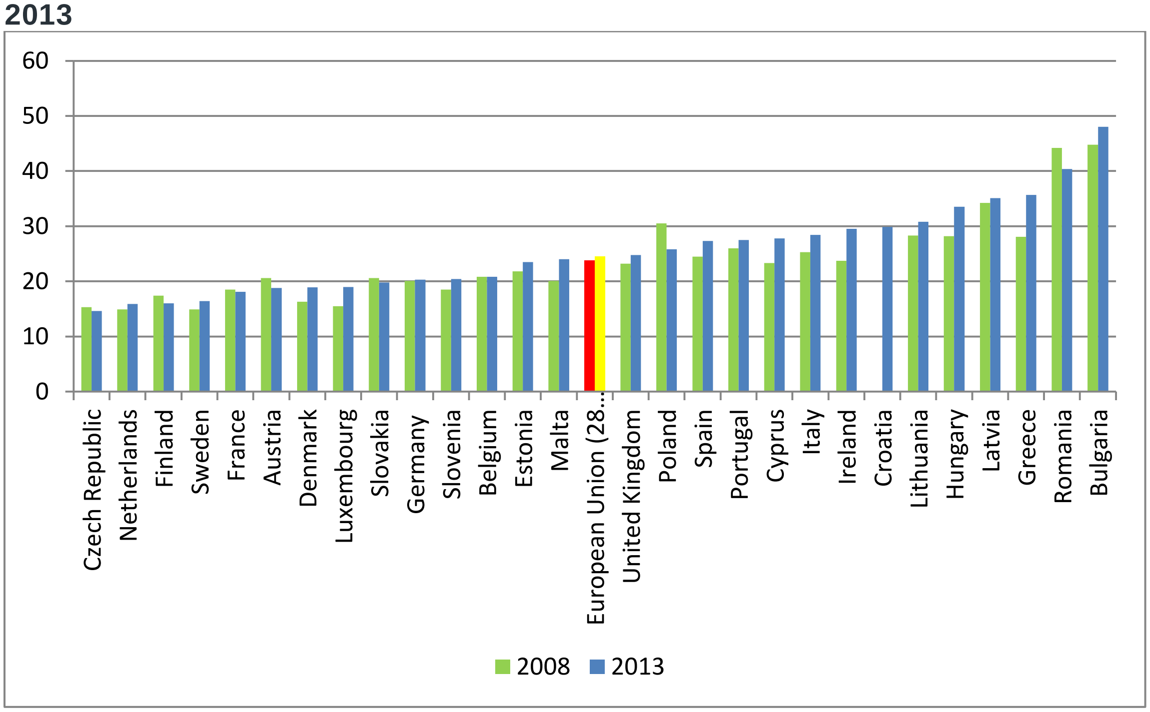
of poverty or social exclusion by 2020 in order to achieve the target set. Impacts have been especially marked on the working age population and as a consequence on children (Social Protection Committee 2015a).

The situation worsened in 19 member States (out of EU-27) between 2008 and 2013. In the larger countries, very large numbers of people indeed are affected by poverty or social exclusion. The countries contributing substantially to the increase in the numbers affected (2008 to 2013) are Italy and Spain, especially, and also to some extent Greece, Hungary and the United Kingdom (Social Protection Committee 2015a). For example:

- **Italy:** 17.3 million people affected in 2013, an increase of 2.7million since 2008;
- **Spain**: 12.6 million affected in 2013, an increase of 1.5 million people since 2008;
- **The United Kingdom:** 15.5 million people affected, an increase of 1.5 million since 2008.

In some countries there have been decreases in the numbers affected between 2008 and 2013 - these include Poland, Romania and Germany.

FIGURE 1 PEOPLE AT RISK OF POVERTY OR SOCIAL EXCLUSION RATE (%), EU-28, 2008 AND 2013



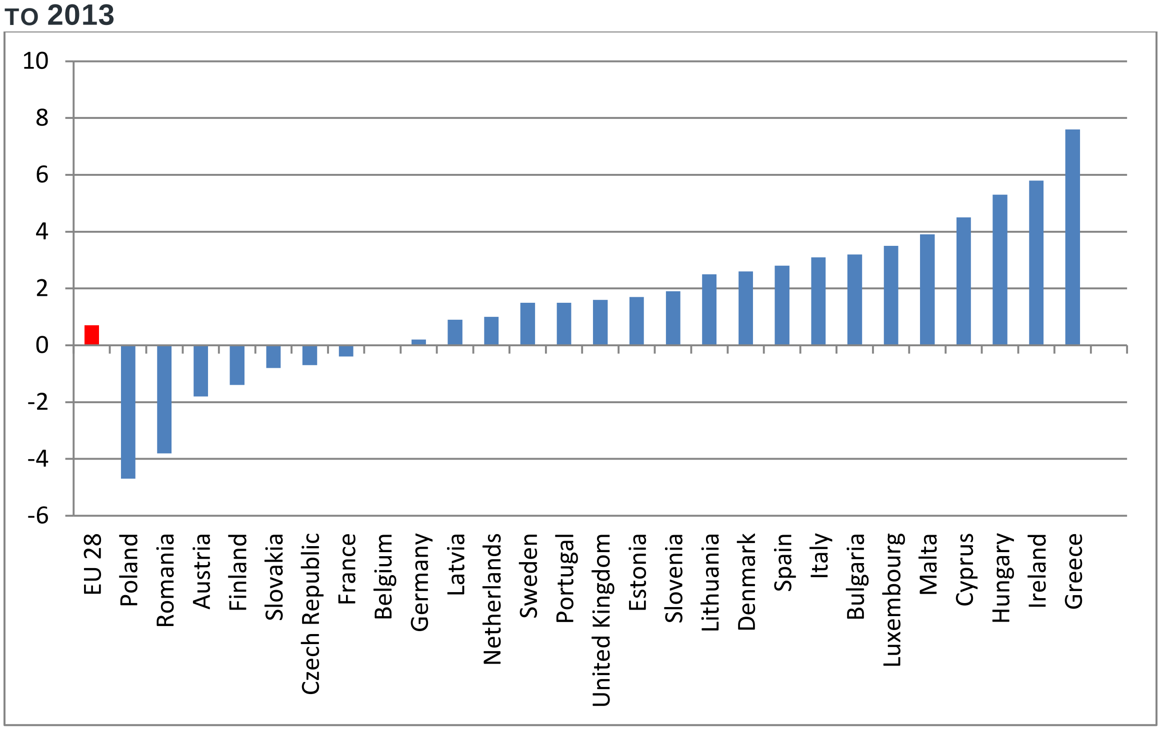
Source: Eurostat online database code: t2020_50. Note: rate not available for Croatia for 2008 thus EU rate for 2008 refers to EU-27

The highest rates of poverty or social exclusion are to be found in Bulgaria (48%) Romania (40.4%), Greece (35.7%), Latvia (35.1%) and Hungary (28.2%); the lowest in Czech Republic (14.6%), the Netherlands (15.9%), Finland (16%), Sweden (16.4%) and France (18.1%) (Eurostat, code: t2020_50). See **Figure 1.** Amongst EU15 (that is, when the newer accession countries are excluded), the highest rates are seen in Greece, Ireland, Italy, Portugal, and Spain.

Going back for a moment to the review that we referenced in **Section 1.4**, 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, Section 1.4**, above, are ranked better than the EU average in terms of protecting people from poverty or social exclusion. These countries are Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia. When it comes to how the 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 seven 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 Latvia. Czech Republic is an interesting case. Ranked as having the best (lowest) poverty or social exclusion rate, it also falls into Group 3 with the least developed social investment approach. It is considered to be a country that demonstrates merely middling economic performance, but is relatively more effective at delivering fairness in society, illustrating how social policy plays a critical role in achieving social justice (Schraad-Tischler Kroll, 2014).

The countries in which the poverty or social exclusion rates deteriorated most between 2008 and 2013 are Greece, Ireland, Hungary and Cyprus. See **Figure 2**. The countries showing the smallest increases include Latvia, Netherlands and Sweden, and the rate has fallen in some other countries, including in Poland, Romania, Austria and Finland.

FIGURE 2 AT RISK OF POVERTY OR SOCIAL EXCLUSION, EU-28, PP CHANGE IN RATE, 2008 TO 2013



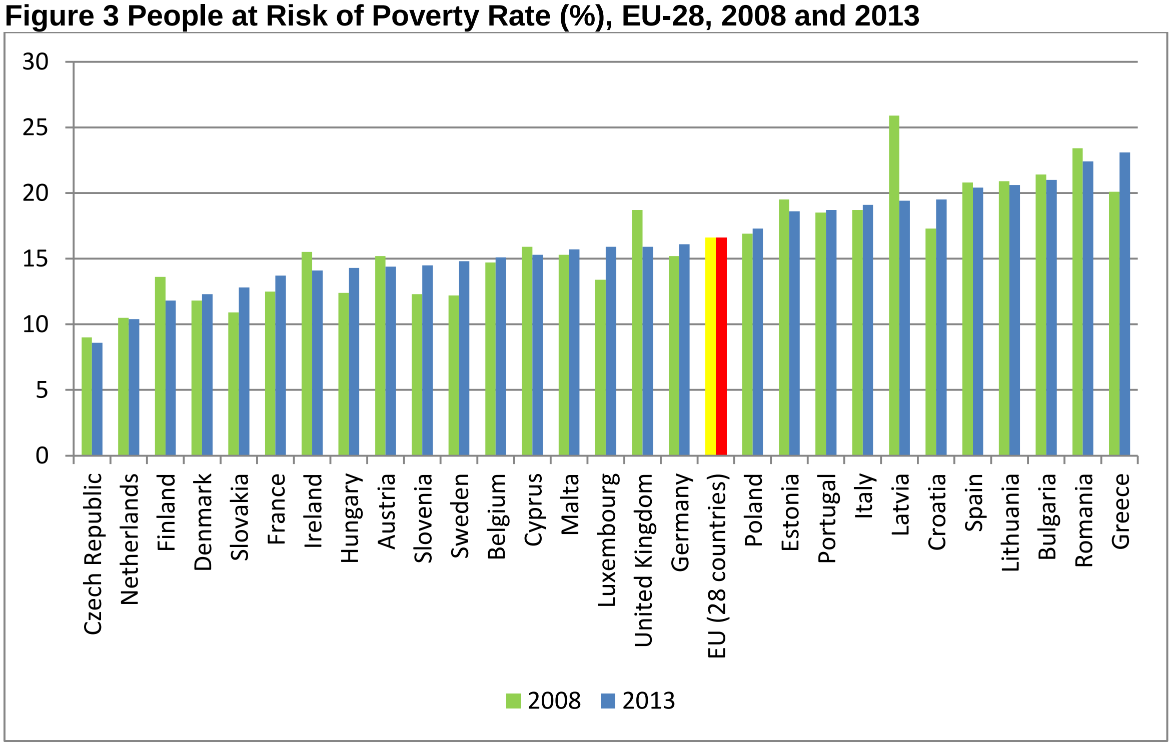
Source: Eurostat online database code: t2020_50. **Note:** rate not available for Croatia for 2008

According to the European Commission, the main causes of poverty and social exclusion are long-term unemployment, labour market segmentation and wage polarisation, and also the weakening of the redistributive impact of tax and benefits systems (2015a).

As mentioned above, the at **risk of poverty rate**, which is a relative income measure representing a percentage (in this case 60%) of the median income in a given country, was the most commonly agreed measure of poverty across Europe prior to the adoption of the 2020 Strategy. In EU-28, the numbers living at risk of poverty were 83.35 million in 2013 and this had increased by nearly 2 million people since 2008 when there were 81.3million people affected (EU-27)[7] (Eurostat online database, code t2020_52). Nearly 17% of the people of EU-28 are living at risk of poverty but the rates have remained relatively stable (2008-2013) or with changes of around 2 percentage points for many member states.

In 2013 the highest risk of poverty rates were found in Greece (23.1%), Romania (22.4%), Bulgaria (21%) and Lithuania (20.6%); the lowest in Czech Republic (8.6%), the Netherlands (10.4%), Finland (11.8%) and Denmark (12.3%). Amongst EU15 (that is, when the newer accession countries are excluded), the highest rates are seen in Greece, Spain, Italy, and Portugal.

Figure 3 People at Risk of Poverty Rate (%), EU-28, 2008 and 2013



Source: Eurostat online database code: t2020_52. Note: EU average rate for 2008 relates to EU27

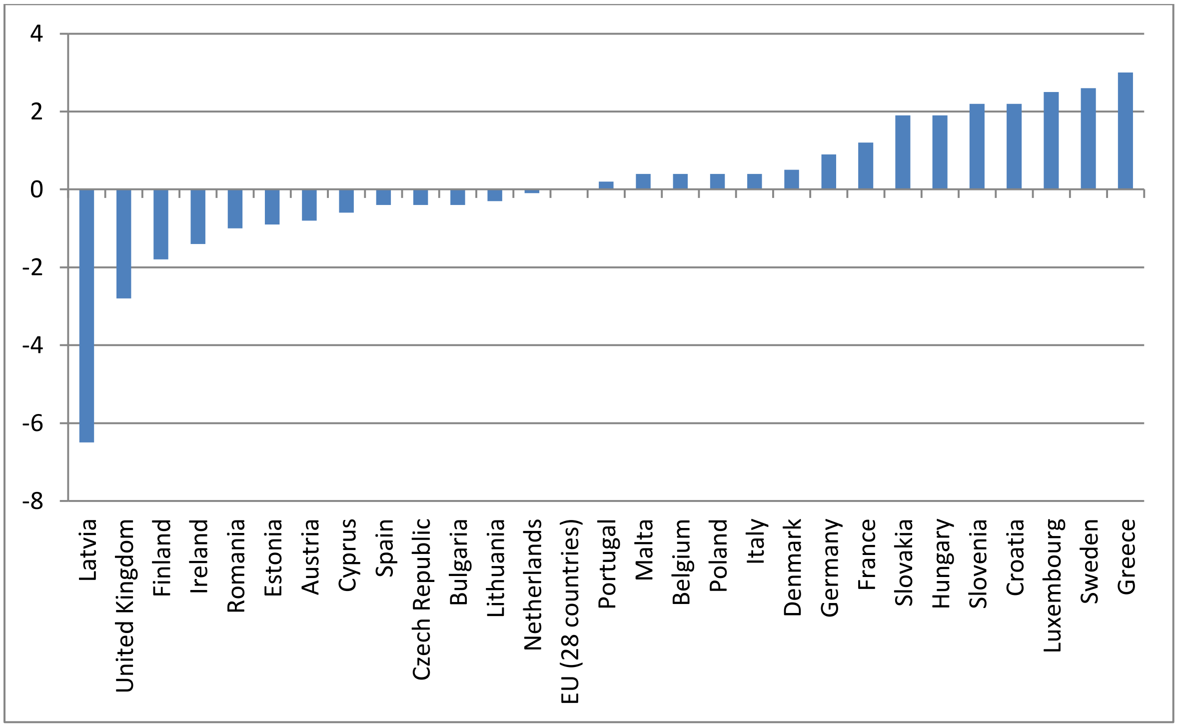
When we look at their performance in relation to the risk of poverty indicator in light of how well they perform in relation to social investment, again we find that <u>all</u> of the countries that are in

[7] Again, the figures/rate is not available pre 2010 for Croatia

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**, in Section 1.4, above, are ranked better than the EU average in terms of protecting people from poverty or social exclusion (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 Greece, Romania, Bulgaria and Lithuania).

Figure 4 shows that the risk of poverty indicator rose in 15 EU states and the percentage changes in the rates between 2008 and 2013 for EU-28 countries – and not only amongst the countries with traditionally high rates. The rate has increased most in Greece (+3 percentage points), Sweden (+2.6 percentage points), Luxembourg (+2.5 percentage points) and Croatia (+2.2 percentage points). There are also several countries where it has decreased – with a striking decrease having taken place in Latvia.

Figure 4 Risk of Poverty, EU-28, PP Change in Rate 2008-2013



Source: Eurostat online database code: t2020_52.

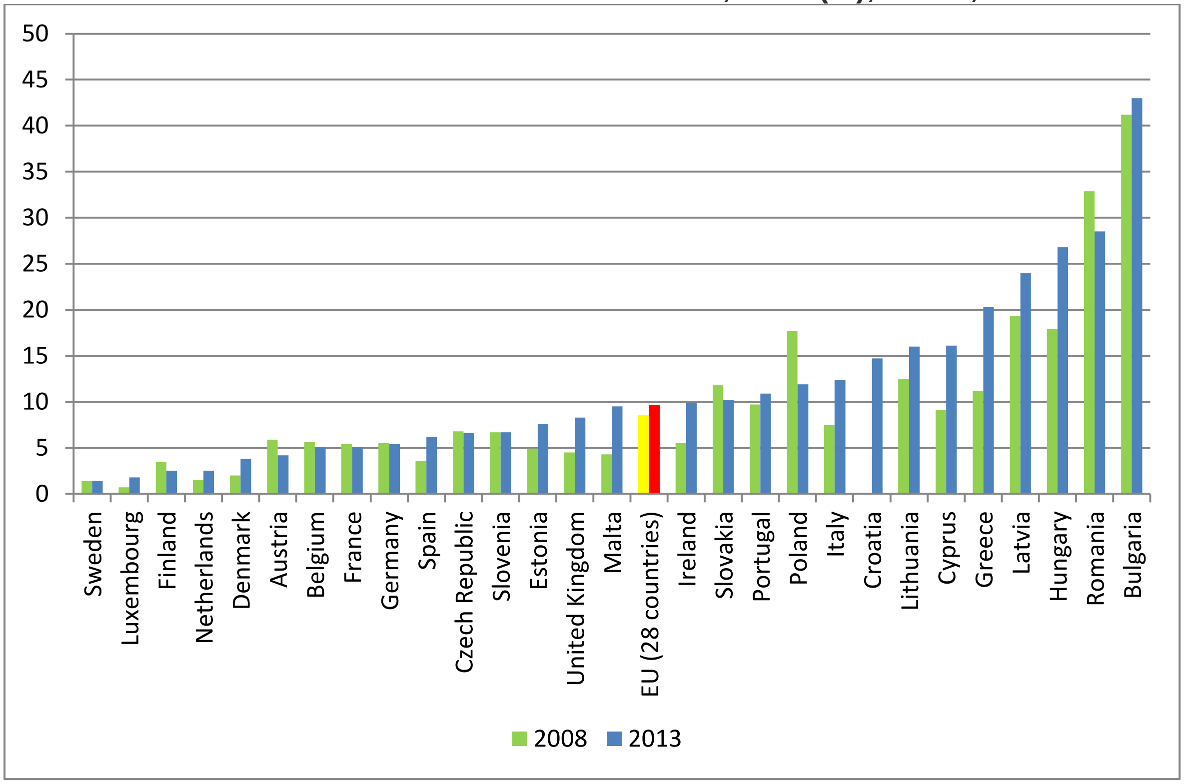
But questions are asked about the usefulness of the 'at risk of poverty' indicator during recessions: the median income has gone down at one time or another during the period in nearly all EU member states and consequently so has the at-risk-of-poverty threshold. This means that some people whose income hadn't changed were no longer at risk of poverty just due to the drop in the threshold (Social Protection Committee 2015a). One way of addressing this is to keep the poverty threshold fixed in real terms over a longer period of time- that is to say, 'anchored' at a given time. When the risk of poverty rate is anchored in 2008 poverty threshold levels, 18.3% of the population in EU-28 were affected, which is 1.6 percentage points higher than the ordinary rate.

One way of examining depth of poverty within those who are poor is to look at the proportion of those who are living below 40% (as opposed to 60%) of median incomes. Countries with relatively large shares of people living on incomes lower than 40% of median incomes in 2013 include Greece, Bulgaria, Romania, Latvia, Spain, Lithuania and Portugal (Eurostat online database, ilc_li02). The largest increases in this rate, indicating more people slipping into deep poverty, occurred in Greece, Hungary, Slovakia, Spain, Italy and Cyprus between 2008 and 2013.

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). It is not surprising that the severe material deprivation indicator has seen some substantial increases in the period 2008-2013. People affected numbered 48.3 million in EU-28 in 2013 and their numbers have greatly increased since 2008 – by close to 6 million people (Eurostat online database, code t2020_53). The EU rate of severe material deprivation was 9.6% in 2013 (up from 8.5% in 2008, EU-27); thus it affects almost one tenth of the population of EU-28.

As **Figure 5** shows, there is great variation 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 2013 were highest in Bulgaria (43%), Romania (28.5%), Hungary (26.8%) and Latvia (24%); lowest in Sweden (1.4%), Luxembourg (1.8%), the Netherlands (2.5%), Finland (2.5%) and Denmark (3.8%).

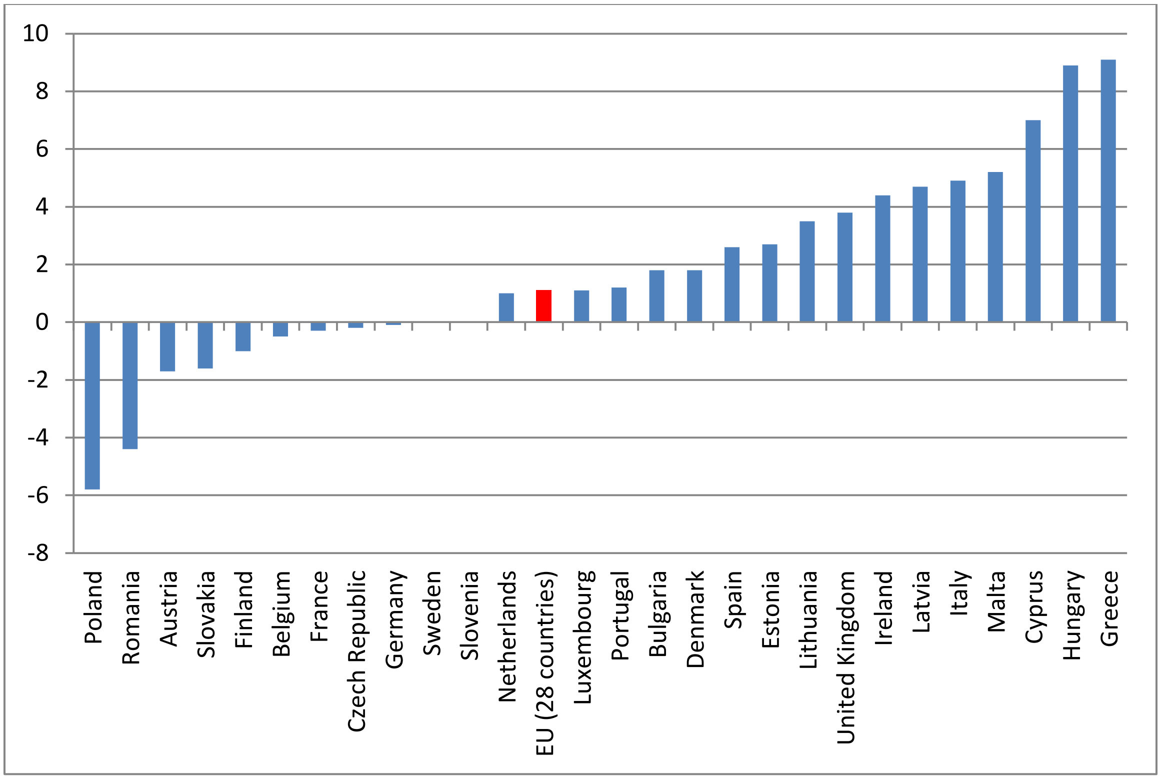
FIGURE 5 SEVERELY MATERIALLY DEPRIVED PERSONS, RATE (%), EU-28, 2008 AND 2013



Source: Eurostat online database, code t2020_53. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27 not EU-28.

Figure 6 shows that the rate rose in 15 member states between 2008 and 2013 – and not only in countries with traditionally high rates. The greatest deteriorations in this rate between 2008 and 2013 occurred in Greece (+9.1 percentage points), Hungary (+8.9 percentage points), Cyprus (+7 percentage points), Malta (+5.2 percentage points) and Italy (+4.9 percentage points). There was no change in the rate in some countries (Sweden and Slovenia) and the rate decreased in nine countries, including in Poland, Romania and Austria. Amongst EU15 (that is, when the newer accession countries are excluded), the greatest increases in the rate were seen in Greece, Italy, Ireland and the United Kingdom.

Figure 6 Severe Material Deprivation, PP Change in Rate, 2008-2013



Source: Eurostat online database, code t2020_53. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27 not EU-28

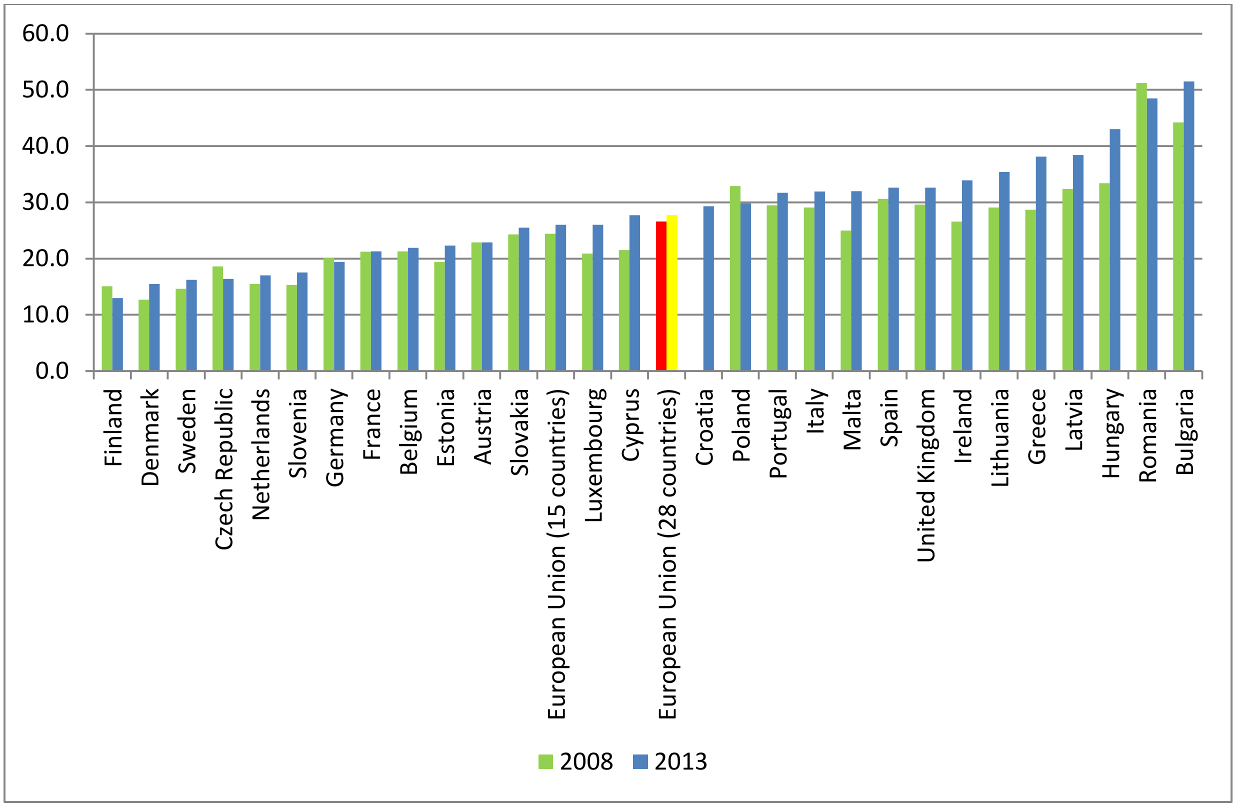
The third and final measure of poverty - called **Very Low Work Intensity –** is used in the Europe 2020 Strategy to measure labour market exclusion. It takes account of those aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year. Given the increases in unemployment since 2008 an increase in this measure is to be expected. In fact in 2013 there were 40.7 million people in this category in EU-28, an increase of 6.2 million since 2008 (Eurostat online database, code t2020_51). The EU-28 average rate was 10.8% (up from a 9.1% rate in 2008: EU-27). The highest rates are found in Ireland, Greece, Spain, Croatia and Belgium.

2.2 Poverty and Social Exclusion and other Indicators – Specific Groups

Children - Children have been strongly affected by the economic crisis. When we look at the position of children (under 18), those who are considered to be **at risk of poverty or social exclusion** number 26.3million (in 2013) and their numbers have increased by over 1 million since 2008 (Eurostat online database, code ilc_peps01). The percentage of that population affected is 27.7% - thus taking in over one quarter of the children of Europe.

The highest rates are in Bulgaria, Romania, Hungary, Latvia, Greece and Ireland; the lowest in Finland, Denmark, Sweden and Czech Republic. See **Figure 7**. In some of these countries the percentage of children affected is very high indeed (over 40% in Hungary, Romania and Bulgaria, for example).

Figure 7 Children: Poverty or Social Exclusion Rate (%), EU28, 2008 and 2013



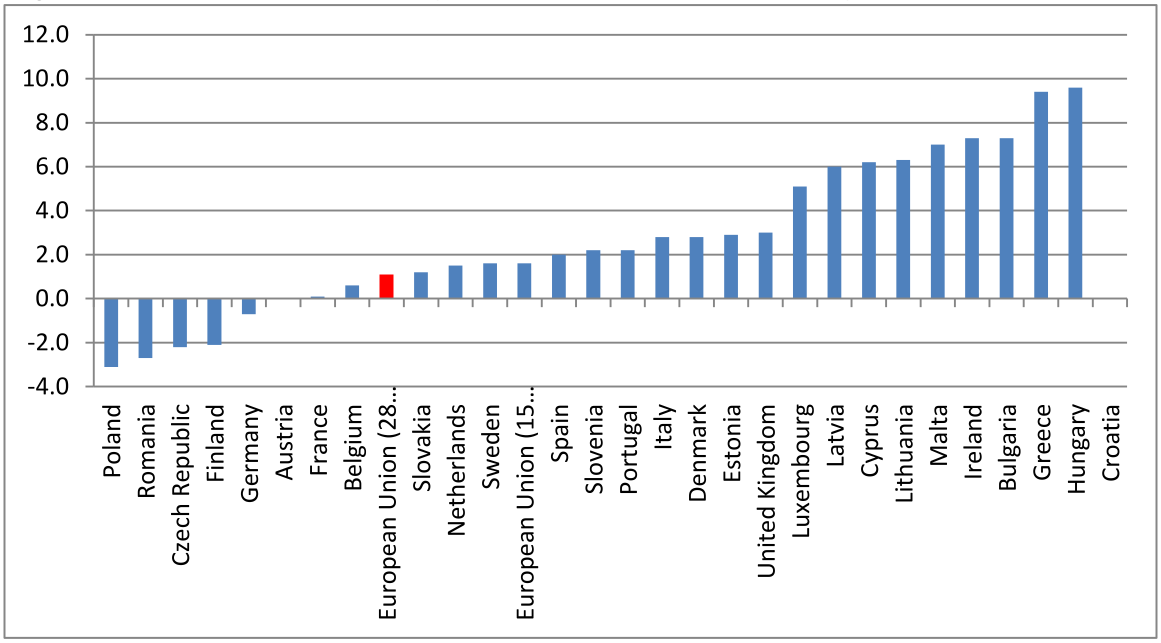
Source: Eurostat Online Database ilc_peps01. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27 not EU-28.

There were only 8 countries in 2013 in which the poverty or social exclusion rate was lower for children than for the general population: Denmark, Finland, Slovenia, Estonia, Germany, Croatia, Sweden and Cyprus (Eurostat online database, ilc_peps01). At the other end of the scale, the rate for children was nearly 10 percentage points higher than for the general population in Hungary (+9.5 pps) and was more than 5 percentage points higher in 6 other countries - Romania, Malta, United Kingdom, Luxembourg, Slovakia and Spain.

As **Figure 8Figure 8** shows, increases in this rate occurred in the vast majority of EU countries between 2008 and 2015 (20 countries out of 27), a trend which the Social Protection Committee describes as 'alarming' (2015a:51). The greatest increases in the rate have occurred in Hungary, Greece, Bulgaria and Ireland. Typically, the largest increases in the rate have occurred for large families – especially in Bulgaria, Greece, Hungary, Ireland and Malta (Social Protection Committee 2015a). In other cases it is single parent households that have been most affected.

Reductions in the rate occurred in only a few countries - in Poland, Romania, Czech Republic, Finland and Germany.

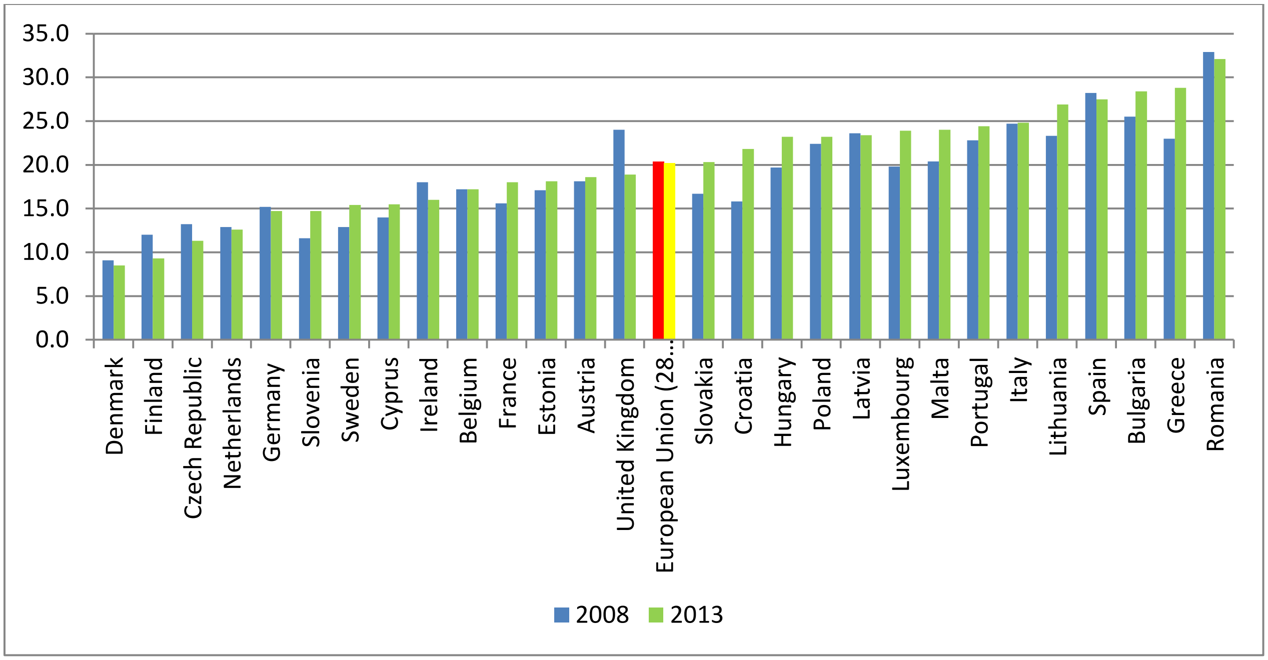
Figure 8 Children: Risk of Poverty or Social Exclusion, PP Change in Rate 2008-2013



Source: Eurostat Online Database ilc_peps01

Taking the second indicator, children who are **at risk of poverty,** they numbered 19.2 million in 2013 and the rate amongst them was 20.2% (Eurostat online database, code ilc_li02). This means that one fifth of Europe's children are living in situations of income poverty (that is, below the 60% threshold of median income in their countries).

Figure 9 Children: Risk of Poverty Rate (%), 2008 and 2013



Source: Eurostat online database, code ilc_li02).

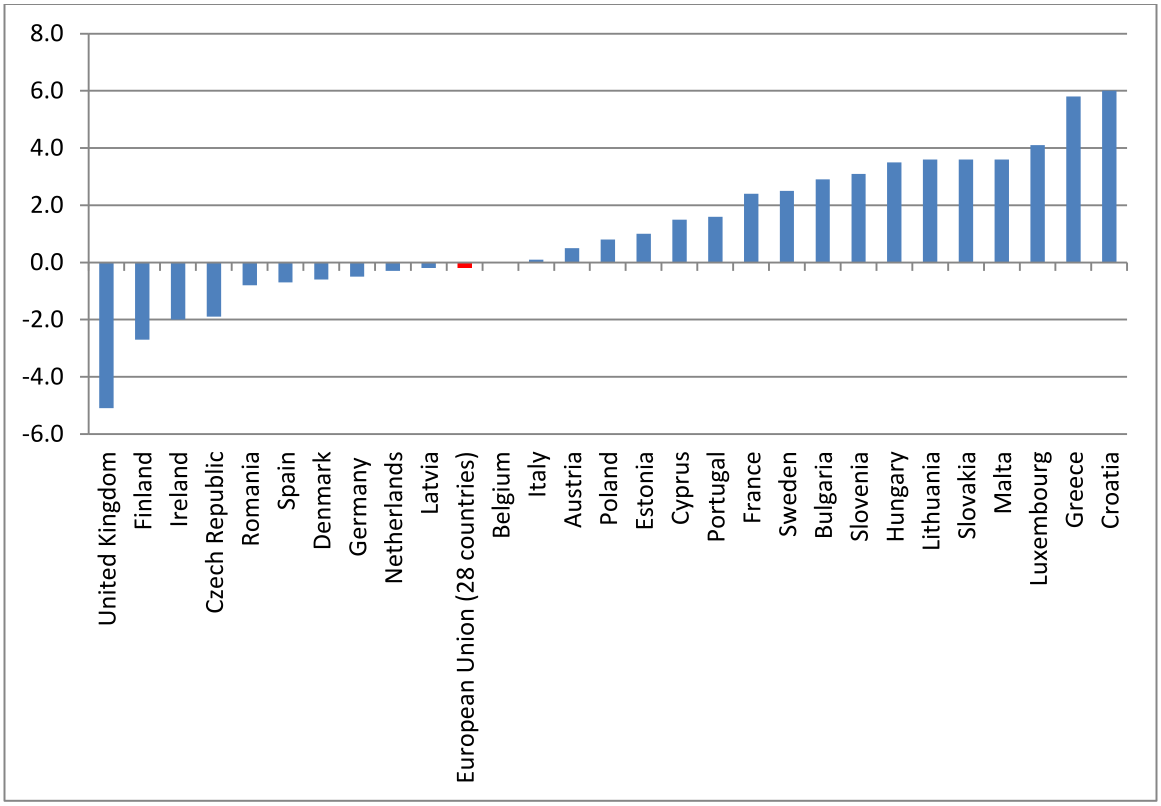
As

Figure 9 shows, in 2013, the rates were highest in Romania (32.1%), Greece (28.8%), Bulgaria (28.4%) and Spain (27.5%). Rates were lowest in Denmark, Finland, Czech Republic, the Netherlands and Germany. The 'old' members of the European Union (i.e. EU-15) who have rates above the EU-28 average are Greece, Spain, Italy, Portugal, and Luxembourg.

Between 2008 and 2013, the risk of poverty rate of children deteriorated in 17 countries (out of 28) and the biggest increases in the rate occurred in Croatia, Greece, Luxembourg and Malta. See

Figure 10.

Figure 10 Children: Risk of Poverty, PP Change in Rate, 2008-2013

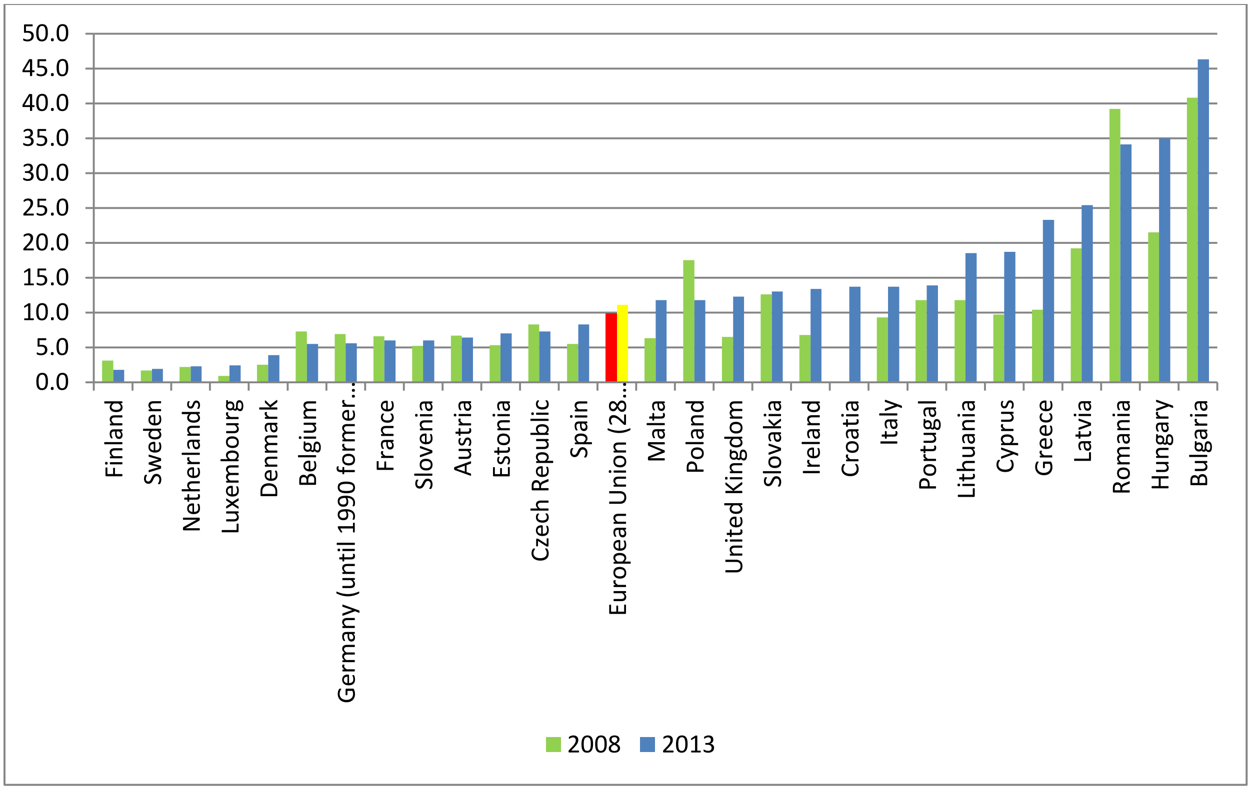


Source: Eurostat online database, code ilc_li02).

For children affected by **severe material deprivation**, the rate was 11.1% for EU-28 as a whole in 2013 (10.5 million children) up from a rate of 9.9% in 2008 (EU-27) (Eurostat online database, code ilc_mddd11). Again very high rates are in evidence in the newer accession countries of Bulgaria (46.3%), Hungary (35%), Romania (34.1%), Latvia (25.4%) and also in Greece (23.3%); by contrast very low rates are in evidence in Finland (1.8%), Sweden (1.9%), Netherlands (2.3%), Luxembourg (2.4%) and Denmark (3.9%).

Amongst EU15 (that is, when the newer accession countries are excluded), the countries with rates above the EU-28 average are Greece, Portugal, Italy, Ireland and the United Kingdom.

Figure 11 Children: Severe Material Deprivation Rate (%) 2008 and 2013

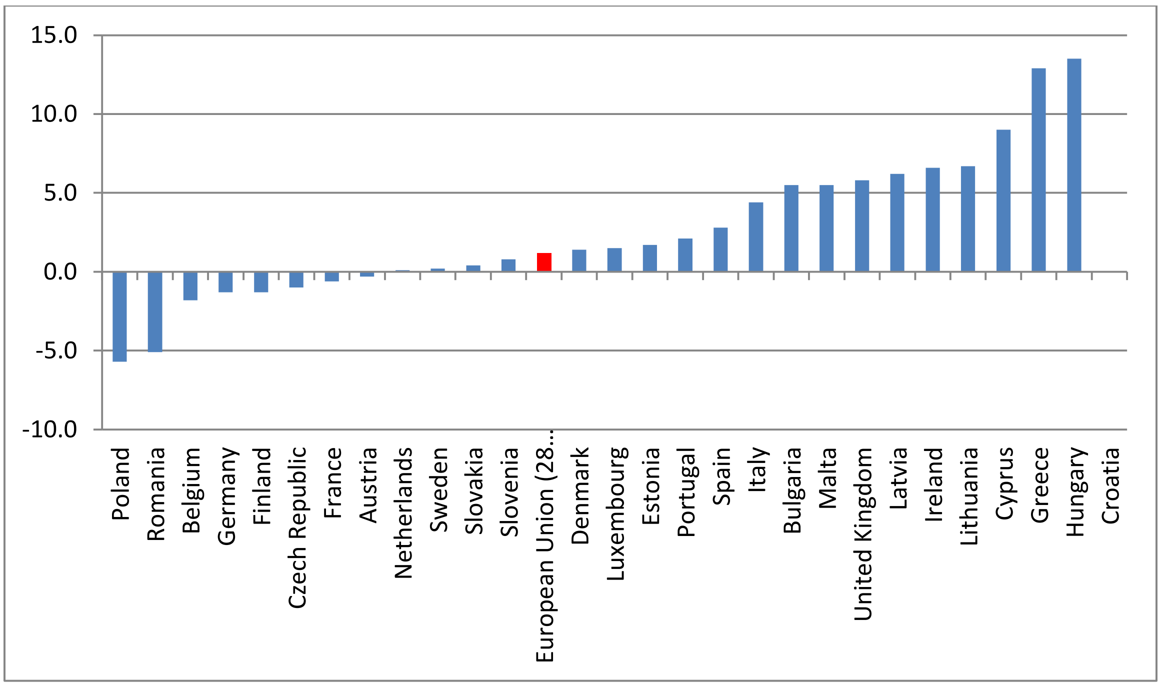


Source: Eurostat online database, code ilc_mddd11. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27 not EU-28.

The rate has dis-improved in a majority of member states (19 countries out of 27) between 2008 and 2013. See

Figure 12. Amongst the countries with the largest deteriorations are several of the 'old' member states of the EU such as Greece, Ireland, the United Kingdom and Italy.

Figure 12 Children: Severe Material Deprivation, PP Change in Rate 2008-2013



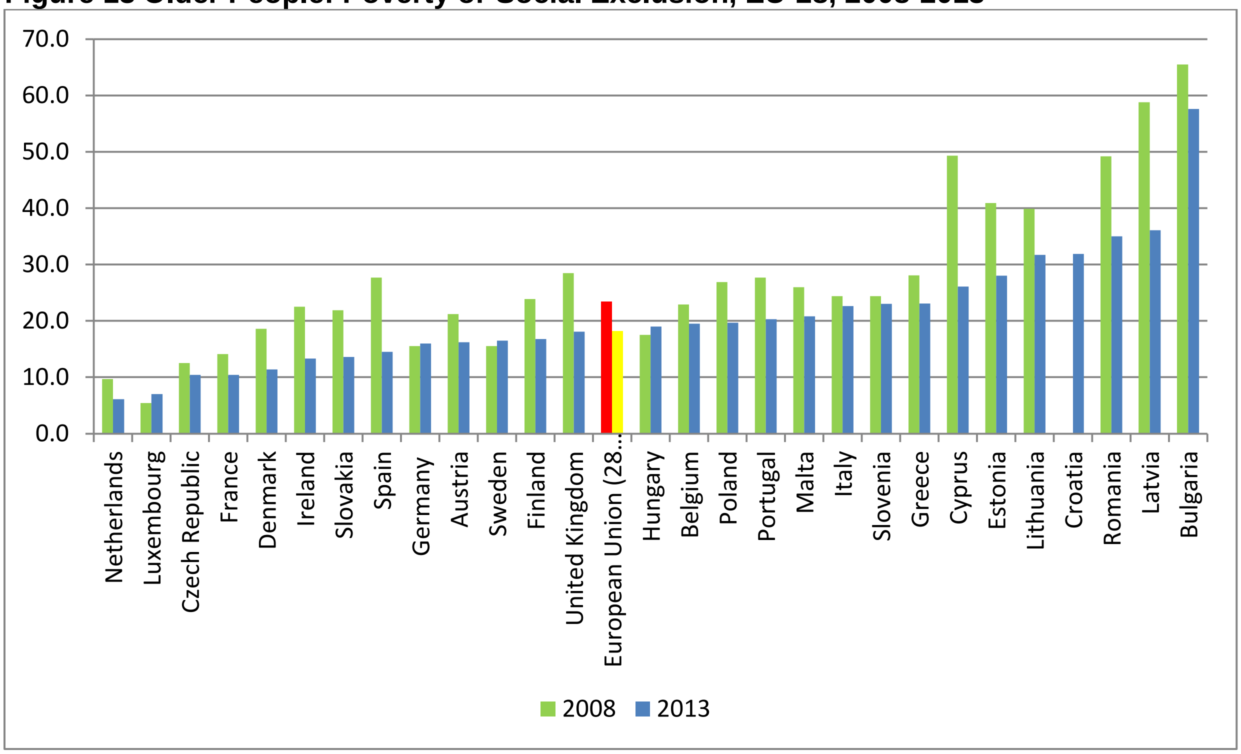
Source: Eurostat online database, code ilc_mddd11. **Note:** No rate available for Croatia for 2008

Factors leading to child poverty and social exclusion include unemployment, low work intensity of parents and low earnings coupled with low access to services and weak impact of income support measures in some countries (Social Protection Committee 2015a). Europe's Independent Network of Experts on Social Inclusion has highlighted a double impact of the crisis on children and families. Families became more at risk of poverty due to rising unemployment levels and significantly reduced incomes and, at the same time, austerity measures led to cut backs in child and family-related services (Frazer and Marlier, 2012). That network argues that cutting services for families and children when they are most needed, and particularly evident in the measures imposed on programme countries, is a short term approach that puts children's rights at risk and contrasts with the philosophy underpinning the Commission recommendation on investing in children (European Commission, 2013a). Similarly UNICEF has reported that the progress made in childhood education, health and social protection over the last 50 years is now in jeopardy (UNICEF 2014).

The EU's advisory committee, the Social Protection Committee, has warned that the implications of such high levels of child poverty, social exclusion and deprivation pose a challenge for the longer-term future of European countries and that 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 (those over 65), the European average rate for **poverty or social exclusion** was 18.2% in 2013 or nearly 16.4 million people (EU-28) – thus it affects close to one in 5 older people (Eurostat online database, code ilc-peps01). There is great variation in the rate, with many of the newer accession countries, including Bulgaria, Latvia and Romania having the highest rates. The highest rate is in Bulgaria where nearly 60% of the older population (57.6%) is affected. The lowest rates are found in the Netherlands, Luxembourg, Czech Republic, France and Denmark. See **Figure 13**.

Figure 13 Older People: Poverty or Social Exclusion, EU-28, 2008-2013



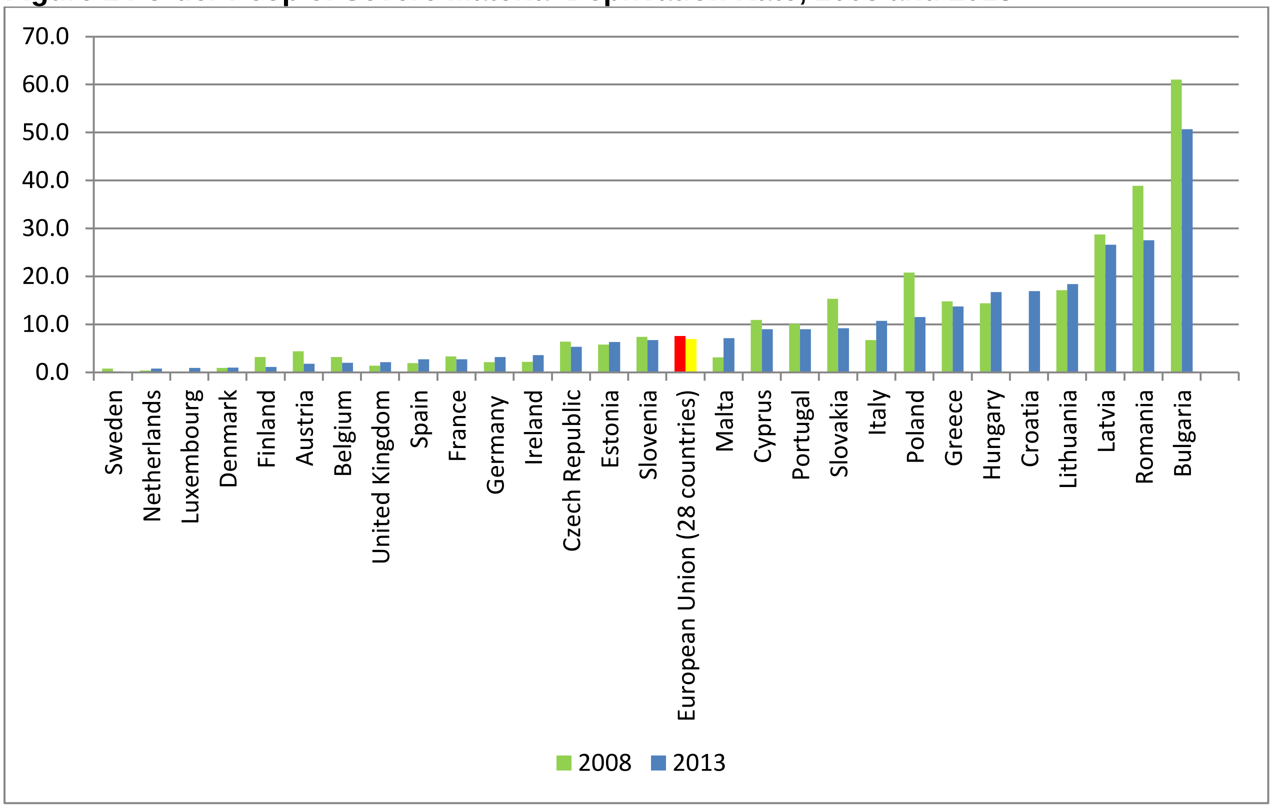
Source: Eurostat online database, code ilc-peps01 **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27 not EU-28.

When we look at the **at risk of poverty rate**, it is nearly 14% (13.8%) for people over 65 in EU-28 and this rate has fallen from 2008 when it was 19%. It affects 12.3 million people. It is important to note, as the EU Social Protection Committee argues generally in relation to pensions, that apparent improvements relative to poverty be seen in relation to declines in the poverty thresholds rather than as improvements in the economic situation of people aged 65+ in real terms (2012a, p.20).

The highest rates occur in some of the newer accession countries of Bulgaria, Estonia, Croatia, Slovenia and Cyprus; the lowest in Hungary, the Netherlands and Czech Republic (Eurostat online database ilc_li02).

The average **severe material deprivation** rate for this age group was 6.9% representing 6.2 million people (EU-28) in 2013 (Eurostat online database, code ilc_mddd11). But there is great variation in the levels of this form of deprivation across Europe, more than 50 percentage points difference between the country with the highest rate, Bulgaria, and that with the lowest, Sweden. Again some of the newer accession states tend to have the highest rates such as Bulgaria (50.7%), Romania (27.5%), Latvia (26.6%) and Lithuania (18.4%). Countries with the lowest rates include Sweden (0.2%), the Netherlands (0.8%), Luxembourg (0.9%), Denmark (1%) and Finland (1.1%). See **Figure 14**. Between 2008 and 2013, the countries showing the biggest increases in this rate were Malta and Italy (both, +4 percentage points), Hungary (+2.3 percentage points), and Ireland (+1.4 percentage points). Between 2008 and 2013 the countries showing the greatest improvements in this indicator were Romania and Bulgaria – countries that still have relatively very high levels.

Figure 14 Older People: Severe Material Deprivation Rate, 2008 and 2013

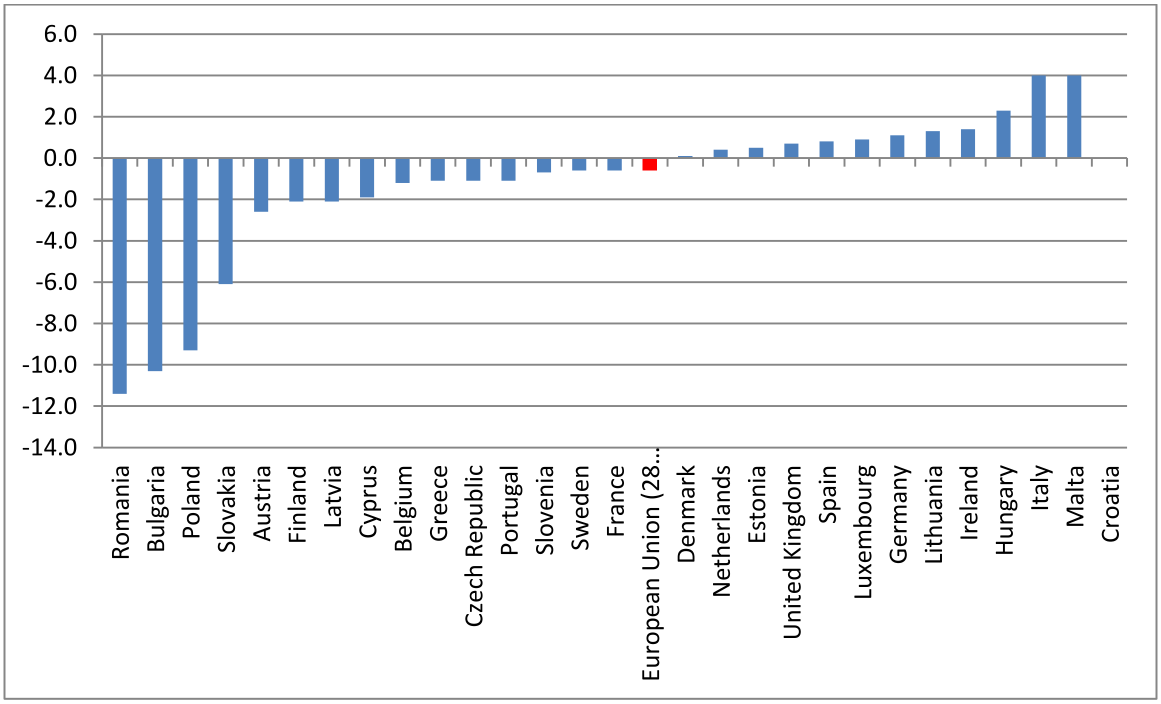


Source: Eurostat online database, code ilc_mddd11. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27 not EU-28.

There have been dis-improvements in this indicator in 12 countries between 2008 and 2013, albeit the changes have been slight in some cases. There have also been improvements in 15 countries, some of the most significant changes occurring in countries like Romania and Bulgaria where the rates are very high. See

Figure 15.

Figure 15 Older People: Severe Material Deprivation, PP Change in rate 2008-2013

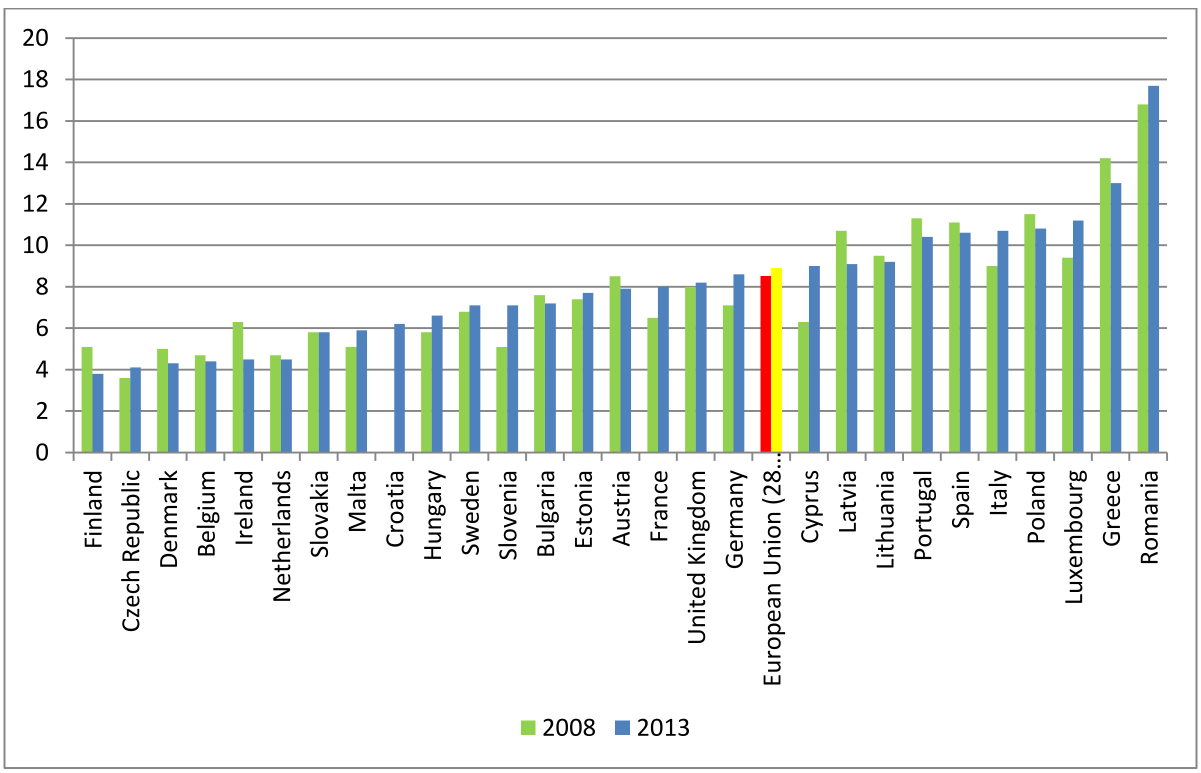


Source: Eurostat online database, code ilc_mddd11

Working Poor –The working poor – those who have a job but still live in poverty – represent one third of working-age adults who are at risk of poverty (Social Protection Committee 2015a).

In 2013, 8.9% of employed people were living under the poverty threshold (EU-28) (Eurostat Online database, code ilc_iw01). The highest rates occurred in Romania (17.7%), Greece (13%), Luxembourg (11.2%), Poland (10.8%), and Italy (10.7%). The lowest rates occurred in Finland, Czech Republic and Denmark. Between 2008 and 2013, the biggest increases in the rate occurred in Cyprus, Slovenia, Luxembourg and Italy. See **Figure 16**.

Figure 16 In-Work Risk of Poverty Rate, EU-28, 2008 and 2013



Source: Eurostat Online database, code ilc_iw01. **Note**: Rate unavailable for Croatia for 2008; the EU rate for 2008 relates to EU-27 not EU-28.

2.3 Income Inequality

Indicators of the degree of income inequality have been associated with a wide range of health and social problems across countries (Wilkinson and Pickett 2007). Widening income inequality is considered a defining challenge of our time (see for example, paper from the IMF, Dabla-Norris *et al* 2015). Estimates suggest that almost half of the world's wealth is now owned by just 1% of the population, amounting to $110 trillion—65 times the total wealth of the bottom half of the world's population (Dabla-Norris 2015). Research from the U.K.'s New Economics Foundation (NEF) links high levels of economic inequality and an unstable financial system with excessive financial institutional power driving inequality to historic highs: weaker controls have freed the financial sector to claim an increasing share of all profits made, from 1% in the 1960s to 15% in 2009 - for the UK. The report warns that this risks another economic crisis and points out that the 1929 and 2008 financial crises were preceded by high levels of income and wealth inequality (New Economics Forum 2014).

Research from the International Monetary Fund (IMF) has shown that income inequality also matters in economic terms – that is, for growth and its sustainability. A recent IMF report suggests that the income distribution itself also impacts on growth (Dabla-Norris *et al* 2015). Specifically, if the income share of the top 20% (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% (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.

The crisis has affected different sections of the population in different ways and income inequality is growing both across and within many member states. Growing income inequality is especially the case in southern Europe and in several non-central countries, often in the states that have had the greatest increases in unemployment and sometimes those most affected by fiscal consolidation (Social Protection Committee 2015a).

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, the countries with the greatest income inequality in 2013 were Bulgaria, Latvia, Lithuania, Greece, Portugal, Romania and Spain.

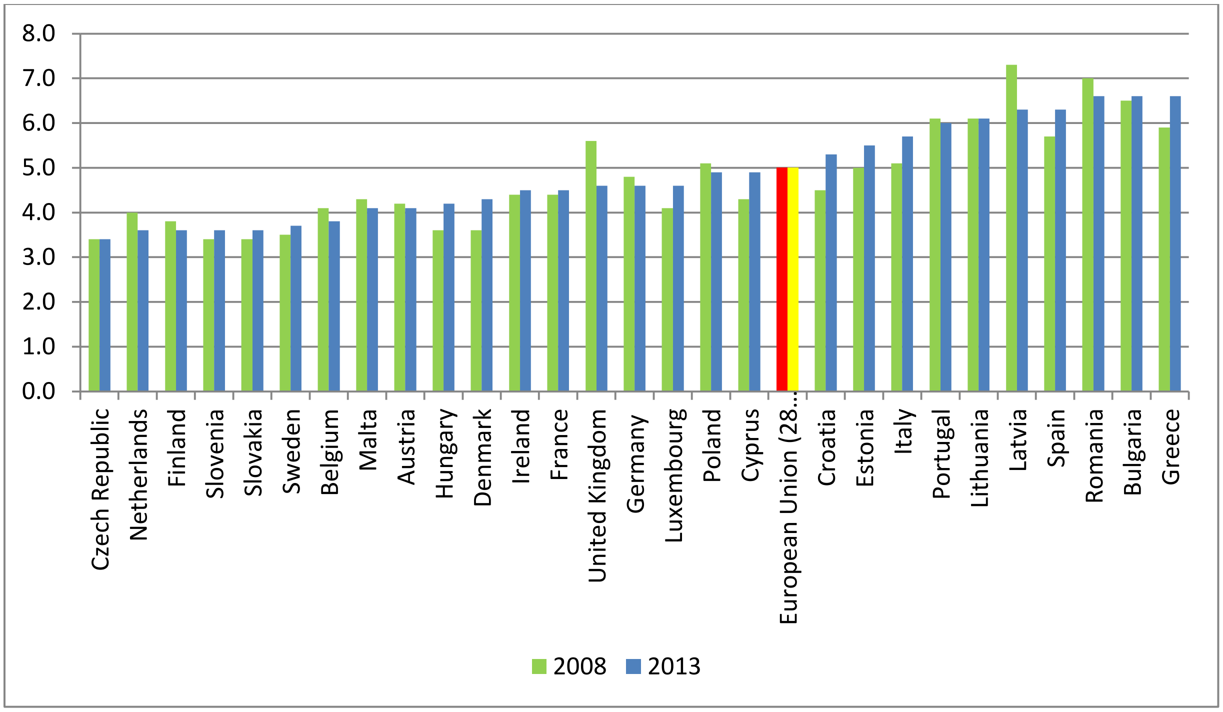
There have been improvements in the situation in some of these countries since 2008, notably in Latvia, Romania and Portugal (Eurostat online database, code: ilc_di12). Amongst the countries in which incomes have become more unequal according to this measure, 2008 to 2013, are Cyprus, Croatia, Hungary, Luxembourg, Denmark and Estonia (all with dis-improvements of 2 percentage points or more). Some of these countries in which inequality has increased are ones (like Denmark) with lower levels of inequality, while decreases have occurred in countries with high levels (like Latvia). Greece, Lithuania and Spain are countries in which inequalities have risen from already high levels (European Commission 2015a).

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% of the population with the highest income (the top quintile) to that received by the 20% of the population with the lowest income (the bottom quintile). While on average the S80/20 ratio remained stable between 2008 and 2013, what is noted is a wide dispersion and growing divergence in inequality between member states (European Commission 2013).

The results of analysis using the GINI coefficient and using this indicator (S80/20) show that both indicators suggest a similar list of countries that can be considered most unequal. The S80/20 ratio suggests that income inequality is particularly high in the southern and eastern European countries of Greece, Bulgaria, Romania, Spain, Latvia, Lithuania, Portugal, and Italy (Eurostat online database, code ilc_di11). In Greece, for example, it is 6.6, which means that the top 20% of the population have incomes of over 6 times those of the bottom 20%.

At the other end of the scale, Czech Republic, Netherlands, Finland, Slovenia, Slovakia, Sweden and Belgium all have rates below 4 in 2013, which means that difference is a multiplier of less than 4 between the top 20% and the bottom 20%.

Figure 17 Income Inequality EU-28, S80/S20, 2008-2013



Source: Eurostat online database, code ilc_di11

Between 2008 and 2013, the rate has increased in 15 countries (out of 28). These countries included Croatia, Greece, Italy, Cyprus, Hungary and Spain and also Denmark. There have been improvements in some countries with traditionally high rates (such as Latvia, Portugal and Romania) between 2008 and 2013, but the high rates in these and in other countries continue to be of concern (European Commission 2013).

According to Eurostat, nearly 40% of total equivalised income went on average to people belonging to the highest (20%) income quintile, and less than 10% to people in the first quintile (referring to 2012) but income inequality would have been greater in all countries if social transfers had not been included (Eurostat 2014).

Overall, reviewing the situation relative to inequality in Europe during the recession, the European Commission has concluded that the evidence shows that mitigating excessive inequality requires adequate levels of social investment, investment in lifelong learning, 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)

2.4 Disposable Income and Financial Distress

In order to assess how disposable incomes compare across Europe as well as the changes to them since 2008, 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, 2015a). 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[8]. However, in this report, in order to facilitate comparison across countries, we are using the Eurostat calculations.

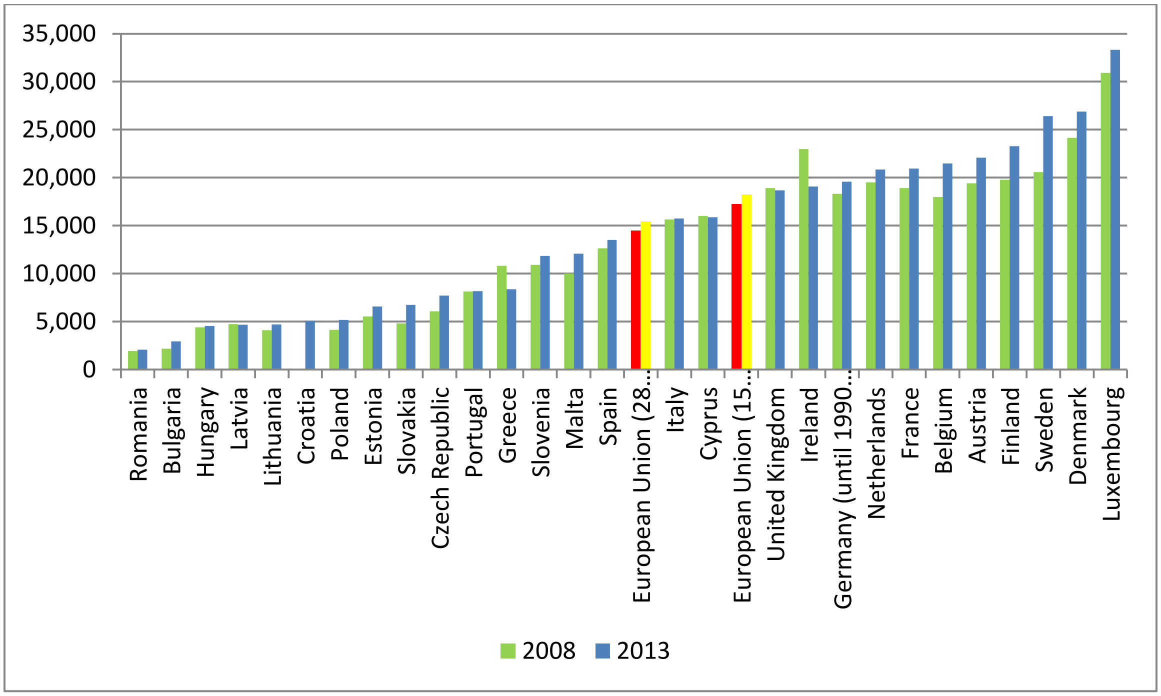
We will look at the median income value, which involves dividing a population into two equal-sized groups: exactly 50% of people fall below that value and 50% are above it, because the average or mean household disposable income can be skewed by very high or very low incomes of a few having a disproportionate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

See Error! Not a valid bookmark self-reference., which shows that in 2013 the highest rates occurred in Luxembourg, Denmark, Sweden, Finland and Austria, the lowest in Romania, Bulgaria, Hungary, Latvia, Lithuania and other newer accession members. There is also great variation in the levels between the highest countries and the lowest. For example, the 2013 figure in Luxembourg was €33,301; that in Romania was €2,066.

Thus 50% of the people of these countries are considered to have disposable incomes above those amounts and 50% below.

[8] 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.

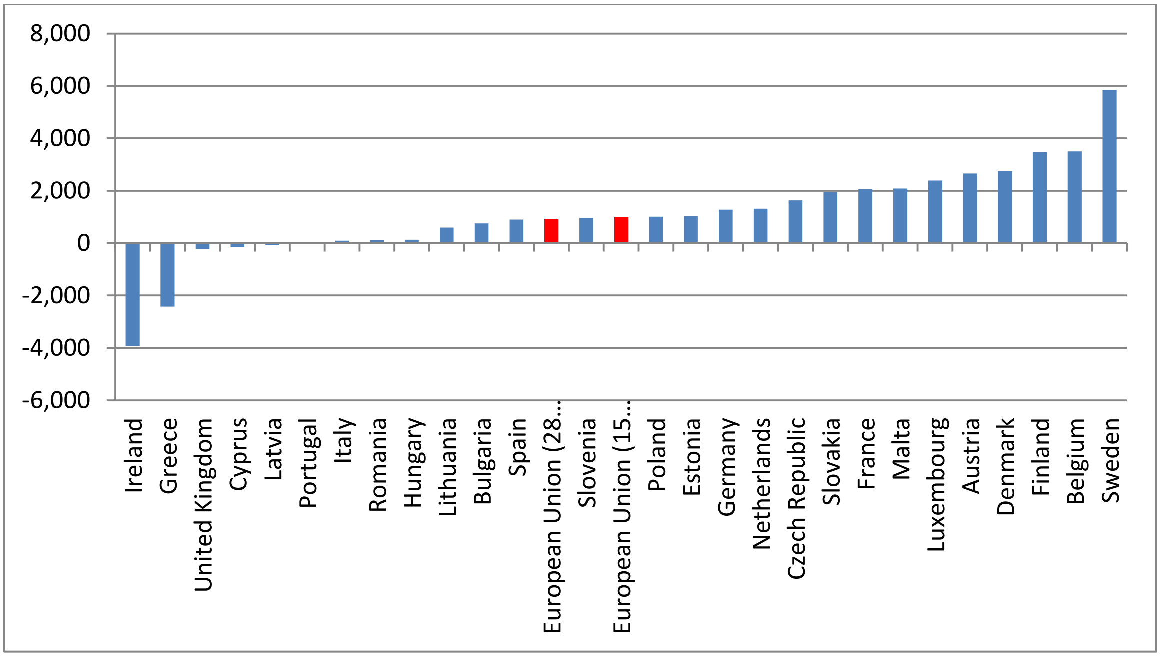
FIGURE 18 MEDIAN DISPOSABLE ANNUAL INCOME (€): EU28, 2008 AND 2013



Source: Eurostat online database ilc_di03 (source: SILC) Earlier figure unavailable for Croatia

When we look at the countries where the greatest changes have occurred between 2008 and 2013 (See **Figure 19**), we can see that by far the greatest reductions have occurred in Ireland and Greece; by far the largest increase has occurred in Sweden followed by Belgium, Finland, Denmark and Austria.

FIGURE 19 CHANGE IN MEDIAN DISPOSABLE INCOME (€) EU 2008-2013

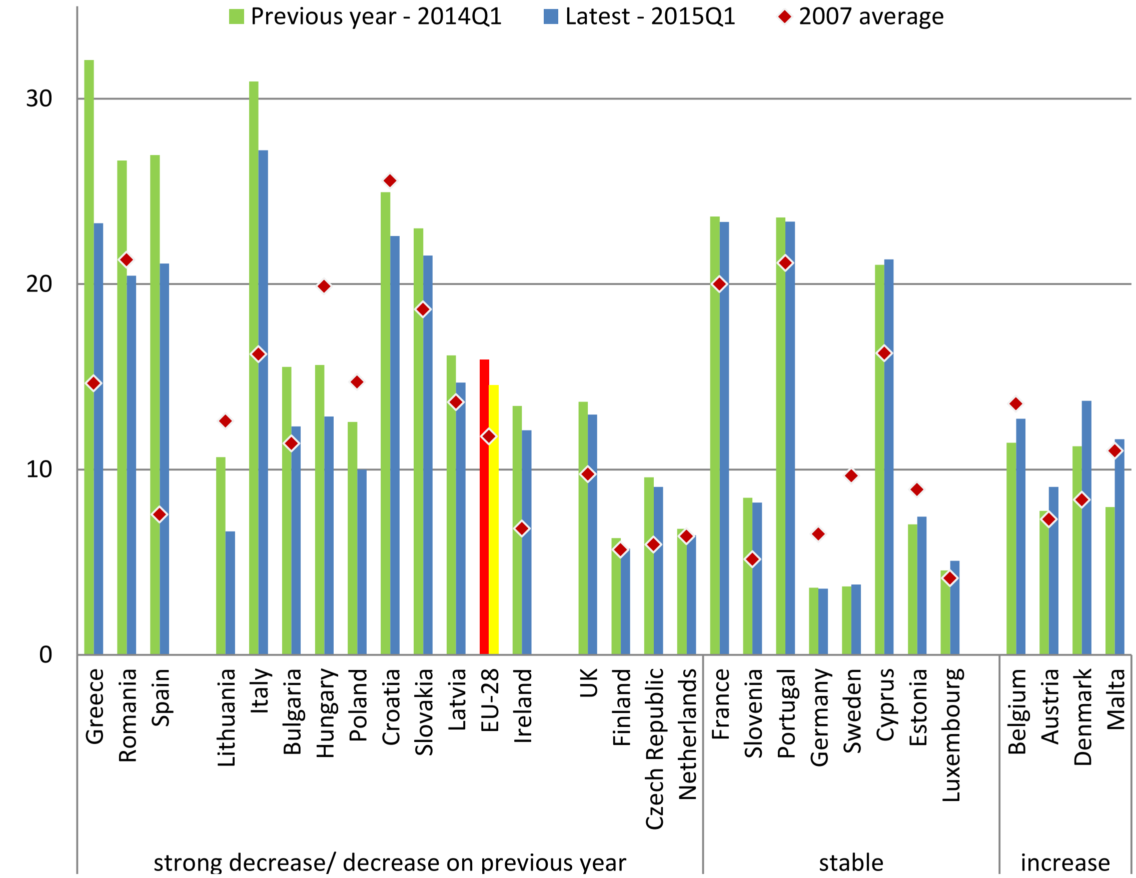


Source: Eurostat online database ilc_di03 (source: SILC)

When we compare 2012 and 2013 (the most recent years for which data are available), there were improvements in 14 countries, and disimprovements in 14 countries, with the most significant falls occurring in the levels in Greece and Cyprus (Eurostat online database: ilc_di03) and the most significant improvements occurring in Sweden and Belgium.

However, nominal changes do not tell the whole story about income changes, as inflation also has a significant influence. When median incomes were adjusted by the annual rate of change in inflation (using the Harmonised Index of Consumer Prices (HICP)), median equivalised disposable income in national currencies fell in 21 EU Member States in 2012 compared with a year earlier (Eurostat 2015b). Between 2012 and 2011, the sharpest drop in real terms occurred in Greece, where the median equivalised disposable income fell by 12.9 % followed by Cyprus (9.0 %), Croatia (7.7%), Hungary (6.7 %), Slovakia (6.2 %), Italy (5.0 %), Slovenia (4.9 %) and in Spain (4.8 %). **Financial distress** of households (defined as the need to draw on savings or to run into debt to cover current expenditures) is running at high levels relative to the previous decade – see **Figure 20,** where rates for the first quarters of 2014 and 2015 are shown as well as for 2007. An improvement is evident in some countries in the first quarter of 2015 but financial distress still affects just under 15% of the population with a big range amongst countries – affecting less than 4% in Germany and Sweden and affecting over 27% in Italy.

Figure 20 Household Financial Distress (%) 2014 Q1 and 2015 Q1, EU-28,



Source: European Commission, Business and Consumer Surveys 3-months moving average (DG EMPL calculations)

Financial distress is much higher for low-income households (those in the lowest 25% of incomes) than in the highest where it affects almost 25% of households (quarter 1, 2015) (European Commission 2015 and Chart from Business and Consumer Surveys). Within this group (that is, the lowest 25% of households) it affects over 40% in Spain (45.5%), Italy (40.9%) and Slovakia (40.07%). At the other end of the scale, the proportion is less than 10% in Luxembourg and Germany.

2.5 Conclusion

The review set out in this Section shows how Europe is moving further away from the targets set in the Europe 2020 Strategy. In particular, the situation relative to **poverty or social exclusion** worsened in 19 member States (out of EU-27) between 2008 and 2013 and there is now a need to lift some 25 million people out of poverty or social exclusion by 2020 in order to achieve the target set in 2010, something that is not likely if current policies continue to be pursued. It is notable that those countries identified by the European Social Policy Network as having a well-established approach to social investment 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.

When we look at the severe material deprivation indicator, we also see a large increase in the numbers affected since 2008.

Children (that is, under 18s) have been strongly affected by the economic crisis. Children at risk of poverty or social exclusion number 26.3million (in 2013) and their numbers have increased by over 1 million since 2008. They amount to over one quarter of the children of Europe. For children, other indicators of poverty (the at risk of poverty indicator and the severe material deprivation indicator) also deteriorated between 2008 and 2013. There were only 8 countries in 2013 in which the poverty or social exclusion rate was lower for children than for the general population. Child poverty has such severe and long-lasting effects on individuals and on societies that addressing it is one of Europe's biggest and most important challenges.

Where **older people** are concerned (those over 65), close to one in five are affected by poverty or social exclusion, representing nearly 16.4 million people (EU-28) – thus it affects close to one in 5 older people. Between different countries, there is great variation in the rate and also in the rate of severe material deprivation.

The **working poor** – those who have a job but still live in poverty – represent one third of working-age adults who are at risk of poverty.

When **income inequality** is examined, there is concern about the wide dispersion and growing divergence in inequality between member states (European Commission 2013). Between 2008 and 2013, the income inequality rate (S80/20 indicator) has increased in 15 countries (out of 28). There were improvements in some countries but often in countries where the historically high rates continue to be of concern.

Financial distress of households (defined as the need to draw on savings or to run into debt to cover current expenditures) is running at high levels and there is a big range amongst countries – affecting small percentages of people in some countries (Germany and Sweden, for example) and affecting much larger percentages in other countries. Financial distress is much higher for lower-income households.

Overall there are very great differences in the social situation across countries as some countries have been more affected by the economic crisis than others, and some social systems have been very much better able to meet the challenges than others.

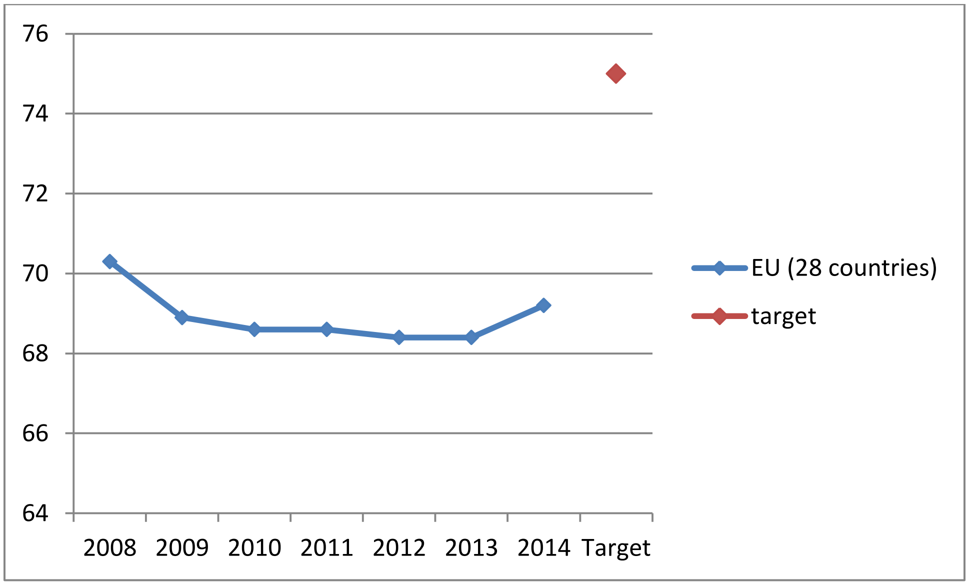
3. Employment and Unemployment

Social Justice Ireland includes the right to meaningful work amongst its core rights that need to guide policy-making in the future.

3.1 Employment

The headline target set for employment in the Europe 2020 is that 75% of 20-64 year-olds would be employed. **Figure 21** shows the drastic losses in Europe as a whole jobs following 2008 – a picture that has started to improve since 2013. Europe is at this stage very far away from achieving the 75% employment target set and employment levels in 2014 (69.2%) are still below pre-crisis levels (70.3% in 2008).

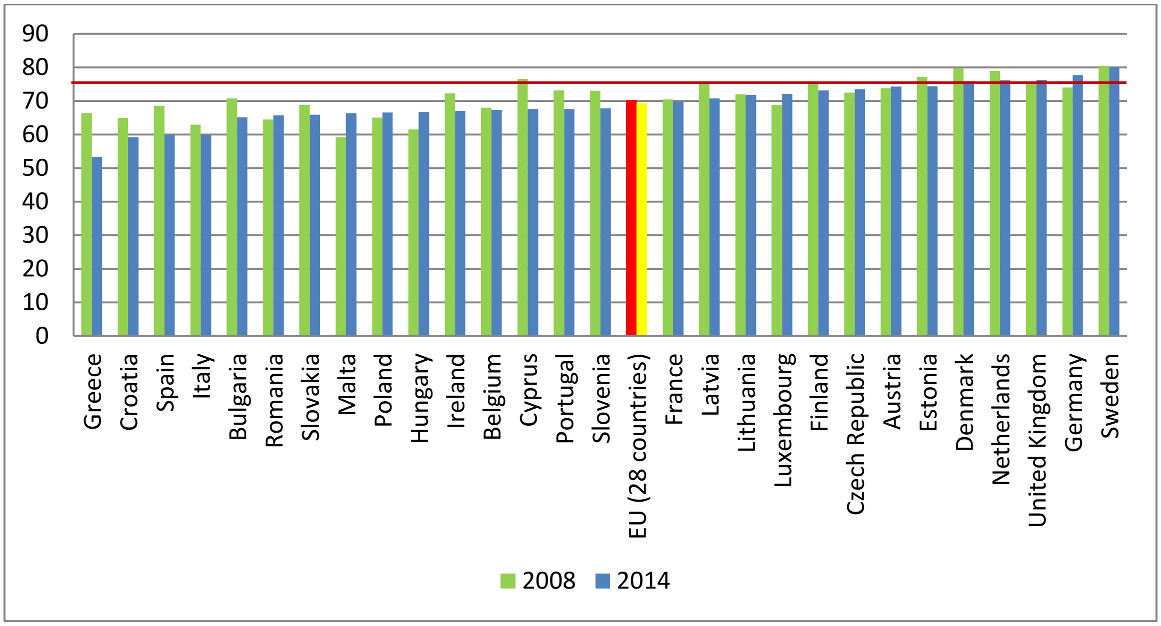
Figure 21 Employment in Europe (%), Ages 20-64, EU-28, 2008-2013



Source: Eurostat online database, code t2020_10

Furthermore, as **Figure 22** shows, there are large variations in the rates in different countries; some central and northern Europe countries (including Sweden, Germany, United Kingdom, Netherlands and Denmark) have exceeded or are very close to the 75% target, while other countries, especially in the south and periphery are very far away from achieving it. The lowest rates are to be found in Greece, Croatia, Spain and Italy.

Figure 22 Employment (%), ages 20-64, EU-28 Countries, 2008 and 2014



Source: Eurostat online database, code t2020_10. Line shows EU 2020 strategy target of 75%.

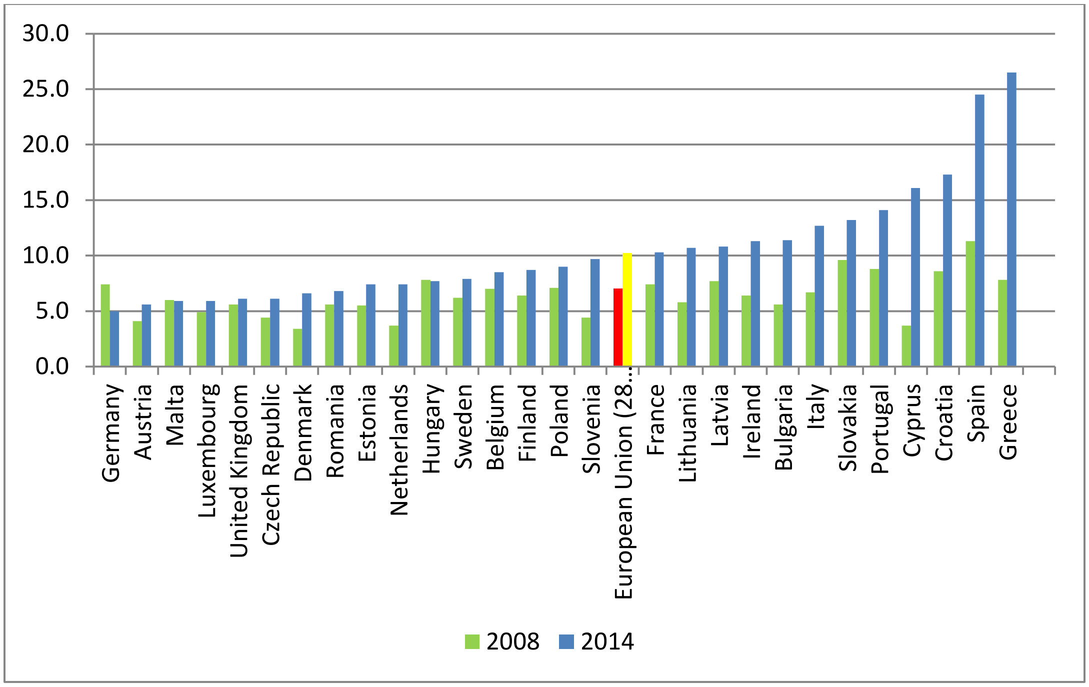
Part-time workers make up 20.5% of employees in 2014 (up from 18.2% in 2008) (Eurostat code lfsi_emp-a). Many of the new jobs created recently are temporary or part-time, which raises many concerns, including for the robustness of the recovery (European Commission 2015b). Job instability has increased significantly especially for men and young people, and temporary employment has become less of a step towards a permanent job (European Commission, 2014a). In Spain and Cyprus, for example, more than 90% of those on temporary work contracts are involuntarily in this kind of employment (Bertlesmann Stiftung 2014). The European Commission has noted that some of the Member States that have been most resilient during the crisis have high levels of employment protection legislation, particularly Germany, Sweden, the Netherlands and the Czech Republic (2015a).

The European Commission has described how the crisis has led to a further widening of labour market inequalities among working people due to the fact that well paid, full-time jobs remained relatively well protected, while lower-paid workers often ended up working fewer hours worked with less take-home pay. In fact, in the years 2011-12 most of the new permanent jobs and full-time jobs were high-paid jobs while the new low-paid jobs were increasingly part-time and temporary (European Commission 2015a). Furthermore, job loses tended to be concentrated in low to middle-income households while richer households were relatively spared.

3.2 Unemployment

The total unemployment rate for EU-28 in 2008 was 7% and it had increased to 10.2% by 2014 (annual average, not seasonally adjusted data) (Eurostat code une_rt_a). Unemployment rates have increased in all countries other than Germany and marginally in Malta and Hungary in EU-28 between 2008 and 2014. The highest rates in 2014 are in Greece, Spain, Croatia, and Cyprus. The countries with the greatest increases were Greece, Spain, Cyprus, Croatia, and Italy. See **Figure 23.**

FIGURE 23 UNEMPLOYMENT (%), EU-28, 2008 AND 2014



Source: Eurostat online database une_rt_a

The latest update from Eurostat relating to April 2015 suggests that some 23.5 million people are unemployed in the EU-28, of whom 4.7 million are young people aged 15-24 (Eurostat 2015).

But there has been an improvement over the year – unemployment fell by 1.5 million in EU28 since April 2014. The seasonally adjusted rate for April 2015 is 9.7%, down from 10.3% in April 2014. Among the Member States, the lowest unemployment rate in April 2015 was recorded in Germany (4.7%), and the highest rates in Greece (25.4% in February 2015) and Spain (22.7%) (Eurostat 2015).

Compared with a year ago, the unemployment rate in April 2015 fell in twenty-two Member States and increased in six. The largest decreases were registered in Spain (24.9% to 22.7%), Lithuania (11.1% to 8.9%) and Ireland (11.8% to 9.7%). Increases were registered in Belgium (8.4% to 8.5%), Romania (6.8% to 6.9%), Austria (5.5% to 5.7%), France (10.1% to 10.5%), Croatia (17.1% to 17.5%) and Finland (8.5% to 9.4%) (Eurostat 2015).

The number of people available and wanting to work but not looking for a job (considered to be 'discouraged workers') increased from 7.4 million in 2008 to 9.3 million in 2013 (or from 3.1 % to 3.8 % of the labour force) (European Commission 2015a)

Another issue of concern is the length of time during which people remain unemployed. **Long-term unemployment** (unemployment for 12 months or more) has implications in human and social terms and has financial costs and possible impacts on social cohesion. Long periods of unemployment make being rehired more difficult, and thus long-term unemployment can become a structural problem. Furthermore, job losses especially in recessions are associated by the IMF with loss of earnings that persists in the long-term (15-20 years) (Dao & Loungini, 2010). Long-term unemployment affects some groups more severely than others: men, young people or low-skilled workers and, particularly, those employed in declining occupations and sectors (European Commission 2015a).

The long-term unemployment rate has increased in most Member States in recent years, (that is, long-term unemployment as a percentage of the total number of active persons in the labour market) and has doubled between 2008 and 2014 at EU level. The problem is particularly acute in some Member States, notably Greece (19.5%), Spain (12.9%) and Croatia (10.1%) (Eurostat online database, code une_ltu_a).

Very high proportions of Europe's unemployed people are long-term unemployed. This 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 picture is worrying – half of unemployed people in EU-28 are long-term unemployed (Quarter 4, 2014) (Eurostat online database, code lfsq_upgal). Thus the share of long-term unemployment is above 50% in ten countries – worst amongst them is Greece (where long-term unemployment represents 73% of unemployment) (Quarter 4, 2014). It constitutes more than 60% of unemployment in Slovakia, Bulgaria, Croatia, and Italy, and more than 50% in Portugal, Ireland, Slovenia, Spain and Belgium (Quarter 4, 2014) (Eurostat online database, code lfsq_upgal). At the other end of the scale, long-term unemployment represents less than 25% of overall unemployment in Sweden, Denmark and Finland (Quarter 4, 2014).

Some countries have higher transition rates back to employment than others, notably the Netherlands, Sweden and Finland (high transition rates) in contrast to Slovakia, Greece and Bulgaria (low transition rates) (European Commission 2015a). The European Commission's review for 2014 notes that one in five of long-term unemployed people in the EU has never worked, and three quarters of them are under 35 years of age, which creates a strong risk of marginalisation (European Commission 2015a).

In recent months, very long-term unemployment (for 2 years or more) has continued to increase, while overall unemployment has declined modestly (European Commission 2015a). A relatively high percentage of people in the EU (over 12% according to the Economist) have not worked for more than 4 years (Economist 2015). As already alluded to, this issue brings its own set of problems associated not only with rising poverty, but also with loss of skills and confidence and risk of increasing poor health - and it creates significant challenges for policy-makers (Economist 2015).

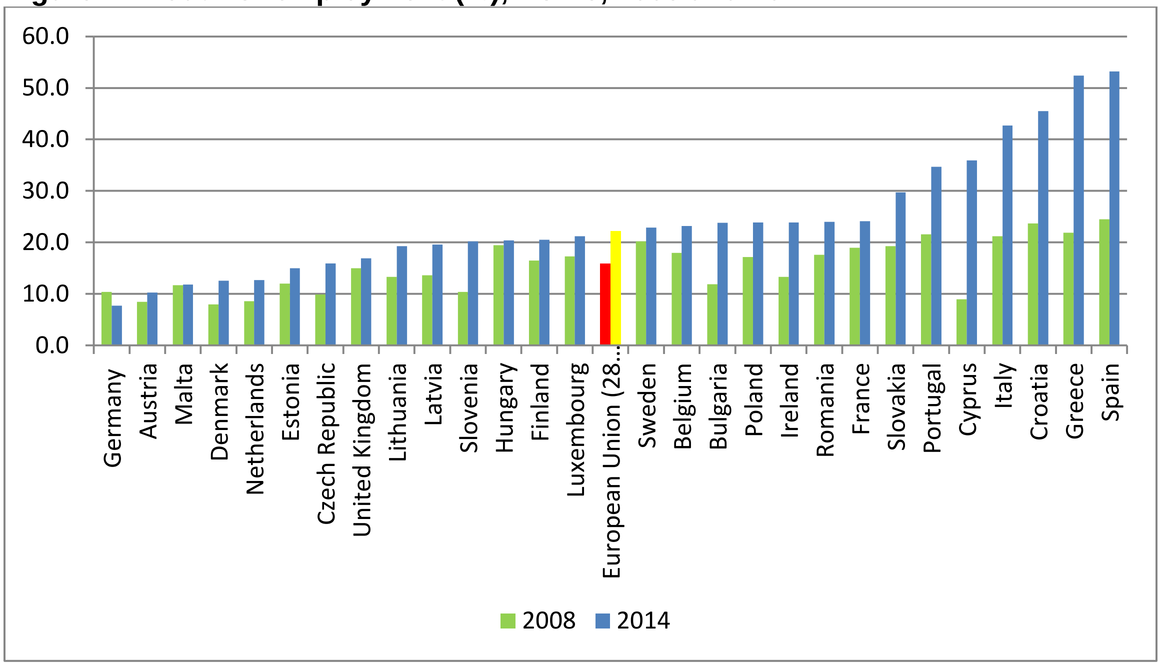
3.3 Youth Unemployment

In April 2015, 4.746 million young people (that is, under 25) were unemployed in EU-28 (Eurostat 2015). Fortunately, youth unemployment had declined within the year – by 478,000 people but the rate[9] was still 20.7% in April 2015 (Eurostat 2015). This must be viewed against a backdrop of very steep increases in many countries in youth unemployment since 2008. As

[9] The *youth unemployment rate* is the number of people aged 15 to 24 unemployed as a percentage of the labour force of the same age. Therefore, the youth unemployment rate should not be interpreted as the share of jobless people in the overall youth population. For further details please refer to the *Youth unemployment* article in Statistics Explained:
http://ec.europa.eu/eurostat/statistics-explained/index.php/Youth_unemployment

Figure 24 shows, there is great variation in the rates of youth unemployment across Europe and very great variation in the rate of its increase since 2008. The rates (2014) were over 50% in Spain (53.2%) and Greece (52.4%%) notwithstanding an improvement in both countries between 2013 and 2014 (Eurostat online database une_rt_a). Rates of over 40% occurred in Croatia (45.5%) and Italy (42.7%). Cyprus and Portugal both had rates of over 30% and the rate in Slovakia was just under 30%. By contrast, the 2014 rate in Germany was 7.7% and that in Austria was just above 10%.

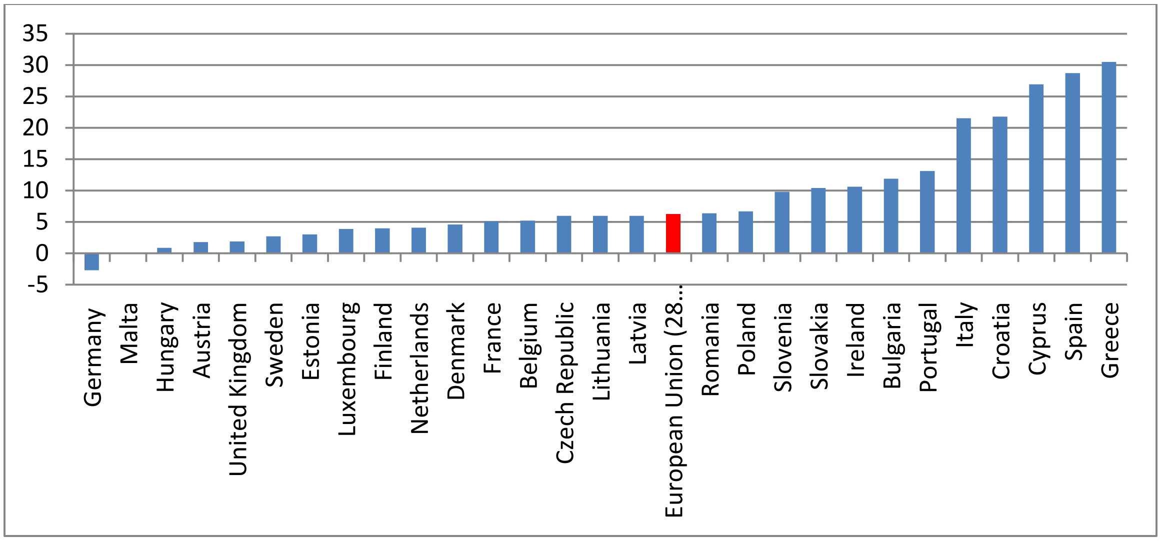
Figure 24 Youth Unemployment (%), EU-28, 2008 and 2014



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

The degree of change in youth unemployment between 2008 and 2014 also varied a great deal between EU countries, as
Figure 25 shows. Germany is the only country where the rate fell between 2008 and 2014. Greece, Spain, Cyprus, Croatia and Italy were the countries where the rate disimproved most.

Figure 25 Youth Unemployment, EU-28, PP Change 2008-2014



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

A related area of concern relates to 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 this is especially true at a time when youth unemployment is so high.

The EU-28 average NEET rate (ages 15-24) was 12.4% in 2014, down from 13% in 2013 but still higher than in 2008 (10.9%). This means that more than 12% of this age group were neither in employment nor in education or training in 2014 (Eurostat online database: edat_lfse_20). The rate varies a lot between member states as does the extent to which it has increased since 2008. The 2014 rate is over 20% in Italy and Bulgaria, and is just under that in Croatia and Greece. Other countries with high rates include Spain, Romania, Cyprus and Ireland (all with rates above the EU-28 average of 12.4% in 2014). These are countries that already have high rates of youth unemployment and amongst them are countries which have had the greatest increases in youth unemployment since 2008 (for example, Greece, Spain, Cyprus, Croatia and Italy – see
Figure 25). At the other end of the scale, the countries with the lowest rates are the Netherlands (5%), Denmark (5.8%) and also Luxembourg and Germany.

3.4 Conclusion

Some 23.5 million people are unemployed in the EU-28, of whom 4.7 million are young people aged 15-24 (April 2015) (Eurostat 2015). Unemployment rates have increased in almost all countries in EU-28 between 2008 and 2014. The long-term unemployment rate has also increased in most Member States in recent years. Job instability has increased significantly especially for men and young people and temporary employment has become less of a step towards a permanent job (European Commission, 2014a). Some of the Member States that have been most resilient during the crisis have high levels of employment protection legislation, particularly Germany, Sweden, the Netherlands and the Czech Republic (European Commission 2015a).

Large numbers of people are excluded from the labour market in Europe, and this is especially evident amongst certain groups such as young workers. About half of those who are unemployed in Europe are long-term unemployed. Despite recent, welcome improvements, these remain very significant challenges as do the very divergent experiences across countries. Exclusion from the labour market substantially limits individual opportunities for self-realization, contributes to an increased risk of poverty, and can lead to serious health stresses (Bertelsmann Stiftung 2014). While there are signs of growth and improvements in employment in Europe since mid-2013, the recovery is described as 'subdued' and labour market and social conditions as 'extremely challenging' (Social protection Committee 2015:5).

4. Key Services - Education and Health

Welfare systems fulfil at least three functions: 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). It is recognised that as well as income support, access to enabling services (such as early childhood education and care, education and training, transport, housing, job assistance, debt-counselling, 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).

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 1.4, above. In this Section, we look briefly at two of these vital supports – education and health.

4.1 Education

The Europe 2020 Strategy sets the following targets in the field of education –

- Reducing early school leaving rate to below 10%, and
- Completion of third level education by at least 40% 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 recognised that improved 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 therefore seen as a ‘gateway’ to achieving other Europe 2020 Strategy targets.

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[10]. Leaving school before completing upper secondary education is often the outcome of a process of disengagement triggered by problems that can be related to the course of study, the school, or to certain health, personal, or emotional difficulties young people face. It can be associated with the socioeconomic or family background of pupils, to limited access to quality education or to an individual's preferred choice of study, which may be especially problematic in rural or disadvantaged areas (European Commission 2013c). There are also considerable variations within groups, with migrant children often more severely affected than others and there can be large disparities from one region to the next.

The average early school leaving rate across Europe in 2014 was 11.1%, which is still higher than the 10% 2020 target, but it has fallen significantly from 2008, when it was 14.6% (Eurostat online database, t2020_40).There are wide disparities between European countries when it

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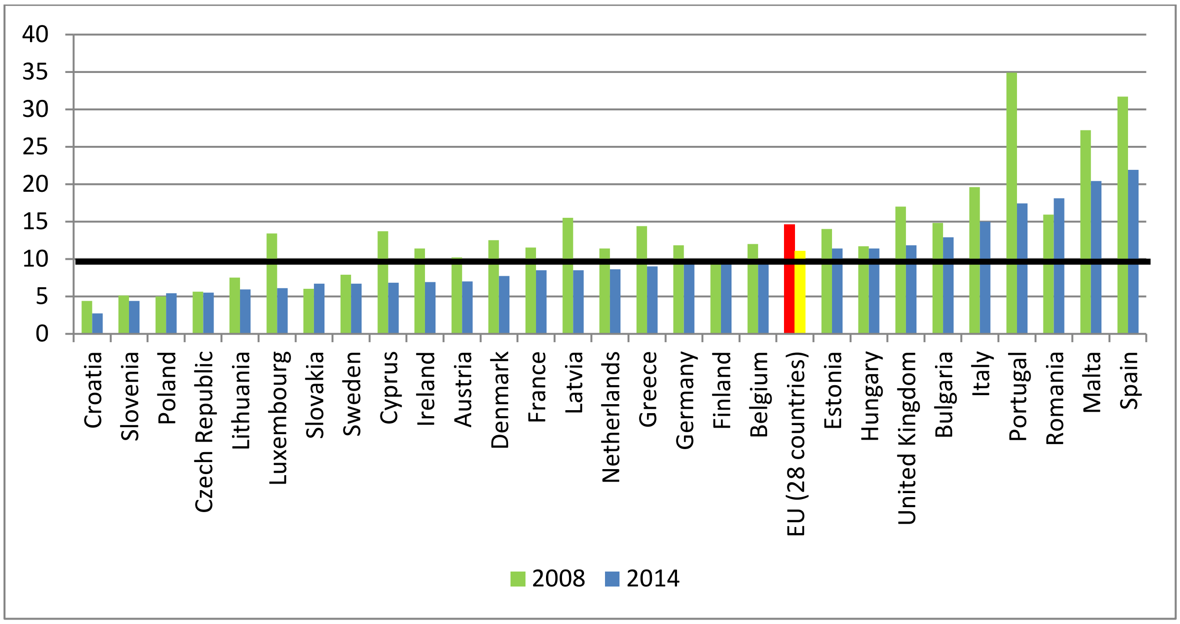
[10] Lower secondary education refers to ISCED (International Standard Classification of Education) 2011 level 0-2 for data from 2014 onwards and to ISCED 1997 level 0-3C short for data up to 2013. The indicator is based on the EU Labour Force Survey (Eurostat online database t2020_40)

comes to the rate; while some countries have very high rates, others already have rates well below the Europe 2020 target of 10%. See **Figure 26**.

In 2014 the highest rates of early school leaving are to be found in Spain (21.9%, significantly down from 2008), Malta (20.4%), Romania (18.1%), Portugal (17.4%, significantly down from 2008) and Italy (15%).There are only three countries where the rate has worsened between 2008 and 2014 – notably in Romania (+2.2 percentage points) and slightly in Slovakia and Poland. There have been significant improvements in some countries, notably Portugal (-17.5 percentage points) albeit starting from a very high rate indeed (34.9%) in 2008.

Figure 26 Early School-Leaving (%), EU-28, 2008 and 2014

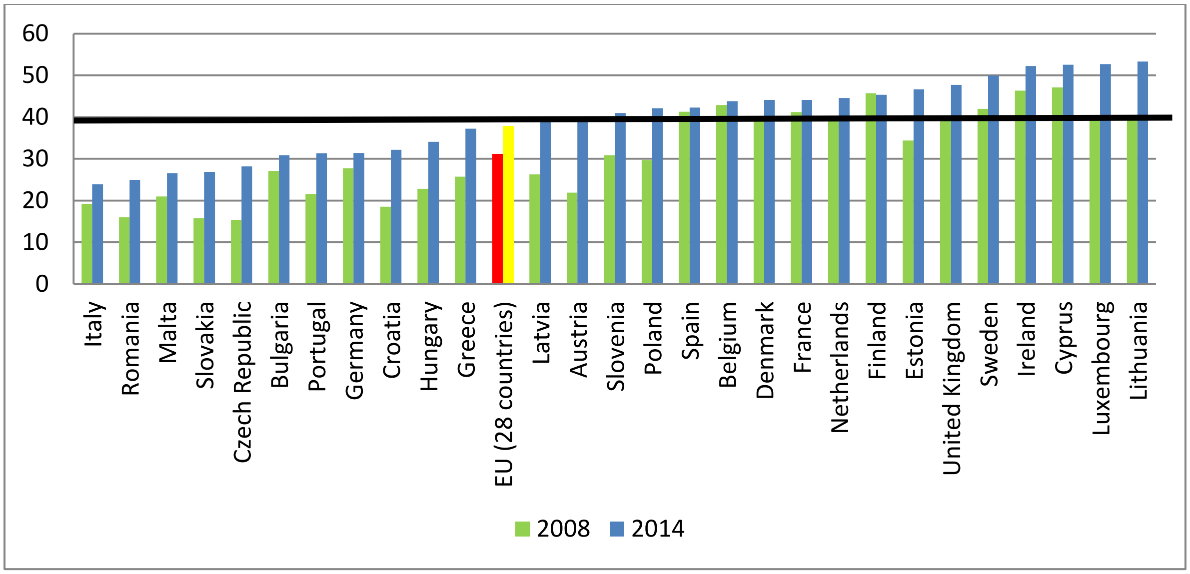


Source: Eurostat online database, t2020_40. Line shows the 10% target set in the Europe 2020 strategy

Improvements in the rate of early school leaving since 2008 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 2013c), it is an issue that requires ongoing attention from policy-makers.

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% of 30-34 year-olds by 2020. In 2014, the EU-28 average was 37.9% which had improved considerably since 2008 when it was 31.2% (Eurostat online database code t2020_41). Many countries exceed the 40% target already as **Figure 27** shows, with Lithuania, Luxembourg, Cyprus and Ireland at the top of the league, and Italy and Romania at the bottom. The country showing the greatest improvement since 2008 is Austria (+18.1 percentage points) followed by Croatia, Latvia and Lithuania.

Figure 27 Tertiary Education Attainment (%), EU28, (ages 30-34) 2008-2014



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

One of the problems that Europe now faces is 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, especially since 2008. For example, a phenomenon that needs to be addressed is the cohort of young people neither in education nor employment – or NEETs, as discussed in **Section 2** of this report. As mentioned, this is considered one of the most concerning indicators relative to young people. In some countries some 20% of this age group are affected (such as Italy, Bulgaria, Croatia and Greece) (those aged 15-24). One commentator describes the emergence of this phenomenon as leaving the Europe 2020 targets 'wide of the mark' (Hemerijck 2014:2).

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 (European Commission 2015a). This is obviously of particular importance in ageing societies. European countries with the highest levels of participation in lifelong learning for both employed and unemployed people also have the highest labour market performance in terms of having 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 and exit rates out of unemployment (European Commission 2015a).

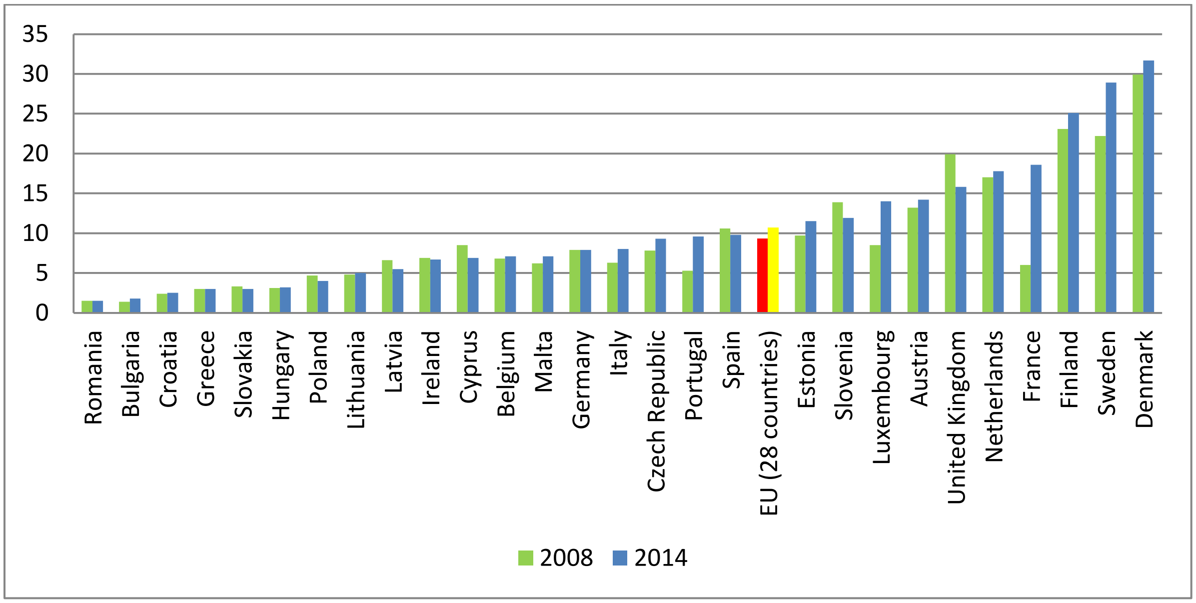
Participation in lifelong learning (measured through the participation rate for people aged 25-64 in training and education in the past four weeks[11]) was higher in 2013 than it had been before

[11] 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).

the recession (albeit with a slight dip in 2011) (Eurostat online database, tsdsc440). There is great variation across Europe in terms of the rates of participation. Three Nordic countries top the table; in Denmark the rate is 31.7%, in Sweden it is 28.9% and in Finland it is 25.1% and the rates have increased in each of these three countries between 2008 and 2013. The lifelong learning rate is extremely low in other countries especially in Romania and Bulgaria, and also in Croatia, Greece, Slovakia, Hungary and Poland. See **Figure 28.** The greatest increases in the rate of participation, 2008-2014, have occurred in France, Sweden, Luxembourg, Portugal and Finland

As the European Commission has noted, Member States where lifelong learning was already the highest in 2008 have seen the most progress since then, specifically for the low-skilled, whereas progress has been lacking in some Member States (European Commission 2015a).

Figure 28 Lifelong Learning, (%) EU-28, 2008 and 2014



Source: Eurostat online database**, tsdsc440**

The European Commission draws attention to the fact that several of the countries with the highest rates of lifelong learning are also the world's most competitive (European Commission 2015a). Thus in 2014, Sweden and Denmark are ranked in the top 10 countries for competitiveness (as is Germany, whose rate for lifelong learning is below the EU average) (IMD Competiveness Scoreboard 2014).

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). Society is ever more dependent on literacy skills as a result of several issues such as 'low-skilled' work now requiring higher performance due to automation, information on public services being most readily available online, schooling requiring parental involvement, and goods/services being available for purchase online (Dorgan, 2009). Assessments of literacy across countries tend to be complicated processes and a number are available. We look briefly at one indicator of adult literacy across Europe – the OECD's Survey of Adult Skills (OECD, 2013).

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 different 5 levels of skill graded from below level 1 to level 4/5. **Table 4** shows the findings in respect of 17 European countries that participated in the surveys.

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

Average Literacy proficiency	Countries
Significantly above average	Finland the Netherlands Sweden Estonia Belgium (Flanders)
Not significantly different from the average	Czech Republic, Slovakia, United Kingdom (England/N.I.)
Significantly below the average	Denmark, Germany Austria Cyprus Poland Ireland France Spain Italy

Source: OECD, 2013: Survey of Adult Skills (PIAAC) (2012), Table A2.2a. OECD member countries that are outside the EU omitted from this table.

Italy (250 points) and Spain (252 points) record the lowest average scores, while Finland, 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. Certain limitations in the survey are acknowledged, thus there is a degree of uncertainty relative to these estimates. Furthermore, in this report we are looking only at one measure of literacy.

We can look at the five countries that score best - Finland, Netherlands, Sweden, Estonia, and Belgium - (that is, significantly above average for literacy proficiency of adults) in light of the education indicators already discussed (early school leaving, third level attainment of 30-34 year olds, participation in lifelong learning of adults). It is interesting to note that all five tend to be better performers across all indicators. Specifically, all have rates that are better than the EU average tertiary attainment (by 30-34 year olds). All but one also have rates of early school leaving which are better (that is, lower) than the EU average – Estonia being the exception with a rate only slightly above the average. All but one (Belgium) also have rates of participation in lifelong learning that are better than the EU average. This examination suggests that the policies pursued by some countries, seem to impact a range of different groups positively, most notably Finland, the Netherlands and Sweden. It is notable, for example, that while the Finnish education system is shown to already demonstrate a high degree of justice and equality (in the sense of socio-economic background of students having little influence on educational performance), the government has again in its current education-policy programme, 2011–2016, placed special focus on the prevention of poverty, inequality and exclusion (Schraad-Tischler Kroll, 2014).

When you look at the performance of the nine countries with *below* average literacy proficiency for adults across the other three indicators, it is more mixed. Seven of them have a better rate for early school leaving than the EU average, Spain and Italy being the exceptions (and the rate in Cyprus has improved only in recent years). Again seven of them score above average for third level attainment by 30-34 year olds – in this case Italy and Germany being the exceptions. However, when it comes to lifelong learning, all but 3 of them perform at levels lower than the EU average – the only exceptions being Denmark, Austria and France (and France displays a very big improvement in its performance on this indicator since 2008). Denmark is an interesting case, scoring well on most indicators and topping the league on adult participation in lifelong learning, but below average on average adult literacy proficiency.

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.

4.2 Education - Conclusion

This examination shows certain trends– early school leaving and third level educational attainment - that are improving in many countries, since 2008, but often in countries where achievements in these areas were high already. 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, most notably Finland, the Netherlands and Sweden. Overall, many countries still have relatively very low rates of participation in lifelong learning and have much to do to improve adult literacy. Furthermore, Europe needs to be able to adapt and to deal with problems that have been highlighted since 2008 such as the trend for young people to be neither in work nor education, especially in some countries in the periphery of Europe. Looking forward, of concern is that the ability to invest in important future-orientated policies in the area of education is considered to have been undermined by austerity measures in many countries (Schraad-Tischler Kroll, 2014).

4.3 Health Services

Access to high-quality health services is essential for good quality of life and inclusive growth, a main objective of the Europe 2020 strategy. Dramatic health spending reversals have occurred in recent years compared with the period prior to the crisis in OECD countries hardest hit by the crisis (OECD 2014). The crisis and the austerity response to it has ended a general trend toward increases in public expenditure on health in the EU – but countries with high public expenditure have likely been better able to cushion the consequent effects.

Eurofound has pointed to two likely healthcare impacts since the onset of the crisis - an increased demand for some health services and reduced financing due to reduced public budgets and decreased income levels among many users (Eurofound, 2013). The crisis has not only had a negative impact on access to healthcare services because of budget cuts, but access to healthcare for households has also been reduced when disposable income has declined (Eurofound 2014) For example, this has made it harder to pay where a contribution towards healthcare costs is obligatory (by means of co-payments) or health insurance fees, or for transport to a healthcare provider. A study from 2012 found that several countries having increased user charges for essential services, and describes this as a cause for concern, given that this disproportionately affects low-income groups (European Observatory on Health Systems and Policies, 2012).

While the health of some groups has been found to be unaffected by the crisis (or even improved), there has been an increase in the proportion of people in the lowest income quartile (lowest 25%) who report bad health (Karanikolos *et al,* 2013; Eurofound, 2013). 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, and this is something we will look at in more detail below (OECD, 2014).

A working paper on the short-term health impact of the crisis from the OECD suggests that at times of economic crises, mental health deteriorates and the prevalence of communicable diseases appears to rise, but at the same time there are fewer deaths from transport accidents (van Gool and Pearson 2014). The study also found that a higher rate of unemployment is strongly linked to lower health care use, which may have longer term consequences not evident in the available data.

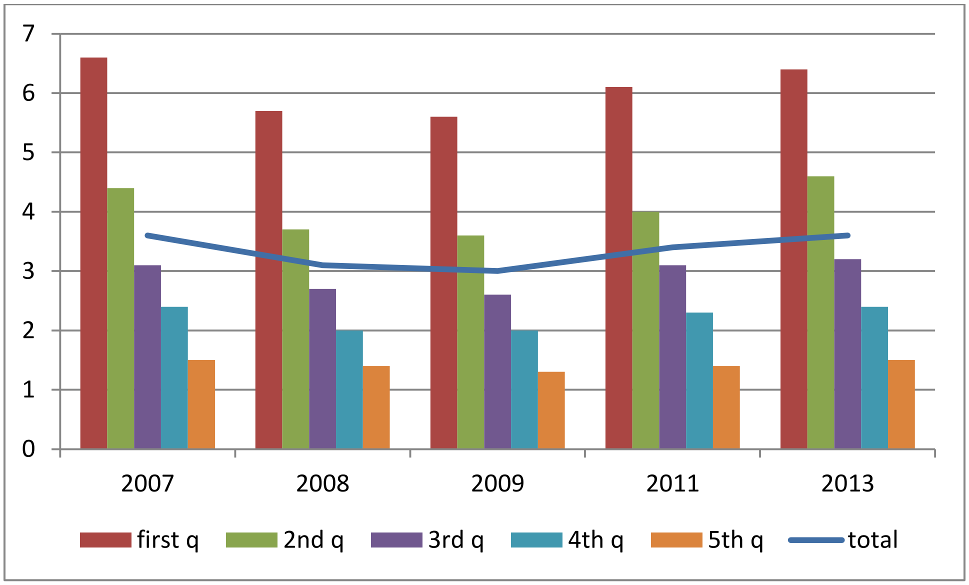
According to that OECD working paper (van Gool and Pearson 2014), the countries hardest hit by the economic crisis have seen the greatest health expenditure cuts in recent years. Greece and Ireland have experienced the sharpest declines in per capita health care spending: in Greece, health expenditure fell by around 11% in both 2010 and 2011 and in Ireland it decreased by 7.7% in 2010 and by a further 3% in 2011. Spending drops in Portugal and Spain were not as big but were still greater than the OECD average fall of around 4.3%. By contrast, in Germany and Hungary growth rates have remained relatively steady.

It is difficult in a report of this nature to assess impacts of the crisis and austerity measures following 2008 on the provision of health services. Their impacts are likely to be longer term for one thing. Furthermore, 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.

Having expressed those caveats, we will look at two approaches which both allow an examination over time. The first is self-reported unmet need for medical help which is published by Eurostat; the second, a combined and comprehensive approach that has been taken to assessing and comparing health impacts over time using a range of different indicators in the index of social justice published by Bertelsmann Stiftung (Schraad-Tischler Kroll, 2014).

Eurostat publishes rates of self-reported unmet need for medical examination or treatment over time, an indicator defined as the share of the population perceiving an unmet need for medical examination or treatment (online database code tsdph270). This is one of the social protection indicators used in the social protection performance monitor (SPPM) by the Social Protection Committee, and it worsened between 2008 and 2014 in 9 member states (Social Protection Committee 2015). 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).

FIGURE 29 SELF-REPORTED UNMET NEED FOR MEDICAL EXAMINATION OR TREATMENT DUE TO PROBLEM OF ACCESS (%), EU-28, 2007-2013, 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, thereafter EU28.

The average rate of perceived unmet need for medical treatment (due to its being too expensive or too far to travel or waiting list) was falling up until 2009 when it started to increase again. It rose from 3% (EU27) in 2009 to 3.6% in 2013 (the latest year in respect of which rates are published by Eurostat (Eurostat online database code hlth_silc-08). However, as **Figure 29** shows, the perception is very different between different income quintiles with more perceived unmet need in the poorer quintiles. While the perception of unmet need rose across all income quintiles between 2009 and 2013, it was least perceived in the top (or 5th) quintile and most in the bottom two quintiles. The change between 2009 and 2013 was greatest in the 2nd quintile.

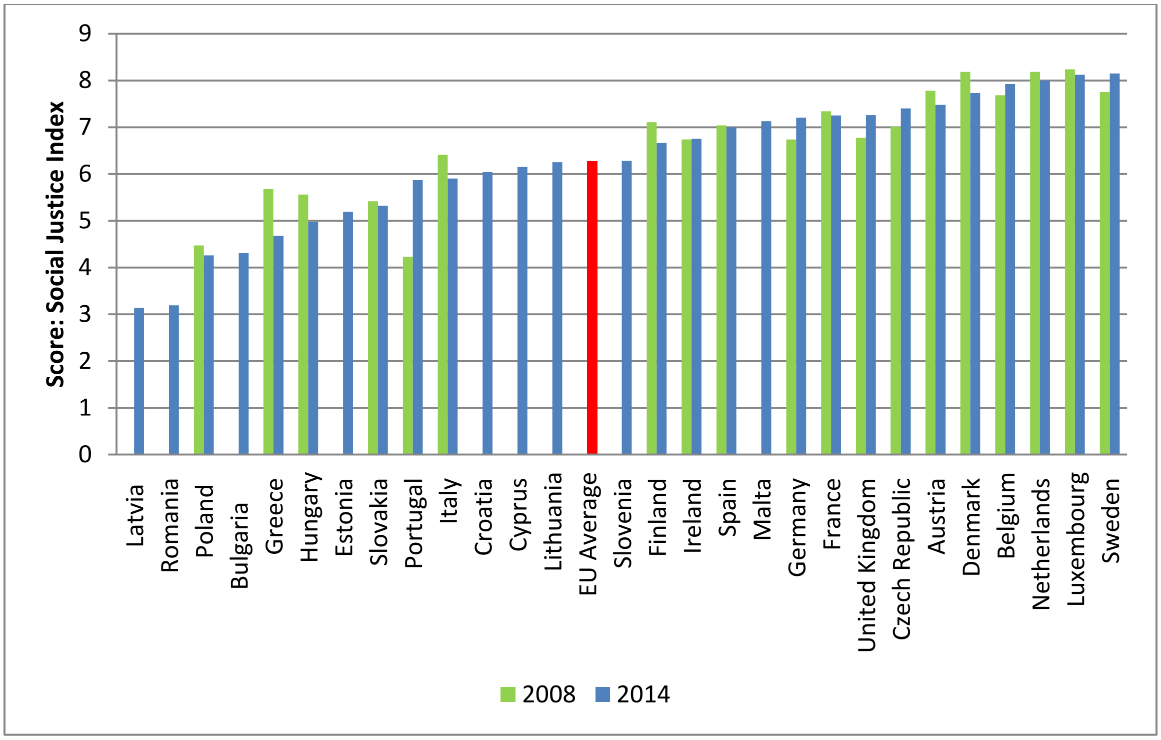
However, Eurostat warns that due to cultural differences between countries, this indicator should not be used to make international comparisons and for that reason we are not doing so. Also for this reason, we go on to look at the other, more comprehensive assessment, already mentioned.

The second approach to the performance of health systems in recent years that we look at here is the social justice index from Bertelsmann Stiftung.

First it is necessary to say a word about the approach taken to assessment of health systems. That report used five 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 Kroll, 2014). There are four quantitative indicators used and one qualitative. 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.

Based on this assessment of health, Sweden, Luxembourg, the Netherlands and Belgium and Denmark hold the top five positions, each with around eight points. The midfield ranges from Spain in 12th place to Portugal in 20th, whereas Latvia and Romania fall clearly at the last two places, each with well under four points. See **Figure 30**.

Figure 30 Health Score based on Social Justice Index, 2008 and 2014 (From Bertelsmann Stiftung)



Source: Schraad-Tischler Kroll, 2014 (Figure 27). **Note**: some countries were not surveyed in SGI 2009 and 2011. The years during which data would have been collected/analysed are earlier than 2008 and 2014 – in fact, 2008 relates to 2005-2008 and 2014 to 2011-2013.

Amongst the 19 countries for which comparison is possible with 2008, a deterioration is noted in 12 countries. The largest deterioration is seen in Greece, which has slipped more than a full point relative to the previous survey. Problems in Greece are associated with harsh austerity measures involving drastic cuts in the health care system and rising poverty which has meant that many people are no longer in the position to undergo essential treatments (Schraad-Tischler Kroll, 2014). Other countries in which deteriorations have been marked since 2008 include Hungary and Italy.

The authors of this report see clear differences in the quality of the health services provided as well as variations in ease of access – even amongst the higher ranked countries. For instance, in Sweden, the top-ranked country, while the system is considered very inclusive, waiting times from diagnosis to treatment are a problem, something which they have attempted to address through introduction of a 'care guarantee' entitling a patient to treatment within 90 days after first seeing a general practitioner - and this is thought to have somewhat improved matters.

4.4 Health - Conclusion

Dramatic health spending reversals have occurred in recent years compared with the period prior to the crisis in countries hardest hit by the crisis (OECD 2014). While the health of some groups has been found to be unaffected by the crisis (or even improved), there has been an increase in the proportion of people in the lowest income quartile who report bad health (Karanikolos *et al,* 2013; Eurofound, 2013).

There are difficulties in comparing health systems, health expenditures and health outcomes for different groups across countries, and the impacts of disimprovements /improvements to health systems manifest over time rather than in the short term, making assessment in this report very difficult. Two indicators that we have reviewed suggest that:

- Perception of unmet need for health care is greater amongst poorer people in Europe than richer and it has risen most in recent years amongst all income groupings but particularly amongst the bottom two quintiles of income;
- One assessment of the performance of health systems under a range of indicators (from Berteslmann Stiftung) suggests that those systems performing best are Sweden, Luxembourg, the Netherlands, Belgium and Denmark whilst those showing the greatest deterioration are Greece, Hungary and Italy (amongst 19 countries where comparison is possible); that being said, it is acknowledged that there can be perceived problems even in health systems that perform well in relative terms.

5. Taxation

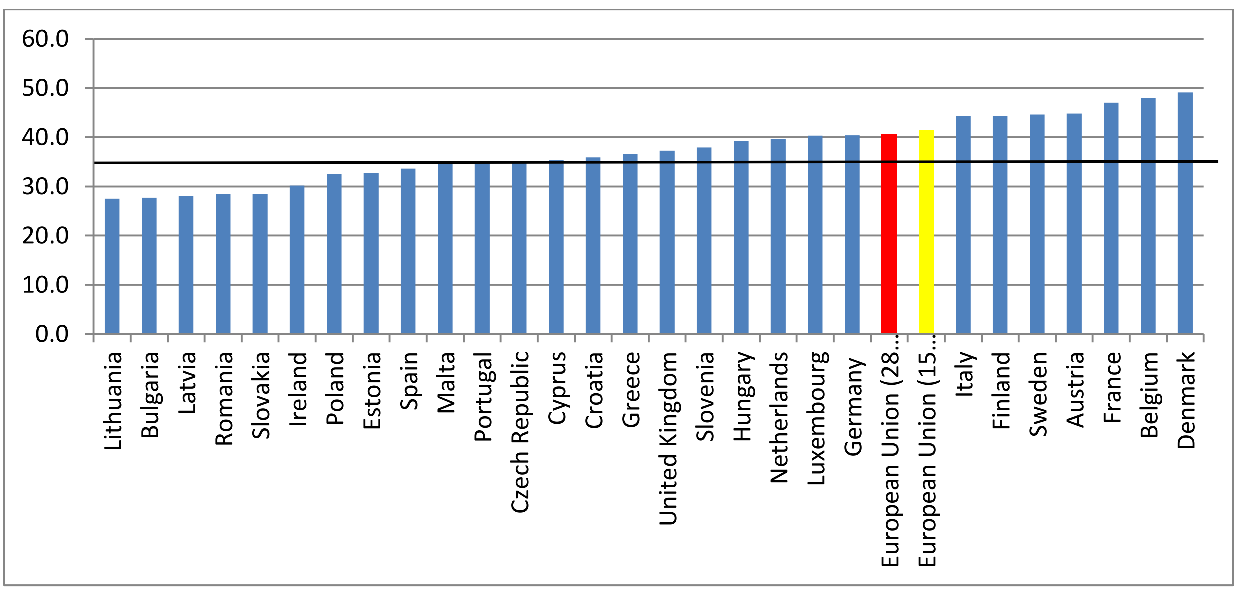
Taxation plays a key role in shaping societies by funding public services, supporting economic activity and redistributing resources to make societies more equal. Appropriate and equitable taxation levels and their targeting is also a subject of much debate and contestation within individual countries.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

5.1 Total Taxation

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[12] – 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).

Ratios are currently available up to 2012 and the average amongst EU-28 countries was 40.6% in 2012. Taken as a whole, the European Union is a high-tax area relative to some other countries such as the United States and Japan. However, as **Figure 31** shows, there is considerable variation between member states in the EU in respect of total taxes as a proportion of GDP. This ranges from Denmark, Belgium and France with the highest ratios (49.1%, 48%, 47%, respectively) to Lithuania, Bulgaria and Latvia with the lowest (27.5%, 27.7% and 28.1%, respectively). Eurostat appears to take 35% of GDP as a ratio that represents a low-tax approach (Eurostat 2008).

Figure 31 EU-28 Total Taxes (incl ssc) as a % of GDP, 2012

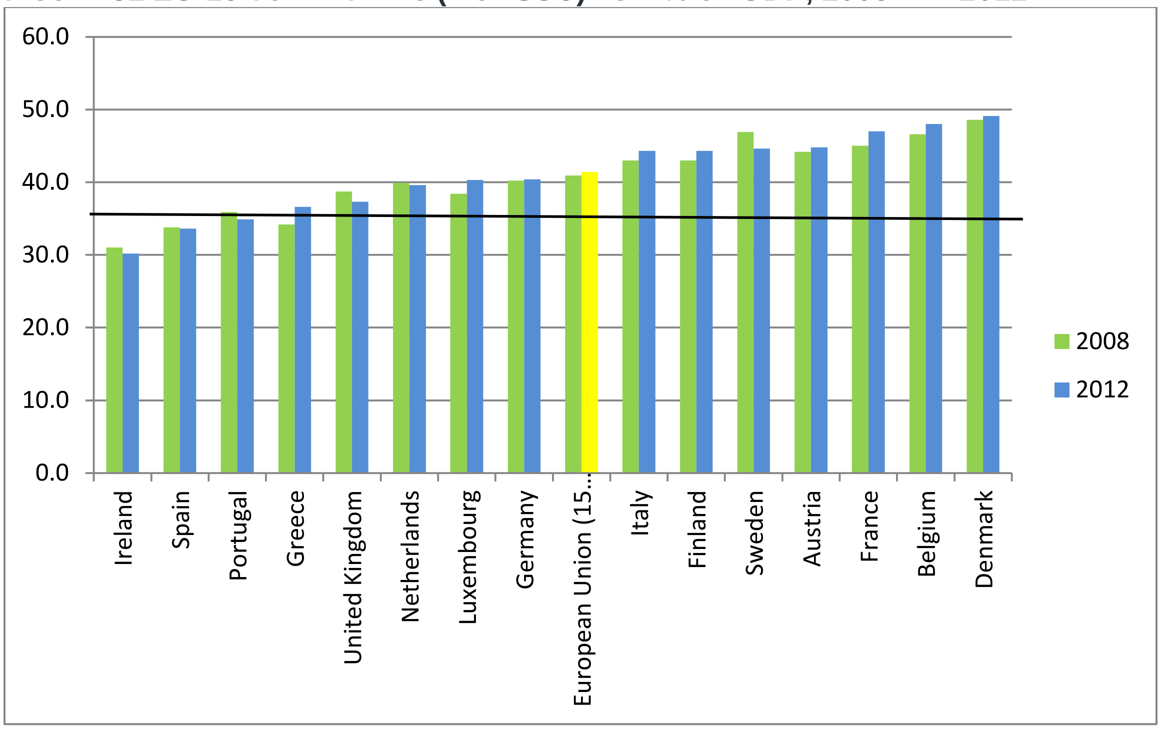


Source: Eurostat 2015 Online database: **gov_a_tax_ag**. Includes social security contributions. Line indicates 35%, or relatively low-tax threshold.

12 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)

Already before the 2004 enlargement, several member states had tax ratios close to 50% (such as the Scandinavian countries and Belgium), and also several low-tax Member States (such as Ireland, Spain, the UK and Greece) (Eurostat 2008). However, given the generally lower tax ratios in the accession countries, the 2004 and 2007 enlargement resulted in a significant decline for the EU average value. The highest ratios tend to be found in the 'old' 15 members of the EU. As is seen in **Figure 31**, the first nine highest positions in terms of overall tax ratio are all found amongst these countries.

FIGURE 32 EU-15 TOTAL TAXES (INCL SSC) AS A % OF GDP, 2008 AND 2012



Source: Eurostat 2015 Online database: **gov_a_tax_ag**. Includes social security contributions. Line indicates 35%, or low-tax threshold.

In **Figure 32**, the tax ratios are set out for EU-15 countries only for 2008 and 2012, which shows an average ratio of 41.4%, which is slightly higher than the average for EU-28 countries. When looked at in this way it is Ireland, Spain, Portugal and Greece – all countries hardest-hit during the recent recession and that required programmes of financial assistance – that have the lowest ratios. In the case of each of these countries, except Greece, the ratio has dropped between 2008 and 2012 (albeit only marginally in Spain). There is a difference of nearly 19 percentage points between Ireland (30.2%) at the bottom and Denmark (49.1%) at the top of the league (EU-15).

It is also worth noting that amongst the countries with the highest total taxation ratios relative to GDP are some of the most competitive countries in the world. According to the IMD Competiveness Scoreboard for 2014, Sweden, Germany and Denmark are amongst the countries rated as the world's ten most competitive. Other countries with a taxation rate of over 35% of GDP, such as Netherlands, United Kingdom, Finland, Austria, France and Belgium also feature in the world's top 30 most competitive countries.

Amongst the countries with the highest taxation rates are also some of the countries with the lowest rates of income inequality. Using the S80/20 measure of income inequality Czech Republic, Netherlands, Finland, Slovenia, Sweden and Belgium all have relatively low rates (2013) (which means that they have relatively low rates of difference between those at the top 20% and the bottom 20% of income) and all have total taxation rates at or above 35% of GDP. Conversely, some of the countries with the lowest total taxation rates also have the highest levels of income inequality (again using the S80/20 indicator) – notably Lithuania, Bulgaria, Latvia and Romania. It is also of interest, that, as discussed earlier, the social justice index use by Bertelsmann Stiftung found that opportunities for every individual to participate broadly (in things like education, health services and the labour market) are best developed in Sweden, Finland, Denmark and the Netherlands (Schraad-Tischler Kroll, 2014) – all countries with total taxation rates above 35%, some of them with rates considerably higher.

5.2 Total Taxation in light of other Key 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 social investment, rates of poverty or social exclusion and unemployment. We are again talking in this section about total taxation (including social security contributions) as a percentage of GDP.

Social Investment

How well countries perform in relation to social investment is set out in **Table 1, Section 1.4,** above, and compared with total taxation take in **Table 5,** below. 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%, and a third group with taxation levels below 35%. 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% line, and most are also above the EU average as indicated by **Figure 31** and in **Table 5**. These countries are Austria, Belgium, Germany, Denmark, Finland, France, Netherlands, Sweden and Slovenia.

When it comes to how the countries that are in Group 3 in relation to social investment (that is, the social investment approach has not made significant inroads into the overall policy agenda), it appears that six out of ten of them have taxation rates that are below the 35% line (many of them considerably so) and all but one (Italy) have taxation levels that are below the EU average. Thus Italy represents an exception, having a taxation rate above the EU-28 average and still appearing in the worst grouping in terms of the development of a social investment approach.

TABLE 5 EU-28: TOTAL TAXES AS % GDP AND APPROACH TO SOCIAL INVESTMENT

Taxation to GDP ratio (%) (2012)	Social Investment Approach
Above EU-28 average (%)	
Denmark, 49.1	

Belgium, 48	
France, 47	
Austria, 44.8	
Sweden, 44.6	
Italy, 44.3	
Finland, 44.3	
Below the EU-28 average but at or above 35% threshold (%)	
Germany, 40.4	
Luxembourg, 40.3	
Netherlands, 39.6	
Hungary, 39.3	
Slovenia, 37.9	
United Kingdom, 37.3	
Greece, 36.6	
Croatia, 35.9	
Cyprus, 35.3	
Czech Republic, 35	
Below 35% threshold (%)	
Portugal, 34.9	
Malta, 34.8	
Spain, 33.6	
Estonia, 32.7	
Poland, 32.5	
Ireland, 30.2	
Romania, 28.5	
Slovakia, 28.5	
Latvia, 28.1	
Bulgaria, 27.7	
Lithuania, 27.5	

Well established Social Investment Approach

Partial development of Social Investment approach; but still to develop a predominantly Social Investment Approach

Social Investment Approach has not yet made inroads

Source: Taxation: Eurostat 2015 Online database: gov_a_tax_ag; Social Investment Approaches as defined by European Social Policy Network (Bouget *et al* 2015).

Preventing Poverty or Social Exclusion
How well countries perform in relation to to preventing poverty or social exclusion is set out in

Figure 1, above, and compared with total taxation take in **Table 6Error! Reference source not found.**. The EU-28 average rate is 24.5%, and to facilitate comparision we divide countries into three groups: a group with a poverty or social exclusion rate below 21%; a middle group with rates close to the EU average at between 22 and 26%; and a third group with rates above 26%.

Almost all of the countries that have poverty or social exclusion rates that are low relative to the EU average also have taxation to GDP rates at or over 35%. These countries are Czech Republic, Netherlands, Finland, Sweden, France, Austria, Denmark, Luxembourg, Germany, Slovenia and Belgium. Czech Republic, which has the lowest poverty or social exclusion rate in the EU (and also the lowest at risk of poverty rate) has a taxation rate of 35% relative to GDP. Slovakia, Estonia and Malta are the only countries that have rates of poverty or social exclusion below the EU-28 average and also a taxation rate below the 35% line – although in the case of Estonia and Malta, their poverty or social exclusion rates are only marginally below the EU-28 average poverty/social exclusion rate and in the case of Malta, its taxation rate is only marginally below the 35% of GDP line.

Along with Estonia, the Czech Republic is considered to be a country with middling economic performance that is relatively effective at delivering fairness within society due to effectiveness of social policies (Schraad-Tischler Kroll, 2014). In the case of Slovakia, which has a relatively low income-poverty rate, it scores less well relative to severe material deprivation as does Czech Republic. Also, it must be acknowledged that average income levels in post-communist countries are still considerably below those in Western Europe.

Italy is the only country with a taxation rate above the EU-28 average that also has a relatively high rate of poverty or social exclusion. In a somewhat similar way, Greece and Hungary both have levels of poverty or social exclusion that are amongst the highest in the EU and both also have taxation rates above the 35% of GDP line.

TABLE 6 EU-28 TOTAL TAXES AS % GDP COMPARED TO RATES OF POVERTY OR SOCIAL EXCLUSION

Taxation to GDP ratio (2012)	Poverty or Social Exclusion Rate (2013)
Above EU-28 average (%)	(%) EU-28 average 24.5%
Denmark, 49.1	18.9
Belgium, 48	20.8
France, 47	18.1
Austria, 44.8	18.8
Sweden, 44.6	16.4
Italy, 44.3	28.4
Finland, 44.3	16
Below the EU-28 average but at or above 35% threshold (%)	
Germany, 40.4	20.3
Luxembourg, 40.3	19
Netherlands, 39.6	15.9
Hungary, 39.3	33.5
Slovenia, 37.9	20.4
United Kingdom, 37.3	24.8
Greece, 36.6	35.7
Croatia, 35.9	29.9
Cyprus, 35.3	27.8
Czech Republic, 35	14.6
Below 35% threshold (%)	
Portugal, 34.9	27.5
Malta, 34.8	24
Spain, 33.6	27.3
Estonia, 32.7	23.5
Poland, 32.5	25.8
Ireland, 30.2	29.5
Romania, 28.5	40.4
Slovakia, 28.5	19.8
Latvia, 28.1	35.1
Bulgaria, 27.7	48
Lithuania, 27.5	30.8

(green)	Countries with poverty or social exclusion rates below the EU-28 average *and* under 21%
(light green)	Countries with poverty or social exclusion rates close to or just above the EU-28 average of 24.5% (between 22 and 26%)
(red)	Countries with poverty or social exclusion rates above the EU-28 average *and* above 26%

Source: Eurostat online database code: t2020_50; Taxation: Eurostat 2015 Online database: gov_a_tax_ag;

Unemployment Rates
The unemployment rate for EU-28 countries (2014) is set out in **Figure 23,** above, and compared with total taxation take in **Table** 7**,** Error! Reference source not found.below (2012). To facilitate comparison, we divide European countries into three groups – those with the lowest unemployment rates (comprising 14 countries with rates below 9%), those whose rates are similar to the EU-28 average rate (comprising 5 countries with rates between 9 and 11%) and those with the highest rates (9 countries with rates above 11%). Twelve of the 14 countries with the lowest rates of unemployment have a taxation to GDP ratio above the 35% ratio (and amongst them, 5 countries have rates above the EU-28 average). They include Germany, Austria, Malta, Luxembourg, United Kingdom, Czech Republic and Denmark (the countries with the lowest unemployment rates in the EU).

By contrast, only 2 of the 9 countries with unemployment rates in the lowest grouping belong to the group of countries with taxation to GDP rate of below 35%. The two exceptions are Estonia and Romania – that is, they have taxation to GDP ratios of lower than 35% and also relatively low unemployment rates; however, Romania simultaneously has a relatively low employment rate. Again, the situation of Italy is notable – with a tax to GDP ratio above the EU-28 average but also an unemployment rate of 12.7%, more than 2 percentage points above the EU-28 average.

TABLE 7 EU28: TOTAL TAXES AS % GDP COMPARED TO RATES OF UNEMPLOYMENT

Taxation to GDP ratio (2012)	Unemployment Rate – Annual Average (%), 2014
Above EU-28 average (%)	EU-28 average 10.2% (2014)
Denmark, 49.1	6.6
Belgium, 48	8.5
France, 47	10.3
Austria, 44.8	5.6
Sweden, 44.6	7.9
Italy, 44.3	12.7
Finland, 44.3	8.7
Below the EU-28 average but at or above 35% threshold (%)	
Germany, 40.4	5.0
Luxembourg, 40.3	5.9
Netherlands, 39.6	7.4
Hungary, 39.3	7.7
Slovenia, 37.9	9.7
United Kingdom, 37.3	6.1
Greece, 36.6	26.5
Croatia, 35.9	17.3
Cyprus, 35.3	16.1
Czech Republic, 35	6.1
Below 35% threshold (%)	
Portugal, 34.9	14.1
Malta, 34.8	5.9
Spain, 33.6	24.5
Estonia, 32.7	7.4
Poland, 32.5	9.0
Ireland, 30.2	11.3
Romania, 28.5	6.8
Slovakia, 28.5	13.2
Latvia, 28.1	10.8
Bulgaria, 27.7	11.4
Lithuania, 27.5	10.7

Dark green	Countries with lowest unemployment rates (between 5% and 8.7%) (annual average, 2014)
Light green	Countries with unemployment average rates close to of just above the EU-28 average (10.2%) (between 9% and 10.8%) (annual average, 2014)
Red	Countries with highest unemployment average rates (11.3% to 26.5%) (annual average, 2014)

Source: Taxation: Eurostat 2015 Online database: gov_a_tax_ag; Eurostat online database une_rt_a

5.3 Conclusion

Looking at **Table 5, 6** and **7** together, we can say in broad terms that countries with rates of taxation above the 35% mark (of GDP) tend to also be amongst the countries with the most developed social investment approaches, to do better in terms of prevention of poverty or social exclusion and also (but slightly less strongly associated) in terms of prevention of unemployment. Countries in Scandinavia and Central Europe tend to demonstrate higher levels of taxation, better protection of their populations from poverty and social exclusion and also have lower unemployment rates. 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, they create the greatest access/participation for their populations to participate in society in a broad range of areas like education and health services.

However, not all countries with a relatively high tax take do well in relation to the other indicators that we have examined, notably Italy, an 'old' country in terms of the EU and also a southern one. Italy has a relatively high total taxation ratio to GDP but does not score well in relation to protecting people from poverty or social exclusion or in tackling unemployment and they are considered not to have a well-developed social investment approach.

In general, countries in the south and periphery of Europe tend to have lower levels of taxation and also less well-developed social investment approaches, higher rates of poverty or social exclusion and of unemployment. Amongst the newer accession countries – with a taxation rate at the 35% of GDP line – Czech Republic is notable for its performance in relation to prevention of poverty or social exclusion – although 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.

However, without raising resources, countries cannot invest in infrastructure and services required to promote inclusion and to sustain development.

6. Alternatives: Some Issues for Discussion

6.1 Introduction

As discussed in the introduction to this report, a country's success in macro-economic terms does not automatically lead to a just society. One review of social justice in European countries across a range of domains found that some countries with a comparably high GDP per capita (notably, Greece, Spain, Italy and Ireland) have a relatively low ranking on social justice (Schraad-Tischler Kroll, 2014). Working to create greater equality through improved participation opportunities (in areas such as education, health, labour-market) is recommended for these countries. The same report found that in some respects the policies pursued in countries that are poorer in economic terms (notably, Czech Republic, Slovenia and Estonia) show a comparatively high degree of social justice.

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 Europe 2020 strategy aims to put people first to create 'more jobs and better lives'. But rising inequality and widespread poverty put the Europe 2020 strategy, adopted in 2010, as an 'inclusive growth strategy' in serious jeopardy (Hemerijck 2014). The European Commission acknowledges that countries providing high quality jobs and effective social protection as well as investment in human capital have proved more resilient in the economic crisis (European Commission 2015a).

As already alluded to, during the recent 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 have been affected by the economic crisis followed by harsh austerity policies and they associate this with the European Union. Meanwhile talk of an economic recovery has yet to be experienced by many people in Europe and the EU's efforts to create a more socially just Europe, have not been as comprehensive, visible or as effective.

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 the goal of budgetary consolidation and the resolution of the debt crisis, but also with promoting justice and promoting 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 wish to discuss some current debates and to 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

Good social protection systems are vital not only to social wellbeing but also to economic development. The EU's active inclusion strategy envisages that the individual's basic right to resources and social assistance sufficient to lead a life that is compatible with human dignity is part of a consistent drive to combat social exclusion (2008). According to the International Labour Organization, effective social protection floors can be afforded by countries whatever their level of economic development (2013).

Debates about how to achieve adequate income often involve discussions of (1) minimum wage, and increasingly the living wage, (2) minimum income schemes, something that is now garnering increased support in Europe, 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). Most Member States of the EU have binding minimum wages in place although their impact can differ considerably, and cuts to the minimum wage occurred in some countries following the economic crisis. 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.

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, but recent campaigns have attracted research on it and support for it. For example, in the UK, KPMG recently reported that raising the Minimum Wage to the Living Wage would take just 1.3% of the national wage bill and lift six million people out of poverty (KPMG 2015). The website of the Living Wage Foundation lists employers that have adopted it. They include over 1,500 employers such as Santander, Barclays, Aviva, ITV, Transport for London, Oxfam and UNICEF, and, recently, IKEA, the first large retailer in the U.K.

to commit to the living wage for its workers. The Conservative Government in the UK has in 2015 announced that it will become mandatory.

Minimum Income Schemes

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. Recent years have witnessed a tendency to tightened eligibility conditions (Frazer & Marlier, 2009). Lack of adequate minimum income schemes in several countries has been highlighted since the crisis in Europe, and we have illustrated this in our introduction to this report. In many European states they play an important role in reducing the depth of poverty and social exclusion, but in some countries there are still many people on low incomes who cannot access them and some are set at a low level which does not lift people out of poverty.

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).

As referenced in Section 1 of this report, the issue of a minimum income scheme across Europe is now receiving attention at European level, partly influenced by events of recent years. In particular, the establishment of an imperfect monetary union within the Eurozone has meant that a common nominal interest rate has had different impacts on countries at different stages of the economic cycle, and has contributed to the amplification of booms and recessions in member states. A Communication from the European Commission on the issue of strengthening the social dimension of the EMU raised the issue of a stabilization scheme to absorb shocks - an insurance system to pool the risks of economic shocks across member states (2013d). In June 2015, the Employment Commissioner has said she wants to see minimum unemployment benefits, a minimum income, access to child care, and access to basic health care in all 28 countries (Mahony 2015).

There are many variants possible in the approach taken; one option being discussed is the creation of an unemployment benefit system for the Euro area, which in effect, would involve shifting some of the unemployment expenditure to the ‘federal’ level. Those critical of this approach are likely to argue that the existence of such a scheme would cause countries to rely on it as a backstop and defer essential reforms. However, this approach is considered capable of providing better stabilisation in the event of future economic/unemployment shocks at relatively low cost (Marselli and Beblavy 2015).

Social Justice Ireland believes that this initiative by the EU Commission is very welcome in terms of refocusing on social Europe, and looks forward to hearing more of the detail proposed.

Basic Income Schemes

The inability to tackle unemployment with conventional means has led to the idea of a basic income being discussed throughout Europe and more widely. 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. The basic income would replace income from social welfare for a person who is unemployed and replace tax credits for a person who is employed (Healy *et al*, 2012).

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 which is observed in some EU countries. For example, Eurofound found that groups in vulnerable situations sometimes do not receive the benefits they are entitled to (relating to public pensions, to support for over-indebtedness, and healthcare) (Eurofound 2015). It also removes unemployment 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. They differ too in how they are financed. 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.

Proponents of basic income see it as an inclusion measure to address the problem of large numbers of people excluded from modern economies, including people who do not have paid work and in a world where paid employment cannot be permanently guaranteed for everyone seeking it – thus it is intended to provide meaningful participation by moving beyond a wage-based society.

Opponents of basic income focus on perceived restrictions of freedom or on a perceived high tax rate to finance it and one of the features of the international debate revolves around the role of society as against the role of markets (Government of Ireland, 2002).
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. According to the Basic Income Earth Network, many prominent European social scientists have now come out in favour of Basic Income - among them two Nobel laureates in economics.

A range of countries have introduced basic income schemes (or partial schemes). For example, 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 published a detailed study which identified 123 Basic Income systems in various parts of Sub-Saharan Africa (Garcia and Moore, 2012). According to the Basic Income Earth Network, recent developments in Europe include the new Finnish government committing to a Basic Income pilot as part of its programme for government (in 2015). In the Netherlands city of Utrecht, a pilot project has been announced in 2015, and it is thought that other municipalities may follow that example.

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). Thus 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, with its move away from industry and manufacturing towards a ‘knowledge economy,’ is capable of delivering what is now needed. Can the ‘trickle-down effect,’ that is, the wealth and job creation potential of entrepreneurs and wealthy individuals, 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% 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. Economist/Philosopher Amartya Sen supports the right to work because of the enormous economic and social costs of unemployment (1999). 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% of the labour force; unless the public sector provides jobs for the remaining workers seeking employment, unemployment will remain high[13] (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[14]. It also results in a multiplier effect from the

[13] 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.
[14] 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; a costed proposal has been

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 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.

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 recently 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.

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published in Greece by the Observatory of Economic and Social Development and other organisations (Antonopoulos *et al,* 2014).

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, 2014).

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.'

With many European countries still implementing austerity measures and growth levels still subdued and unemployment still high in many countries, there is a need for policy-makers to consider investment on a sufficiently large scale to create growth required to generate the jobs. Many observers believe Europe's nascent recovery is far too feeble to seriously overcome the dramatic social crisis that Europe is confronted with today (Hemerijck 2014).

Due to the new EU governance rules, any such 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 of general interest' 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 system are recognised as operating in Europe[15] 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 further debate about a genuine 'social' dimension to the EMU. We have discussed the Social Investment Package in **Section 1.3** of 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, 2013e).

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. In the years ahead there is a real danger that in hard-hit countries there will be a growing marginalization of social spending. This danger is exacerbated in the Eurozone because national and EU monetary authorities have very little room for manoeuvre. The emphasis is on deficit reduction, 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.

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[15] 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).

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

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 are experiencing a sense of frustration with consequent risks of alienation and social disruption. There is evidence of declining trust in public institutions and increases in social tensions and increases in euro-scepticism. 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**) and this lesson has been underlined by events in Greece following the referendum in July 2015.**

Ways of addressing this 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 and there is some evidence of a renewed commitment to dialogue with social partners. For example, in March, 2015, the European Commission organized conference 'A new start for social dialogue', bringing together leaders of European and national employers' and workers' organisations, and others. 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.

7. Summary, Conclusions and Recommendations

7.1 Summary of Findings

Europe has moved further away from the poverty-reduction target it set itself in 2010 under the Europe 2020 Strategy and now needs to lift some 25 million people out of poverty or social exclusion by 2020 in order to achieve the target set – something that is not considered likely. Impacts have been especially marked on the working age population and as a consequence on children.

Overall Europe is also very far away from achieving the 75% employment target set in 2020 and employment levels in 2014 are still below pre-crisis levels. Several countries, including Sweden, Germany, United Kingdom, Netherlands and Denmark have exceeded or are very close to the 75% employment target, while other countries, especially in the south and periphery of the EU are very far away from achieving it. While there have been very welcome improvements in relation to employment rates in recent times, large numbers are still affected.

Some key Statistics:

- 123 million people (EU-28) or 24.5% of the population of the EU (that is, almost 1 in 4 people) are at risk of poverty or social exclusion and those affected have increased by over 6 million people (in EU-28)[16] between 2008 and 2013 (2013 being the latest year for which rates are available across Europe).
- 26.3million children (under 18) or 27.7% (thus approaching 30% of the children of Europe) are at risk of poverty or social exclusion and their numbers have increased by over 1 million since 2008.
- Some 23.5 million people are unemployed in the EU-28, of whom 4.7 million are young people aged under 24 (Eurostat 2015 - April).

This review identifies a number of worrisome trends in Europe between 2008 and 2014. In terms of overall developments concerning adults, these include:

- An increase in poverty or social exclusion in 19 member states (to 2013);
- An increase in both the risk of poverty rate and the severe material deprivation rate in 15 member states (to 2013);
- Increases in unemployment in almost all countries in EU-28 with the highest rates in 2014 in Greece, Spain, Croatia, and Cyprus;
- Extremely high rates of youth unemployment especially in Spain, Greece, Croatia, Italy and Cyprus. These countries were also the countries where the rate disimproved most, 2008 to 2014; Germany was the only country in which it improved;
- Half of unemployed people in EU-28 are long-term unemployed (that is, for a year or more) (at end of 2014) and the share of long-term unemployment is extremely high within some countries; long-term unemployment is associated with risk for poverty and social exclusion;
- Deterioration in many of the new dashboard of indicators (SPPM) developed by the Social Protection Committee especially in some countries, notably those at the periphery of Europe.

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[16] Eurostat doesn't publish the figure for 2008 for EU28 as that was before the accession of Croatia and 2008 rates are not published for Croatia

In recent months, very long-term unemployment (for 2 years or more) has continued to increase, while overall unemployment has declined somewhat.

The working poor – those who have a job but still live in poverty – represent one third of working-age adults who are at risk of poverty. Many of the new jobs created recently are temporary or part-time and job instability has increased especially for men and young people.

It is generally accepted that the consequences of childhood poverty are extremely serious both for individuals and for the future of societies and economies. And yet this review finds the position of children to have worsened greatly since 2008. For example, between 2008 and 2013, there have been increases in:

- the poverty or social exclusion rates for children in 20 countries (out of 27);
- the risk of poverty rate for children in 17 countries (out of 28);
- the rate of severe material deprivation for children in 19 countries (out of 27);

Furthermore, there were only 8 countries in 2013 in which the poverty or social exclusion rate was lower for children than for the general population. The negative implications of such high levels of child poverty, social exclusion and deprivation are well recognised, as is the fact that they pose a challenge for the longer-term future of European countries (Social Protection Committee 2015a).

During the recession, pensions operated as a very welcome stabilising factor in the economies of many countries especially where payments were not cut. In Greece there are many reports of whole families being supported on the modest pension of grandparents. That being said, 16.4 million older people (or nearly 1 in 5) are affected by poverty or social exclusion. There is great variation between countries in the rate, with many of the newer accession countries having extremely high rates. There have been increases in the severe material deprivation rate of older people in 12 countries between 2008 and 2013.

Financial distress of households (defined as the need to draw on saving or to run into debt to cover current expenditures) is running at relatively high levels, affecting just under 15% of the population and with a big range between different countries.
Financial distress is much higher for low-income households than in the highest income households and again there is much variation in rates between countries.

Income inequality (according to the S80/20 ratio) is particularly high in many southern and eastern European countries and while improvements have occurred in some countries, this is often in countries that continue to be very unequal.

Where education is concerned, progress is in evidence in many countries in relation to the two high level targets set in the Europe 2020 strategy (on tackling early school leaving and promoting third level attainment), but often progress is seen more in countries that are already performing well. Meantime, average levels of adult literacy remain at a relatively low level in some countries – even amongst the original members of the EU. There is also great variation between countries in relation to adult participation in lifelong learning, with Denmark, Sweden and Finland demonstrating high levels of participation and some other countries – especially amongst the newer accession countries – demonstrating very low levels indeed. Member States where lifelong learning was already the highest in 2008 have been the ones that have tended to increase participation rates since. There are several original member states which continue to have low levels of participation, notably Greece, Ireland and Belgium.

The countries hardest hit by the economic crisis have seen the greatest health expenditure cuts in recent years. Notably, Greece and Ireland have experienced the sharpest declines in per capita health care spending and spending drops in Portugal and Spain were also greater than the OECD average decline. By contrast, in Germany and Hungary growth rates have remained relatively steady. The perception of unmet need (due to problems with access) has risen amongst all income groups (quintiles) across Europe between 2009 and 2013, but it has been most felt amongst the poorer groups. According to one measure of social justice within health systems, a deterioration is noted in 12 countries amongst the 19 for which comparison is possible with 2008 (Schraad-Tischler Kroll, 2014).

Overall very big discrepancies exist between member states and between different groups as analysed under many of these indicators, such as in relation to poverty or social exclusion, severe material deprivation, income inequality and financial distress and also in relation to unemployment, education and lifelong learning and health.
Here we refer to just a few examples of the wide discrepancies between states:

- **Severe material deprivation:** This is not significant in Scandinavian countries but affects large percentages of the population in the Eastern European countries of Bulgaria, Romania, Hungary, Latvia and also in Greece. It also affects very large percentages of older people in some of these countries (notably Bulgaria), whereas the percentages of older people affected in other countries (Sweden, the Netherlands, Luxembourg, Denmark and Finland) are quite low.
- **Unemployment:** A gap of nearly 20 percentage points exists between the country with the highest rate of unemployment (Greece) and that with the lowest (Germany) (April 2015). Very high rates of increase in the unemployment rate between 2008 and 2014 are seen in Greece, Spain, Cyprus, Croatia, and Italy, but there was a slight improvement in Germany, and a marginal one in Malta and Hungary.
- **Youth Unemployment:** There have been very steep increases in many countries in youth unemployment since 2008. A gap of approximately 45 points exists between the countries with the highest rates of youth unemployment (Spain and Greece) and that with the lowest (Germany). The NEETS rate (young people neither in employment nor education/training, age 15-24) also varies a lot between countries, as does the rate at which it has increased since 2008; some of the countries worst affected by youth unemployment also have the highest NEET rates.

One of the most serious divergences between European countries that the crisis and the years following it have highlighted is that there are serious gaps in the social welfare systems of many European countries, which often leave people who are unemployed or long-term unemployed with little or no safety net and cause great hardship in some countries, typically in the south. European leaders must address this problem and recent signs of an initiative in this area are welcome.

We also looked at total taxation in EU-28 countries (including social security contributions) and noted that, in broad terms, countries with rates of taxation above the 35% mark (of GDP) tend to also be amongst the countries with the most developed social investment approaches, do better in terms of prevention of poverty or social exclusion and also (but slightly less strongly associated) in terms of prevention of unemployment.

Divergences in Europe's social situation bring risks of a breakdown in social cohesion both within and between countries. Great disparities in wealth and power divide society into rich and poor, powerful and powerless, and this weakens the bond between people and divides society between the lucky and the left out. As one review of developments in social justice in the EU[17] has argued, the gap between opportunities to participate in society in still-wealthy countries of northern Europe and in the crisis-struck southern nations has widened creating a 'highly explosive situation with regard to social cohesion and social stability within the European Union,' one which if it continues threatens the viability of the entire European integration project (Schraad-Tischler Kroll, 2014).

7.2 Conclusions and Recommendations

There has been a subdued recovery in Europe since 2013 along with welcome improvements in the employment situation. However, rates of poverty and/or social exclusion are still very high. Unemployment, especially youth unemployment, is also very high in many countries and at the same time key public services have been under pressure and there has been a lack of public investment which is detrimental to sustained economic improvement.

Millions are unemployed and many more millions live in poverty and/or social exclusion. In some countries, gaps in protection systems leave many people in extreme situations, while, in addition, cuts to public services disproportionately affect lower-income groups. There has also been a rise in precariousness of working conditions for many people. The life-chances of many children are adversely affected by more precarious working situations (of their parents), cutbacks in benefits and reductions in key services. Very great divergences exist and have worsened in many cases between member states of the EU and between different groups within countries, something that undermines trust and cohesion. The people affected are not the people who benefitted from the unsustainable debt levels amongst private banks that led to the crisis of 2008. This situation is very far from the inclusive growth approach to which the Europe 2020 Strategy commits the EU.

A fair solution to the debt crisis has not yet been found, and turning banking debt into sovereign debt is still to be recognised as having been unfair and unsustainable for all affected countries. Furthermore, if Europe is to avoid repeating mistakes made already, the issue of moral hazard must be addressed within banking. In other words, the financial system must not be insulated from risk, with the consequent incentive to reckless behaviour.

Past experience shows that improvements in the labour market do not necessarily lead to a reduction in poverty. This implies that, independent of any improvement in the economic and employment outlook, a combination of effective policy interventions is required. The likelihood of escaping poverty on a lasting basis when moving into employment depends on the quality of jobs, including decent pay and sufficient working hours to earn a living, and also on measures supporting households that are increasing their level of labour market participation (for example, taxation for the second earner, childcare and other measures) (European Commission 2015a). The OECD argues that maintaining and strengthening support for the most vulnerable groups must be part of any strategy for economic and social recovery and fiscal consolidation measures must be designed in a way that demonstrates that poor people may suffer more from

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[17] The study examined six dimensions of the goals of social justice: poverty prevention, equitable education, access to the labour market, social cohesion and non-discrimination, health and intergenerational justice.

spending cuts than from tax increases (OECD, 2014). Similarly the Social Protection Committee has called for a focus on policies that foster growth and facilitate the creation of more and better jobs and fight against poverty and social exclusion (2014).

In Europe, economic priorities dominate social priorities. The dominant narrative and the policies coordinated from Europe and enshrined in Europe's new governance structures prioritise austerity approaches and suggest that more austerity is what is required - but when the situation of vulnerable people of Europe is considered, this is not acceptable. Austerity continues to be prioritised, even though widely contested as an economic approach, and despite evidence that it has exacerbated both economic and social problems caused by the economic crisis and notwithstanding the very great reaction against those policies by many citizens, most strikingly in recent times in Greece. There is a perception the European technocrats are insulated from the experience of the poorer people of Europe – something that is corrosive of trust in the whole European project.

As already mentioned, the European Commission has concluded 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). Thus there are signs that there is an understanding amongst some EU leaders of the need to reprioritise social objectives. But the current EU policy approach is characterised by its inconsistency - demonstrating a knowledge that social investment is required for sustained economic development and at the same time requiring austerity and short-term reductions in government deficits/debt levels (particularly for programme countries and those subject to the Excessive Deficit procedure) which simultaneously worsen social problems that the targets of the EU 2020 Strategy seek to address.

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.

A more inclusive and sustainable approach requires that European leaders recognise that on its own, focusing narrowly on austerity measures and structural reforms to reduce government borrowing and the debt/GDP ratio within a short time-span is failing in both economic and social terms and that a new strategy is urgently needed. Greater EU-wide awareness is needed of the problems facing certain countries and certain groups (young people, for example) and of the disparities that have arisen and are increasing between countries. This is necessary for a future socioeconomic strategy for the EU that is not only concerned with budgetary consolidation and the resolution of the debt crisis, but also with promoting social justice within the EU. Leadership at EU level in relation to vulnerable groups is critical to this and is increasingly proving critical 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 in the economic processes of the European Semester. The priorities of Annual Growth Surveys should focus on long-term

social objectives of the Europe 2020 Strategy, 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

- 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 further sub-targets into the Europe 2020 Strategy process. Sub-targets for poverty reduction should be added 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 incorporating 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, including for countries in receipt of programmes of financial assistance.

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 basic health) across member states.

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 established under the Europe 2020 strategy 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 the Youth Guarantee initiative, which requires more resources to make a significant impact[18].

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:** Recent EU Commission initiatives to reengage the social partners are welcome, but it is vital to the future of Europe that EU policy-making engages meaningfully with stakeholders representing poorer people and those most affected by the financial crisis and austerity measures since 2008.

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 currently blocking needed, viable investment need to be adjusted.

2. **Strengthen Welfare Systems:** Governments now 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 minimum income schemes do not exist they should be instituted.

3. **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.

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[18] One estimate of the cost to implement a youth guarantee programme across the Eurozone was €21billion (International Labour Organisation 2012). The estimated loss to society of the disengagement of young people from the labour market is €153billion (2011) corresponding to 1.2% of European GDP (The European Foundation for the Improvement of Living and Working Conditions 2012).

4. **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.

5. **Tackle Tax Evasion**: Tax evasion and the grey economy are a particular problem in some countries where a disproportionate burden of adjustments fall 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.

6. **Consider how Government could become an employer of last resort**: Given the huge fall in employment and its impact on unemployed people of every age, governments should consider being an employer of last resort through voluntary programmes framed so as not to distort the market economy.

7. **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.

8. **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 cuts to services 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

9. **Avail of the social investment aspects of the programming of EU funds,** 2014-2020 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

SPPM or Social Protection Performance Monitor: A set of indicators known as a dashboard developed by the Social Protection Committee intended to give a comprehensive picture of the main changes in the social situation of Europe and to lead to identifying important trends to watch (negative and positive developments) (Social Protection Committee 2012). They include the headline indicators used in monitoring the Europe 2020 strategy, namely risk of poverty or social exclusion and its three constituent indicators. They also include a number of indicators intended to capture the following: intensity of poverty, income inequalities, child poverty, effectiveness of social protection systems, social consequences of labour market situation, youth exclusion, active ageing, pensions' adequacy, access to decent housing, health.

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% of the population with the highest income (the top quintile) to that received by the 20% 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

Excessive Deficit Procedure – This is the corrective arm of the Stability and Growth Pact requiring that Member States adopt policy responses to correct excessive deficits relating to thresholds of 3% of deficit to GDP and 60% of debt to GDP. Countries placed in Excessive Deficit Procedure are given a deadline of six months (or three months for a serious breach) to take effective action to comply.

Fiscal Compact - The Fiscal Compact, which entered into force in January 2013, runs in parallel with the Stability and Growth Pact. It requires that the member States who have signed up to it maintain:

- A structural deficit limit of 0.5% of GDP (cyclical effects and one-off measures are not taken into account); 1.0% of GDP for Member States with a debt ratio significantly below 60% of GDP or be working towards that target within time limits specified (this is sometimes called the “deficit brake”).
- General government debt of not more than 60% of GDP; if it is more than 60%, they must be reducing it at the rate of one twentieth each year (this is sometimes called the “debt brake”)

Significant penalties are envisaged for breaches of its terms.

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 % 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%, 50% or 70%.

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).

Stability and Growth Pact was introduced as part of the Maastricht Treaty in 1992, and came into effect in 1998, but its enforcement was problematic. Its enforcement provisions were strengthened by the so called 'Sixpack' in 2011. It set limits on member countries budget deficits and levels of gross debt at 3% and 60% of GDP respectively; it applies to all member states with some specific rules for the EURO area. The Excessive Deficit Procedure operationalises the limits on the budget deficit and public debt given by the thresholds of 3% of deficit to GDP and 60% of debt to GDP not diminishing at a satisfactory pace.

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. The data available as this report is prepared relate to 2013, being the latest year for which Europe-wide data are available 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 % of the national median (or middle) equivalised disposable income (after social transfers) (Eurostat, t2020_50)[19].
>
> (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% 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 during recessions when the incomes of all households often decline. 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.

[19] 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%.

Social Justice Ireland is an independent think-tank and justice advocacy organisation of that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.

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